LEADING BRANDED

BEDDING PRODUCTS COMPANIES
IN THE GREATER CHINA REGION

INTERIM REPORT 2015

CASABLANCA HOME Casa Calvin CASA-V Dolce Sogno FORCETECH C2 ELLE DECO

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 "Casablanca" and "Casa Calvin" brands. The Group's products include three main categories: bed linens, duvets and pillows, and home accessories. The Group is one of the leading branded bedding products companies in the PRC and Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the "Board") of directors (the "Director") of Casablanca Group Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2015 (the "Period").

Overview

Despite a year-on-year increase of 7.0% in GDP in the first half of 2015 as announced by the People's Republic of China (the "PRC") government recently, the Chinese economy is still in the process of structural adjustments and continues to face economic downward pressure, which has affected consumers' confidence. The first half of a year is a traditional low season of the bedding products industry, together with the unfavourable sentiment of the retail market during the Period and the soaring operating costs including rental and labour costs, all have caused pressure on the traditional bedding products retail businesses. In order to raise the Group's operation efficiency in the long term and to grasp the business opportunities brought about by e-commerce, the Group continued to work on its resource allocation in the first half of 2015, making dedicated efforts to pave its way towards an optimized interactive online and offline ("O2O") operation model.

Business Review

The first half of 2015 has been the most challenging operation period since the Group's listing. Facing weakened consumer sentiment and rising operating costs, along with the expenditures on brand image as well as advertising and promotion costs associated with new products, the Group recorded a loss for the first time during the Period.

(1) Continued to optimise and establish strategic sales channels

During the Period, the Group continued to restructure its sales network to raise operation efficiency. We closed down 52 self-operated points of sale (the "POS") which had unsatisfactory profitability and strategically established 5 new self-operated POS in districts where target customers of the Group's brand gathered. Including POS operated by distributors, the sales network of the Group consists of a total of 296 POS (31 December 2014: 361) covering over 80 cities in the PRC, Hong Kong and Macau (collectively the "Greater China Region") as at 30 June 2015. The decrease in number of self-operated POS and the absence of the significant sales of duvets under a bulk-purchase agreement to a wholesale customer in Hong Kong for the corresponding period last year were the major reasons for the drop of sales income during the Period.

In order to broaden its income stream, the Group completed the acquisition of 15% equity interests of Million Zone Capital Investment Limited ("Million Zone"), a company incorporated in Hong Kong and is principally engaged in virtual retailing business, on 25 June 2015. Million Zone operates a television shopping channel in Guangdong Province in the PRC and possesses internet shopping platforms and mobile shopping platforms. The Board believes that the acquisition of Million Zone's equity interest is a suitable investment with potential and has synergy effect to the Group's existing businesses. The Group wishes to leverage on Million Zone's technology, experience and network to expand its businesses to virtual shopping platforms.

(2) Enhanced market positioning of products with launch of new brands and use of the multi-brand strategy

The Group continued to adhere to the design concept of "Contemporary, Innovative and Functional" and introduced a new brand, namely "CASA-V", in mid-May 2015 in Hong Kong to enhance brand differentiation and acquire its unique positioning in the market. "CASA-V" introduced the first series of bedding products with "5A Features" to Hong Kong consumers, which include functions such as Air purification, Anti-bacteria, Anti-fungal, Anti-mite and Anti-odor. Through this, the Group took a lead in bringing contemporary home accessories with health functions and environmental-friendly features to the market, creating a refreshing, fashionable and comfortable sleeping environment for high-end consumers.

Furthermore, in order to strengthen the Group's multi-brand strategy, in addition to our proprietary brands "Casablanca", "Casa Calvin" and "CASA-V", the Group had also distributed a number of premium European brands of bedding products and featured home accessories. The Group will continue to introduce other premium branded products to the Greater China Region market.

(3) Enhanced brand image and awareness

The Group engaged an entertainment celebrity renowned in both China and Hong Kong to be the spokesman in the Greater China Region for the first time in 2015. In May 2015, the Group also launched its first TV advertisement starring the spokesman in Hong Kong market and upgraded the POS's image and display. In order to make progression to an optimised O2O sales model, the Group used its best endeavours to raise its brand awareness and enhance brand positioning. The launch of TV advertisement was supported by the Group's Facebook games, which increased the interaction with consumers and was well-supported by the consumers. In respect of the PRC market, the Group launched its first promotion activity on WeChat to align with the promotion of our self-operated stores in Guangdong province. At the beginning of this year, we revamped the design of the Company's website to create a more prominent and youthful image of the Group.

Prospects

Looking ahead to the second half of 2015, the global economy is still facing considerable uncertainties whereas the PRC government has announced that it will continue to achieve high-level integration of information technology, industrialisation and urbanisation with its "Internet+" strategy, thereby promoting the upgrade of consumption structure and maintaining the steady growth of domestic economy. With a steady growth of per capita disposable income and increasing demands of the consumers for stylish home accessories with health function, the Group expects that the market demands for premium and functional bedding products will continue to rise. The Group expects that both Hong Kong and China will continue to be under the influence of unfavourable sentiment of the retail market, but as the second half of the year is traditionally the peak season for the sales of bedding products, the Group will continue to strive for upgrade and transformation while actively seeking to broaden its income stream and making steady progression to its O2O business model.

(1) Continuing to optimise the sales network structure

The Group will continue to optimise the structure of physical sales network and close down self-operated POS with unsatisfactory operation efficiency, so as to enhance the overall efficiency of the Group's offline business. In addition, the Group also plans to establish "Healthy Lifestyle Store (健康家居生活館)" in Hong Kong and big cities in China, which suffered from relatively severe air pollution problems, in the second half of the year. "Healthy Lifestyle Store" will focus on selling various products with "5A Features" and premium healthy-living related home accessories from around the world, offering not only one-stop shopping experience to the consumers, but also serving as the customer service and logistics hub of the Group's O2O business.

(2) Enriching product mix and making progress to become a brand for environmental-friendly and healthy home living

The Group will strive to expand its sales areas. The preliminary plan is to extend the "5A Features" of "CASA-V" to baby products and other home accessories. Apart from expanding its income source, the Group intends to transform gradually from a traditional bedding products brand to a brand for environmental-friendly and healthy lifestyle.

(3) Stepping up marketing efforts and enhancing customer relationship management

In addition to the placement of TV advertisement starring our spokesman, the Group will organise various marketing activities in the second half of the year, with a view to arouse consumers' interest and awareness towards the Group's brands and new products. The Group will also consider organising large-scale activities for the spokesman based on its business development to raise public awareness of the Group's brands. It is expected to be beneficial to the brand image of the Group in the long run. Furthermore, the Group will continue to make use of Facebook, WeChat and Weibo to strengthen the interaction with consumers in the Greater China Region, striving to provide better customer services to the consumers.

(4) Intensifying the efforts to expand sales channels and broaden streams of income

In the second half of 2015, we will commence our cooperation with the Guangdong television shopping platform owned by Million Zone, expanding the Group's sales channels in China to television, internet and mobile shopping platforms. As disclosed in the Company's announcement on 2 July 2015, the Group also entered into a framework agreement for cooperation with Golden Tulip (Shanghai) Hospitality Management Co., Ltd. ("SH Golden Tulip") in July 2015, and was granted the priority to provide various duvets, bedding products and towels that SH Golden Tulip may require for "Golden Tulip" branded hotels in the PRC. Although the cooperation with SH Golden Tulip is still in the process of negotiation, we believe that the successful cooperation with SH Golden Tulip will be a crucial step for the Group to expand its business channels to hotel customers. Furthermore, we will also proactively develop commercial-customer markets which have synergy effect to the Group's business, including provision of home accessories with health functions and environmental-friendly features to real estate developers for their environmental projects, which is likely to enhance the Group's sales channels at the same time.

The Group also proactively develops its export business to broaden its income stream. Apart from developing various sales channels for its products, the Group also plans to provide services such as design, production and processing for certain overseas brands, making better use of the advantage of its proprietary production line and broadening the Group's income streams.

Incorporating "Contemporary, Innovation and Functional" features in our product design, the Group endeavours to provide consumers with quality bedding products which are fashionably designed but reasonably priced and suitable, as well as trendy home accessories. We will continue to strive for upgrade and transformation, enhance the Group's brand value and broaden our income stream, so as to bring better returns to our shareholders in the long run.

Financial Review

Revenue

During the Period, the Group achieved revenue of HK$176.6 million (2014: HK$231.1 million) which decreased by 23.6% as compared to the corresponding period last year. The decrease was primarily due to the absence of sales under a bulk-purchase agreement to a wholesale customer in Hong Kong and the reduction in number of self-operated POS, of which most were in the PRC during the Period.

Sales of our proprietary brands, which accounted for approximately 79.5% (2014: 83.8%) of the Group's revenue, decreased by 27.5% to HK$140.4 million (2014: HK$193.6 million) when sales in Casablanca brand under a bulk-purchase agreement to a wholesale customer in Hong Kong was absent during the Period. Sales of our licensed and authorised brands slightly decreased by 3.2% to HK$36.2 million (2014: HK$37.5 million).

In terms of channels, self-operated retail sales during the Period amounted to HK$141.5 million (2014: HK$141.2 million) at similar level as the corresponding period and accounted for 80.1% (2014: 61.1%) of the total revenue of the Group. Owing to the restructuring of the Group's sales network in response to the sluggish retail market in the PRC, 47 self-operated POS were closed down in the PRC and the self-operated retail sales in the PRC decreased by 16.3%. With more advertising campaigns and promotional activities in Hong Kong, self-operated retail sales in Hong Kong rose by 10.5%. Distributors faced the same adverse market condition in the PRC such that sales to distributors decreased by 11.2% to HK$25.5 million (2014: HK$28.8 million). Without sales under a bulk-purchase agreement to a wholesale customer in Hong Kong, sales to others amounted to HK$9.7 million (2014: HK$61.1 million), representing a significant decrease of 84.2% during the Period.

In terms of products, sales of bed linens during the Period were HK$100.7 million (2014: HK$106.9 million). Sales of duvets and pillows were HK$66.8 million (2014: HK$118.6 million), whereas sales of other home accessories were HK$9.0 million (2014: HK$5.6 million). Sales of duvets and pillows decreased by 43.7% primarily due to the absence of sales of duvets under a bulk-purchase agreement to a wholesale customer in Hong Kong during the Period.

In terms of regions, revenues from Hong Kong and Macau, the PRC and others during the Period were HK$107.2 million (2014: HK$145.4 million), HK$68.7 million (2014: HK$82.8 million) and HK$0.7 million (2014: HK$2.9 million) respectively. During the Period, the absence of sales under a bulk-purchase agreement to a wholesale customer in Hong Kong and the close of 47 self-operated POS in the PRC resulted in decreases in revenue from Hong Kong and Macau and the PRC by 26.2% and 17.0% respectively.

Gross Profit and Gross Profit Margin

Gross profit decreased by 19.6% to HK$111.7 million during the Period as compared to HK$138.8 million for the corresponding period last year. The overall gross profit margin for the Period was 63.2% which was higher as compared to 60.1% for the corresponding period last year. The increase in overall gross profit margin was primarily due to the increase in proportion of self-operated retail sales with higher gross profit margin.

Other Gains and Losses

Other losses for the Period amounted to HK$0.9 million (2014: HK$3.8 million), mainly including allowances for doubtful debts on trade and other receivables of HK$0.7 million (2014: HK$1.4 million) and loss on disposal of fixed assets of HK$0.6 million (2014: HK$0.4 million), offsetting net exchange gains of HK$0.4 million (2014: exchange losses: HK$2.0 million) on the translation of Renminbi receivables.

Expenses

Despite the decrease in total sales by 23.6%, selling and distribution costs for the Period merely decreased by 9.9% to HK$90.7 million from HK$100.6 million for the corresponding period last year. Operating costs including rental and labour costs were still expensive during the Period. Less concessionaire commissions and related expenses were paid to department stores and less transportation cost were incurred with less self-operated retail sales on reduction in number of self-operated POS in the PRC, whereas more advertising and marketing expenses were incurred on building brand image and on launching new products in Hong Kong during the Period.

Administrative expenses for the Period increased by 14.0% to HK$28.6 million compared with HK$25.1 million for the corresponding period last year. The increase in administrative expenses was primarily attributable to increases in directors' remuneration, professional fees and share-based payments recognised for the Period under the share option scheme.

(Loss) Profit for the Period

The Group's loss for the Period amounted to HK$9.1 million (2014 profit: HK$4.2 million). Reasons for suffering loss for the Period were mainly attributable to the decrease in sales, especially the absence of sales under a bulk-purchase agreement to a wholesale customer in Hong Kong, and increases in advertising and marketing expenses and share-based payments.

EBITDA represents gross profit less selling and distribution costs and administrative expenses, adding depreciation, amortization and share-based payments. The Group's EBITDA for the Period decreased to HK$2.8 million from HK$21.0 million for the corresponding period last year, representing a significant decrease of 86.4%. This was mainly attributable to the decrease in gross profit more than the decrease in selling and distribution costs and administrative expenses excluding depreciation, amortization and share-based payments.

Liquidity and Financial Resources

	As at 30 June 2015 HK$'000	As at 31 December 2014 HK$'000
Total bank borrowings	**85,090**	96,437
Pledged bank deposit and bank balances and cash	**181,434**	141,433
Net cash	**96,344**	44,996
Total assets	**529,949**	515,780
Total liabilities	**160,574**	204,070
Total equity	**369,375**	311,710
Current ratio	**2.7**	2.0
Gross gearing ratio (Note)	**23.0%**	30.9%

Note: Gross gearing ratio is calculated as total bank borrowings divided by total equity.

During the Period, the Group adhered to the principle of prudent financial management in order to minimize financial and operational risks. The Group financed its operations with internally generated cash flows. Bank borrowings were primarily for financing the construction of Huizhou Plant in previous years. During the Period, additional funds of approximately HK$57.0 million raised by the placement of shares strengthened the financial position and broadened the capital base of the Company so as to facilitate its future development. Despite suffering the loss for the Period, the financial position of the Group remained healthy. As at 30 June 2015, the Company was at net cash position.

As at 30 June 2015, the total bank borrowings of the Group was approximately HK$85.1 million (31 December 2014: HK$96.4 million), which were denominated as to 88.8% and 11.2% in Hong Kong dollars and Renminbi respectively, with all bank borrowings being variable-rated borrowings with effective interest rates ranging from 1.68% to 7.29% per annum (31 December 2014: 1.69% to 7.29%) and repayable up to six years.

As at 30 June 2015, the pledged bank deposit of the Group was approximately HK$1.2 million (31 December 2014: HK$1.2 million), which was denominated all in Renminbi and the bank balances and cash of the Group were approximately HK$180.2 million (31 December 2014: HK$140.2 million) which were denominated in Hong Kong dollars and Renminbi except for about 0.7% in United States dollars and Euro.

Available-for-sale investment

On 25 June 2015, Rich Creation Asia Investment Limited, a wholly owned subsidiary of the Company, entered into a subscription agreement with Million Zone to agree on subscription of 301,598 newly issued ordinary shares of Million Zone, representing 15% of the total issued shares of Million Zone after completion of the subscription, for a consideration of HK$7,749,000 (equivalent to US$1,000,000).

For details of the investment, please refer to the announcements of the Company dated 8 June 2015 and 25 June 2015.

Foreign Exchange Exposure

The Group carries on 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 our revenue and expenditure in the PRC. The Group does not expect any appreciation or depreciation of the Hong Kong Dollar against Renminbi which materially affects the Group's results on operations. No hedging instrument has been employed. The Group will closely monitor the trends of the Renminbi and take appropriate measures to deal with the foreign exchange exposure if necessary.

Pledge of Assets

As at 30 June 2015, the Group had pledged its leasehold land and buildings, prepaid lease payments and fixed deposits with an aggregate carrying value of HK$144.1 million to certain banks in Hong Kong and the PRC to secure banking facilities granted to the Group.

Contingent Liabilities

As at 30 June 2015, the Group did not have material contingent liabilities.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Interim Dividend

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

Use of Proceeds from IPO and Placement of Shares

On 13 March 2015, the Company successfully placed 40,000,000 new shares under general mandate at a price of HK$1.50 per share with gross proceeds of HK$60.0 million. For details of the placement of shares, please refer to the announcements of the Company dated 2 March 2015 and 13 March 2015.

The Company received net proceeds raised from the IPO of approximately HK$44.2 million and the placement of shares of approximately HK$57.0 million. The usage of net proceeds until 30 June 2015 was as follows:

	Planned Amount HK$ million	**Utilised Amount** HK$ million	**Remaining Amount** HK$ million
From IPO:			
Expansion of sales network	37.0	22.1	14.9
Upgrade of management information system	4.0	1.9	2.1
Brand building and product promotion	2.2	2.2	–
General working capital	1.0	1.0	–
Total	44.2	27.2	17.0
From placement of shares:			
General working capital and possible investments	57.0	7.7	49.3

Employee and Remuneration Policy

As at 30 June 2015, the employee headcount of the Group was 768 (2014: 894) and the total staff costs, including directors' remuneration and shared-based payments, amounted to HK$50.3 million (2014: HK$47.8 million). The significant decrease in employee headcount was primarily due to the reduction in number of self-operated POS, mainly in the PRC, during the Period. The increase in total staff costs was due to increases in share-based payments and directors' remuneration and increase in number of Hong Kong staff of marketing, customer services and information technology employed as compared to the corresponding period last year.

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

Purchase, Sale or Redemption of Listed Securities of the Company

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

Share Option Schemes

(a) Pre-IPO share option scheme

The Group adopted a pre-IPO share option scheme, which was approved by the sole shareholder's resolution passed on 22 October 2012, (the "Pre-IPO Share Option Scheme") and granted share options to certain grantees including Directors, employees, suppliers and others on 7 November 2012 to subscribe for a total of 22,320,000 ordinary shares of HK$0.10 per share with the exercise price of HK$1.20 per share. The share options shall be exercisable during the period from 23 May 2013 to 6 November 2022. As at 30 June 2015, 12,000,000 share options were still outstanding under the Pre-IPO Share Option Scheme.

Particulars of the Company's Pre-IPO Share Option Scheme are set out in note 16(a) to the condensed consolidated financial statements.

(b) Share option scheme

The Group adopted a share option scheme, which was approved by the sole shareholder's resolution passed on 22 October 2012, (the "Share Option Scheme) and granted share options to Directors and employees on 9 April 2015 to subscribe for a total of 5,594,000 ordinary shares of HK$0.10 per share with the exercise price of HK$4.95 per share. Details of the grant of share options on 9 April 2015 are set out in announcement of the Company dated 9 April 2015. The share options shall be exercisable during the period from 9 October 2015 to 8 April 2018. As at 30 June 2015, 5,544,000 share options were still outstanding under the Share Option Scheme.

Particulars of the Company's Share Option Scheme are set out in note 16(b) to the condensed consolidated financial statements.

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

	Date of Grant	Exercisable period (Notes 1, 2)	Exercise price (HK$)	Number of options at 1.1.2015	Movements during the Period Granted	Exercised (Note 3)	Lapsed	Number of options at 30.6.2015
Directors and Chief Executive								
Mr. Cheng Sze Kin	7.11.2012	23.5.2013 – 6.11.2022	1.20	4,500,000	–	–	–	4,500,000
	9.4.2015	9.10.2015 – 8.4.2018	4.95	–	330,000	–	–	330,000
				4,500,000	330,000	–	–	4,830,000
Mr. Cheng Sze Tsan	7.11.2012	23.5.2013 – 6.11.2022	1.20	4,125,000	–	–	–	4,125,000
	9.4.2015	9.10.2015 – 8.4.2018	4.95	–	330,000	–	–	330,000
				4,125,000	330,000	–	–	4,455,000
Ms. Wong Pik Hung	7.11.2012	23.5.2013 – 6.11.2022	1.20	3,375,000	–	–	–	3,375,000
	9.4.2015	9.10.2015 – 8.4.2018	4.95	–	330,000	–	–	330,000
				3,375,000	330,000	–	–	3,705,000
Mr. Kwok Yuen Keung Tommy	9.4.2015	9.10.2015 – 8.4.2018	4.95	–	2,000,000	–	–	2,000,000
Mr. Mok Tsan San	9.4.2015	9.10.2015 – 8.4.2018	4.95	–	1,000,000	–	–	1,000,000
				12,000,000	3,990,000	–	–	15,990,000
Employees	7.11.2012	23.5.2013 – 6.11.2022	1.20	4,396,000	–	(4,276,000)	(120,000)	–
	9.4.2015	9.10.2015 – 8.4.2018	4.95	–	1,604,000	–	(50,000)	1,554,000
				4,396,000	1,604,000	(4,276,000)	(170,000)	1,554,000
Suppliers	7.11.2012	23.5.2013 – 6.11.2022	1.20	120,000	–	(120,000)	–	–
Others	7.11.2012	23.5.2013 – 6.11.2022	1.20	1,248,000	–	(1,248,000)	–	–
Total				17,764,000	5,594,000	(5,644,000)	(170,000)	17,544,000

Notes:

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

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

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

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

2. The options, granted on 9 April 2015, are exercisable from 9 October 2015 to 8 April 2018 (both days inclusive) in the following manner:

   (i) 50% of the total number of options granted on 9 April 2015 under the Share Option Scheme commencing 9 October 2015; and

   (ii) 50% of the total number of options granted on 9 April 2015 under the Share Option Scheme commencing 9 April 2016.

3. The weighted average closing price of the shares immediately before the dates on which the options were exercised during the six months ended 30 June 2015 was HK$4.13 per share.

Directors' and Chief Executive's Interests in Shares

At 30 June 2015, 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 as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") 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	60.9%
Mr. Cheng Sze Tsan	Interest in a controlled corporation (Note 2)	150,000,000	60.9%
Ms. Wong Pik Hung	Spouse interest (Note 3)	150,000,000	60.9%

(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)	4,830,000	4,830,000
	Spouse interest (Note 1)	3,705,000	3,705,000
		8,535,000	8,535,000
Mr. Cheng Sze Tsan	Beneficial interest (Note 2)	4,455,000	4,455,000
Ms. Wong Pik Hung	Beneficial interest (Note 3)	3,705,000	3,705,000
	Spouse interest (Note 3)	4,830,000	4,830,000
		8,535,000	8,535,000
Mr. Kwok Yuen Keung Tommy	Beneficial interest	2,000,000	2,000,000
Mr. Mok Tsan San	Beneficial interest	1,000,000	1,000,000

Notes:

(1) Mr. Cheng Sze Kin is interested in 40.0% of World Empire Investment Inc. ("World Empire"), which is in turn interested in 60.9% of the Company's issued share capital. Therefore, Mr. Cheng Sze Kin is deemed to be interested in such 60.9% 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 and Share Option Scheme to subscribe 4,830,000 shares in total and is deemed to be interested in the options granted to his spouse, Ms. Wong Pik Hung, under the Pre-IPO Share Option Scheme and Share Option Scheme to subscribe 3,705,000 shares in total.

(2) Mr. Cheng Sze Tsan is interested in 35.0% of World Empire, which is in turn interested in 60.9% the Company's issued share capital. Therefore, Mr. Cheng Sze Tsan is deemed to be interested in such 60.9% 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 and Share Option Scheme to subscribe 4,455,000 shares in total.

(3) Ms. Wong Pik Hung is the spouse of Mr. Cheng Sze Kin and is interested in 25.0% of World Empire, thus, Ms. Wong Pik Hung will be deemed to be interested in 60.9% 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 and Share Option Scheme to subscribe 3,705,000 shares in total and is deemed to be interested in the options granted to her spouse, Mr. Cheng Sze Kin, under the Pre-IPO Share Option Scheme and Share Option Scheme to subscribe 4,830,000 shares in total.

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 30 June 2015.

Substantial Shareholders and Other Persons

As at 30 June 2015, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that other than the interests disclosed above in respect of certain Directors and chief executive, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

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

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
World Empire Investment Inc. (Note)	Beneficial owner	150,000,000	60.9%
Yeung Chun Wai Anthony	Beneficial owner	25,868,000	10.5%

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

Corporate Governance Code

The Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules during the Period.

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

On 1 April 2015, Mr. Zhang Senquan and Mr. Kam Leung Ming were appointed as Independent Non-executive Directors of the Company.

On 9 April 2015, Mr. Mok Tsan San was appointed as a Non-executive Director of the Company.

On 22 May 2015, Mr. Leung Lin Cheong retired from his office as an Independent Non-executive Director and Mr. Leung Yiu Man was elected as an Independent Non-executive Director of the Company at the annual general meeting (the "AGM") with effect from the conclusion of the AGM.

Model Code for Securities Transactions

The Company has adopted its own code of conduct for Directors in their dealings in the Company's securities on terms no less than the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry to all the Directors of the Company, all the Directors confirmed that they had complied with the required standard of dealing as required by the Company's code of conduct and the Model Code throughout the Period.

Review of Interim Results

The audit committee of the Company has reviewed the results (including the unaudited condensed consolidated financial statements) of the Group for the six months ended 30 June 2015.

In addition, the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2015 have been reviewed by our auditors, Messrs. Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Board of Directors

As at the date of this interim report, the Board comprises Mr. Cheng Sze Kin (Chairman), Mr. Cheng Sze Tsan (Vice-chairman), Ms. Wong Pik Hung and Mr. Kwok Yuen Keung Tommy as the Executive Directors, Mr. Mok Tsan San as Non-executive Director, and Mr. Zhang Senquan, Mr. Kam Leung Ming and Mr. Leung Yiu Man as the Independent Non-executive Directors.

By Order of the Board
Casablanca Group Limited

Cheng Sze Kin
Chairman

Hong Kong, 21 August 2015

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Cheng Sze Kin (鄭斯堅), aged 55, 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 and is appointed as standing committee member of Chinese People's Political Consultative Conference Guangzhou Committee (Huangpu District) since August 2015.

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.

Non-executive Director

Mr. Mok Tsan San (莫贊生), aged 44, was appointed as a Non-executive Director on 9 April 2015. Mr. Mok is the managing director of Capital Union Investments Limited, a direct investment firm with a portfolio in Great China and overseas. He is currently the executive director of Hin Sang Group (International) Holding Co. Ltd (stock code: 6893), Chinese Food and Beverage Group Limited (stock code: 8272) and Chinese Strategic Holdings Limited (stock code: 8089), the shares of which are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") respectively, and the non-executive director of Newtree Group Holdings Limited (stock code: 1323), the shares of which are listed on the Stock Exchange. Mr. Mok has over 12 years of solid experiences in fund raising and investment syndication in a number of ventures. He has helped, funded, and/or personally invested in and advised in a number of other Silicon Valley companies, including but not limited to Facebook Inc. and Proteus Digital Health.

Independent Non-executive Directors

Mr. Zhang Senquan (張森泉), aged 38, was appointed as an Independent Non-executive Director on 1 April 2015. Mr. Zhang is also the independent non-executive director of Topchoice Medical Investment Co. Inc., the shares of which are listed on the Shanghai Stock Exchange (stock code: 600763SH). He is a member of Hong Kong Institute of Certified Public Accountants and China Institute of Certified Public Accountants. Mr. Zhang used to be the chief financial officer and joint company secretary of Huazhong In-Vehicle Holdings Company Limited, shares of which are listed on the Stock Exchange (stock code: 6830) from May 2014 to July 2015. He served as head of the Strategic Development Department of Goodbaby International Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 1086), from March 2013 to April 2014. He has more than 10 years of professional experience in accounting and auditing, and worked at Ernst & Young, KPMG and Deloitte Touche Tohmatsu serving several positions from audit staff to audit partner from 1999 to 2012. Mr. Zhang received his bachelor's degree from Fudan University in China in 1999.

Mr. Kam Leung Ming (甘亮明)**, aged 40, was appointed as an Independent Non-executive Director on 1 April 2015. Mr. Kam is currently the company secretary of Get Nice Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 64). He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of The Institute of Chartered Accountants in England and Wales, an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. He has over 18 years of experience in auditing, professional accounting, financial management and business administration. Mr. Kam worked for several Hong Kong listed companies of various industries and served senior roles in financial management and secretarial functions. He holds a bachelor degree in accountancy and a master degree in corporate governance from the Hong Kong Polytechnic University.

Mr. Leung Yiu Man (梁耀文), aged 47, was appointed as an Independent Non-executive Director on 22 May 2015. Mr. Leung is currently the China advisor of Kirin Investment Management (HK) Limited. Before joining Kirin Investment, he was the managing director of Morgan Stanley Asia between 2011 and 2015, the chief investment officer of SPG Land Limited (renamed as Greenland Hong Kong Holdings Limited listed on the Stock Exchange (stock code: 337)) during 2009 to 2011, the executive director and managing director of China International Capital Corporation during 2001 to 2009. Mr. Leung has over 20 years of experience in equity research, investment advisory and corporate finance. He is a Chartered Financial Analyst of the CFA Institute in the United States. He holds a bachelor degree in social sciences, with major in political science and economics, from The University of Hong Kong.

Senior Management

Mr. Ho Yiu Leung (何耀樑), aged 49, 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 sales management 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 42, 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 38, served the Group from April 2004 to March 2008. He worked in 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 Sales 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.

Company Secretary

Mr. Ho Yiu Leung (何耀樑), aged 49, joined the Group as the Financial Controller and Company Secretary in January 2012. Please refer to the paragraph headed "Senior Management" above for his biography.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.
德勤

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

Introduction

We have reviewed the condensed consolidated financial statements of Casablanca Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 23 to 41, which comprises the condensed consolidated statement of financial position as of 30 June 2015 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 21 August 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Notes	Six months ended 30 June 2015 HK$'000 (unaudited)	2014 HK$'000 (unaudited)
Revenue	3	**176,617**	231,057
Cost of goods sold		**(64,965)**	(92,223)
Gross profit		**111,652**	138,834
Other income		**1,091**	911
Other gains and losses	4	**(887)**	(3,795)
Selling and distribution costs		**(90,655)**	(100,576)
Administrative expenses		**(28,578)**	(25,073)
Finance costs	5	**(1,545)**	(2,319)
(Loss) profit before taxation	6	**(8,922)**	7,982
Taxation	7	**(174)**	(3,784)
(Loss) profit for the period		**(9,096)**	4,198
Other comprehensive expense			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**(21)**	(6,316)
Total comprehensive expense for the period		**(9,117)**	(2,118)
(Loss) profit for the period attributable to owners of the Company		**(9,096)**	4,198
Total comprehensive expense for the period attributable to owners of the Company		**(9,117)**	(2,118)
(Loss) earnings per share – Basic and diluted (HK cents)	9	**(3.98)**	2.09

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	Notes	30.6.2015 HK$'000 (unaudited)	31.12.2014 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	10	**144,619**	149,290
Prepaid lease payments		**27,273**	27,548
Intangible assets		**3**	4
Deferred tax assets		**420**	451
Deposits paid for acquisition of property, plant and equipment		**243**	1,215
Rental deposits		**1,762**	2,087
Available-for-sale investment	11	**7,749**	–
		182,069	180,595
Current assets			
Inventories		**92,685**	90,991
Trade and other receivables	12	**73,155**	102,134
Prepaid lease payments		**606**	605
Taxation recoverable		**–**	22
Pledged bank deposits		**1,226**	1,225
Bank balances and cash		**180,208**	140,208
		347,880	335,185
Current liabilities			
Trade and other payables	13	**70,553**	100,024
Taxation payable		**2,987**	3,945
Bank borrowings – due within one year	14	**56,930**	61,141
Obligation under a finance lease – due within one year		**731**	717
		131,201	165,827
Net current assets		**216,679**	169,358
Total assets less current liabilities		**398,748**	349,953

	Notes	30.6.2015 HK$'000 (unaudited)	31.12.2014 HK$'000 (audited)
Non-current liabilities			
Bank borrowings – due after one year	14	**28,160**	35,296
Obligation under a finance lease – due after one year		**439**	808
Deferred tax liabilities		**774**	2,139
		29,373	38,243
Net assets		**369,375**	311,710
Capital and reserves			
Share capital	15	**24,643**	20,079
Reserves		**344,732**	291,631
Total equity		**369,375**	311,710

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	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 2015 (audited)	**20,079**	**80,459**	**2,000**	**1,319**	**8,833**	**14,494**	**13,531**	**170,995**	**311,710**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(9,096)**	**(9,096)**
Exchange differences arising on translation of financial statements of foreign operations and other comprehensive expense for the period	**–**	**–**	**–**	**–**	**–**	**(21)**	**–**	**–**	**(21)**
Total comprehensive expense for the period	**–**	**–**	**–**	**–**	**–**	**(21)**	**–**	**(9,096)**	**(9,117)**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**3,047**	**–**	**3,047**
Exercise of share options (note 15(b))	**564**	**10,508**	**–**	**–**	**–**	**–**	**(4,298)**	**–**	**6,774**
Lapse of share options	**–**	**–**	**–**	**–**	**–**	**–**	**(92)**	**92**	**–**
Issue of shares upon placing (note 15(a))	**4,000**	**56,000**	**–**	**–**	**–**	**–**	**–**	**–**	**60,000**
Expenses incurred in connection with the issue of shares	**–**	**(3,039)**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,039)**
At 30 June 2015 (unaudited)	**24,643**	**143,928**	**2,000**	**1,319**	**8,833**	**14,473**	**12,188**	**161,991**	**369,375**
At 1 January 2014 (audited)	20,079	80,459	2,000	1,319	8,833	21,012	13,626	156,444	303,772
Profit for the period	–	–	–	–	–	–	–	4,198	4,198
Exchange differences arising on translation of financial statements of foreign operations and other comprehensive expense for the period	–	–	–	–	–	(6,316)	–	–	(6,316)
Total comprehensive (expense) income for the period	–	–	–	–	–	(6,316)	–	4,198	(2,118)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	1,025	–	1,025
Lapse of share options	–	–	–	–	–	–	(1,772)	1,772	–
At 30 June 2014 (unaudited)	20,079	80,459	2,000	1,319	8,833	14,696	12,879	162,414	302,679

Notes:

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

(ii) The merger reserve of the Group represented the difference between the par value of the shares of Company issued in exchange for the entire share capital of Jollirich Investment Limited, Casablanca International Limited and Rich Creation Asia Investment Limited and transfer of 11.76% of equity interest in Forcetech (Shenzhen) Company Limited 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Net cash (used in) from operating activities	**(530)**	13,095
Net cash used in investing activities		
Proceeds from disposal of property, plant and equipment	**15**	182
Purchase of available-for-sale investment	**(7,749)**	–
Purchase of property, plant and equipment	**(2,314)**	(3,102)
(Placement) withdrawal of pledged bank deposits	**(1)**	10
Other investing cash flows	**309**	327
	(9,740)	(2,583)
Net cash from (used in) financing activities		
Proceeds from issue of shares	**60,000**	–
Exercise of share options	**6,774**	–
Repayments of bank borrowings	**(11,354)**	(28,437)
Expenses incurred in connection with the issue of shares	**(3,039)**	–
Repayments of obligations under a finance lease	**(355)**	(284)
New bank loans raised	**–**	10,000
Other financing cash flows	**(1,545)**	(2,319)
	50,481	(21,040)
Net increase (decrease) in cash and cash equivalents	**40,211**	(10,528)
Cash and cash equivalents at beginning of the period	**140,208**	134,428
Effect of foreign exchange rate changes	**(211)**	(791)
Cash and cash equivalents at end of the period, represented by bank balances and cash	**180,208**	123,109

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. Basis of Preparation

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

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning on 1 January 2015.

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

In addition, the Group has applied the following accounting policy for available-for-sale investment during the current interim period.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less any identified impairment losses at the end of the reporting period.

When an available-for-sale financial asset is considered to be impaired, accumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

3. 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 conforming to HKFRSs, which are regularly reviewed by the executive directors of the Company, the chief operating decision maker of the Group. The executive directors of the Company regularly review revenue analysis by (i) self-operated retail sales; (ii) sales to distributors and (iii) others. However, other than revenue analysis, no operating results and other discrete financial information is available for the assessment of performance of the respective products. The executive directors of the Company review the revenue and the profit for the year of the Group as a whole to make decision about resources allocation. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the executive directors of the Group. Accordingly, no analysis of this single operating segment is presented.

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

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

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

The information of segment revenue is as follows:

	Six months ended 30 June	
	2015	2014
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Self-operated retail sales	**141,469**	141,196
Sales to distributors	**25,491**	28,722
Others	**9,657**	61,139
	176,617	231,057

3. Revenue and Segment Information (continued)

Entity-wide information

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

	Six months ended 30 June	
	2015	2014
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Bed linens	**100,738**	106,857
Duvets and pillows	**66,842**	118,650
Other home accessories	**9,037**	5,550
	176,617	231,057

4. Other Gains and Losses

	Six months ended 30 June	
	2015	2014
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Allowance for doubtful debts	**(660)**	(958)
Allowance for other receivables	**–**	(490)
Loss on disposal of property, plant and equipment	**(643)**	(366)
Net exchange gains (losses)	**416**	(1,981)
	(887)	(3,795)

5. Finance Costs

	Six months ended 30 June	
	2015	2014
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Interest on:		
Bank borrowings wholly repayable		
– within five years	**1,446**	448
– after five years	**73**	1,838
Finance lease	**26**	33
Total borrowing costs	**1,545**	2,319

6. (Loss) Profit Before Taxation

	Six months ended 30 June 2015 HK$'000 (unaudited)	2014 HK$'000 (unaudited)
(Loss) profit before taxation has been arrived at after charging:		
Directors' and chief executive's remuneration (excluding share-based payments)	**4,735**	4,164
Other staff costs	**42,476**	42,736
Share-based payments (included in selling and distribution costs and administrative expenses)	**3,047**	1,025
Amortisation of intangible assets	**1**	1
Amortisation of prepaid lease payments	**302**	305
Allowance for inventories (included in costs of goods sold)	**357**	150
Depreciation of property, plant and equipment	**7,077**	6,481
Operating lease rentals in respect of		
– rented premises	**1,768**	1,690
– retail stores (note)	**5,075**	4,411
– department store counters (note) (including concessionaire commission) (included in selling and distribution costs)	**32,735**	40,777
	39,578	46,878

Note: Included contingent rent of HK$19,374,000 for the six months ended 30 June 2015 (six months ended 30 June 2014: HK$22,263,000). The contingent rent refers to the operating lease rentals based on pre-determined percentages of realised sales less basic rentals of the respective leases.

7. Taxation

	Six months ended 30 June 2015 HK$'000 (unaudited)	2014 HK$'000 (unaudited)
Current tax:		
Hong Kong	**442**	4,319
Overprovision in prior period:		
Hong Kong	**(48)**	(20)
PRC Enterprise Income Tax (the "EIT")	**–**	(227)
	(48)	(247)
Withholding tax paid on distributed profits	**1,113**	–
Deferred tax:		
Current period	**128**	(288)
Withholding tax on undistributed profits	**(1,461)**	–
	(1,333)	(288)
	174	3,784

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both periods. The PRC EIT is provided at 25% on the estimated assessable profit for both periods.

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 nil (31 December 2014: RMB20,938,000 (equivalent to HK$26,159,000)). Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of the remaining temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB14,240,000 (equivalent to HK$17,809,000) (31 December 2014: RMB14,183,000 (equivalent to HK$17,720,000)) 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.

8. Dividend

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period (six months ended 30 June 2014: nil).

9. (Loss) Earnings Per Share

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

	Six months ended 30 June	
	2015	2014
	HK$'000	HK$'000
	(unaudited)	(unaudited)
(Loss) earnings		
(Loss) profit for the period attributable to owners of the Company for the purposes of basic and diluted (loss) earnings per share	**(9,096)**	4,198

	Six months ended 30 June	
	2015	2014
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	**228,414,707**	200,788,000

The diluted loss per share for the six months ended 30 June 2015 has not taken into account the effect of outstanding share options as exercise of such options would result in a decrease in loss per share.

The computation of diluted earnings per share for the six months ended 30 June 2014 does not assume the exercise of the Company's share options because the adjusted exercise price of the share options (after the adjustment of the fair value of the unvested share options) were higher than the average market prices of shares of the Company during the six months ended 30 June 2014.

10. Property, Plant and Equipment

During the six months ended 30 June 2015, the Group spent HK$2,941,000 (six months ended 30 June 2014: HK$5,020,000) on purchase of property, plant and equipment.

11. Available-For-Sale Investment

The balance represents an unlisted investment in 15% equity interest in a private entity, an investment holding company incorporated in Hong Kong whose subsidiaries are principally engaged in virtual retailing business through a television shopping channel in the PRC. As at 30 June 2015, the investment is measured at cost less impairment because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably.

12. Trade and Other Receivables

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 ranges from 30 to 75 days. For distributors and wholesale sales, the Group allows a credit period of 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 date at the end of the reporting period, which approximated the respective revenue recognition dates.

	30.6.2015 HK$'000 (unaudited)	31.12.2014 HK$'000 (audited)
Within 30 days	**34,955**	46,745
31 to 60 days	**4,597**	17,576
61 to 90 days	**1,854**	5,594
91 to 180 days	**3,213**	3,370
181 to 365 days	**8,417**	10,105
Over 365 days	**2,374**	4,241
Trade and bills receivables	**55,410**	87,631

13. Trade and Other Payables

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

	30.6.2015 HK$'000 (unaudited)	31.12.2014 HK$'000 (audited)
Within 30 days	**28,693**	35,743
31 to 60 days	**11,881**	13,412
61 to 90 days	**6,112**	11,520
91 to 180 days	**4,471**	10,162
Over 180 days	**–**	1,141
Trade and bills payables	**51,157**	71,978

Included in other payables is payable for acquisition of property, plant and equipment of HK$1,994,000 (31 December 2014: HK$2,381,000).

14. Bank Borrowings

During the six months ended 30 June 2015, the Group did not obtain any new bank borrowings (six months ended 30 June 2014: HK$10,000,000) and repaid bank borrowings of HK$11,354,000 (six months ended 30 June 2014: HK$28,437,000). The loans carry interest at market rates ranging from 1.68% to 7.29% (31 December 2014: 1.69% to 7.32%) and are repayable up to six years.

15. Share Capital

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

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2014, 30 June 2014, 1 January 2015 and 30 June 2015	500,000,000	50,000
Issued and fully paid:		
At 1 January 2014, 30 June 2014 and 1 January 2015	200,788,000	20,079
Issue of shares on 13 March 2015 (note a)	40,000,000	4,000
Exercise of share options (note b)	5,644,000	564
At 30 June 2015	246,432,000	24,643

Notes:

(a) On 13 March 2015, pursuant to the conditional placing agreement dated 2 March 2015, 40,000,000 ordinary shares of HK$0.1 each were allotted and issued at HK$1.50 per share.

(b) During the six months ended 30 June 2015, 5,644,000 ordinary 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 of the Company which was adopted pursuant to the sole shareholder's resolution passed on 22 October 2012 (as defined in note 16(a)) by the option holders.

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

16. Share Option Schemes

(a) Pre-IPO share option scheme

The 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.

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.

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.

(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 is 20,000,000 shares, representing 9.96% of the shares of the Company in issue at the date of annual report for the year ended 31 December 2014; 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.

16. Share Option Schemes (continued)

In the current interim period, share options were granted on 9 April 2015 with an aggregate estimated fair value of HK$8,200,000.

The closing price of the Company's shares immediately before 9 April 2015, the date of grant was HK$4.84.

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

Date of grant	**9.4.2015**
Share price at grant date	HK$4.95
Exercise price	HK$4.95
Expected volatility	43.10%
Expected life	3 years
Risk-free rate	0.670%
Expected dividend yield	0%
Sub-optimal exercise factor	2.80 for directors of the Company and 2.39 for employees of the Group

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

The Group recognised the share-based payments of HK$3,047,000 for the six months ended 30 June 2015 (six months ended 30 June 2014: nil) in relation to share options granted by the Company during the interim period.

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

At 30 June 2015, the number of shares in respect of which options had been granted and remained outstanding under the Pre-IPO Share Option Scheme and Share Option Scheme was, in aggregate, 17,544,000 (31 December 2014: 17,764,000), representing 7.12% (31 December 2014: 8.85%) of the shares of the Company in issue at that date.

The weighted average exercise price of options outstanding at the end of the reporting period is HK$2.39 (31 December 2014: HK$1.20).

16. Share Option Schemes (continued)

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 both periods:

For the six months ended 30 June 2015

Categories of participants	Date of grant	Exercisable period	Exercise price HK$	Outstanding at 1.1.2015	Number of share options Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30.6.2015
Under the Pre-IPO Share Option Scheme								
Executive directors	7.11.2012	23.5.2013 – 6.11.2022	1.20	12,000,000	–	–	–	12,000,000
Employees	7.11.2012	23.5.2013 – 6.11.2022	1.20	4,396,000	–	(4,276,000)	(120,000)	–
Consultant (note a)	7.11.2012	23.5.2013 – 6.11.2022	1.20	320,000	–	(320,000)	–	–
Customers (note b)	7.11.2012	23.5.2013 – 6.11.2022	1.20	928,000	–	(928,000)	–	–
Supplier (note c)	7.11.2012	23.5.2013 – 6.11.2022	1.20	120,000	–	(120,000)	–	–
				17,764,000	–	(5,644,000)	(120,000)	12,000,000
Under the Share Option Scheme								
Executive directors	9.4.2015	9.10.2015 – 8.4.2018	4.95	–	2,990,000	–	–	2,990,000
Non-executive director	9.4.2015	9.10.2015 – 8.4.2018	4.95	–	1,000,000	–	–	1,000,000
Employees	9.4.2015	9.10.2015 – 8.4.2018	4.95	–	1,604,000	–	(50,000)	1,554,000
				–	5,594,000	–	(50,000)	5,544,000
				17,764,000	5,594,000	(5,644,000)	(170,000)	17,544,000

16. Share Option Schemes (continued)

For the six months ended 30 June 2014

Categories of participants	Date of grant	Exercisable period	Exercise price HK$	Number of share options Outstanding at 1.1.2014	Lapsed during the period	Outstanding at 30.6.2014
Under the Pre-IPO Share Option Scheme						
Executive directors	7.11.2012	23.5.2013 – 6.11.2022	1.20	14,000,000	(2,000,000)	12,000,000
Employees	7.11.2012	23.5.2013 – 6.11.2022	1.20	5,104,000	(668,000)	4,436,000
Consultant (note a)	7.11.2012	23.5.2013 – 6.11.2022	1.20	320,000	–	320,000
Customers (note b)	7.11.2012	23.5.2013 – 6.11.2022	1.20	928,000	–	928,000
Supplier (note c)	7.11.2012	23.5.2013 – 6.11.2022	1.20	120,000	–	120,000
				20,472,000	(2,668,000)	17,804,000

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.

17. CAPITAL COMMITMENT

	30.6.2015 HK$'000 (unaudited)	31.12.2014 HK$'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
– property, plant and equipment	**1,981**	2,076
– intangible assets	**260**	–
	2,241	2,076

18. RELATED PARTY TRANSACTIONS

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

Name of related companies	Relationship	Nature of transactions	Six months ended 30 June 2015 HK$'000 (unaudited)	2014 HK$'000 (unaudited)
Shenzhen Fusheng Trading Company Limited	Related company (Note)	Rental expenses	**1,152**	387
Gain Harvest Investment Limited	Related company (Note)	Rental expenses	**816**	840
Wealth Pine Asia Limited	Related company (Note)	Rental expenses	**558**	540

Note: Certain directors who are also the controlling shareholders have directorship or direct beneficial and controlling interests in these related companies.

Compensation of key management personnel

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

	Six months ended 30 June 2015 HK$'000 (unaudited)	2014 HK$'000 (unaudited)
Salaries and allowances	**5,362**	4,458
Retirement benefit schemes contributions	**331**	249
Share-based payments	**2,116**	783
	7,809	5,490

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)

Non-executive Director

Mr. Mok Tsan San

Independent Non-executive Directors

Mr. Zhang Senquan
Mr. Kam Leung Ming
Mr. Leung Yiu Man

Committees

Audit Committee

Mr. Zhang Senquan *(Chairman)*
Mr. Kam Leung Ming
Mr. Leung Yiu Man

Remuneration Committee

Mr. Kam Leung Ming *(Chairman)*
Mr. Zhang Senquan
Mr. Leung Yiu Man

Nomination Committee

Mr. Cheng Sze Kin *(Chairman)*
Mr. Zhang Senquan
Mr. Kam Leung Ming
Mr. Leung Yiu Man

Company Secretary

Mr. Ho Yiu Leung

Authorised Representatives

Ms. Wong Pik Hung
Mr. Ho Yiu Leung

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Headquarters and Principal Place of Business

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9-13 Wong Chuk Yeung Street
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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

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