LEADING BRANDED
BEDDING PRODUCTS COMPANIES IN THE GREATER CHINA REGION

ANNUAL REPORT 2014

CASABLANCA GROUP LIMITED

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

STOCK CODE: **2223**

CONTENTS

About Casablanca

Casablanca Group Limited, since its establishment in 1993 in Hong Kong, primarily engages in designing, manufacturing, distribution and retailing of bedding products with a focus on the high-end and premium markets under its proprietary "Casa Calvin" and "Casablanca" 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

361 *POS[1] in 85 cities in well developed areas in the Greater China Region[2]*

271 *concession counters in well known department stores*

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

73 *new POS were opened in 2014 with 7 new POS in Hong Kong and Macau and 66 new POS in the PRC*

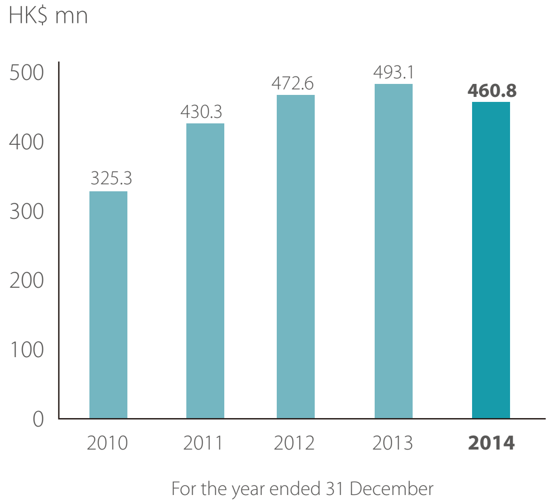
(1) POS stands for points of sales

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

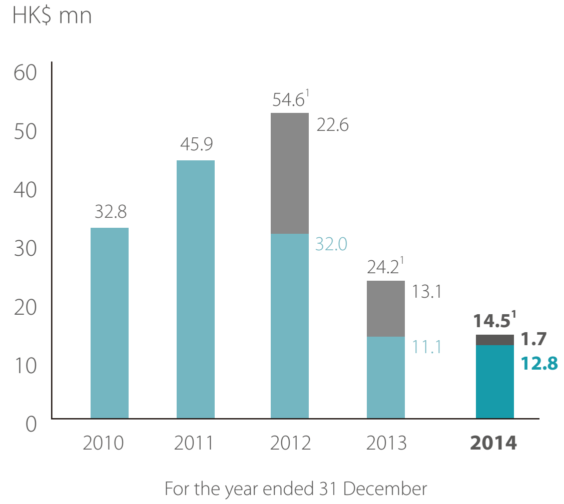

Self-operated POS
Distributor-operated POS
Heilongjiang 2
Jilin 2
Inner Mongolia 3
Liaoning 1 18
Beijing 11
Tianjin 2
Hebei 2 4
Shanxi 2
Shandong 5
Shaanxi 1
Henan 1
Jiangsu 7 3
Sichuan 9
Hubei 1 2
Anhui 1 2
Shanghai 5 1
Chongqing 5
Zhejiang 1 11
Hunan 2
Jiangxi 2
Fujian 1 9
Guangxi 2
Hainan 3
Rest of Guangdong 17 30
Shenzhen 63 18
Guangzhou 31 17
Hong Kong 58
Macau 4

FINANCIAL HIGHLIGHTS AND SUMMARY

Revenue



Profit for the Year



Consolidated Results[2]

	For the year ended 31 December				
	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
Revenue	**460,824**	493,104	472,593	430,263	325,284
Gross Profit	**278,294**	303,778	292,082	253,749	198,394
EBITDA[3]	**42,321**	42,430	71,154	55,743	39,626
Profit for the year attributable to owners of the Company[1]	**12,753**	11,061	32,019	45,864	32,830

Notes:

1. If the sum of share-based payments and listing expenses (for 2012 only) amounted to HK$1.7 million, HK$13.1 million and HK$22.6 million for 2014, 2013 and 2012 are excluded respectively, the adjusted profit for the year attributable to owners of the Company becomes HK$14.5 million, HK$24.2 million and HK$54.6 million for 2014, 2013 and 2012 respectively.

2. The summary of the consolidated results of the Group for each of the two years ended 31 December 2011 and 2010 which were extracted from the Company's prospectus dated 13 November 2012 have been prepared on a combined basis to present the results of the Group as if the Group structure, at the time when the Group Reorganisation was completed on 22 October 2012, has been in existence throughout those years.

3. EDITDA represents gross profit less selling and distribution costs and administrative expenses adding back depreciation, amortisation and share-based payments.

Consolidated Assets And Liabilities[1]

	As at 31 December				
	2014	2013	2012	2011	2010
	HK$'000	K$'000	HK$'000	HK$'000	HK$'000
Total assets	**515,780**	559,485	500,951	362,905	271,749
Total liabilities	**204,070**	255,713	229,102	201,874	154,285
Total equity	**311,710**	303,772	271,849	161,031	117,464
Total bank borrowings	**96,437**	136,223	95,858	57,395	35,326
Pledged bank deposit and bank balances and cash	**141,433**	135,641	137,774	107,050	60,796
Net cash/ (bank borrowings)	**44,996**	(582)	41,916	49,655	25,470

Key Financial Ratios

	For the year ended 31 December				
	2014	2013	2012	2011	2010
Gross profit margin	**60.4%**	61.6%	61.8%	59.0%	61.0%
EBITDA margin	**9.2%**	8.6%	15.1%	13.0%	12.2%
Net profit margin	**2.8%**	2.2%	6.8%	10.7%	10.1%
Return on assets	**2.5%**	2.0%	6.4%	12.6%	12.1%
Return on equity	**4.1%**	3.6%	11.8%	28.5%	27.9%
Interest coverage[2]	**9.9**	14.6	103.0	67.2	69.9
Current ratio	**2.0**	2.0	1.7	1.4	1.3
Quick ratio	**1.5**	1.4	1.3	1.0	0.8
Gearing ratio[3]	**30.9%**	44.8%	35.3%	35.6%	30.1%
Net gearing ratio[3]	**N/A**	0.2%	N/A	N/A	N/A
Inventory turnover (days)	**199.5**	184.5	165.5	155.5	147.9
Trade and bills receivables turnover (days)	**74.9**	73.4	65.2	54.7	54.5
Trade and bills payables turnover (days)	**162.8**	141.6	103.9	82.6	83.7

Notes:

1. The summary of the consolidated assets and liabilities as at 31 December 2011 and 2010 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.

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

3. Gearing ratio is calculated as total bank borrowings divided by total equity, whereas net gearing ratio is calculated as total bank borrowings minus cash and bank balances and then divided by total equity.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present to the shareholders of Casablanca Group Limited (the "Company") the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014 (the "Year" or the "Review Period").

2014 was a tough year for retail industry. Dragged by factors such as slowing economic growth of the PRC and social movement in Hong Kong, the consumer confidence in the PRC and Hong Kong weakened, denting the growth strength of retail corporations. Retail corporations suffered increasing pressure from rising staff costs and sales expenses in department stores and shopping malls. In addition, retail corporations faced a major challenge from the rise of e-commerce whose impact on traditional retail industry was emerging. Also, with increasing requirements on product and service from customers, retail corporations can overcome the challenges only by way of business upgrade and transformation. The Group has been upholding the mission of providing premium quality bedding products to our consumers with product design concept of "Contemporary, Innovative and Functional" features since its establishment. During the Review Period, guided by the core operational philosophy of "Broadening income sources while saving cost; Exploring business opportunities actively and pragmatically", the Group also strives for business upgrade and transformation in many ways to lay a solid foundation for future development and create better returns for our shareholders.

The Group actively commenced business upgrade and transformation for its long-term development. During the Review Period, the Group conducted a comprehensive research on information technology and actively optimized internal information data infrastructure and proceeded to replace the enterprise resources planning system ("ERP System"). Such efforts aimed to improve information communication along the whole value chain and upgrade the data analysis capability on customer relationship management of the Group in order to understand customers' consumption pattern and needs and conduct research and development ("R&D") of products and promotion activities in line with the customer needs. During the Review Period, the Group commenced adjustment in the internal organizational structure and raise the management standard and stepped up promotion of corporate culture internally and introduced project management to drive the development of various projects and company growth.

Externally, in order to optimize resource allocation and enhance operational efficiency, the Group readjusted the structure of its sales network in the PRC, strengthened its competitive edges in Southern China and overhauled its allocation of points of sales in other regions for better control on cost of sales and prompt response to change of customers' consumption pattern. The Group was of opinion that premium quality products and prominent brand image was essential to the success of retail corporations. During the Review Period, the Group reviewed the product mix, positioning and image of its proprietary "Casa Calvin" and "Casablanca" brands and actively enhanced product quality and brand differentiation in order to increase the value of the products and various brands of the Company. During the Year, in order to broaden its income stream, the Group entered into a business collaboration agreement with Goyo Intex Co., Ltd ("Goyo Intex", a company listed on the JASDAQ Standard of the Tokyo Stock Exchange) and studied the opportunities for business cooperation with Goyo Intex.

Looking into 2015, the global economy has much uncertainty. However, thanks to steady economic growth of the PRC, rising domestic consumption power, loosening restriction of one-child policy, and increasing requirement on health and lifestyle of domestic customers, the Group expects a huge development potential in the high-end and premium markets of bedding products in the PRC. In addition, the Group places importance on market opportunities brought by the rise of e-commerce. In the coming year, the Group will enter the mid-to-late stage of its business upgrade and transformation. The Group will uphold its past operational philosophy and get prepared for the future opportunities.

We will continue to take measures in areas of information technology, product, sales channel and marketing, including:

1. Adjustment in existing product collection – to enhance product quality and brand differentiation in order to make full use of its multi-brand strategy and fulfil the needs of different customer groups;

2. Research and development of new product collection – to meet the rising requirements on product health function from consumers with products of high-technology, environmental protection and health function;

3. Adjustment in existing sales network and expansion of sales channels – to adjust allocation of existing sales network to improve operational efficiency; to expand revenue sources of online business through a combined use of online and offline ("O2O") sales channels; the Group will also spares no effort to explore wholesale market;

4. Improvement in customer relationship management – to upgrade various information technology systems of the Company to build a database with more customer information and align with the future operation model of O2O and conduct marketing activities and research and development of products tailored to meet customer preference;

5. Enhancement in brand building – the Group will engage a celebrity as a product spokesman for the first time and launch different promotion activities in various media in order to raise its brand awareness in the Greater China Region.

With the measures above, the Company will continue to provide the customers with premium quality bedding product selection with a design concept of "Contemporary, Innovative and Functional" features. The Company will launch more products with high-technology, environmental protection and health function gradually and strive to be a global leading brand of home-textile products. Moreover, leveraging the business collaboration with Goyo Intex, we will continue to explore the bedding products market in Japan.

On behalf of the Board, I would like to extend my sincere gratitude to our valued customers, business partners and shareholders for their constant support and trust, 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, 24 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

2014 was a tough year for the retail industry. The Group strived for business upgrade and transformation in various ways to lay a solid foundation for future development and create better returns for our shareholders. During the Review Period, the Group's revenue decreased by 6.5% to HK$460.8 million for 2014 from HK$493.1 million for 2013; profit attributable to owners of the Company increased to HK$12.8 million for 2014 from HK$11.1 million for 2013, representing an increase of 15.3%.

During 2014, the global economy still faced uncertainty while the growth of the Chinese economy slowed slightly and a social movement broke out in Hong Kong, which affected the overall consumer confidence. Retail corporations faced the challenge of rising staff costs and selling expenses in department stores and shopping malls. In addition, the impact of e-commerce on the traditional retail industry was emerging. Guided by the core operational philosophy of "Broadening income sources while saving cost; Exploring business opportunities actively and pragmatically", the Group strived for business upgrade and transformation in various ways during the Review Period.

Adjustment in the structure of its domestic sales network

To optimize resources allocation and raise operation efficiency, the Group restructured its domestic sales network during the Review Period. As at 31 December 2014, our sales network totaled 361 POS (2013: 397 POS), covering 85 cities in 25 provinces, autonomous regions and municipalities across the Greater China Region, including a total of 204 self-operated POS and 157 POS operated by our distributors.

To prepare for the future O2O business model, the Group continued to conduct strategic layout of its sales network: integrating our self-operated POS in Hong Kong and first-tier cities in the PRC with other POS operated by distributors and third-party retailers in second-tier and third-tier cities. Besides, the Company continued to actively expand the sales channel of its business customers by cooperating with various retail chains, banks and websites, and participating in gift exchange campaigns and group purchases. In addition, the Group was also in negotiation with several hotels in Hong Kong and the PRC to whom proposals of supplying bedding products were submitted by the Group.

	Self-operated POS			Distributor-operated POS			
	Concession counters	Stand-alone retail stores	Subtotal	Concession counters	Stand-alone retail stores	Subtotal	Total
Hong Kong and Macau total	36	22	58	2	2	4	62
PRC							
Southern[(1)]	111	0	111	17	53	70	181
Northern[(2)]	17	0	17	7	0	7	24
Eastern[(3)]	16	0	16	28	4	32	48
Northeast[(4)]	1	0	1	21	1	22	23
Southwest[(5)]	0	0	0	11	3	14	14
Central[(6)]	1	0	1	2	3	5	6
Northwest[(7)]	0	0	0	1	2	3	3
PRC subtotal	146	0	146	87	66	153	299
Total	**182**	**22**	**204**	**89**	**68**	**157**	**361**

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.

Review of its product mix and enrichment of product collection

To increase the differentiation of our proprietary brands "Casa Calvin" and "Casablanca", the Group strived to clear inventories and enhance the value of our proprietary brands by seeking improvement in areas such as product mix, packaging and shop image. In addition, the Group continued to implement a multi-brand strategy in order to meet the needs of different customers. In addition to our proprietary brands "Casa Calvin" and "Casablanca", we have also engaged in the sales of bedding products under other international brands, including "Elle Deco", "Tru Trussardi", "Home Concept", "Move" and "Centa Star" in the PRC, Hong Kong and Macau. In the children's market, the Group has obtained licences from Disney to adopt some popular cartoon characters, including "Classic Pooh", "Monsters University", "Sofia the First" and those of the movie "Big Hero 6" released by Disney in Christmas 2014 in Asia.

The Company strived to provide the customers with products with the design concept of "Contemporary, Innovative and Functional". During the Review Period, the Group successfully developed and launched its patented products of "Magic Pillow" and "Sandwiched Wool Quilt".

Upgrade of internal information data infrastructure

The Group considered that a complete and accurate data transmission on a real time automatic basis is essential to the success of retail corporations. The Group continued to install points of sale systems ("POS Systems") in its self-operated POS in the PRC during the Review Period. As at 31 December 2014, the Group has installed POS Systems in 118 self-operated POS across the PRC, covering about 81% of its self-operated POS, while our self-operated POS in Hong Kong and Macau region are already fully equipped with the POS systems. In addition, the Group conducted a comprehensive study on information technology and proceeded to upgrade its ERP System during the Review Period. By improving communication across its whole value supply chain, the Group can optimize the data analysis capability on customer relationship management and enhance the accuracy of arrangement on procurement, production and logistics.

Adjustment in internal structure and enhancement in management standard

The Group conducted a comprehensive adjustment in its internal structure during the Review Period, including the optimization of human resources structure planning, study of a performance-based incentive plan and trial implementation of project-based management. Such efforts aimed to encourage our staff to make use of their full potential to grow and share their achievements with the Group. The Group also provided more training on sales technique and product knowledge to staff in order to improve the quality of customer services and the professional corporate image. The Group also provided detailed working guidelines and targets to staff and distributors to drive the performance of our staff.

MANAGEMENT DISCUSSION AND ANALYSIS

Future Prospects

Looking into 2015, the global economy is full of uncertainty. However, thanks to the steady economic growth of the PRC, the ongoing implementation of urbanization policy by the Chinese Government, the rising domestic consumption power, the loosening restriction of one-child policy, and the increasing demand for health and lifestyle from domestic customers, the Group expects a huge development potential in the high-end and premium markets of bedding products in the PRC. The Group is cautiously optimistic about the overall prospect of 2015.

The impact of the rise of e-commerce on traditional retail channels is indisputable. Due to the increasing operation cost such as rental and staff cost of physical shops, the Group considers that e-commerce poses essential opportunities for future development. In the coming year, the Group will enter a medium and latter stage of its business upgrade and transformation. The Group will continue to strengthen its core competitiveness and make progression to an optimized O2O operation model.

Continuous improvement in information data infrastructure

The Group will continue the upgrade of its ERP System to ensure the data inter-connection between ERP system and POS System so as to strengthen the Group's records and analysis of consumer data and consumption pattern and conduct R&D of products and marketing activities tailored to meet consumption patterns. The data inter-connection between ERP System and POS System was established to align with the O2O business development, which can raise timeliness and accuracy of data across the whole supply chain and increase the sales productivity, efficiency of logistics, product delivery, warehouse management and production and procurement of the Group.

Optimization of product mix under its brands

The Group will continue to optimize the product mix under its brands and step up R&D and procurement so as to provide customers with more premium bedding products that are originally created by the Group or that from around the world complying with our design concept of "Contemporary, Innovative and Functional" for expansion in its market share. For our proprietary brands, the Group will launch new product brands that adopt cutting-edge technology in the second quarter of 2015 while enhancing product quality with differentiation of our brands "Casa Calvin" and "Casablanca". This collection is first invented in the market as a high-tech, environmental friendly and healthy quality choice for customers in pursuit of healthy living and lifestyle. It is expected to help the Group to seize bigger market share for its premium bedding products.

For our licenced brands, in addition to "Elle Deco", "Tru Trussardi", "Home Concept", "Move" and "Centa Star", the Group will actively seek licences of renowned brands of bedding products around the world and expects to bring more premium products with elegant design and premium materials to our customers.

Establishment of strategic sales channels

To prepare for its future development in O2O operation model, the Group will continue to optimize the structure of physical sales network and select the POS locations strategically to ensure no overlapping service coverage of POS. It also ensures the provision of product experience, customer service and logistics delivery service to online and offline customers, and create a synergy effect from online and offline sales. The Group will expand the scale of strategic network and strengthen the unified image of physical shops under its brands, given the cost under control, to enable customers to focus on purchasing diversified products under different brands of the Group and have deep impression of image positioning of the brands.

The Group is also actively exploring wholesale market and intends to expand its revenue sources through cooperation with enterprises of different sectors. In addition, the Group will also put more resources in the expansion of online sales channel and promote the online and offline consumption of customers by using WeChat membership of the Group.

Stepping up marketing efforts

The Group will step up the marketing and penetration of its various sales channels so as to raise its brand awareness in the highly fragmented bedding product market in the PRC. For online promotion, in addition to its current company website, Facebook page and online advertisement, the Group will integrate its membership system with WeChat corporate marketing activities in the PRC market so as to strengthen mutual communication with customers and promote the sharing of its group information among WeChat users.

For offline promotion, the Group also maintains promotional activities through various channels, including placing advertisements in magazines and advertising on public buses and tram body. The Group also considers placing large-scale outdoor advertisement in local transportation hubs to reinforce customers' impression of its brand image. In addition, the Group will step up the placement of TV advertisement in line with its recent engagement of a celebrity as the product spokesman for the first time so as to raise its online and offline brand awareness in Greater China Region and comprehensively enhance its brand positioning.

The Group strongly believes its effort in business upgrade and transformation is essential to its sustainable development. Adhering to the design concept of "Contemporary, Innovative and Functional" in product features, the Group endeavors to provide consumers with more reasonably priced, high-quality and stylishly-designed bedding products and suitable and trendy home accessories. We are confident that we will be able to achieve a steady growth in the PRC's bedding products market, which is offering outstanding potential, and continue to bring better returns to our shareholders.

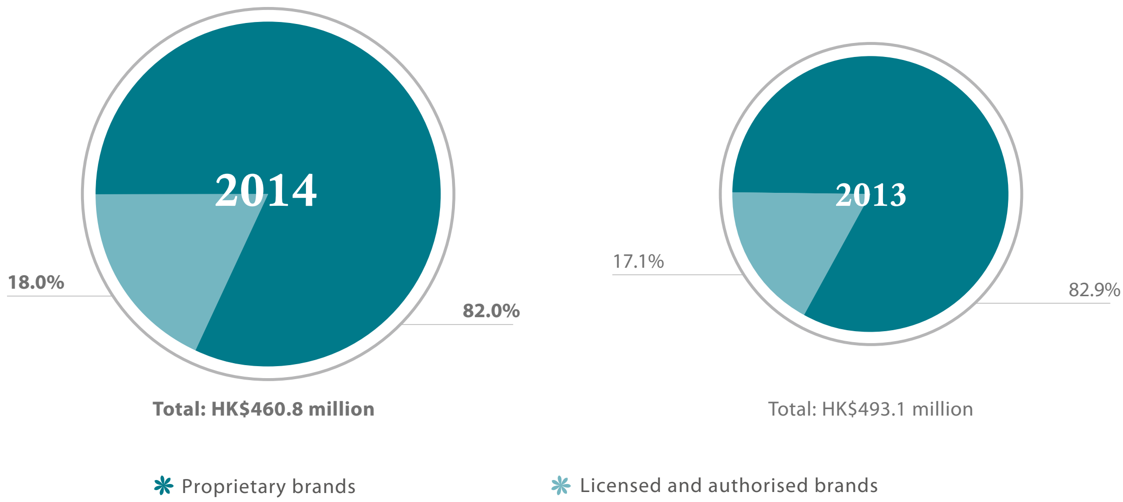
MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

For the Year, the Group recorded revenue of HK$460.8 million (2013: HK$493.1 million), representing a decrease of 6.5% over 2013. The decrease in revenue was primarily attributable to the decline in sales through self-operated concession counters, especially in the PRC. The significant increase in sales to wholesale customers in Hong Kong compensated for part of the decrease in self-operated retail sales.

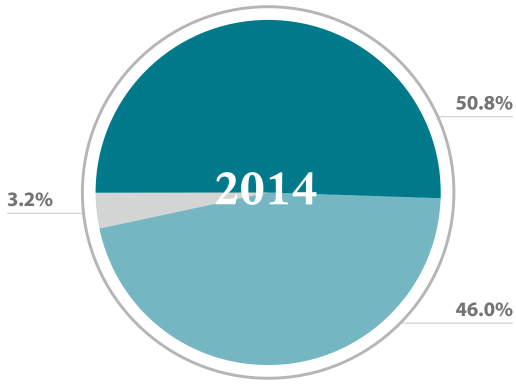
Breakdown of revenue by brands:



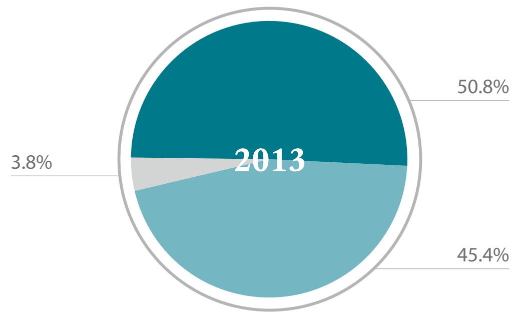
	2014		2013		Change	
	HK$'000	**% of Total**	HK$'000	% of Total	HK$'000	%
Proprietary brands	**377,699**	**82.0%**	408,947	82.9%	(31,248)	-7.6%
Licensed and authorised brands	**83,125**	**18.0%**	84,157	17.1%	(1,032)	-1.2%
Total	**460,824**	**100.0%**	493,104	100.0%	(32,280)	-6.5%

Casa Calvin and Casablanca are our major proprietary brands. Sales of proprietary brands recorded an overall decrease for 2014 by 7.6% to HK$377.7 million (2013: HK$408.9 million), whereas sales of Casa Calvin products still achieved a continued rising trend for 2014. Sales of our licensed and authorised brands for 2014 slightly decreased by 1.2% to HK$83.1 million (2013: HK$84.2 million).

Breakdown of revenue by products:



Total: HK$460.8 million



Total: HK$493.1 million

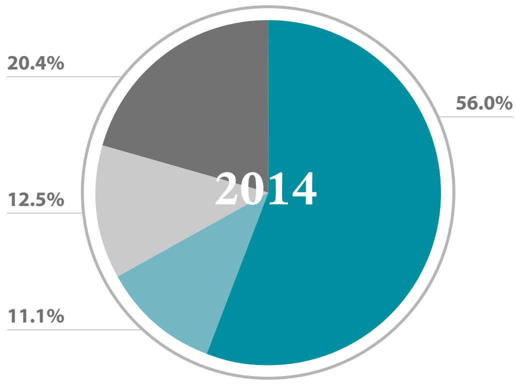
* Bed linens
* Duvets and pillows
* Other home accessories

	2014		2013		Change	
	HK$'000	**% of Total**	HK$'000	% of Total	HK$'000	%
Bed linens	**234,086**	**50.8%**	250,613	50.8%	(16,527)	-6.6%
Duvets and pillows	**212,015**	**46.0%**	223,577	45.4%	(11,562)	-5.2%
Other home accessories	**14,723**	**3.2%**	18,914	3.8%	(4,191)	-22.2%
Total	**460,824**	**100.0%**	493,104	100.0%	(32,280)	-6.5%

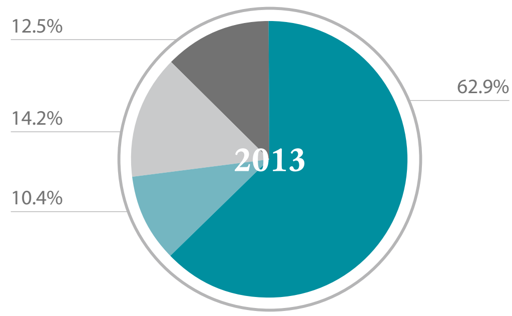
Bed linens and duvets and pillows are major products of the Group. Sales of bed linens and duvets and pillows for 2014 were HK$234.1 million (2013: HK$250.6 million) and HK$212.0 million (2013: HK$223.6 million) respectively. Both sales of bed linens and duvets and pillows decreased according to the overall decline in sales.

MANAGEMENT DISCUSSION AND ANALYSIS

Breakdown of revenue by channels:



Total: HK$460.8 million



Total: HK$493.1 million

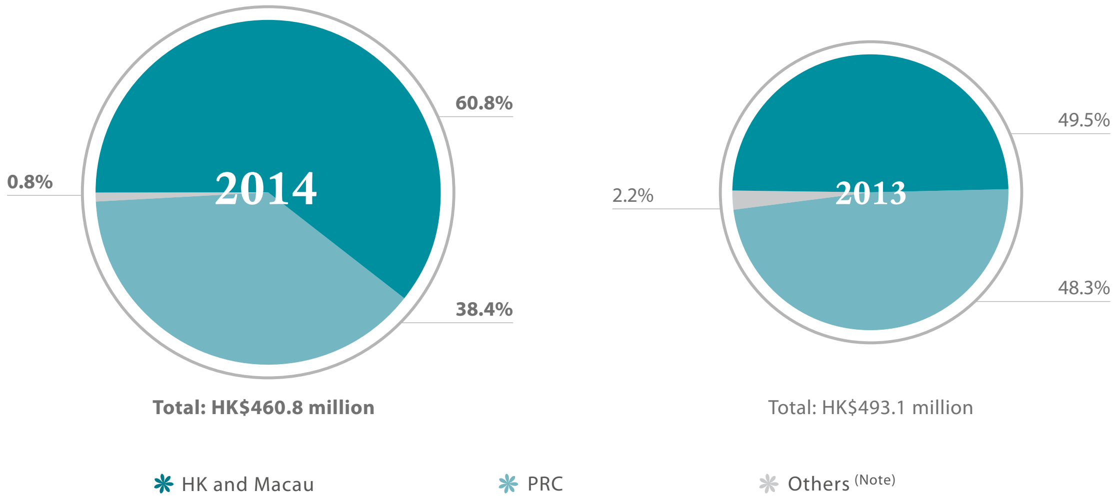
* Self-operated concession counters * Self-operated retail stores * Sales to distributors * Others (Note)

	2014		2013		Change	
	HK$'000	**% of Total**	HK$'000	% of Total	HK$'000	%
Self-operated retail sales						
Self-operated concession counters	**258,105**	**56.0%**	310,207	62.9%	(52,102)	-16.8%
Self-operated retail stores	**50,970**	**11.1%**	51,206	10.4%	(236)	-0.5%
Sub-total for self-operated retail sales	**309,075**	**67.1%**	361,413	73.3%	(52,338)	-14.5%
Sales to distributors	**57,587**	**12.5%**	69,951	14.2%	(12,364)	-17.7%
Others (Note)	**94,162**	**20.4%**	61,740	12.5%	32,422	52.5%
Total	**460,824**	**100.0%**	493,104	100.0%	(32,280)	-6.5%

Note: "Others" includes sales to wholesale customers in Hong Kong and the PRC and also exports to overseas markets.

Self-operated retail sales for 2014 amounted to HK$309.1 million (2013: HK$361.4 million), accounting for 67.1% of the total revenue and representing a decrease of 14.5% as compared to that of 2013. The decrease was primarily attributable to the decline in sales through self-operated concession counters, especially in the PRC, with some inefficient concession counters closed, the slowdown in the growth of macro-economy of the PRC and the stiff competition from online sales. Sales to distributors for 2014 decreased by 17.7% to HK$57.6 million (2013: HK$70.0 million) when distributors in the PRC faced the same problems as our self-operated retail sales. Sales to others for 2014 was HK$94.2 million (2013: HK$61.7 million) representing a significant increase of 52.5% primarily due to sales of bed linens and duvets under bulk-purchase agreements to a wholesale customer in Hong Kong.

Breakdown of revenue by geographic regions:



	2014		2013		Change	
	HK$'000	% of Total	HK$'000	% of Total	HK$'000	%
HK and Macau	**280,380**	**60.8%**	244,191	49.5%	36,189	14.8%
PRC	**176,864**	**38.4%**	237,901	48.3%	(61,037)	-25.7%
Others (Note)	**3,580**	**0.8%**	11,012	2.2%	(7,432)	-67.5%
Total	**460,824**	**100.0%**	493,104	100.0%	(32,280)	-6.5%

Note: "Others" includes sales to regions other than Hong Kong, Macau and the PRC.

Revenues from Hong Kong and Macau, the PRC and others for 2014 were HK$280.4 million (2013: HK$244.2 million), HK$176.9 million (2013: HK$237.9 million) and HK$3.6 million (2013: HK$11.0 million) respectively. Revenue from HK and Macau increased by 14.8% primarily due to sales of bed linens and duvets under bulk-purchase agreements to a wholesale customer in Hong Kong. Revenue from the PRC decreased by 25.7% primarily due to the significant decreases of self-operated retail sales through concession counters in the PRC and sales to distributors in the PRC.

Gross Profit and Gross Profit Margin

Gross profit decreased by 8.4% to HK$278.3 million for 2014 as compared to HK$303.8 million for 2013. The gross profit margin for 2014 was 60.4% which was lower than 61.6% for 2013. The decrease in gross profit margin for 2014 was primarily due to the significant increase in sales to others which were at gross profit margin lower than self-operated retail sales.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Gains and Losses

Other losses were HK$3.9 million for 2014 as compared to other gains of HK$4.2 million for 2013. The change to other losses for 2014 from other gains for 2013 was attributable to the loss on disposal of fixed assets amounted to HK$1.1 million (2013 gain: HK$2.7 million), exchange loss amounted to HK$1.9 million (2013 gain: HK$0.9 million) and provision for doubtful debts amounted to HK$0.9 million (2013 reversal of provision: HK$0.6 million).

Operating Expenses

Selling and distribution costs for 2014 decreased by 8.5% to HK$202.0 million as compared to HK$220.8 million for 2013. The decrease in selling and distribution costs was mainly due to less expenses paid to department stores with the decline in self-operated retail sales through concession counters and less share-based payments amortised in 2014 as compared to 2013.

Administrative expenses for 2014 decreased by 21.9% to HK$50.0 million as compared to HK$64.0 million for 2013. The decrease was mainly due to the decrease in the share-based payments by HK$9.2 million for 2014.

The pre-IPO share option scheme was established for purposes of rewarding eligible persons, including Directors, employees, suppliers and others, for their contributions to the Group before listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), motivating them to optimise their performance efficiency and retaining relationships with them for the benefit of the Company and its shareholders as a whole. Despite share options under the pre-IPO share option scheme with different vesting dates, the share-based payments were amortised over the period from the grant date to respective vesting dates of share options according to HKFRS 2 "Share-based Payment". The total amount of share-based payments was amortised during the period from 7 November 2012 till 22 November 2014 according to HKFRS 2 "Share-based Payment". The total amount of share-based payments amortised in 2014 was HK$1.7 million (2013: HK$13.1 million).

Finance Expenses

Finance costs increased by 46.9% to HK$4.3 million for 2014 as compared to HK$2.9 million for 2013. The increase in finance costs was primarily due to part of finance costs on bank borrowings for construction of Huizhou plant capitalised before its operation commenced in May 2013.

Taxation

The Group's effective tax rate for 2014 was 36.6% as compared to 50.7% for 2013. The decrease in effective tax rate was mainly due to the withholding tax and deferred tax on accumulated distributable profit of a PRC wholly-owned subsidiary in 2013 and the significant amount of share-based payments not being tax deductible in 2013. Had these items and operation losses of PRC subsidiaries for 2014 and 2013 been excluded, the effective tax rate for 2014 and 2013 would become approximately 15.3% and 20.7% respectively.

Profit for the Year

The Group's profit for the year for 2014 increased to HK$12.8 million from HK$11.1 million for 2013, representing an increase of 15.3%. This was mainly attributable to the decrease in total expenses more than decreases in gross profit and other gains.

EBITDA represents gross profit less selling and distribution costs and administrative expenses adding back depreciation, amortisation and share-based payments. The EBITDA for 2014 slightly decreased by 0.3% to HK$42.3 million from HK$42.4 million for 2013.

Major Operating Efficiency Ratios

	2014	2013
Inventory turnover (days)	**199.5**	184.5
Trade and bills receivables turnover (days)	**74.9**	73.4
Trade and bills payables turnover (days)	**162.8**	141.6

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 199.5 days for 2014, from 184.5 days for 2013, was due to more raw materials kept as at 31 December 2014 for production of items to be sold during the promotional period before the Chinese New Year in February 2015.

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 slightly increased to 74.9 days for 2014 from 73.4 days for 2013 due to prolonged trade receivables from some distributors in the PRC.

In view of the slow-down in retail market in the PRC, some distributors in the PRC were adversely affected and prolonged settlements to related trade receivables of the Group. The trade receivables aged over 180 days that were past due but not impaired at 31 December 2014 increased by 76.8% to HK$14.3 million (2013: HK$8.1 million) in which HK$7.1 million, representing 49.5%, was subsequently settled up to 15 March 2015. Full provision had been made for individual trade receivables aged over 365 days without subsequent settlements. The Group closely monitors recoverability of trade receivables and will strengthen its efforts to chase the debts.

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 162.8 days for 2014 from 141.6 days for 2013, primarily due to longer credit periods granted by more suppliers.

Liquidity and Capital Resources

The gearing structure is set out below:

	As at 31 December	
	2014 HK$'000	2013 HK$'000
Total bank borrowings	**96,437**	136,223
Pledged bank deposit and bank balances and cash	**141,433**	135,641
Net cash/(borrowings)	**44,996**	(582)
Total assets	**515,780**	559,485
Total liabilities	**204,070**	255,713
Total equity	**311,710**	303,772

The Group has been adhering to the principal 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Pledged bank deposit and bank balances and cash

As at 31 December 2014, the pledged bank deposit of the Group was approximately HK$1.2 million (2013: HK$1.2 million), which was denominated all in Renminbi and the bank balances and cash of the Group were approximately HK$140.2 million (2013: HK$134.4 million) which were denominated in Hong Kong dollars and Renminbi except for about 1.9% in United States dollars and Euro. Details of the Group's pledged bank deposit and bank balances and cash are set out in note 21 to the consolidated financial statements.

Bank borrowings

As at 31 December 2014, the bank borrowings of the Group was approximately HK$96.4 million (2013: HK$136.2 million), which were denominated as to 88.9% and 11.1% in Hong Kong dollars and Renminbi respectively, with all bank borrowings balances being variable-rated borrowings with effective interest rates ranging from 1.69% to 7.29% per annum. During the Year, the financial position of the Group was healthy and the Group has restructured bank borrowings with banks by reducing the total bank borrowings by 29.2% to HK$96.4 million (2013: HK$136.2 million). Details of the Group's bank borrowings are set out in note 23 to the consolidated financial statements.

On 25 July 2014, 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 confirmed their acceptance of the facility letters (the "Facility Letters") issued by Bank of China (Hong Kong) Limited as lender (the "Lender"). The Facility Letters, which consist of banking facilities granted by the Lender to the Borrower, impose a covenant relating to specific performance of the Controlling Shareholders (as defined below) of the Company.

Under the Facility Letters, 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 all facilities under the Facility Letters will be terminated and all outstanding loans under the Facility Letters may immediately become payable on demand. At the date of this annual report, the Controlling Shareholders ultimately hold 61.4% of the issued share capital of the Company through World Empire Investment Inc.

Current ratio

The Group's total current assets decreased to HK$335.2 million as at 31 December 2014 (2013: HK$369.7 million), while the total current liabilities also decreased to HK$165.8 million as at 31 December 2014 (2013: HK$188.8 million). As a result, the current ratio is maintained at 2.0 as at 31 December 2014 which is the same current ratio as at 31 December 2013.

Gearing ratio

Gearing ratio is calculated as total borrowings divided by total equity at the end of the year, whereas the net gearing ratio is calculated as net borrowings divided by total equity. As at 31 December 2014, the gearing ratio was 30.9% (2013: 44.8%) with the decrease in the bank borrowings by HK$39.8 million. The Group was at net cash position at 31 December 2014. The net gearing ratio was merely 0.2% at 31 December 2013.

Pledge of assets

As at 31 December 2014, the Group had pledged its leasehold land and buildings, prepaid lease payments and fixed deposits with an aggregate carrying value of HK$146.7 million (2013: HK$157.8 million) to certain banks in Hong Kong and the PRC to secure banking facilities granted to the Group.

Capital expenditures

During the Year, the Group invested HK$8.9 million (2013: HK$26.7 million) for acquisition of property, plant and equipment.

Capital commitments

As at 31 December 2014, the Group had capital commitments of approximately HK$2.1 million (2013: nil).

Use of Proceeds from the Listing

The shares of the Company have been listed on the Main Board of the Stock Exchange since 23 November 2012. The Company received net proceeds raised from the listing of approximately HK$44.2 million.

The use of net proceeds until 31 December 2014 was as below:

	Planned Amount HK$ million	**Utilised Amount** HK$ million	**Unutilised Amount** HK$ million
Expansion of sales network	37.0	20.4	16.6
Upgrade of management information system	4.0	1.6	2.4
Brand building and product promotion	2.2	2.2	–
General working capital	1.0	1.0	–
Total	44.2	25.2	19.0

Share Capital

The total number of shares of the Company as at 31 December 2014 was 200,788,000 shares (2013: 200,788,000 shares) of HK$0.1 each. As at 31 December 2014, the total issued share capital of Company was HK$20,079,000 (2013: HK$20,079,000).

On 2 March 2015, the Company entered into a conditional placing agreement with the placing agent in relation to, among others, the placing of a maximum of up to 40,000,000 new ordinary shares of the Company of HK$1.50 each to not less than six placees who were not acting in concert with connected persons of the Company (the "Placing"). The Placing had been completed on 13 March 2015 with in aggregate of 40,000,000 shares of HK$0.1 each in the share capital of the Company at the price of HK$1.50 per share issued to no fewer than six but not more than ten placees.

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 and movements of share options during the Year are set out in note 27 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.

Dividend

The Directors do not recommend the payment of a final dividend and propose that the profit for the Year be retained.

Employee and Remuneration Policy

As at 31 December 2014, the employee headcount of the Group was 872 (2013: 965) and the total staff costs, including directors' emoluments, for the Year amounted to HK$98.0 million (2013: HK$110.2 million). The decrease in employee headcount as at 31 December 2014 was primarily due to the decrease in number of sales staff after the consolidation of sales teams during the Year and the termination of the plant originally operated by its subsidiary Forcetech (Shenzhen) Company Limited ("Forcetech (Shenzhen)") in the first quarter of 2014. The decrease in staff costs for the Year was due to the amount of share-based payments decreased by HK$10.6 million and termination of the plant originally operated by Forcetech (Shenzhen) in the first quarter of 2014.

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.

Contingent Liabilities

As at 31 December 2014, the Group did not have material contingent liabilities.

Significant Investments

As at 31 December 2014, 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.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

The Group did not have any acquisitions and disposals of subsidiaries and associated companies for the Year.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Cheng Sze Kin (鄭斯堅), aged 54, 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 the British Virgin Islands ("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 42, 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 20 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. Mr. Cheng is awarded for"Young Industrialists of Hong Kong 2013"by Federation of Hong Kong Industries.

Ms. Wong Pik Hung (王碧紅), aged 48, 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 20 years of experience in the bedding products industry. She obtained a diploma in international economic cooperation at the University of International Business and Economics (對外經濟貿易大學) in Beijing. Ms. Wong is the spouse of Mr. Cheng Sze Kin (鄭斯堅) and the sister-in-law of Mr. Cheng Sze Tsan (鄭斯燦), both of whom are also Executive Directors.

Mr. Kwok Yuen Keung Tommy (郭元强), aged 49, was appointed as the Chief Executive Officer and Executive Director of the Group on 1 August 2014. He has extensive experience in consulting, corporate restructuring, business development, financial modeling and corporate finance in Hong Kong, China and the United States. Prior to joining the Group, he has run his business in providing consulting services to various clients. He was the director of Terra Uber Investment Co., Limited which had provided the Company with consulting services such as corporate restructuring, business development and financial modeling since November 2013 and this arrangement was terminated upon his appointment as an Executive Director and the Chief Executive Officer of the Company. He was the chief financial officer of a company in Shanghai responsible for its pre-IPO matters with planning an initial public offering ("IPO") of shares in Hong Kong during 2009 to 2012. From 2007 to 2008, he was the assistant vice president - corporate finance of Golden Concord Holdings Limited responsible for pre-IPO matters of GCL-Poly Energy Holdings Limited (stock code: 3800) in Hong Kong. In addition, he also worked in New World Infrastructure Limited (stock code: 301 before the New World Group reorganization into NWS Holdings Limited (stock code: 659) in 2003) and Hopewell Holdings Limited (stock code: 54). He obtained his bachelor of science degree in accounting from San Francisco State University, the United States of America and master of business administration degree from Manchester Business School of the University of Manchester in the United Kingdom. He is a member of the American Institute of Certified Public Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants. He is also a Greater China Partner of Blue Ocean Strategy ("BOS") and a Qualifying BOS Practitioner.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. Tse Yat Hong (謝日康), aged 45, was appointed as an Independent Non-executive Director on 22 October 2012. He 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), and an independent non-executive director of China Huirong Financial Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1290). 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 61, 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 managing director of Union Registrars Limited, with effect from 1 May 2014. Mr. Leung was 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., and he had been the company secretary of Shanghai Industrial Holdings Limited. He is also an independent non-executive director of Guangzhou Automobile Group Co., Ltd, a company listed on the Main Board of the Stock Exchange (stock code: 2238) and Shanghai Stock Exchange (stock code: 601238). 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, the Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Directors and also a professional member of the Hong Kong Institute of Human Resource Management. Mr. Leung is currently a member of the Executive Committee of the Federation of Share Registrars Limited. He has served as a member of the Standing Committee of the Legal Affairs Steering Committee of the Hong Kong Chinese Enterprises Association from 2007 to 2013. 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 56, was appointed as an Independent Non-executive Director on 22 October 2012. He has over 25 years of experience in sales management which include over 10 years in China retail market. 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.

Senior Management

Mr. Ho Yiu Leung (何耀樑), aged 48, 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 each of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants and also an associate member of each of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He holds a master degree in business administration from the University of Strathclyde.

Mr. Gao Yan (高岩), aged 56, joined the Group in June 2007. He is currently the General Manager of Casablanca Home (Huizhou) Company Limited. He is responsible for the production, procurement and logistics management in the PRC. Prior to joining the Group, Mr. Gao has over 20 years of experience in production management. He obtained a diploma in weaving machinery from Northwest Institute of Textile Science and Technology (西北紡織工學院) and was awarded a qualification of senior engineer from Guangdong Province Personnel Office (廣東省人事廳).

Mr. Li Jian Lin (李建林), aged 40, served the Group from April 2001 to November 2012 and opened a private company for sales of home accessories after leaving the Group. He joined the Group again since February 2014. He is currently the Deputy General Manager of Casablanca Home (Shenzhen) Limited. He is responsible for the marketing, sales and management of our operations in the PRC. Mr. Li has more than 15 years of experience in marketing and management planning. He obtained a diploma in marketing from Hunan Textile College (湖南紡織高等專科學校).

Mr. Lin Yi Kai (林奕凱), aged 45, joined the Group in May 2007. He is currently the Deputy General Manager of Casablanca Home (Shenzhen) Limited. He is responsible for the financial management of our operations in the PRC. Mr. Lin has approximately 20 years of experience in audit and accounting. He was awarded qualification of senior international finance manager from International Financial Management Association and certified financial planner from The Chinese Institute of Certified Financial Planners, and is a member of International Financial Management Association and The Chinese Institute of Certified Financial Planners. Mr. Lin holds a bachelor's degree in accounting from Guangdong Polytechnic Normal University.

Mr. Wang Zhen (王振), aged 41, joined the Group in August 2013. He is currently the Deputy General Manager of Casablanca Home (Shenzhen) Limited. He is responsible for our distribution business in the PRC. Prior to joining the Group, he was marketing director of a home textile enterprise in Zhejiang and had been responsible for distributors management and marketing for other home textile enterprise. Mr. Wang has approximately 10 years of experience in sales of home textile products. He obtained a diploma in accounting from Anhui Institute of Finance and Trade (安徽財貿學院) and a diploma in business management from Auhui Xu County Agricultural Cadre School (安徽省宿縣地區農業幹部學校).

Zhang Ji Zhong (張繼忠), aged 41, joined the Group in May 2013. He is currently the Operation Director of Casablanca Home (Huizhou) Company Limited. He is responsible for the production material control, inventory and logistics management in the PRC and has over 20 years of experience in relevant areas. Mr. Zhang holds a bachelor's degree in business management from Jishou University and a certificate in accounting from Jinan University.

Li Jin Fa (李貞發), aged 37, served the Group from April 2004 to March 2008 and joined another home textile enterprise and was responsible for sales after leaving the Group. He joined the Group again since February 2014. He is currently the Director (self-operated sales) of Casablanca Home (Shenzhen) Limited. He is responsible for our self-operated sales business in the PRC. Mr. Li has over 10 years of experience in sales of home textile products and concession counters in department stores.

DIRECTORS AND SENIOR MANAGEMENT

Company Secretary

Mr. Ho Yiu Leung (何耀樑), aged 48, 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.

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2014.

Principal Activities

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 34 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 47 of this annual report.

The Directors do not recommend the payment of a dividend and propose that the profit for the Year be retained.

Financial Summary

A summary of the results and the assets and liabilities of the Group for the last five 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.

Share Capital

Details of the movements in the share capital of the Company during the Year are set out in note 26 to the consolidated financial statements.

Use of Proceeds From the Listing

The shares of the Company have been listed on the Main Board of the Stock Exchange since 23 November 2012. The Company received net proceeds raised from the listing of approximately HK$44,161,000.

The use of net proceeds until 31 December 2014 was as below:

	Planned amount HK$ million	**Utilised amount** HK$ million	**Unutilised amount** HK$ million
Expansion of sales network	37.0	20.4	16.6
Upgrade of management information system	4.0	1.6	2.4
Brand building and product promotion	2.2	2.2	–
General working capital	1.0	1.0	–
Total	44.2	25.2	19.0

DIRECTORS' REPORT

Distributable Reserves

The Company's reserves available for distribution to shareholders as at 31 December 2014 calculated in accordance with the Companies Law of the Cayman Islands, amounted to HK$84,011,000, comprising share premium of approximately HK$80,879,000 and retained earnings of HK$3,132,000.

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)*
Mr. Cheng Sze Tsan *(Vice Chairman)*
Ms. Wong Pik Hung
Mr. Kwok Yuen Keung Tommy *(Chief Executive Officer)* (appointed on 1 August 2014)
Mr. Sung Shuk Ka *(Chief Executive Officer)* (resigned on 1 May 2014)

Independent Non-executive Directors:

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

Note: On 24 March 2015, Mr. Tse Yat Hong and Mr. Li Kai Fat have tendered their resignations as Independent Non-executive Directors with effect from 1 April 2015.

In accordance with Article 16.18 of the Company's Articles of Association ("Articles of Association"), Ms. Wong Pik Hung and Mr. Leung Lin Cheong will retire from office by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

In accordance with Article 16.2 of the Company's Articles of Association, Mr. Kwok Yuen Keung Tommy, who filled the casual vacancy during the Year, will retire from office at the forthcoming annual general meeting and, being eligible, will offer himself for re-election.

Directors' Service Contracts

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

As at 31 December 2014, 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	74.7%
Mr. Cheng Sze Tsan	Interest in a controlled corporation (Note 2)	150,000,000	74.7%
Ms. Wong Pik Hung	Spouse interest (Note 3)	150,000,000	74.7%

(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

Notes:

(1) Mr. Cheng Sze Kin is interested in 40% of World Empire Investment Inc. ("World Empire"), which is in turn interested in 74.7% of the Company's issued share capital. Therefore, Mr. Cheng Sze Kin is deemed to be interested in such 74.7% 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 has confirmed that he/she will not exercise any option if as a result of which the Company will not be able to comply with the public float requirements of the 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 74.7% of the Company's issued share capital. Therefore, Mr. Cheng Sze Tsan is deemed to be interested in such 74.7% 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 has confirmed that he will not exercise any option if as a result of which the Company will not be able to comply with the public float requirements of the Listing Rules.

(3) Ms. Wong Pik Hung is the spouse of Mr. Cheng Sze Kin and is interested in 25% of World Empire, thus, Ms. Wong Pik Hung will be deemed to be interested in 74.7% 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 has confirmed that he/she will not exercise any option if as a result of which the Company will not be able to comply with the public float requirements of the Listing Rules.

Save as disclosed above, none of the 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 2014.

Pre-IPO Share Option Scheme

Particulars of the Company's Pre-IPO Share Option Scheme are set out in note 27 to the consolidated financial statements.

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

				Number of share options			
	Date of grant	**Exercisable period** (Notes)	**Exercise price** HK$	**Outstanding as at 1.1.2014**	**Exercised during the year**	**Lapsed during the year**	**Outstanding as at 31.12.2014**
Directors and Chief Executive							
Mr. Cheng Sze Kin	7.11.2012	23.5.2013 – 6.11.2022	1.2	4,500,000	–	–	**4,500,000**
Mr. Cheng Sze Tsan	7.11.2012	23.5.2013 – 6.11.2022	1.2	4,125,000	–	–	**4,125,000**
Ms. Wong Pik Hung	7.11.2012	23.5.2013 – 6.11.2022	1.2	3,375,000	–	–	**3,375,000**
Mr. Sung Shuk Ka (resigned on 1 May 2014)	7.11.2012	23.5.2013 – 6.11.2022	1.2	2,000,000	–	(2,000,000)	**–**
Total Directors and Chief Executive				14,000,000	–	(2,000,000)	**12,000,000**
Employees	7.11.2012	23.5.2013 – 6.11.2022	1.2	5,104,000	–	(708,000)	**4,396,000**
Supplier	7.11.2012	23.5.2013 – 6.11.2022	1.2	120,000	–	–	**120,000**
Others	7.11.2012	23.5.2013 – 6.11.2022	1.2	1,248,000	–	–	**1,248,000**
Total				20,472,000	–	(2,708,000)	**17,764,000**

Notes:

The options, granted on 7 November 2012, are exercisable from 23 May 2013 to 6 November 2022 (both days inclusive) in the following manner:

(a) 40% of the total number of options granted under the Pre-IPO Share Option scheme commencing 23 May 2013;

(b) 30% of the total number of options granted under the Pre-IPO Share Option commencing 23 November 2013; and

(c) 30% of the total number of options granted under the Pre-IPO Share Option commencing 23 November 2014.

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.

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 Group during the Year.

Substantial Shareholders

As at 31 December 2014, 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	Beneficial owner	150,000,000	74.7%

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

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 have the following continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

	Notes	2014 HK$'000
Rental expenses paid to a related company in the PRC	(a)	**776**
Rental expenses paid to related companies in Hong Kong	(b)	**2,760**
Sales to connected distributors	(c)	**1,799**

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.

With a resolution in relation to the renewal of leases considered and passed by the Board on 22 December 2014, in which Mr. Cheng Sze Kin, Mr. Cheng Sze Tsan and Ms. Wong Pik Hung as connected Directors abstained from voting, the subsidiaries of the Group in the PRC have entered into new lease agreements with Shenzhen Fusheng to renew the leases of office premises in Shenzhen for a term of one year from 1 January 2015 to 31 December 2015, which might be renewed by mutual consent of the parties for similar terms up to 31 December 2017, at an aggregate monthly rental of RMB154,010 (approximately HK$193,845). Details of the aforementioned renewed lease agreements were disclosed in the announcement of the Company dated 22 December 2014.

(b) The subsidiary of the Group in Hong Kong has 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 our 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.

With a resolution in relation to the renewal of leases considered and passed by the Board on 22 December 2014, in which Mr. Cheng Sze Kin, Mr. Cheng Sze Tsan and Ms. Wong Pik Hung as connected Directors abstained from voting, the subsidiary of the Group in Hong Kong has entered into new lease agreements with Gain Harvest and Wealth Pine respectively to renew the leases of staff quarters for our Directors both for a term of three years from 1 January 2015 to 31 December 2017 at an aggregate monthly rental of HK$229,000. Details of the aforementioned renewed lease agreements were disclosed in the announcement of the Company dated 22 December 2014.

(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 subsidiaries of the Group in PRC have not entered any new distributor agreements with Connected Distributors upon the expiration of the existing distributorship agreements on 31 December 2014.

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. The auditor has issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed by the Group as above in accordance with the Rule 14A.56 of the Listing Rules.

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.

Deed of Non-Competition

Each of the Controlling Shareholders (as defined in the section headed "Corporate Governance Report") has confirmed to the Company of his/her/its compliance with the non-competition undertakings provided to the Company under the Deed of Non-Competition (as defined in the section headed "Corporate Governance Report"). The Independent Non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by the Controlling Shareholders.

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 of the Company 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 27 to the consolidated financial statements.

DIRECTORS' REPORT

Audit Committee

The Audit Committee 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 2014.

Major Customers and Suppliers

For the year ended 31 December 2014, sales to the Group's five largest customers and the largest customer accounted for approximately 19.8% and 15.6%, respectively of the Group's total turnover for the Year.

For the year ended 31 December 2014, the Group's purchases attributable to the five largest suppliers and the largest supplier accounted for approximately 46.8% and 15.2%, 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

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

No Changes on Articles of Association

The Company's current Articles of Association were adopted on 22 October 2012. 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 2014 is scheduled to be held on Friday, 22 May 2015 (the "AGM"). 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, 19 May 2015 to Friday, 22 May 2015 (both days inclusive), during which no transfer of shares will be effected. In order to be eligible to attend and vote at the forthcoming AGM 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, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Monday, 18 May 2015.

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") as its own code of corporate governance. The Company has complied with the code provisions as set out in the CG Code during the year ended 31 December 2014.

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 during the Year as required under the Listing Rules.

Donations

During the Year, the Group made charitable donations amounting to HK$478,000.

Event After the Reporting Period

On 2 March 2015, the Company entered into a conditional placing agreement with the placing agent in relation to, among others, the placing of a maximum of up to 40,000,000 new ordinary shares of the Company of HK$1.50 each to not less than six placees who are not acting in concert with connected persons of the Company (the "Placing"). The Placing has been completed on 13 March 2015. The net proceeds of approximately HK$57 million will be used for general working capital and to finance possible investment projects in the future. Details are disclosed in the announcement of the Company dated 2 March 2015 and 13 March 2015.

Auditor

The consolidated financial statements for the year ended 31 December 2014 have been audited by Messrs. Deloitte Touche Tohmatsu.

On behalf of the Board

Cheng Sze Kin
CHAIRMAN
Hong Kong, 24 March 2015

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 the Company has complied with the code provisions as set out in the CG Code during the year ended 31 December 2014.

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

The Board comprises 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 during the Review Period and as at the date of this annual report:

Executive Directors

Mr. Cheng Sze Kin *(Chairman)*
Mr. Cheng Sze Tsan *(Vice-chairman)*
Ms. Wong Pik Hung
Mr. Kwok Yuen Keung Tommy *(Chief Executive Officer)* (appointed on 1 August 2014)
Mr. Sung Shuk Ka *(Chief Executive Officer)* (resigned on 1 May 2014)

Independent Non-executive Directors

Mr. Tse Yat Hong (Note (a))
Mr. Leung Lin Cheong
Mr. Li Kai Fat (Note (a))

Notes:

(a) On 24 March 2015, Mr. Tse Yat Hong and Mr. Li Kai Fat have tendered their resignations as Independent Non-executive Directors with effect from 1 April 2015.

(b) On 1 April 2015, Mr. Zhang Senquan has been appointed as an Independent Non-executive Director and the chairman of the Audit Committee and a member of each of the Remuneration Committee and Nomination Committee.

(c) On 1 April 2015, Mr. Kam Leung Ming has been appointed as an Independent Non-executive Director and the chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee.

(d) On 9 April 2015, Mr. Mok Tsan San has been appointed as a Non-executive Director of the Company.

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 21 to 24 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.

Board Diversity Policy

The Board has established a board diversity policy. The Company recognises the benefits of Board diversity and endeavours to ensure that the Board has the balance of skills, experience and diversity of perspectives appropriate to the Company's business. Diversity of Board members can be achieved through consideration of a number of factors, including but not limited to gender, age, cultural and educational background, race, professional experience, skill, knowledge and length of service. All Board appointments will be based on merits, and candidates will be considered against objective criteria for their potential contribution to the Board and the Company, having due regard to the benefits of diversity on the Board.

As at the date of this annual report, the Board comprises seven Directors. One of them is a woman. 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 believe that the composition of the Board reflects the necessary diversity, whether considered in terms of gender, professional knowledge, skills and experience, appropriate to the requirements of the business development of the Group and effective leadership. 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' Training and Continuing Professional Development

Upon appointing a new Director, each new Director receives an induction so as to ensure that the new Director has appropriate understanding of the Group's business and of a director's duties and responsibilities under the Listing Rules and the relevant statutory and regulatory requirements.

The Company provides regular updates on the business performance and development of the Group to the Directors. The Directors are continually updated 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. All Directors are encouraged to participate in continuous professional development courses and seminars to develop and refresh their knowledge and skills.

According to records maintained by the Company, a summary of training received by the Directors for the Review Period 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. Kwok Yuen Keung Tommy (appointed on 1 August 2014)	A, B
Mr. Sung Shuk Ka (resigned on 1 May 2014)	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 Code Provision D.3 of the CG Code.

Board Meetings

During the Review Period, the Board considers that all meetings had 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 regular 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 was 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 and written resolutions signed by all Directors 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.

Attendance Record

The attendance record of each Director at the Board and Board committee meetings of the Company held for the Review Period 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	6/6	N/A	N/A	2/2	1/1
Mr. Cheng Sze Tsan	6/6	N/A	N/A	N/A	1/1
Ms. Wong Pik Hung	6/6	N/A	N/A	N/A	1/1
Mr. Kwok Yuen Keung Tommy (Note 1)	3/3	N/A	N/A	N/A	0/0
Mr. Sung Shuk Ka (Note 2)	1/1	N/A	N/A	N/A	0/0
Independent Non-executive Directors					
Mr. Tse Yat Hong	6/6	4/4	2/2	2/2	1/1
Mr. Leung Lin Cheong	6/6	4/4	2/2	2/2	1/1
Mr. Li Kai Fat	6/6	4/4	2/2	2/2	1/1

Notes:

1. Mr. Kwong Yuen Keung Tommy was appointed as Executive Director and the Chief Executive Officer on 1 August 2014 and attended all Board meetings subsequent to his appointment, but did not attend the Annual General Meeting which was held on 23 May 2014 before his appointment.

2. Mr. Sung Shuk Ka resigned as Executive Director and the Chief Executive Officer on 1 May 2014 and attended the Board meeting prior to his resignation, but did not attend the Annual General Meeting which was held on 23 May 2014 after his resignation.

Apart from six Board meetings held during the Review Period, approvals from the Board had also been obtained by written resolutions signed by all the Board members on a number of matters. During the Review Period, the Chairman held a meeting with all the Independent Non-executive Directors without the presence of Executive Directors.

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.

The Company has 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 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 Directors are able, upon reasonable request, to seek professional advice in appropriate circumstances, at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties.

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 of the Company for the Review Period and Mr. Sung Shuk Ka up to 30 April 2014 and Mr. Kwok Yuen Keung Tommy commencing from 1 August 2014 as the Chief Executive Officer of the Company. Mr. Cheng Sze Kin, Mr. Sung Shuk Ka (up to 30 April 2014) and Mr. Kwok Yuen Keung Tommy (commencing from 1 August 2014) 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 Mr. Cheng Sze Kin, Mr. Cheng Sze Tsan and Ms. Wong Pik Hung has entered into a service contract with the Company as an Executive Director for a term of three years commencing from the Listing Date. Mr. Kwok Yuen Keung Tommy has also entered into a service contract with the Company as an Executive Director for a term of three years commencing from 1 August 2014. All of such service contracts may only be terminated 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 Company has established the Audit Committee with specific 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 four meetings without the presence of Executive Directors. The record of attendance of individual Directors at the committee meetings is set out on page 37 of this annual report.

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

(i) review of the annual report and results announcement of the Company for the year ended 31 December 2013, with a recommendation to the Board for approval;

(ii) review of the external auditors' independence and their report, with a recommendation to the Board for the reappointment of the external auditors by the shareholders of the Company at its Annual General Meeting which was held on 23 May 2014;

(iii) review of continuing connected transactions;

(iv) review of the interim report and results announcement of the Company for the six months ended 30 June 2014, with a recommendation to the Board for approval;

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

(vi) 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; and

(vii) review of audit fees quoted by the external auditors for the Review Period, with a recommendation to the Board for approval.

Auditors' Remuneration

The annual audit services for the year ended 31 December 2014 was provided by Deloitte Touche Tohmatsu, the external auditors.

For the Review Period, 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	1,350
Non-audit services	620
Total	1,970

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 shareholders at the annual general meetings of the Company.

Remuneration Committee

The Company has established the Remuneration Committee with specific 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 also makes recommendations to the Board on the remunerations of Independent Non-executive Directors.

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.

During the Review Period, the Remuneration Committee held two meetings. The record of attendance of individual Directors at the committee meetings is set out on page 37 of this annual report.

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

(i) review and approval of 2013 year-end bonus and 2014 salary to Executive Directors and senior management; and

(ii) consideration and approval of remuneration package of the newly appointed Executive Director.

Pursuant to Code Provision B. 1.5 of the CG Code, details of the annual remuneration of the senior management by band for the Review Period are as follows:

	Number of employees
Nil to HK$1,000,000	7

Details of the remuneration of each Director for the Review Period are set out in note 12 to the consolidated financial statements.

Nomination Committee

The Company has established the Nomination Committee with specific 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, a majority of whom are Independent Non-executive Directors. The Chairman of the Nomination Committee is Mr. Cheng Sze Kin.

When vacancies on the Board exists, the Nomination Committee reviews and assesses candidates for directorship, before making recommendations to the Board, by making reference to the board diversity policy as well as the skills, experience, expertise, professional knowledge and time commitments of each candidate, the Company's needs and the current composition of the Board. The Board may consider engaging an external recruitment agency to carry out the recruitment and selection process when necessary.

During the Review Period, the Nomination Committee recommended to the Board for consideration of the appointment of Mr. Kwok Yuen Keung Tommy as the Executive Director and the Chief Executive Officer of the Company.

During the Review Period, the Nomination Committee held two meetings. The record of attendance of individual Directors at the committee meetings is set out on page 37 of this annual report.

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

(i) review of the existing structure, size and composition of the Board;

(ii) review of the candidate of new Executive Director and recommendation to the Board; and

(iii) assessment of independence of the Independent Non-executive Directors.

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 45 to 46.

Non-Competition Undertakings

In accordance with the non-competition undertakings set out in the deed of non-competition (the "Deed of Non-Competition") executed by Mr. Cheng Sze Kin, Mr. Cheng Sze Tsan, Ms. Wong Pik Hung and World Empire (collectively the "Controlling Shareholders") in favour of the Company to the effect that with effect from the Listing Date, each of the Controlling Shareholders will not, except through the Group, (i) directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of any member of the Group or be in competition with any member of the Group in any business activities (the "Restricted Business") which any member of the Group may undertake in the future in Hong Kong, Macau and the PRC (the "Restricted Territory") save for the holding of not more than 5% shareholding interests in any listed company and (ii) directly or indirectly take any action which constitutes an interference with or a disruption of any of the Group's business activities in the Restricted Territory.

Each of the Controlling Shareholders has also undertaken that with effect from the Listing Date, if any new business opportunity relating to the Restricted Business in the Restricted Territory (the "Business Opportunity") is made available to each of them, it shall direct to the Group such Business Opportunity and provide all reasonable assistance to enable the Group to secure the Business Opportunity. The Controlling Shareholders shall not be allowed to pursue the Business Opportunity even if the Group decides not to pursue such Business Opportunity. Details of the Non-Competition Undertakings have been set out in the Prospectus.

In order to ensure the Controlling Shareholders' compliance with the terms of the Deed of Non-Competition for the Review Period, (i) each of the Controlling Shareholders has given a written confirmation to the Company that he/ she/ it has complied with the terms of the Deed of Non-Competition for the Review Period, (ii) the Company has enquired each of the Controlling Shareholders from time to time, about whether he/ she/ it has been interested, involved or engaged in any business which competes with the business of the Group, and enquiries about the same have been made with each of them before publication of this annual report, and (iii) the Independent Non-Executive Directors of the Company have reviewed the available information and understood that, as far as they can ascertain, the Controlling Shareholders have complied with the terms of the Deed of Non-Competition for the Review Period.

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 Review Period, the Board considers that the Group's internal control system was adequate and effective and the Company has complied with the code provisions on internal control of the CG Code.

Company Secretary

The Company Secretary of the Company is Mr. Ho Yiu Leung who fulfils the requirements under Rules 3.28 and 3.29 of the listing Rues. His biography is set out in the "Directors and Senior Management" section of this annual report.

As an employee of the Company, the Company Secretary supports the Board, ensures good information flow within the Board and Board policy and procedures are followed; advises the Board on governance matters, facilitates induction and, monitors the training and continuous professional development of Directors. He attained not less than 15 hours of relevant professional training during the Review Period.

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 Chairmen of the Board as well as Board Committees and other Board members 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 two 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 47 to 96, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other 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 (the "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.

INDEPENDENT AUDITOR'S REPORT

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 2014, and of its 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
24 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	NOTES	**2014 HK$'000**	2013 HK$'000
Revenue	7	**460,824**	493,104
Cost of goods sold		**(182,530)**	(189,326)
Gross profit		**278,294**	303,778
Other income	8	**1,985**	2,216
Other gains and losses	9	**(3,902)**	4,161
Selling and distribution costs		**(201,957)**	(220,780)
Administrative expenses		**(50,009)**	(64,045)
Finance costs	10	**(4,282)**	(2,915)
Profit before taxation	11	**20,129**	22,415
Taxation	13	**(7,376)**	(11,354)
Profit for the year		**12,753**	11,061
Other comprehensive (expense) income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**(6,518)**	6,823
Total comprehensive income for the year		**6,235**	17,884
Profit for the year attributable to owners of the Company		**12,753**	11,061
Total comprehensive income attributable to owners of the Company		**6,235**	17,884
Earnings per share			
– Basic (HK cents)	15	**6.35**	5.52
– Diluted (HK cents)	15	**6.33**	5.33

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	16	**149,290**	159,079
Prepaid lease payments	17	**27,548**	28,860
Intangible assets	18	**4**	6
Deferred tax assets	25	**451**	–
Deposits paid for acquisition of property, plant and equipment		**1,215**	–
Rental and other deposits		**2,087**	1,796
		180,595	189,741
Current assets			
Inventories	19	**90,991**	108,563
Trade and other receivables	20	**102,134**	124,919
Prepaid lease payments	17	**605**	621
Taxation recoverable		**22**	–
Pledged bank deposit	21	**1,225**	1,213
Bank balances and cash	21	**140,208**	134,428
		335,185	369,744
Current liabilities			
Trade and other payables	22	**100,024**	113,061
Taxation payable		**3,945**	4,406
Bank borrowings	23	**61,141**	71,377
Obligation under a finance lease	24	**717**	–
		165,827	188,844
Net current assets		**169,358**	180,900
Total assets less current liabilities		**349,953**	370,641
Non-current liabilities			
Bank borrowings	23	**35,296**	64,846
Obligation under a finance lease	24	**808**	–
Deferred tax liabilities	25	**2,139**	2,023
		38,243	66,869
Net assets		**311,710**	303,772

	NOTE	**2014 HK$'000**	2013 HK$'000
Capital and reserves			
Share capital	26	**20,079**	20,079
Reserves		**291,631**	283,693
Total equity		**311,710**	303,772

The consolidated financial statements on pages 47 to 96 were approved and authorised for issue by the Board of Directors on 24 March 2015 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 2014

	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 2013	20,000	78,992	2,000	1,319	7,792	14,189	1,133	146,424	271,849
Profit for the year	–	–	–	–	–	–	–	11,061	11,061
Exchange differences arising on translation of financial statements of foreign operations and other comprehensive income for the year	–	–	–	–	–	6,823	–	–	6,823
Total comprehensive income for the year	–	–	–	–	–	6,823	–	11,061	17,884
Recognition of equity-settled share-based payments	–	–	–	–	–	–	13,093	–	13,093
Transfers	–	–	–	–	1,041	–	–	(1,041)	–
Exercise of share options	79	1,467	–	–	–	–	(600)	–	946
At 31 December 2013	20,079	80,459	2,000	1,319	8,833	21,012	13,626	156,444	303,772
Profit for the year	–	–	–	–	–	–	–	12,753	12,753
Exchange differences arising on translation of financial statements of foreign operations and other comprehensive expense for the year	–	–	–	–	–	(6,518)	–	–	(6,518)
Total comprehensive (expense) income for the year	–	–	–	–	–	(6,518)	–	12,753	6,235
Recognition of equity-settled share-based payments	–	–	–	–	–	–	1,703	–	1,703
Lapse of share options	–	–	–	–	–	–	(1,798)	1,798	–
At 31 December 2014	**20,079**	**80,459**	**2,000**	**1,319**	**8,833**	**14,494**	**13,531**	**170,995**	**311,710**

Notes:

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

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

(iii) According to the relevant requirements in the Articles of Association of the Group's subsidiaries in the 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 2014

	2014 HK$'000	2013 HK$'000
Operating activities		
Profit before taxation	**20,129**	22,415
Adjustments for:		
Interest income	**(612)**	(688)
Interest expenses	**4,282**	2,915
Allowance (reversal of allowance) for doubtful debts on trade receivables	**33**	(554)
Allowance for doubtful debts on other receivables	**856**	–
Allowance of inventories	**1,005**	670
Amortisation of intangible assets	**2**	2
Amortisation of prepaid lease payments	**610**	611
Bad debts written off	**102**	–
Depreciation of property, plant and equipment	**13,678**	9,771
Loss (gain) on disposal of property, plant and equipment	**1,089**	(2,698)
Write-back of trade payables	**–**	(785)
Share-based payment expense	**1,703**	13,093
Operating cash flows before movements in working capital	**42,877**	44,752
Decrease (increase) in inventories	**14,288**	(24,152)
Decrease (increase) in trade and other receivables	**19,743**	(10,208)
(Increase) decrease in rental and other deposits	**(291)**	912
(Decrease) increase in trade and other payables	**(10,249)**	25,948
Cash generated from operations	**66,368**	37,252
Hong Kong Profits Tax paid	**(4,925)**	(5,273)
PRC Enterprise Income Tax paid	**(3,210)**	(5,303)
Net cash generated from operating activities	**58,233**	26,676
Investing activities		
Withdrawal of pledged bank deposit	**6,096**	–
Interest received	**612**	688
Proceeds from disposal of property, plant and equipment	**351**	1,467
Purchase of property, plant and equipment	**(8,384)**	(68,405)
Placement of pledged bank deposit	**(6,134)**	(1,213)
Net cash used in investing activities	**(7,459)**	(67,463)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
Financing activities		
New bank loans raised	**59,483**	106,388
Repayments of bank borrowings	**(98,751)**	(66,891)
Interest paid	**(4,216)**	(4,148)
Repayments of obligation under a finance lease	**(632)**	–
Finance lease charges paid	**(66)**	–
Exercise of share options	**–**	946
Net cash (used in) from financing activities	**(44,182)**	36,295
Net increase (decrease) in cash and cash equivalents	**6,592**	(4,492)
Cash and cash equivalents at beginning of the year	**134,428**	137,774
Effect of foreign exchange rate changes	**(812)**	1,146
Cash and cash equivalents at end of the year represented by bank balances and cash	**140,208**	134,428

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. General

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on the Stock Exchange. Its parent company is World Empire Investment Inc., a company incorporated in the British Virgin Islands ("BVI"), and its ultimate controlling parties are Mr. Cheng Sze Kin, who is the Chairman of the Company, 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.

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

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

The Group has applied the following new and revised HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) – INT 21	Levies

The application of the above new interpretation and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or the disclosures set out in these consolidated financial statements.

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

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

HKFRS 9	Financial instruments [1]
HKFRS 14	Regulatory deferral accounts [2]
HKFRS 15	Revenue from contracts with customers [3]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations [5]
Amendments to HKAS 1	Disclosure initiative [5]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation [5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants [5]
Amendments to HKAS 19	Defined benefit plans: Employee contributions [4]
Amendments to HKAS 27	Equity method in separate financial statements [5]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture [5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception [5]
Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle [6]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle [4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle [5]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2017.
4 Effective for annual periods beginning on or after 1 July 2014.
5 Effective for annual periods beginning on or after 1 January 2016.
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

HKFRS 15 "Revenue from contracts with customers"

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related interpretations when it becomes effective.

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

HKFRS 15 "Revenue from contracts with customers" (continued)

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

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

3. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis and in accordance with 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.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

3. Significant Accounting Policies (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

3. Significant Accounting Policies (continued)

Basis of consolidation (continued)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements 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 consolidated 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 profit or loss and other comprehensive income includes 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.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amount receivable for goods sold in the normal course of business, net of discounts, estimated customer returns 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.

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.

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.

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.

Depreciation is recognised so as to write off the cost of assets (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.

Assets held under finance lease 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.

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.

3. Significant Accounting Policies (continued)

Leasing (continued)

The Group as lessee

Assets held under finance leases are initially 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 general policy on borrowing costs (see the accounting policy below).

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.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised 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.

3. Significant Accounting Policies (continued)

Intangible assets (continued)

Intangible assets acquired separately (continued)

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, measured at the difference between the net disposal proceeds and the carrying amount of the asset, 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. Costs of inventories are determined on a 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 when a group entity becomes a party to the contractual provisions of the instruments.

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.

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 debt instrument 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 debt instrument 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.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

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, pledged bank deposit and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each 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.

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 average credit period, 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 and other 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 was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

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 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 an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including trade and other payables and bank borrowings are subsequently measured at amortised cost using the effective interest method.

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 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.

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 and accumulated in equity is recognised in profit or loss.

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

3. Significant Accounting Policies (continued)

Share-based payment arrangements

Recognition of equity-settled share-based payment transactions

Share options granted to employees

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and 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, 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 supplier/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 immediately in profit or loss.

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 recognised 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 on 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.

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.

3. Significant Accounting Policies (continued)

Government grants (continued)

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 state-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 profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and 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.

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 each 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.

3. Significant Accounting Policies (continued)

Taxation (continued)

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.

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 the 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 2014, the carrying amount of trade receivables is HK$87,631,000 (2013: HK$99,625,000) (net of allowance for doubtful debts of HK$158,000 (2013: HK$1,590,000), 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 2014 is HK$90,991,000 (2013: HK$108,563,000) (net of allowance for inventories of HK$2,389,000 (2013: HK$1,416,000)).

5. Capital Risk Management

The Group manages its capital to ensure that the entities in the Group 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 23, 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

	2014 HK$'000	2013 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**230,650**	242,172
Financial liabilities		
Amortised cost	**177,953**	241,282
Obligation under a finance lease	**1,525**	–

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, pledged bank deposit, bank balances and cash, trade and other payables and bank borrowings. 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.

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 21 and 23 for details of these balances). Interest charged on the Group's borrowings are mainly 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.

6. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk (continued)

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 are 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 has been determined based on the exposure to interest rates for variable-rate bank borrowings. The analysis is prepared assuming that the amount of liabilities outstanding at the end of the reporting period were outstanding for the whole year. 50 basis point increase or decrease represent the management's assessment of the reasonably possible change in interest rates of bank borrowings. No sensitivity analysis is presented for bank balances as the directors of the Company considered the Group's exposure to cash flow interest rate risk is not material.

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 2014 is as follows:

	2014 **HK$'000**	2013 HK$'000
(Decrease) increase in profit for the year		
– as a result of increase in interest rate	**(398)**	(512)
– as a result of decrease in interest rate	**398**	512

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.

6. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

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	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
HK$	**19,827**	4,758	**–**	–
Renminbi ("RMB")	**20,116**	23,527	**–**	309
Euro ("EUR")	**194**	87	**–**	–
United States dollars ("USD")	**2,464**	4,854	**3,256**	5,890
Macau pataca ("MOP")	**33**	70	**–**	–

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.

	2014 HK$'000	2013 HK$'000
RMB	**(96)**	(791)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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 2014 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 the reporting period.

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 2014								
Trade and other payables	**–**	**45,280**	**24,932**	**11,304**	**–**	**–**	**81,516**	**81,516**
Bank borrowings	**3.15**	**46,908**	**3,315**	**12,685**	**36,873**	**705**	**100,486**	**96,437**
Obligation under a finance lease	**4.94**	**63**	**127**	**572**	**826**	**–**	**1,588**	**1,525**
		92,251	**28,374**	**24,561**	**37,699**	**705**	**183,590**	**179,478**
At 31 December 2013								
Trade and other payables	–	54,083	48,585	2,391	–	–	105,059	105,059
Bank borrowings	3.59	38,317	1,787	34,781	64,406	5,765	145,056	136,223
		92,400	50,372	37,172	64,406	5,765	250,115	241,282

Bank borrowings 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 2014, the aggregate undiscounted principal amounts of these bank loans amounted to HK$46,742,000 (2013: HK$37,407,000). 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 seven years (2013: eight years) after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements and the aggregate 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 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
Bank borrowings								
At 31 December 2014	**2.48**	**788**	**1,576**	**7,091**	**37,819**	**2,716**	**49,990**	**46,742**
At 31 December 2013	2.41	523	1,047	4,709	25,117	8,810	40,206	37,407

6. Financial Instruments (continued)

Fair value measurements of financial instruments

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

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 Company. Accordingly, no analysis of this single operating segment is presented.

- Self-operated retail sales: Sales through the self-operated retail sales channel refer to 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.

The information of segment revenue is as follows:

	2014 HK$'000	2013 HK$'000
Self-operated retail sales	**309,075**	361,413
Sales to distributors	**57,587**	69,951
Others	**94,162**	61,740
	460,824	493,104

7. Revenue And Segment Information (continued)

Entity-wide information

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

	2014 HK$'000	2013 HK$'000
Bed linens	**234,086**	250,613
Duvets and pillows	**212,015**	223,577
Other home accessories	**14,723**	18,914
	460,824	493,104

Geographical information

Information about the Group's revenue from external customers is presented based on the location of the operations:

	2014 HK$'000	2013 HK$'000
PRC	**176,864**	237,901
Hong Kong and Macau	**280,380**	244,191
Others	**3,580**	11,012
	460,824	493,104

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

	2014 HK$'000	2013 HK$'000
PRC	**165,219**	177,526
Hong Kong	**12,838**	10,419
	178,057	187,945

Information about major customers

Revenue from one of the Group's customers amounting to HK$71,781,000 individually accounted for over 10% of the Group's total revenue for the year ended 31 December 2014. The corresponding customer contributed less than 10% of the total revenue of the Group during the year ended 31 December 2013.

8. Other Income

	2014 HK$'000	2013 HK$'000
Interest income	**612**	688
Government subsidies	**873**	505
Write-back of trade payables	**–**	785
Others	**500**	238
	1,985	2,216

9. Other Gains and Losses

	2014 HK$'000	2013 HK$'000
(Allowance) reversal of allowance for doubtful debts on trade receivables	**(33)**	554
Allowance for doubtful debts on other receivables	**(856)**	–
(Loss) gain on disposal of property, plant and equipment	**(1,089)**	2,698
Net exchange (loss) gain	**(1,924)**	909
	(3,902)	4,161

10. Finance Costs

	2014 HK$'000	2013 HK$'000
Interest on:		
Bank borrowings wholly repayable		
– within five years	**3,805**	230
– after five years	**411**	3,918
Finance lease	**66**	–
Total borrowing costs	**4,282**	4,148
Less: amounts capitalised (note)	**–**	(1,233)
	4,282	2,915

Note: Borrowing costs capitalised for the year ended 31 December 2013 solely arose from the specific bank borrowings for expenditure on qualifying assets. The effective interest rate of corresponding borrowings was 3% per annum.

11. Profit Before Taxation

	2014 HK$'000	2013 HK$'000
Profit before taxation has been arrived at after charging:		
Directors' and chief executive's remuneration (note 12)	**9,604**	17,471
Other staff costs	**81,770**	82,518
Retirement benefit schemes contributions for other staff	**6,160**	6,590
Share-based payments for other staff	**428**	3,580
Total staff costs	**97,962**	110,159
Auditor's remuneration	**1,387**	1,384
Amortisation of intangible assets	**2**	2
Amortisation of prepaid lease payments	**610**	611
Allowance for inventories (included in costs of goods sold)	**1,005**	670
Bad debts written off	**102**	–
Cost of inventories recognised as expenses	**182,530**	189,326
Depreciation of property, plant and equipment	**13,678**	9,771
Share-based payments for customers, supplier and consultant (included in selling and distributions costs and administrative expenses)	**133**	895
Operating lease rentals in respect of		
– rented premises (note a)	**3,104**	6,765
– retail stores (note b)	**9,438**	9,524
– department store counters (note b) (including concessionaire commission) (included in selling and distribution costs)	**80,643**	96,917
	93,185	113,206
Design costs (included in administrative expenses) (note c)	**1,229**	1,624

Notes:

(a) Included rental expenses paid to related companies of HK$2,760,000 (2013: HK$2,760,000) for the year ended 31 December 2014 for directors' quarters provided to Mr. Cheng Sze Kin, Mr. Cheng Sze Tsan and Ms. Wong Pik Hung.

(b) Included contingent rent of HK$46,527,000 (2013: HK$60,411,000) for the year ended 31 December 2014. The contingent rent refers to the operating lease rentals based on pre-determined percentages to realised sales less basic rentals of the respective leases.

(c) The design costs comprised of staff salaries of HK$1,110,000 (2013: HK$1,235,000) for the year ended 31 December 2014, which were included in the staff costs disclosed above.

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 2014					
Executive directors					
Mr. Cheng Sze Kin	**–**	**2,140**	**120**	**428**	**2,688**
Mr. Cheng Sze Tsan	**–**	**2,380**	**120**	**393**	**2,893**
Ms. Wong Pik Hung	**–**	**2,140**	**120**	**321**	**2,581**
Executive director and chief executive					
Mr. Sung Shuk Ka (resigned on 1 May 2014)	**–**	**400**	**5**	**–**	**405**
Mr. Kwok Yuen Keung Tommy (appointed on 1 August 2014)	**–**	**542**	**27**	**–**	**569**
Non-executive directors					
Mr. Tse Yat Hong	**156**	**–**	**–**	**–**	**156**
Mr. Leung Lin Cheong	**156**	**–**	**–**	**–**	**156**
Mr. Li Kai Fat	**156**	**–**	**–**	**–**	**156**
	468	**7,602**	**392**	**1,142**	**9,604**
For the year ended 31 December 2013					
Executive directors					
Mr. Cheng Sze Kin	–	2,140	120	2,770	5,030
Mr. Cheng Sze Tsan	–	2,380	120	2,539	5,039
Ms. Wong Pik Hung	–	2,140	120	2,078	4,338
Executive director and chief executive					
Mr. Sung Shuk Ka	–	1,300	65	1,231	2,596
Non-executive directors					
Mr. Tse Yat Hong	156	–	–	–	156
Mr. Leung Lin Cheong	156	–	–	–	156
Mr. Li Kai Fat	156	–	–	–	156
	468	7,960	425	8,618	17,471

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

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

Mr. Sung Shuk Ka was also the chief executive of the Company before his resignation on 1 May 2014 and Mr. Kwok Yuen Keung Tommy was then appointed as the chief executive of the Company on 1 August 2014 and their emoluments disclosed above included those for services rendered by them as the chief executive.

Neither the chief executive nor any of the directors waived any emoluments during the two years ended 31 December 2014 and 2013.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2013: four) were directors and the chief executive of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining two (2013: one) individuals were as follows:

	2014 HK$'000	2013 HK$'000
Salaries and allowances	**1,318**	765
Performance related incentive payments	**191**	100
Retirement benefit schemes contributions	**34**	15
Share-based payments	**38**	246
	1,581	1,126

Their emoluments were within the following bands:

	2014	2013
Nil to HK$1,000,000	**2**	–
HK$1,000,001 to HK$1,500,000	**–**	1

The performance related incentive payments were determined with reference to the operating results, individual performance and comparable market statistics for the year.

During the two years ended 31 December 2014 and 2013, no emoluments were paid by the Group to the directors of the Company and chief executive of the Group 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 of the Company nor the chief executive of the Group waived any emoluments during both years.

13. Taxation

	2014 HK$'000	2013 HK$'000
Current tax		
Hong Kong	**7,914**	5,266
PRC Enterprise Income Tax (the "EIT")	**–**	2,800
	7,914	8,066
(Over)under provision in prior years		
Hong Kong	**24**	32
PRC EIT	**(227)**	384
	(203)	416
Withholding tax on interest and distributed profits of a subsidiary in the PRC	**–**	1,697
Deferred taxation (note 25)	**(335)**	1,175
	7,376	11,354

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

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

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

	2014 HK$'000	2013 HK$'000
Profit before taxation	**20,129**	22,415
Tax at Hong Kong Profits Tax rate of 16.5%	**3,321**	3,698
Tax effect of expenses not deductible for tax purposes	**2,060**	3,412
Tax effect of income not taxable for tax purposes	**(1,334)**	(727)
Tax effect of tax losses not recognised	**6,066**	939
(Over)under provision in prior years	**(203)**	416
Utilisation of tax losses previously not recognised	**(534)**	(116)
Effect of different tax rate of subsidiaries operating in other jurisdictions	**(1,879)**	310
Tax effect of undistributed profits of a subsidiary in the PRC	**154**	1,308
Withholding tax on interest and distributed profits of a subsidiary in the PRC	**–**	1,697
Others	**(275)**	417
Taxation charge	**7,376**	11,354

14. Dividends

No dividend was paid or proposed by the Company during the year ended 31 December 2014 (2013: nil), nor has any dividend been proposed since the end of the reporting period.

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:

	2014 **HK$'000**	2013 HK$'000
Earnings		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**12,753**	11,061

	2014	2013
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**200,788,000**	200,408,017
Effect of dilutive potential ordinary shares on share options	**630,715**	7,065,641
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**201,418,715**	207,473,658

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 2013	6,223	4,303	10,321	7,526	11,624	118,539	158,536
Exchange adjustments	2,045	97	325	249	57	1,602	4,375
Additions	–	8,211	2,146	4,833	624	10,884	26,698
Disposals	–	(2,218)	(961)	(506)	(554)	–	(4,239)
Transfer	131,025	–	–	–	–	(131,025)	–
At 31 December 2013	139,293	10,393	11,831	12,102	11,751	–	185,370
Exchange adjustments	(3,220)	(140)	(292)	(243)	(39)	–	(3,934)
Additions	–	4,209	635	1,349	2,684	–	8,877
Disposals	–	(2,045)	(366)	(3,869)	(849)	–	(7,129)
At 31 December 2014	**136,073**	**12,417**	**11,808**	**9,339**	**13,547**	**–**	**183,184**
DEPRECIATION							
At 1 January 2013	2,015	1,474	4,367	4,644	5,894	–	18,394
Exchange adjustments	45	15	132	135	20	–	347
Provided for the year	3,162	2,558	820	1,486	1,745	–	9,771
Eliminated on disposals	–	(788)	(743)	(317)	(373)	–	(2,221)
At 31 December 2013	5,222	3,259	4,576	5,948	7,286	–	26,291
Exchange adjustments	(108)	(34)	(114)	(115)	(15)	–	(386)
Provided for the year	5,234	3,732	696	2,299	1,717	–	13,678
Eliminated on disposals	–	(1,128)	(322)	(3,834)	(405)	–	(5,689)
At 31 December 2014	**10,348**	**5,829**	**4,836**	**4,298**	**8,583**	**–**	**33,894**
CARRYING VALUES							
At 31 December 2014	**125,725**	**6,588**	**6,972**	**5,041**	**4,964**	**–**	**149,290**
At 31 December 2013	134,071	7,134	7,255	6,154	4,465	–	159,079

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

	2014 HK$'000	2013 HK$'000
In Hong Kong under medium-term leases	**3,710**	3,959
In PRC under medium-term leases	**122,015**	130,112
	125,725	134,071

16. Property, Plant and Equipment (continued)

The leasehold land and buildings with carrying values of HK$117,309,000 (2013: HK$127,070,000) were pledged to banks as securities for banking facilities granted to the Group as at 31 December 2014.

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%

The carrying value of motor vehicles includes an amount of HK$1,869,000 (2013: nil) in respect of an asset held under a finance lease.

17. Prepaid Lease Payments

	2014 HK$'000	2013 HK$'000
Analysed for reporting purposes as:		
Current asset	**605**	621
Non-current asset	**27,548**	28,860
	28,153	29,481

The Group's prepaid lease payments comprise:

	2014 HK$'000	2013 HK$'000
Leasehold land located in the PRC under medium-term leases	**28,153**	29,481

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$28,153,000 (2013: HK$29,481,000) were pledged to a bank as securities for a banking facility granted to the Group as at 31 December 2014.

18. Intangible Assets

	Patents HK$'000
COST	
At 1 January 2013, 31 December 2013 and 31 December 2014	15
AMORTISATION	
At 1 January 2013	7
Charge for the year	2
At 31 December 2013	9
Charge for the year	2
At 31 December 2014	**11**
CARRYING VALUES	
At 31 December 2014	**4**
At 31 December 2013	6

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

19. Inventories

	2014 **HK$'000**	2013 HK$'000
Raw materials	**23,174**	18,053
Finished goods	**67,817**	90,510
	90,991	108,563

20. Trade and Other Receivables

	2014 HK$'000	2013 HK$'000
Trade receivables	**87,789**	101,215
Less: Allowance for doubtful debts	**(158)**	(1,590)
	87,631	99,625
Bills receivables	**–**	1,945
Trade and bills receivables	**87,631**	101,570
Deposits	**3,657**	3,595
Prepayments	**2,548**	4,166
Value added tax recoverable	**6,712**	10,627
Advances to employees	**495**	914
Other receivables	**1,091**	4,047
	14,503	23,349
Total trade and other receivables	**102,134**	124,919

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, which may be extended to 180 days for selected 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.

	2014 HK$'000	2013 HK$'000
Within 30 days	**46,745**	58,372
31 to 60 days	**17,576**	17,791
61 to 90 days	**5,594**	6,924
91 to 180 days	**3,370**	10,369
181 to 365 days	**10,105**	7,857
Over 365 days	**4,241**	257
	87,631	101,570

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$27,285,000 (2013: HK$15,043,000) 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.

	2014 HK$'000	2013 HK$'000
31 to 60 days	**8,226**	2,757
61 to 90 days	**1,343**	856
91 to 180 days	**3,370**	3,316
181 to 365 days	**10,105**	7,857
Over 365 days	**4,241**	257
	27,285	15,043

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

	2014 HK$'000	2013 HK$'000
Balance at beginning of the year	**1,590**	2,091
Allowance (reversal of allowance) for doubtful debts	**33**	(554)
Amounts written off during the year as uncollectible	**(1,438)**	–
Exchange adjustments	**(27)**	53
Balance at end of the year	**158**	1,590

Included in the allowance for doubtful debts are individually impaired trade receivables relating to distributors with an aggregate balance of HK$158,000 (2013: HK$1,590,000). 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.

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:

	2014 HK$'000	2013 HK$'000
USD	–	297
MOP	33	70

21. Pledged Bank Deposit/Bank Balances and Cash

Pledged bank deposit represents deposit pledged to a bank for a banking facility to the Group. The pledged bank deposit carries fixed interest rate of 2.7% (2013: 1.3%) per annum as at 31 December 2014. The pledged bank deposit will be released upon the settlement of relevant bank borrowings.

The bank balances include fixed deposits with maturity less than three months which carry fixed interests rates ranging from 0.8% to 4.65% (2013: 0.2% to 2.9%) per annum. Other bank balances carry interest at market rates of 0.05% to 0.39% (2013: 0.01% to 0.38%) per annum as at 31 December 2014.

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

	2014 HK$'000	2013 HK$'000
HK$	19,827	4,758
RMB	20,116	23,527
EUR	194	87
USD	2,464	4,557

22. Trade and Other Payables

	2014 HK$'000	2013 HK$'000
Trade payables	42,319	65,700
Bills payables	29,659	25,198
Trade and bills payables	71,978	90,898
Deposits received from customers	3,140	1,603
Accrued expenses	7,300	4,337
Salaries payables	6,660	6,921
Payable for acquisition of property, plant and equipment	2,381	2,830
Other payables	8,565	6,472
	28,046	22,163
Total trade and other payables	100,024	113,061

The credit period of trade and bills payables is from 30 to 90 days.

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

	2014 HK$'000	2013 HK$'000
Within 30 days	35,743	39,922
31 to 60 days	13,412	28,998
61 to 90 days	11,520	19,587
91 to 180 days	10,162	2,169
Over 180 days	1,141	222
	71,978	90,898

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

	2014 HK$'000	2013 HK$'000
RMB	–	309
USD	3,256	5,890

23. Bank Borrowings

	2014 HK$'000	2013 HK$'000
Secured	**96,437**	136,223
Carrying amount repayable*		
Within one year	**22,762**	39,460
More than one year, but not more than two years	**14,287**	17,028
More than two years, but not more than five years	**21,009**	42,225
More than five years	**–**	5,593
	58,058	104,306
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)	**38,379**	31,917
	96,437	136,223
Less: Amounts due within one year shown under current liabilities	**(61,141)**	(71,377)
Amounts shown under non-current liabilities	**35,296**	64,846

* 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 for the year ended 31 December 2014 and 2013.

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

	2014	2013
Effective interest rates:		
Fixed-rate borrowings	**7.32%**	7.32%
Variable-rate borrowings	**1.69% to 7.29%**	1.71% to 7.32%

24. Obligation under a Finance Lease

The Group leased a motor vehicle under a finance lease with lease term of 3 years (2013: nil). Interest rate underlying obligation under finance lease is fixed at respective contract date at 4.94% per annum (2013: nil). The Group has an option to purchase the motor vehicle for a nominal amount at the end of the lease terms. No arrangements have been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Amount payable under finance lease:				
Within one year	**762**	–	**717**	–
More than one year and not more than two years	**762**	–	**745**	–
More than two years and not more than five years	**64**	–	**63**	–
	1,588	–	**1,525**	–
Less: future finance charges	**(63)**	–	**N/A**	N/A
Present value of lease obligation	**1,525**	–	**1,525**	–
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(717)**	–
Amount due for settlement after 12 months			**808**	–

The Group's obligation under a finance lease is secured by the lessor's title to the leased asset.

25. Deferred Tax

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

	Accelerated tax depreciation HK$'000	Undistributed profits HK$'000	Other HK$'000	Total HK$'000
As at 1 January 2013	(848)	–	–	(848)
Credited (charged) to profit or loss (note 13)	133	(1,308)	–	(1,175)
As at 31 December 2013	(715)	(1,308)	–	(2,023)
Credited (charged) to profit or loss (note 13)	377	(154)	112	335
As at 31 December 2014	**(338)**	**(1,462)**	**112**	**(1,688)**

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2014 HK$'000	2013 HK$'000
Deferred tax assets	**451**	–
Deferred tax liabilities	**(2,139)**	(2,023)
	(1,688)	(2,023)

At the end of the reporting period, the Group has unused tax losses of approximately HK$33,337,000 (2013: HK$6,916,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Included in the unrecognised tax losses are losses of HK$24,263,000 (2013: HK$5,683,000) that will expire up to 2019 (2013: up to 2018). Other losses may be carried forward indefinitely.

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. A deferred tax liability has been recognised in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB20,938,000 (equivalent to HK$26,159,000) (2013: RMB19,007,000 (equivalent to HK$23,414,000)). Deferred taxation has not been provided for in the consolidated financial statements in respect of the remaining temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB14,183,000 (equivalent to HK$17,720,000) (2013: RMB16,527,000 (equivalent to HK$20,846,000)) 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.

26. Share Capital

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

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2013, 31 December 2013 and 31 December 2014	**500,000,000**	**50,000**
Issued and fully paid:		
At 1 January 2013	200,000,000	20,000
Exercise of share options (note)	788,000	79
At 31 December 2013 and 31 December 2014	**200,788,000**	**20,079**

Note: During the year ended 31 December 2013, 788,000 shares of HK$0.1 each were issued at HK$1.20 per share upon exercise of the share options under the pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") of the Company (see note 27) by the option holders.

All ordinary shares issued during the year ended 31 December 2013 rank pari passu with the then existing ordinary shares in all respects.

27. Share Option Schemes

(a) 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 had expired on the date of listing of the shares of the Company on the Main Board of the Stock Exchange.

At 31 December 2014, 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 17,764,000 (2013: 20,472,000), representing 8.88% (2013: 10.24%) of the shares of the Company in issue immediately upon completion of the public share offering and the capitalisation issue. 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.

27. Share Option Schemes (continued)

(a) Pre-IPO Share Option Scheme (continued)

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 granted and expiring on a date to be notified by the Board of Directors to each grantee which shall not be more than 10 years from the date on which the option is accepted and granted.

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.

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

For the year ended 31 December 2014

				Number of share options			
Categories of participants	Date of grant	Exercisable period	Exercise price	Outstanding at 1.1.2014	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2014
Executive directors	7.11.2012	23.5.2013 – 6.11.2022	HK$1.20	14,000,000	–	(2,000,000)	12,000,000
Employees	7.11.2012	23.5.2013 – 6.11.2022	HK$1.20	5,104,000	–	(708,000)	4,396,000
Consultant (note a)	7.11.2012	23.5.2013 – 6.11.2022	HK$1.20	320,000	–	–	320,000
Customers (note b)	7.11.2012	23.5.2013 – 6.11.2022	HK$1.20	928,000	–	–	928,000
Supplier (note c)	7.11.2012	23.5.2013 – 6.11.2022	HK$1.20	120,000	–	–	120,000
				20,472,000	–	(2,708,000)	17,764,000

27. Share Option Schemes (continued)

(a) Pre-IPO Share Option Scheme (continued)

For the year ended 31 December 2013

Categories of participants	Date of grant	Exercisable period	Exercise price	Number of share options: Outstanding at 1.1.2013	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2013
Executive directors	7.11.2012	23.5.2013 – 6.11.2022	HK$1.20	14,000,000	–	–	14,000,000
Employees	7.11.2012	23.5.2013 – 6.11.2022	HK$1.20	6,800,000	(708,000)	(988,000)	5,104,000
Consultant (note a)	7.11.2012	23.5.2013 – 6.11.2022	HK$1.20	320,000	–	–	320,000
Customers (note b)	7.11.2012	23.5.2013 – 6.11.2022	HK$1.20	1,080,000	(80,000)	(72,000)	928,000
Supplier (note c)	7.11.2012	23.5.2013 – 6.11.2022	HK$1.20	120,000	–	–	120,000
				22,320,000	(788,000)	(1,060,000)	20,472,000

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 supplier with long-term relationship for providing steady supplies of raw materials for the Group.

The Group recognised the share-based payments of HK$1,703,000 for the year ended 31 December 2014 (2013: HK$13,093,000) in relation to share options granted by the Company.

(b) Share option scheme

The principal terms of the share option scheme which is approved by the sole shareholder's resolution passed on 22 October 2012 (the "Share Option Scheme") 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 2014 and 2013, no options have been granted or agreed to be granted pursuant to the Share Option Scheme.

28. Retirement Benefit Schemes

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees. The assets of the MPF 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$1,500 (from January 2013 to 31 May 2014: HK$1,250) 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 profit or loss and other comprehensive income is HK$6,552,000 (2013: HK$7,015,000).

29. 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:

	2014 **HK$'000**	2013 HK$'000
Within one year	**19,975**	23,632
In the second to fifth years inclusive	**14,203**	12,406
Over five years	**3,575**	5,568
	37,753	41,606

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:

	2014 **HK$'000**	2013 HK$'000
Within one year	**2,748**	3,548
In the second to fifth years inclusive	**5,496**	–
	8,244	3,548

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 nine 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.

During the year ended 31 December 2014, leases of certain retail stores are terminated before expiration of negotiated lease terms.

30. Capital Commitments

	2014 HK$'000	2013 HK$'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	**2,076**	–

31. Pledge of Assets

	2014 HK$'000	2013 HK$'000
Leasehold land and buildings	**117,309**	127,070
Prepaid lease payments	**28,153**	29,481
Pledged bank deposit	**1,225**	1,213
	146,687	157,764

32. 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	2014 HK$'000	2013 HK$'000
Shenzhen Fusheng Trading Company Limited	Related company (Note)	Rental expenses	**776**	2,170
Gain Harvest Investment Limited	Related company (Note)	Rental expenses	**1,680**	1,680
Wealth Pine Asia Limited	Related company (Note)	Rental expenses	**1,080**	1,080

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

32. 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:

	2014 HK$'000	2013 HK$'000
Salaries and allowances	**9,998**	9,776
Performance related incentive payments	**110**	100
Retirement benefit schemes contributions	**581**	563
Share-based payments	**1,304**	9,942
	11,993	20,381

33. Major Non-Cash Transaction

During the year ended 31 December 2014, the Group entered into a finance lease in respect of an asset with a total value of HK$2,157,000 at the inception of the finance lease (2013: nil).

34. Particulars of Principal Subsidiaries of the Company

Particulars of the Company's principal subsidiaries held by the Company as at 31 December 2014 and 2013 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 2014	2013	Principal activities
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$60,000,000 (2013: HK$30,000,000)	**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$135,000,000 (2013: HK$85,000,000)	**100%**	100%	Manufacture and sale of home textiles products and accessories
Casablanca Hong Kong Limited	Hong Kong 22 June 2010	Hong Kong	HK$1,000,000	**100%**	100%	Trading of home textile products and accessories
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
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%	In the process of deregistration (2013: Manufacture and sale of home textiles products and accessories)
Jollirich	Hong Kong 8 April 2002	Hong Kong	HK$10,000	**100%**	100%	Investment holding and trading of home textiles products and accessories

34. Particulars Of Principal Subsidiaries of the Company (continued)

(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 of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of both years.

35. Event after the Reporting Period

On 2 March 2015, the Company entered into a conditional placing agreement with the placing agent in relation to, among others, the placing of a maximum of up to 40,000,000 new ordinary shares of the Company of HK$1.50 each to not less than six placees who are not acting in concert with connected persons of the Company (the "Placing"). The Placing has been completed on 13 March 2015. The net proceeds of approximately HK$57 million will be used for general working capital and to finance possible investment projects in the future. Details are disclosed in the announcement of the Company dated 2 March 2015 and 13 March 2015.

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

At 31 December 2014

	2014 HK$'000	2013 HK$'000
Unlisted investment in a subsidiary	**36,553**	36,423
Deposit paid for acquisition of property, plant and equipment	**893**	–
Amounts due from subsidiaries	**86,229**	61,973
Other receivables	**392**	426
Bank balances	**183**	24,196
Accrued expenses	**(533)**	(708)
Amount due to a subsidiary	**(5,918)**	(5,918)
Tax payable	**(178)**	(150)
Net assets	**117,621**	116,242
Share capital	**20,079**	20,079
Reserves	**97,542**	96,163
Total equity	**117,621**	116,242

Movement in reserves:

	Share premium HK$'000	Share options reserve HK$'000	Accumulated (loss) profits HK$'000	Total HK$'000
At 1 January 2013	79,412	1,133	(280)	80,265
Profit and total comprehensive income for the year	–	–	1,938	1,938
Recognition of equity-settled share-based payments	–	13,093	–	13,093
Exercise of share options	1,467	(600)	–	867
At 31 December 2013	80,879	13,626	1,658	96,163
Profit and total comprehensive income for the year	–	–	1,474	1,474
Recognition of equity-settled share-based payments	–	1,703	–	1,703
Lapse of share options	–	(1,798)	–	(1,798)
At 31 December 2014	**80,879**	**13,531**	**3,132**	**97,542**

CORPORATE INFORMATION

Stock Code

2223

Board of Directors

Executive Directors

Mr. Cheng Sze Kin *(Chairman)*
Mr. Cheng Sze Tsan *(Vice-chairman)*
Ms. Wong Pik Hung
Mr. Kwok Yuen Keung Tommy *(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

Ms. Wong Pik Hung
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

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

Company Website

www.casablanca.com.hk