CASABLANCA
GROUP LIMITED

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

STOCK CODE: 2223

INTERIM REPORT 2017

CASABLANCA HOME | Casa Calvin | CASA-V | Dolce Sogno | FORCETECH | C2 | VOSSEN A Touch of Energy

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About Casablanca

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

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the "Board") of directors (the "Directors") of Casablanca Group Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2017 (the "Period").

Overview

Under the influence of the changing consumption habits of consumers in the People's Republic of China (for the purpose of this report, excluding Hong Kong, Macau and Taiwan) (the "PRC") in recent years, the impact of e-commerce on traditional retailers and the constantly high operating cost including rentals and salaries, the operating environment has become increasingly challenging. E-commerce has undoubtedly become a popular consumption platform in the PRC in recent years. However, Chinese economy is developing steadily with improving consumer confidence. As pointed out by the Ministry of Commerce of the PRC recently, the development of the retail industry of the PRC demonstrated strong momentum in the first half of 2017.

As for the Hong Kong market, consumer confidence remained relatively low. As released by the Census and Statistics Department of Hong Kong recently, the provisional estimate of both value and volume of total sales of the retail industry in the first half of 2017 recorded a slight decrease as compared to the corresponding period last year. Consumer durable goods are yet to benefit from the rebound in the number of tourists visiting Hong Kong and household users are still the major retail purchasers of bedding products. Bedding products companies are seeking to attract consumers' attention by offering discounts or gifts.

Business Review

There had been no material changes in the Group's operations and segmental information since the publication of the annual report for the year ended 31 December 2016. The first half of the year is a traditional low season of the bedding products industry. In addition to exercising stringent control over its expenses, the Group also proactively explored opportunities to collaborate with commercial customers, searched for business development opportunities for various products and devoted more resources to develop e-commerce business. During the Period, as affected by the weak retail market in Hong Kong, overall self-operated retail sales experienced a noticeable drop despite a marked increase in sales to others, especially the sales under a bulk-purchase agreement to a wholesale customer. The Group's total revenue was HK$177.3 million, representing a decrease of 3.9% as compared to HK$184.6 million in the corresponding period of 2016. Profit for the Period was HK$22.2 million, representing a significant increase of 220.9% as compared to HK$6.9 million in the corresponding period last year as a result of the relocation of its PRC sales headquarters to Huizhou plant last year, the effective reduction in expenses due to adjustment of our physical sales network in the PRC as well as the decrease in provision for impairment loss of investment.

Adjustment of Sales Network and Development of Commercial-Customer Channels

In view of the rising operating cost of physical points of sales ("POS"), the Group continued to refine the POS network by closing down the POS with unsatisfactory profitability performance during the Period. As at 30 June 2017, the Group had a total of 225 POS (31 December 2016: 255), among which 113 were self-operated POS and 112 were distributor-operated POS, covering a total of 76 cities in the PRC, Hong Kong and Macau (collectively the "Greater China Region").

In order to reduce the reliance on retail sales income from physical POS, we have stepped up our efforts in developing the resources in the commercial-customer market in recent years with a view to enhancing the Group's position in the commercial-customer market. In June 2017, the Group jointly organised a luncheon seminar titled "Travel in Comfort With The Cotton The World Trusts (全球信賴美棉，舒適旅行 甄 選)" with COTTON USA in a high-class hotel in Hong Kong. The event, during which the Group's bedding products under "CASA-V" brand with 5A Features were displayed, attracted approximately 80 representatives from the Hong Kong hotel industry to attend and participate in. The seminar was a huge success and was widely reported by a good few newspapers in Hong Kong. The quality of the Group's products also received high recognition from the Hong Kong hotel industry. In addition to hotels, the Group also provided its bedding products to various organisations, including departments of the Hong Kong government, departments of the PRC government, community health organisations, hospitals and university dormitories during the Period. Moreover, the Group's other business cooperation with commercial customers included provision of products for gift redemption of different enterprises, such as retail chains in Hong Kong, banks in Hong Kong and the PRC, telecommunications network providers in the PRC.

Active Promotion of Products Featuring Cartoon Characters

Following the reorganisation of the authorised cartoon characters portfolio in 2016, the Group proactively promoted the products featuring newly authorised cartoon characters, such as DIN DONG and DustyKid, during the first half of 2017, showing active support for the development of the creative industry in Hong Kong. The Group also marketed its new products featuring internationally renowned cartoon characters, for example Minions, TRANSFORMERS and etc., by riding on the popularity of cartoon movies during the summer holiday. During the Period, the Group entered into a license agreement for the use of cartoon characters with "Fumeancats", a well-known Taiwanese comic, and debuted promotional activities for the limited edition products under "Fumeancats" in March 2017. For each set of limited edition products sold, the Group would donate HK$20 to the Society for Abandoned Animals Limited in an effort to support its works in respect of animal protection in Hong Kong. The Group also helped promoting its motto of "Love Animal, Respect Life, No Killing or Abandoning" on the Company's Facebook page, which has gained wide support from the consumers.

MANAGEMENT DISCUSSION AND ANALYSIS

Enhanced Marketing Promotion

With increased application of social media among consumers from all age groups, in addition to promotion on traditional marketing channels, the Group also stepped up its efforts in carrying out promotion through online advertisements and social media in recent years. The Group released information and facilitated two-way communication with the consumers in Hong Kong mainly through its Facebook page. As of June 2017, the Group had over 15,000 subscribers supporting its Facebook page. We also promoted the Group's image of "Healthy Sleeping Expert (健康睡眠專家)" by educating consumers professional knowledge about how to choose suitable pillows and duvets as well as proper product care through our Facebook page. During the Period, the Group filmed a new set of publicity photos for the spokesman and renovated its stores image. The Group's efforts during the Period have been widely recognised by the community in Hong Kong. The Group was once again awarded "Mother's Favourite Brand for Bedding Products 2017" by TVB Weekly and "Q-Mark Elite Brand Award 2017" by the Federation of Hong Kong Industries.

The Group also made great efforts in strengthening the online promotion in the PRC. During the Period, we devoted more resources to improve the quality of the Group's WeChat articles, as a result, there was a noticeable increase in the number of shares of our WeChat articles as well as interaction and engagement as compared to the corresponding period last year. As of June 2017, the number of subscribers to the Group's WeChat corporate account exceeded 15,000 while our most viewed Weibo article hitting over 600,000 views. In order to gain higher profile, the Group joined hands with "VOSSEN", an Austrian brand offering premium terry toweling products of which we exclusively distribute in the Greater China Region, to participate in the "Tmall International Textile Fair (天貓國際家紡展)" in Shanghai during the Period with an aim to promote the new home-living product collection of "VOSSEN" for spring and summer 2017.

Future Prospects

In the second half of 2017, the PRC government will continue to push ahead urban-rural integration and boost domestic demand in order to achieve stable annual growth of the economy. As we expect the number of people moving into new flats and moving houses in the PRC and Hong Kong will remain high, coupled with the fact that the second half of the year is a popular season for wedding, the weather is getting cold and there will be more festive days, we will uphold a cautiously optimistic attitude for the second half of 2017. The Group will implement various measures in relation to products, sales channels and marketing promotion with a view to seizing the opportunities arising during the peak season of the bedding products market.

Enhance Product and Business Diversification

In early August, the Group launched "CASA-V" mosquitos and insects repellent series of products with the use of HHL Technology Vital Protection, a UK-based development formula, for comprehensive mosquitos and insects repellency. The Vital Protection, being a completely safe and extremely effective chemical, has been proven to effectively drive away insects, such as mosquitos, midges, bugs, flies and fleas, and thus reduce the health-related risk of diseases being spread by these vectors. The "CASA-V" mosquitos and insects repellent series of products will further promote the Group's image of "Healthy Sleeping Expert (健康睡眠專家)".

In response to the increasing popularity of large-scale home furnishing stores in the PRC, the Group has successively completed the preparatory work for setting up its "Healthy Lifestyle Store". We have entered into a cooperation agreement with a furniture manufacturer and retailer in Guangdong and the first "Healthy Lifestyle Store" is scheduled to open in Huizhou, Guangdong in the fourth quarter in 2017. The "Healthy Lifestyle Store" will be divided into various zones, showcasing bedrooms in different interior design style with matching furniture and bedding products. These stores will not only provide consumers with stylish and personalised choice of bedroom furniture, but will also bring synergy to the Group's own bedding products business.

The Group also planned to devote more resources in expanding the high-quality mattress sales business. We are now approaching different strategic partners in a bid to introduce more imported and PRC-manufactured mattress products. The Group opened two "Mattress Experience Stores (床褥體驗館)" in Hong Kong this July, offering our existing mattress and pillow products at the initial stage. Looking forward, we will expand our mattress product portfolio to provide our consumers with more choices.

Reinforce the Expansion Into Commercial-Customer Market and Adjust Sales Channels

The commercial-customer market continues to play an important part in the Group's business development. In early July, the Group entered into a supply agreement with an airline based in Hong Kong for business development to provide products such as blankets for its flights. We regard this cooperation opportunity as a major step of the Group's expansion into the airline market. Moreover, the Group will continue to participate in the quotation and tendering of products of different enterprises for exploring further growth.

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In order to increase sales channels with lower operating costs, the Group is in preparation of the launch of its Hong Kong online shopping website. We believe that the Hong Kong online shopping website will effectively display the Group's products and will at the same time facilitate the collection and analysis of data on Hong Kong consumers' consumption habits in respect of the Group's products such that the Group can optimise the management of customer relationship and the research and development of new targeted products. We will also moderately adjust the structure of our physical sales network in Hong Kong by closing down POS with unsatisfactory profitability upon expiry of store leases and opening new retail stores in different new residential zones in the second half of the year.

As for the PRC market, department stores in the PRC were severely impacted by e-commerce, together with the high cost associated with commission and promotional expenses paid to department stores, the Group will hence focus on new shopping malls and plan to set up new POS mainly in the Southern China. We will also continue to invest in the development of online sales platform to cater for the shopping habits of consumers in the PRC.

Strengthen Marketing Promotion and Enhance Brand Image

In the second half of 2017, the Group will focus the online marketing promotion in the PRC on the mainstream application platform operated by new media with an aim to create interactive topics within a short period of time and directly increase the rate of purchase through e-commerce. As for the Hong Kong market, online marketing promotion will still be carried out mainly through our Facebook page, the Group's website and online advertisements.

In terms of offline marketing promotion, the Group will advertise on television, newspapers, magazines, as well as platforms and vehicle bodies of public transports. Furthermore, we will sponsor products for a featured drama of a local TV broadcaster, which is preliminarily expected to be broadcasted in Hong Kong in October 2017. We hope that the sponsorship can attract more public attention to the Group's products.

The Group also sponsored various activities and participated in work in relation to corporate social responsibility to make its contribution to the society, while enhancing its brand image at the same time. The Group has confirmed to join hands with those with a loving heart from the Hong Kong community to support the charitable event held by Yan Chai Hospital by acting as the title sponsor for the walkathon named "Yan Chai Charity Walk (仁濟慈善行)" for the third time in the fourth quarter of 2017.

Incorporating "Contemporary, Innovative and Functional" features in our product design, the Group will endeavor to provide consumers with quality bedding products which are fashionably designed but reasonably priced, as well as trendy and suitable home accessories. We will continue to broaden our streams of revenue and strengthen the Group's brand value to bring satisfactory returns to our shareholders.

Financial Review

Revenue

During the Period, the Group achieved revenue of HK$177.3 million (2016: HK$184.6 million) which decreased by 3.9% as compared to the corresponding period last year. The overall decrease in revenue was primarily due to the decrease in retail revenue in the PRC as well as in Hong Kong more than the increase in sales to others during the Period.

Sales of our proprietary brands, which accounted for approximately 86.7% (2016: 85.8%) of the Group's revenue, decreased by 3.0% to HK$153.7 million (2016: HK$158.4 million) due to the decrease in self-operated retail sales in Hong Kong and the PRC. The sales of our licensed and authorised brands decreased by 9.7% to HK$23.6 million (2016: HK$26.2 million) since the increase in sales of new licensed cartoons in Hong Kong during the Period could not offset the decrease in sales of products of licensed brands due to termination of contracts.

In terms of channels, self-operated retail sales during the Period amounted to HK$109.6 million (2016: HK$129.1 million), accounted for approximately 61.8% (2016: 69.9%) of the total revenue, representing a decrease of 15.0% as compared to the corresponding period last year. Owing to the restructuring of the Group's sales network in response to the stiff competition from online sales in the PRC, the number of self-operated POS reduced by 13 as compared to the corresponding period last year and the self-operated retail sales in the PRC decreased by 9.2%. During the Period, the self-operated retail sales in Hong Kong also decreased by 16.7% due to the sluggish retail market in Hong Kong. As compared to the corresponding period last year, sales to distributors maintained at almost the same level of HK$14.2 million (2016: HK$14.2 million). With increase in sales under a bulk-purchase agreement to a wholesale customer in Hong Kong, sales to others amounted to HK$53.5 million (2016: HK$41.3 million), representing an increase of 29.4% during the Period.

In terms of products, sales of bed linens during the Period were HK$74.4 million (2016: HK$113.8 million). Sales of duvets and pillows were HK$97.2 million (2016: HK$62.5 million), whereas sales of other home accessories were HK$5.7 million (2016: HK$8.3 million). Other than the reason for the decrease in self-operated retail sales, the decrease in sales of bed linens by 34.6% and the increase in sales of duvets and pillow by 55.6% were due to the sales of "CASA-V" branded bed linens under a bulk-purchase agreement to a wholesale customer in Hong Kong shifted to "CASA-V" branded duvets during the Period as compared to the corresponding period last year.

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In terms of regions, revenues from Hong Kong and Macau, the PRC and others during the Period were HK$138.6 million (2016: HK$144.3 million), HK$38.1 million (2016: HK$40.0 million) and HK$0.6 million (2016: HK$0.3 million) respectively. As the decrease in self-operated retail sales in Hong Kong during the Period could not be offset by the increase in sales under a bulk-purchase agreement to a wholesale customer, the overall revenue from Hong Kong and Macau reduced by 4.0%. Owing to the reduction of 13 self-operated POS in the PRC, there was an decrease in revenue from the PRC by 4.8% despite the increase in sales to distributors in the PRC.

Gross Profit and Gross Profit Margin

Gross profit of HK$116.8 during the Period was at similar level as compared to HK$116.1 million for the corresponding period last year. The overall gross profit margin for the Period was 65.8% which was higher than 62.9% for the corresponding period last year. The increase in overall gross profit margin was primarily due to lower costs of raw materials and production with depreciation of Renminbi during the Period as compared to the corresponding period last year.

Other Gains and Losses

Without the gain on deregistration of a subsidiary in the PRC (2016: HK$8.8 million), the impairment loss of available-for-sale investment (2016: HK$7.7 million), the impairment loss on convertible loan (2016: HK$3.0 million) and the decrease in fair value of derivative component in convertible bond (2016: HK$0.7 million) for the Period, other gains for the Period amounted to HK$1.9 million (2016 losses: HK$4.1 million) mainly representing the net reversal of provision for doubtful debts and the net exchange gains.

Expenses

Selling and distribution costs for the Period decreased by 8.5% to HK$67.7 million from HK$74.0 million for the corresponding period last year. This was primarily due to the absence of royalty payments in the PRC for a licensed brand terminated in 2016, decrease in concessionaire commissions and related expenses for department store counters and less advertising and promotional expenses in Hong Kong as well as the PRC.

Administrative expenses for the Period also decreased by 10.0% to HK$23.6 million compared with HK$26.3 million for the corresponding period last year. The decrease in administrative expenses was primarily attributable to less staff costs and rental payments incurred in the PRC during the Period after the PRC retail headquarters moved from Shenzhen to Huizhou in 2016 and the absence of share-based payments recognised for the Period under the share option scheme.

Profit for the Period

During the Period, the Group achieved profit of HK$22.2 million (2016: HK$6.9 million) which significantly increased by 220.9% as compared to the corresponding period last year. Reasons for the significant increase in profit for the Period were mainly attributable to (i) the decrease in selling and distribution costs, especially the royalty payments in the PRC for a licensed brand terminated in 2016, the concessionaire commissions and related expenses for department store counters and the advertising and promotional expenses; (ii) the decrease in staff cost with the PRC retail headquarters moved from Shenzhen to Huizhou in 2016 and none of expenses of share-based payment; (iii) the absence of the provision for impairment loss on available-for-sale investment and convertible bond; and (iv) the improvement in operations of subsidiaries in the PRC.

EBITDA represents gross profit less selling and distribution costs and administrative expenses, adding depreciation, amortization and share-based payments. The Group's EBITDA for the Period increased to HK$31.9 million from HK$23.9 million for the corresponding period last year, representing an increase of 33.3%. This was mainly attributable to the decreases in selling and distribution costs and administrative expenses and the improvement in operations of subsidiaries in the PRC.

Liquidity, Financial Resources and Capital Structure

During the Period, the Group adhered to the principle of prudent financial management in order to minimize financial and operational risks. The Group financed its operations with internally generated cash flows. Bank borrowings were primarily for financing the construction of Huizhou Plant in previous years. The financial position of the Group was healthy with net cash increased by 27.5% during the Period.

	As at 30 June 2017 HK$'000	As at 31 December 2016 HK$'000
Total bank borrowings	**41,967**	50,171
Pledged bank deposit and bank balances and cash	**208,084**	180,482
Net cash	**166,117**	130,311
Total assets	**492,644**	490,105
Total liabilities	**108,353**	133,782
Total equity	**384,291**	356,323
Current ratio	**3.2**	2.7
Gross gearing ratio (Note)	**10.9%**	14.1%

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

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As at 30 June 2017, the total bank borrowings of the Group was approximately HK$42.0 million (31 December 2016: HK$50.2 million), which were denominated as to 89.3% and 10.7% in Hong Kong dollars and Renminbi respectively, with all bank borrowings being variable-rated borrowings with effective interest rates ranging from 1.91% to 5.47% per annum (31 December 2016: 1.63% to 5.97%) and repayable up to five years.

As at 30 June 2017, the pledged bank deposit of the Group was approximately HK$6.6 million (31 December 2016: HK$8.0 million), which was denominated in Hong Kong dollars and Renminbi, and the bank balances and cash of the Group were approximately HK$201.5 million (31 December 2016: HK$172.4 million) which were denominated in Hong Kong dollars and Renminbi except for about 0.3% in United States dollars and Euro.

On 24 March 2017, Casablanca Hong Kong Limited, Casablanca International Limited and Casablanca Home Limited, the wholly-owned subsidiaries of the Company, as borrowers (the "Borrowers"), and 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 relating to: (i) a letter of guarantee and standby letter of credit facility up to an aggregate maximum amount of HK$0.5 million subject to annual review by the Lender; (ii) a revolving loan facility of an amount up to HK$10.0 million subject to annual review by the Lender; and (iii) term loans with outstanding amounts up to approximately HK$38.7 million and HK$5.9 million as at 28 February 2017 with maturity dates on 27 January 2020 and 3 June 2021 respectively. The facilities, in an aggregate amount of up to approximately HK$55.1 million, were made available by the Lender to the Borrowers on the terms and conditions therein contained. 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 report, the Ultimate Controlling Shareholders ultimately hold approximately 62.7% of the issued share capital of the Company.

Significant Investments

As at 30 June 2017, the Group did not hold any significant investments.

Foreign Exchange Exposure

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

Pledge of Assets

As at 30 June 2017, the Group had pledged its leasehold land and buildings, prepaid lease payments and fixed deposits with an aggregate carrying value of HK$125.4 million to certain banks in Hong Kong and the PRC to secure banking facilities granted to the Group.

Contingent Liabilities

As at 30 June 2017, the Group did not have material contingent liabilities.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

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

Future Plans for Material Investments or Capital Assets

The Group is actively identifying and exploring suitable investments with potential and synergy effect to its existing businesses. The Group will only consider any potential investments which are in the interests of the Company and the Shareholders as a whole. No agreement for investment has been concluded as at the date of this report.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Interim Dividend

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

Subsequent Event

There was no material subsequent event after the Period and up to the date of this report.

Use of Proceeds From IPO and Placement of Shares

The Company received net proceeds raised from the Initial Public Offering ("IPO") of approximately HK$44.2 million and the placement of shares of approximately HK$57.0 million. The usage of net proceeds until 30 June 2017 was as follows:

	Planned Amount HK$ million	**Utilised Amount** HK$ million	**Remaining Amount** HK$ million
From IPO:			
Expansion of sales networks	37.0	28.5	8.5
Upgrade of management information system	4.0	2.5	1.5
Brand building and product promotion	2.2	2.2	–
General working capital	1.0	1.0	–
Total	44.2	34.2	10.0
From Placement of shares:			
General working capital and possible investments	57.0	26.3	30.7

Employee and Remuneration Policy

As at 30 June 2017, the employee headcount of the Group was 637 (2016: 693) and the total staff costs, including Directors' remuneration and shared-based payments, amounted to HK$43.2 million (2016: HK$46.8 million). The decrease in employee headcount was primarily due to the reduction in number of self-operated POS, mainly in the PRC, during the Period. The decrease in total staff costs was due to decreases in Directors' remuneration, share-based payments and number of PRC staff employed as compared to the corresponding period last year.

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

Purchase, Sale or Redemption of Listed Securities of the Company

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

Share Option Scheme

The Group adopted a share option scheme, which was approved by the sole shareholder's resolution passed on 22 October 2012, (the "Share Option Scheme") and granted share options to Directors and employees on 9 April 2015 to subscribe for a total of 5,594,000 ordinary shares of HK$0.10 per share with the exercise price of HK$4.95 per share. Details of the grant of share options on 9 April 2015 are set out in announcement of the Company dated 9 April 2015. The share options shall be exercisable during the period from 9 October 2015 to 8 April 2018. Based on the valuation report of an independent valuer, the aggregate estimated fair value of the options granted on 9 April 2015 under the Share Option Scheme was approximately HK$8,200,000.

As at 30 June 2017, 2,954,000 share options were still outstanding under the Share Option Scheme. Particulars of the Company's Share Option Scheme are set out in note 15 to the condensed consolidated financial statements.

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

	Date of Grant	Exercisable period (Note)	Exercise price (HK$)	Number of options at 1.1.2017	Movements during the Period			Number of options at 30.6.2017
					Granted	Exercised	Lapsed	
Directors and Chief Executive								
Mr. Cheng Sze Kin	9.4.2015	9.10.2015-8.4.2018	4.95	330,000	–	–	–	330,000
Mr. Cheng Sze Tsan	9.4.2015	9.10.2015-8.4.2018	4.95	330,000	–	–	–	330,000
Ms. Wong Pik Hung	9.4.2015	9.10.2015-8.4.2018	4.95	330,000	–	–	–	330,000
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				1,990,000	–	–	–	1,990,000
Employees	9.4.2015	9.10.2015-8.4.2018	4.95	1,144,000	–	–	(180,000)	964,000
Total				3,134,000	–	–	(180,000)	2,954,000

Note:

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

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

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

Directors' and Chief Executive's Interests in Shares

At 30 June 2017, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions

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

Name of Director	Nature of interest	Number of issued ordinary shares held	Percentage of the issued share capital of the Company (Note 4)
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. 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.

(4) The percentage is calculated on the basis of 258,432,000 shares in issue as at the date of this report.

Save as disclosed above, none of the Directors, chief executive and their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2017.

Substantial Shareholders and Other Persons

As at 30 June 2017, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that other than the interests disclosed above in respect of certain Directors and chief executive, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long positions in ordinary shares of HK$0.10 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company (Note 2)
World Empire (Note 1)	Beneficial owner	150,000,000	58.0%
Yeung Chun Wai Anthony	Beneficial owner	21,860,000	8.5%

Notes:

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

(2) The percentage is calculated on the basis of 258,432,000 shares in issue as at the date of this report.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Code

The Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Listing Rules, save for below deviation from the code provision A.6.7.

Under the code provision A.6.7 of the CG Code, independent non-executive directors should attend general meetings and develop a balanced understanding of views of the shareholders. At the annual general meeting of the Company held on 26 May 2017 (the "AGM"), an Independent Non-executive Director, was unable to attend the AGM due to other pre-arranged business engagements. The Company had reminded all Independent Non-executive Directors and Non-executive Director to attend general meetings in order to develop a balanced understanding of views of the shareholders.

On 26 May 2017, Mr. Kam Leung Ming and Mr. Leung Yiu Man retired from their offices as Independent Non-executive Directors and Dr. Cheung Wah Keung and Mr. Chow On Wa were elected as Independent Non-executive Directors of the Company at the AGM with effect from the conclusion of the AGM.

Model Code for Securities Transactions

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

Review of Interim Results

The audit committee of the Company, comprising three Independent Non-executive Directors, namely Mr. Zhang Senquan, Dr. Cheung Wah Keung and Mr. Chow On Wa, and chaired by Mr. Zhang Senquan, has reviewed the results (including the unaudited condensed consolidated financial statements) of the Group for the six months ended 30 June 2017.

In addition, the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2017 have been reviewed by our auditors, Messrs. Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Board of Directors

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

By Order of the Board
Casablanca Group Limited

Cheng Sze Kin
Chairman

Hong Kong, 21 August 2017

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Cheng Sze Kin (鄭斯堅), aged 57, 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 44, 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. Mr. Cheng was appointed as the Chief Executive Director of the Company on 1 September 2016 and is responsible for strategic planning of the Group, in particular product development and sales management. 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 50, 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.

Non-executive Director

Mr. Mok Tsan San (莫贊生), aged 46, was appointed as a Non-executive Director on 9 April 2015. Mr. Mok is the managing director of Capital Union Investments Limited, a direct investment firm with a portfolio in Great China and overseas. He is currently the executive director of Chinese Strategic Holdings Limited (stock code: 8089), the shares of which are listed on the Stock Exchange. Mr. Mok was the executive director of Chinese Food and Beverage Group Limited (stock code: 8272) from April 2014 to January 2017 and Hin Sang Group (International) Holding Co. LTD. (stock code: 6893), from May 2015 to September 2015, the shares of which are listed on the Stock Exchange respectively. He 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 14 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 40, was appointed as an Independent Non-executive Director on 1 April 2015. Mr. Zhang currently acts as the 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 Jiande International Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 865). 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 independent non-executive director of Topchoice Medical Investment Co. Inc., the shares of which are listed on the Shanghai Stock Exchange (stock code: 600763SH), from December 2014 to March 2017. He was 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 the PRC in 1999.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Cheung Wah Keung (張華強), aged 56, was appointed as an Independent Non-executive Director on 26 May 2017. He is currently the chairman of each of Shinhint Group and Tai Sing Industrial Company Limited. He has more than 30 years of experience in trading and manufacturing of consumer electronic products. Dr. Cheung is currently an independent non-executive director of Sky Light Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 3882). He was also the chairman and an executive director of Shinhint Acoustic Link Holdings Limited (currently named as Yuhua Energy Holdings Limited and stock code: 2728) from May 2005 to November 2014, an independent non-executive director of China Kingstone Mining Holdings Limited (stock code: 1380) from July 2015 to December 2015 and an independent non-executive director and non-executive Chairman of Harmonic Strait Financial Holdings Limited (currently named as Asia Investment Finance Group Limited and stock code: 33) from June 2007 to September 2016 and September 2013 to September 2016 respectively, all shares of which are listed on the Stock Exchange.

Dr. Cheung holds a bachelor degree in business administration and a master degree in global political economy from The Chinese University of Hong Kong and a master degree in corporate governance and a doctor degree in business administration from The Hong Kong Polytechnic University. He was awarded by Federation of Hong Kong Industries as "Young Industrialist of Hong Kong" in 2005 and "Certificates of Merit in Directorship" by the Hong Kong Institutes of Directors in 2006 and was the president of the Hong Kong Young Industrialists Council from 2015 to 2016.

Mr. Chow On Wa (周安華), aged 55, was appointed as an Independent Non-executive Director on 26 May 2017. He is currently the director of JTF Development Limited which provides professional management and investment consulting services to various clients. Mr. Chow has over 20 years of experience in management of retail business of home accessories in the PRC. During 1986 to 2001, he worked for IKEA Group for 15 years. He was a general manager for India and Pakistan regional office of IKEA and subsequently stationed in the PRC. During 1995 to 2001, Mr. Chow was responsible for IKEA's retail and operational management in the PRC and opened the first retail shopping mall in the PRC for IKEA Group in 1997. He established Amfield Consultants Limited, which engaged in consultancy on management and strategic planning in business and retailing in the PRC, in 2001. Mr. Chow established New Concept International Enterprise Limited, in 2004, which was engaged in retailing of home accessories across the PRC focusing on shopping malls and department stores, and mainly distributed internationally renowned brands, including Frette, Trussardi-home and Esprit-home etc., until its business was sold to Li & Fung Limited, the shares of which are listed on the Stock Exchange (stock code: 494), in 2013. From 2013 to June 2016, Mr. Chow was a senior vice president of Global Brands Group Holding Limited, the shares of which are listed on the Stock Exchange (stock code: 787) after its spin-off from Li & Fung Limited in 2014, and was responsible for management of its multi-branded home accessory business covering all over Asia. Mr. Chow holds a bachelor degree in engineering from University of Manchester in the United Kingdom.

Senior Management

Mr. Ho Yiu Leung (何耀樑), aged 51, 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, the Association of Chartered Certified Accountants, The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He holds a master degree in business administration from the University of Strathclyde.

Mr. Gao Yan (高岩), aged 58, 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. Lin Yi Kai (林奕凱), aged 47, 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 over 20 years of experience in audit, tax 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 PRC. Mr. Lin holds a bachelor's degree in accounting from Guangdong Polytechnic Normal University.

Company Secretary

Mr. Ho Yiu Leung (何耀樑), aged 51, joined the Group as the Financial Controller and Company Secretary in January 2012. Please refer to the paragraph headed "Senior Management" above for his biography.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

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

Introduction

We have reviewed the condensed consolidated financial statements of Casablanca Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 41, which comprises the condensed consolidated statement of financial position as of 30 June 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
21 August 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

		Six months ended 30 June	
	Notes	**2017** **HK$'000** **(unaudited)**	2016 HK$'000 (unaudited)
Revenue	3	**177,343**	184,555
Cost of goods sold		**(60,571)**	(68,490)
Gross profit		**116,772**	116,065
Other income		**925**	721
Other gains and losses	4	**1,885**	(4,070)
Selling and distribution costs		**(67,717)**	(74,014)
Administrative expenses		**(23,646)**	(26,267)
Finance costs	5	**(745)**	(1,144)
Profit before taxation	6	**27,474**	11,291
Taxation	7	**(5,253)**	(4,366)
Profit for the period		**22,221**	6,925
Other comprehensive income (expense)			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**5,747**	(4,608)
Reclassification adjustments for cumulative exchange differences upon deregistration of a foreign operation		**–**	(8,775)
Other comprehensive income (expense) for the period		**5,747**	(13,383)
Total comprehensive income (expense) for the period		**27,968**	(6,458)
Profit for the period attributable to owners of the Company		**22,221**	6,925
Total comprehensive income (expense) for the period attributable to owners of the Company		**27,968**	(6,458)
Earnings per share			
– Basic and diluted (HK cents)	9	**8.60**	2.68

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	**30.6.2017 HK$'000 (unaudited)**	31.12.2016 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	10	**134,291**	122,923
Prepaid lease payments		**23,990**	23,540
Deposits paid for acquisition of property, plant and equipment		**304**	594
Rental and other deposits		**2,365**	1,689
		160,950	148,746
Current assets			
Inventories		**66,686**	77,101
Trade and other receivables	11	**56,245**	82,465
Prepaid lease payments		**558**	541
Taxation recoverable		**121**	770
Pledged bank deposits		**6,608**	8,038
Bank balances and cash		**201,476**	172,444
		331,694	341,359
Current liabilities			
Trade and other payables	12	**60,592**	81,413
Taxation payable		**5,084**	1,307
Bank borrowings	13	**39,594**	43,846
Obligation under a finance lease		**–**	63
		105,270	126,629
Net current assets		**226,424**	214,730
Total assets less current liabilities		**387,374**	363,476
Non-current liabilities			
Bank borrowings	13	**2,373**	6,325
Deferred tax liabilities		**710**	828
		3,083	7,153
Net assets		**384,291**	356,323
Capital and reserves			
Share capital	14	**25,843**	25,843
Reserves		**358,448**	330,480
Total equity		**384,291**	356,323

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	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 2017 (audited)	25,843	166,268	2,000	1,319	2,747	(18,361)	4,592	171,915	356,323
Profit for the period	–	–	–	–	–	–	–	22,221	22,221
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	–	5,747	–	–	5,747
Other comprehensive expense for the period	–	–	–	–	–	5,747	–	–	5,747
Total comprehensive expense for the period	–	–	–	–	–	5,747	–	22,221	27,968
Lapse of share options	–	–	–	–	–	–	(263)	263	–
At 30 June 2017 (unaudited)	25,843	166,268	2,000	1,319	2,747	(12,614)	4,329	194,399	384,291
At 1 January 2016 (audited)	25,843	166,268	2,000	1,319	8,988	3,373	7,060	154,702	369,553
Profit for the period	–	–	–	–	–	–	–	6,925	6,925
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	–	(4,608)	–	–	(4,608)
Reclassification adjustments for the cumulative exchange differences upon deregistration of a foreign operation	–	–	–	–	–	(8,775)	–	–	(8,775)
Other comprehensive expense for the period	–	–	–	–	–	(13,383)	–	–	(13,383)
Total comprehensive expense for the period	–	–	–	–	–	(13,383)	–	6,925	(6,458)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	972	–	972
Lapse of share options	–	–	–	–	–	–	(255)	255	–
Release of reserve due to deregistration of a subsidiary	–	–	–	–	(6,470)	–	–	6,470	–
At 30 June 2016 (unaudited)	25,843	166,268	2,000	1,319	2,518	(10,010)	7,777	168,352	364,067

Notes:

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Net cash from operating activities	**49,006**	38,651
Net cash used in investing activities		
Placement of pledged bank deposits	**(9,815)**	(6,884)
Purchase of property, plant and equipment	**(13,859)**	(2,796)
Withdrawal of pledged bank deposits	**11,433**	6,788
Proceeds from disposal of property, plant and equipment	**100**	–
Other investing cash flows	**698**	485
	(11,443)	(2,407)
Net cash used in financing activities		
Addition of bank borrowing	**33,866**	–
Repayments of bank borrowings	**(42,218)**	(11,350)
Repayments of obligations under a finance lease	**(63)**	(369)
Other financing cash flows	**(745)**	(1,144)
	(9,160)	(12,863)
Net increase in cash and cash equivalents	**28,403**	23,381
Cash and cash equivalents at beginning of the period	**172,444**	177,373
Effect of foreign exchange rate changes	**629**	(904)
Cash and cash equivalents at end of the period, represented by bank balances and cash	**201,476**	199,850

1. Basis of Preparation

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

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for derivative component in convertible bond, which is measured at fair value.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are mandatorily effective for the current interim period.

The application of those amendments to HKFRSs in the current interim period has had no material impact on the amounts and/or disclosures reported in these condensed consolidated financial statements. Additional disclosures about changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ending 31 December 2017.

3. Revenue and Segment Information

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

- Self-operated retail sales: Sales through the self-operated retail sales channel refer to sales at the self-operated concession counters in department stores and self-operated retail stores.
- Sales to distributors: Sales to distributors refer to the sales to distributors who resell the products to end-user consumers, typically at concession counters in department stores and retail stores operated by distributors.
- Others: Other sales include sales to wholesale customers located in the PRC and Hong Kong and Macau and sales made to overseas customers.

3. Revenue and Segment Information (Continued)

The information of segment revenue is as follows:

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Self-operated retail sales	**109,645**	129,050
Sales to distributors	**14,235**	14,192
Others	**53,463**	41,313
	177,343	184,555

Entity-wide information

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

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Bed linens	**74,401**	113,843
Duvets and pillows	**97,269**	62,517
Other home accessories	**5,673**	8,195
	177,343	184,555

4. Other Gains and Losses

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Gain on deregistration of a subsidiary (note a)	**–**	8,775
Impairment loss of available-for-sale investment (note b)	**–**	(7,749)
Impairment loss on convertible bond (note b)	**–**	(2,980)
Fair value change on derivative component in convertible bond (note b)	**–**	(673)
Net exchange gains (losses)	**1,011**	(979)
Net reversal of (allowance for) doubtful debts	**1,082**	(312)
Loss on disposal of property, plant and equipment	**(208)**	(136)
Allowance of other receivables	**–**	(16)
	1,885	(4,070)

Notes:

(a) During the six months ended 30 June 2016, Forcetech (Shenzhen) which was established in the PRC was deregistered. The net asset at the date of deregistration was nil and the gain on deregistration represented the cumulated exchange reserve reclassified to profit or loss.

(b) In prior year, the Group invested approximately HK$7,749,000 for 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 were principally engaged in virtual retailing business through a television shopping channel in the PRC.

In addition, the Group also 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 could 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 values of the receivable component and derivative component at initial recognition and as at 31 December 2015 amounted to HK$2,884,000 and HK$2,980,000 and HK$716,000 and HK$673,000 respectively. Subsequent to the initial recognition, the receivable component was carried at amortised cost using the effective interest method and the derivative component was carried at fair value.

During the six months ended 30 June 2016, the Investee Company's virtual retailing business was suspended. Accordingly, the directors of the Company considered the available-for-sale investment was not recoverable and the amount of HK$7,749,000 was fully impaired. In addition, the directors of the Company considered the recoverability on the convertible bond was remote and the amount of HK$2,980,000 was fully impaired. The directors of the Company also considered the fair value of the derivative component in convertible bond was minimal and a fair value loss of HK$673,000 was charged to profit or loss during the period.

5. Finance Costs

	Six months ended 30 June 2017 HK$'000 (unaudited)	2016 HK$'000 (unaudited)
Interest on:		
Bank borrowings	**745**	1,132
Finance lease	**–**	12
Total borrowing costs	**745**	1,144

6. Profit Before Taxation

	Six months ended 30 June 2017 HK$'000 (unaudited)	2016 HK$'000 (unaudited)
Profit before taxation has been arrived at after charging and crediting:		
Directors' and chief executive's remuneration (excluding share-based payments) (note a)	**4,173**	5,077
Other staff costs	**38,988**	40,763
Share-based payments (included in selling and distribution costs and administrative expenses)	**–**	972
Amortisation of intangible assets	**–**	1
Amortisation of prepaid lease payments	**274**	288
Net (reversal of) allowance for inventories (included in costs of goods sold)	**(434)**	141
Interest income	**(322)**	(248)
Investment income	**(377)**	(372)
Depreciation of property, plant and equipment	**6,224**	6,894
Operating lease rentals in respect of		
– rented premises	**365**	854
– retail stores (note b)	**4,901**	4,648
– department store counters (note b) (including concessionaire commission) (included in selling and distribution costs)	**20,632**	22,208
	25,898	27,710

6. Profit Before Taxation (Continued)

Notes:

(a) Included rental expenses paid to related companies for the six months ended 30 June 2017 of HK$1,374,000 (six months ended 30 June 2016: HK$1,374,000) for directors' quarter provided to Mr. Cheng Sze Kin, Mr. Cheng Sze Tsan and Ms. Wong Pik Hung.

(b) Included contingent rent of HK$9,311,000 for the six months ended 30 June 2017 (six months ended 30 June 2016: HK$11,492,000). The contingent rent refers to the operating lease rentals based on pre-determined percentages of realised sales less basic rentals of the respective leases.

7. Taxation

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current tax:		
Hong Kong	**4,089**	3,836
PRC Enterprise Income Tax ("EIT")	**1,286**	430
	5,375	4,266
Deferred tax:		
Current period	**(122)**	100
	5,253	4,366

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

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of the temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB21,373,000 (equivalent to HK$24,606,000) (31 December 2016: RMB17,129,000 (equivalent to HK$19,128,000)) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

8. Dividend

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period (six months ended 30 June 2016: nil).

9. Earnings Per Share

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

	Six months ended 30 June	
	2017 HK$'000 (unaudited)	2016 HK$'000 (unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	**22,221**	6,925

	Six months ended 30 June	
	2017	2016
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**258,432,000**	258,432,000

The computation of diluted earnings per share for the six months ended 30 June 2017 and 2016 does not assume the exercise of the Company's share options because the adjusted exercise price of the share options (after the adjustment of the fair value of the unvested share options) were higher than the average market prices of shares of the Company during the six months ended 30 June 2017 and 2016.

10. Property, Plant and Equipment

During the six months ended 30 June 2017, the Group spent HK$14,370,000 (six months ended 30 June 2016: HK$5,019,000) on purchase of property, plant and equipment.

11. Trade and Other Receivables

Retail sales are mainly made at concession counters in department stores. The department stores collect cash from the ultimate customers and then repay the balance after deducting the concessionaire commission to the Group. The credit period granted to department stores ranges from 30 to 75 days. For distributors and wholesale sales, the Group allows a credit period of up to 60 days to its trade customers, which may be extended to 180 days for selected customers.

The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	30.6.2017 HK$'000 (unaudited)	31.12.2016 HK$'000 (audited)
Within 30 days	22,778	33,047
31 to 60 days	7,155	26,772
61 to 90 days	4,036	5,690
91 to 180 days	2,407	2,605
181 to 365 days	6,589	275
Over 365 days	14	1,036
Trade and bills receivables	42,979	69,425

12. Trade and Other Payables

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

	30.6.2017 HK$'000 (unaudited)	31.12.2016 HK$'000 (audited)
Within 30 days	16,405	21,259
31 to 60 days	9,538	14,751
61 to 90 days	5,196	9,654
91 to 180 days	10,044	11,852
Over 180 days	2,264	2,065
Trade and bills payables	43,447	59,581

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

Included in other payables is payable for acquisition of property, plant and equipment of HK$1,527,000 (31 December 2016: HK$1,316,000).

13. Bank Borrowings

During the six months ended 30 June 2017, the Group obtained new bank borrowings of HK$33,866,000 (six months ended 30 June 2016: nil) and repaid bank borrowings of HK$42,218,000 (six months ended 30 June 2016: HK$11,350,000). The loans carry interest at market rates ranging from 1.91% to 5.47% (31 December 2016: 1.63% to 5.97%) per annum and are repayable up to five years.

14. Share Capital

	Number of shares	**Amount HK$'000**
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2016, 30 June 2016, 1 January 2017 and 30 June 2017	**500,000,000**	**50,000**
Issued and fully paid:		
At 1 January 2016, 30 June 2016, 1 January 2017 and 30 June 2017	**258,432,000**	**25,843**

15. 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.

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.

There is no outstanding share options as at 30 June 2017 and 2016 under Pre-IPO share option scheme.

15. Share Option Schemes (Continued)

(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.

The Group recognised the share-based payments of nil (six months ended 30 June 2016: HK$972,000) in relation to share options granted by the Company during the interim period.

At 30 June 2017, the number of shares in respect of which options had been granted and remained outstanding under Share Option Scheme was, in aggregate, 2,954,000 (31 December 2016: 3,134,000), representing 1.14% (31 December 2016: 1.21%) of the shares of the Company in issue at that date.

The weighted average exercise price of options outstanding at the end of the reporting period is HK$4.95 (31 December 2016: HK$4.95). In respect of the share option exercised during the year ended 31 December 2015, the weighted average share price at the date of exercise is HK$2.63.

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

For the six months ended 30 June 2017

Categories of participants	Date of grant	Exercisable period	Exercise price HK$	Number of share options: Outstanding at 1.1.2017	Lapsed during the period	Outstanding at 30.6.2017
Under the Share Option Scheme						
Executive directors	9.4.2015	9.10.2015 - 8.4.2018	4.95	990,000	–	**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	1,144,000	(180,000)	**964,000**
				3,134,000	(180,000)	**2,954,000**

15. Share Option Schemes (Continued)

For the six months ended 30 June 2016

Categories of participants	Date of grant	Exercisable period	Exercise price HK$	Number of share options: Outstanding at 1.1.2016	Lapsed during the period	Outstanding at 30.6.2016
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	1,514,000	(200,000)	1,314,000
				5,504,000	(200,000)	5,304,000

16. Capital Commitment

	30.6.2017 HK$'000 (unaudited)	31.12.2016 HK$'000 (audited)
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	454	2,187

17. Related Party Transactions

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

Name of related companies	Relationship	Nature of transactions	Six months ended 30 June 2017 HK$'000 (unaudited)	2016 HK$'000 (unaudited)
Shenzhen Fusheng Trading Company Limited	Related company (Note)	Rental expenses	–	549
Gain Harvest Investment Limited	Related company (Note)	Rental expenses	816	816
Wealth Pine Asia Limited	Related company (Note)	Rental expenses	558	558

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

17. Related Party Transactions (Continued)

Compensation of key management personnel

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

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Salaries and allowances	**4,229**	5,522
Retirement benefit schemes contributions	**249**	317
Share-based payments	**–**	688
	4,478	6,527

CORPORATE INFORMATION

Stock Code

2223

Board of Directors

Executive Directors

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

Non-executive Director

Mr. Mok Tsan San

Independent Non-executive Directors

Mr. Zhang Senquan
Dr. Cheung Wah Keung
Mr. Chow On Wa

Committees

Audit Committee

Mr. Zhang Senquan *(Chairman)*
Dr. Cheung Wah Keung
Mr. Chow On Wa

Remuneration Committee

Dr. Cheung Wah Keung *(Chairman)*
Mr. Zhang Senquan
Mr. Chow On Wa

Nomination Committee

Mr. Cheng Sze Kin *(Chairman)*
Mr. Zhang Senquan
Dr. Cheung Wah Keung
Mr. Chow On Wa

Company Secretary

Mr. Ho Yiu Leung

Authorised Representatives

Ms. Wong Pik Hung
Mr. Ho Yiu Leung

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Hong Kong

Auditor

Deloitte Touche Tohmatsu

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

Union Registrars Limited
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Two Chinachem Exchange Square,
338 King's Road,
North Point,
Hong Kong

Principal Bankers

Bank of China (Hong Kong) Limited
Bank of China Limited
Nanyang Commercial Bank (China) Ltd

Company Website

www.casablanca.com.hk