CASABLANCA
GROUP LIMITED

(INCORPORATED IN THE CAYMAN ISLANDS
WITH LIMITED LIABILITY)

STOCK CODE: 2223

30th

SLEEP GREEN
GO WITH CASA TECH

INTERIM REPORT 2023



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About Casablanca

Casablanca Group Limited, since its establishment in 1993 in Hong Kong, primarily engages in designing, manufacturing, distribution and retailing of bedding products with a focus on the high-end and premium markets under its proprietary "Casa Calvin", "Casablanca" and "CASA-V" brands. The Group's products include three main categories: bed linens, duvets and pillows, and home accessories. The Group is one of the leading branded bedding products companies in the PRC and Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the "**Board**") of directors (the "**Directors**") of Casablanca Group Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2023 (the "**Period**" or the "**Review Period**").

Overview

The novel coronavirus disease ("**COVID-19**") in the Greater China Region (for the purpose of this report, comprising the People's Republic of China (the "**PRC**" or "**Mainland China**", excluding Hong Kong, Macau and Taiwan for the purpose of this report), Hong Kong and Macau) has largely been under control since the end of 2022. As both the PRC government and the Hong Kong government have been lifting gradually their COVID-19 related anti-pandemic requirements and inbound quarantine measures, the Greater China Region is back on the track to normalcy. However, in the first half of 2023, the global economic condition did not show significant improvement, resulting in a decline in exports from the Greater China Region. In addition, it is estimated that the economic recovery of Mainland China driven by domestic demand will be slower than expected, continuing to dampen consumer confidence in the Greater China Region. In respect of the Hong Kong market, after the lifting of the inbound and outbound quarantine measures, the number of visitors from Mainland China to Hong Kong has yet to rebound to the level before pandemic, while the number of Hong Kong citizens travelling to and consuming overseas or in Mainland China increased significantly. The flow and the retail situation at shopping malls in Hong Kong did not meet the original expectations. During the Review Period, despite the distribution of electronic consumption vouchers to the citizens by the Hong Kong government once again, the effect of boosting consumer sentiment was markedly weakened. Moreover, the fact that COVID-19 related anti-pandemic subsidies were no longer given by the Hong Kong government to enterprises as they were for the past two years led to retail enterprises in Hong Kong generally facing continuous operating pressure during the first half of 2023.

Business Review

There was no material change in the Group's operational and segmental information since the annual report for the year ended 31 December 2022 was published. During the Review Period, total sales revenue of the Group amounted to HK$128.9 million, representing a decrease of 10.4% as compared to HK$143.7 million for the corresponding period of 2022. During the Review Period, loss attributable to owners of the Company was HK$8.6 million, as compared to the profit attributable to owners of the Company of HK$2.6 million for the corresponding period of 2022. The turnaround from profit to loss attributable to the shareholders of the Company (the "**Shareholders**") was mainly attributable to (a) the decline of sales as a result of the weak retail sentiment in Hong Kong and the lack of a one-off large scale wholesale; (b) the increase in selling and distribution costs, which was primarily due to the staff costs and promotion fees incurred for the livestream sales business in Mainland China; and (c) decreases in other income/gains including, among others, the inavailability of COVID-19 related grants received under the Employment Support Scheme 2022 launched by the Hong Kong government in 2023, and the absence of gain on disposal of property, plant and equipment for the six months ended 30 June 2022.

Adjusted Sales Channels

As of 30 June 2023, the Group had a total of 175 points of sales ("**POS**") (31 December 2022: 205), among which 98 were self-operated POS and 77 were distributor-operated POS. During the Review Period, the Group's self-operated retail sales and sales to distributors declined by 8.0% and 35.6% year-on-year, respectively, due to the low consumer confidence in the Greater China Region and the reduction in number of distributor-operated POS during the Review Period.

During the Review Period, we launched various promotional offers with different themes from time to time at our Hong Kong official online store, including "Limited-Time Offer" and "Flash Sale Tuesday", which gained supports from consumers. Our e-commerce team in Mainland China conducted an in-depth operational data analysis, covering areas including customer distribution by regions, product strategies, sales platforms, etc., which helped to improve the strategy for the contribution of the online revenue to the Group. Although the livestream sales business commenced at the end of 2022 is still in its exploratory stage, it has contributed a certain amount of revenue to the Group during the Review Period. During the six months ended 30 June 2023, e-sales of the Group increased by 31.9% as compared to the corresponding period last year.

During the Review Period, the Group supplied items for giveaway campaigns and point redemption schemes of various commercial customers in Hong Kong, including convenience stores, electrical appliance chain stores, public utility companies and personal care products brands. In addition, the Group provided original equipment manufacturing (OEM) products to various customers. During the Review Period, the sales to other customers by the Group decreased by 47.0% as compared to the corresponding period last year due to the lack of a one-off large scale wholesale.

Enhanced Product Mix

In terms of the mattress business, the Group actively participated in various exhibitions in department stores and shopping malls in Hong Kong during the Review Period to enhance the brand awareness of its "Casa Sleep-Lab Earth Mantle Series" mattress products, which gained positive response from the market. As for the market of Mainland China, the Group launched the "AI Ecological Pillow" which obtained the "HarmonyOS Connect Ecological Product Technology Certification" at the beginning of 2023. Equipped with an intelligent monitoring module to provide 24-hour sleep status monitoring, the product allows the transmission of data to mobile applications through the NFC function and helps the users to adjust the height of the support according to their personal needs with the built-in adjustable airbag. In July 2023, the "AI Ecological Pillow" was offered to hotel guests of Crowne Plaza Huizhou for trial experience, which helped boosting the popularity of the product.

The sales of a series of cartoons bedding products continued to bring significant contribution to the Group's revenue. During the Review Period, we launched new bedding products of "The Beloved Series" featuring our in-house designed pet cartoons, which remained well-received by consumers. In addition, the Group added "Chubby Ojisan", a popular cartoon character from Taiwan, to the authorised cartoon product portfolio, as well as continuing to launch new authorised bedding products of various popular cartoons, including "PJai & Friends", "Chibi Maruko Chan", "Pokemon", "B.Duck", "LuLu the Piggy" and "Crayon Shin-chan", which were widely accepted by the market.

Strengthened Brand Leadership Position

2023 marks the 30th anniversary of the establishment of the Casablanca brand in Hong Kong. Various celebrations have officially been launched during the first half of the year. The Group has been supporting the creative development of the younger generation in Hong Kong for years. As a theme event for its 30th anniversary, the bedding product pattern design competition jointly organised by the Group, the School of Fashion and Textiles of the Hong Kong Polytechnic University and Cotton Incorporated was concluded on 31 March 2023. The winning pattern designs will be made into bedding products with environmental-friendly and functional materials, which are expected to be available in the market in the third quarter of 2023.

The Group has been attaching great attention to quality, and insisting on using high-quality cotton for the manufacturing of its bedding products. During the Review Period, the Group was awarded the Supply Chain Partner Award by Cotton Incorporated, our long-term cooperation partner. Additionally, the pure cotton products manufactured by the Group were marked with Seal of Cotton™ and Cotton LEADS℠ trademarks, proving that the products were made with high-quality and sustainably produced cotton, offering comfortable and environmental-friendly sleeping experience for consumers. During the Review Period, the Group was awarded the "10+ Years Award" by GS1 Hong Kong, not only marking the Group being recognised as a "Consumer Caring Company" for the 12th consecutive year, but also reflecting the market's recognition of the high-quality products and attentive services offered by the Group.

Prospects

Inflation in various countries is expected to continue in the second half of 2023, maintaining a weak global economy situation. It is expected that the global business environment will continue to be challenging. In respect of the Greater China Region, in response to the low consumer confidence and aiming to reduce the dependence of household consumption on new house sales, 13 departments of the PRC government, including the Ministry of Commerce of the PRC, have jointly issued the Notice on Certain Measures to Promote Household Consumption (關於促進家居消費若干措施的通知) in July to promote domestic consumption in Mainland China, covering various fields such as home textile, household appliances, furniture and home furnishings, with activities including "Home Renovation Consumption Season" (家居煥新消費季), to be organised nationwide in the PRC later, aiming to coordinate each party to build platforms for productions and sales matching and create multiple consumption scenarios such as "Green and Fashionable Home" (綠色時尚美居) and "Healthy Home" (健康家居) to achieve the goal of unleashing citizen's household consumption capability. Heading into the second half of the year, which is also the peak season for promotional events of department stores in Hong Kong and traditional peak season for bedding sales, the Group will adopt a prudent attitude to seize the opportunities and embrace the challenges.

Mainland China

In the second half of 2023, in terms of self-operated physical retail business, the Group will place its focus of expansion on opening POS with different positioning in Guangdong Province, capitalising on the geographical and brand advantages of the Group's brand in Southern China. In terms of distributor-sales business, we will meet distributors one by one and formulate different supportive policies based on their respective conditions to assist them in the operation of POS and the expansion of new POS. In terms of e-commerce, the Group will continue to improve its product planning and launch popular products with different pricing so as to maintain the inventory turnover rate. The Group will also improve sales strategies on the online platform in terms of product titles, webpage design and promotional packages, to drive visitors flow and positive reviews to its online store. In terms of livestream sales business, we will review our product portfolio and add household lifestyle products, while strengthening the promotion before livestreaming, increasing the exposure of our products and enhancing the trust from customers, to expect driving the numbers of viewers of the livestreaming videos and encouraging viewers to place orders in real-time.

The new building B in phase II of the Group's Casablanca Industrial Park in Huizhou officially commenced operation during the first quarter of 2023. Not only does it accommodate production facilities for new products (especially for research and development) and provide more office, showroom, training and conference room spaces, it also serves as the operation base of livestream sales business of the Group. The newly established "Sleeping Culture Experience Hall" in the new building B, which introduces the materials and technology development of sleeping products as well as the development journey and key products of the Group, has opened for public visits in March 2023. It plays a positive role in enhancing the Group's brand popularity and attracting businesses.

Hong Kong

In order to celebrate the 30th anniversary of the establishment of Casablanca brand in Hong Kong, apart from manufacturing the winning designs of the bedding product pattern design competition by using environmental-friendly and functional materials and launching them to the market in the third quarter of 2023, the Group will also organise games with prizes on various social media platforms and launch 30th anniversary promotional campaigns. It is expected that the number of outbound travellers will gradually be stabilised after the summer holidays, together with the traditional large scale sales activities of department stores in Hong Kong in the second half of the year, the Group will actively strive for higher revenue.

In 2022, the Group launched mattress and mattress topper products under the "Casa Sleep-Lab" brand. In order to enhance brand popularity, the Group has not only displayed the products in the dedicated mattress experience area in certain retail stores, but has also actively participated in short-term exhibitions in various department stores. Due to the positive market response, the Group has set up the first department store concession counter for its "Casa Sleep-Lab" brand in July 2023, to focus on selling mattress and mattress topper products.

The Group strives to promote the incorporation of the concept of environmental sustainability into living and sleeping environment. As the 3-year COVID-19 pandemic is over, it is eventually possible for the Group to organise donation campaign for materials again. In the third quarter of 2023, the Group will once again join hands with Crossroads Foundation to launch the "Bedding Products Recycling Scheme" (床品回收計劃). It encourages the public to donate bedding products that are undamaged or stainless to individuals and families in need in the society through the recycling bins at all retail stores of the Group in Hong Kong. This recycling campaign encourages consumers to cherish the Earth's resources and spread warmth and care to those in need.

Adhering to its "Contemporary, Innovative and Functional" design concept, the Group strives to integrate sustainable growth, environmental protection and social responsibility into its business strategies to provide consumers with quality bedding products of fashionable designs and at reasonable prices, as well as home accessories that are trendy yet practical and bring benefits to society. It will also continue to broaden revenue streams and enhance the Group's brand value so as to bring satisfactory returns to the Shareholders in the long run.

Financial Review

Revenue

During the Period, the Group achieved revenue of HK$128.9 million (2022: HK$143.7 million), which decreased by 10.4% as compared to the corresponding period last year. The decrease in overall revenue of the Group for the Period was primarily due to the decreases in retail sales and wholesales in Hong Kong as result of the weak consumption sentiment.

Self-operated retail sales during the Period amounted to HK$94.1 million (2022: HK$102.4 million), accounted for approximately 73.0% (2022: 71.2%) of the total revenue, representing an decrease of 8.0% as compared to the corresponding period last year as a result of the weak consumption sentiment in Hong Kong since many of the citizens travelled overseas during the second quarter of 2023 when the strict COVID-19 pandemic control measures were lifted. E-sales for the Period increased by 31.9% to HK$19.0 million (2022: HK$14.4 million) due to the launch of new livestream channels in Mainland China. During the Period, sales to distributors decreased by 35.6% to HK$8.0 million (2022: HK$12.4 million) due to the reduction in number of distributor-operated POS. Sales to others decreased by 47.0% to HK$7.7 million (2022: HK$14.6 million) as a result of the lack of a one-off large scale wholesales and the weak consumption sentiment in Hong Kong.

In terms of brands, sales of our proprietary brands, which accounted for approximately 82.5% (2022: 81.8%) of the Group's revenue, decreased by 9.6% to HK$106.4 million (2022: HK$117.6 million) due to the decrease in overall sales during the Period. Sales of our licensed and authorised brands also decreased by 13.9% to HK$22.5 million (2022: HK$26.1 million) because of weaker retail sales during the Period.

In terms of products, sales of bed linens and sales of duvets and pillows during the Period were HK$70.1 million (2022: HK$81.9 million) and HK$48.2 million (2022: HK$56.1 million) respectively. The reason for decreases in sales of bed linens by 14.4% and sales of duvets and pillows by 14.1% during the Period was mainly due to the decrease in overall sales. During the Period, sales of other home accessories were HK$10.5 million (2022: HK$5.7 million). The increase in sales of other home accessories by 83.0% during the Period was due to more sales of other home products through the new livestream channels in Mainland China.

In terms of regions, revenues during the Period were HK$95.5 million (2022: HK$114.0 million) from Hong Kong and Macau and HK$33.1 million (2022: HK$29.5 million) from Mainland China. The decrease in revenue from Hong Kong and Macau by 16.2% was attributable to the weak consumption sentiment coupling with the decrease in wholesales during the Period. The increase in revenue from Mainland China by 12.1% was primarily due to increases in self-operated retail sales and e-sales, especially through the new livestream channels, despite the decrease in sales to distributors in Mainland China during the Period.

Gross Profit and Gross Profit Margin

During the Period, the Group achieved gross profit of HK$85.3 million (2022: HK$86.8 million) which decreased by 1.7%. The overall gross profit margin for the Period was 66.2% (2022: 60.4%). The increase in gross profit margin for the Period was primarily attributable to the lower proportion of sales to others, which were at relatively lower margin as compared to self-operated retail sales.

Other Income

Other income for the Period amounted to HK$1.6 million (2022: HK$4.0 million), mainly representing interest income of HK$0.6 million (2022: HK$0.4 million), dividend income of HK$0.4 million (2022: HK$0.4 million) from financial assets, subsidies of HK$0.1 million (2022: HK$3.0 million) from the governments of Hong Kong and Mainland China and other miscellaneous income of HK$0.6 million (2022: HK$0.2 million).

Other Losses and Gains

Other losses for the Period amounted to HK$1.7 million (2022 other gains: HK$1.0 million), mainly representing the net exchange losses of HK$1.6 million (2022: HK$3.2 million) and the net unrealised losses on financial assets of HK$0.1 million (2022 net unrealised gains: HK$0.3 million) offsetting against the gain on disposal of property, plant and equipment of HK$0.1 million (2022: HK$4.0 million).

Expenses

Selling and distribution costs for the Period increased by 11.2% to HK$73.7 million (2022: HK$66.3 million) as a result of the expenses incurred for the livestream sales business in Mainland China while administrative expenses for the Period increased by 6.2% to HK$22.1 million (2022: HK$20.8 million) mainly due to the share of renovation fees of the building in where the headquarter of the Company was located in Hong Kong.

Loss for the Period

The Group's loss for the Period attributable to owners of the Company amounted to HK$8.6 million (2022 profit: HK$2.6 million). The change to loss from profit was primarily due to (a) the decline of sales as a result of the weak retail sentiment in Hong Kong and the lack of a one-off large scale wholesale; (b) the increase in selling and distribution costs which was mainly due to staff costs and promotional expenses incurred for the livestream sales business in Mainland China; and (c) decreases in other income/gains including, among others, COVID-19-related subsidies, which were no longer available in 2023, under the 2022 Employment Support Scheme launched by the Hong Kong government and the gain on disposal of property, plant and equipment recorded during the six months ended 30 June 2022.

The Company disclosed EBITDA (as adjusted), which represented by gross profit less selling and distribution costs and administrative expenses adding back depreciation, amortization and share-based payments (if any), in its financial reports in the past. As EBITDA or adjusted EBITDA is not a financial measure under Hong Kong Financial Reporting Standards (the "**HKFRS**"), there are not many listed companies in Hong Kong to disclose EBITDA or adjusted EBITDA in their financial reports. Furthermore, the formulae for calculating EBITDA or adjusted EBITDA can vary. The Company determines not to disclose EBITDA or adjusted EBITDA any more for the Period and in future financial reports because the HKFRS financial measures presented are sufficient to the Shareholders and potential investors for analyzing the Group's performance and it may not be comparable to other listed companies in Hong Kong even with EBITDA or adjusted EBITDA of the Group being disclosed.

Liquidity, Financial Resources and Capital Structure

During the Period, the Group adhered to the principle of prudent financial management in order to minimise financial and operational risks. The Group mainly financed its operations with internally generated cash flows. The financial position of the Group was healthy with net cash at 30 June 2023.

	As at 30 June 2023 HK$'000	As at 31 December 2022 HK$'000
Total bank borrowings	**–**	5,298
Pledged bank deposit and bank balance and cash	**132,693**	145,595
Net cash	**132,693**	140,297
Total assets	**455,269**	484,836
Total liabilities	**80,078**	89,074
Total equity	**375,191**	395,762
Current ratio	**3.4**	3.3
Gearing ratio	**0.0%**	1.3%

As at 30 June 2023, the pledged bank deposit of the Group was approximately HK$6.1 million (31 December 2022: HK$6.4 million), which was denominated in HKD and RMB, and the bank balances and cash of the Group were approximately HK$126.6 million (31 December 2022: HK$139.2 million) which were denominated mainly in HKD and RMB except for about 0.7% (31 December 2022: 1.3%) in United States dollars and Euro. The decrease in bank balances and cash of the Group as at 30 June 2023 was primarily due to partial settlements of the interior works and decorations for the new building B under phase II of the Casablanca Industrial Park and the repayments of bank borrowings.

The Group had no bank borrowings at 30 June 2023. As at 31 December 2022, the total bank borrowings of the Group were HK$5.3 million, which were wholly denominated in RMB for short-term financing purposes in Mainland China, being fixed rate borrowings with interest rate at 5.27% per annum and repayable not more than one year.

Foreign Exchange Exposure

The Group carries on its business mainly in Hong Kong and Mainland China. The Group is exposed to foreign exchange risk principally in RMB which may affect the Group's performance. RMB depreciated by about 4.5% against HKD during the Period (the year of 2022: depreciated by about 7.8%). The management is aware of the possible exchange rate exposure on RMB and will closely monitor its impact on the performance of the Group to assess if any hedging arrangement is necessary. The Group currently does not use derivative financial instruments to hedge against the volatility associated with foreign currency transactions and other financial assets and liabilities arising in the ordinary course of business.

Pledge of Assets

As at 30 June 2023, no leasehold land and buildings were pledged to banks as securities for banking facilities granted to the Group (31 December 2022: Nil). The Group had pledged only its fixed deposits with an aggregate value of HK$6.1 million (31 December 2022: HK$6.4 million) to certain banks in Hong Kong and Mainland China to secure banking facilities granted to the Group at 30 June 2023.

Contingent Liabilities

As at 31 December 2022, the Company and two of its subsidiaries in Hong Kong were defendants in a litigation involving a copyright dispute in Hong Kong. The parties of the litigation reached a full and final settlement in March 2023, thereby resolved the dispute without going to trial.

As at 30 June 2023, the Group did not have any significant contingent liabilities.

Employee and Remuneration Policy

As at 30 June 2023 the employee headcount of the Group was 528 (2022: 521) and the total staff costs, including Directors' remuneration, amounted to HK$44.9 million (2022: HK$42.7 million). The increases in both the employee headcount and the total staff costs were mainly due to more employees employed in Mainland China for the livestream sales business for the Period as compared to the corresponding period last year.

The Group offers competitive remuneration packages which are commensurate with industry practice and provides various fringe benefits to employees including staff quarters, trainings, medical benefits, insurance coverage, provident funds, bonuses and a share option scheme.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures for the Period.

Significant Investments

As at 30 June 2023, the Group did not hold any significant investments save as those disclosed in this report.

Financial Assets at Fair Value Through Profit or Loss

The financial assets at fair value through profit or loss (the "**FVTPL**") represent the Group's investments in shares of companies being constituents of Hang Seng Index as listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") which were held for medium- to long-term investment purposes. As at 30 June 2023, the Group had total investments with fair value of HK$7.5 million (31 December 2022: HK$7.7 million) which were not more than 5% of the Group's total assets. The decrease in financial assets at FVTPL was mainly attributable to an amount of net unrealised loss on financial assets at FVTPL of about HK$0.1 million (2022 net unrealised gain: HK$0.3 million) which was mainly derived from decreases in prices of listed shares as held at 30 June 2023. As the Group's investments were constituents of Hang Seng Index as listed on the Stock Exchange, they were expected to bring returns to the Group in the long run in addition to steady dividend income every year. Dividend income for the Period from these investments in shares of companies listed on the Stock Exchange was HK$0.4 million (2022: HK$0.4 million).

Future Plans for Material Investments or Capital Assets

The Group is actively identifying and exploring suitable investments with potential and synergy effect to its existing businesses. Only potential investments, which are in the interests of the Company and the Shareholders as a whole, will be considered. For medium- to long-term investment purposes, the Group may consider to invest in shares of companies listed on the Stock Exchange and investment properties to strive for better return in the medium- to long-term from surplus cash on hand. The Group will review its business strategy in respect of its capital assets (including but not limited to properties owned by the Group) from time to time. With a view to optimising the overall benefits of the Group, adjustments may be made or new initiatives may be undertaken as regards the business plans formulated for properties owned by the Group having regard to the operational needs of the Group, actual circumstance and the interest of the Group as a whole.

During the Period, part of a building under phase I of the Casablanca Industrial Park in Huizhou, the PRC, which was previously used for warehouse of the Group, with a carrying amount of about HK$12.6 million was transferred to investment properties from property, plant and equipment as that part of building is currently held for rental income purpose.

The construction of complex with four floors for the new building B under phase II of the Casablanca Industrial Park was duly completed in April 2022 with a total construction area of 25,255 square metres. To cope with the business development, the interior designs of the new building B under phase II of the Casablanca Industrial Park had been modified into a complex comprising research and development centre, office, conference rooms, training rooms, showroom, livestreaming centres, and catering facilities.

References are made to the announcements of the Company dated 1 September 2022 and 5 September 2022 in relation to the Showroom Decoration for the phase II of Casablanca Industrial Park. The Group entered into a construction agreement on 1 September 2022 with an independent third party contractor for a consideration of RMB4.8 million (equivalent approximately to HK$5.2 million) to carry out the Showroom Decoration. Including the Showroom Decoration, the Group finally incurred a total consideration of RMB24.4 million (equivalent approximately to HK$26.3 million) in interior works and decorations for the new building B under phase II of the Casablanca Industrial Park. The new building B under phase II of the Casablanca Industrial Park in Huizhou has been in use since March 2023.

Other than those disclosed above, there was no plan authorised by the Board for material investments or additions of capital assets at the date of this report.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Interim Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

Purchase, Sale or Redemption of Listed Securities of the Company

During the Review Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Share Option Schemes

The share option scheme (the "**2012 Share Option Scheme**"), which was approved by the sole Shareholder's resolution passed on 22 October 2012 with a life for 10 years until 21 October 2022, had been terminated upon the adoption of new share option scheme (the "**2022 Share Option Scheme**") after approval of the Shareholders at the annual general meeting which was held on 6 June 2022.

Upon the termination of the 2012 Share Option Scheme, no further options would be offered under the 2012 Share Option Scheme but the 2012 Share Option Scheme would in other respects remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to such termination and any such options (to the extent not already exercised) shall continue to be valid and exercisable in accordance with the terms of the 2012 Share Option Scheme.

The Group granted share options under the 2012 Share Option Scheme to Directors and employees on 2 July 2020 to subscribe for a total of 5,250,000 ordinary shares of HK$0.1 each of the Company (the "**Share**") with the exercise price of HK$0.48 per Share and the exercise period from 2 July 2020 to 1 July 2023, of which all share options were outstanding at 30 June 2023. Details of the grant of share options on 2 July 2020 are set out in the announcement of the Company dated 2 July 2020. Based on the valuation report of an independent valuer, the aggregate estimated fair value of the options granted on 2 July 2020 was approximately HK$445,000, of which HK$417,000 and HK$28,000 represented the estimated fair value of the share options granted to Directors and employees respectively.

During the Period, no share option was granted under the 2022 Share Option Scheme and the number of share options available for grant under the scheme mandate of the 2022 Share Option Scheme was 25,785,400 Shares as at 30 June 2023.

Particulars of the Company's share option schemes are set out in note 17 to the condensed consolidated financial statements.

The following table disclosed movements in the Company's share options during the Period:

	Date of grant	Exercise period (Note)	Exercise price (HK$)	Number of options at 1.1.2023	Movements during the Period				Number of options at 30.6.2023
					Granted	Cancelled	Exercised	Lapsed	
Directors and Chief Executive									
Mr. Cheng Sze Kin	2.7.2020	2.7.2020-1.7.2023	0.48	1,400,000	–	–	–	–	1,400,000
Mr. Cheng Sze Tsan	2.7.2020	2.7.2020-1.7.2023	0.48	1,400,000	–	–	–	–	1,400,000
Ms. Wong Pik Hung	2.7.2020	2.7.2020-1.7.2023	0.48	1,400,000	–	–	–	–	1,400,000
Mr. Lo Siu Leung	2.7.2020	2.7.2020-1.7.2023	0.48	250,000	–	–	–	–	250,000
Dr. Cheung Wah Keung	2.7.2020	2.7.2020-1.7.2023	0.48	250,000	–	–	–	–	250,000
Mr. Chow On Wa	2.7.2020	2.7.2020-1.7.2023	0.48	250,000	–	–	–	–	250,000
Total Directors and Chief Executive				4,950,000	–	–	–	–	4,950,000
Employees	2.7.2020	2.7.2020-1.7.2023	0.48	300,000	–	–	–	–	300,000
Total				5,250,000	–	–	–	–	5,250,000

Note: The options, granted and vested on 2 July 2020, are exercisable from 2 July 2020 to 1 July 2023 (both days inclusive).

Subsequent to the end of the Period, all share options granted on 2 July 2020 under the 2012 Share Option Scheme lapsed on 1 July 2023 and the Group also granted share options under the 2022 Share Option Scheme to the Executive Directors and employees on 6 July 2023 to subscribe for a total of 6,200,000 Shares with the exercise price of HK$0.37 per Share which shall be exercisable during the period from 6 July 2024 to 5 July 2028. Details of the grant of share options on 6 July 2023 are set out in the announcement of the Company dated 6 July 2023.

Directors' and Chief Executives' Interests in Shares

As at 30 June 2023, the interests and short positions of the Directors and the chief executives of the Company and their associates in the Shares, underlying Shares and debentures and share options of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") (the "**Model Code**"), were as follows:

Long positions

(a) Shares

Name of Director	Nature of interest	Number of Shares held/interested	Percentage of the issued share capital of the Company (Note 4)
Mr. Cheng Sze Kin (Note 1)	Beneficial interest	4,500,000	1.7%
	Spouse interest	3,375,000	1.3%
	Interest in a controlled corporation	150,000,000	58.2%
		157,875,000	61.2%
Mr. Cheng Sze Tsan (Note 2)	Beneficial interest	4,125,000	1.7%
	Interest in a controlled corporation	150,000,000	58.2%
		154,125,000	59.8%
Ms. Wong Pik Hung (Note 3)	Beneficial interest	3,375,000	1.3%
	Spouse interest	154,500,000	59.9%
		157,875,000	61.2%

(b) Share options

Name of Director	Nature of interest	Number of options held/interested	Number of underlying Shares interested
Mr. Cheng Sze Kin (Note 1)	Beneficial interest	1,400,000	1,400,000
	Spouse interest	1,400,000	1,400,000
		2,800,000	2,800,000
Mr. Cheng Sze Tsan (Note 2)	Beneficial interest	1,400,000	1,400,000
Ms. Wong Pik Hung (Note 3)	Beneficial interest	1,400,000	1,400,000
	Spouse interest	1,400,000	1,400,000
		2,800,000	2,800,000
Mr. Lo Siu Leung	Beneficial interest	250,000	250,000
Dr. Cheung Wah Keung	Beneficial interest	250,000	250,000
Mr. Chow On Wa	Beneficial interest	250,000	250,000

Notes:

(1) Mr. Cheng Sze Kin is interested in 40% of World Empire Investment Inc. ("**World Empire**"), a holder of 150,000,000 Shares, representing 58.2% of the Company's issued share capital. Therefore, Mr. Cheng Sze Kin is deemed to be interested in such 150,000,000 Shares, representing 58.2% of the Company's issued share capital. Mr. Cheng Sze Kin is also the beneficial owner of 4,500,000 Shares, representing 1.7% of the Company's issued share capital, and holds options granted under the 2012 Share Option Scheme to subscribe for 1,400,000 Shares. Mr. Cheng Sze Kin is deemed to be interested in the 3,375,000 Shares held by Ms. Wong Pik Hung (his spouse), representing 1.3% of the Company's issued share capital; and the options granted to his spouse, Ms. Wong Pik Hung, under the 2012 Share Option Scheme to subscribe for 1,400,000 Shares. However, each of Mr. Cheng Sze Kin and Ms. Wong Pik Hung has confirmed that he/she will not exercise any option if as a result of which the Company will not be able to comply with the public float requirements of the Listing Rules.

(2) Mr. Cheng Sze Tsan is interested in 35% of World Empire, a holder of 150,000,000 Shares, representing 58.2% of the Company's issued share capital. Therefore, Mr. Cheng Sze Tsan is deemed to be interested in such 150,000,000 Shares, representing 58.2% of the Company's issued share capital. Mr. Cheng Sze Tsan is also the beneficial owner of 4,125,000 Shares, representing 1.6% of the Company's issued share capital, and holds options granted under the 2012 Share Option Scheme to subscribe for 1,400,000 Shares. However, Mr. Cheng Sze Tsan has confirmed that he will not exercise any option if as a result of which the Company will not be able to comply with the public float requirements of the Listing Rules.

(3) Ms. Wong Pik Hung is the spouse of Mr. Cheng Sze Kin and is interested in 25% of the equity interest in World Empire, thus, Ms. Wong Pik Hung is deemed to be interested in 150,000,000 Shares held by World Empire in which Mr. Cheng Sze Kin is indirectly interested, representing 58.2% of the Company's issued share capital. Ms. Wong Pik Hung holds 3,375,000 Shares, representing 1.3% of the Company's issued share capital, and holds options granted under the 2012 Share Option Scheme to subscribe for 1,400,000 Shares. Ms. Wong Pik Hung is deemed to be interested in the 4,500,000 Shares held by Mr. Cheng Sze Kin (her spouse), representing 1.7% of the Company's issued share capital; and the options granted to her spouse, Mr. Cheng Sze Kin, under the 2012 Share Option Scheme to subscribe for 1,400,000 Shares. However, each of Mr. Cheng Sze Kin and Ms. Wong Pik Hung has confirmed that he/she will not exercise any option if as a result of which the Company will not be able to comply with the public float requirements of the Listing Rules.

(4) The percentage is calculated on the basis of 257,854,000 Shares in issue at the date of this report.

Save as disclosed above, none of the Directors, chief executives of the Company and their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2023.

Substantial Shareholders and Other Persons

As at 30 June 2023, the register of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO showed that other than the interests disclosed above in respect of certain Directors and chief executives of the Company, the following Shareholders had notified the Company of relevant interests and underlying Shares in the issued share capital of the Company.

Long positions in Shares

Name of Shareholder	Capacity	Number of Shares held	Percentage of the issued share capital of the Company (Note 2)
World Empire (Note 1)	Beneficial owner	150,000,000	58.2%

Notes:

(1) World Empire is a company incorporated in the British Virgin Islands ("**BVI**"), the issued share capital of which is owned as to 40%, 35% and 25% by Mr. Cheng Sze Kin, Mr. Cheng Sze Tsan and Ms. Wong Pik Hung, respectively.

(2) The percentage is calculated on the basis of 257,854,000 Shares in issue at the date of this report.

Save as disclosed above, as at 30 June 2023, the Company has not been notified by any persons/entities (other than interests disclosed above by certain Directors or the chief executive of the Company) who held an interest or short positions in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under section 336 of the SFO.

Corporate Governance Practices

The Company has adopted the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "**CG Code**") as its own code of corporate governance. The Directors consider the Company has complied with the code provisions as set out in the CG Code during the Review Period.

Model Code for Securities Transactions

The Company has adopted its own code of conduct for the Directors in their dealings in the Company's securities on terms no less than the required standard set out in the Model Code. Having made specific enquiry to all the Directors, all the Directors confirmed that they had complied with the required standard of dealings as required by the Company's code of conduct and the Model Code throughout the Review Period. Save as disclosed herein, the Company considers that there has been no deviation from the Company's code of conduct and the Model Code during the Review Period.

Update on Directors' Information

Pursuant to Rule 13.51B of the Listing Rules, there is no change in information of the Directors since 31 December 2022 except that Dr. Cheung Wah Keung, one of the Independent Non-executive Directors, resigned from an independent non-executive director of Sky Light Holdings Limited (stock code: 3882) with effect from 28 February 2023 and had been appointed as an independent non-executive director of Sinomax Group Limited (stock code: 1418) with effect from 16 June 2023. His biography is set out in the "Directors and Senior Management" section of this report.

Amendment to Memorandum and Articles of Association

At the annual general meeting held on 15 May 2023, the special resolution to approve the amendments to the memorandum and articles of association of the Company ("**M&A**") and the adoption of the new M&A was duly passed by the Shareholders. Please refer to the circular of the Company dated 13 April 2023 for details of the amendments to the M&A.

Review of Interim Results

The Company has established the audit committee in compliance with rule 3.21 of the Listing Rules and code provision D.3 of the CG Code for the purpose of reviewing and supervising the Group's financial reporting system, risk management and internal control systems. The audit committee of the Company, comprising three Independent Non-executive Directors, namely Mr. Lo Siu Leung, Dr. Cheung Wah Keung and Mr. Chow On Wa, and chaired by Mr. Lo Siu Leung, has reviewed the results (including the unaudited condensed consolidated financial statements) of the Group for the six months ended 30 June 2023.

In addition, the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2023 have been reviewed by our auditors, CHENG & CHENG LIMITED, Certified Public Accountants, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Board of Directors

As at the date of this report, the Board comprises Mr. Cheng Sze Kin (Chairman), Mr. Cheng Sze Tsan (Vice-chairman) and Ms. Wong Pik Hung as Executive Directors, and Mr. Lo Siu Leung, Dr. Cheung Wah Keung and Mr. Chow On Wa as Independent Non-executive Directors.

By Order of the Board
Casablanca Group Limited

Cheng Sze Kin
Chairman
Hong Kong, 25 August 2023

Executive Directors

Mr. Cheng Sze Kin (**鄭斯堅**), aged 63, is one of the founders of the Group to establish the Group's business in May 1993. He was appointed as a Director on 2 April 2012 and re-designated as an Executive Director and the Chairman of the Board on 22 October 2012. He is currently a director of all the subsidiaries of the Company incorporated in Hong Kong and BVI. He is responsible for strategic planning of the Group, in particular product development and production. He has over 30 years of experience in the production of bedding products and textile trading. He is the spouse of Ms. Wong Pik Hung (王碧紅) and the brother of Mr. Cheng Sze Tsan (鄭斯燦), both of whom are also Executive Directors. Mr. Cheng Sze Kin is a director of World Empire, which is interested in the Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Mr. Cheng Sze Tsan (**鄭斯燦**), aged 50, is one of the founders of the Group to establish the Group's business in May 1993. He was appointed as a Director on 2 April 2012 and re-designated as an Executive Director and Vice-chairman of the Board on 22 October 2012. He is currently a director of all the subsidiaries of the Company incorporated in Hong Kong and BVI. He has been appointed as the Chief Executive Officer of the Company since 1 September 2016 and is responsible for strategic planning of the Group, in particular product development and sales management. He has over 30 years of experience in the bedding products industry. He is the brother of Mr. Cheng Sze Kin (鄭斯堅) and the brother-in-law of Ms. Wong Pik Hung (王碧紅), both of whom are also Executive Directors. He was awarded by the Federation of Hong Kong Industries as "Young Industrialists of Hong Kong" in 2013. He has taken up a variety of roles, including a vice president of the Hong Kong Young Industrialists Council, a vice president of Federation of Hong Kong Huangpu Community and a committee member of Chinese People's Political Consultative Conference Guangzhou Committee (Huangpu District). Mr. Cheng Sze Tsan is a director of World Empire, which is interested in the Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Ms. Wong Pik Hung (**王碧紅**), aged 56, has been a Director of a subsidiary of the Company since August 1993. She was appointed as a Director on 2 April 2012 and re-designated as an Executive Director on 22 October 2012. She is currently a director of all the subsidiaries of the Company incorporated in Hong Kong and BVI. She is responsible for strategic planning of the Group, in particular procurement and sales management in Hong Kong. She has about 30 years of experience in the bedding products industry. She obtained a diploma in international economic cooperation at the University of International Business and Economics (對外經濟貿易大學) in Beijing. Ms. Wong is the spouse of Mr. Cheng Sze Kin (鄭斯堅) and the sister-in-law of Mr. Cheng Sze Tsan (鄭斯燦), both of whom are also Executive Directors. Ms. Wong is a director of World Empire, which is interested in the Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Independent Non-executive Directors

Mr. Lo Siu Leung (盧紹良), aged 45, was appointed as an Independent Non-executive Director on 9 April 2018. He has over 20 years of experience in auditing, accounting, tax and finance. Mr. Lo is a Chartered Financial Analyst. He is also a fellow member of each of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and The Institute of Chartered Accountants in England and Wales. He holds a master's degree in Business Administration from The Hong Kong Polytechnic University.

Dr. Cheung Wah Keung (張華強), aged 62, was appointed as an Independent Non-executive Director on 26 May 2017. He is currently the chairman of each of Shinhint Group and Tai Sing Industrial Company Limited. He has more than 30 years of experience in trading and manufacturing of consumer electronic products. Dr. Cheung is currently an independent non-executive director of PanAsialum Holdings Company Limited (stock code: 2078), Activation Group Holdings Limited (stock code: 9919) and Sinomax Group Limited (stock code: 1418), respectively. He was also the independent non-executive chairman of PanAsialum Holdings Company Limited (stock code: 2078) during the period from 2 August 2019 to 30 June 2022 and an independent non-executive director of Sky Light Holdings Limited (stock code: 3882) during the period from 12 June 2015 to 28 February 2023. The shares of above companies with stock code indicated are listed on the Stock Exchange.

Dr. Cheung holds a bachelor's degree in business administration, a master's degree in global political economy from The Chinese University of Hong Kong and a master's degree in corporate governance, and a doctorate degree in business administration from The Hong Kong Polytechnic University. He was awarded by the Federation of Hong Kong Industries as "Young Industrialist of Hong Kong" in 2005 and "Certificates of Merit in Directorship" by the Hong Kong Institutes of Directors in 2006. He has taken up a variety of roles, including the president of the Hong Kong Young Industrialists Council from 2015 to 2016, the chairman of the Advisory Board for Master of Corporate Governance of The Hong Kong Polytechnic University and a committee member of the Council of The Hang Seng University of Hong Kong.

Mr. Chow On Wa (周安華), aged 61, was appointed as an Independent Non-executive Director on 26 May 2017. He is currently the director of JTF Development Limited which provides professional management and investment consulting services to various clients. Mr. Chow has over 20 years of experience in management of retail business of home accessories in the PRC. During 1986 to 2001, he worked for IKEA Group for 15 years. He was a general manager for India and Pakistan regional office of IKEA and subsequently stationed in the PRC. During 1995 to 2001, Mr. Chow was responsible for IKEA's retail and operational management in the PRC and opened the first retail shopping mall in the PRC for IKEA Group in 1997. He established Amfield Consultants Limited, which engaged in consultancy on management and strategic planning in business and retailing in the PRC, in 2001. Mr. Chow established New Concept International Enterprise Limited, in 2004, which was engaged in retailing of home accessories across the PRC focusing on shopping malls and department stores, and mainly distributed internationally renowned brands, including Frette, Trussardi-home and Esprit-home etc., until its business was sold in 2013 to Li & Fung Limited, the shares of which were listed on the Stock Exchange (stock code: 494) and withdrawn from listing with effect from 28 May 2020. From 2013 to June 2016, Mr. Chow was a senior vice president of Global Brands Group Holding Limited, the shares of which are listed on the Stock Exchange (stock code: 787) after its spin-off from Li & Fung Limited in 2014, and was responsible for management of its multi-branded home accessory business covering all over Asia. Mr. Chow holds a bachelor's degree in engineering from University of Manchester in the United Kingdom.

Senior Management

Mr. Ho Yiu Leung (何耀樑), aged 57, joined the Group as the Financial Controller and Company Secretary in January 2012. He is responsible for the Group's overall financial reporting, finance and company secretarial matters. He has over 30 years of experience in auditing, accounting and financial management. He is a fellow member of each of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, The Hong Kong Chartered Governance Institute and The Chartered Governance Institute. He holds a master's degree in business administration from the University of Strathclyde.

Dr. Lin Yi Kai (林奕凱), aged 53, joined the Group in May 2007. He is currently the Deputy General Manager of Casablanca Home (Shenzhen) Limited. He is responsible for the financial management of the Group's operations in the PRC. Dr. Lin has over 25 years of experience in audit, tax and accounting. He was awarded Qualification Certificate of International Association of Accounting Professionals, qualifications of certified internal control specialist from Internal Control Institute, senior international finance manager from International Financial Management Association and certified financial planner from The Chinese Institute of Certified Financial Planners, and is a member of Institute of Public Accountants, and an associate member of each of Institute of Financial Accountants and The Association of International Accountants. He was conferred qualification of assistant accountant in accounting (corporate) speciality and intermediate level in accounting speciality from Ministry of Finance of the PRC and qualification of senior accountant from Human Resources and Social Security Department of Guangdong Province. Dr. Lin holds an executive doctor's degree in business administration from EuroPort Business School.

Company Secretary

Mr. Ho Yiu Leung (何耀樑), aged 57, joined the Group as the Financial Controller and Company Secretary in January 2012. Please refer to the paragraph headed "Senior Management" above for his biography.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CHENG & CHENG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
鄭鄭會計師事務所有限公司

Level 35, Tower 1, Enterprise Square Five,
38 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong
香港九龍九龍灣宏照道38號企業廣場5期1座35樓

TO THE BOARD OF DIRECTORS OF CASABLANCA GROUP LIMITED
卡撒天嬌集團有限公司
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Casablanca Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 26 to 49, which comprises the condensed consolidated statement of financial position as of 30 June 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

CHENG & CHENG LIMITED
Certified Public Accountants
Lui Chun Yip
Practising Certificate number P07004

Hong Kong
25 August 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

		Six months ended 30 June	
	NOTES	**2023 HK$'000 (unaudited)**	2022 HK$'000 (unaudited)
Revenue	4	**128,861**	143,742
Cost of goods sold		**(43,594)**	(56,961)
Gross profit		**85,267**	86,781
Other income	5	**1,575**	4,005
Other (losses) gains	6	**(1,691)**	1,004
Selling and distribution costs		**(73,735)**	(66,291)
Administrative expenses		**(22,096)**	(20,799)
Finance costs	7	**(573)**	(558)
(Loss) profit before taxation	8	**(11,253)**	4,142
Taxation	9	**68**	(1,557)
(Loss) profit for the period		**(11,185)**	2,585
Other comprehensive expense			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**(9,386)**	(9,629)
Other comprehensive expense for the period		**(9,386)**	(9,629)
Total comprehensive expense for the period		**(20,571)**	(7,044)

Six months ended 30 June

	NOTES	**2023 HK$'000 (unaudited)**	2022 HK$'000 (unaudited)
(Loss) profit for the period attributable to:			
Owners of the Company		**(8,638)**	2,585
Non-controlling interests		**(2,547)**	–
		(11,185)	2,585
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(17,934)**	(7,044)
Non-controlling interests		**(2,637)**	–
		(20,571)	(7,044)
(Loss) earnings per share	11		
– Basic (HK cents)		**(3.35)**	1.00
– Diluted (HK cents)		**(3.35)**	1.00

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	NOTES	30.6.2023 HK$'000 (unaudited)	31.12.2022 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	12	**156,490**	157,247
Right-of-use assets	12	**35,512**	33,694
Investment properties	12	**21,612**	10,213
Intangible assets		**–**	–
Deposits paid for acquisition of property, plant and equipment		**285**	13,381
Rental and other deposits		**2,973**	1,399
Deferred tax assets		**820**	266
		217,692	216,200
Current assets			
Inventories		**56,733**	58,457
Trade and other receivables	13	**39,938**	56,730
Financial assets at fair value through profit or loss		**7,537**	7,659
Taxation recoverable		**676**	195
Pledged bank deposits		**6,093**	6,362
Bank balances and cash		**126,600**	139,233
		237,577	268,636
Current liabilities			
Trade and other payables	14	**58,075**	60,960
Lease liabilities		**12,269**	12,758
Taxation payable		**371**	1,225
Bank borrowings	15	**–**	5,298
		70,715	80,241
Net current assets		**166,862**	188,395
Total assets less current liabilities		**384,554**	404,595

	NOTES	30.6.2023 HK$'000 (unaudited)	31.12.2022 HK$'000 (audited)
Non-current liabilities			
Payable for acquisition of property, plant and equipment		**–**	2,861
Lease liabilities		**8,880**	5,471
Deferred tax liabilities		**483**	501
		9,363	8,833
Net assets		**375,191**	395,762
Capital and reserves			
Share capital	16	**25,785**	25,785
Reserves		**350,288**	368,222
Equity attributable to owners of the Company		**376,073**	394,007
Non-controlling interests		**(882)**	1,755
Total equity		**375,191**	395,762

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the Company										
	Share Capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (Note i)	Merger reserve HK$'000 (Note ii)	PRC statutory reserve HK$'000 (Note iii)	Translation reserve HK$'000	Share options reserve HK$'000	Accumulated profits HK$'000	Subtotal HK$'000	Non-controlling interest HK$'000	Total HK$'000
At 1 January 2023 (audited)	25,785	165,956	2,000	1,319	4,527	(17,029)	445	211,004	394,007	1,755	395,762
Changes in equity for the six months ended 30 June 2023:											
Loss for the period	–	–	–	–	–	–	–	(8,638)	(8,638)	(2,547)	(11,185)
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	–	(9,296)	–	–	(9,296)	(90)	(9,386)
Total comprehensive expense for the period	–	–	–	–	–	(9,296)	–	(8,638)	(17,934)	(2,637)	(20,571)
At 30 June 2023 (unaudited)	**25,785**	**165,956**	**2,000**	**1,319**	**4,527**	**(26,325)**	**445**	**202,366**	**376,073**	**(882)**	**375,191**
At 1 January 2022 (audited)	25,785	165,956	2,000	1,319	4,300	(940)	445	205,853	404,718	–	404,718
Changes in equity for the six months ended 30 June 2022:											
Profit for the period	–	–	–	–	–	–	–	2,585	2,585	–	2,585
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	–	(9,629)	–	–	(9,629)	–	(9,629)
Total comprehensive expense for the period	–	–	–	–	–	(9,629)	–	2,585	(7,044)	–	(7,044)
At 30 June 2022 (unaudited)	25,785	165,956	2,000	1,319	4,300	(10,569)	445	208,438	397,674	–	397,674

Notes:

(i) The capital reserve represents the waiver of the amount due to a related company.

(ii) The merger reserve of the Group represented the difference between the par value of the shares of Company issued in exchange for the entire share capital of Jollirich Investment Limited, Casablanca International Limited and Rich Creation Asia Investment Limited and transfer of 11.76% of equity interest in a deregistered company in the People's Republic of China ("**PRC**") pursuant to the group reorganisation prior to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

(iii) According to the relevant requirements in the Articles of Association of the Group's subsidiaries in the PRC, a portion of their profits after taxation is transferred to PRC statutory reserve. The transfer must be made before the distribution of a dividend to equity owners. The PRC statutory reserve fund can be used to make up the prior year losses, if any. The PRC statutory reserve fund is non-distributable other than upon liquidation.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Net cash from operating activities	**7,254**	17,532
Net cash used in investing activities		
Placement of pledged bank deposits	**(10,630)**	(15,681)
Deposit paid for acquisition of property, plant and equipment	**(285)**	–
Proceed from disposal of property, plant and equipment	**60**	3,982
Purchase of property, plant and equipment	**(6,830)**	(10,291)
Withdrawal of pledged bank deposits	**10,662**	13,810
Dividend received	**417**	77
Interest received	**570**	369
	(6,036)	(7,734)
Net cash used in financing activities		
New bank loan raised	**–**	5,663
Repayments of bank borrowings	**(5,306)**	–
Repayments of lease liabilities	**(7,714)**	(7,523)
Interest paid	**(573)**	(558)
	(13,593)	(2,418)
Net (decrease) increase in cash and cash equivalents	**(12,375)**	7,380
Cash and cash equivalents at beginning of the period	**139,233**	135,122
Effect of foreign exchange rate changes	**(258)**	(693)
Cash and cash equivalents at end of the period, represented by bank balances and cash	**126,600**	141,809

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2022.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2022.

The condensed consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values at the end of each reporting period. These financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousands, except when otherwise indicated.

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

HKFRS 17	Insurance contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and on the disclosures set out in these condensed consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

The Group's operating activities are attributable to a single operating segment focusing on manufacture and sales of bedding products. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conform to HKFRSs, which are regularly reviewed by the executive directors of the Company, the chief operating decision maker of the Group. The executive directors of the Company regularly review revenue analysis by (i) self-operated retail sales; (ii) e-sales; (iii) sales to distributors and (iv) others. However, other than revenue analysis, no operating results and other discrete financial information is available for the assessment of performance of the respective products. The executive directors of the Company review the revenue and the profit for the period of the Group as a whole to make decision about resources allocation. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the executive directors of the Company. Accordingly, no analysis of this single operating segment is presented.

- Self-operated retail sales: Sales through the self-operated retail sales channel refer to retail sales to end-user consumers at the self-operated concession counters in department stores and self-operated retail stores.

- E-sales: E-sales refer to retail sales to end-user consumers through online platforms on internet or mobile devices operated by the Group or third parties, but not by distributors or wholesale customers.

- Sales to distributors: Sales to distributors refer to the sales to distributors who resell the products to end-user consumers, typically at concession counters in department stores and retail stores operated by distributors.

- Others: Other sales include sales to wholesale customers located in the PRC, Hong Kong and Macau, and sales made to overseas customers.

4. REVENUE AND SEGMENT INFORMATION (Continued)

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by distribution channels, major products and geographical location of customers is as follows:

	Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Disaggregated by distribution channels		
– Self-operated retail sales	**94,147**	102,386
– E-sales	**19,043**	14,433
– Sales to distributors	**7,954**	12,356
– Others	**7,717**	14,567
	128,861	143,742

	Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Disaggregated by major products		
– Bed linens	**70,136**	81,890
– Duvets and pillows	**48,186**	56,092
– Other home accessories	**10,539**	5,760
	128,861	143,742

4. REVENUE AND SEGMENT INFORMATION (Continued)

Disaggregation of revenue (Continued)

	Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Disaggregated by geographical location of customers		
– Hong Kong and Macau	**95,482**	113,971
– PRC	**33,082**	29,511
– Others	**297**	260
	128,861	143,742

5. OTHER INCOME

	Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Bank interest income	**570**	369
Government subsidies (Note)	**10**	2,994
Dividend income	**417**	444
Rental income	**356**	111
Others	**222**	87
	1,575	4,005

Note: For the six months ended 30 June 2022, government grants of HK$2,994,000 mainly included the COVID-19-related subsidies of HK$2,896,000 which relates to 2022 Employment Support Scheme provided by the Hong Kong government.

6. OTHER (LOSSES) GAINS

	Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Gain on disposals of property, plant and equipment	**30**	3,982
Net exchange losses	**(1,630)**	(3,201)
Net gain (loss) allowance on trade receivables	**31**	(53)
Net unrealised (losses) gains on financial assets at fair value through profit or loss	**(122)**	276
	(1,691)	1,004

7. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Interest on:		
Bank borrowings	**96**	154
Lease liabilities	**477**	404
Total finance costs	**573**	558

8. (LOSS) PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
	(unaudited)	(unaudited)
(Loss) profit before taxation has been arrived at after charging/ (crediting):		
Staff costs (including directors' remuneration):		
Salaries, wages and other benefits	**41,751**	39,574
Retirement benefit schemes contributions	**3,122**	3,153
Total staff costs	**44,873**	42,727
Net allowance for inventories (included in cost of goods sold)	**(618)**	4,217
Cost of inventories recognised as expenses	**44,212**	52,744
COVID-19-related rent concessions (Note 12(a))	**–**	(163)
Depreciation of property, plant and equipment	**4,526**	5,284
Depreciation of investment properties	**203**	98
Depreciation of right-of-use assets	**8,120**	7,841
Expenses relating to short-term leases	**5,505**	5,526
Variable lease payments not included in the measurement of lease liabilities	**10,197**	11,078

9. TAXATION

	Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current tax		
Hong Kong	**504**	1,438
PRC Enterprise Income Tax ("**EIT**")	**–**	207
	504	1,645
Deferred taxation	**(572)**	(88)
	(68)	1,557

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2022: 16.5%) to the six months ended 30 June 2023, except for a subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2022.

Under the Law of the PRC on EIT (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

10. DIVIDEND

No dividends were paid, declared or proposed during the interim period (2022: Nil). The directors of the Company have determined that no dividend will be paid in respect of the interim period (2022: Nil).

11. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
	(unaudited)	(unaudited)
(Loss) earnings		
(Loss) profit for the period attributable to owners of the Company for the purposes of basic and diluted (loss) earnings per share	**(8,638)**	2,585

	Six months ended 30 June	
	2023	2022
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**257,854,000**	257,854,000
Effect of dilutive potential ordinary shares: Options	**–**	618,357
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**257,854,000**	258,472,357

The diluted loss per share for the six months ended 30 June 2023 has not taken into account the effect of outstanding share options as exercise of such options would have anti-dilutive effect.

12. PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INVESTMENT PROPERTIES

(a) Right-of-use assets

During the six months ended 30 June 2023, the Group entered into a number of lease agreements for use as retail stores and department store counters, and therefore recognised the additions of right-of-use assets of HK$10,701,000 (six months ended 30 June 2022: HK$11,336,000).

The leases of retail stores and department store counters contain variable lease payment terms that are based on sales generated from the retail stores and department store counters and minimum annual lease payment terms that are fixed. These payment terms are common in retail stores and department store counters in Hong Kong and the PRC where the Group operates. During the six months ended 30 June 2022, the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19. The amount of fixed and variable lease payments for the interim reporting period is summarised below:

	Six months ended 30 June 2023			
	Fixed payments HK$'000	Variable payments HK$'000	COVID-19-related rent concessions HK$'000	Total payments HK$'000
Retail stores and rented premises without variable lease payments	2,528	–	–	2,528
Retail stores with variable lease payments	4,403	2	–	4,405
Department store counters with variable lease payments	6,765	10,195	–	16,960
	13,696	10,197	–	23,893

12. PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INVESTMENT PROPERTIES (Continued)

(a) Right-of-use assets (Continued)

	Six months ended 30 June 2022			
	Fixed payments HK$'000	Variable payments HK$'000	COVID-19-related rent concessions HK$'000	Total payments HK$'000
Retail stores and rented premises without variable lease payments	2,352	–	–	2,352
Retail stores with variable lease payments	4,323	15	(163)	4,175
Department store counters with variable lease payments	6,941	11,063	–	18,004
	13,616	11,078	(163)	24,531

(b) Acquisitions of owned assets

During the six months ended 30 June 2023, the Group acquired property, plant and equipment with an aggregate cost of HK$22,998,000 (six months ended 30 June 2022: HK$9,866,000), which mainly included the cost of decoration and facilities of the new factory building amounted to HK$19,322,000 (six months ended 30 June 2022: construction cost of the new factory building amounted to HK$9,381,000).

(c) Transfer of properties to investment properties

During the six months ended 30 June 2023, a portion of one of the Group's factory buildings, which was self-occupied by the Group, with a carrying amount of HK$12,626,000 (six months ended 30 June 2022: self-operated retail shops of the Group, with a carrying amount of HK$11,161,000) was transferred to investment properties from property, plant and equipment as it is currently held for rental income purpose. The investment properties with carrying amount of HK$21,612,000 as at 30 June 2023 (31 December 2022: HK$10,213,000) are stated at cost less accumulated depreciation.

13. TRADE AND OTHER RECEIVABLES

	30.6.2023 HK$'000 (unaudited)	31.12.2022 HK$'000 (audited)
Trade receivables	**24,105**	42,894
Less: Loss allowance	**(1,591)**	(6,143)
Trade receivables, net	**22,514**	36,751
Deposits	**2,522**	3,412
Prepayments	**4,791**	6,549
Value added tax recoverable	**6,938**	7,041
Advances to employees	**1,419**	761
Other receivables	**1,754**	2,216
	17,424	19,979
Trade and other receivables	**39,938**	56,730

Retailing sales are mainly made at concession counters in department stores. The department stores collect cash from the ultimate customers and then repay the balance after deducting the concessionaire commission to the Group. The credit period granted to department stores ranging from 30 to 90 days. For distributors and wholesale sales, the Group allows a credit period up to 90 days to its trade customers, which may be extended to 180 days for selected customers.

The following is an aged analysis of trade receivables net of loss allowance presented based on the invoice dates at the end of the reporting period.

	30.6.2023 HK$'000 (unaudited)	31.12.2022 HK$'000 (audited)
Within 30 days	**11,331**	22,796
31 to 60 days	**6,272**	8,025
61 to 90 days	**3,529**	4,998
91 to 180 days	**1,313**	846
181 to 365 days	**69**	52
Over 365 days	**–**	34
	22,514	36,751

14. TRADE AND OTHER PAYABLES

	30.6.2023 HK$'000 (unaudited)	31.12.2022 HK$'000 (audited)
Trade payables	**18,224**	20,753
Bills payables	**16,976**	17,873
Trade and bills payables	**35,200**	38,626
Deposits received from customers	**3,370**	1,762
Accrued expenses	**7,638**	10,596
Salaries payables	**3,983**	8,075
Payable for acquisition of property, plant and equipment	**5,899**	263
Other payables	**1,229**	999
Contract liabilities	**756**	639
	22,875	22,334
Trade and other payables	**58,075**	60,960

The credit period of trade and bills payables is from 30 to 180 days.

The following is an aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period.

	30.6.2023 HK$'000 (unaudited)	31.12.2022 HK$'000 (audited)
Within 30 days	**13,542**	5,198
31 to 60 days	**12,095**	11,718
61 to 90 days	**5,332**	16,307
91 to 180 days	**2,586**	5,274
Over 180 days	**1,645**	129
	35,200	38,626

15. BANK BORROWINGS

During the six months ended 30 June 2023, the Group has not obtained any new bank borrowings (six months ended 30 June 2022: HK$5,663,000) and has not renewed any bank borrowings (six months ended 30 June 2022: HK$3,920,000). During the six months ended 30 June 2023, the Group has repaid bank borrowings of HK$5,306,000 (six months ended 30 June 2022: Nil). The loans carried an effective interest rate of 5.27% (six months ended 30 June 2022: ranging from 5.27% to 5.42%) per annum.

16. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2022, 30 June 2022, 1 January 2023 and 30 June 2023	**500,000,000**	**50,000**
Issued and fully paid:		
At 1 January 2022, 30 June 2022, 1 January 2023 and 30 June 2023	**257,854,000**	**25,785**

17. SHARE OPTION SCHEMES

A share option scheme (the "**2012 Share Option Scheme**") was adopted pursuant to the sole shareholder's resolution passed on 22 October 2012 for the primary purpose of providing incentives or rewards to directors or eligible employees, motivating the eligible participants to optimise their performance efficiency for the benefit of the Company and tracking and retaining with the eligible participants. The 2012 Share Option Scheme was terminated pursuant to an ordinary resolution by the shareholders of the Company passed on 6 June 2022. The principal terms of the 2012 Share Option Scheme are as follows:

(i) the 2012 Share Option Scheme is valid for 10 years from 22 October 2012 and was terminated with effect from 6 June 2022;

(ii) options may be exercised at any time during a period commencing on or after the date on which the option is accepted and granted and expiring on a date to be notified by the Board of Directors to each grantee which shall not be more than 10 years from the date on which the option is accepted and granted;

17. SHARE OPTION SCHEMES (Continued)

(iii) the exercise price of the share option will be determined at the highest of the closing price of the Company's shares on the Stock Exchange on the date of grant and the average of closing prices of the Company's shares on the Stock Exchange on the five business days immediately preceding the date of grant of the option;

(iv) the maximum number of shares in respect of which options may be granted shall not exceed 20,000,000 shares representing 10% of the total number of shares in issue at the date of listing of the shares of the Company on the Main Board of the Stock Exchange (representing 7.76% of the issued shares of the Company as at the date of this interim report);

(v) any offer of share options may be accepted in writing received by any director or the secretary of the Company on the date specified in the offer and the grantee shall pay HK$1.00 to the Company by way of consideration for the grant upon acceptance of the options;

(vi) the maximum entitlement of each eligible participant in any 12-month period up to the date of offer to grant shall not exceed 1% of the shares in issue as at the date of offer to grant; and

(vii) the Board of Directors may, at its discretion, fix any minimum period for which an option must be held, any performance targets that must be achieved and/or any other conditions (including the exercise price) that must be fulfilled before an option can be exercised.

At 30 June 2023, the number of shares in respect of which options had been granted and remained outstanding under the 2012 Share Option Scheme was, in aggregate, 5,250,000 (31 December 2022: 5,250,000), representing 2.0% (31 December 2022: 2.0%) of the shares of the Company in issue at that date.

During the six months ended 30 June 2022, a share option scheme (the "**2022 Share Option Scheme**") was adopted pursuant to the ordinary resolution by the shareholders of the Company passed on 6 June 2022 for the primary purpose of providing incentives or rewards to directors, other than independent non-executive directors, or eligible employees for their contribution to future development and expansion of the Group, motivating the eligible participants to optimise their performance efficiency for the benefit of the Company and tracking and retaining with the eligible participants. The principal terms of the 2022 Share Option Scheme are as follows:

(i) the 2022 Share Option Scheme is valid for 10 years from 6 June 2022;

(ii) options may be exercised at any time during a period commencing on or after the date on which the option is accepted and granted and expiring on a date to be notified by the Board of Directors to each grantee which shall not be more than 10 years from the date on which the option is accepted and granted;

(iii) the exercise price of the share option will be determined at the highest of the closing price of the Company's shares on the Stock Exchange on the date of grant and the average of closing prices of the Company's shares on the Stock Exchange on the five business days immediately preceding the date of grant of the option;

17. SHARE OPTION SCHEMES (Continued)

(iv) the maximum number of shares in respect of which options may be granted shall not exceed 25,785,400 shares representing 10% of the total number of shares in issue at the date of adoption of the 2022 Share Option Scheme;

(v) any offer of share options may be accepted in writing received by any director or the secretary of the Company on the date specified in the offer and the grantee shall pay HK$1.00 to the Company by way of consideration for the grant upon acceptance of the options;

(vi) the maximum entitlement of each eligible participant in any 12-month period up to the date of offer to grant shall not exceed 1% of the shares in issue as at the date of offer to grant; and

(vii) the Board of Directors may, at its discretion, fix any minimum period for which an option must be held, any performance targets that must be achieved and/or any other conditions (including the exercise price) that must be fulfilled before an option can be exercised.

At 30 June 2023, no options had been granted and remained outstanding under the 2022 Share Option Scheme (31 December 2022: Nil).

The following table discloses movements of the Company's share options held by directors of the Company and employees of the Group during both periods:

For the six months ended 30 June 2023

				Number of share options		
Categories of participants	**Date of grant**	**Exercisable period**	**Exercise price HK$**	**Outstanding at 1.1.2023**	**Lapsed during the period**	**Outstanding at 30.6.2023**
Under the 2012 Share Option Scheme						
Executive directors	2.7.2020	2.7.2020-1.7.2023	0.48	4,200,000	–	**4,200,000**
Independent non-executive directors	2.7.2020	2.7.2020-1.7.2023	0.48	750,000	–	**750,000**
Employee	2.7.2020	2.7.2020-1.7.2023	0.48	300,000	–	**300,000**
				5,250,000	–	**5,250,000**

17. SHARE OPTION SCHEMES (Continued)

For the six months ended 30 June 2022

Categories of participants	Date of grant	Exercisable period	Exercise price HK$	Number of share options: Outstanding at 1.1.2022	Lapsed during the period	Outstanding at 30.6.2022
Under the 2012 Share Option Scheme						
Executive directors	2.7.2020	2.7.2020-1.7.2023	0.48	4,200,000	–	4,200,000
Independent non-executive directors	2.7.2020	2.7.2020-1.7.2023	0.48	750,000	–	750,000
Employee	2.7.2020	2.7.2020-1.7.2023	0.48	300,000	–	300,000
				5,250,000	–	5,250,000

The outstanding share options as at 30 June 2023 and 30 June 2022 were lapsed subsequent to the end of the reporting period on 1 July 2023.

18. CAPITAL COMMITMENT

	30.6.2023 HK$'000 (unaudited)	31.12.2022 HK$'000 (audited)
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**1,929**	9,527

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

	30.6.2023 Level 1 and total HK$'000 (unaudited)	31.12.2022 Level 1 and total HK$'000 (audited)
Financial asset at fair value through profit or loss		
– Listed securities	**7,537**	7,659

During the six months ended 30 June 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (six months ended 30 June 2022: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

20. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the condensed consolidated financial statements, the Group had entered into the following related party transactions:

Name of related companies	Relationship	Nature of balances	30.6.2023 HK$'000 (unaudited)	31.12.2022 HK$'000 (audited)
Gain Harvest Investment Limited	Related company (Note a)	Lease liabilities (Note b)	**656**	1,301
Wealth Pine Asia Limited	Related company (Note a)	Lease liabilities (Note b)	**411**	816

Notes:

(a) Mr. Cheng Sze Kin, Mr. Cheng Sze Tsan and Ms. Wong Pik Hung (the "**Ultimate Beneficial Owners**") have directorship and beneficial and controlling interests in these related companies.

(b) The lease contracts related to the directors' quarters provided to the Ultimate Beneficial Owners were classified as right-of-use assets. The rental payments paid to the related companies for the six months ended 30 June 2023 were HK$1,074,000 (six months ended 30 June 2022: HK$1,074,000).

20. RELATED PARTY TRANSACTIONS (Continued)

Compensation of key management personnel

The remuneration of directors and other member of key management during the period was as follows:

	Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Salaries and allowances (Note)	**6,013**	6,118
Retirement benefit schemes contributions	**416**	388
	6,429	6,506

Note:

The rental payments of HK$1,074,000 paid for the directors' quarters for the six months ended 30 June 2023 (six months ended 30 June 2022: HK$1,074,000) are included in the amount.

21. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 6 July 2023, the Company granted 6,200,000 share options under the 2022 Share Option Scheme. The exercise price of these share options is HK$0.37 per share. Reference is made to the announcement of the Company published on 6 July 2023.

CORPORATE INFORMATION

Stock Code

2223

Board of Directors

Executive Directors

Mr. Cheng Sze Kin *(Chairman)*
Mr. Cheng Sze Tsan
(Vice-chairman and Chief Executive Officer)
Ms. Wong Pik Hung

Independent Non-executive Directors

Mr. Lo Siu Leung
Dr. Cheung Wah Keung
Mr. Chow On Wa

Committees

Audit Committee

Mr. Lo Siu Leung *(Chairman)*
Dr. Cheung Wah Keung
Mr. Chow On Wa

Remuneration Committee

Dr. Cheung Wah Keung *(Chairman)*
Mr. Lo Siu Leung
Mr. Chow On Wa

Nomination Committee

Mr. Cheng Sze Kin *(Chairman)*
Mr. Lo Siu Leung
Dr. Cheung Wah Keung
Mr. Chow On Wa

Investment Committee

Mr. Cheng Sze Kin *(Chairman)*
Mr. Cheng Sze Tsan
Mr. Chow On Wa

Company Secretary

Mr. Ho Yiu Leung

Authorised Representatives

Ms. Wong Pik Hung
Mr. Ho Yiu Leung

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Headquarters and Principal Place of Business

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Hong Kong

Auditor

CHENG & CHENG LIMITED,
Certified Public Accountants
Level 35, Tower 1, Enterprise Square Five,
38 Wang Chiu Road, Kowloon Bay, Kowloon.,
Hong Kong

Principal Share Registrar and Transfer Office

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman KY1-1102
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Union Registrars Limited
Suites 3301-04, 33/F,
Two Chinachem Exchange Square,
338 King's Road,
North Point, Hong Kong

Principal Bankers

Standard Chartered Bank (Hong Kong) Limited
Standard Chartered Bank (China) Limited
Bank of China (Hong Kong) Limited
Bank of China Limited

Company Website

www.casablanca.com.hk