CASABLANCA GROUP LIMITED

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

STOCK CODE: 2223

LEADING BRANDED

BEDDING PRODUCTS COMPANIES IN THE GREATER CHINA REGION

ANNUAL REPORT 2015

CASABLANCA® HOME Casa Calvin CASA-V Dolce Sogno® FORCETECH C2 BEDDING VOSSEN A TOUCH OF ENERGY

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

OUR DISTRIBUTION NETWORK

287 POS(1)

in 92 cities in well developed areas in the Greater China Region(2)

201

concession counters in well known department stores

140

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

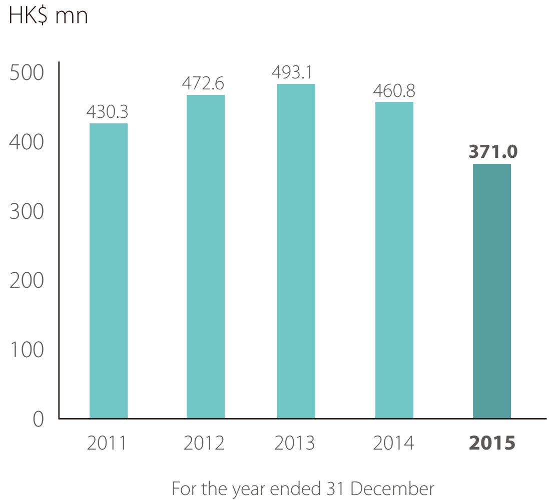
(1) POS stands for points of sales

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

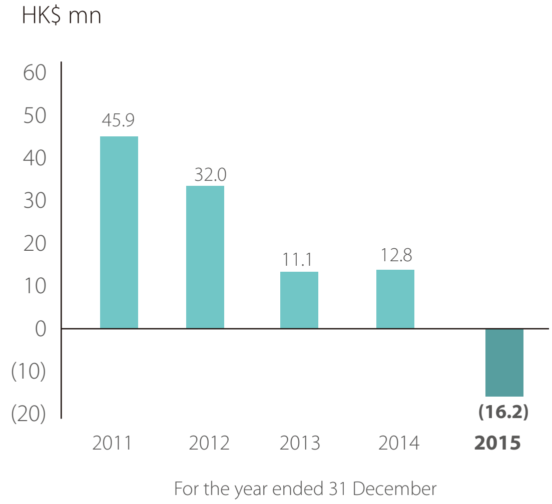

Self-operated POS
Distributor-operated POS
Heilongjiang 2
Jilin 1 2
Inner Mongolia 2
Liaoning 1 17
9 Beijing
1 Tianjin
Hebei 1 5
Shanxi 2 1
4 Shandong
Shaanxi 1
Henan 1
6 4 Jiangsu
Sichuan 12
6 Chongqing
Hubei 1 1
Anhui 2 1
1 Shanghai
1 5 Zhejiang
Jiangxi 2
Hunan 8
Guizhou 1
1 3 Fujian
Yunnan 1
3 Guangxi
3 Hainan
Rest of Guangdong 9 31
Shenzhen 35 10
Guangzhou 17 11
53 Hong Kong
1 4 Macau

FINANCIAL HIGHLIGHTS AND SUMMARY

REVENUE



(LOSS)/PROFIT FOR THE YEAR



CONSOLIDATED RESULTS[1]

	For the year ended 31 December				
	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000
Revenue	**370,969**	460,824	493,104	472,593	430,263
Gross profit	**229,205**	278,294	303,778	292,082	253,749
EBITDA[2]	**11,193**	42,321	42,430	71,154	55,743
(Loss)/profit attributable to owners of the Company	**(16,230)**	12,753	11,061	32,019	45,864

Note:

1. The summary of the consolidated results of the Group for the year ended 31 December 2011 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 that year.

2. 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				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**526,491**	515,780	559,485	500,951	362,905
Total liabilities	**156,938**	204,070	255,713	229,102	201,874
Total equity	**369,553**	311,710	303,772	271,849	161,031
Total bank borrowings	**74,495**	96,437	136,223	95,858	57,395
Pledged bank deposit and bank balances and cash	**184,185**	141,433	135,641	137,774	107,050
Net cash/(bank borrowings)	**109,690**	44,996	(582)	41,916	49,655

KEY FINANCIAL RATIOS

	For the year ended 31 December				
	2015	2014	2013	2012	2011
Gross profit margin	**61.8%**	60.4%	61.6%	61.8%	59.0%
EBITDA margin	**3.0%**	9.2%	8.6%	15.1%	13.0%
Net (loss)/profit margin	**-4.4%**	2.8%	2.2%	6.8%	10.7%
Return on assets	**-3.1%**	2.5%	2.0%	6.4%	12.6%
Return on equity	**-4.4%**	4.1%	3.6%	11.8%	28.5%
Interest coverage[2]	**3.9**	9.9	14.6	103.0	67.2
Current ratio	**2.6**	2.0	2.0	1.7	1.4
Quick ratio	**2.0**	1.5	1.4	1.3	1.0
Gearing ratio[3]	**20.2%**	30.9%	44.8%	35.3%	35.6%
Net gearing ratio[3]	**N/A**	N/A	0.2%	N/A	N/A
Inventory turnover (days)	**222.1**	199.5	184.5	165.5	155.5
Trade and bills receivables turnover (days)	**74.8**	74.9	73.4	65.2	54.7
Trade and bills payables turnover (days)	**166.1**	162.8	141.6	103.9	82.6

Note:

1. The summary of the consolidated assets and liabilities as at 31 December 2011 which were extracted from the Company's prospectus dated 13 November 2012 have been prepared on a combined basis as if the Group structure, at the time when the Group Reorganisation was completed on 22 October 2012, has been in existence throughout that year.
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 net bank borrowings 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 2015 (the "Year" or the "Review Period").

The year of 2015 has been the most challenging year since the Group's listing. The Group's total revenue decreased by 19.5% to HK$371.0 million for 2015 from HK$460.8 million for 2014. Affected by the sluggish retail market in the PRC and the decrease in the number of self-operated POS, the Group's revenue from operations in the PRC decreased by 22.7% during the Review Period. Due to the decrease in bulk sales to a wholesale customer in Hong Kong, the Group's revenue from operations in Hong Kong and Macau also decreased by 16.9% during the Review Period. However, excluding the sales of wholesale business, the Group still recorded a 6.8% growth of revenue from the retail business in Hong Kong and Macau during the Review Period, despite frequent disputes among the community, decline in the number of Chinese tourists visiting Hong Kong and unfavorable sentiment of the retail market in Hong Kong in 2015.

During the Review Period, the Group's business model in the PRC was still in the transition period. Although the Group has closed down a number of self-operated POS, the overall operating expenses in the PRC remained at a high level, therefore, the Group had recorded loss in the operations in the PRC. Besides, with a view to raise brand awareness and support the launch of new brand products, the Group's promotion costs have increased during the Review Period. Along with the share-based payments during the period, as a result, the Group recorded a loss of HK$16.2 million in 2015 as compared to a profit of HK$12.8 million in 2014.

The retail sector has faced challenges such as high rentals and staff costs in recent years. As various bedding products companies launched price-cutting promotions to clear inventory, coupled with the huge impact brought by e-commerce on the traditional offline sales channels, during the Review Period, the Company adopted a series of business upgrade and transformation measures, making dedicated efforts to reduce costs, strengthen its business foundation and develop new business areas amid the challenged economic environment.

Continuous research and development of products with "Contemporary, Functional and Innovative" as design concept is crucial for us to maintain our leading position in the industry. Various departments of the Company joined forces to provide comfortable and durable products with contemporary designs to the market by taking account of various factors, including changes in consumers' living environment, the trend of consumption upgrade of the general public and their better health-consciousness, and development of material technology, etc.. I am very excited about the Company's launch of "CASA-V" brand with the first invented "5A Features" bedding products in Hong Kong during the Review Period. Moreover, based on our understanding of consumers' expectations about bedding products, we have also developed the new material "Magic Silk" which features a combination of Tencel and pure cotton in the perfect proportion during the Year.

During the Year, we aimed at enhancing operation efficiency and continued to adjust our sales network structure in the PRC. Moreover, in order to lower our reliance on the revenue from retail business, the Group actively broadened its source of revenue in the commercial-customer market during the Review Period, including direct sales channels on television, hotels, etc.

Effective marketing strategies will help consumers to recognize the Company's brands better. During the Review Period, it was encouraging that the Group engaged an entertainment celebrity renowned in both China and Hong Kong to be the spokesman for the first time ever. The healthy and fresh image of the celebrity happened to match perfectly with the Group's brands and successfully gave a deeper impression to consumers. In 2015, we also launched our first television advertisement starring our spokesman, which was broadcasted on major television channels during the prime time and therefore reached a wide range of potential consumers of the Group. We understand that social media is an effective medium for increasing interactions with consumers. As such, we also increased our promotional efforts on Facebook in 2015, as a result, the number of followers of the Group's Facebook has increased significantly.

According to general market forecasts, the retail market will encounter an extremely challenging operating environment in 2016. With the resources integration over the past two years and leveraging the Group's leading position in the market, the Group will strengthen its foundation and seek opportunities for growth by upholding a cautiously optimistic attitude; thereby continue to promote healthy sleeping and a green lifestyle.

Firstly, outstanding products which can satisfy market demands are the core of our business growth. We will develop more high quality materials and fashionable pattern designs based on market trends, introduce more premium brands from overseas, enrich our product mix and introduce products with new cartoon characters, so as to provide consumers with exquisite products by adhering to the design concept of "Innovative, Contemporary and Functional".

Secondly, we are committed to provide premium shopping experience to our customers. The Group will continue to upgrade the decoration and display of the POS, strengthen trainings on customer services and product knowledge to sales staff, so as to provide customers with comfortable shopping environment and attentive services. Moreover, in order to adapt to the changes of consumer habit, the Group will enhance its efforts in the development of online sales channels. We will also spare no effort to explore the commercial-customer market and enhance our communications with commercial customers, striving to satisfy the unique demands of commercial customers from different sectors.

Thirdly, enhancing brand positioning is our key strategy in exploring new customer groups. In 2016, the Group will strive to create a more youthful image of the brand, understand and respond to the demands of young couples nowadays for fashionable products with health functions in order to expand our customer base other than mature customers. In addition, we will also actively participate in charitable events, so that we can extend our love and care to those in needs in the society while promoting healthy sleeping and a green lifestyle.

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 contributions to the development of the Group.

Cheng Sze Kin
Chairman
Hong Kong, 24 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The bedding products industry was operating in a difficult environment in 2015. Apart from challenges such as high rentals and staff costs, various bedding products companies launched price-cutting promotions to clear inventory and actively developed online sales channels, which had a huge impact to the traditional offline sales channels. During the Review Period, the Group continued to adopt various measures to reduce costs, strengthen our foundation and develop new business areas.

Optimised brand structure and launched pioneer products in the market

The Group continued to increase the differentiation of our proprietary brands "Casa Calvin" and "Casablanca" by seeking improvement in areas such as product mix, packaging, shop image and sales strategies. In view of consumers' concern over environmental pollution and their demands for healthy products, the Group proudly introduced a new proprietary brand, "CASA-V", in the Hong Kong market in May 2015, bringing stylishly-designed home accessories with health functions and environmental-friendly features to the high-end consumers. "CASA-V" products are the first series of bedding products with "5A Features" in Hong Kong, which include functions such as Air purification, Anti-bacteria, Anti-fungal, Anti-mite and Anti-odor, thereby creating a refreshing, fashionable and comfortable sleeping environment for the users. The successful launch of the innovative brand "CASA-V" has effectively demonstrated the foresight of the Company in terms of product development and further enhanced the Company's leading position in the industry.

Apart from the health functions, the Company also placed great emphasis on the texture, appearance and the readiness for daily care of its product materials. During the Review Period, the Group developed the "Magic Silk" series with a view to satisfy consumers' demands for soft and smooth bedding products that are easy to wash. The "Magic Silk" series of the Company features a combination of Tencel and cotton in the perfect proportion. The products under the series not only possess the softness, smoothness and glowing appearance of Tencel, but also come with the features of breathability, freshness and durability against washing and wearing of pure cotton.

The Group continued to implement its multi-brand strategy. In addition to operating our proprietary brands (including "Casa Calvin", "Casablanca" and "CASA-V"), the Group had also distributed a number of premium European brands of quality bedding products and featured home accessories, including "Home Concept", "Elle Deco" and "Centa Star". During the Review Period, the Company had commenced its cooperation with "VOSSEN", a first-class Austrian brand for bathroom products, and became the exclusive distributor of "VOSSEN" in the Greater China Region, bringing consumers quality terry towelling products that are made in Austria. "VOSSEN" mainly produces quality towels, bathrobes and bathmats. Manufactured by adopting the most advanced AIR Pillow Technology and KKV dyeing method, its products all come with fabulous and long-lasting colours. The Company strongly believes that the alliance with "VOSSEN" will enhance our product mix and introduce more options to mid-high end consumers with an emphasis on lifestyle quality.

Adjusted the sales network structure in China

During the Review Period, the Group continued to adjust the sales network structure in China to reduce costs and enhance operation efficiency. Affected by issues such as overlapping services coverage and high operating costs, we closed down 75 inefficient self-operated POS and strategically established 11 new self-operated POS in districts where customers of the Group's brand are located. As at 31 December 2015, the sales network of the Group consists of a total of 287 POS (2014: 361 POS) covering 92 cities in 30 provinces, autonomous regions, municipalities and special administrative regions in the Greater China Region, including a total of 140 self-operated POS and 147 POS operated by distributors.

	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	35	19	54	2	2	4	58
PRC							
Southern[(1)]	60	1	61	16	42	58	119
Northern[(2)]	12	0	12	8	1	9	21
Eastern[(3)]	10	0	10	14	6	20	30
Northeast[(4)]	2	0	2	21	0	21	23
Southwest[(5)]	0	0	0	16	4	20	20
Central[(6)]	1	0	1	1	9	10	11
Northwest[(7)]	0	0	0	3	2	5	5
PRC subtotal	85	1	86	79	64	143	229
Total	**120**	**20**	**140**	**81**	**66**	**147**	**287**

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.

The Group originally planned 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 2015. "Healthy Lifestyle Store" would focus on selling products with "5A Features" and premium healthy-living related home accessories from around the world. Unfortunately, the Group was not able to identify suitable store for the establishment of "Healthy Lifestyle Store" during the Review Period.

Expanded sales channels and broadened income streams

In 2015, the Group actively expanded various sales channels to broaden its income streams. 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. As Million Zone further issued shares to other investors, the Group's equity interests in Million Zone was reduced to 13.6% as at 31 December 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 interests 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. The Group had commenced its cooperation with the television shopping channel under Million Zone in Guangdong Province in the second half of 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

We believe that the successful development in the hotel commercial-customer market will effectively provide a steady income source for the Group and enhance its brand positioning. The Group 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 supply to 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 had also proactively developed commercial-customer markets which had synergy effect to the Group's business. During the Review Period, in addition to continuing our cooperation with various retail chains, banks and websites, we also actively negotiated with various types of commercial customers, such as airlines, property developers, hospitals, gyms and beauty centres, with an aim to broaden the Group's income streams.

Stepped up marketing efforts and customer relationship management

Stepping up marketing efforts and customer relationship management is the main focus in the Group's scope of work in 2015. At the beginning of 2015, the Group officially engaged an entertainment celebrity renowned in both China and Hong Kong to be the spokesman in the Greater China Region, which is the first time for the Group to engage a celebrity to be the spokesperson since its establishment. In order to support the introduction of "CASA-V" in the market, the Group also launched its first television advertisement starring the spokesman in May 2015 in the Hong Kong market, and it was broadcasted on major television channels during the prime time so as to enhance its brand awareness. Moreover, we upgraded the POS's image and display at the same time to strengthen our brand's distinctive image. In recognition of our successful advertising strategies, the Group was awarded the "2015 TVB Weekly Brand Award – The Expert of Bedding Products".

In order to adapt to consumers' habit in receiving information and the latest marketing trend, apart from advertisement on traditional promotion channels such as bus and MTR train bodies and cabins as well as the printed media, we also enhanced our promotional efforts on online channels. During the Review Period, we actively expanded the Group's Facebook page, updated the page more frequently and launched new games from time to time to increase our interaction with consumers. The number of followers of the Group's Facebook page has increased by more than double to over 10,000 from approximately 4,000 at the beginning of the Year. In respect of domestic consumers, we have launched our first promotion activity on WeChat at the beginning of 2015 to align with the promotion of our self-operated stores in Guangdong province. We also revamped the design of the Company's website in 2015 to create a more prominent and youthful image of the Group.

Apart from enriching our product offerings and enhancing our promotional efforts, promoting the shopping experience of our customers is also one of the major tasks of the Group during the Review Period. In order to enhance the Group's image as a brand for healthy and environmental-friendly lifestyle, we have strengthened our unified image of POS by adding green elements in the design of product display. Moreover, tablet computers are provided at POS so that customers may read our product catalogues comfortably, at the same time reducing the impacts on the environment from the production of the printed versions of our catalogues. The service quality of the frontline sales staff is the key to customers' shopping experience. In 2015, the Group has strengthened its training on customer services and product knowledge to frontline sales staff and provided them with consistent and clear guidance to ensure that consumers would receive attentive services whenever they shop at our POS.

During the Review Period, the Group actively participated in charitable events, including donation of bedding products to Ronald McDonald House Charities® of Hong Kong, donation to and participation in "Yan Chai Fortune Bag in Care of Elderly (仁濟安老送關懷愛心福袋賀回歸)" organised by Yan Chai Hospital, support for the "Pink Revolution" organised by Hong Kong Cancer Fund, title sponsorship for "Yan Chai Charity Walk 2015", etc. The participation in corporate social responsibility activities not only can provide care and assistance to those in needs, but may also help to increase staff members' sense of belonging to the Group as well as enhance the image of the Group as a whole.

Future Prospects

Looking into 2016, the global economic environment is likely to remain challenging. However, the Chinese government has further proposed to fully release the household registration system under the National New Urbanisation Plan (國家新型城鎮化規劃) to push forward urbanisation and thus boost the household consumption as well as domestic demand. On the other hand, the "Two-child Policy" has been fully open for implementation in October 2015. Property markets in first and second-tier cities in the Mainland China recorded gradual recovery in the second half of 2015 while local governments of third-tier cities are expected to introduce measures to support the property market. Moreover, the Chinese government also proposed to focus on the development of "Internet +" in 2015, with a view to promote the healthy development of e-commerce, industrial informationisation and internet finance, which will become the most important growth driver for the economic development of China in the future. Driven by the rising consumption power, large number of newborn babies and people moving into new houses, as well as the booming of e-commerce, the vast Chinese market still has strong demand for fashionable and quality bedding products and home accessories with health functions. The Group will actively seek to broaden its income stream and make steady progression towards being an O2O brand for green household by taking a cautiously optimistic approach which aims at maintaining profitability and strives for better results.

Optimise brand structure and expand product portfolio

The Group will continue to optimise the product mix under its proprietary brands, namely "Casa Calvin", "Casablanca" and "CASA-V". We will enhance brand differentiation of "Casa Calvin" and "Casablanca" in terms of product materials, craftsmanship and design styles, with a view to provide more choices to satisfy customers with different consumption power. As for "CASA-V", the Group will extend the "5A Features" to baby products and other home accessories. It is expected that the baby products with "5A Features" will be first launched in 2016, so that "CASA-V" will be gradually transformed from a brand for traditional bedding products to a brand for healthy and environmental-friendly home living.

We understand that customers with higher consumption power tends to purchase imported goods, therefore, the Group have been identifying brands for fashionable bedding products from overseas in an effort to provide more quality choices for consumers. In addition, the Group also actively discussed with licensors of popular cartoon characters about the authorisation for design, production and sales of related bedding products, which has enriched our offerings for children and kidult customers.

MANAGEMENT DISCUSSION AND ANALYSIS

Enhance the structure of sales channels and expand into commercial-customer markets

The Group has closed down a number of self-operated POS (mostly in Mainland China) in 2014 and 2015, and it is expected that its control over operation costs will begin to bear fruits in 2016. We will continue to adjust the structure of our physical sales network and close down the self-operated POS with unsatisfactory profitability. We will also continue to look for suitable locations to establish large "Healthy Lifestyle Store", which can offer not only one-stop shopping experience to consumers, but may also serve as the customer service and logistics hub of the Group's O2O business. Moreover, the Group will carry out resources integration of its PRC sales headquarters and production plant in the second quarter in 2016, with a view to reduce the administrative costs such as rentals and back-office staff.

The Group will also increase the investment in the development of its online sales business in 2016. In respect of online sales in the PRC market, we will continue to optimise the business conducted via online sales channels and strengthen the cooperation with the television shopping channel in Guangdong Province operated by Million Zone. Meanwhile, we will also actively develop our account on WeChat shop as well as other shopping websites.

In 2016, the Group will also continue to broaden its income stream from commercial-customer markets. The Group expects to resume its sales conducted through cooperation with the wholesale customer under a bulk-purchase agreement in Hong Kong in 2016. In 2015, the Group entered into a framework agreement for cooperation with SH Golden Tulip, and the supply to SH Golden Tulip branded hotels is expected to commence officially in 2016. Moreover, the Group will continue to approach commercial customers such as hospitals, airlines, property developers, etc., so as to promote its products specifically designed for different sectors that are able to cater for their special needs. The Group believes that the expansion into commercial-customer markets not only can broaden its income stream, but may also further enhance the Group's leading position in the industry and strengthen consumers' confidence in the brands under the Group.

Enhance image positioning of the brands and strengthen customer relationship management

In 2016, the Group will continue to enhance the image positioning of the brands and strengthen the customer relationship management through online and offline promotional channels. The Group will maintain its promotional efforts in traditional offline channels such as television, radio, the printed media as well as public transportation. For instance, in January 2016, we have placed large outdoor advertisement on the external wall of a famous department store in Causeway Bay, Hong Kong. Promotions conducted through traditional offline channels will effectively increase the consumers' recognition for our brands. Moreover, the Group will also closely follow the trend of social media marketing and continue to release the Group's latest information regularly on Facebook and WeChat. Various games will also be launched to increase the interaction with consumers.

During 2016, the Group will launch limited edition products endorsed by the spokesman for charity purpose, thereby encouraging consumers to join hands with the Group to support good deeds, at the same time promoting the concept of environmentally-friendly and green living. In addition, the Group is planning to launch limited edition products in collaboration with world famous cartoon characters or renowned local illustrators to support the development of creative designs.

We will provide more benefits to our members and step up our efforts in recruiting new members in 2016, including offering members pre-sale of promotional or limited edition products. Furthermore, we will also adopt the co-branding promotion strategy to provide members with other benefits from different enterprises such as membership for fitness club and cosmetic services to attract more customers to join our membership and increase the number of our members.

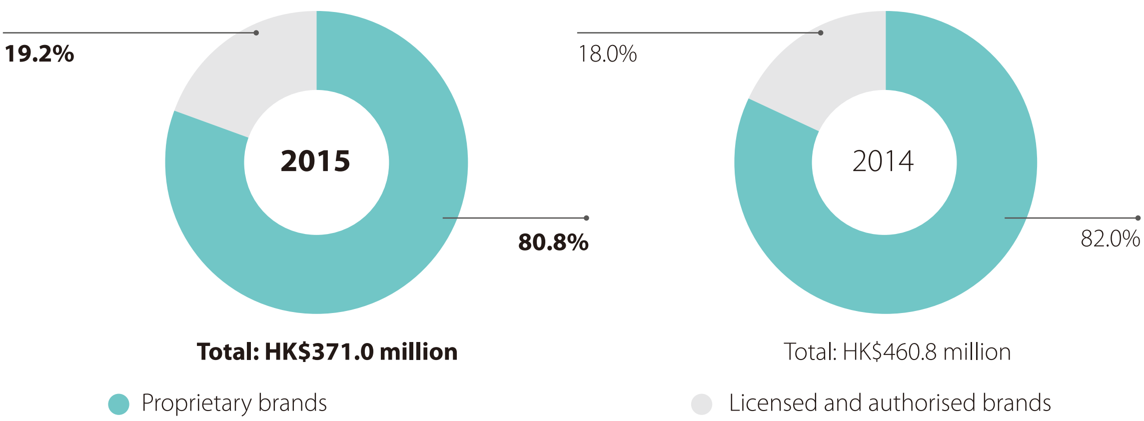
Incorporating "Contemporary, Innovative and Functional" features in our product design, the Group will endeavour to provide consumers with quality bedding products which are fashionably designed but reasonably priced, as well as appropriate and trendy home accessories. Leveraging our quality products, diversified sale channels and attentive customer services, the Group will strive for steady development in the bedding product market in the Greater China Region and continue to bring satisfactory returns to our shareholders.

Financial Review

Revenue

For the Year, the Group recorded revenue of HK$371.0 million (2014: HK$460.8 million), representing a decrease of 19.5% over 2014. The decrease in revenue was primarily attributable to the decline in 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 Year.

Breakdown of revenue by brands:

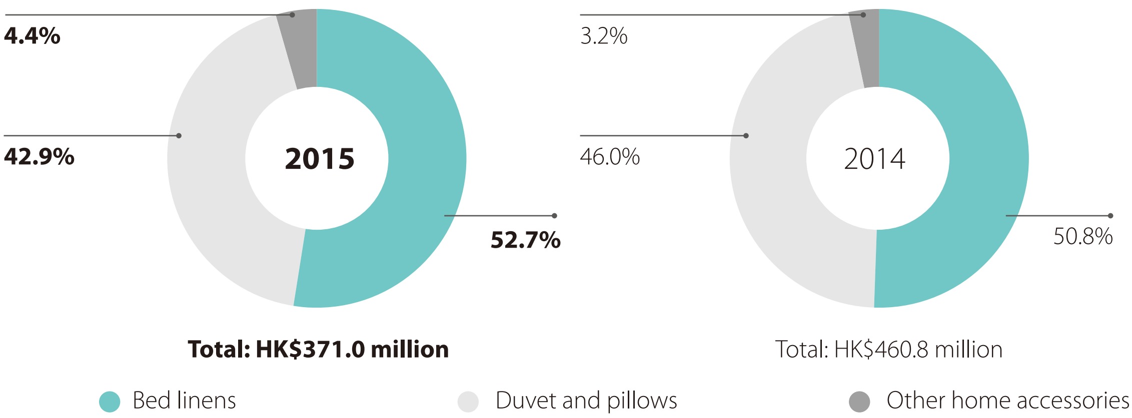


	2015		2014		Change	
	HK$'000	**% of Total**	HK$'000	% of Total	HK$'000	%
Proprietary brands	**299,607**	**80.8%**	377,699	82.0%	(78,092)	-20.7%
Licensed and authorised brands	**71,362**	**19.2%**	83,125	18.0%	(11,763)	-14.2%
Total	**370,969**	**100.0%**	460,824	100.0%	(89,855)	-19.5%

Casa Calvin, Casablanca and CASA-V are our major proprietary brands. Sales of proprietary brands recorded an overall decrease for 2015 by 20.7% to HK$299.6 million (2014: HK$377.7 million). The decline in sales under a bulk-purchase agreement to a wholesale customer in Hong Kong and through self-operated POS in the PRC was mainly for products of proprietary brands. Sales of our licensed and authorised brands for 2015 decreased by 14.2% to HK$71.4 million (2014: HK$83.1 million) primarily due to the decline in retail sales of licensed and authorised brands in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

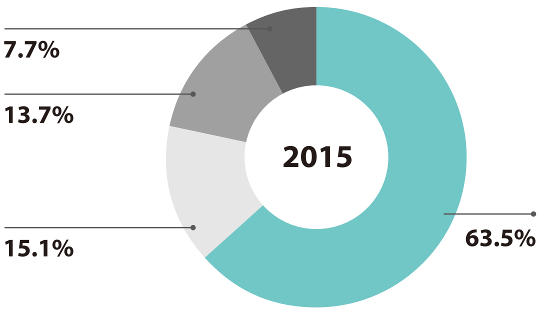
Breakdown of revenue by products:



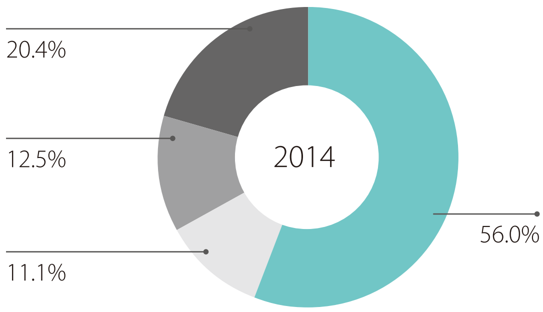
	2015 HK$'000	2015 % of Total	2014 HK$'000	2014 % of Total	Change HK$'000	Change %
Bed linens	**195,373**	**52.7%**	234,086	50.8%	(38,713)	-16.5%
Duvet and pillows	**159,227**	**42.9%**	212,015	46.0%	(52,788)	-24.9%
Other home accessories	**16,369**	**4.4%**	14,723	3.2%	1,646	11.2%
Total	**370,969**	**100%**	460,824	100.0%	(89,855)	-19.5%

Bed linens and duvets and pillows are major products of the Group. Sales of bed linens and duvets and pillows for 2015 were HK$195.4 million (2014: HK$234.1 million) and HK$159.2 million (2014: HK$212.0 million) respectively. Both sales of bed linens and duvets and pillows decreased as a result of the overall decline in sales. The higher percentage of decrease in sales of duvets and pillows compared to the overall percentage of decrease in sales was due to the decline in sales of duvets under a bulk-purchase agreement to a wholesale customer in Hong Kong.

Breakdown of revenue by channels:



Total: HK$371.0 million



Total: HK$460.8 million

Self-operated concession counters · Self-operated retail stores · Sales to distributors · Others

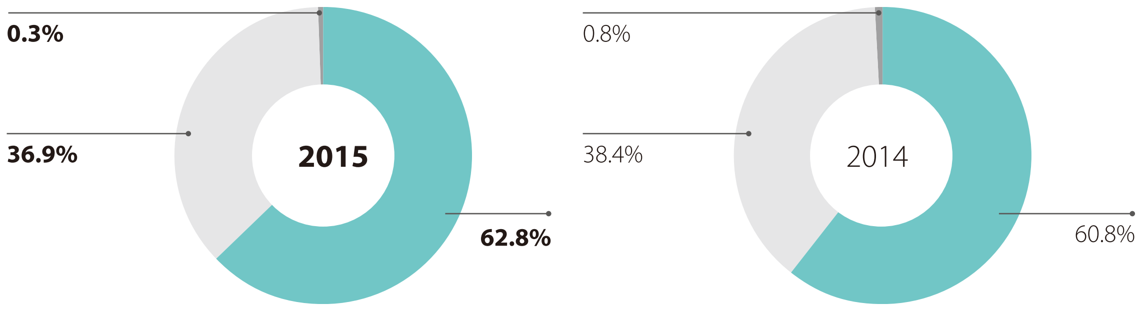
	2015 HK$'000	**2015 % of Total**	2014 HK$'000	2014 % of Total	Change HK$'000	Change %
Self-operated retail sales						
Self-operated concession counters	**235,749**	**63.5%**	258,105	56.0%	(22,356)	-8.7%
Self-operated retail stores	**55,906**	**15.1%**	50,970	11.1%	4,936	9.7%
Sub-total for self-operated retail sales	**291,655**	**78.6%**	309,075	67.1%	(17,420)	-5.6%
Sales to distributors	**50,867**	**13.7%**	57,587	12.5%	(6,720)	-11.7%
Others (Note)	**28,447**	**7.7%**	94,162	20.4%	(65,715)	-69.8%
Total	**370,969**	**100.0%**	460,824	100.0%	(89,855)	-19.5%

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

Self-operated retail sales for 2015 amounted to HK$291.7 million (2014: HK$309.1 million), accounting for 78.6% of the total revenue and representing a decrease of 5.6% as compared to that of 2014. The increase in self-operated retail sales in Hong Kong by 6.8% was wholly offset by the decrease in self-operated retail sales in the PRC by 24.8% attributable to the closure of many inefficient self-operated concession counters, the slowdown in the growth of macro-economy of the PRC and the stiff competition from online sales. Sales to distributors for 2015 decreased by 11.7% to HK$50.9 million (2014: HK$57.6 million) when distributors in the PRC faced the same problems as our self-operated retail sales. Sales to others for 2015 was HK$28.4 million (2014: HK$94.2 million) representing a significant decrease of 69.8% primarily due to the decline in sales under a bulk-purchase agreement to a wholesale customer in Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

Breakdown of revenue by geographic regions:



Total: HK$371.0 million Total: HK$460.8 million

Hong Kong and Macau PRC Others

	2015		2014		Change	
	HK$'000	**% of Total**	HK$'000	% of Total	HK$'000	%
Hong Kong and Macau	**233,012**	**62.8%**	280,380	60.8%	(47,368)	-16.9%
PRC	**136,682**	**36.9%**	176,864	38.4%	(40,182)	-22.7%
Others (Note)	**1,275**	**0.3%**	3,580	0.8%	(2,305)	-64.4%
Total	**370,969**	**100.0%**	460,824	100.0%	(89,855)	-19.5%

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

Revenue from Hong Kong and Macau, the PRC and others for 2015 were HK$233.0 million (2014: HK$280.4 million), HK$136.7 million (2014: HK$176.9 million) and HK$1.3 million (2014: HK$3.6 million) respectively. Revenue from Hong Kong and Macau decreased by 16.9% primarily due to the decline in sales under a bulk-purchase agreement to a wholesale customer which could not be sufficiently counteracted by the increase in self-operated retail sales in Hong Kong. Revenue from the PRC decreased by 22.7% primarily due to the significant decreases of self-operated retail sales and sales to distributors in the PRC.

Gross Profit and Gross Profit Margin

Gross profit decreased by 17.6% to HK$229.2 million for 2015 as compared to HK$278.3 million for 2014. The decrease in gross profit was attributable to the decline in sales. The gross profit margin for 2015 was 61.8% which was higher than 60.4% for 2014. The increase in gross profit margin for 2015 was primarily due to the significant decrease in sales to others which were at gross profit margin lower than self-operated retail sales.

Operating Expenses

Selling and distribution costs for 2015 decreased by 11.8% to HK$178.1 million from HK$202.0 million for 2014. The decrease in selling and distribution costs for 2015 was primarily attributable to a decrease in sales commission and rebate, staff and related expenses and transportation with the reduction in number of self-operated concession counters in the PRC despite the increase of marketing and promotional expenses in the launch of CASA-V brand and new products in Hong Kong.

Administrative expenses for 2015 increased by 22.6% to HK$61.3 million from HK$50.0 million for 2014. The increase was mainly due to the increase in the share-based payments, bad debts written off, Directors' remuneration, rent and rates and entertainment for 2015.

Finance Expenses

Finance costs decreased by 32.5% to HK$2.9 million for 2015 as compared to HK$4.3 million for 2014. The decrease in finance costs was primarily due to the reduction in bank borrowings during the Year.

Taxation

The Group's effective tax rate for 2015 was -12.8% as compared to 36.6% for 2014. The effective tax rate in negative for 2015 was mainly due to operation losses of subsidiaries in the PRC. Had these losses, the withholding tax on distributed profit, the reversal of deferred tax of previously recognised undistributed profit of a subsidiary in the PRC, the non-deductible share-based payments and the exchange loss on loans to subsidiaries for 2015 and 2014 been excluded, the effective tax rate for 2015 and 2014 would be approximately 18.6% and 14.9% respectively.

Loss/Profit for the Year

The Group recorded loss for the year of HK$16.2 million for 2015 and profit for year of HK$12.8 million for 2014. The reason for loss for the year for 2015 was mainly attributable to the decrease in gross profit being greater than the decrease in total expenses. Overall operation of the Group in the PRC was at loss for 2015 and 2014.

EBITDA represents gross profit less selling and distribution costs and administrative expenses adding back depreciation, amortisation and share-based payments. The EBITDA for 2015 decreased by 73.6% to HK$11.2 million from HK$42.3 million for 2014.

Major Operating Efficiency Ratios

	2015	2014
Inventory turnover *(days)*	**222.1**	199.5
Trade and bills receivables turnover *(days)*	**74.8**	74.9
Trade and bills payables turnover *(days)*	**166.1**	162.8

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 222.1 days for 2015, from 199.5 days for 2014, was due to the decline in overall sales and the reduction in number of self-operated POS, of which most were in the PRC, in 2015. Despite the increase in inventory turnover for 2015, the inventory at 31 December 2015 decreased by 10.4% to HK$81.5 million from HK$91.0 million at 31 December 2014.

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 for 2015 was 74.8 days which was almost the same as for 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

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 slightly increased to 166.1 days for 2015 from 162.8 days for 2014, 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	
	2015	2014
	HK$'000	HK$'000
Total bank borrowings	**74,495**	96,437
Pledged bank deposit and bank balances and cash	**184,185**	141,433
Net cash	**109,690**	44,996
Total assets	**526,491**	515,780
Total liabilities	**156,938**	204,070
Total equity	**369,553**	311,710

The Group has been adhering to the principle of prudent financial management in order to minimise financial and operational risks. The Group generally finances its operations with internally generated cash flows. Bank borrowings are primarily for financing the construction of the Huizhou plant.

Pledged bank deposit and bank balances and cash

As at 31 December 2015, the pledged bank deposit of the Group was approximately HK$6.8 million (2014: HK$1.2 million), which was denominated in Hong Kong dollars and Renminbi, and the bank balances and cash of the Group were approximately HK$177.4 million (2014: HK$140.2 million), which were denominated in Hong Kong dollars and Renminbi except for about 1.0% in United States dollars and Euro. Details of the Group's pledged bank deposit and bank balances and cash are set out in note 23 to the consolidated financial statements.

Bank borrowings

As at 31 December 2015, the bank borrowings of the Group was approximately HK$74.5 million (2014: HK$96.4 million), which were denominated as to 87.8% and 12.2% in Hong Kong dollars and Renminbi respectively, with all bank borrowings balances being variable-rated borrowings with effective interest rates ranging from 1.62% to 7.31% per annum. During the Year, the financial position of the Group was healthy and the Group reduced the total bank borrowings by 22.8% to HK$74.5 million (2014: HK$96.4 million). Details of the Group's bank borrowings are set out in note 25 to the consolidated financial statements.

On 4 February 2016, 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 Borrowers, impose a covenant relating to specific performance of the Ultimate 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 "Ultimate 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 Ultimate Controlling Shareholders ultimately hold 62.7% of the issued share capital of the Company.

Current ratio

The Group's total current assets increased to HK$348.9 million as at 31 December 2015 (2014: HK$335.2 million), while the total current liabilities also decreased to HK$135.2 million as at 31 December 2015 (2014: HK$165.8 million). As a result, the current ratio improved to 2.6 as at 31 December 2015 from 2.0 as at 31 December 2014.

Gearing ratio

Gearing ratio is calculated as total borrowings divided by total equity at the end of the year. As at 31 December 2015, the gearing ratio was 20.2% (2014: 30.9%) with the decrease in the bank borrowings by HK$21.9 million and the increase in total equity by HK$57.8 million. The Group was at net cash position at 31 December 2015.

Pledge of assets

As at 31 December 2015, the Group had pledged its leasehold land and buildings, prepaid lease payments and fixed deposits with an aggregate carrying value of HK$140.8 million (2014: HK$146.7 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$20.8 million (2014: HK$8.9 million) for acquisition of property, plant and equipment, available-for-sale investment and convertible bonds.

Capital commitments

As at 31 December 2015, the Group had capital commitments of approximately HK$1.4 million (2014: HK$2.1 million).

Available-for-sale Investment

On 25 June 2015, Rich Creation Asia Investment Limited ("Rich Creation"), a wholly owned subsidiary of the Company, entered into a subscription agreement with Million Zone pursuant to which Rich Creation agreed to subscribe for 301,598 newly issued ordinary shares of Million Zone, representing 15% of the total issued shares of Million Zone immediately after completion of the subscription, for a consideration of HK$7,749,000 (equivalent to US$1,000,000). Details of the subscription were disclosed in the announcements of the Company dated 8 June 2015 and 25 June 2015.

Million Zone further issued 214,064 new ordinary shares to the other two investors in December 2015. Taking these newly issued shares of Million Zone into account, the available-for-sale investment of 301,598 shares of Million Zone held by Rich Creation represented approximately 13.6% of the total issued shares of Million Zone as at 31 December 2015.

Convertible Bond

On 26 October 2015, Rich Creation subscribed for a convertible bond issued by Million Zone with principal amount of HK$3,600,000, interest rate at 8% per annum payable on 31 October 2017 with maturity on the same date. The convertible bond can be converted at any time from the date of issue to the maturity date. Details of valuation of the convertible bond are set out in note 20 to the consolidated financial statements.

Share Capital

The total number of shares of the Company as at 31 December 2015 was 258,432,000 shares (2014: 200,788,000 shares) of HK$0.10 each. As at 31 December 2015, the total issued share capital of Company was HK$25,843,000 (2014: HK$20,079,000). The movements of share capital during the Year are set out in note 28 to the consolidated financial statements.

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$0.10 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. Details of the Placing were disclosed in the announcements of the Company dated 2 March 2015 and 13 March 2015.

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") and a share option scheme (the "Share Option Scheme") before the listing. Details of the Pre-IPO Share Option Scheme and Share Option Scheme and movements of share options during the Year are set out in note 29 to the consolidated financial statements.

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

Use of Proceeds From the Listing and Placement of Shares

The Company received net proceeds raised from the listing of approximately HK$44.2 million and the placement of shares of approximately HK$57.0 million.

The use of net proceeds until 31 December 2015 was as below:

	Planned amount HK$ million	**Utilised amount** HK$ million	**Unutilised amount** HK$ million
From the listing:			
Expansion of sales network	37.0	24.8	12.2
Upgrade of management information system	4.0	2.1	1.9
Brand building and product promotion	2.2	2.2	–
General working capital	1.0	1.0	–
Total	44.2	30.1	14.1
From placement of shares:			
General working capital and possible investments	57.0	11.3	45.7

Dividend

The Directors do not recommend the payment of final dividend for the year ended 31 December 2015.

Employee and Remuneration Policy

As at 31 December 2015, the employee headcount of the Group was 695 (2014: 872) and the total staff costs, including directors' emoluments, for the Year amounted to HK$99.8 million (2014: HK$98.0 million). The decrease in employee headcount as at 31 December 2015 was primarily due to the decrease in sales staff after the reduction in number of self-operated POS, of which most were in the PRC, during the Year. The increase in total staff costs for the Year was mainly due to increases in Directors' emoluments (excluding share-based payments) by HK$1.4 million and total share-based payments by HK$5.4 million despite the decrease in other staff costs by HK$4.8 million.

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.

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.

Contingent Liabilities

As at 31 December 2015, the Group did not have material contingent liabilities.

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 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 43, 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 has been 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 49, 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 50, 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 45, 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 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. Mr. Mok was the executive director of Hin Sang Group (International) Holding Co. LTD. , the shares of which are listed on the Stock Exchange (stock code: 6893), from May 2015 to September 2015, and was the non-executive director of Newtree Group Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 1323), from August 2014 to February 2016. Mr. Mok has over 13 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 39, was appointed as an Independent Non-executive Director on 1 April 2015. Mr. Zhang acts as the head of China Business Development Department and managing director of Southwest Securities International Securities Limited, the shares of which are listed on the Stock Exchange (stock code: 812). 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, China Institute of Certified Public Accountants and American 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, the 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 41, was appointed as an Independent Non-executive Director on 1 April 2015. Mr. Kam is currently the executive director of Get Nice Financial Group Limited, the shares of which are listed on the Stock Exchange (stock code: 1469). Mr. Kam was the company secretary of Get Nice Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 64), before Get Nice Financial Group Limited spin-off from Get Nice Holdings Limited. 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 19 years of experience in auditing, professional accounting, financial management and business administration. Mr. Kam worked for two Hong Kong listed companies namely, Hutchison Harbour Ring Industries Limited (currently named as China Oceanwide Holdings Limited), the shares of which are listed on the Stock Exchange (stock code: 715), and Mandarin Entertainment (Holdings) Limited (currently named as Cheung Wo International Holdings Limited), the shares of which are listed on the Stock Exchange (stock code: 9), and served management roles in financial management. He holds a bachelor degree in accountancy and a master degree in corporate governance from the Hong Kong Polytechnic University.

DIRECTORS AND SENIOR MANAGEMENT

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 and responsible officer 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 (currently named as Greenland Hong Kong Holdings Limited), the shares of which are 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. Li Kai Fat (李啟發), aged 57, was the Independent Non-executive Director of the Company from 22 October 2012 to 31 March 2015. He joined the Group again in January 2016. He is currently the General Manager of Casablanca Home (Shenzhen) Limited. He is responsible for business development, strategies implementation and management in the PRC. He has over 25 years of experience in sales management which include numerous years of experience in management in international and multinational companies and over 10 years of experience in sales and management in China retail market. Mr. Li was the general manager of J.M. Times Garments (Shenzhen) Co., Ltd. during March 2007 to December 2015. He obtained a diploma in business management from the Hong Kong Polytechnic University.

Mr. Gao Yan (高岩), aged 57, 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 41, 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 46, 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 certified internal control specialist from Internal Control Institute, senior international finance manager from International Financial Management Association and certified financial planner from The Chinese Institute of Certified Financial Planners, and is a member of Internal Control Institute, a member of International Financial Management Association and The Chinese Institute of Certified Financial Planners. He was conferred qualification of assistant accountant in accounting (corporate) speciality and intermediate level in accounting speciality from Ministry of Finance of the People's Republic of China. Mr. Lin holds a bachelor's degree in accounting from Guangdong Polytechnic Normal University.

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 management, 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.

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2015.

Principal Activities

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 36 to the consolidated financial statements.

Business Review

A review of the Group's business for the year ended 31 December 2015, a discussion on the Group's future business development, and the description of principle risks and uncertainties that the Group may be facing are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 6 to 21 of this annual report. The financial risk management objectives and policies of the Group are set out in note 6 to the consolidated financial statements. These discussions form part of this report.

Financial Key Performance Indicators

An analysis of the Group's performance for the year ended 31 December 2015 using financial key performance indicators is set out in the section headed "Financial Highlights and Summary" on pages 4 and 5 of this annual report.

Environmental Policies and Performance

The Group is committed to build an environmentally-friendly corporation that pays close attention to conserving natural resources and protecting environment. The Group strives to minimize the impact on environment by saving electricity and water and has implemented internal recycling program on a continuous basis for office consumables such as carbon toners, cartridges and papers. We also arrange tablet computers at our self-operated POS to show product catalogues to customers in order to reduce printed versions of the product catalogues. In 2014, Casablanca Hong Kong Limited, the principal subsidiary of the Company in Hong Kong, was awarded the certificate under the CarbonSmart Programme organized by the Hong Kong Productivity Council in collaboration with the Federation of Hong Kong Industries, Hong Kong General Chamber of Commerce and Business Environment Council.

The Group always uses environmentally-friendly raw materials for its products such as milk protein fibres and soybean protein fibres for the fill materials in our duvets and pillows. In addition, the Group also introduced new products with healthy functions such as "CASA-V" products with "5A Features". By extending "5A Features" to baby products and home accessories, the Group intends to make "CASA-V" a brand for healthy and environmentally-friendly home living.

Compliance with Laws and Regulations

The Group's operations are mainly carried out by the Company's subsidiaries in Hong Kong and the PRC. The Group's operations accordingly shall comply with relevant laws and regulations in Hong Kong and the PRC. During the Year, the Group has complied, to the best knowledge of the Directors, with the relevant laws and regulations that have a significant impact on the Group.

Key Relationships with Employees, Customers, Distributors and Suppliers

Human resources are one of the valuable assets of the Group. The Group intends to be an attractive employer for competent employees. The objective of the Group's human resource management is to provide employees with competitive remuneration packages and to promote career development and progression of employees by appropriate training and providing opportunities within the Group for career advancement. The Group has also adopted share option schemes to reward, motivate and retain Directors and employees for contributions to the growth and development of the Group.

We are committed to offer a broad and diverse range of innovative, value-for-money and good-quality bedding products with our various brands to our customers. We also stay connected with our customers by maintaining database of VIP members to have ongoing communications with them and offer special benefits to them such as favourable prices and private sales. A customer compliant handling mechanism is in place to receive, analyse and study complaints from customers and make recommendations on remedies with the aim of improving service quality.

We also sell our products to end customers through distributors. We regard our distributors as business partners and we share our view for upholding the brand value and customer services, specifically focusing on attracting and retaining customers in order to drive sales growth. We require our distributors to comply with our retail policies, including but not limited to unified product retail selling price, standard store images and promotional activities.

We have developed long and good relationships with a number of suppliers to maintain steady supplies of raw materials and outsourced products with good qualities. We carefully select our suppliers and require them to satisfy certain criteria including track record, experience, reputation, ability to produce high-quality products and quality control effectiveness in order to ensure that our suppliers share our commitments to quality and ethics.

Results and Appropriations

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 53 of this annual report.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2015.

Five-Year 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.

DIRECTORS' REPORT

Share Capital

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 had been completed on 13 March 2015 with an aggregate of 40,000,000 new ordinary shares of the Company of HK$0.10 each at the price of HK$1.50 per share issued to no fewer than six but not more than ten placees with gross proceeds of HK$60,000,000 received by the Company.

The net proceeds of approximately HK$57.0 million from the Placing would be used for (i) general working capital of the Group; and (ii) possible investments in the future when opportunities arise. The Placing raised additional funds to strengthen the financial position and broaden the capital base of the Group so as to facilitate its future development. For details of the Placing, please refer to the announcements of the Company dated 2 March 2015 and 13 March 2015.

During the Year, the Company also issued a total of 17,644,000 ordinary shares of HK$0.10 each at HK$1.20 per share as a result of the exercise of share options granted under the Pre-IPO Share Option Scheme of the Company with gross proceeds of HK$21,172,800 received.

Details of the movements in the share capital of the Company during the Year are set out in note 28 to the consolidated financial statements.

Use of Proceeds from the Listing and Placement of Shares

The Company received net proceeds raised from the listing of approximately HK$44.2 million and the placement of shares of approximately HK$57.0 million.

The use of net proceeds until 31 December 2015 was as below:

	Planned amount HK$ million	**Utilised amount** HK$ million	**Unutilised amount** HK$ million
From the listing:			
Expansion of sales network	37.0	24.8	12.2
Upgrade of management information system	4.0	2.1	1.9
Brand building and product promotion	2.2	2.2	–
General working capital	1.0	1.0	–
Total	44.2	30.1	14.1
From placement of shares:			
General working capital and possible investments	57.0	11.3	45.7

Distributable Reserves

The Company's reserves available for distribution to shareholders as at 31 December 2015 calculated in accordance with the Companies Law of the Cayman Islands, amounted to HK$170,409,000, comprising share premium of approximately HK$166,688,000 and retained earnings of HK$3,721,000.

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)*

Non-executive Director

Mr. Mok Tsan San (appointed on 9 April 2015)

Independent Non-executive Directors

Mr. Zhang Senquan (appointed on 1 April 2015)
Mr. Kam Leung Ming (appointed on 1 April 2015)
Mr. Leung Yiu Man (appointed on 22 May 2015)
Mr. Tse Yat Hong (resigned on 1 April 2015)
Mr. Li Kai Fat (resigned on 1 April 2015)
Mr. Leung Lin Cheong (retired on 22 May 2015)

In accordance with Article 16.18 of the Company's Articles of Association (the "Articles of Association"), Mr. Cheng Sze Kin, Mr. Cheng Sze Tsan and Mr. Kwok Yuen Keung Tommy 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 16.3 of the Articles of Association, Mr. Leung Yiu Man will hold office only until the forthcoming annual general meeting and shall then be eligible 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.

Share Option Schemes

(a) Pre-IPO Share Option Scheme

The Group adopted the Pre-IPO Share Option Scheme, which was approved by the sole shareholder's resolution passed on 22 October 2012, 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 31 December 2015, no 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 29 to the consolidated financial statements.

(b) Share Option Scheme

The Group adopted the Share Option Scheme, which was approved by the sole shareholder's resolution passed on 22 October 2012, 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 31 December 2015, 5,504,000 share options were still outstanding under the Share Option Scheme.

Particulars of the Company's Share Option Scheme are set out in note 29 to the consolidated financial statements.

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

	Date of grant	Exercisable period (Notes 1, 2)	Exercise price (HK$)	Number of options at 1.1.2015	Movements during the Year			Number of options at 31.12.2015
					Granted	Exercised (Note 3)	Lapsed	
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	(4,500,000)	–	330,000
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	(4,125,000)	–	330,000
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	(3,375,000)	–	330,000
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
Total Directors and Chief Executive				12,000,000	3,990,000	(12,000,000)	–	3,990,000
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	–	(90,000)	1,514,000
				4,396,000	1,604,000	(4,276,000)	(210,000)	1,514,000
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	(17,644,000)	(210,000)	5,504,000

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 under the Share Option Scheme commencing 9 October 2015; and

   (ii) 50% of the total number of options granted 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 Year was HK$3.30 per share.

Directors' and Chief Executive's Interests in Shares

As at 31 December 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 contained in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (the "Model Code"), were as follows:

Long positions

(a) Ordinary shares of HK$0.10 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	Beneficial interest	4,500,000	1.8%
	Spouse interest	3,375,000	1.3%
	Interest in a controlled corporation (Note 1)	150,000,000	58.0%
		157,875,000	61.1%
Mr. Cheng Sze Tsan	Beneficial interest	4,125,000	1.6%
	Interest in a controlled corporation (Note 2)	150,000,000	58.0%
		154,125,000	59.6%
Ms. Wong Pik Hung	Beneficial interest	3,375,000	1.3%
	Spouse interest (Note 3)	154,500,000	59.8%
		157,875,000	61.1%

(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)	330,000	330,000
	Spouse interest (Note 1)	330,000	330,000
		660,000	660,000
Mr. Cheng Sze Tsan	Beneficial interest (Note 2)	330,000	330,000
Ms. Wong Pik Hung	Beneficial interest (Note 3)	330,000	330,000
	Spouse interest (Note 3)	330,000	330,000
		660,000	660,000
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% of World Empire Investment Inc. ("World Empire"), which is in turn interested in 58.0% of the Company's issued share capital. Therefore, Mr. Cheng Sze Kin is deemed to be interested in such 58.0% 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 1.8% of the Company's issued share capital and the options granted under the Share Option Scheme to subscribe 330,000 shares. Mr. Cheng Sze Kin is deemed to be interested in 1.3% of the Company's issued share capital held by and the options granted to his spouse, Ms. Wong Pik Hung, under the Share Option Scheme to subscribe 330,000 shares. However, each of Mr. Cheng Sze Kin and Ms. Wong Pik Hung has confirmed that he/she will not exercise any option if as a result of which the Company will not be able to comply with the public float requirements of the Listing Rules.

(2) Mr. Cheng Sze Tsan is interested in 35% of World Empire, which is in turn interested in 58.0% of the Company's issued share capital. Therefore, Mr. Cheng Sze Tsan is deemed to be interested in such 58.0% 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 1.6% of the Company's issued share capital and the options granted under the Share Option Scheme to subscribe 330,000 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 is deemed to be interested in 58.0% of the Company's issued share capital. Ms. Wong Pik Hung is interested in 1.3% of the Company's issued share capital and the options granted under the Share Option Scheme to subscribe 330,000 shares. Ms. Wong Pik Hung is deemed to be interested in 1.8% of the Company's issued share capital held by and the options granted to her spouse, Mr. Cheng Sze Kin, under the Share Option Scheme to subscribe 330,000 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 2015.

Arrangements to Purchase Shares and Debentures

Save as disclosed under the section "Share Option Schemes" 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.

Equity-linked Agreements

Save as disclosed under the section "Share Option Schemes" above, no equity-linked agreements were entered into by the Group or existed during the Year.

Permitted Indemnity Provision

Pursuant to the Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred and sustained by him/ her as a Director in defending any proceedings, in which judgement is given in his/her favour, or in which he/she is acquitted. The Company has arranged appropriate directors' and officers' liability insurance which provides coverage for the Directors and officers of the Group throughout the Year.

Directors' Interests in Transactions, Arrangements or Contracts of Significance

Other than those transactions disclosed under the section "Continuing Connected Transactions" below, no transactions, arrangements or contracts of significance, to which a Director or an entity connected with a Director was a party and in which a Director of the Company is or was materially interested, 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 2015, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance showed 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$0.10 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 (Note)	Beneficial owner	150,000,000	58.0%
Yeung Chun Wai Anthony	Beneficial owner	22,388,000	8.7%
Taiping Quantum Prosperity Fund	Beneficial owner	14,074,000	5.5%
Quantum Asia Asset Management Limited	Investment Manager	14,074,000	5.5%

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.

DIRECTORS' REPORT

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	2015 HK$'000
Rental expenses paid to a related company in the PRC	(a)	**2,280**
Rental expenses paid to related companies in Hong Kong	(b)	**2,748**

Notes:

(a) The subsidiaries of the Group in the 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 2015. 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 18 December 2015, 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 three months from 1 January 2016 to 31 March 2016 at an aggregate monthly rental of RMB154,010 (approximately HK$190,042).

(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 2018. 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.

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.

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.

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 the 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 share option schemes as an incentive to Directors and eligible employees, details of the schemes are set out in note 29 to the consolidated financial statements.

Audit Committee

The Audit Committee comprises three Independent Non-executive Directors, namely, Mr. Zhang Senquan, Mr. Kam Leung Ming and Mr. Leung Yiu Man.

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 2015.

Major Customers and Suppliers

For the year ended 31 December 2015, sales to the Group's five largest customers and the largest customer accounted for approximately 8.3% and 3.3%, respectively of the Group's total turnover for the Year.

For the year ended 31 December 2015, the Group's purchases attributable to the five largest suppliers and the largest supplier accounted for approximately 36.8% and 9.7%, 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 best 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.

DIRECTORS' REPORT

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 2015 is scheduled to be held on Monday, 23 May 2016 (the "AGM"). A notice convening the AGM 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 Wednesday, 18 May 2016 to Monday, 23 May 2016 (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 Tuesday, 17 May 2016.

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 2015, save for the following:

Under Code Provision A.6.7 of the CG Code, the independent non-executive directors should attend general meetings and develop a balanced understanding of the reviews of the shareholders. At the annual general meeting of the Company held on 22 May 2015 (the "2015 AGM"), an Independent Non-executive Director was unable to attend the 2015 AGM due to other pre-arranged business engagements.

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$360,000.

Events After The Reporting Period

There were no significant events after the reporting period of the Group up to the date of this report.

Auditor

A resolution will be submitted to the AGM to re-appoint Messrs. Deloitte Touche Tohmasu as auditor of the Company.

On behalf of the Board

Cheng Sze Kin
Chairman
Hong Kong, 24 March 2016

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 2015, save the following:

Under Code Provision A.6.7 of the CG Code, the independent non-executive directors should attend general meetings and develop a balanced understanding of the reviews of the shareholders. An Independent Non-executive Director was unable to attend the 2015 AGM due to other pre-arranged business engagements.

Directors' Securities Transactions

The Company has adopted its own code of conduct for the Directors in their dealings in the Company's securities on terms no less than the 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 dealings as required by the Company's code of conduct and the Model Code 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, one Non-executive Director 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)*

Non-executive Director

Mr. Mok Tsan San (appointed on 9 April 2015)

Independent Non-executive Directors

Mr. Zhang Senquan (appointed on 1 April 2015)
Mr. Kam Leung Ming (appointed on 1 April 2015)
Mr. Leung Yiu Man (appointed on 22 May 2015)
Mr. Tse Yat Hong (resigned on 1 April 2015)
Mr. Li Kai Fat (resigned on 1 April 2015)
Mr. Leung Lin Cheong (retired on 22 May 2015)

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 22 to 25 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 eight 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 Non-executive Director and Independent Non-executive Directors possess professional knowledge and broad experience in accounting, corporate finance 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 package 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.

CORPORATE GOVERNANCE REPORT

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	A, B
Non-executive Director	
Mr. Mok Tsan San (appointed on 9 April 2015)	A, B
Independent Non-executive Directors	
Mr. Zhang Senquan (appointed on 1 April 2015)	A, B
Mr. Kam Leung Ming (appointed on 1 April 2015)	A, B
Mr. Leung Yiu Man (appointed on 22 May 2015)	A, B
Mr. Tse Yat Hong (resigned on 1 April 2015)	A, B
Mr. Li Kai Fat (resigned on 1 April 2015)	A, B
Mr. Leung Lin Cheong (retired on 22 May 2015)	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	12/12	N/A	N/A	3/3	1/1
Mr. Cheng Sze Tsan	12/12	N/A	N/A	N/A	1/1
Ms. Wong Pik Hung	12/12	N/A	N/A	N/A	1/1
Mr. Kwok Yuen Keung Tommy	12/12	N/A	N/A	N/A	1/1
Non-executive Director					
Mr. Mok Tsan San (Note (a))	6/6	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Zhang Senquan (Note (b))	7/7	2/2	3/3	2/2	1/1
Mr. Kam Leung Ming (Note (b))	7/7	2/2	3/3	2/2	1/1
Mr. Leung Yiu Man (Note (c))	6/6	2/2	2/2	1/1	0/0
Mr. Tse Yat Hong (Note (d))	4/4	2/2	3/3	1/1	0/0
Mr. Li Kai Fat (Note (d))	4/4	2/2	3/3	1/1	0/0
Mr. Leung Lin Cheong (Note (e))	6/6	2/2	4/4	2/2	0/1

CORPORATE GOVERNANCE REPORT

Notes:

(a) On 9 April 2015, Mr. Mok Tsan San was appointed as a Non-executive Director of the Company and attended all Board meetings subsequent to his appointment.

(b) On 1 April 2015, Mr. Zhang Senquan and Mr. Kam Leung Ming were appointed as Independent Non-executive Directors and attended all Board and Board committee meetings subsequent to their appointments.

(c) At annual general meeting held on 22 May 2015, Mr. Leung Yiu Man was elected as an Independent Non-executive Director and attended all Board and Board committee meetings subsequent to his election.

(d) 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 and attended all Board and Board committee meetings prior to their resignations, but did not attend the annual general meeting which was held on 22 May 2015 after their resignation.

(e) At annual general meeting held on 22 May 2015, Mr. Leung Lin Cheong retired from office and did not seek for re-election. He attended all Board and Board committee meetings prior to his retirement but did not attend the annual general meeting which was held on 22 May 2015.

During the Review Period, the Chairman held a meeting with the Non-executive Director and 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 in accordance with Rule 3.13 of the Listing Rules. The Board considers that all Independent Non-executive Directors are 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 and Mr. Kwok Yuen Keung Tommy as the Chief Executive Officer of the Company. Mr. Cheng Sze Kin and Mr. Kwok Yuen Keung Tommy 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 renewed his/ her service contract with the Company as an Executive Director for a term of three years commencing from 23 November 2015. Mr. Kwok Yuen Keung Tommy has 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 Non-executive Director and Independent Non-executive Directors has been appointed for a term of one year subject to compliance with the Listing Rules and the CG Code. Upon the expiry of the term, the reappointment 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 Non-executive Director/ Independent Non-executive Director or the Company by giving the other party not less than one month's 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 the following Independent Non-executive Directors:

Mr. Zhang Senquan (appointed on 1 April 2015)
Mr. Kam Leung Ming (appointed on 1 April 2015)
Mr. Leung Yiu Man (appointed on 22 May 2015)
Mr. Tse Yat Hong (resigned on 1 April 2015)
Mr. Li Kai Fat (resigned on 1 April 2015)
Mr. Leung Lin Cheong (retired on 22 May 2015)

Mr. Tse Yat Hong was the Chairman of the Audit Committee up to 1 April 2015 and Mr. Zhang Senquan has been the Chairman of Audit Committee since 1 April 2015.

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 41 of this annual report.

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

(i) reviewed the annual report and results announcement of the Company for the year ended 31 December 2014 and made a recommendation to the Board for approval;

(ii) reviewed the external auditor's independence and their report and made a recommendation to the Board for the reappointment of the external auditor by the shareholders of the Company at its annual general meeting which was held on 22 May 2015;

(iii) reviewed continuing connected transactions;

(iv) reviewed the interim report and results announcement of the Company for the six months ended 30 June 2015 and made a recommendation to the Board for approval;

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

(vi) reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;

(vii) reviewed audit fee quoted by the external auditor for the Review Period and made a recommendation to the Board for approval; and

(viii) reviewed its revised terms of reference in accordance with new amendments to the Listing Rules and made a recommendation to the Board for approval.

Auditor's Remuneration

The annual audit services for the year ended 31 December 2015 was provided by Deloitte Touche Tohmatsu, the external auditor.

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	1,380
Non-audit services	537
Total	1,917

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

The Audit Committee is responsible for making recommendation to the Board as to the appointment, reappointment and removal of the external auditor, 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 Non-executive Director and Independent Non-executive Directors.

The Remuneration Committee comprises the following Independent Non-executive Directors:

Mr. Zhang Senquan (appointed on 1 April 2015)
Mr. Kam Leung Ming (appointed on 1 April 2015)
Mr. Leung Yiu Man (appointed on 22 May 2015)
Mr. Tse Yat Hong (resigned on 1 April 2015)
Mr. Li Kai Fat (resigned on 1 April 2015)
Mr. Leung Lin Cheong (retired on 22 May 2015)

Mr. Li Kai Fat was the Chairman of the Remuneration Committee up to 1 April 2015 and Mr. Kam Leung Ming has been the Chairman of Remuneration Committee since 1 April 2015.

During the Review Period, the Remuneration Committee held six meetings. The record of attendance of individual Directors at the committee meetings is set out on page 41 of this annual report.

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

(i) reviewed and approved 2014 year-end bonus and 2015 salary to Executive Directors and senior management;

(ii) reviewed and approved share options granted to Directors and employees;

(iii) considered and approved terms and remuneration packages of Executive Directors under their renewed service contracts and the newly appointed General Manager – PRC under his service contract; and

(iv) reviewed and made recommendations to the Board for approvals of remuneration packages of newly appointed Non-executive Director and Independent Non-executive Directors.

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	6
HK$1,000,001 to HK$2,000,000	1

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 Chairman of the Nomination Committee is Mr. Cheng Sze Kin. The Nomination Committee has four members, comprising Mr. Cheng Sze Kin and the following Independent Non-executive Directors:

Mr. Zhang Senquan (appointed on 1 April 2015)
Mr. Kam Leung Ming (appointed on 1 April 2015)
Mr. Leung Yiu Man (appointed on 22 May 2015)
Mr. Tse Yat Hong (resigned on 1 April 2015)
Mr. Li Kai Fat (resigned on 1 April 2015)
Mr. Leung Lin Cheong (retired on 22 May 2015)

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, 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 held three meetings. The record of attendance of individual Directors at the committee meetings is set out on page 41 of this annual report.

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

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

(ii) reviewed candidates of new Non-executive Director and Independent Non-executive Directors and made recommendations to the Board;

(iii) assessed independence of the Independent Non-executive Directors; and

(iv) reviewed the reappointment of Directors who would retire from office by rotation at the forthcoming annual general meeting and offer themselves for re-election.

Accountability and Audit

The Directors acknowledge their responsibilities for preparing the financial statements 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 51 to 52.

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 23 November 2012 when the Company was successfully listed on the main board of the Stock Exchange (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 system. 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 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.

CORPORATE GOVERNANCE REPORT

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 53 to 107, which comprise the consolidated statement of financial position as at 31 December 2015, 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 financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	NOTES	**2015** **HK$'000**	2014 HK$'000
Revenue	7	**370,969**	460,824
Cost of goods sold		**(141,764)**	(182,530)
Gross profit		**229,205**	278,294
Other income	8	**2,247**	1,985
Other gains and losses	9	**(3,527)**	(3,902)
Selling and distribution costs		**(178,085)**	(201,957)
Administrative expenses		**(61,336)**	(50,009)
Finance costs	10	**(2,890)**	(4,282)
(Loss) profit before taxation	11	**(14,386)**	20,129
Taxation	13	**(1,844)**	(7,376)
(Loss) profit for the year		**(16,230)**	12,753
Other comprehensive expense for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**(11,121)**	(6,518)
Total comprehensive (expense) income for the year		**(27,351)**	6,235
(Loss) profit for the year attributable to owners of the Company		**(16,230)**	12,753
Total comprehensive (expense) income attributable to owners of the Company		**(27,351)**	6,235
(Loss) earnings per share			
– Basic (HK cents)	15	**(6.67)**	6.35
– Diluted (HK cents)	15	**(6.67)**	6.33

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	NOTES	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment	16	**137,701**	149,290
Prepaid lease payments	17	**25,734**	27,548
Intangible assets	18	**2**	4
Deferred tax assets	27	**–**	451
Deposits paid for acquisition of property, plant and equipment		**1,037**	1,215
Rental and other deposits		**1,723**	2,087
Available-for-sale investment	19	**7,749**	–
Convertible bond	20	**2,980**	–
Derivative component in convertible bond	20	**673**	–
		177,599	180,595
Current assets			
Inventories	21	**81,502**	90,991
Trade and other receivables	22	**77,234**	102,134
Prepaid lease payments	17	**578**	605
Taxation recoverable		**5,393**	22
Pledged bank deposits	23	**6,812**	1,225
Bank balances and cash	23	**177,373**	140,208
		348,892	335,185
Current liabilities			
Trade and other payables	24	**79,891**	100,024
Taxation payable		**840**	3,945
Bank borrowings	25	**53,756**	61,141
Obligation under a finance lease	26	**745**	717
		135,232	165,827
Net current assets		**213,660**	169,358
Total assets less current liabilities		**391,259**	349,953
Non-current liabilities			
Bank borrowings	25	**20,739**	35,296
Obligation under a finance lease	26	**63**	808
Deferred tax liabilities	27	**904**	2,139
		21,706	38,243
Net assets		**369,553**	311,710

	NOTE	2015 HK$'000	2014 HK$'000
Capital and reserves			
Share capital	28	**25,843**	20,079
Reserves		**343,710**	291,631
Total equity		**369,553**	311,710

The consolidated financial statements on pages 53 to 107 were approved and authorised for issue by the Board of Directors on 24 March 2016 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 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 2014	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
Loss for the year	–	–	–	–	–	–	–	(16,230)	(16,230)
Exchange differences arising on translation of financial statements of foreign operations and other comprehensive expense for the year	–	–	–	–	–	(11,121)	–	–	(11,121)
Total comprehensive expense for the year	–	–	–	–	–	(11,121)	–	(16,230)	(27,351)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	7,060	–	7,060
Exercise of share options (note 28(b))	1,764	32,848	–	–	–	–	(13,439)	–	21,173
Lapse of share options	–	–	–	–	–	–	(92)	92	–
Issue of shares upon placing (note 28(a))	4,000	56,000	–	–	–	–	–	–	60,000
Expenses incurred in connection with the issue of shares	–	(3,039)	–	–	–	–	–	–	(3,039)
Transfer of reserve	–	–	–	–	155	–	–	(155)	–
At 31 December 2015	**25,843**	**166,268**	**2,000**	**1,319**	**8,988**	**3,373**	**7,060**	**154,702**	**369,553**

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 2015

	2015 HK$'000	2014 HK$'000
Operating activities		
(Loss) profit before taxation	**(14,386)**	20,129
Adjustments for:		
Interest income	**(636)**	(612)
Interest income on convertible bond	**(96)**	–
Investment income	**(635)**	–
Interest expenses	**2,890**	4,282
Allowance for doubtful debts on trade receivables	**1,025**	33
Allowance for doubtful debts on other receivables	**–**	856
Allowance of inventories	**1,655**	1,005
Amortisation of intangible assets	**2**	2
Amortisation of prepaid lease payments	**598**	610
Bad debts written off	**2,359**	102
Depreciation of property, plant and equipment	**13,749**	13,678
(Gain) loss on disposal of property, plant and equipment	**(78)**	1,089
Decrease in fair value of derivative component in convertible bond	**43**	–
Share-based payment expense	**7,060**	1,703
Operating cash flows before movements in working capital	**13,550**	42,877
Decrease in inventories	**4,385**	14,288
Decrease in trade and other receivables	**18,599**	19,743
Decrease (increase) in rental and other deposits	**286**	(291)
Decrease in trade and other payables	**(15,270)**	(10,249)
Cash generated from operations	**21,550**	66,368
Hong Kong Profits Tax paid	**(9,966)**	(4,925)
PRC Enterprise Income Tax paid	**–**	(3,210)
PRC withholding tax paid	**(1,113)**	–
Net cash from operating activities	**10,471**	58,233
Investing activities		
Proceeds from disposal of property, plant and equipment	**1,581**	351
Withdrawal of pledged bank deposits	**1,225**	6,096
Interest received	**636**	612
Net cash inflow from investment income	**635**	–
Purchase of property, plant and equipment	**(10,363)**	(8,384)
Purchase of available-for-sale investment	**(7,749)**	–
Placement of pledged bank deposits	**(6,812)**	(6,134)
Purchase of convertible bonds	**(3,600)**	–
Deposit paid for acquisition of property, plant and equipment	**(144)**	–
Net cash used in investing activities	**(24,591)**	(7,459)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
Financing activities		
Proceeds from issue of shares	**60,000**	–
Exercise of share options	**21,173**	–
New bank loans raised	**6,787**	59,483
Repayments of bank loans	**(28,286)**	(98,751)
Expenses incurred in connection with the issue of shares	**(3,039)**	–
Interest paid	**(2,845)**	(4,216)
Repayments of obligation under a finance lease	**(717)**	(632)
Finance lease charges paid	**(45)**	(66)
Net cash from (used in) financing activities	**53,028**	(44,182)
Net increase in cash and cash equivalents	**38,908**	6,592
Cash and cash equivalents at beginning of the year	**140,208**	134,428
Effect of foreign exchange rate changes	**(1,743)**	(812)
Cash and cash equivalents at end of the year represented by bank balances and cash	**177,373**	140,208

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 amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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 amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

HKFRS 9	Financial instruments[2]
HKFRS 15	Revenue from contracts with customers[2]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[1]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[1]
Amendments to HKAS 1	Disclosure initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[1]

1 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
3 Effective for annual periods beginning on or after a date to be determined.

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

HKFRS 9 "Financial instruments"

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 that are relevant to the Group are described as follows:

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

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future will affect the classification and measurement of the Group's financial assets but unlikely affect the Group's financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detail analysis.

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

HKFRS 15 "Revenue from contracts with customers"

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.

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 in accordance with Hong Kong Financial Reporting Standards 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 ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 is presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules is not disclosed in these consolidated financial statements.

3. Significant Accounting Policies (continued)

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

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 in 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 are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

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).

3. Significant Accounting Policies (continued)

Leasing (continued)

The Group as lessee (continued)

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.

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.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3. Significant Accounting Policies (continued)

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 financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. 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.

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 convertible bond, trade and other receivables, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

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.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

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 (see the accounting policy in respect of impairment loss on financial assets below).

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Derivative component in convertible bond

Derivative component in convertible bond is initially recognised at fair value and is classified separately into respective items on initial recognition. The derivative component is subsequently remeasured at fair value at the end of the reporting period with resulting gain or loss recognised in profit or loss immediately.

Impairment of financial assets

Financial assets, other than those at FVTPL, 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.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, 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 assets, 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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 or other 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.

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.

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.

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

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.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

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.

Share-based payment arrangements

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.

3. Significant Accounting Policies (continued)

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.

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.

3. Significant Accounting Policies (continued)

Government grants

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

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

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

Retirement benefit costs

Payments to 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.

3. Significant Accounting Policies (continued)

Taxation (continued)

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.

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 2015, the carrying amount of trade receivables is HK$64,115,000 (2014: HK$87,631,000) (net of allowance for doubtful debts of HK$1,141,000 (2014: HK$158,000).

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 2015 is HK$81,502,000 (2014: HK$90,991,000) (net of allowance for inventories of HK$3,904,000 (2014: HK$2,389,000)).

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 25, 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

	2015 **HK$'000**	2014 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**252,585**	230,650
Rental deposit	**4,907**	5,339
Derivative financial instruments	**673**	–
Available-for-sale investment	**7,749**	–
Financial liabilities		
Amortised cost	**139,007**	177,953
Obligation under a finance lease	**808**	1,525

6. Financial Instruments (continued)

Financial risk management objectives and policies

The Group's major financial instruments include convertible bond, trade and other receivables, pledged bank deposits, bank balances and cash, derivative financial instruments, 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 23 and 25 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.

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 loss for the year ended 31 December 2015 (2014: profit) is as follows:

	2015 **HK$'000**	2014 HK$'000
(Increase) decrease in loss or (decrease) increase in profit for the year		
– as a result of increase in interest rate	**(307)**	(398)
– as a result of decrease in interest rate	**307**	398

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	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
HK$	**78**	19,827	**–**	–
Renminbi ("RMB")	**6,069**	20,116	**–**	–
Euro ("EUR")	**890**	194	**653**	–
United States dollars ("USD")	**1,048**	2,464	**144**	3,256
Macau pataca ("MOP")	**398**	33	**–**	–

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 a decrease (increase) in post-tax loss or 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 loss or profit for the year.

	2015 HK$'000	2014 HK$'000
RMB	**(250)**	(96)

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.

Other price risk

The Group is exposed to equity price risk arising from derivative component in convertible bond. Management manages this exposure by maintaining a portfolio of investments with different risks. The management considers that there is no significant equity price risk to the fair value of derivative component in convertible bond. In addition, the management monitors the price risk and will consider hedging the risk exposure should the need arise.

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 2015 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	1 – 3 months	3 months to 1 year	1 – 5 years	Over 5 years	Total undiscounted cash flows	Carrying amounts
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2015								
Trade and other payables	**–**	**42,367**	**19,125**	**3,020**	**–**	**–**	**64,512**	**64,512**
Bank borrowings	**2.98**	**38,488**	**3,215**	**13,186**	**21,584**	**–**	**76,473**	**74,495**
Obligation under a finance lease	**4.94**	**63**	**127**	**572**	**64**	**–**	**826**	**808**
		80,918	**22,467**	**16,778**	**21,648**	**–**	**141,811**	**139,815**
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

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 2015, the aggregate undiscounted principal amounts of these bank loans amounted to HK$38,377,000 (2014: HK$46,742,000). 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 six years (2014: seven 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	1 – 3 months	3 months to 1 year	1 – 5 years	Over 5 years	Total undiscounted cash flows	Carrying amounts
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Bank borrowings								
At 31 December 2015	**2.33**	**788**	**1,576**	**7,091**	**30,472**	**598**	**40,525**	**38,377**
At 31 December 2014	2.48	788	1,576	7,091	37,819	2,716	49,990	46,742

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.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Sensitivity/relationship of unobservable input to fair value
	31.12.2015 HK$'000	31.12.2014 HK$'000				
Derivative component in convertible bond	**673**	Nil	Level 3	Binomial Pricing Model The key inputs (1) Share price (2) Risk free rate (3) Dividend yield (4) Volatility	Share price, taking into account the recent transactions on the shares of the issuer Risk free rate, based on the yield of the Hong Kong Sovereign yield curve, 0.332% Volatility, referenced to the historical volatility of comparable companies, 29.16% Dividend yield, provided by the management, 0%	The higher the share price, risk free rate, volatility and dividend yield, the higher the fair value.

Reconciliation of Level 3 fair value measurements is disclosed in note 20. There were no transfers between Level 1, 2 and 3 fair value measurements during the year.

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:

	2015 **HK$'000**	2014 HK$'000
Self-operated retail sales	**291,655**	309,075
Sales to distributors	**50,867**	57,587
Others	**28,447**	94,162
	370,969	460,824

Entity-wide information

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

	2015 **HK$'000**	2014 HK$'000
Bed linens	**195,373**	234,086
Duvets and pillows	**159,227**	212,015
Other home accessories	**16,369**	14,723
	370,969	460,824

7. Revenue and Segment Information (continued)

Geographical information

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

	2015 HK$'000	2014 HK$'000
PRC	**136,682**	176,864
Hong Kong and Macau	**233,012**	280,380
Others	**1,275**	3,580
	370,969	460,824

Information about the Group's non-current assets (excluding rental and other deposits, available-for-sale investment, convertible bond, derivative component in convertible bond and deferred tax assets) is presented based on the location of the assets:

	2015 HK$'000	2014 HK$'000
PRC	**148,952**	165,219
Hong Kong	**15,522**	12,838
	164,474	178,057

Information about major customers

Revenue from customer contributing over 10% of total revenue of the Group during both years is as follows:

	2015 HK$'000	2014 HK$'000
Customer A[1]	**N/A[2]**	71,781

1 Revenue from sales of bed linens, duvets and pillows.
2 The customer contributed less than 10% total revenue of the Group in 2015.

8. Other Income

	2015 HK$'000	2014 HK$'000
Bank interest income	**636**	612
Interest income on convertible bond	**96**	–
Government subsidies	**92**	873
Investment income (note)	**635**	–
Others	**788**	500
	2,247	1,985

Note: These investments were entered into and matured during the year ended 31 December 2015 with effective interest rate ranged from 2.16% – 4.08% (2014: nil) per annum.

9. Other Gains and Losses

	2015 HK$'000	2014 HK$'000
Allowance for doubtful debts on trade receivables	**(1,025)**	(33)
Allowance for doubtful debts on other receivables	**–**	(856)
Decrease in fair value of derivative component in convertible bond	**(43)**	–
Gain (loss) on disposal of property, plant and equipment	**78**	(1,089)
Net exchange loss	**(2,537)**	(1,924)
	(3,527)	(3,902)

10. Finance Costs

	2015 HK$'000	2014 HK$'000
Interest on:		
Bank borrowings	**2,845**	4,216
Finance lease	**45**	66
Total borrowing costs	**2,890**	4,282

11. (Loss) Profit Before Taxation

	2015 HK$'000	2014 HK$'000
(Loss) profit before taxation has been arrived at after charging:		
Directors' and chief executive's remuneration (note 12)	**14,950**	9,604
Other staff costs	**77,010**	81,770
Retirement benefit schemes contributions for other staff	**5,924**	6,160
Share-based payments for other staff	**1,933**	428
Total staff costs	**99,817**	97,962
Auditor's remuneration	**1,440**	1,387
Amortisation of intangible assets	**2**	2
Amortisation of prepaid lease payments	**598**	610
Allowance for inventories (included in costs of goods sold)	**1,655**	1,005
Bad debts written off	**2,359**	102
Cost of inventories recognised as expenses	**141,764**	182,530
Depreciation of property, plant and equipment	**13,749**	13,678
Share-based payments for customers, supplier and consultant (included in selling and distributions costs and administrative expenses)	**–**	133
Operating lease rentals in respect of		
– rented premises (note a)	**4,253**	3,104
– retail stores (note b)	**10,115**	9,438
– department store counters (note b) (including concessionaire commission) (included in selling and distribution costs)	**61,352**	80,643
Total operating lease rentals	**75,720**	93,185
Design costs (included in administrative expenses) (note c)	**1,195**	1,229

Notes:

(a) Included rental expenses paid to related companies of HK$2,748,000 (2014: HK$2,760,000) for the year ended 31 December 2015 for directors' quarters provided to Mr. Cheng Sze Kin, Mr. Cheng Sze Tsan and Ms. Wong Pik Hung.

(b) Included contingent rent of HK$35,363,000 (2014: HK$46,527,000) for the year ended 31 December 2015. 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$844,000 (2014: HK$1,110,000) for the year ended 31 December 2015, 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 2015					
Executive directors					
Mr. Cheng Sze Kin	**–**	**2,166**	**125**	**424**	**2,715**
Mr. Cheng Sze Tsan	**–**	**2,466**	**124**	**424**	**3,014**
Ms. Wong Pik Hung	**–**	**2,166**	**125**	**424**	**2,715**
Executive director and chief executive officer					
Mr. Kwok Yuen Keung Tommy	**–**	**1,350**	**87**	**2,570**	**4,007**
Non-executive director					
Mr. Mok Tsan San (appointed on 9 April 2015)	**728**	**–**	**–**	**1,285**	**2,013**
Independent non-executive directors					
Mr. Zhang Senquan (appointed on 1 April 2015)	**123**	**–**	**–**	**–**	**123**
Mr. Kam Leung Ming (appointed on 1 April 2015)	**123**	**–**	**–**	**–**	**123**
Mr. Leung Yiu Man (appointed on 22 May 2015)	**100**	**–**	**–**	**–**	**100**
Mr. Tse Yat Hong (resigned on 1 April 2015)	**39**	**–**	**–**	**–**	**39**
Mr. Leung Lin Cheong (retired on 22 May 2015)	**62**	**–**	**–**	**–**	**62**
Mr. Li Kai Fat (resigned on 1 April 2015)	**39**	**–**	**–**	**–**	**39**
	1,214	**8,148**	**461**	**5,127**	**14,950**
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 officer					
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
Independent 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

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.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The emoluments of non-executive director and independent non-executive directors shown above were mainly for their services as directors' of the Company.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, five (2014: three) were directors and the chief executive of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining nil (2014: two) individuals were as follows:

	2014 HK$'000
Salaries and allowances	1,318
Performance related incentive payments	191
Retirement benefit schemes contributions	34
Share-based payments	38
	1,581

Their emoluments were within the following bands:

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

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 2015 and 2014, 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

	2015 HK$'000	2014 HK$'000
Current tax		
Hong Kong	**825**	7,914
PRC Enterprise Income Tax (the "EIT")	**758**	–
	1,583	7,914
(Over)under provision in prior years		
Hong Kong	**(68)**	24
PRC EIT	**–**	(227)
	(68)	(203)
Withholding tax on distributed profits of a subsidiary in the PRC	**1,113**	–
Deferred taxation (note 27)	**(784)**	(335)
	1,844	7,376

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 (loss) profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2015 HK$'000	2014 HK$'000
(Loss) profit before taxation	**(14,386)**	20,129
Tax at Hong Kong Profits Tax rate of 16.5%	**(2,374)**	3,321
Tax effect of expenses not deductible for tax purposes	**3,175**	2,060
Tax effect of income not taxable for tax purposes	**(206)**	(1,334)
Tax effect of tax losses not recognised	**5,986**	6,066
Utilisation of tax losses previously not recognised	**(1,588)**	(534)
Effect of different tax rate of subsidiaries operating in other jurisdictions	**(1,416)**	(1,879)
Tax effect of undistributed profits of a subsidiary in the PRC	**–**	154
Utilisation of tax effect of undistributed profit of a subsidiary in the PRC previously recognised	**(1,462)**	–
Withholding tax on distributed profits of a subsidiary in the PRC	**1,113**	–
Overprovision in prior years	**(68)**	(203)
Others	**(1,316)**	(275)
Taxation charge	**1,844**	7,376

14. Dividends

No dividend was paid or proposed by the Company during the year ended 31 December 2015 (2014: nil), nor has any dividend been proposed since the end of the reporting period.

15. (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:

	2015 **HK$'000**	2014 HK$'000
(Loss) earnings		
(Loss) profit for the year attributable to owners of the Company for the purposes of basic and diluted (loss) earnings per share	**(16,230)**	12,753

	2015	2014
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**243,316,575**	200,788,000
Effect of dilutive potential ordinary shares on share options	**–**	630,715
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**243,316,575**	201,418,715

The diluted loss per share for the year ended 31 December 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.

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$'000	Total HK$'000
COST						
At 1 January 2014	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
Exchange adjustments	(5,755)	(275)	(519)	(368)	(26)	(6,943)
Additions	–	2,577	240	436	6,231	9,484
Disposals	–	(2,963)	(455)	–	(4,133)	(7,551)
At 31 December 2015	**130,318**	**11,756**	**11,074**	**9,407**	**15,619**	**178,174**
DEPRECIATION						
At 1 January 2014	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
Exchange adjustments	(506)	(152)	(234)	(209)	(21)	(1,122)
Provided for the year	5,137	3,786	903	1,934	1,989	13,749
Eliminated on disposals	–	(1,778)	(384)	–	(3,886)	(6,048)
At 31 December 2015	**14,979**	**7,685**	**5,121**	**6,023**	**6,665**	**40,473**
CARRYING VALUES						
At 31 December 2015	**115,339**	**4,071**	**5,953**	**3,384**	**8,954**	**137,701**
At 31 December 2014	125,725	6,588	6,972	5,041	4,964	149,290

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

	2015 HK$'000	2014 HK$'000
In Hong Kong	**3,461**	3,710
In PRC	**111,878**	122,015
	115,339	125,725

The leasehold land and buildings with carrying values of HK$107,644,000 (2014: HK$117,309,000) were pledged to banks as securities for banking facilities granted to the Group as at 31 December 2015.

16. Property, Plant and Equipment (continued)

Depreciation is provided to write off the cost of items of property, plant and equipment 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$1,438,000 (2014: HK$1,869,000) in respect of an asset held under a finance lease.

17. PREPAID LEASE PAYMENTS

	2015 HK$'000	2014 HK$'000
Analysed for reporting purposes as:		
Current asset	**578**	605
Non-current asset	**25,734**	27,548
	26,312	28,153

The Group's prepaid lease payments comprise of leasehold land located in the PRC.

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$26,312,000 (2014: HK$28,153,000) were pledged to a bank as securities for a banking facility granted to the Group as at 31 December 2015.

18. INTANGIBLE ASSETS

	Patents HK$'000
COST	
At 1 January 2014, 31 December 2014 and 31 December 2015	**15**
AMORTISATION	
At 1 January 2014	9
Charge for the year	2
At 31 December 2014	11
Charge for the year	2
At 31 December 2015	**13**
CARRYING VALUES	
At 31 December 2015	**2**
At 31 December 2014	4

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

19. AVAILABLE-FOR-SALE INVESTMENT

The balance represents an unlisted investment in 13.6% equity interest in a private entity (the "Investee Company"), 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 31 December 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.

20. CONVERTIBLE BOND/DERIVATIVE COMPONENT IN CONVERTIBLE BOND

During the year ended 31 December 2015, the Group subscribed for a convertible bond issued by the Investee Company, with principal amount of HK$3,600,000 which carried interest at 8% per annum payable on 31 October 2017 with maturity on the same date. The convertible bond can be converted into equity shares of the Investee Company or the subsidiary of the Investee Company at any time from the date of issue to the maturity date. The fair value at initial recognition of the receivable component and derivative component, which amounted to HK$2,884,000 and HK$716,000, respectively, are determined based on the valuation provided by Asset Appraisal Limited, independent professional qualified valuers not connected with the Group. Subsequent to the initial recognition, the receivable component is carried at amortised cost using the effective interest method and the derivative component is carried at fair value.

The Group's convertible bond is recognised as follows:

	Debt component HK$000	**Derivative component** HK$000
At the date on initial recognition	2,884	716
Accretion of interest	96	–
Fair value loss recognised in profit or loss (included in other gains and losses)	–	(43)
At 31 December 2015	**2,980**	**673**

The methods and assumptions applied for the valuation of the convertible bond are as follows:

(i) Valuation of receivable component

At initial recognition, the fair value of receivable component was calculated based on the present value of contractually determined stream of future cash flows discounted at the required yield, which was determined with reference to the credit risk of the convertible bonds issuer and maturity term. The effective interest rate of the receivable component is 20%.

20. CONVERTIBLE BOND/DERIVATIVE COMPONENT IN CONVERTIBLE BOND (continued)

(ii) Valuation of derivative component

Derivative component is measured at fair value using the Binomial Pricing Model, at initial recognition and at the end of the reporting period. The inputs into the model as at date of subscription and at 31 December 2015, was as follows:

	(Date of subscription) 26 October 2015	31 December 2015
Stock price	HK$25.6933	**HK$25.6933**
Conversion price	HK$25.6933	**HK$25.6933**
Volatility	27.93%	**29.16%**
Dividend yield	0%	**0%**
Option life	2.01 years	**1.83 years**
Risk free rate	0.288%	**0.332%**

21. INVENTORIES

	2015 HK$'000	2014 HK$'000
Raw materials	**22,243**	23,174
Finished goods	**59,259**	67,817
	81,502	90,991

22. TRADE AND OTHER RECEIVABLES

	2015 **HK$'000**	2014 HK$'000
Trade receivables	**65,256**	87,789
Less: Allowance for doubtful debts	**(1,141)**	(158)
	64,115	87,631
Bills receivables	**208**	–
Trade and bills receivables	**64,323**	87,631
Deposits	**3,735**	3,657
Prepayments	**4,925**	2,548
Value added tax recoverable	**3,154**	6,712
Advances to employees	**766**	495
Other receivables	**331**	1,091
	12,911	14,503
Total trade and other receivables	**77,234**	102,134

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.

	2015 **HK$'000**	2014 HK$'000
Within 30 days	**35,543**	46,745
31 to 60 days	**15,601**	17,576
61 to 90 days	**4,439**	5,594
91 to 180 days	**4,849**	3,370
181 to 365 days	**2,147**	10,105
Over 365 days	**1,744**	4,241
	64,323	87,631

22. TRADE AND OTHER RECEIVABLES (continued)

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

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$12,605,000 (2014: HK$27,285,000) 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.

	2015 **HK$'000**	2014 HK$'000
0 to 30 days	**11**	–
31 to 60 days	**3,206**	8,226
61 to 90 days	**779**	1,343
91 to 180 days	**4,718**	3,370
181 to 365 days	**2,147**	10,105
Over 365 days	**1,744**	4,241
	12,605	27,285

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

	2015 **HK$'000**	2014 HK$'000
Balance at beginning of the year	**158**	1,590
Allowance for doubtful debts	**1,025**	33
Amounts written off during the year as uncollectible	**–**	(1,438)
Exchange adjustments	**(42)**	(27)
Balance at end of the year	**1,141**	158

Included in the allowance for doubtful debts are individually impaired trade receivables relating to distributors with an aggregate balance of HK$1,141,000 (2014: HK$158,000). 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.

22. 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:

	2015 HK$'000	2014 HK$'000
USD	**208**	–
MOP	**398**	33

23. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits represent deposits pledged to banks for a banking facility to the Group and bills payables. The pledged bank deposits carry fixed interest rate of 0% – 0.24% (2014: 2.7%) per annum as at 31 December 2015. The pledged bank deposits will be released upon the settlement of relevant bank borrowings and bills payables.

The bank balances included fixed deposits with maturity less than three months which carry fixed interests rates ranging from 0.2% to 0.8% (2014: 0.8% to 4.65%) per annum as at 31 December 2015. Other bank balances carry interest at market rates of 0.01% to 0.35% (2014: 0.05% to 0.39%) per annum as at 31 December 2015.

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

	2015 HK$'000	2014 HK$'000
HK$	**78**	19,827
RMB	**6,069**	20,116
EUR	**890**	194
USD	**840**	2,464

24. TRADE AND OTHER PAYABLES

	2015 HK$'000	2014 HK$'000
Trade payables	**27,961**	42,319
Bills payables	**29,059**	29,659
Trade and bills payables	**57,020**	71,978
Deposits received from customers	**3,783**	3,140
Accrued expenses	**7,678**	7,300
Salaries payables	**6,312**	6,660
Payable for acquisition of property, plant and equipment	**1,180**	2,381
Other payables	**3,918**	8,565
	22,871	28,046
Total trade and other payables	**79,891**	100,024

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

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

	2015 HK$'000	2014 HK$'000
Within 30 days	**34,875**	35,743
31 to 60 days	**10,686**	13,412
61 to 90 days	**8,438**	11,520
91 to 180 days	**3,021**	10,162
Over 180 days	**–**	1,141
	57,020	71,978

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:

	2015 HK$'000	2014 HK$'000
EUR	**653**	–
USD	**144**	3,256

25. BANK BORROWINGS

	2015 HK$'000	2014 HK$'000
Secured	**74,495**	96,437
Carrying amount repayable*		
Within one year	**23,962**	22,762
More than one year, but not more than two years	**14,186**	14,287
More than two years, but not more than five years	**6,553**	21,009
	44,701	58,058
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)	**29,794**	38,379
	74,495	96,437
Less: Amounts due within one year shown under current liabilities	**(53,756)**	(61,141)
Amounts shown under non-current liabilities	**20,739**	35,296

* 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 2015 and 2014.

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:

	2015	2014
Effective interest rates:		
Fixed-rate borrowings	**4.35%**	7.32%
Variable-rate borrowings	**1.62% to 7.31%**	1.69% to 7.29%

26. OBLIGATION UNDER A FINANCE LEASE

The Group leased a motor vehicle under a finance lease with lease term of 3 years (2014: 3 years). Interest rate underlying obligation under finance lease is fixed at respective contract date at 4.94% per annum (2014: 4.94% per annum). 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**	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount payable under finance lease:				
Within one year	**762**	762	**745**	717
More than one year and not more than two years	**64**	762	**63**	745
More than two years and not more than five years	**–**	64	**–**	63
	826	1,588	**808**	1,525
Less: future finance charges	**(18)**	(63)	**N/A**	N/A
Present value of lease obligation	**808**	1,525	**808**	1,525
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(745)**	(717)
Amount due for settlement after 12 months			**63**	808

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

27. 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 2014	(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)
(Charged) credited to profit or loss (note 13)	(616)	1,462	(62)	784
As at 31 December 2015	**(954)**	**–**	**50**	**(904)**

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:

	2015 HK$'000	2014 HK$'000
Deferred tax assets	**–**	451
Deferred tax liabilities	**(904)**	(2,139)
	(904)	(1,688)

At the end of the reporting period, the Group has unused tax losses of HK$41,600,000 (2014: HK$33,857,000) 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$39,068,000 (2014: HK$32,455,000) that will expire up to 2020 (2014: up to 2019). 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.

At 31 December 2014, a deferred tax liability had 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) (2015: nil). 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 RMB17,656,000 (equivalent to HK$21,069,000) (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.

28. SHARE CAPITAL

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

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2014, 31 December 2014 and 31 December 2015	**500,000,000**	**50,000**
Issued and fully paid:		
At 1 January 2014 and 31 December 2014	200,788,000	20,079
Issue of shares upon placing (note a)	40,000,000	4,000
Exercise of share options (note b)	17,644,000	1,764
At 31 December 2015	**258,432,000**	**25,843**

Notes:

(a) On 13 March 2015, pursuant to the conditional placing agreement dated 2 March 2015, 40,000,000 ordinary shares of HK$0.10 each were allotted and issued at HK$1.50 per share.

(b) During the year ended 31 December 2015, 17,644,000 ordinary shares of HK$0.10 each were issued at HK$1.20 per share upon exercise of the share options under 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") of the Company by the option holders.

All ordinary shares issued during the year ended 31 December 2015 rank pari passu with the then existing ordinary shares in all respects.

29. 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.

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.

29. 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.

(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;

(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.

During the year ended 31 December 2015, 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 Binomial 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

29. SHARE OPTION SCHEMES (continued)

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

The Group recognised the share-based payments of HK$7,060,000 for the year ended 31 December 2015 (2014: HK$1,703,000) in relation to share options granted by the Company during the year.

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 31 December 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 were, in aggregate, 5,504,000 (31 December 2014: 17,764,000), representing 2.1% (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 year is HK$4.95 (2014: HK$1.20). In respect of the share options exercised during the year ended 31 December 2015, the weighted average share price at the dates of exercise is HK$2.63.

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 years:

For the year ended 31 December 2015

Categories of participants	Date of grant	Exercisable period	Exercise price HK$	Number of share options Outstanding at 1.1.2015	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2015
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	–	(17,644,000)	(120,000)	–
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	–	(90,000)	1,514,000
				–	5,594,000	–	(90,000)	5,504,000
				17,764,000	5,594,000	(17,644,000)	(210,000)	5,504,000

29. SHARE OPTION SCHEMES (continued)

For the year ended 31 December 2014

				Number of share options		
Categories of participants	Date of grant	Exercisable period	Exercise price HK$	Outstanding at 1.1.2014	Lapsed during the year	Outstanding at 31.12.2014
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	(708,000)	4,396,000
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	(2,708,000)	17,764,000

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.

30. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the “MPF Scheme”) for all qualifying employees in Hong Kong. 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 2014 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 schemes 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 schemes charged to the consolidated statement of profit or loss and other comprehensive income is HK$6,385,000 (2014: HK$6,552,000).

31. 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:

	2015 HK$'000	2014 HK$'000
Within one year	**21,178**	19,975
In the second to fifth years inclusive	**6,933**	14,203
Over five years	**–**	3,575
	28,111	37,753

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:

	2015 HK$'000	2014 HK$'000
Within one year	**3,299**	2,748
In the second to fifth years inclusive	**2,748**	5,496
	6,047	8,244

Operating lease payments represent rentals payable by the Group for the retail stores, department store counters, offices, staff quarters and warehouses. Leases are negotiated for terms ranging from one to six years (2014: 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.

32. CAPITAL COMMITMENTS

	2015 HK$'000	2014 HK$'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	**1,377**	2,076

33. PLEDGE OF ASSETS

	2015 HK$'000	2014 HK$'000
Leasehold land and buildings	**107,644**	117,309
Prepaid lease payments	**26,312**	28,153
Pledged bank deposits	**6,812**	1,225
	140,768	146,687

34. 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	**2015 HK$'000**	2014 HK$'000
Shenzhen Fusheng Trading Company Limited	Related company (Note)	Rental expenses	**2,280**	776
Gain Harvest Investment Limited	Related company (Note)	Rental expenses	**1,632**	1,680
Wealth Pine Asia Limited	Related company (Note)	Rental expenses	**1,116**	1,080

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

Compensation of key management personnel

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

	2015 HK$'000	2014 HK$'000
Salaries and allowances	**10,736**	9,998
Performance related incentive payments	**217**	110
Retirement benefit schemes contributions	**675**	581
Share-based payments	**4,940**	1,304
	16,568	11,993

35. 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 (2015: nil).

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries held by the Company as at 31 December 2015 and 2014 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 2015	2014	Principal activities
Casablanca Home Holdings Limited[(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$80,000,000 (2014: HK$60,000,000)	**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	**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
Jollirich	Hong Kong 8 April 2002	Hong Kong	HK$10,000	**100%**	100%	Investment holding and trading of home textiles products and accessories

(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.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 HK$'000	2014 HK$'000
Non-current assets		
Investment in a subsidiary	**37,337**	36,553
Deposit paid for acquisition of property, plant and equipment	**996**	893
	38,333	37,446
Current assets		
Other receivables	**398**	392
Amounts due from subsidiaries	**150,662**	86,229
Bank balances	**20,422**	183
	171,482	86,804
Current liabilities		
Accrued expenses	**516**	533
Amount due to a subsidiary	**5,918**	5,918
Taxation payable	**69**	178
	6,503	6,629
Net current assets	**164,979**	80,175
Net assets	**203,312**	117,621
Capital and reserves		
Share capital	**25,843**	20,079
Reserves	**177,469**	97,542
Total equity	**203,312**	117,621

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Movement in reserves:

	Share premium HK$'000	Share options reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1 January 2014	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
Profit and total comprehensive income for the year	–	–	589	589
Recognition of equity-settled share-based payments	–	7,060	–	7,060
Exercise of share options	32,848	(13,439)	–	19,409
Lapse of share options	–	(92)	–	(92)
Issue of shares upon placing	56,000	–	–	56,000
Expense incurred in connection with the issue of shares	(3,039)	–	–	(3,039)
At 31 December 2015	**166,688**	**7,060**	**3,721**	**177,469**

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

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