CASABLANCA®

CASABLANCA GROUP LIMITED

HOME

(INCORPORATED UNDER THE LAWS OF THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

STOCK CODE: 2223

INDULGE YOURSELF *WITH* **COMFORT**

LEADING

BRANDED **BEDDING PRODUCTS** COMPANIES IN THE GREATER CHINA REGION

ANNUAL REPORT **2012**

CASABLANCA® HOME | Casa Calvin | ELLE DECO | CENTA-STAR® the bed & bath company | TRU TRUSSARDI

Contents

Casablanca Group Limited is dedicated to be a global leading branded company of home-textile products. Incorporating "Contemporary, Innovative and Functional" features in our product design concept, we target to provide premium quality bedding products to our customers at reasonable prices, creating a comfortable and relaxing sleeping environment for our customers.

With the continuous improvement in the per capita income of Chinese people, rising consumption power and increasing health consciousness, there will be greater development potential for the high-end and premium bedding products market. There will be a consolidation in the current highly-fragmented bedding products market and the Group will be exposed to better development opportunities.

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 "Casablanca" and "Casa Calvin" 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.

Our Distribution Network

382 **POS**[1] in 82 cities in well developed areas in the Greater China Region[2]

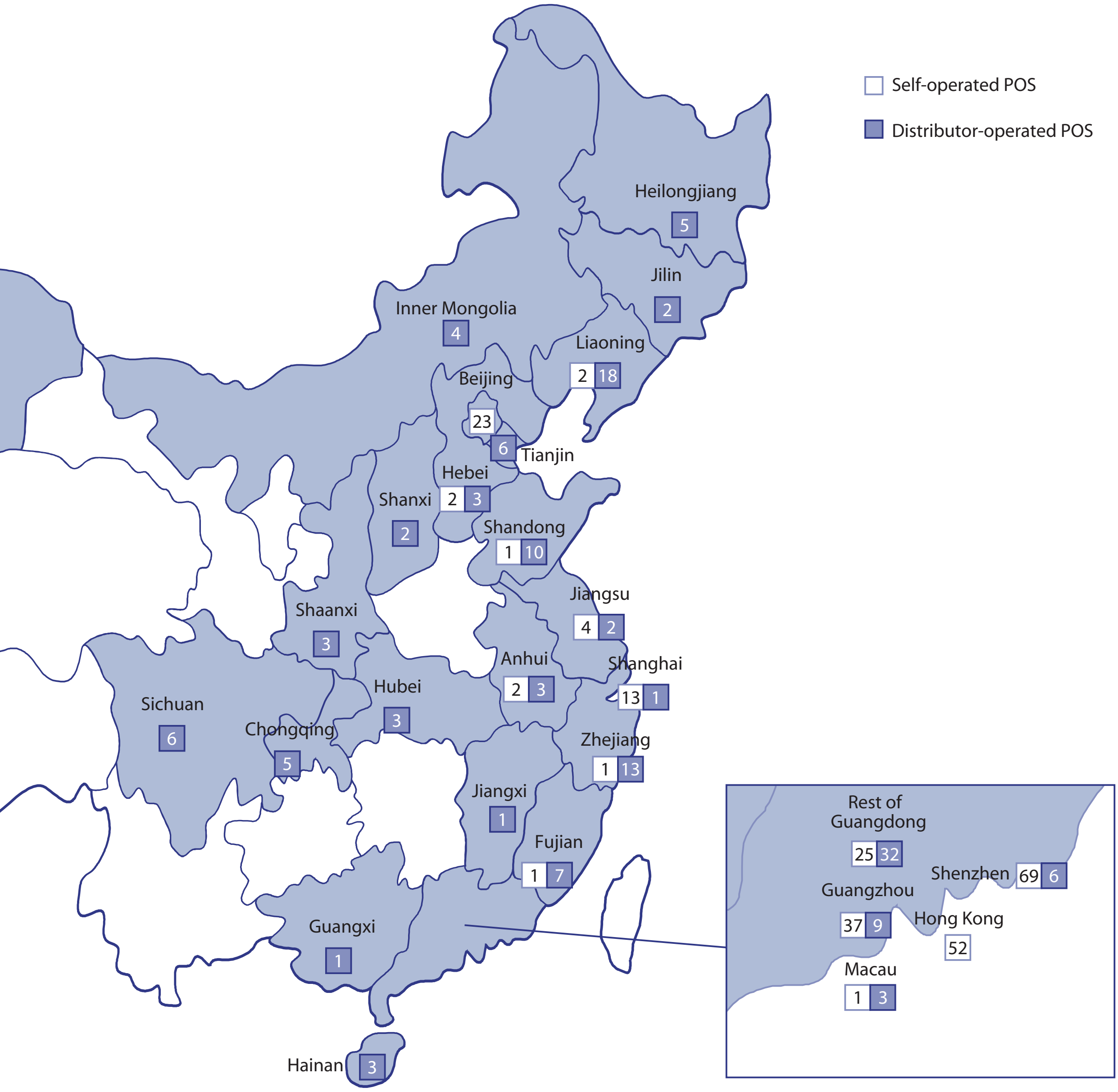
312 **concession counters** in well known department stores

233 **self-operated POS** in Hong Kong, Macau and first-tier cities of the PRC

88 **new POS** were opened in 2012 with 11 new POS in Hong Kong and 77 new POS in the PRC

(1) POS stands for points of sales

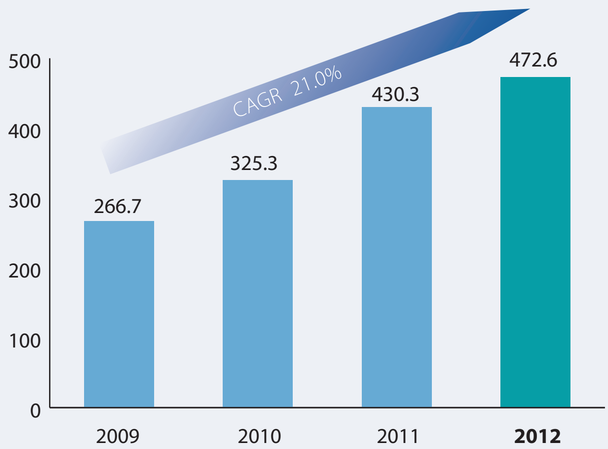
(2) The region comprises the People's Republic of China (the "PRC"), Hong Kong and Macau


Self-operated POS
Distributor-operated POS
Heilongjiang 5
Jilin 2
Inner Mongolia 4
Liaoning 2 18
Beijing 23
Tianjin 6
Hebei 2 3
Shanxi 2
Shandong 1 10
Jiangsu 4 2
Shaanxi 3
Anhui 2 3
Shanghai 13 1
Sichuan 6
Hubei 3
Chongqing 5
Zhejiang 1 13
Jiangxi 1
Fujian 1 7
Guangxi 1
Hainan 3
Rest of Guangdong 25 32
Shenzhen 69 6
Guangzhou 37 9
Hong Kong 52
Macau 1 3

Financial Highlights and Summary

Revenue

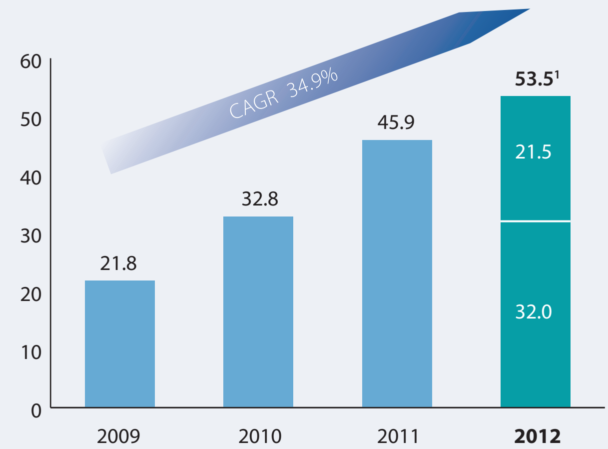
HK$ mn



For the year ended 31 December

Profit for the Year

HK$ mn



For the year ended 31 December

Consolidated Results[2]

	For the year ended 31 December			
	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**472,593**	430,263	325,284	266,667
Gross Profit	**292,082**	253,749	198,394	144,184
EBITDA[3]	**71,154**	55,743	39,626	26,135
Profit for the year attributable to owners of the Company[1]	**32,019**	45,864	32,830	21,775

Notes:

1. If listing expenses amounted to HK$21.5 million are excluded for 2012 the adjusted profit for the year attributable to owners of the Company for 2012 would be HK$53.5 million.

2. The summary of the consolidated results of the Group for each of the three years ended 31 December 2009, 2010 and 2011 have been extracted from the Company's prospectus dated 13 November 2012. Such summary was prepared as if the current structure of the Group had been in existence throughout these financial years.

3. EBITDA stands for earnings before interest, taxes, depreciation and amortisation and represents gross profit less selling and distribution costs and administrative expenses adding back depreciation, amortisation and share-based payments included in administrative expenses.

Consolidated Assets And Liabilities[1]

	As at 31 December			
	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**500,951**	362,905	271,749	195,867
Total liabilities	**229,102**	201,874	154,285	111,001
Total equity	**271,849**	161,031	117,464	84,866
Total bank borrowings	**95,858**	57,395	35,326	3,271
Bank balances and cash	**137,774**	107,050	60,796	49,815
Net cash[2]	**41,916**	49,655	25,470	46,544

Key Financial Ratios

	For the year ended 31 December			
	2012	2011	2010	2009
Gross profit margin	**61.8%**	59.0%	61.0%	54.1%
EBITDA margin	**15.1%**	13.0%	12.2%	9.8%
Net profit margin[3]	**6.8%**	10.7%	10.1%	8.2%
Return on assets[3]	**6.4%**	12.6%	12.1%	11.1%
Return on equity[3]	**11.8%**	28.5%	27.9%	25.7%
Interest coverage[4]	**103.0**	67.2	69.9	66.7
Current ratio	**1.7**	1.4	1.3	1.3
Quick ratio	**1.3**	1.0	0.8	1.0
Gearing ratio[5]	**35.3%**	35.6%	30.1%	3.9%
Inventory turnover (days)	**165.5**	155.5	147.9	104.2
Trade and bills receivables turnover (days)	**65.2**	54.7	54.5	50.3
Trade and bills payables turnover (days)	**103.9**	82.6	83.7	73.1

Notes:

1. The summary of the consolidated assets and liabilities as at 31 December 2009, 2010 and 2011 has been extracted from the Company's prospectus dated 13 November 2012. Such summary was prepared as if the current structure of the Group had been in existence throughout these financial years.

2. Net cash represents bank balances and cash less total bank borrowings.

3. If listing expenses amounted to HK$21.5 million are excluded for 2012, the adjusted profit for the year attributable to owners of the Company, net profit margin, return on assets and return on equity for 2012 would be HK$53.5 million, 11.3%, 10.7% and 19.7% respectively.

4. Interest coverage is calculated as EBITDA divided by finance costs.

5. Gearing ratio is calculated as total bank borrowings divided by total equity and multiplied by 100%.

Chairman's Statement

Our Mission

Casablanca Group Limited is dedicated to be a global leading branded company of home-textile products. Incorporating "Contemporary, Innovative and Functional" features in our product design concept, we target to provide premium quality bedding products to our customers at reasonable prices, creating a comfortable and relaxing sleeping environment for our customers.

Dear Shareholders,

I am pleased to present to shareholders of Casablanca Group Limited (the "Company") the first annual report of the Company and its subsidiaries (the "Group") after its successful listing in 2012.

The year 2012 marked an important milestone for the Group's development. It was the 20th anniversary of the establishment of the Group. Since its inception, the Group has focused its efforts on the design, manufacturing and sales of high-end and premium bedding products in the Greater China Region. Casablanca and Casa Calvin, our proprietary brands, have grown rapidly throughout these years and become two of the top brands not only in the Hong Kong and Macau market, but also among of the top ten brands in the PRC for the market segment of high-end and premium bedding products. By the end of 2012, the Group has set up an extensive distribution network covering the most developed medium or large-sized cities in the Greater China Region, and operated mainly in the form of concession counters in premium department stores. This is one of the important factors that enable the Group to take the lead in the industry.

Benefiting from the PRC's sustained economic growth, increasing per capita disposable income and the continuous progress of urbanization, as well as the needs of the Chinese people for further improving the quality of life, the bedding products market has maintained a growing momentum. As a leading player in this industry, the Group achieved continuous growth for both revenue and profit during the year of 2012.

Given that the Group was just listed near the year end of 2012, the board of directors of the Company ("Board" and "Directors") did not recommend the payment of final dividend for 2012.

Looking ahead, the global economy will gradually recover from recession and economy of the PRC is also expected to maintain its sustained growth. With continuous improvement in per capita income of the Chinese people and increasing health awareness, the Group expects that there will be higher growth for the high-end and premium segment in the bedding products market.

The listing of the Group on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") has laid a solid foundation for further expansion of our business in the Greater China Region. The Group will endeavor to provide consumers with more affordable, high-quality, stylishly-designed bedding products, and continue to bring satisfactory returns to our shareholders. Key strategies for the Group's future development include:

1. To further expand our market share by increasing the number of POS as well as by exploring new sales channels including e-commerce;

2. To adopt multiple brand strategy to better meet the needs of consumers in different market segments;

3. To increase brand marketing and promotion activities so as to increase brand awareness of the Group's proprietary brands;

4. To improve the infrastructure of the Group by enhancing the Group's production capacity, logistics capability and IT infrastructure.

On behalf of the Board, I would like to extend my sincere gratitude to our valued customers, business partners and shareholders for their persistent support, and express my appreciation to the management team and employees for their valuable contributions to the development of the Group during the year.

Cheng Sze Kin
Chairman
Hong Kong, 20 March 2013

Management Discussion and Analysis

Outlook

With continuous improvement in per capita income of the Chinese people, rising consumption power and increasing health awareness, there will be greater development potential for the high-end and premium bedding products market. There will be a consolidation in the current highly-fragmented bedding products market and the Group will be exposed to better development opportunities.

OVERVIEW

2012 marked the 20th anniversary of the inception of the Group and an important milestone in the development of the Group. Thanks to the unremitting efforts and contributions of all our colleagues, as well as the support of the shareholders and investors, the Company was successfully listed on the Stock Exchange on 23 November 2012 (the "Listing Date" and the "Listing").

We are pleased to announce the first annual result after the Listing. Our revenue sustained continuous growth and increased by 9.8% from HK$430.3 million in 2011 to HK$472.6 million in 2012; profit attributable to owners of the Company for 2012 was HK$32.0 million. After excluding listing expenses amounting to HK$21.5 million in 2012, profit attributable to owners of the Company would be HK$53.5 million, representing an increase of 16.6% as compared with that in 2011. For 2012, the EBITDA was HK$71.2 million representing an increase of 27.8% as compared with HK$55.7 million in 2011.

BUSINESS REVIEW

In 2012, the global economic situation was grim and full of uncertainties due to slow recovery of the economy of the United States and the continued spread of the European debt crisis. While in the PRC, which was regarded as one of the drivers of global economic growth, the growth momentum slowed down significantly and consumer confidence was also adversely affected. Overall, the economy of the PRC outperformed other economies. Its gross domestic product ("GDP") in 2012 grew by 7.8% on a year over year basis, while total retail sales of consumer goods grew by 14.7% in nominal terms and annual per capita disposable income of urban residents, after deducting price factors, realized a real growth of 9.6%.

Benefiting from the continuous growth of the economy of the PRC and increase in the per capita income and the continued progress of urbanization as well as the needs of the Chinese people for further improving the quality of life, the bedding products market maintained a sustainable growth momentum. Competition intensified due to the influx of overseas products into the China market looking for growth potential, the active expansion of sales network by major domestic brands through price competition and the threat to traditional sales channels from e-commerce. All players in the industry were exposed to the pressure of increasing sales network expansion costs and inventory costs.

Continued expansion of the sales network

Our expansion of sales network to 382 POS (2011: 346 POS) was one of the major factors contributing to our success in 2012. The network expansion strategy was implemented in a balanced way with the combination of our self-operated POS in Hong Kong and first-tier cities of the PRC and with the other POS operated by distributors and third-party retailers focusing on second and third-tier cities, so that we were able to penetrate into the bedding products markets throughout the PRC rapidly, had direct contact with target customers, responded quickly to changing consumer tastes and preferences and captured new market opportunities.

As at 31 December 2012, we had a sales network covering 82 cities in 25 provinces, autonomous regions and municipalities in the Greater China Region, including a total of 233 self-operated POS and 149 POS operated by our distributors. During 2012, we opened 88 new POS, including 11 in Hong Kong and 77 in the PRC. Concession counters in department stores remained the most important channel of our sales, whilst the number of stand-alone retail stores increased rapidly in southern China.

Breakdown of POS (as at 31 December 2012)

	Self-operated POS			Distributor-operated POS			
	Concession counters	Stand-alone retail stores	Sub-total	Concession counters	Stand-alone retail stores	Sub-total	Total
Hong Kong and Macau total	39	14	53	1	2	3	**56**
PRC							
Southern[(1)]	120	11	131	14	37	51	**182**
Northern[(2)]	25	–	25	15	0	15	**40**
Eastern[(3)]	22	–	22	33	4	37	**59**
Northeast[(4)]	2	–	2	24	1	25	**27**
Southwest[(5)]	–	–	–	11	–	11	**11**
Central[(6)]	–	–	–	2	1	3	**3**
Northwest[(7)]	–	–	–	4	–	4	**4**
PRC subtotal	169	11	180	103	43	146	**326**
Total	**208**	**25**	**233**	**104**	**45**	**149**	**382**

Notes:

(1) "Southern" includes Guangxi, Guangdong and Hainan.

(2) "Northern" includes Tianjin, Hebei, Shanxi, Beijing and Inner Mongolia.

(3) "Eastern" includes Shanghai, Jiangsu, Zhejiang, Anhui, Shandong, Jiangxi and Fujian.

(4) "Northeast" includes Heilongjiang, Liaoning and Jilin.

(5) "Southwest" includes Sichuan, Guizhou, Tibet, Yunnan and Chongqing.

(6) "Central" includes Henan, Hubei and Hunan.

(7) "Northwest" includes Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang.

Management Discussion and Analysis

Adoption of a multi-brand strategy targeting different customer groups

We have adopted a multi-brand strategy to meet the needs of consumers in different market segments. In addition to our proprietary brands of "Casablanca" and "Casa Calvin", we have renewed the licensing agreement with "Elle Deco" (a famous French brand) for exclusive franchise in the PRC and Hong Kong and Macau for a period from 2012 to 2017. During 2012, we also reaped satisfactory sales of products from our operation of other international brands including "Tru Trusardi", "Home Concept", "Move" and "Centa Star" in the PRC, Hong Kong and Macau. In addition to the popular Disney cartoon characters, we also introduced some local brands, such as "B Duck" for products targeting at the children market during the year.

During 2012, sales of our proprietary brands, including our core brands "Casablanca" and "Casa Calvin", maintained continuous growth with turnover increasing by 6.0% from HK$368.3 million in 2011 to HK$390.3 million for the year. The aggregated turnover for our licensed brands achieved good performance with turnover growing by 32.9% from HK$62.0 million in 2011 to HK$82.3 million for the year.

Enhanced marketing and branding activities

In order to improve the brand awareness of our core brands, we organized a series of promotional activities in 2012, including placement of advertisements in home textile and fashion magazines and outdoor advertising on public buses and MTR carriages as well as platforms, TV commercials at Shenzhen airport and China-Hong Kong Port crossings, as well as online media advertising so as to boost our sales and marketing activities and enhance our brand exposure.

Boosted production facility

To cope with the needs of growing sales and in order to lay a solid foundation for our future development, we acquired a parcel of industrial land with an area of approximately 87,000 m^2 at Dongjiang High Technology Park, Huizhou City, Guangdong Province, the PRC, which has been used to construct our new production base. The construction of our new production facilities in Huizhou was commenced in early 2012, and proceeded smoothly in general. The construction of phase I of Huizhou plant (the "Huizhou Plant") with approximately 42,000 m^2 of new production space was substantially completed at 31 December 2012. Currently, we are relocating the equipment from our old facilities, conducting installation and commissioning of new equipment and recruiting workers for the new factory. We expect that the new production base will be put into operation in the first half of 2013. The total investment budget for the Huizhou Plant increased from HK$128.3 million to HK$170.0 million due to change of design for part of the premises and delay in certain work caused by rainy weather during construction. The investment in this project was fully financed by our internal resources and bank loans.

Upon commencement of use of the Huizhou Plant, we will focus on enhancing our overall production capacity and logistics capability, which will provide strong support for our business growth. Meanwhile, we will continue to outsource processing of certain products so as to achieve a balance between equipment investment and production cost of products.

PROSPECTS

Looking ahead into the future, as the global economy gradually recovers from recession and the Chinese economy is likely to sustain growth, a better performance of the overall economy of the PRC is expected in 2013 as compared to 2012. The growth rate of the Chinese GDP for 2013 is forecasted to reach 8.5% and the growth rate for the total retail sales value of consumer goods is expected to rally by 15.5 %. The PRC government has announced its target to double the 2010 GDP and per capita income for both urban and rural residents by 2020, primarily relying on expansion of domestic consumption for driving economic development and continue to promote the process of urbanization. In addition, the Chinese population is still in the marriage boom and baby boom era and we believe the domestic market will continue its healthy growth. All these are underlying factors to support sustainable development of the bedding products market. With the continued improvement in the per capita income, the rising consumption power of Chinese people and their increasing health consciousness as well as the expected growth of middle-income consumers, we expect that there will be huge potential for the expansion of high-end and premium bedding products market. The current highly-fragmented bedding products market is bound to undergo consolidation and we believe better development opportunities are in store for us.

We will continue to expand our network and improve the operational efficiency in our core markets. Hong Kong and Macau will remain as the most important market for the Group. Despite intensified competition in the retail market, we expect to achieve steady growth in this area. In addition, we will make unremitting efforts to develop domestic business just as we did in the past, so as to capture huge business opportunities brought about by the economic growth of the PRC. We plan to continue to focus on expanding our sales network in the PRC at a pragmatic pace. At the same time, we will adjust the structure of our sales network and increase the number of self-operated POS in major domestic cities with great development potential where the third-party retailers are not delivering satisfactory sales so as to enhance the operational scale and efficiency in these markets. In addition to traditional retail channels, we will proactively explore new sales channels including e-commerce and develop the commercial users market.

We believe that brand awareness and customer loyalty are critical to the establishment of a successful retail brand. We will strengthen advertising campaign to increase brand awareness of our proprietary brands and their market influence, especially in the PRC. In addition to placing advertisements on print media and public transportation, we are developing a series of new publicity measures, including micro film, so as to increase consumer awareness of our proprietary brands in the market.

In line with our multi-brand strategy, we will introduce more international brands in bedding products while further increasing the market share of our proprietary brands so as to better serve the needs of consumers in different market segments and drive the growth in our comparable same store sales.

We will improve our production facilities to meet the needs of growing sales and management. The Huizhou Plant will greatly enhance our production capacity and logistics capability upon commencement of operation in 2013. We will complete the installation of POS systems in all of our self-operated POS by the end of 2014, with an aim to provide sales information in a timely and accurate manner, and improve the operational efficiency of the Group.

In a challenging operating environment, we rely on the efforts and contributions of all our staff and their teamwork to develop our business and achieve our business goals. In the future, we will allocate more resources to support our staff in improving their professional skills.

Management Discussion and Analysis

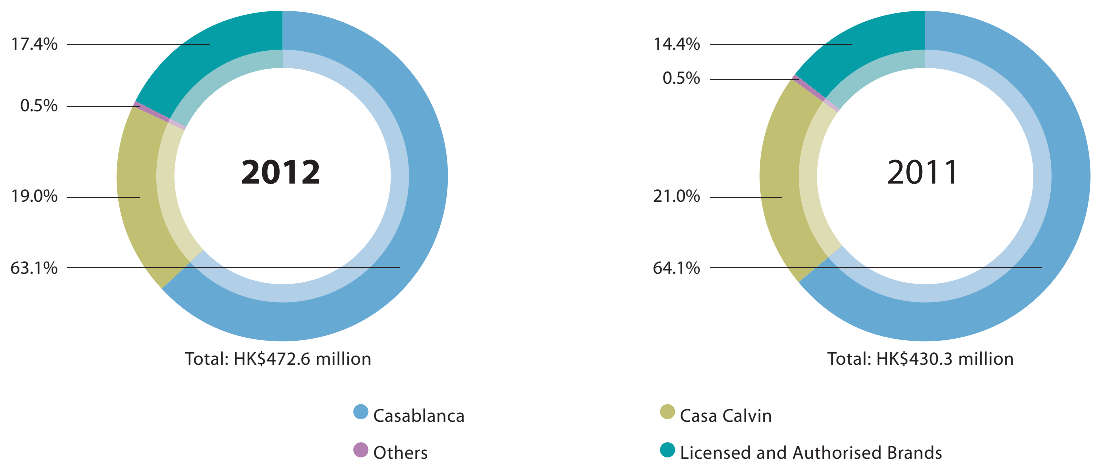
Our management will use their extensive experiences to aggressively promote the implementation of the above strategies and measures so as to give full play to our competitive strength and seek various opportunities to achieve rapid development. Adhering to the concept of "Contemporary, Innovative and Functional" features. We will endeavour to provide consumers with more reasonably priced, high-quality and stylishly-designed bedding products. We are confident that we will be able to achieve a steady development in the bedding products market of China which is full of great potential, and continue to bring better returns to our shareholders.

FINANCIAL REVIEW

Revenue

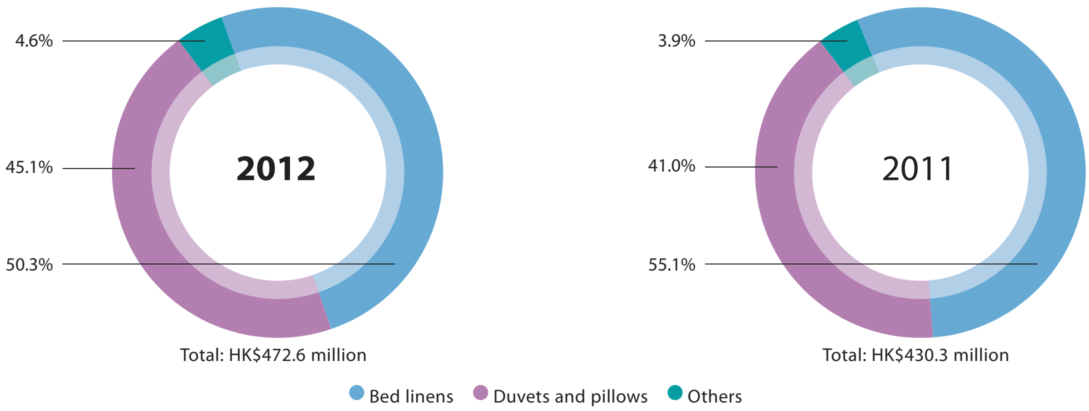
For the year 2012, the Group recorded revenue of HK$472.6 million (2011: HK$430.3 million), representing a growth of 9.8% over 2011. The growth in revenue was primarily attributable to (i) an increase in consumer demand for our products, and (ii) an increase in sales of our products in the PRC.

Breakdown of revenue by brands:



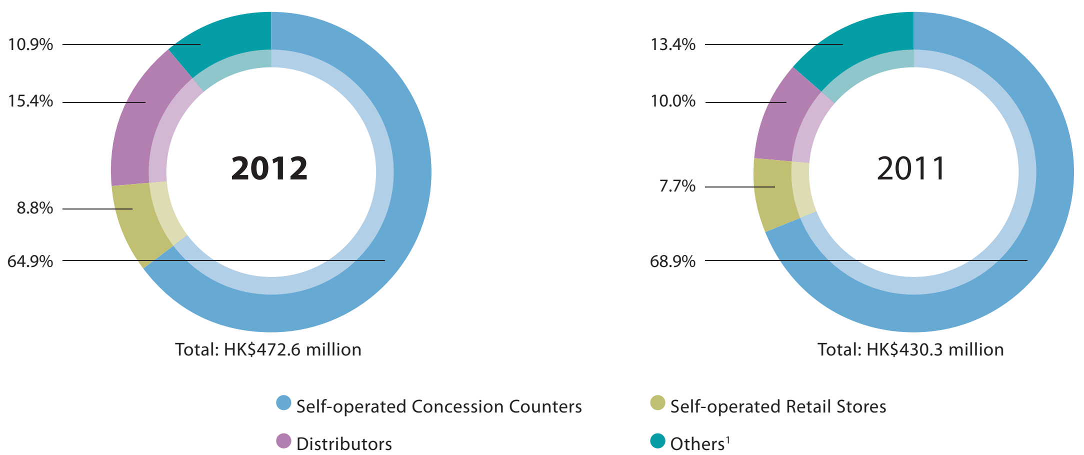
Casablanca and Casa Calvin are our major proprietary brands. Our proprietary brands achieved a continued rising trend in sales for 2012, which rose by 6.0% to HK$390.3 million (2011: HK$368.3 million). Sales of our licensed and authorised brands for 2012 increased by 32.9% to HK$82.3 million (2011: HK$62.0 million).

Breakdown of revenue by products:



Bed linens and duvets and pillows are the major products of the Group. Sales of bed linens and duvets and pillows for 2012 were HK$237.8 million (2011: HK$237.3 million) and HK$213.0 million (2011: HK$176.4 million) respectively. Sale of duvets and pillows increased by 20.8% primarily due to the change in the sales mix and longer period of cold weather in 2012.

Breakdown of revenue by channels:



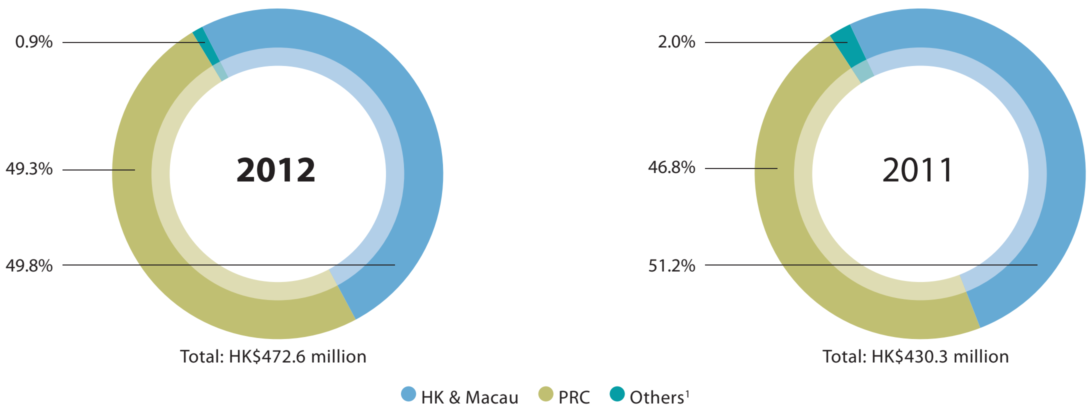
Note:

(1) "Others" includes sales to wholesale customers in Hong Kong and the PRC and also exports to overseas markets.

Self-operated retail sales, including through concession counters and retail stores, for 2012 totaled HK$348.2 million (2011: HK$329.7 million), accounting for 73.7% of the total revenue and representing an increase of 5.6% as compared to that of 2011. Sales to distributors for 2012 significantly increased by 69.4% to HK$72.9 million (2011: HK$43.0 million). The increase in sales to distributors for 2012 was mainly attributable to the continued growth of sales to distributors. Sales to others for 2012 was HK$51.5 million (2011: HK$57.5 million) representing a decrease of 10.5% primarily due to the decrease in export sales to overseas markets as a result of the downturn of global economy.

Management Discussion and Analysis

Breakdown of revenue by geographic region:



Note:

(1) "Others" includes sales to regions other than Hong Kong, Macau and the PRC.

Revenues from Hong Kong and Macau, the PRC and others for 2012 were HK$235.3 million (2011: HK$220.5 million), HK$233.0 million (2011: HK$201.0 million) and HK$4.3 million (2011: HK$8.8 million) respectively. Revenues from Hong Kong and Macau recorded a steady growth of 6.7%. Revenue from the PRC achieved year on year growth of 15.9% in 2012 as a result of the expansion of sales network in the PRC. Revenue from others decreased by 51.1% in 2012 due to the decrease in export sales to overseas markets as a result of the downturn of the global economy.

Gross Profit and Gross Profit Margin

Gross profit increased by 15.1% to HK$292.1 million for 2012 when compared to HK$253.7 million for 2011. The gross profit margin for 2012 was 61.8% which was higher than 59.0% for 2011. Proper cost control measures helped to improve the overall gross margin for 2012.

Other Gains and Losses

Other gains decreased by 68.8% to HK$2.7 million for 2012 as compared to HK$8.5 million for 2011. The gain on disposal of a subsidiary amounted to HK$4.2 million for 2012 was attributable to a gain on disposal of Wealth Pine Asia Limited, our subsidiary prior to the reorganisation, as a result of the reorganisation in preparation for the Listing. This gain was offset by against other losses of provision for doubtful debts and exchange differences amounting to HK$1.2 million and HK$0.3 million respectively.

Operating Expenses

Selling and distribution costs for 2012 increased by 9.2% to HK$176.3 million from HK$161.5 million for 2011. The increase in selling and distribution costs was mainly due to rise in commissions of concession counters, rentals of retail stores, staff costs and repair & maintenance expenses along with the increase in the number of POS.

Administrative expenses for 2012 increased by 19.0% to HK$52.0 million compared with HK$43.7 million for 2011. The increase was mainly due to the increase in staff costs, Directors' remuneration and the share-based payments for 2012.

Listing Expenses

During the year 2012, the Group incurred non-recurring listing expenses of HK$21.5 million, which related to the initial public offering ("IPO") of the Company's shares, as recognised in the Group's consolidated statement of comprehensive income. These were one-off expenses and are not expected to recur in the coming year.

Taxation

The Group's effective tax rate for 2012 was 29.4% as compared to 19.7% for 2011. The increase in effective tax rate for 2012 was mainly due to the listing expenses which were non-deductible for tax purposes. If excluding the non-recurring listing expenses of HK$21.5 million, the effective tax rate for 2012 would be 19.9%.

Profit for the Year

The Group's profit for the year for 2012 decreased to HK$32.0 million from HK$45.9 million for 2011, representing a decrease of 30.2%. This was mainly attributable to the non-recurring listing expenses of HK$21.5 million as recognised in the Group's consolidated statement of comprehensive income for 2012.

If excluding the non-recurring listing expenses of HK$21.5 million, the profit for the year for 2012 would increase by 16.6% to HK$53.5 million as compared to HK$45.9 million for 2011.

EBITDA represents gross profit less selling and distribution costs and administrative expenses adding back depreciation, amortisation and share-based payments included in administrative expenses. The EBITDA for 2012 increased by 27.6% to HK$71.2 million from HK$55.7 million for 2011.

Major Operating Efficiency Ratios

	2012	2011
Inventory turnover (days)	**165.5**	155.5
Trade and bills receivables turnover (days)	**65.2**	54.7
Trade and bills payables turnover (days)	**103.9**	82.6

Inventory turnover

The inventory turnover is equal to the average of opening and closing inventory divided by total cost of sales for the year and multiplied by 365 days. The increase in inventory turnover to 165.5 days for 2012, from 155.5 days for 2011, was due to inventory kept as at 31 December 2012 for sales to the wholesale customer with non-recurring bulk-purchases in January 2013 and the increase in inventory storage due to the increase in the number of self-operated POS in the PRC.

Management Discussion and Analysis

Trade and bills receivables turnover

The trade and bills receivables turnover is equal to the average of opening and closing trade and bills receivables divided by total sales for the year and multiplied by 365 days. The trade and bills receivables turnover increased to 65.2 days for 2012 from 54.7 days for 2011 due to sales to the wholesale customer with non-recurring bulk-purchases in November and December 2012 for which the payment was not yet due as at 31 December 2012 and the increase in proportion of sales to distributors of which we granted longer credit periods.

Details of the Group's aged analysis of trade and bills receivables are set out in note 20 to the consolidated financial statements. Up to the date of this annual report, 76.7% of total trade and bills receivable and 62.3% of those aged more than 60 days (based on the invoice dates) as at 31 December 2012 have been settled.

The management of the Group closely monitors and reviews the credit conditions of department stores, distributors and wholesale customers. For those customers with long outstanding receivables, we urge payments by sending reminders, stop further delivery of goods and take legal actions to enforce payments if the situation persists.

Trade and bills payables turnover

The trade and bills payables turnover is equal to the average of opening and closing trade and bills payables divided by total cost of sales for the year and multiplied by 365 days. The trade and bills payables turnover increased to 103.9 days for 2012 from 82.6 days for 2011, primarily due to significant purchases during the fourth quarter of 2012.

Liquidity and Capital Resources

The gearing structure is set out below:

	As at 31 December	
	2012	2011
	HK$'000	HK$'000
Total bank borrowings	**95,858**	57,395
Bank balances and cash	**137,774**	107,050
Net cash	**41,916**	49,655
Total assets	**500,951**	362,905
Total liabilities	**229,102**	201,874
Total equity	**271,849**	161,031

The Group has been adhering to the principle of prudent financial management in order to minimise financial and operational risks. The Group generally finances its operations with internally generated cash flows. Bank borrowings are primarily for financing the construction of the Huizhou Plant. The financial position of the Group is healthy during 2012. The net proceeds of approximately HK$44.2 million raised from the IPO has enlarged the Group's capital base and strengthened the Group's financial position.

Bank borrowings

As at 31 December 2012, the total amount of interest-bearing bank borrowings of the Group was approximately HK$95.9 million (2011: HK$57.4 million), which were denominated as to 64.4% and 35.6% in Hong Kong dollars and Renminbi respectively, with effective interest rates ranging from 1.76% to 7.48% per annum. Details of the Group's bank borrowings are set out in note 26 to the consolidated financial statements.

On 8 February 2013, Casablanca Hong Kong Limited, Casablanca International Limited and Casablanca Home Limited, the wholly-owned subsidiaries of the Company as borrowers (the "Borrowers"), the Company as guarantor and Bank of China (Hong Kong) Limited as lender (the "Lender") entered into the facility agreements (the "Facility Agreements") which consist of banking facilities granted by the Lender to the Borrower. The Facility Agreements impose a covenant relating to specific performance of the Controlling Shareholders (as defined below).

Under the Facility Agreements, it is (among other matters) an event of default if Mr. Cheng Sze Kin, Mr. Cheng Sze Tsan and Ms. Wong Pik Hung (the "Controlling Shareholders") collectively cease to hold and control shares of the Company directly or indirectly so that they collectively cannot remain as the single largest group of shareholders of the Company, and in such event the loans under the Facility Agreements may immediately become payable on demand. At the date of this annual report, the Controlling Shareholders ultimately hold 75% of the issued share capital of the Company through World Empire Investment Inc.

Current ratio

The Group's total current assets increased to HK$329.2 million as at 31 December 2012 from HK$270.9 million as at 31 December 2011, while total current liabilities decreased to HK$196.9 million as at 31 December 2012 from HK$200.6 million as at 31 December 2011. As a result, the current ratio improved to 1.7 as at 31 December 2012 from 1.4 as at 31 December 2011.

Gearing ratio

Gearing ratio is calculated as total bank borrowings divided by total equity at the end of the year. As at 31 December 2012, the gearing ratio was 35.3% when the total equity increased by HK$75.0 million from the IPO and the bank borrowings also increased by HK$38.5 million for financing the construction of the Huizhou Plant. The Group was still in net cash position at 31 December 2012.

Pledge of assets

As at 31 December 2012, the Group had pledged its leasehold land and buildings, trade receivables and prepaid lease payments with an aggregate carrying value of HK$58.3 million to certain banks in Hong Kong and the PRC to secure banking facilities granted to the Group.

Capital expenditures

During the year 2012, the Group invested HK$122.8 million (2011: HK$38.3 million) for acquisition of property, plant and equipment, mainly for construction of the Huizhou Plant.

Capital commitments

As at 31 December 2012, the Group had capital commitments of approximately HK$8.4 million (2011: HK$78.8 million), for acquisition of property, plant and equipment, mainly for construction of the Huizhou Plant.

Management Discussion and Analysis

Listing of the Shares and Share Capital

The total number of shares of the Company in issue upon the Listing and as at 31 December 2012 was 200,000,000 shares of HK$0.1 each. As at 31 December 2012, the total issued share capital of Company was HK$20,000,000.

In order to provide incentive or reward to eligible persons for their contribution to the Group and to enable the Group to recruit and retain human resources that are valuable to the Group, the Company adopted a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") before the Listing. Details of the Pre-IPO Share Option Scheme are set out in note 30 to the consolidated financial statements. During the year, no options were exercised pursuant to the Pre-IPO Share Option Scheme.

During the year 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Dividend

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2012.

During the year 2012, dividends of HK$25.0 million (2011: HK$8.0 million) were paid to the shareholders before the Listing. Details of dividends paid are set out in note 14 to the consolidated financial statements.

Contingent Liabilities

As at 31 December 2012, the Group did not have material contingent liabilities.

Significant Investments

As at 31 December 2012, the Group did not have significant investments.

Foreign Exchange Exposure

The Group carries on its business mainly in Hong Kong and the PRC. The Group is exposed to foreign exchange risk principally in Renminbi which can be largely offset by revenue and expenditure. It is the policy of the Group to continue maintaining the balance of its revenue and expenditure in the same currency. The Group does not expect any appreciation or depreciation of the Hong Kong Dollar against foreign currencies to materially affect the Group's results on operations. The Group 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.

Employee and Remuneration Policy

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

As at 31 December 2012, the employee headcount of the Group was 990 (2011: 812) and the total staff costs, including directors' emoluments, amounted to HK$80.1 million (2011: HK$63.9 million).

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

Save as disclosed in notes 1 and 32 to the consolidated financial statements for acquisitions and disposals of subsidiaries as part of group reorganisation before the Listing, the Group did not have acquisitions and disposals of subsidiaries and associated companies after the Listing.

Use of Net Proceeds

The Company had received net proceeds from the IPO of approximately HK$44.2 million, after deducting the underwriting fees and commissions and listing expenses. The Company intends to apply the proceeds from the IPO to expand the sales network, upgrading management information systems, enhancing brand building and product promotion and funding the working capital and other general corporate uses. Up to the financial year ended 31 December 2012, there was no significant amount of usage out of the net proceeds from the IPO.

Directors and Senior Management

Executive Directors

Mr. Cheng Sze Kin (鄭斯堅), aged 52, 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 the Director of all the subsidiaries of the Group incorporated in Hong Kong and BVI and the legal representative of all the subsidiaries of the Group established in the PRC. He is responsible for strategic planning of the Group, in particular product development and production. He has over 20 years of experience in the production of bedding products and textile trading. Mr. Cheng 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 Tsan (鄭斯燦), aged 40, 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 the Director of all the subsidiaries of the Group incorporated in Hong Kong and BVI. He is responsible for strategic planning of the Group, in particular product development and sales management in the PRC. He has over 18 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.

Ms. Wong Pik Hung (王碧紅), aged 46, has been a Director of a subsidiary of the Group 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 the Director of all the subsidiaries of the Group 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 over 18 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 in July 1987. 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.

Mr. Sung Shuk Ka (宋叔家), aged 44, joined the Group as the Chief Executive Officer in June 2010 and was appointed as an Executive Director on 22 October 2012. He is responsible for strategic planning and general management of the Group. He has over 20 years of experience in finance and investment. Prior to joining the Group, Mr. Sung has worked for several financial institutions and listed companies. Mr. Sung was the head of the investment operations department of Shanghai Industrial Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 363) from August 2002 to January 2009. Mr. Sung holds a bachelor's degree in economics from Xiamen University and a master degree in business administration from the Chinese University of Hong Kong.

Independent Non-executive Directors

Mr. Tse Yat Hong (謝日康), aged 43, was appointed as an Independent Non-executive Director on 22 October 2012. Mr. Tse has extensive experience in accounting, finance and corporate governance matters of listed companies and has broad knowledge in accounting and financial rules and regulations in Hong Kong and China. Mr. Tse is currently the chief financial officer of Shenzhen International Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code:152). He is also a non-executive director of Shenzhen Expressway Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 548) and the Shanghai Stock Exchange (stock code: 600548). Mr. Tse worked in the audit profession in one of the international accounting firms for over 7 years. He is a Fellow of the Hong Kong Institute of Certified Public Accountants and a FCPA of CPA Australia. Mr. Tse graduated from Monash University in Australia with a bachelor's degree in accounting and computer science.

Mr. Leung Lin Cheong (梁年昌), aged 59, was appointed as an Independent Non-executive Director on 22 October 2012. He has over 30 years of experience in legal affairs and compliance, listed corporate secretarial practice and administration. Mr. Leung is currently the chief legal and compliance officer of Shanghai Industrial Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 363) and its parent company Shanghai Industrial Investment (Holdings) Co. Ltd. He is a fellow member of each of The Institute of Chartered Secretaries and Administrators, The Hong Kong Institute of Chartered Secretaries, The Chartered Institute of Management Accountants and the Hong Kong Institute of Certified Public Accountants and also a professional member of the Hong Kong Institute of Human Resource Management. Mr. Leung has served as a member of the Standing Committee of the Legal Affairs Steering Committee of the Hong Kong Chinese Enterprises Association since 2007. Mr. Leung has also been appointed as a Committee Member of the Financial and Regulatory Affairs Committee of the Chamber of Hong Kong Listed Companies since June 2012. He holds a master degree in law which is a long distance course from University of London and a master degree in business administration from Brunel University in the United Kingdom in conjunction with Henley Management College.

Mr. Li Kai Fat (李啟發), aged 54, was appointed as an Independent Non-executive Director on 22 October 2012. He has over 10 years of experience in sales management. Mr. Li has been the general manager of J.M. Times Garments (Shenzhen) Co., Ltd. since March 2007. He obtained a diploma in business management from the Hong Kong Polytechnic University in February 1989.

Directors and Senior Management

Senior Management

Mr. Ho Yiu Leung (何耀樑), aged 46, 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 20 years of experience in auditing, accounting and financial management. He is a fellow member of the Association of Chartered Certified Accountants and also an associate member of the Hong Kong Institute of Certified Public Accountants, The Hong Kong Institute of Company Secretaries and The Institute of Chartered Secretaries and Administrators. He holds a master degree in business administration which is a long distance course from the University of Strathclyde.

Mr. Wang Yi Gong (王貽功), aged 39, joined the Group as the General Manager of CCW Home Tex (Shenzhen) in October 2006. He is responsible for managing our sales operation in the PRC. Mr. Wang has over 11 years of experience in the home textile industry and sales operation. Prior to joining the Group, he had been the deputy general manager of Ideemonto Homeware (Shenzhen) Co., Ltd. (深圳市埃迪蒙托居室用品有限公司). Mr. Wang holds a diploma in Chinese language and literature from Shaanxi Normal University.

Mr. Gao Yan (高岩), aged 54, joined the Group as the Deputy General Manager of CCW Home Tex (Shenzhen) in June 2007. He is responsible for the administrative and human resource management in the PRC. Prior to joining the Group, he had been the general manager of Shaanxi Tanghua No. 3 Textile Co., Ltd. (陝西唐華三棉有限責任公司) from 1983 to 2004. Mr. Gao obtained a diploma in weaving machinery from Northwest Institute of Textile Science and Technology (西北紡織工學院) in July 1983 and was awarded a qualification of senior engineer from Guangdong Province Personnel Office (廣東省人事廳) in March 2003.

Mr. Lin Yi Kai (林奕凱), aged 43, joined the Group as the Deputy General Manager of CCW Home Tex (Shenzhen) in May 2007. He is responsible for the financial management of our operations in the PRC. Mr. Lin has approximately 18 years of experience in audit and accounting. Mr. Lin holds a bachelor's degree in accounting which is a long distance course from Guangdong Polytechnic Normal University and an International Finance Manager certificate from the International Financial Management Association.

Ms. Zheng Yu Mei (鄭玉梅), aged 36, joined the Group as the Deputy General Manager of Forcetech (Shenzhen) in July 2005. She is responsible for managing the production and procurement of the Group. Ms. Zheng has over 10 years of working experience in the textile industry.

Company Secretary

Mr. Ho Yiu Leung (何耀樑), aged 46, 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.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2012.

Corporate Reorganisation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 2 April 2012.

Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the public listing of the Company's shares on the Main Board of the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 22 October 2012.

Details of the reorganisation are set out in the section headed "History, Reorganisation and Group Structure" in the prospectus of the Company dated 13 November 2012 (the "Prospectus").

The shares of the Company have been listed on the Main Board of the Stock Exchange since 23 November 2012.

Principal Activities

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 38 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2012 are set out in the consolidated statement of comprehensive income on page 44 of this annual report.

An interim dividend of HK$2.6 per share amounting to HK$11,000,000 in aggregate was paid to the shareholders before the listing of the Company's shares on the Main Board of the Stock Exchange during the year.

The Directors do not recommend the payment of final dividend for the year ended 31 December 2012.

Financial Summary

A summary of the results and the assets and liabilities of the Group for the last four financial years is set out on pages 4 to 5 of this annual report.

Property, Plant and Equipment

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

Directors' Report

Listing of the Shares and Share Capital

The shares of the Company have been successfully listed on the Main Board of the Stock Exchange since 23 November 2012. The total number of shares of the Company in issue upon listing was 200,000,000 shares.

Details of the movements during the year in the share capital of the Company are set out in note 29 to the consolidated financial statements.

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

Use of Proceeds from the Listing

The Company had received the net proceeds from the IPO of approximately HK$44,161,000, after deducting the underwriting fees, commissions and listing expenses. The Company intends to apply the net proceeds from the IPO in the manner consistent with that stated under the section headed "Future Plans and Use of Proceeds" of the Prospectus. Up to the financial year ended 31 December 2012, there was no significant amount of usage out of the net proceeds from the IPO.

Distributable Reserves of the Company

The Company's reserves available for distribution to shareholders as at 31 December 2012 calculated in accordance with the Companies Law of the Cayman Islands, amounted to HK$79,132,000, comprising the share premium of approximately HK$79,412,000 less the accumulated loss of HK$280,000.

Directors

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:

Mr. Cheng Sze Kin *(Chairman)*	(appointed on 2 April 2012)
Mr. Cheng Sze Tsan *(Vice Chairman)*	(appointed on 2 April 2012)
Ms. Wong Pik Hung	(appointed on 2 April 2012)
Mr. Sung Shuk Ka *(Chief Executive Officer)*	(appointed on 22 October 2012)

Independent Non-executive Directors:

Mr. Tse Yat Hong	(appointed on 22 October 2012)
Mr. Leung Lin Cheong	(appointed on 22 October 2012)
Mr. Li Kai Fat	(appointed on 22 October 2012)

In accordance with Article 16.2 of the Company's Articles of Association ("Articles of Association"), all Directors will retire from office at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the annual general meeting.

Directors' Service Contracts

Each of the Executive Directors has entered into a service contract with the Company for a fixed term of three years commencing from the Listing Date subject to termination by not less than three months' notice in writing served by either party to the other.

Each of the Independent Non-executive Directors has entered into a letter of appointment with the Company for a fixed term of three years commencing from the Listing Date subject to termination by not less than three months' notice in writing served by either party to the other. The appointments are subject to the provisions of retirement by rotation of Directors under the Articles of Association.

Save as disclosed the above, no Director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' and Chief Executive's Interests in Shares

At 31 December 2012, the interests of the Directors and the chief executive and their associates in the shares and share options of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions

(a) Ordinary shares of HK$0.1 each of the Company

Name of Director	Nature of interest	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Cheng Sze Kin	Interest in a controlled corporation (Note 1)	150,000,000	75.0%
Mr. Cheng Sze Tsan	Interest in a controlled corporation (Note 2)	150,000,000	75.0%
Ms. Wong Pik Hung	Spouse interest (Note 3)	150,000,000	75.0%

Directors' Report

(b) Share options

Name of Director	Nature of interest	Number of options held	Number of underlying shares interested
Mr. Cheng Sze Kin	Beneficial interest (Note 1)	4,500,000	4,500,000
	Spouse interest (Note 1)	3,375,000	3,375,000
		7,875,000	7,875,000
Mr. Cheng Sze Tsan	Beneficial interest (Note 2)	4,125,000	4,125,000
Ms. Wong Pik Hung	Beneficial interest (Note 3)	3,375,000	3,375,000
	Spouse interest (Note 3)	4,500,000	4,500,000
		7,875,000	7,875,000
Mr. Sung Shuk Ka	Beneficial interest	2,000,000	2,000,000

Notes:

(1) Mr. Cheng Sze Kin is interested in 40% of World Empire Investment Inc. ("World Empire"), which is in turn interested in 75% of the Company's issued share capital. Therefore, Mr. Cheng Sze Kin is deemed to be interested in such 75% of the Company's issued share capital, by virtue of Mr. Cheng Sze Kin's interests in World Empire. Mr. Cheng Sze Kin is also interested in the options granted under the pre-IPO share option scheme to subscribe 4,500,000 shares and is deemed to be interested in the options granted to his spouse, Ms. Wong Pik Hung, under the pre-IPO share option scheme to subscribe 3,375,000 shares. However, each of Mr. Cheng Sze Kin and Ms. Wong Pik Hung 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

(2) Mr. Cheng Sze Tsan is interested in 35% of World Empire, which is in turn interested in 75% the Company's issued share capital. Therefore, Mr. Cheng Sze Tsan is deemed to be interested in such 75% of the Company's issued share capital, by virtue of Mr. Cheng Sze Tsan's interests in World Empire. Mr. Cheng Sze Tsan is also interested in the options granted under the pre-IPO share option scheme to subscribe 4,125,000 shares. However, Mr. Cheng Sze Tsan 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 World Empire, thus, Ms. Wong Pik Hung will be deemed to be interested in 75% of the Company's issued share capital. Ms. Wong Pik Hung is also interested in the options granted under the pre-IPO share option scheme to subscribe 3,375,000 shares and is deemed to be interested in the options granted to her spouse, Mr. Cheng Sze Kin, under the pre-IPO share option scheme to subscribe 4,500,000 shares. However, each of Mr. Cheng Sze Kin and Ms. Wong Pik Hung 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.

Save as disclosed above, none of Directors, chief executive 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 31 December 2012.

Pre-IPO Share Option Scheme

Particulars of the Company's pre-IPO share option scheme are set out in note 30 to the consolidated financial statements.

The following table discloses movements in the Company's share options during the year:

	Date of grant	Exercisable period	Granted during year and outstanding as at 31.12.2012
Directors and Chief Executive			
Mr. Cheng Sze Kin	7.11.2012	23.5.2013 – 6.11.2022	**4,500,000**
Mr. Cheng Sze Tsan	7.11.2012	23.5.2013 – 6.11.2022	**4,125,000**
Ms. Wong Pik Hung	7.11.2012	23.5.2013 – 6.11.2022	**3,375,000**
Mr. Sung Shuk Ka	7.11.2012	23.5.2013 – 6.11.2022	**2,000,000**
Total Directors and Chief Executive			**14,000,000**
Employees	7.11.2012	23.5.2013 – 6.11.2022	**6,800,000**
Supplier	7.11.2012	23.5.2013 – 6.11.2022	**120,000**
Others	7.11.2012	23.5.2013 – 6.11.2022	**1,400,000**
Total			**22,320,000**

The shares of the Company were first listed on the Main Board of the Stock Exchange on 23 November 2012 with public offer price at HK$1.50 which was deemed to be the price of Company's shares immediately before the date of grant of the pre-IPO share options on 7 November 2012.

Arrangements to Purchase Shares and Debentures

Save as disclosed above, at no time during the year was the Company, its holding company, or any of its subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

Directors' Interests in Contracts of Significance

Other than those transactions disclosed in the section "Continuing Connected Transactions" below, no contract of significance, to which the Company, its holding company or subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Report

Management Contract

The Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year.

Substantial Shareholders

As at 31 December 2012, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that other than the interests disclosed above in respect of certain Directors and chief executive, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long positions in ordinary shares of HK$0.1 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
World Empire Investment Inc.	Beneficial owner	150,000,000	75.0%

Note: World Empire Investment Inc. is a company incorporated in British Virgin Islands, 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.

Appointment of Independent Non-executive Directors

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

Continuing Connected Transactions

During the year, the Company's subsidiaries had the following continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

	Notes	2012 HK$'000
Rental expenses paid to a related company in the PRC	(a)	**2,778**
Rental expenses paid to related companies in Hong Kong	(b)	**2,388**
Sales to connected distributors	(c)	**9,433**

Notes:

(a) The subsidiaries of the Group in PRC have entered into lease agreements with 深圳富盛宏業貿易有限公司 ("Shenzhen Fusheng") which is wholly-owned by Mr. Cheng Sze Kin, Mr. Cheng Sze Tsan and Ms. Wong Pik Hung, for lease terms until 31 December 2014. The rental expenses paid to Shenzhen Fusheng were for use of the leased properties as office premises in Shenzhen. The rentals were determined by the parties through arm's length negotiations by reference to the market rate for similar premises in the vicinity of each premise.

(b) The subsidiaries of the Group in Hong Kong have entered into lease agreements with Gain Harvest Investment Limited ("Gain Harvest") and Wealth Pine Asia Limited ("Wealth Pine") which are wholly-owned by Mr. Cheng Sze Kin, Mr. Cheng Sze Tsan and Ms. Wong Pik Hung, for lease terms until 31 December 2014. The rental expenses paid to Gain Harvest and Wealth Pine were for use of the leased properties by the Directors as staff quarters in Hong Kong. The rentals were determined by the parties through arm's length negotiations by reference to the market rate for similar premises in the vicinity of each premise.

(c) The subsidiaries of the Group in PRC have entered into distributorship agreements with Mr. Zheng Zhuo Hao, who is a brother-in-law of Mr. Cheng Sze Tsan, and Mr. Zheng Kai Tian, Mr. Zheng Kai Ming and Mr. Zheng Kai Shun, all of whom are cousins of Mr. Cheng Sze Kin and Mr. Cheng Sze Tsan (collectively known as "Connected Distributors"). Prices of products to Connected Distributors are determined with reference to the ex-works price prevalent in the PRC at the time of supply and such pricing policy applies equally to all other distributors of our products.

The Directors are of the opinion that above transactions were conducted in the ordinary course of business of the Group.

The Independent Non-executive Directors have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Deloitte Touche Tohmatsu, the auditor of the Company, was engaged to report on the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants and reported their findings to the directors that the transactions (i) have been approved by the Board; (ii) have been entered into in accordance with the pricing policies of the Group for provision of goods or services; (iii) have been entered into in accordance with the relevant agreements governing the transactions; and (iv) have not exceeded the relevant annual caps.

Directors' Interests in Competing Business

During the year, no Directors have interests in any business which directly or indirectly competes, or is likely to compete with the business of the Group.

Directors' Report

Emolument Policy

The Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to all employees of the Group including social insurance coverage, provident funds, bonus and share option scheme. The Group mainly determines staff remuneration on basis of the competence, qualifications and performance of individual employee and the salary trends in Hong Kong and PRC. The staff remuneration will be reviewed regularly.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme is set out in note 30 to the consolidated financial statements.

Audit Committee

The Audit Committee was established on 22 October 2012 and currently comprises three Independent Non-executive Directors, namely, Mr. Tse Yat Hong, Mr. Leung Lin Cheong and Mr. Li Kai Fat.

The Audit Committee is primarily responsible for the review and supervision of the Group's financial reporting process and internal control system. It has reviewed the accounting principles and practices adopted by the Group and the audited annual results of the Group for the year ended 31 December 2012.

Major Customers and Suppliers

For the year ended 31 December 2012, sales to the Group's five largest customers and the largest customer accounted for approximately 8.56% and 3.01% respectively of the Group's total turnover for the year.

For the year ended 31 December 2012, the Group's purchases attributable to the five largest suppliers and the largest supplier accounted for approximately 43.94% and 12.21% respectively of the Group's total purchases for the year.

At no time during the year did a Director, an associate of a Director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest suppliers or customers.

Purchase, Sale or Redemption of the Company's Listed Securities

Since the shares of the Company were listed on the Listing Date, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2012.

No Changes in Articles of Association

The Company's current Articles of Association were conditionally adopted on 22 October 2012, effective on the Company's listing. There have been no changes in the Company's articles of association up to the date of this report.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles of Association or the Companies Law of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Annual General Meeting

The Annual General Meeting of the Company for the year ended 31 December 2012 is scheduled to be held on Thursday, 16 May 2013. A notice convening the Annual General Meeting will be issued and disseminated to shareholders of the Company in due course.

Closure of Register of Members

The share register of the Company will be closed from Tuesday, 14 May 2013 to Thursday, 16 May 2013 (both days inclusive), during which no transfer of shares will be effected. In order to be eligible to attend and vote at the forthcoming Annual General Meeting of the Company, all completed transfer documents accompanying with the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 13 May 2013.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct for Directors in their dealings in the Company's securities. Having made specific enquiry to all the directors of the Company, all the Directors confirmed that they have complied with the required standard of dealing as set out in the Model Code throughout the year.

Corporate Governance Practices Code

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules (the "CG Code"). Since the Listing Date and up to 31 December 2012, the Company has complied with the code provisions as set out in the CG Code, save for the following:

Under Code Provision A.1.1 of the CG Code, the Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals and under Code Provision A.2.7, the Chairman should at least annually hold meeting with the Non-executive Directors (including Independent Non-executive Directors) without the Executive Directors present. The Company has held one time of Board meeting with all the Directors present during the short period since the Listing Date to 31 December 2012. The Board intends to meet at least four times per year in the future, and the Chairman intends to hold at least one meeting per year with the Non-executive Directors (including the Independent Non-executive Directors) without the Executive Directors present.

Directors' Report

Sufficiency of Public Float

Based on the information that is publicly available to the Company and to the best of the knowledge of the Directors, the Company has maintained sufficient public float as required under the Listing Rules since the Listing Date and up to the date of this annual report.

Donations

During the year, the Group made charitable donations amounting to HK$1,125,000.

Auditor

A resolution will be submitted to the forthcoming Annual General Meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Cheng Sze Kin
Chairman
Hong Kong, 20 March 2013

Corporate Governance Report

The Board and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, sustainable business growth and enhancing shareholders' value.

Corporate Governance Practices

The Company has adopted the code provisions on the CG Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Directors consider that since the Listing Date and up to 31 December 2012 (the "Review Period"), the Company has complied with the code provisions as set out in the CG Code, save for the following:

Under Code Provision A.1.1 of the CG Code, the Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals and under Code Provision A.2.7, the Chairman should at least annually hold meeting with the Non-executive Directors (including Independent Non-executive Directors) without the Executive Directors present. The Company has held one time of Board meeting with all the Directors present during the short period since the Listing Date to 31 December 2012. The Board intends to meet at least four times per year in the future, and the Chairman intends to hold at least one meeting per year with the Non-executive Directors (including the Independent Non-executive Directors) without the Executive Directors present.

Directors' Securities Transactions

The Company has adopted its own code of conduct for the Directors in their dealing in Company's securities on terms no less than the Model Code. Having made specific enquiry to all Directors, all the Directors confirmed that they had complied with the required standard of dealings throughout the Review Period.

Board of Directors

The Board provides leadership, guidance and strategic decisions to the Group's activities and oversees its financial performances. The Board has delegated its powers to the management for the Group's daily management and operations.

Board Composition

During the Review Period and subsequently up to the date of this annual report, the Board comprised four Executive Directors and three Independent Non-executive Directors. The Board has at least one-third of its membership comprising Independent Non-executive Directors in accordance with Rule 3.10A of the Listing Rules. The following are the members of the Board:

Executive Directors

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

Independent Non-executive Directors

Mr. Tse Yat Hong
Mr. Leung Lin Cheong
Mr. Li Kai Fat

Corporate Governance Report

The biographical details and responsibilities of the Directors as well as the senior management are set out in the section headed "Directors and Senior Management" on pages 20 to 22 of this annual report.

Save as disclosed in the section headed "Directors and Senior Management" to this annual report, the Directors have no other financial, business, family or other material/relevant relationships with one another.

The Directors believe that the composition of the Board reflects the necessary balance of skills and experience appropriate for the requirements of the business development of the Group and for effective leadership, as all the Executive Directors possess extensive experience in management and the design, production and marketing of bedding products while the three Independent Non-executive Directors possess professional knowledge and broad experience in finance, law and management respectively. The Directors are of the opinion that the present structure of the Board can ensure the independence and objectivity of the Board and provide a system of checks and balances to safeguard the interests of the shareholders and the Company.

Directors' Continuing Professional Development

All Directors are encouraged to participate in continuous professional development courses and seminars to develop and refresh their knowledge and skills. The Company updates the Directors on the latest development regarding the Listing Rules and relevant statutory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices.

According to records provided by the Directors, a summary of training received by the Directors for the year ended 31 December 2012 is as follows:

Directors	Type of continuous professional development programmes
Executive Directors	
Mr. Cheng Sze Kin	A, B
Mr. Cheng Sze Tsan	A, B
Ms. Wong Pik Hung	A, B
Mr. Sung Shuk Ka	A, B
Independent Non-executive Directors	
Mr. Tse Yat Hong	A, B
Mr. Leung Lin Cheong	A, B
Mr. Li Kai Fat	A, B

Notes:

A: Attending briefing sessions and/or seminars

B: Reading materials to update the latest development of the Listing Rules and relevant statutory requirements.

Functions and Duties of the Board

The main functions and duties conferred on the Board include:

(i) overall management of the business and strategic development;

(ii) deciding business plans and investment plans;

(iii) convening general meetings and reporting to the shareholders of the Company; and

(iv) exercising other powers, functions and duties conferred by shareholders in general meetings.

The Board is responsible for performing the corporate governance duties as set out in the Code Provision D.3 of the CG Code. The Company has drafted policies on corporate governance which will be finalised in 2013.

Board Meetings

During the Review Period, the Board considers that all meetings have been legally and properly convened. With the assistance of the Company Secretary, the Chairman of the Board takes the lead to ensure that Board meetings and Board committee meetings are convened in accordance with the requirements set out in the articles of association of the Company, the terms of reference of the respective Board committees and the Listing Rules.

Prior notice of at least 14 days convening the Board meeting was despatched to the Directors setting out the matters to be discussed. At the meeting, the Directors were provided with the relevant documents to be discussed and approved. The Company Secretary is responsible for keeping minutes for the board meetings.

The minutes of Board meetings record in sufficient details the matters considered by the Board, including all concerns raised by the Directors and dissenting views expressed. The minutes of all Board meetings and Board committee meetings are kept by the Company Secretary and are available for inspection by any Director, auditors or any relevant eligible parties who can have access to such minutes.

Corporate Governance Report

Attendance Record

The attendance record of each Director at the Board and Board committee meetings of the Company held for the year ended 31 December 2012 is set out in the table below:

	Number of Meetings Attended/Held				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive Directors					
Mr. Cheng Sze Kin *(Chairman)*	1/1	N/A	N/A	0/0	0/0
Mr. Cheng Sze Tsan *(Vice-chairman)*	1/1	N/A	N/A	N/A	0/0
Ms. Wong Pik Hung	1/1	N/A	N/A	N/A	0/0
Mr. Sung Shuk Ka *(Chief Executive Officer)*	1/1	N/A	N/A	N/A	0/0
Independent Non-executive Directors					
Mr. Tse Yat Hong	1/1	1/1	0/0	0/0	0/0
Mr. Leung Lin Cheong	1/1	1/1	0/0	0/0	0/0
Mr. Li Kai Fat	1/1	1/1	0/0	0/0	0/0

Independent Non-executive Directors

In compliance with Rule 3.10(1) of the Listing Rules, the Company has appointed three Independent Non-executive Directors. The Board considers that all Independent Non-executive Directors have appropriate and sufficient industry or finance experience and qualifications to carry out their duties so as to protect the interests of the Shareholders.

Prior to their respective appointment, each of the Independent Non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. The Company has also received a written confirmation from each of the Independent Non-executive Directors in respect of their independence. The Board considers that all Independent Non-executive Directors are being considered to be independent by reference to the factors stated in the Listing Rules.

Directors' and Officers' Liability Insurance

The Company has subscribed an insurance policy since November 2012 with an aim to indemnify its Directors and senior executives from any losses, claims, damages, liabilities and expenses arising from, including but not limited to, any proceedings brought against them during the performance of their duties pursuant to their respective service agreements entered into with the Company.

Procedure for Seeking Independent Professional Advice by Directors

The Company has agreed to provide separate independent professional advice to Directors to assist them to discharge their duties. The Company will develop a written procedure to enable Directors, upon reasonable request, to seek and be provided with independent professional advice in appropriate circumstances, at the Company's expense.

Chairman and Chief Executive Officer

Code Provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and not be performed by the same individual. To ensure a balance of power and authority, the Company has appointed Mr. Cheng Sze Kin as the Chairman and Mr. Sung Shuk Ka as the Chief Executive Officer. Both of Mr. Cheng Sze Kin and Mr. Sung Shuk Ka are also Executive Directors of the Company.

The Chairman is responsible for the leadership and effective running of the Board and ensuring that all material issues are discussed by the Board in a timely and constructive manner. The Chief Executive Officer is responsible for the management of the day-to-day operations and the implementation of the approved strategies of the Group.

Appointment and Re-election of Directors

Each of the Executive Directors has entered into a service contract with the Company for a term of three years commencing from the Listing Date and may only be terminated in accordance with the provisions of the service contract of the Executive Director by either party giving to the other not less than three months' prior notice in writing.

Each of the Independent Non-executive Directors has been appointed for a term of three years commencing from the Listing Date subject to compliance with the Listing Rules and the CG Code. Upon the expiry of the term, the re-appointment shall be subject to the approval by the Board and compliance with the Listing Rules and the CG Code. The term of appointment shall be terminable by either the Independent Non-executive Director or the Company by giving the other party not less than three months' prior notice in writing.

Under Code Provision A.4.2 of the CG Code, Directors appointed to fill casual vacancies should be subject to election by shareholders at the first general meeting after appointment and every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Board Committees

The Company has established three Board committees (the "Board Committees"), namely the Audit Committee, the Remuneration Committee and the Nomination Committee to assist the Board in discharging its duties and responsibilities. The Board Committees are provided with sufficient resources to discharge their duties and are able to obtain outside independent professional advice in connection with their duties at the Company's expenses.

Audit Committee

The Audit Committee was established on 22 October 2012 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the Group's financial reporting process and internal control system.

The Audit Committee comprises three Independent Non-executive Directors, namely, Mr. Tse Yat Hong, Mr. Leung Lin Cheong and Mr. Li Kai Fat. The Chairman of the Audit Committee is Mr. Tse Yat Hong.

During the Review Period, the Audit Committee held a meeting without the Executive Directors present. The record of attendance of individual Directors at the committee meetings is set out on page 36 of this annual report.

Corporate Governance Report

The following is a summary of the work performed by the Audit Committee during the Review Period:

(i) review of the external auditors' independence and quotation of audit fees for the year ended 31 December 2012 with a recommendation to the Board for approval;

(ii) review of the internal auditors' independence and quotation for charges on internal control review for the year ended 31 December 2012 with a recommendation to the Board for approval;

(iii) review of the effectiveness of the system of internal control of the Company and its subsidiaries; and

(iv) review of the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

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Auditors' Remuneration

Apart from provision of annual audit services for the year ended 31 December 2012, Deloitte Touche Tohmatsu, the external auditors, was also the reporting accountants of the Company in relation to the Listing.

For the year ended 31 December 2012, the remuneration paid or payable to Deloitte Touche Tohmatsu in respect of audit and non-audit services provided is set out below:

Services rendered	Remuneration Paid/Payable HK$'000
Annual audit services	1,240
Reporting accountants and other non-audit services	2,810
Total	4,050

The Audit Committee has expressed its views to the Board that the level of fees paid/payable to the Company's external auditors for annual audit services is reasonable. There has been no major disagreement between the auditors and the management of the Company during the Review Period.

The Audit Committee is responsible to make recommendation to the Board as to the appointment, reappointment and removal of the external auditors, which is subject to the approval by the Board at the annual general meetings of the Company.

Remuneration Committee

The Remuneration Committee was established on 22 October 2012 with written terms of reference in compliance with the CG Code. The main function of the Remuneration Committee is to assist the Board in establishing a formal and transparent procedure for setting policy on the remuneration packages for all Directors and senior management.

With the delegated responsibility, the Remuneration Committee determines the remuneration packages of individual Executive Directors and senior management. In determining such remuneration packages, the Remuneration Committee makes reference to companies of comparable business or scale, and the nature and volume of work in order to compensate the Directors reasonably for their time and efforts spent.

The Remuneration Committee comprises three Independent Non-executive Directors, namely, Mr. Tse Yat Hong, Mr. Leung Lin Cheong and Mr. Li Kai Fat. The Chairman of the Remuneration Committee is Mr. Li Kai Fat.

As the Company was listed on 23 November 2012, no Remuneration Committee meeting was held during the Review Period and there was no change in the policy and structure of the remuneration of the Directors and senior executives. From 2013 onwards, the Remuneration Committee will conduct meeting at least once a year.

The Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to all employees of the Group including social insurance coverage, provident funds, bonus and share option scheme. The Group mainly determines staff remuneration on basis of the competence, qualifications and performance of individual employee and the salary trends in Hong Kong and PRC. The staff remuneration will be reviewed regularly. The Group has adopted a share option scheme as an incentive to Directors and eligible employees.

Nomination Committee

The Nomination Committee was established on 22 October 2012 with written terms of reference in compliance with the CG Code. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and senior management.

The Nomination Committee has four members, comprising Mr. Cheng Sze Kin, Mr. Tse Yat Hong, Mr. Leung Lin Cheong and Mr. Li Kai Fat. The Chairman of the Nomination Committee is Mr. Cheng Sze Kin, a majority of whom are Independent Non-executive Directors. As the Company was listed on 23 November 2012, the Nomination Committee considered that it was not necessary to review the size and composition of the Board or identify any new Board member during the Review Period, and no Nomination Committee meeting was held during the Review Period. From 2013 onwards, the Nomination Committee will conduct meeting at least once a year.

Accountability and Audit

The Directors acknowledge their responsibilities for preparing the financial statement of the Group in accordance with the statutory requirements and accounting standards and other financial disclosure requirements under the Listing Rules. The Directors also acknowledge their responsibilities to ensure that the financial statements of the Group are published in a timely manner as required by the Listing Rules.

The external auditor's statement about reporting responsibility is set out on pages 42 and 43.

Corporate Governance Report

Internal Control

The internal control system has been designed to safeguard the assets of the Group, maintaining proper accounting records, execution with appropriate authority and compliance with the relevant laws and regulations.

The Board is responsible for maintaining and reviewing the effectiveness of the Group's internal control system. SHINEWING Risk Services Limited has been appointed to carry out an annual review of the implemented system and procedures, including areas covering financial, operational and legal compliance controls and risk management functions. The internal control system is implemented to minimize the risk to which the Group is exposed and used as a management tool for the day-to-day operation of business. The system can only provide reasonable but not absolute assurance against misstatement or losses.

The Board conducts at least annually a review of the effectiveness of the Group's internal control systems. For the year ended 31 December 2012, the Board considered that the Group's internal control system is adequate and effective and the Company has complied with the code provisions on internal control of the CG Code.

Communications with Shareholders and Investors

The Company has engaged professional public relation consultancy companies to organise various investor relations programs (including regular briefing meetings with the media and analysts) aiming at increasing the transparency of the Company, enhancing communication with shareholders and investors, increasing their understanding of and confidence in the Group's businesses.

The general meetings of the Company provide a forum for communication between the Board and the Shareholders. The Chairman of the Board as well as the Chairman of the Audit Committee and other members of the respective committees are available to answer questions at the general meeting of the Shareholders. The Company recognises the importance of maintaining on-going communications with the shareholders and encourages them to attend shareholders' meetings to stay informed of the Group's businesses and convey any concerns they may have to the Directors and senior management.

The Company maintains a website at http://www.casablanca.com.hk where extensive information and updates on the Company's financial information, corporate governance practices and other useful information are posted and available for access by the public investors.

Shareholders' Rights

How Shareholders can convene an extraordinary general meeting and putting forward proposals at Shareholders' meetings

Pursuant to Article 12.3 of the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition deposited at the principal office of the Company in Hong Kong specifying the objects of the meeting and signed by the requisitionist(s), to require an extraordinary general meeting to be called by the Board. If the Board does not within 21 days of such deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) himself (themselves) representing more than one-half of the total rights of all of them may do so in the same manner as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after three months from the date of deposit of the requisition. All reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

In respect of proposing a person for election as a Director at general meetings, the period during which a written notice of intention to propose a person for election as a Director and a written notice by that person of his willingness to be elected are to be given to the Company shall be at least 7 days, such period shall commence on the day after the date when the notice of the general meeting convened for such election is dispatched and end no later than 7 days prior to the date of such meeting.

Procedures by which enquiries may be put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the Company Secretary by mail to the principal office of the Company in Hong Kong. The Company Secretary forwards communications relating to matters within the Board's purview to the Board and communications relating to ordinary business matters, such as suggestions, inquiries and consumer complaints, to the Chief Executive Officer.

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF CASABLANCA GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Casablanca Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 44 to 107, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20 March 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Revenue	7	**472,593**	430,263
Cost of goods sold		**(180,511)**	(176,514)
Gross profit		**292,082**	253,749
Other income	8	**1,050**	841
Other gains and losses	9	**2,654**	8,519
Selling and distribution costs		**(176,269)**	(161,470)
Administrative expenses		**(52,039)**	(43,726)
Finance costs	10	**(691)**	(830)
Listing expenses		**(21,457)**	–
Profit before taxation	11	**45,330**	57,083
Taxation	13	**(13,311)**	(11,219)
Profit for the year		**32,019**	45,864
Other comprehensive income for the year			
Exchange differences arising on translation		**1,675**	5,703
Total comprehensive income for the year		**33,694**	51,567
Profit for the year attributable to owners of the Company		**32,019**	45,864
Total comprehensive income attributable to owners of the Company		**33,694**	51,567
Earnings per share			
– Basic (HK cents)	15	**20.61**	30.58
– Diluted (HK cents)	15	**20.61**	N/A

Consolidated Statement of Financial Position

At 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	16	**140,142**	60,714
Prepaid lease payments	17	**28,630**	29,013
Intangible assets	18	**8**	10
Deposits paid for acquisition of property, plant and equipment		**282**	97
Rental deposits		**2,708**	2,156
		171,770	91,990
Current assets			
Inventories	19	**82,796**	80,879
Trade and other receivables	20	**107,929**	82,231
Prepaid lease payments	17	**603**	597
Taxation recoverable		**79**	158
Bank balances and cash	22	**137,774**	107,050
		329,181	270,915
Current liabilities			
Trade and other payables	23	**126,379**	68,853
Amounts due to related companies	24	**–**	57,503
Amounts due to directors	25	**–**	4,714
Taxation payable		**6,017**	11,343
Bank borrowings	26	**64,515**	57,395
Obligations under a finance lease	27	**–**	790
		196,911	200,598
Net current assets		**132,270**	70,317
Total assets less current liabilities		**304,040**	162,307
Non-current liabilities			
Bank borrowings	26	**31,343**	–
Obligations under a finance lease	27	**–**	408
Deferred tax liabilities	28	**848**	868
		32,191	1,276
Net assets		**271,849**	161,031

Consolidated Statement of Financial Position

At 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Capital and reserves			
Share capital	29	**20,000**	1
Reserves		**251,849**	161,030
Total equity		**271,849**	161,031

The consolidated financial statements on pages 44 to 107 were approved and authorised for issue by the Board of Directors on 20 March 2013 and are signed on its behalf by:

Cheng Sze Kin
Director

Cheng Sze Tsan
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	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	Total HK$'000
At 1 January 2011	1	–	–	1,319	3,868	6,811	–	105,465	117,464
Profit for the year	–	–	–	–	–	–	–	45,864	45,864
Exchange differences arising on translation and other comprehensive income for the year	–	–	–	–	–	5,703	–	–	5,703
Total comprehensive income for the year	–	–	–	–	–	5,703	–	45,864	51,567
Transfers	–	–	–	–	1,629	–	–	(1,629)	–
Dividends paid	–	–	–	–	–	–	–	(8,000)	(8,000)
At 31 December 2011	1	–	–	1,319	5,497	12,514	–	141,700	161,031
Profit for the year	–	–	–	–	–	–	–	32,019	32,019
Exchange differences arising on translation and other comprehensive income for the year	–	–	–	–	–	1,675	–	–	1,675
Total comprehensive income for the year	–	–	–	–	–	1,675	–	32,019	33,694
Recognition of equity-settled share-based payments	–	–	–	–	–	–	1,133	–	1,133
Dividends paid	–	–	–	–	–	–	–	(25,000)	(25,000)
Transfers	–	–	–	–	2,295	–	–	(2,295)	–
Capitalisation and waiver of amount due to a related company (note 24)	32,993	–	2,000	–	–	–	–	–	34,993
Effect of share swap pursuant to the Group Reorganisation (note 29(c))	(32,974)	32,974	–	–	–	–	–	–	–
Issue of shares at date of incorporation	380	–	–	–	–	–	–	–	380
Capitalisation issue (note 29(d))	14,600	(14,600)	–	–	–	–	–	–	–
Issue of shares on public share offering	5,000	70,000	–	–	–	–	–	–	75,000
Expenses incurred in connection with the issue of shares	–	(9,382)	–	–	–	–	–	–	(9,382)
At 31 December 2012	**20,000**	**78,992**	**2,000**	**1,319**	**7,792**	**14,189**	**1,133**	**146,424**	**271,849**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

Notes:

(i) The capital reserve represents the waiver of the amount due to a related company as more fully detailed in Note 24.

(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 ("Jollirich"), Casablanca International Limited ("Casablanca International") and Rich Creation Asia Investment Limited ("Rich Creation") and transfer of 11.76% of equity interest in Forcetech (Shenzhen) Company Limited ("Forcetech (Shenzhen)") pursuant to the Group Reorganisation as defined in Note 1.

(iii) According to the relevant requirements in the Articles of Association of the Group's subsidiaries in the People's Republic of China ("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 statutory reserve fund can be used to make up the prior year losses, if any. The statutory reserve fund is non-distributable other than upon liquidation.

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Operating activities			
Profit before taxation		**45,330**	57,083
Adjustments for:			
Interest income		**(609)**	(445)
Interest expenses		**691**	830
Allowance for doubtful debts		**1,202**	241
Allowance for inventories		**713**	–
Amortisation of intangible assets		**2**	2
Amortisation of prepaid lease payments		**645**	243
Bad debts written off		**9**	–
Depreciation of property, plant and equipment		**5,600**	6,945
Gain on disposal of property, plant and equipment		**(10)**	(6,571)
Gain on disposal of an associate		**–**	(3,390)
Gain on disposal of a subsidiary		**(4,179)**	–
Share-based payments		**1,133**	–
Operating cash flows before movements in working capital		**50,527**	54,938
Increase in inventories		**(1,996)**	(8,329)
Increase in trade and other receivables		**(26,606)**	(14,191)
Increase in rental deposits		**(538)**	(1,094)
Increase in trade and other payables		**10,425**	20,461
Cash generated from operations		**31,812**	51,785
Hong Kong Profits Tax paid		**(12,428)**	(1,089)
PRC Enterprise Income Tax paid		**(6,201)**	(3,694)
Net cash from operating activities		**13,183**	47,002
Investing activities			
Proceeds from disposal of property, plant and equipment		**604**	13,043
Interest received		**609**	445
Purchase of property, plant and equipment		**(75,724)**	(10,175)
Disposal of a subsidiary	32	**(587)**	–
Repayments from a director		**–**	1,409
Repayment from an associate		**–**	9,000
Advances to a director		**–**	(1,320)
Proceeds from disposal of an associate		**–**	3,500
Purchase of leasehold land		**–**	(29,186)
Net cash used in investing activities		**(75,098)**	(13,284)

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000
Financing activities		
New bank loans raised	**97,419**	54,295
Proceeds from issue of shares	**75,000**	–
Repayments of bank borrowings	**(37,930)**	(29,283)
Dividends paid	**(25,000)**	(8,000)
Expenses incurred in connection with the issue of shares	**(9,382)**	–
Repayment to directors	**(4,322)**	(25)
Interest paid	**(1,918)**	(830)
Repayments of obligations under a finance lease	**(1,198)**	(965)
Repayments to related companies	**(523)**	(13,626)
Advances from related companies	**–**	12,309
Advances from directors	**–**	23
Net cash from financing activities	**92,146**	13,898
Net increase in cash and cash equivalents	**30,231**	47,616
Cash and cash equivalents at beginning of the year	**107,050**	57,744
Effect of foreign exchange rate changes	**493**	1,690
Cash and cash equivalents at end of the year, represented by bank balances and cash	**137,774**	107,050

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

1. General and Group Reorganisation and Basis of Preparation of Consolidated Financial Statements

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 2 April 2012. Its parent company is World Empire Investment Inc. ("World Empire"), a company incorporated in the British Virgin Islands ("BVI"), and its ultimate controlling shareholders are Mr. Cheng Sze Kin, Mr. Cheng Sze Tsan and Ms. Wong Pik Hung ("the Ultimate Beneficial Owners"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" in the annual report.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are manufacture and trading of home textile products and accessories.

For the purpose of listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group underwent a series of group reorganisation (the "Group Reorganisation"). Before the completion of the Group Reorganisation, Jollirich, Casablanca International and Rich Creation were directly held by the Ultimate Beneficial Owners. To streamline the shareholding in the group entities, in 2010, the Ultimate Beneficial Owners transferred (the "First Transfer") their respective equity interest in Jollirich, Casablanca International and Rich Creation to Casablanca Home Holdings Limited ("Casablanca Home Holdings") by way of issuing shares of Casablanca Home Holdings in proportion to the equity interest being transferred out at par value. The Group resulting from the First Transfer is regarded as a continuing entity.

The Company was incorporated on 2 April 2012 and issued 1 ordinary share of HK$0.10 each. On 16 April 2012, the Company further issued 3,799,999 shares of HK$0.10 each to World Empire, which is owned by the Ultimate Beneficial Owners. To further effect the Group Reorganisation, on 22 October 2012, the Company further allotted and issued 200,000 ordinary shares of HK$0.10 each to World Empire in exchange of 4,229,900 ordinary shares of US$1 each of Casablanca Home Holdings issued and allotted to the Ultimate Beneficial Owners. Following the completion of the issuance, the Company became the holding company of the Group as at 22 October 2012. Details of the Group Reorganisation are more fully explained in the section headed "History, Reorganisation and Group Structure" in the prospectus of the Company dated 13 November 2012 (the "Prospectus").

Pursuant to the Group Reorganisation, the combined statement of comprehensive income, combined statement of changes in equity and combined statement of cash flows for the year ended 31 December 2011 and the combined statement of financial position as at 31 December 2011 have been prepared on the basis as if the Company had always been the holding company of the companies now comprising the Group throughout the year ended 31 December 2011. The consolidated financial statements have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger accounting under common control combination" issued by the HKICPA as if the group structure under the Group Reorganisation had been in existence throughout the year or since their respective dates of incorporation/establishment of the entities now comprising the Group, whichever is the shorter period.

The shares of the Company have been listed on the Stock Exchange with effect from 23 November 2012.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the functional currency of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

The HKICPA issued a number of amended and revised standards and interpretations ("amended and revised HKFRSs") which are effective for the Group's accounting periods beginning on 1 January 2012. For the purpose of preparing and presenting the consolidated financial statements for each of the two years ended 31 December 2012, the Group has adopted all these amended and revised HKFRSs consistently throughout each of the two years ended 31 December 2012.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle[1]
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[2]
HKFRS 9	Financial instruments[3]
HKFRS 10	Consolidated financial statements[1]
HKFRS 11	Joint arrangements[1]
HKFRS 12	Disclosure of interests in other entities[1]
HKFRS 13	Fair value measurement[1]
HKAS 19 (as revised in 2011)	Employee benefits[1]
HKAS 27 (as revised in 2011)	Separate financial statements[1]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[1]
Amendments to HKAS 1	Presentation of items of other comprehensive income[4]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[2]
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine[1]

[1] Effective for annual periods beginning on or after 1 January 2013.
[2] Effective for annual periods beginning on or after 1 January 2014.
[3] Effective for annual periods beginning on or after 1 January 2015.
[4] Effective for annual periods beginning on or after 1 July 2012.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

Amendments to HKAS 32 "Offsetting financial assets and financial liabilities" and amendments to HKFRS 7 "Disclosures – Offsetting financial assets and financial liabilities"

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors of the Company anticipate that the application of amendments to HKAS 32 and HKFRS 7 in the Group's consolidated financial statements for annual period beginning 1 January 2013 will not have significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities based on the Group's financial assets and financial liabilities reported at 31 December 2012.

HKFRS 9 "Financial instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

HKFRS 9 "Financial instruments" (continued)

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors of the Company anticipate that the application of HKFRS 9 for annual period beginning 1 January 2015 will not have significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities based on the Group's financial instruments reported at 31 December 2012.

New and revised standards on consolidation, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK(SIC) – INT 12 "Consolidation – Special purpose entities". Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 "Interests in joint ventures" and HK(SIC) – INT 13 "Jointly controlled entities – Non-monetary contributions by venturers". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

New and revised standards on consolidation, associates and disclosures (continued)

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application is permitted provided that all of these standards are applied at the same time.

The directors of the Company anticipate that the application of these five standards effective for annual period beginning 1 January 2013 will not have significant impact on the results and financial position of the Group as the Group owns 100% equity interest in all of its subsidiaries and does not have any associates or jointly controlled entities at 31 December 2012.

HKFRS 13 "Fair value measurement"

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors anticipate that the application of the new standard shall have no material impact on the amounts reported in the consolidated financial statements but may result in more extensive disclosures in the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

Amendments to HKAS 1 "Presentation of items of other comprehensive income"

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods. This standard will be adopted for annual period beginning 1 January 2013.

The directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis and in accordance with the following accounting policies which conform to HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, incomes and expenses are eliminated in full on consolidation.

3. Significant Accounting Policies (continued)

Merger accounting for business combinations involving entities under common control

The consolidated financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entitles or business had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. Significant Accounting Policies (continued)

Revenue recognition (continued)

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than construction in progress) over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. Significant Accounting Policies (continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. Significant Accounting Policies (continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets

The Group's financial assets are mainly classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For certain categories of financial asset such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the general credit period of 30 to 75 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by Company are recognised at the proceeds received, net of direct issue costs.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, amounts due to related companies, amounts due to directors, bank borrowings and obligations under a finance lease are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. Significant Accounting Policies (continued)

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the date of grant is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Share options granted to supplies/consultant/customers

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

3. Significant Accounting Policies (continued)

Impairment losses on tangible and intangible assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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3. Significant Accounting Policies (continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to government-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. Significant Accounting Policies (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Notes to the Consolidated Financial Statements

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4. Key Sources of Estimation Uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment loss recognised on trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2012, the carrying amounts of trade receivables are HK$96,661,000 (2011: HK$71,970,000) (net of allowance for doubtful debts of HK$2,091,000 (2011: HK$867,000)), respectively.

Estimated impairment loss of inventories

The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgment and estimates on the conditions and marketability of the inventories. Where the subsequent selling prices decline or increase in costs of completion and those necessary to make the sales, additional allowance may arise.

The carrying amount of inventories at 31 December 2012 is HK$82,796,000 (2011: HK$80,879,000) (net of allowance for inventories of HK$713,000 (2011: nil)).

5. Capital Risk Management

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the bank borrowings disclosed in note 26, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group reviews the capital structure regularly. As part of this review, the management considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

6. Financial Instruments

Categories of financial instruments

	2012 **HK$'000**	2011 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**236,468**	181,306
Financial liabilities		
Amortised cost	**214,013**	175,360

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables, amounts due to related companies, amounts due to directors, bank borrowings and obligations under a finance lease. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

6. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Market risk

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see notes 22 and 26 for details of these balances). Interest charged on the Group's borrowings are at variable rates and are mainly at the interest rate offered by the People's Bank of China and Hong Kong Interbank Offered Rate. The Group currently does not have a policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group is also exposed to fair value interest rate risk in relation to the fixed deposits. However, the management considers the fair value interest rate risk on the fixed deposits is insignificant as the fixed deposits is relatively short-term. The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for variable-rate bank balances and bank borrowings. The analysis is prepared assuming that the amount of assets and liabilities outstanding at the end of the reporting period were outstanding for the whole year. 25 basis point and 50 basis point increase or decrease represent the management's assessment of the reasonably possible change in interest rates of bank balances and bank borrowings, respectively. The calculation of 25 basis points decrease in interest rates of bank balances excluded the bank balances in Hong Kong of HK$83,489,000 (2011: HK$49,880,000) at 31 December 2012 which carried an interest rate below 0.25%.

If interest rates on bank balances had been 25 basis points higher/lower and all other variables were held constant, the potential effect on the Group's post-tax profit for the year ended 31 December 2012 is as follows:

	2012 **HK$'000**	2011 HK$'000
Increase (decrease) in profit for the year		
– as a result of increase in interest rate	**168**	223
– as a result of decrease in interest rate	**(102)**	(119)

6. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk (continued)

Sensitivity analysis (continued)

If interest rates on bank borrowings had been 50 basis points higher/lower and all other variables were held constant, the potential effect on the Group's post-tax profit for the year ended 31 December 2012 is as follows:

	2012 HK$'000	2011 HK$'000
(Decrease) increase in profit for the year		
– as a result of increase in interest rate	(386)	(240)
– as a result of decrease in interest rate	386	240

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposures do not reflect the exposures during the year.

Foreign currency risk

The carrying amounts of the Group's monetary assets and monetary liabilities denominated in currencies other than the respective group entities' functional currencies at the end of the reporting period are as follows:

	Assets		Liabilities	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
HK$	600	341	–	–
Renminbi ("RMB")	26,446	19,936	–	–
Euro ("EUR")	117	508	–	–
United States dollars ("USD")	1,166	1,141	5,362	7,148
Macau pataca ("MOP")	592	592	–	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

6. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Foreign currency risk (continued)

Sensitivity analysis

The Group is mainly exposed to the foreign exchange risk of RMB and USD. Under the pegged exchange rate system, the financial impact on exchange difference between HK$ and USD will be immaterial as most USD denominated monetary assets and liabilities are held by group entities having HK$ as their functional currency, and therefore no sensitivity analysis has been prepared. For EUR and MOP, no sensitivity analysis has been prepared as the amount involved is insignificant.

The sensitivity analysis below details the Group's sensitivity to a 5% increase and decrease in HK$ against RMB. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign currency rate. The sensitivity analysis includes the Group's monetary assets and monetary liabilities denominated in RMB. A positive (negative) number indicates an increase (decrease) in post-tax profit for the year when HK$ strengthens 5% against RMB. For a 5% weakening of HK$ against RMB, there would be an equal but opposite impact on the post-tax profit for the year.

	2012 **HK$'000**	2011 HK$'000
RMB	**(1,104)**	(832)

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign currency risk as the year end exposures do not reflect the exposures during the year.

6. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2012 in relation to each class of recognised financial assets is the carrying amount of these assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group also has concentration of credit risk on the fixed deposits placed with bank, however, the credit risk is limited because all bank deposits are deposited in or contracted with several financial institutions with good reputation and with high credit-ratings assigned by international credit-rating agencies.

Other than the concentration of credit risk on liquid funds, the Group does not have any other significant concentration of credit risk. The Group has no significant concentration of credit risk in trade receivables with exposure spread over a number of counterparties.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity date for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of each reporting period.

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For the year ended 31 December 2012

6. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables

	Weighted average interest rate %	On demand or less than 1 month HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	1 – 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
At 31 December 2012								
Trade and other payables	–	111,541	6,614	–	–	–	118,155	118,155
Bank borrowings	4.77	61,941	403	4,613	28,599	9,804	105,360	95,858
		173,482	7,017	4,613	28,599	9,804	223,515	214,013

	Weighted average interest rate %	On demand or less than 1 month HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	1 – 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
At 31 December 2011							
Trade and other payables	–	54,550	–	–	–	54,550	54,550
Amount due to a related company	–	57,503	–	–	–	57,503	57,503
Amounts due to directors	–	4,714	–	–	–	4,714	4,714
Bank borrowings	1.67	57,395	–	–	–	57,395	57,395
Obligations under a finance lease	1.88	69	138	620	413	1,240	1,198
		174,231	138	620	413	175,402	175,360

6. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables (continued)

Bank loans with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 December 2012, the aggregate undiscounted principal amounts of these bank loans amounted to HK$61,729,000 (2011: HK$57,395,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements and the principal and interest cash outflows according to the scheduled repayment dates are set out as follows:

	Weighted average interest rate	On demand or less than 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	Over 5 years	Total undiscounted cash flows	Carrying amounts
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Bank borrowings								
At 31 December 2012	**4.77**	**19,545**	**1,090**	**4,904**	**26,158**	**15,639**	**67,336**	**61,729**
At 31 December 2011	1.67	333	667	22,201	14,120	24,755	62,076	57,395

Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

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7. 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, that 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) sales to distributors and (iii) 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 year 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 Group. Accordingly, no analysis of this single operating segment is presented.

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

- 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 and Hong Kong and Macau, and sales made to overseas customers and through e-commerce.

The information of segment revenue is as follows:

	2012 **HK$'000**	2011 HK$'000
Self-operated retail sales	**348,196**	329,675
Sales to distributors	**72,904**	43,041
Others	**51,493**	57,547
	472,593	430,263

7. Revenue and Segment Information (continued)

Entity-wide information

The following is an analysis of the Group's revenue from its major products:

	2012 **HK$'000**	2011 HK$'000
Bed linens	**237,796**	237,257
Duvets and pillows	**213,020**	176,390
Other home accessories	**21,777**	16,616
	472,593	430,263

Geographical information

During the year ended 31 December 2012, the Group decided to exclude the revenue from external customers located in Macau from "Others" and presented it under the category "Hong Kong and Macau". As such, the comparative figures under the category "Hong Kong and Macau" and "Others" as disclosed below have been restated. Information about the Group's revenue from external customers is presented based on the location of the operations:

	2012 **HK$'000**	2011 HK$'000
PRC	**233,024**	201,019
Hong Kong and Macau	**235,292**	220,489
Others	**4,277**	8,755
	472,593	430,263

Information about the Group's non-current assets (excluding rental deposits) is presented based on the location of the assets:

	2012 **HK$'000**	2011 HK$'000
PRC	**157,681**	39,288
Hong Kong	**11,381**	50,546
	169,062	89,834

Information about major customers

No individual customer accounted for over 10% of the Group's total revenue during both years.

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8. Other Income

	2012 HK$'000	2011 HK$'000
Interest income	**609**	445
Government subsidies	**46**	75
Others	**395**	321
	1,050	841

9. Other Gains and Losses

	2012 HK$'000	2011 HK$'000
Allowance for doubtful debts	**(1,202)**	(241)
Gain on disposal of property, plant and equipment	**10**	6,571
Gain on disposal of an associate	**–**	3,390
Gain on disposal of a subsidiary (note 32)	**4,179**	–
Net exchange losses	**(333)**	(1,201)
	2,654	8,519

10. Finance Costs

	2012 HK$'000	2011 HK$'000
Interest on:		
Bank borrowings wholly repayable		
– within five years	**440**	725
– after five years	**1,442**	–
Bank overdrafts	**–**	29
Finance lease	**36**	76
Total borrowing costs	**1,918**	830
Less: amounts capitalised (note)	**(1,227)**	–
	691	830

Note: Borrowing costs capitalised during the year ended 31 December 2012 solely arose from the specific bank borrowings for expenditure on qualifying assets. The effective interest rate of corresponding borrowings is 4% per annum (2011: nil).

11. Profit Before Taxation

	2012 HK$'000	2011 HK$'000
Profit before taxation has been arrived at after charging:		
Directors' and chief executive's remuneration (note 12)	**8,735**	6,322
Other staff costs	**66,576**	54,755
Retirement benefit schemes contributions for other staff	**4,425**	2,871
Share-based payments for other staff (included in administrative expenses)	**345**	–
Total staff costs	**80,081**	63,948
Auditor's remuneration		
– current year	**1,284**	641
– overprovision in prior year	**(9)**	–
	1,275	641
Amortisation of intangible assets	**2**	2
Amortisation of prepaid lease payments	**645**	243
Allowance for inventories (included in costs of goods sold)	**713**	–
Bad debts written off	**9**	–
Cost of inventories recognised as expenses	**180,511**	176,514
Depreciation of property, plant and equipment		
– owned assets	**5,600**	6,471
– leased assets	**–**	474
	5,600	6,945
Share-based payments for customers, supplier and consultant (included in administrative expenses)	**78**	–
Operating lease rentals in respect of		
– rented premises	**6,379**	5,639
– retail stores (note a)	**8,383**	6,442
– department store counters (note a) (including concessionaire commission) (included in selling and distribution costs)	**83,036**	78,672
	97,798	90,753
Design costs (included in administrative expenses) (note b)	**1,425**	1,284

Notes:

(a) Included contingent rent of HK$53,011,000 (2011: HK$51,854,000) for the year ended 31 December 2012. The contingent rent refers to the operating lease rentals based on pre-determined percentages to realised sales less basic rentals of the respective leases.

(b) The design costs comprised of staff salaries of HK$1,101,000 (2011:HK$1,002,000) for the year ended 31 December 2012, which were included in the staff costs disclosed above.

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12. Directors' and Chief Executive's and Employees' Emoluments

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to each of the directors and the chief executive were as follows:

	Fees HK$'000	Salaries and allowances HK$'000	Retirement benefit schemes contributions HK$'000	Share-based payments HK$'000	Total HK$'000
For the year ended 31 December 2012					
Executive directors					
Mr. Cheng Sze Kin (appointed on 2 April 2012)	**–**	**2,090**	**120**	**228**	**2,438**
Mr. Cheng Sze Tsan (appointed on 2 April 2012)	**–**	**2,108**	**120**	**209**	**2,437**
Ms. Wong Pik Hung (appointed on 2 April 2012)	**–**	**2,090**	**120**	**171**	**2,381**
Executive director and chief executive					
Mr. Sung Shuk Ka (appointed as executive director on 22 October 2012)	**–**	**1,226**	**61**	**102**	**1,389**
Non-executive directors					
Mr. Tse Yat Hong (appointed on 22 October 2012)	**30**	**–**	**–**	**–**	**30**
Mr. Leung Lin Cheong (appointed on 22 October 2012)	**30**	**–**	**–**	**–**	**30**
Mr. Li Kai Fat (appointed on 22 October 2012)	**30**	**–**	**–**	**–**	**30**
	90	**7,514**	**421**	**710**	**8,735**
For the year ended 31 December 2011					
Executive directors					
Mr. Cheng Sze Kin	–	1,825	94	–	1,919
Mr. Cheng Sze Tsan	–	1,135	94	–	1,229
Ms. Wong Pik Hung	–	1,825	94	–	1,919
Chief executive					
Mr. Sung Shuk Ka	–	1,200	55	–	1,255
	–	5,985	337	–	6,322

12. Directors' and Chief Executive's and Employees' Emoluments (continued)

(a) Directors' and chief executive's emoluments (continued)

Mr. Sung Shuk Ka is also the chief executive of the Company and his emoluments disclosed above included those for services rendered by him as the chief executive.

In addition to the amounts disclosed above, during the year, the Group also provided accommodation to a director, Mr. Cheng Sze Tsan. The estimated monetary value of such accommodation, using the rateable value as an approximation, amounted to HK$742,000 (2011: HK$707,000) for the year ended 31 December 2012. The Group disposed of one of the director quarters to an independent third party during the year ended 31 December 2011. The remaining director quarter provided by the Group to the director was owned by Wealth Pine Asia Limited ("Wealth Pine"), in which the equity interest was disposed of by the Group during the year.

Neither the chief executive nor any of the directors waived any emoluments during the years ended 31 December 2012 and 2011.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2011: four) were directors and the chief executive of the Company whose emoluments are included in the disclosures above. One of the directors and chief executive of the Company, Mr. Sung Shuk Ka, was in the capacity as chief executive during the year ended 31 December 2011, therefore, his emoluments have been included in note 12(a). The emoluments of the remaining one (2011: one) individual was as follows:

	2012 **HK$'000**	2011 HK$'000
Salaries and allowances	**674**	585
Performance related incentive payments	**170**	–
Retirement benefit schemes contributions	**13**	24
Share-based payments	**20**	–
	877	609

Their emoluments were within the following bands:

	2012	2011
Nil to HK$1,000,000	**1**	1

During both years ended 31 December 2012 and 2011, no emoluments were paid by the Group to the directors and chief executive of the Company or the five highest paid individuals (including directors, chief executive and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors nor the chief executive waived any emoluments during the both years.

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13. Taxation

	2012 HK$'000	2011 HK$'000
Current tax:		
Hong Kong	**5,817**	7,066
PRC Enterprise Income Tax (the "EIT")	**8,610**	4,986
	14,427	12,052
Overprovision in prior years:		
Hong Kong	**(584)**	–
PRC EIT	**(512)**	–
	(1,096)	–
Deferred taxation (note 28)	**(20)**	(833)
	13,311	11,219

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both years.

Pursuant to the relevant laws and regulations in the PRC, Forcetech (Shenzhen) was entitled to exemption from EIT for the first two years commencing from its first profit-making year in 2006, followed by a 50% reduction on the EIT for the following three years ("Tax Holiday").

Following the Enterprise Income Tax Law (the "New EIT Law") passed in 2007, the income tax rate for both domestic and foreign-investment enterprise was unified at 25% effective from 1 January 2008 onwards. Under the New EIT Law, progressive tax rates applied to Forcetech (Shenzhen), which was entitled to Tax Holiday, until the exemption and reduction period expired. The applicable EIT rate of Forcetech (Shenzhen) is 24% in 2011 and 25% in 2012, respectively.

13. Taxation (continued)

The taxation charge for the year can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

	2012 HK$'000	2011 HK$'000
Profit before taxation	**45,330**	57,083
Tax at Hong Kong Profits Tax rate of 16.5%	**7,479**	9,419
Tax effect of expenses not deductible for tax purposes	**4,807**	625
Tax effect of income not taxable for tax purposes	**(772)**	(572)
Overprovision in respect of prior years	**(1,096)**	–
Utilisation of tax losses previously not recognised	**(175)**	–
Income tax on concessionary tax rate	**(20)**	(65)
Effect of different tax rate of subsidiaries operating in other jurisdictions	**2,615**	1,272
Others	**473**	540
Taxation charge	**13,311**	11,219

14. Dividends

No dividend has been declared or paid by the Company since its date of incorporation, nor has any dividend been proposed since the end of the reporting period. However, during the years ended 31 December 2012 and 31 December 2011, Casablanca Home Holdings made distributions to the Ultimate Beneficial Owners as follows:

	2012 HK$'000	2011 HK$'000
Dividends declared and paid/payable to Ultimate Beneficial Owners during the year and dividends attributable to owners of the Company		
– final dividend declared for the year ended 31 December 2011 and 2010	**14,000**	8,000
– interim dividend declared for the year ended 31 December 2012	**11,000**	–
	25,000	8,000

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15. Earnings Per Share

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

	2012 HK$'000	2011 HK$'000
Earnings		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**32,019**	45,864

	2012	2011
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**155,327,869**	150,000,000

The computation of diluted earnings per share for the year ended 31 December 2012 has not assumed the exercise of the Company's share options because the adjusted exercise price of the share options (after the adjustment of the fair value of the unvested share options) were higher than the average market prices of those shares for the outstanding period during the year ended 31 December 2012.

No diluted earnings per share was presented as there was no potential ordinary share during the year ended 31 December 2011.

For the years ended 31 December 2012 and 2011, the weighted average number of ordinary shares for the purpose of basic earnings per share has been taken into account the share issued pursuant to the Group Reorganisation as more fully disclosed in Note 1 and the capitalisation issue of 146,000,000 ordinary shares of HK$0.10 each of the Company at par value on 22 October 2012 as stated in note 29 as if it had been effective on 1 January 2011.

16. Property, Plant and Equipment

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1 January 2011	55,367	5,879	5,615	6,924	9,064	–	82,849
Exchange adjustments	–	–	288	206	71	105	670
Additions	–	1,537	1,108	586	1,310	4,573	9,114
Disposals	(9,432)	(615)	–	–	(437)	–	(10,484)
At 31 December 2011	45,935	6,801	7,011	7,716	10,008	4,678	82,149
Exchange adjustments	–	13	103	60	18	1,390	1,584
Additions	–	2,297	3,207	1,727	3,119	112,471	122,821
Disposals	–	(468)	–	(1,977)	(1,521)	–	(3,966)
Disposal of a subsidiary (Note 32)	(39,712)	(4,340)	–	–	–	–	(44,052)
At 31 December 2012	**6,223**	**4,303**	**10,321**	**7,526**	**11,624**	**118,539**	**158,536**
DEPRECIATION							
At 1 January 2011	5,967	771	3,241	4,827	3,367	–	18,173
Exchange adjustments	–	–	161	144	24	–	329
Provided for the year	2,018	1,963	412	771	1,781	–	6,945
Eliminated on disposals	(3,186)	(615)	–	–	(211)	–	(4,012)
At 31 December 2011	4,799	2,119	3,814	5,742	4,961	–	21,435
Exchange adjustments	–	2	42	40	6	–	90
Provided for the year	646	1,527	511	838	2,078	–	5,600
Eliminated on disposals	–	(245)	–	(1,976)	(1,151)	–	(3,372)
Disposal of a subsidiary (Note 32)	(3,430)	(1,929)	–	–	–	–	(5,359)
At 31 December 2012	**2,015**	**1,474**	**4,367**	**4,644**	**5,894**	**–**	**18,394**
CARRYING VALUES							
At 31 December 2012	**4,208**	**2,829**	**5,954**	**2,882**	**5,730**	**118,539**	**140,142**
At 31 December 2011	41,136	4,682	3,197	1,974	5,047	4,678	60,714

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16. Property, Plant and Equipment (continued)

The Group's leasehold land and buildings are situated on land:

	2012 HK$'000	2011 HK$'000
In Hong Kong under medium-term leases	**4,208**	41,136

The leasehold land and buildings with carrying values of HK$4,208,000 (2011: HK$41,136,000) were pledged to banks as securities for banking facilities granted to the Group as at 31 December 2012.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives, using the straight-line method at the following rates per annum:

Leasehold land and buildings	Over the shorter of the term of the lease or 25 years
Leasehold improvements	Over the shorter of the term of the lease or $33^1/_3$%
Plant and machinery	10%
Furniture and fixtures	20%
Motor vehicles	20%

As at 31 December 2011, the carrying values of motor vehicles include an amount of HK$1,816,000 in respect of asset held under a finance lease. No asset is held under finance lease as at 31 December 2012.

17. Prepaid Lease Payments

	2012 HK$'000	2011 HK$'000
Analysed for reporting purposes as:		
Current asset	**603**	597
Non-current asset	**28,630**	29,013
	29,233	29,610

The Group's prepaid lease payments comprise:

	2012 HK$'000	2011 HK$'000
Leasehold land located in the PRC under medium-term leases	**29,233**	29,610

17. Prepaid Lease Payments (continued)

The leasehold land is amortised over the contractual life of 50 years using the straight-line method.

The prepaid lease payments with carrying values of HK$29,233,000 (2011: nil) were pledged to a bank as securities for a banking facility granted to the Group as at 31 December 2012.

18. Intangible Assets

	Patents HK$'000
COST	
At 1 January 2011, 31 December 2011 and 31 December 2012	15
AMORTISATION	
At 1 January 2011	3
Charge for the year	2
At 31 December 2011	5
Charge for the year	2
At 31 December 2012	**7**
CARRYING VALUES	
At 31 December 2012	**8**
At 31 December 2011	10

The above intangible assets are amortised on a straight-line basis over 10 years.

19. Inventories

	2012 **HK$'000**	2011 HK$'000
Raw materials	**15,319**	8,190
Finished goods	**67,477**	72,689
	82,796	80,879

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20. Trade and Other Receivables

	2012 HK$'000	2011 HK$'000
Trade receivables	**98,752**	72,837
Less: Allowance for doubtful debts	**(2,091)**	(867)
	96,661	71,970
Bills receivables	**223**	–
Trade and bills receivables	**96,884**	71,970
Deposits	**2,416**	2,335
Prepayments	**4,196**	2,136
Value added tax recoverable	**2,623**	3,504
Advances to employees	**713**	929
Other receivables	**1,097**	1,357
	11,045	10,261
Total trade and other receivables	**107,929**	82,231

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 75 days. For distributors and wholesale sales, the Group allows a credit period up to 60 days to its trade customers. The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates.

	2012 HK$'000	2011 HK$'000
Within 30 days	**59,419**	44,261
31 to 60 days	**23,436**	21,169
61 to 90 days	**9,880**	4,530
91 to 180 days	**3,798**	1,396
181 to 365 days	**351**	488
Over 365 days	**–**	126
	96,884	71,970

For sales by distributors, the Group requests new distributors for upfront payment, while the Group allows other distributors a shorter credit period. For sales by wholesale, before accepting any new customer, the Group will check the historical default records of these customers through external source.

20. Trade and Other Receivables (continued)

The management of the Group closely monitors the credit quality of trade receivables and considers the debtors that are neither past due nor impaired to be of a good credit quality. Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$24,503,000 (2011: HK$10,625,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables based on the invoice date which are past due but not impaired at the end of the reporting period.

	2012 **HK$'000**	2011 HK$'000
Within 30 days	**194**	18
31 to 60 days	**11,382**	7,104
61 to 90 days	**8,778**	1,639
91 to 180 days	**3,798**	1,250
181 to 365 days	**351**	488
Over 365 days	**–**	126
	24,503	10,625

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there were no history of default.

Based on the historical experience of the Group, trade receivables that are past due but not impaired are generally recoverable.

Movement in the allowance for doubtful debts

	2012 **HK$'000**	2011 HK$'000
Balance at beginning of the year	**867**	593
Impairment loss recognised on receivables	**1,202**	241
Exchange adjustments	**22**	33
Balance at end of the year	**2,091**	867

Included in the allowance for doubtful debts are individually impaired trade receivables relating to distributors with an aggregate balance of HK$2,091,000 (2011: HK$867,000). Full provision has been made for individual trade receivables aged over one year with no subsequent settlements as historical evidence shows that such amounts are not recoverable.

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20. Trade and Other Receivables (continued)

Included in trade and other receivables are the following amounts denominated in currencies other than functional currency of the respective group entities which they relate:

	2012 HK$'000	2011 HK$'000
EUR	–	74
USD	223	790
MOP	592	592

21. Amounts due from Directors

Maximum amounts outstanding during the year are as follows:

	2012 HK$'000	2011 HK$'000
Mr. Cheng Sze Kin	–	413
Mr. Cheng Sze Tsan	–	580
Ms. Wong Pik Hung	–	414

The amounts were unsecured, interest-free and repayable on demand. The amounts were fully settled during the year ended 31 December 2011.

22. Bank Balances and Cash

The bank balances include fixed deposits with maturity less than three months which carry fixed interests rates ranging from 0.01% to 3.02% (2011: 1.96%) per annum. Other bank balances carry interest at market rates of 0.01% to 0.36% (2011: 0.01% to 0.50%) per annum as at 31 December 2012.

Included in bank balances are the following amounts denominated in currencies other than functional currency of the respective group entities which they relate:

	2012 HK$'000	2011 HK$'000
HK$	600	341
RMB	26,446	19,936
EUR	117	434
USD	943	351

23. Trade and Other Payables

	2012 HK$'000	2011 HK$'000
Trade payables	**49,388**	35,523
Bills payables	**6,615**	11,233
Trade and bills payables	**56,003**	46,756
Deposits received from customers	**2,248**	9,834
Accrued expenses	**5,976**	4,469
Salaries payables	**3,862**	3,308
Listing expenses payables	**8,167**	–
Payable for acquisition of property, plant and equipment	**46,052**	–
Other payables	**4,071**	4,486
	70,376	22,097
Total trade and other payables	**126,379**	68,853

The average credit period of trade and bills payables is from 30 to 60 days.

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

	2012 HK$'000	2011 HK$'000
Within 30 days	**49,225**	39,262
31 to 60 days	**6,198**	5,737
61 to 90 days	**111**	211
91 to 180 days	**2**	116
Over 180 days	**467**	1,430
	56,003	46,756

Included in trade and other payables is the following amount denominated in a currency other than functional currency of the respective group entity which it relates:

	2012 HK$'000	2011 HK$'000
USD	**5,362**	7,148

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24. Amounts due to Related Companies

	2012 **HK$'000**	2011 HK$'000
Cheer Win Trading Limited ("Cheer Win")	–	57,339
Shenzhen Fusheng Trading Company Limited 深圳富盛宏業貿易有限公司 ("Shenzhen Fusheng")	–	164
	–	57,503

The amounts were unsecured, interest-free and had no fixed repayment terms.

The Ultimate Beneficial Owners have directorships and direct beneficial and controlling interests in the related companies, Cheer Win and Shenzhen Fusheng. The amount due to Shenzhen Fusheng was settled during the year ended 31 December 2012. For the amount due to Cheer Win, on 20 June 2012, the Group entered into a deed of novation and set-off with Cheer Win and Smart Blossom Limited ("Smart Blossom"), a related company of the Company, to offset the amount due to Cheer Win of HK$57,339,000, amount due from Wealth Pine of HK$20,386,000 and amount due from Smart Blossom of HK$1,600,000. The balance after set-off amounted to HK$35,353,000, in which HK$360,000 was settled in cash, HK$32,993,000 was settled by way of issue of 4,229,900 ordinary shares of US$1 each by Casablanca Home Holdings to the Ultimate Beneficial Owners and HK$2,000,000 was waived by Cheer Win.

25. Amounts due to Directors

The amounts were unsecured, interest-free and had no fixed repayment terms. The amounts were fully settled during the year ended 31 December 2012.

26. Bank Borrowings

	2012 HK$'000	2011 HK$'000
Secured	**95,858**	53,086
Unsecured	**–**	4,309
	95,858	57,395
Carrying amount repayable*		
Within one year	**26,947**	22,434
More than one year, but not more than two years	**5,572**	–
More than two years, but not more than five years	**16,716**	–
More than five years	**9,055**	–
	58,290	22,434
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayable on demand clause (shown under current liabilities)	**37,568**	34,961
	95,858	57,395
Less: Amounts due within one year shown under current liabilities	**(64,515)**	(57,395)
Amounts shown under non-current liabilities	**31,343**	–

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The above bank borrowings bear interests ranging from Hong Kong Interbank Offered Rate plus 1.5% to 10% margin over the interest rate offered by the People's Bank of China.

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings is as follows:

	2012	2011
Effective interest rates:		
Variable-rate borrowings	**1.76% to 7.48%**	0.95% to 3.57%

Details of bank borrowings guaranteed by related parties are set out in note 37.

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27. Obligations under a Finance Lease

	Minimum lease payments		Present value of minimum lease payments	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under a finance lease:				
Within one year	**–**	827	**–**	790
More than one year but not more than two years	**–**	413	**–**	408
More than two years but not more than five years	**–**	–	**–**	–
Less: Future finance charges	**–**	(42)	**–**	N/A
Present value of lease obligations	**–**	1,198	**–**	1,198
Less: Amount due for settlement within one year (shown under current liabilities)			**–**	(790)
Amount due for settlement after one year			**–**	408

The Group leased a motor vehicle under a finance lease as at 31 December 2011. The lease term was 3 years. Interest rate underlying the obligations under a finance lease was fixed at contract date at 1.875% per annum. The obligations under a finance lease was fully settled during the year ended 31 December 2012.

28. Deferred Tax Liabilities

The followings are the deferred tax liabilities recognised and movements thereon during the year:

	Accelerated tax depreciation HK$'000
Charged to profit or loss for the year ended 31 December 2011	1,701
Credited to profit or loss (note 13)	(833)
As at 31 December 2011	868
Credited to profit or loss (note 13)	(20)
As at 31 December 2012	**848**

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB50,863,000 (equivalent to HK$62,524,000) (2011: RMB32,197,000 (equivalent to HK$38,782,000)) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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29. Share Capital

The share capital of the Group as at 1 January 2011 and 31 December 2011 represented the share capital of Casablanca Home Holdings.

The movement of share capital of the Company are as follows:

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
On 2 April 2012 (date of incorporation) (note a)	3,800,000	380
Increased pursuant to the Group Reorganisation (note b)	496,200,000	49,620
At 31 December 2012	**500,000,000**	**50,000**
Issued and fully paid:		
On 2 April 2012 (date of incorporation) (note a)	1	–
Issue of shares on 16 April 2012 (note a)	3,799,999	380
Issue of shares upon the share swap on 22 October 2012 (note c)	200,000	20
Issue of shares by capitalisation of share premium (note d)	146,000,000	14,600
Issue of shares upon the public share offering on 23 November 2012 (note e)	50,000,000	5,000
At 31 December 2012	**200,000,000**	**20,000**

Notes:

(a) The Company was incorporated in the Cayman Islands with limited liability under the Companies Law on 2 April 2012 with an authorised share capital of HK$380,000 divided into 3,800,000 shares of HK$0.10 each. On 2 April 2012, 1 share of HK$0.10 each was issued to Mapcal Limited at par to provide initial capital of the Company. The share was then transferred to World Empire on the same date. On 16 April 2012, 3,799,999 shares of HK$0.10 each were issued and allotted to World Empire and was settled by offsetting with the amounts due to directors.

(b) On 22 October 2012, the authorised share capital of the Company was increased from HK$380,000 divided into 3,800,000 ordinary shares of HK$0.10 each to HK$50,000,000 divided into 500,000,000 ordinary shares of HK$0.10 each.

(c) On 22 October 2012, the Company issued and alloted 200,000 ordinary shares of HK$0.10 each to World Empire as settlement of the swap of 4,230,000 shares of USD1.00 each in Casablanca Home Holdings from the Ultimate Beneficial Owners.

(d) On 22 October 2012, the Company capitalised the amount of HK$14,600,000 standing to the credit of the share premium account of the Company to pay up in full at par 146,000,000 ordinary shares of HK$0.10 each for allotment and issue to World Empire.

(e) On 23 November 2012, the Company issued 50,000,000 shares of HK$0.10 each at HK$1.50 per share by way of public share offering. On the same date, the Company's shares were listed on the Main Board of the Stock Exchange.

All ordinary shares issued during the year rank pari passu with the then existing ordinary shares in all respects.

30. Share Option Schemes

(a) Pre-IPO share option scheme

The Company's pre-IPO share option scheme (the "Pre-IPO 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, and will expire on the date of listing of the shares of the Company on the Main Board of the Stock Exchange. Under the Pre-IPO Share Option Scheme, the Board of Directors of the Company may grant options to eligible participants, including directors of the Company and its subsidiaries and any supplier, customers, consultants, agents, advisors and related parties who have contributed or will contribute to the Group.

At 31 December 2012, the number of shares in respect of which options had been granted upon the commencement of listing of the Company's shares and remained outstanding under the Pre-IPO Share Option Scheme was 22,320,000 (2011: nil), representing 11.16% (2011: nil) of the shares of the Company in issue immediately upon completion of the public share offering and the capitalisation issue as stated in note 29(d). The maximum number of shares in respect of which options may be granted under the Pre-IPO Share Option Scheme is 22,500,000 shares, representing approximately 11.25% of the shares of the Company in issue immediately upon completion of the public share offering and the capitalisation issue as stated in note 29(d).

Options granted must be taken up within one month of the date of grant, upon payment of HK$1 on acceptance of the offer. Options may be exercised at any time during a period commencing on or after the date on which the option is accepted and deemed to be 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 deemed to be granted.

The exercise price is 80% of HK$1.50, the initial public offering price of the Company's shares. The options shall only be exercisable on or after 23 May 2013 and expire not later than 10 years from the date of grant.

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30. Share Option Schemes (continued)

(a) Pre-IPO share option scheme (continued)

The following table discloses movements of the Company's share options held by directors, employees, consultant, customers and supplier during the year ended 31 December 2012:

Categories of participants	Date of grant	Exercisable period	Exercise price	Granted during the year and outstanding at 31.12.2012
Executive directors	7.11.2012	23.5.2013 – 6.11.2022	HK$1.20	**14,000,000**
Employees	7.11.2012	23.5.2013 – 6.11.2022	HK$1.20	**6,800,000**
Consultant (note a)	7.11.2012	23.5.2013 – 6.11.2022	HK$1.20	**320,000**
Customers (note b)	7.11.2012	23.5.2013 – 6.11.2022	HK$1.20	**1,080,000**
Supplier (note c)	7.11.2012	23.5.2013 – 6.11.2022	HK$1.20	**120,000**
				22,320,000

Notes:

(a) The share options were granted to a consultant for providing value-added business advice on retail business for the Group.

(b) The share options were granted to customers for contribution in developing retail sales network in Macau and the PRC.

(c) The share options were granted to a major supplier with long-term relationship for providing steady supplies of raw materials for the Group.

During the year ended 31 December 2012, options were granted on 7 November 2012 with an aggregate estimated fair value of HK$17,000,000.

These fair values were calculated using the Binomial model. The inputs into the model were as follows:

	2012
Share price at grant date	**HK$1.50**
Exercise price	**HK$1.20**
Expected volatility	**43.50%**
Expected life	**10 years**
Risk-free rate	**0.642%**
Expected dividend yield	**0%**
Sub-optimal exercise factor	**2.5**

30. Share Option Schemes (continued)

(a) Pre-IPO share option scheme (continued)

Expected volatility was determined by using the annualised standard deviation of historical share price daily movements of selected comparable companies in same industry. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the share-based payments of HK$1,133,000 for the year ended 31 December 2012 (2011: nil) in relation to share options granted by the Company.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in the computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

(b) Share Option Scheme

The principal terms of the share option scheme, approved by the sole shareholder's resolution passed on 22 October 2012, are substantially the same as the terms of the Pre-IPO Option Scheme except that:

(i) 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; and

(ii) the maximum number of shares in respect of which options may be granted shall not exceed 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; and

(iii) 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.

As at 31 December 2012, no options have been granted or agreed to be granted pursuant to the Share Option Scheme.

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31. Retirement Benefit Schemes

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. Mandatory benefits are provided under the MPF Scheme. The Group contributes the lower of 5% of the relevant payroll costs and HK$1,000 (increases to HK$1,250 with effective from 1 June 2012) per employee to the MPF Scheme.

Employees of subsidiaries in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the state-managed retirement benefit schemes is to make the required contributions.

The total contribution to the retirement benefit scheme charged to the consolidated statement of comprehensive income is HK$4,847,000 (2011: HK$3,208,000).

32. Disposal of a Subsidiary

On 26 April 2012, Casablanca International, Leading Asset Holdings Limited ("Leading Asset") and Smart Blossom, both are related companies of the Company, entered into a share transfer agreement pursuant to which Casablanca International agreed to transfer its 100% equity interest in Wealth Pine to Smart Blossom at a consideration of HK$1,600,000, resulting in a gain on disposal of HK$4,179,000. The consideration is based on net assets value as at date of disposal adjusted with the fair value of the property, plant and equipment. The fair value of the property, plant and equipment as at date of disposal was arrived at on the basis of valuation carried out on that date by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent professional valuer not connected with the Group. Jones Lang LaSalle Corporate Appraisal and Advisory Limited has appropriate qualifications and recent experiences in the valuation of similar property in the relevant location. The fair value of the property, plant and equipment was arrived by reference to direct market comparison. The Group disposed of the equity interest in Wealth Pine as Wealth Pine only holds a non-core property which is not related to the Group's business. The non-core property was used by the director, Mr. Cheng Sze Tsan, as director's quarter during the year. The Group then leases-back the quarter to provide accommodation to the director.

32. Disposal of a Subsidiary (continued)

Assets and liabilities of Wealth Pine at the date of disposal are as follows:

	HK$'000
Net liabilities disposed:	
Property, plant and equipment	38,693
Deposits	49
Bank balance	587
Amount due to then immediate holding company	(20,386)
Other payable and accruals	(98)
Bank borrowings	(21,424)
	(2,579)
Gain on disposal of a subsidiary:	
Consideration (Note 33(a))	1,600
Net liabilities disposed of	2,579
Gain on disposal	4,179
Net cash outflow arising on disposal of a subsidiary:	
Bank balance disposed of	(587)

33. Major Non-Cash Transactions

(a) During the year ended 31 December 2012, the Group disposed of 100% equity interest in Wealth Pine at a consideration of HK$1,600,000 and the amount was settled by offsetting with the amount due to a related company.

(b) On 20 June 2012, the Group entered into a deed of novation and set-off with Cheer Win and Smart Blossom for settlement of amount due to a related company, Cheer Win. Details are set out in note 24.

(c) On 16 April 2012, 3,799,999 shares of HK$0.10 each were issued and allotted to World Empire and the amount of HK$380,000 was settled by offsetting with the amounts due to directors.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

34. Operating Lease Commitments

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2012 **HK$'000**	2011 HK$'000
Within one year	**30,700**	27,007
In the second to fifth years inclusive	**28,363**	29,154
Over five years	**23,169**	22,790
	82,232	78,951

Included in the above operating lease commitments are commitments for future minimum lease payments under non-cancellable operating leases to related parties in respect of rented premises which fall due as follows:

	2012 **HK$'000**	2011 HK$'000
Within one year	**5,882**	2,788
In the second to fifth years inclusive	**5,882**	5,755
	11,764	8,543

Operating lease payments represent rentals payable by the Group for the retail stores, department store counters, offices, factory, staff quarters and warehouses. Leases are negotiated for terms ranging from one to twenty years.

Certain retail stores and department store counters include payment obligations with rental varied with gross revenue. The additional rental payable (contingent rents) is determined generally by applying pre-determined percentages to future expected sales less the basic rentals of the respective leases.

35. Capital Commitments

	2012 **HK$'000**	2011 HK$'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	**8,371**	78,750

36. Pledge of Assets

	2012 HK$'000	2011 HK$'000
Leasehold land and buildings	**4,208**	41,136
Prepaid lease payments	**29,233**	–
Trade receivables	**24,876**	24,646
	58,317	65,782

37. Related Party Transactions

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

Name of related companies	Relationship	Nature of transactions	2012 HK$'000	2011 HK$'000
Shenzhen Fusheng	Related company (Note)	Rental expenses	**2,778**	1,997
Gain Harvest Investment Limited ("Gain Harvest")	Related company (Note)	Rental expenses	**1,580**	1,380
		Consultancy fee	**–**	504
Wealth Pine	Related company (Note)	Rental expenses	**808**	–

As at 31 December 2011, Mr. Cheng Sze Kin, Mr. Cheng Sze Tsan and Ms. Wong Pik Hung have provided personal guarantees of HK$91,941,000 to financial institutions in respect of the Group's bank borrowings. The personal guarantees were released during the year ended 31 December 2012.

As at 31 December 2011, Shenzhen Fusheng provided a corporate guarantee of HK$24,646,000 to a financial institution in respect of the Group's banking borrowings. The corporate guarantee was released during the year ended 31 December 2012.

During the year ended 31 December 2012, Gain Harvest has pledged its leasehold property to secure the Group's bank borrowings amounting to HK$35,000,000 and the pledge was released before the end of the reporting period.

Note: The Ultimate Beneficial Owners have directorship or direct beneficial and controlling interests in these related companies.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

37. Related Party Transactions (continued)

Compensation of key management personnel

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

	2012 HK$'000	2011 HK$'000
Salaries and allowances	**9,763**	7,290
Performance related incentive payments	**232**	126
Retirement benefit schemes contributions	**504**	397
Share-based payments	**852**	–
	11,351	7,813

38. Particulars of Principal Subsidiaries of the Company

Particulars of the Company's principal subsidiaries indirectly held by the Company as at 31 December 2012 and 31 December 2011 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Place of operation	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group as at 31 December 2012	2011	Principal activities
CCW Home Tex (Shenzhen) Company Limited 創想家居用品(深圳)有限公司[2][3]	PRC 25 April 2007	PRC	HK$20,000,000	**100%**	100%	Trading of home textiles products and accessories
Casablanca Home Holdings(1)	BVI 5 October 2010	Hong Kong	US$4,230,000	**100%**	100%	Investment holding
Casablanca Home (Shenzhen) Limited 卡撒天嬌家居用品(深圳)有限公司[2][3]	PRC 20 August 2010	PRC	HK$10,000,000	**100%**	100%	Trading of home textiles products and accessories
Casablanca Home (Huizhou) Company Limited 卡撒天嬌家居(惠州)有限公司[2][3]	PRC 7 April 2011	PRC	HK$35,000,000	**100%**	100%	Not yet commence operation

38. Particulars of Principal Subsidiaries of the Company (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Place of operation	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group as at 31 December 2012	2011	Principal activities
Casablanca Hong Kong Limited	Hong Kong 22 June 2010	Hong Kong	HK$1,000,000	**100%**	100%	Trading of home textile products and accessories
Forcetech (Shenzhen) 科思特家居用品(深圳)有限公司[2][3]	PRC 23 July 2003	PRC	HK$10,200,000	**100%**	100%	Manufacture and sale of home textiles products and accessories
Jollirich	Hong Kong 8 April 2002	Hong Kong	HK$10,000	**100%**	100%	Investment holding (2011: trading of home textile products and accessories)
Wealth Pine	Hong Kong 20 May 2010	Hong Kong	HK$100	**–** (Note 32)	100%	Property letting

(1) Directly held by the Company.
(2) These companies were established in the PRC in the form of wholly foreign-owned enterprise.
(3) The English name is translated for identification purpose only.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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For the year ended 31 December 2012

39. Statement of Financial Position of the Company

	2012 HK$'000
Non-current assets	
Unlisted investment in a subsidiary (note)	33,304
Current assets	
Amount due from a subsidiary (note)	67,943
Other receivables	155
Bank balances	5,431
	73,529
Current liabilities	
Accrued expenses	650
Amount due to a subsidiary	5,918
	6,568
Net current assets	66,961
Net assets	100,265
Capital and reserves	
Share capital (note 29)	20,000
Reserves	80,265
Total equity	100,265

39. Statement of Financial Position of the Company (continued)

Movement in reserves:

	Share premium HK$'000	Share options reserve HK$'000	Accumulated loss HK$'000	Total HK$'000
At 2 April 2012 (date of incorporation)	–	–	–	–
Loss and total comprehensive expense for the period	–	–	(280)	(280)
Effect of share swap pursuant to the Group Reorganisation	32,974	–	–	32,974
Capitalisation issue	(14,600)	–	–	(14,600)
Issue of shares by the Company on public share offering	70,000	–	–	70,000
Expenses incurred in connection with the issue of shares	(8,962)	–	–	(8,962)
Recognition of equity-settled share-based payments (note)	–	1,133	–	1,133
	79,412	1,133	(280)	80,265

Note: Included in the unlisted investment in a subsidiary, amount of HK$310,000 represents the share options recharged to the subsidiary. Whereas, the remaining share-based payments of HK$823,000 (included in amount due from a subsidiary) will be reimbursed from the subsidiary in full settlement by cash.

Corporate Information

Board of Directors

Executive Directors

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

Independent Non-executive Directors

Mr. Tse Yat Hong
Mr. Leung Lin Cheong
Mr. Li Kai Fat

Committees

Audit Committee

Mr. Tse Yat Hong *(Chairman)*
Mr. Leung Lin Cheong
Mr. Li Kai Fat

Remuneration Committee

Mr. Li Kai Fat *(Chairman)*
Mr. Tse Yat Hong
Mr. Leung Lin Cheong

Nomination Committee

Mr. Cheng Sze Kin *(Chairman)*
Mr. Tse Yat Hong
Mr. Leung Lin Cheong
Mr. Li Kai Fat

Company Secretary

Mr. Ho Yiu Leung

Authorised Representatives

Mr. Sung Shuk Ka
Mr. Ho Yiu Leung

Registered Office

PO Box 309, Ugland House
Grand Cayman KY1-1104
Cayman Islands

Headquarters and Principal Place of Business

5/F Yan Hing Centre
9-13 Wong Chuk Yeung Street
Fotan, New Territories
Hong Kong

Auditor

Deloitte Touche Tohmatsu

Compliance Advisor

Haitong International Capital Limited

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

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

In Hong Kong:
Bank of China (Hong Kong) Limited

In the PRC:
Bank of China Limited
Nanyang Commercial Bank (China) Ltd

Stock Code

2223

Company Website

www.casablanca.com.hk