INTERIM
REPORT
2018

CASABLANCA
GROUP LIMITED

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

STOCK CODE: 2223

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CASABLANCA HOME | Casa Calvin | CASA-V

Casatino | Dolce Sogno | FORCETECH | C2 BEDDING | 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 2018 (the "Period").

Overview

During most of the first half of 2018, the economy of the People's Republic of China (for the purpose of this report, excluding Hong Kong, Macau and Taiwan) (the "PRC") grew steadily with positive sentiment in retail markets. However, since the Sino-US trade disputes at the end of the second quarter of 2018, the exchange rate of Renminbi has depreciated sharply resulting in a slight slowdown in the retail environment. According to data recently published by the National Bureau of Statistics, the growth trend of household consumption and market sales for the first half of 2018 was steady, among which consumption upgrade related products recorded a relatively fast growth. As for the Hong Kong market, the market sentiment in the first half of 2018 drove consumer confidence. Thus, coupling with different large-scale promotional activities launched by various department stores in Hong Kong, the relevant local retailers were benefited in terms of sales income.

Business Review

Since the publication of the annual report for the year ended 31 December 2017, save for the establishment of a new subsidiary in early 2018, in which the Group holds 51% interests, engaging in Healthy Lifestyle Store business, there had been no material changes in the Group's operational and segmental information. The first half of the year is a traditional slack season of the bedding products industry. The Group continued to proactively explore opportunities to collaborate with commercial customers, and launched the new business of Healthy Lifestyle Store which had no notable contribution to the Group in the meantime. During the Period, the Group recorded an increase of 9.3% and 10.4% in self-operated retail sales and sales to distributors respectively. However, due to the substantial sales of wholesale recorded during the corresponding period last year, the wholesale revenue of the Group during the Period decreased by 78.1%. The Group's overall total revenue was HK$147.3 million, representing a decrease of 16.9% as compared to HK$177.3 million in the corresponding period of 2017. During the Period, the Group recorded a loss of HK$3.2 million as compared to a profit of HK$22.2 million in the corresponding period last year.

Launched New Business Models and Enhanced Product Portfolio

In line with the demand for products with a foreign touch from young families with high purchasing power in the PRC, the Group established a new subsidiary at the beginning of this year to launch the Healthy Lifestyle Store business to offer urban customers who are in pursuit of lifestyle in the PRC with a range of ancillary products such as bedding products, mattresses, toweling products, beds, sofas, cabinets, dining tables as well as integrated customised home-furnishing services. The first flagship store, located in a new large-scale residential zone in Huizhou, was officially opened in early February 2018. The Group holds 51% interests in the subsidiary.

In order to explore customer groups with different purchasing power, the Group had different sales channels and product mix. In particular, "Casablanca Home", the first "Fast Fashion (快時尚)" bedding products and home accessories store under the Group that targets the value-for-money and youngster's market and located in a large shopping mall in Hangzhou, was officially opened in mid-June 2018. The Casablanca Home store offers bedding products under the Group's brands as well as various bed linens with authorised cartoon characters, coupled with towels, loungewear, underwear, slippers, socks, small-sized furniture, travel luggage cases and other travel products and goods under the Group's proprietary fashionable lifestyle brand named "C2 LIVING", so as to provide customers with one-stop home shopping experience.

Since 2017, the Group launched CASA-V mosquito repellent quilts for children with the use of HHL Technology Vital Protection, a safe and effective UK-based development formula, which was highly popular among and appreciated by consumers. Further, the mosquito repellent series was expanded into mosquito repellent quilt products for adults during the Period to create a healthy sleeping environment with full protection for customers.

Optimised Sales Channels

The ongoing restructuring of the development of the Group's offline points of sales ("POS") network in recent years was almost completed. The number of POS in Hong Kong and Macau remained substantially stable while the number of POS in the PRC recorded a net increase as compared to the corresponding period last year. As at 30 June 2018, the Group had a total of 229 POS (31 December 2017: 232), among which 125 were self-operated POS and 104 were distributor-operated POS, covering a total of 68 cities in the Greater China Region.

MANAGEMENT DISCUSSION AND ANALYSIS

In response to the changes in consumer habits, the Group actively optimised the development of online sales business. During the Period, we upgraded the design, items selection and shopping procedures of existing online sales platforms and made efforts to launch social e-commerce channels to enhance the recognition of the Group's brands in the online retail market. Apart from self-operated online stores in the PRC, Tmall flagship stores and online stores on JD.com, we added online sales channels including damai.cn (大麥網), which is a leisure and recreational platform, Haizei (海賊), which is a We Media e-commerce platform, and the shopping platform MARKAVIP during the Period.

During the Period, the Group launched the first New Year bedding product series with the license of "SHIBAinc" worldwide on eShop in Hong Kong. The overwhelming demand was far beyond the pre-determined target. In addition, we also launched different monthly themed online discount activities on eShop in Hong Kong, including "flash sales" and exclusive discount, which has successfully attracted the attention of youths on the Group's eShop in Hong Kong. Moreover, we also provided consumers with quality products at reasonable prices through group-buying activities on some well-known online shopping platforms in the market.

Recently, the Group put more efforts to explore the resources of the commercial-customer market to enhance its presence in the commercial-customer market. In addition to the receipt of confirmed orders from government departments, the Group also offered items to various commercial customers for their free gifts and point redemption schemes, including renowned food and beverage enterprises, infant and healthy food brands, motor vehicle and consumer goods distribution enterprises and electric appliance brands during the Period. In May 2018, the Group offered staff shopping activities to various business partner organisations and the sales result was better than expected. In addition to expanding the retail customer groups of the Group's brands, the staff shopping activities also effectively strengthened the relationship between the Group and its business partners.

Strengthened Marketing Promotion

The year 2018 marks the 25th anniversary of the establishment of CASABLANCA, the Group's proprietary brand in Hong Kong. We launched various celebration activities under the theme of "The Heritage of Italian Craftsmanship (意藝傳承25)". In particular, in April 2018, we launched a voting campaign named "My Favourite Casablanca Classics" on the Group's Facebook page to recall the classical Italian aesthetic design concept of CASABLANCA products with the general public. Based on the classical design with the highest votes, we added elements of modern arts to produce and launch commemorative product for our 25th anniversary in the second half of the year. We also continued to promote the Group's image of "Healthy Sleeping Expert (健康睡眠專家)" by educating consumers about the professional knowledge regarding how to choose suitable pillows and duvet, bedding products with better quality and features as well as proper product care through our Facebook page. Our efforts during the Period have been widely recognised by the community. The Group was awarded "Mother's Favourite Brand for Bedding Products" by TVB Weekly for three consecutive years.

We greatly value each member under the "Prestige Club" of the Group. During the Period, we launched a brand-new Prestige Club point award scheme to enhance the attractiveness of the membership of the Prestige Club and reward the customers for their support as well as encouraging them to purchase more accordingly. Besides, we also launched joint promotion schemes partnering with various commercial customers to offer various shopping discounts to their members. The commercial customers partnering with us during the Period included chain retailers, financial institutions, professional associations and utility companies.

Future Prospects

It is expected that the second half of 2018 will remain clouded by the Sino-US trade disputes and depreciation of Renminbi. As no goods are exported to US by the Group, the measures for imposing US tariffs on Chinese exports have no direct impact on the Group. However, the retail markets of the Greater China Region will be influenced to some extent. Despite this, the Chinese government has proclaimed to expand domestic demand as one of the key efforts to stabilise the annual economic growth, including the stimulation of household consumption and support to the development of the high-tech manufacturing industries. The Group believes that these efforts will have positive effects on the retail markets. In addition, in the PRC and Hong Kong, the number of people moving into new flats and moving houses is expected to remain huge in the short term, coupled with the fact that the second half of the year is a traditional popular season for wedding and a peak season of the bedding products market, we will remain cautiously optimistic for the second half of 2018. We will put more efforts to optimise our products, sales channels and marketing strategy to explore business opportunities against all odds.

Enhance Product Mix

As one of the leading enterprise of the bedding products industry, we launch quality bedding products and home accessories with health functions which are fashionably designed from time to time. Apart from ongoing promotion of the series of products with mosquitos and insects repellent functions which were highly recognised since its launch in 2017, the Group also launched a brand new product "Magnetic Stress-Relief Pillow" (零壓磁療枕) under CASABLANCA brand in July 2018. The new product has adopted the patented magnetic healthcare material extracted from minerals under Comfytex, a Turkish brand. It can facilitate the blood circulation by means of the ferrous materials extracted from minerals and allow users to attain muscle relaxation generally for better quality sleep. The Group will continue to focus its R&D efforts on sleep related products with health functions to further strengthen its image of "Healthy Sleeping Expert".

MANAGEMENT DISCUSSION AND ANALYSIS

The Group will continue to devote more resources in expanding the business of high-quality mattress. In early 2018, we expanded the mattress product mix with Dolce Sogno (多舒樂) brand. In the first half of the year, we displayed our bedding products with ancillary mattresses at certain selected stores in the PRC. In the second half of the year, we will further increase the number of POS where our bedding products with ancillary mattresses are to be displayed. For the first phase, we will focus on POS in South China region as our target.

Continue to Explore Revenue Sources and Optimise Sales Channels

Regarding bedding products, the commercial-customer market continues to play an important role in the Group's business development. In the second half of the year, the Group will continue to seek opportunities in joint promotion of brands and offer items to enterprises for free gifts and point redemption schemes. Among them, the target organizations will include press media groups, telecommunication service providers, electrical appliance brands, food and beverage retail enterprises, fashion apparel brands and others. In the second half of the year, we plan to launch staff shopping activities again to other large-scale business partner organizations. In addition, we will continue to expand markets for the export of our products, including the sales of the Group's proprietary brand products or original equipment manufacturing (OEM) orders.

Regarding the Healthy Lifestyle Store business, we have opened our second flagship store in a high-end residential area of Xiamen in August 2018 to provide consumers with "one-stop home" shopping experience including design services, custom-made furniture and home ancillary products. We will cautiously launch Healthy Lifestyle Stores in more cities clustering with high-end consumers so as to increase the consumer recognition and the contribution of Healthy Lifestyle Stores business to the revenue of the Group. As for the Fast Fashion business, the Group currently has one self-operated store for Fast Fashion products. In the second half of 2018, we will identify satisfactory venues in Guangdong region to establish more self-operated Fast Fashion stores. Meanwhile, the Group will attract distributors as partners to invest in opening similar retail stores in other provinces and cities for cautiously expanding the sales network of Casablanca Home.

In the second half of the year, the PRC e-commerce team under the Group will focus on pushing forward to the social e-commerce platform to expand the online retail network. In addition, more e-commerce platforms will launch strategic promotion campaigns, including "Tmall Global Joy Carnival" (天貓全球狂歡節), "Tmall Year-end Grand Festival" (天貓年終盛典) and others in the second half of the year. We will make thorough preparatory efforts in planning in products and promotion accordingly.

Strengthen Marketing Promotion and Enhance Brand Image

We believe that the store images can directly affect the Group's brand images of consumers. To enhance store images and customers' shopping experience, the Group took steps to improve the interior design of stores in Hong Kong in the first half of 2018. We will continue to improve our store images in the second half of 2018.

The Group puts great emphasis on its contribution to the society and provision of assistance to underprivileged groups jointly with consumers. In mid-July 2018, we supported the B.Duck Hong Kong Run 2018 by acting as the title sponsor. The event attracted approximately 4,000 participants from the general public and raised funds as donation to the Sowers Action for supporting their efforts in education and welfare projects for children. Apart from the joint charitable efforts with the public, the Group considered the event fostering highly positive marketing and promotional effect.

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$147.3 million (2017: HK$177.3 million) which decreased by 16.9% as compared to the corresponding period last year. The overall decrease in revenue was primarily due to the decrease in sales to wholesale customers despite increases in self-operated retail sales and sales to distributors by 9.3% and 10.4% respectively during the Period.

Sales of our proprietary brands, which accounted for approximately 85.8% (2017: 86.7%) of the Group's revenue, decreased by 17.8% to HK$126.4 million (2017: HK$153.7 million) due to the increase in retail sales of proprietary brands being unable to counteract the decrease in sales to wholesale customers as compared to the corresponding period last year. The sales of our licensed and authorised brands decreased by 11.4% to HK$20.9 million (2017: HK$23.6 million) primarily attributable to the termination of contracts with some of the licensed and authorised brands during the Period.

In terms of channels, self-operated retail sales during the Period amounted to HK$119.9 million (2017: HK$109.6 million), accounted for approximately 81.4% (2017: 61.8%) of the total revenue, representing an increase of 9.3% as compared to the corresponding period last year due to new products launched and more promotional activities carried out in Hong Kong and the PRC. As compared to the corresponding period last year, sales to distributors increased by 10.5% to HK$15.7 million (2017: HK$14.2 million). With the decrease in sales to wholesale customers as compared to the corresponding period last year, sales to others during the Period amounted to HK$11.7 million (2017: HK$53.5 million) representing a decrease of 78.1%.

In terms of products, sales of bed linens during the Period were HK$78.0 million (2017: HK$74.4 million). Sales of duvets and pillows were HK$63.0 million (2017: HK$97.2 million), whereas sales of other home accessories were HK$6.3 million (2017: HK$5.7 million). The decrease in sales of duvets and pillow by 35.3% during the Period were due to the decrease in sales of duvets to wholesale customers as compared to the corresponding period last year.

In terms of regions, revenues from Hong Kong and Macau, the PRC and others during the Period were HK$103.8 million (2017: HK$138.6 million), HK$42.5 million (2017: HK$38.1 million) and HK$1.0 million (2017: HK$0.6 million) respectively. The overall revenue from Hong Kong and Macau decreased by 25.1% mainly attributable to the decrease in sales to wholesale customers in Hong Kong. Owing to increases in retail sales by self-operated POS and the wholesales in the PRC, the revenue from the PRC increased by 11.7%.

Gross Profit and Gross Profit Margin

During the Period, the Group achieved gross profit of HK$94.2 million (2017: HK$116.8 million) which decreased by 19.3% as compared to the corresponding period last year. The overall gross profit margin for the Period was 64.0% which was slightly lower than 65.8% for the corresponding period last year. In addition to the increase in raw material costs during the Period, the decrease in overall gross profit margin was also due to the appreciation of Renminbi ("RMB") against Hong Kong Dollar ("HKD") during the most period of the first half year of 2018.

Other Gains and Losses

Other losses for the Period amounted to HK$1.8 million (2017 gains: HK$1.9 million), mainly representing the net exchange losses of HK$1.2 million (2017 net exchange gains: HK$1.0 million) due to the sharp depreciation of RMB against HKD for the month of June 2018, the decrease in fair value of derivative financial assets of HK$0.3 million (2017: nil) and the allowance for doubtful debts of HK$0.3 million (2017 reversal of allowance for doubtful debts: HK$1.1 million).

Expenses

Selling and distribution costs for the Period increased by 6.9% to HK$72.4 million from HK$67.7 million for the corresponding period last year. In addition to more staff related expenses of new business units in the PRC, the increase in selling and distribution costs was primarily due to more concessionaire commissions and other selling expenses incurred in relation to the increase in self-operated retail sales and sales to distributors.

Administrative expenses for the Period decreased by 3.6% to HK$22.8 million as compared with HK$23.6 million for the corresponding period last year. The decrease in administrative expenses was primarily attributable to savings in general expenses more than the expense of share-based payments for share options granted during the Period.

(Loss) Profit for the Period

The Group's loss for the Period amounted to HK$3.2 million (2017 profit: HK$22.2 million). Reasons for suffering loss for the Period were mainly attributable to the decrease in sales to wholesale customers, the increase in sales related expenses for self-operated retail sales and sales to distributors, the share-based payments and the net exchange losses arising from the sharp depreciation of RMB against HKD for the month of June 2018.

EBITDA represents gross profit less selling and distribution costs and administrative expenses, adding depreciation, amortization and share-based payments. The Group's EBITDA for the Period decreased to HK$7.9 million from HK$31.9 million for the corresponding period last year, representing a decrease of 75.3%. This was mainly attributable to the decrease in sales to wholesale customers and the increase in sales related expenses for self-operated retail sales and sales to distributors.

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. The increase in bank borrowings for the Period was primarily due to a bank loan in RMB to a subsidiary in the PRC for reducing the amount of intercompany loan in RMB from a subsidiary in Hong Kong subject to foreign exchange risk. The financial position of the Group was healthy with net cash increased by 4.2% during the Period.

	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000
Total bank borrowings	**11,851**	3,575
Pledged bank deposit and bank balance and cash	**179,762**	164,710
Net cash	**167,911**	161,135
Total assets	**470,380**	475,787
Total liabilities	**75,677**	78,207
Total equity	**394,703**	397,580
Current ratio	**4.7**	4.1
Gross gearing ratio (Note)	**3.0%**	0.9%

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

As at 30 June 2018, the total bank borrowings of the Group was approximately HK$11.9 million (31 December 2017: HK$3.6 million), which were wholly denominated in RMB, with all bank borrowings being variable-rated borrowings with effective interest rates ranging from 1.53% to 5.97% per annum (31 December 2017: 2.02% to 5.46%) and repayable not more than three years.

As at 30 June 2018, the pledged bank deposit of the Group was approximately HK$7.6 million (31 December 2017: HK$6.3 million), which was denominated in HKD and RMB, and the bank balances and cash of the Group were approximately HK$172.1 million (31 December 2017: HK$158.4 million) which were denominated in HKD and RMB except for about 0.5% in United States dollars and Euro.

Significant Investments

As at 30 June 2018, the Group did not hold any significant investments.

Foreign Exchange Exposure

The Group carries on its business mainly in Hong Kong and the PRC. The Group is exposed to foreign exchange risk principally in RMB which may affect the Group's performance. RMB depreciated by about 1.3% against HKD during the Period, but about 3.1% for the month of June 2018, and appreciated by about 7.5% against HKD for the year of 2017. To mitigate foreign exchange risk, the Group has stopped fixed deposit in RMB in Hong Kong and will further reduce the amount of intercompany loan in RMB from a subsidiary in Hong Kong to a subsidiary in the PRC. The management is aware of the possible exchange rate exposure due to the continuing fluctuations of RMB and will closely monitor its impact on the performance of the Group to see if any hedging arrangement is necessary. The Group currently 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.

Pledge of Assets

The Group pledged only its fixed deposits with an aggregate carrying value of HK$7.6 million at 30 June 2018 to certain banks in Hong Kong and the PRC to secure banking facilities granted to the Group. As at 31 December 2017, the Group's assets, included leasehold land and buildings, prepaid lease payments and fixed deposits, pledged to certain banks in Hong Kong and the PRC for that purpose amounted to HK$127.0 million.

Contingent Liabilities

As at 30 June 2018, 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. Apart from the agreement with a third party to form a new subsidiary, of which the Group will hold 55% interest, for expanding the business of bedding products in the PRC and those disclosed in this report, there was no plan authorised by the Board for material investments or additions of capital assets 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 2018 (six months ended 30 June 2017: 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 2018 was as follows:

	Planned Amount HK$ million	**Utilised Amount** HK$ million	**Remaining Amount** HK$ million
From IPO			
Expansion of sales networks	37.0	37.0	–
Upgrade of management information system	4.0	4.0	–
Brand building and product promotion	2.2	2.2	–
General working capital	1.0	1.0	–
Total	44.2	44.2	–
From Placement of shares			
General working capital and possible investments	57.0	39.0	18.0

Employee and Remuneration Policy

As at 30 June 2018, the employee headcount of the Group was 637 (2017: 637) and the total staff costs, including Directors' remuneration and share-based payments, amounted to HK$45.8 million (2017: HK$43.2 million). The increase in total staff costs was mainly due to the increase in staff related expenses of new business units in the PRC and the share-based payments 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"). The Group 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 of which 2,934,000 share options were outstanding at 1 January 2018 and expired on 8 April 2018.

The Group further granted share options to Directors and employees on 17 April 2018 to subscribe for a total of 5,250,000 ordinary shares of HK$0.10 per share with the exercise price of HK$1.18 per share. Details of the grant of share options on 17 April 2018 are set out in announcement of the Company dated 17 April 2018. The share options shall be exercisable during the period from 17 April 2018 to 16 April 2021. Based on the valuation report of an independent valuer, the aggregate estimated fair value of the options granted on 17 April 2018 under the Share Option Scheme was approximately HK$1,904,000.

As at 30 June 2018, 5,250,000 share options were still outstanding under the Share Option Scheme. Particulars of the Company's Share Option Scheme are set out in note 17 to the condensed consolidated financial statements.

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

	Date of grant	Exercise period (Notes 1 & 2)	Exercise price (HK$)	Number of options at 1.1.2018	Movements during the period Granted	Exercised	Lapsed	Number of options at 30.6.2018
Directors and Chief Executive								
Mr. Cheng Sze Kin	9.4.2015	9.10.2015-8.4.2018	4.95	330,000	–	–	(330,000)	–
	17.4.2018	17.4.2018-16.4.2021	1.18	–	1,400,000	–	–	1,400,000
				330,000	1,400,000	–	(330,000)	1,400,000
Mr. Cheng Sze Tsan	9.4.2015	9.10.2015-8.4.2018	4.95	330,000	–	–	(330,000)	–
	17.4.2018	17.4.2018-16.4.2021	1.18	–	1,400,000	–	–	1,400,000
				330,000	1,400,000	–	(330,000)	1,400,000
Ms. Wong Pik Hung	9.4.2015	9.10.2015-8.4.2018	4.95	330,000	–	–	(330,000)	–
	17.4.2018	17.4.2018-16.4.2021	1.18	–	1,400,000	–	–	1,400,000
				330,000	1,400,000	–	(330,000)	1,400,000
Mr. Mok Tsan San	9.4.2015	9.10.2015-8.4.2018	4.95	1,000,000	–	–	(1,000,000)	–
Mr. Lo Siu Leung	17.4.2018	17.4.2018-16.4.2021	1.18	–	250,000	–	–	250,000
Dr. Cheung Wah Keung	17.4.2018	17.4.2018-16.4.2021	1.18	–	250,000	–	–	250,000
Mr. Chow On Wa	17.4.2018	17.4.2018-16.4.2021	1.18	–	250,000	–	–	250,000
Total Directors and Chief Executive				1,990,000	4,950,000	–	(1,990,000)	4,950,000
Employees	9.4.2015	9.10.2015-8.4.2018	4.95	944,000	–	–	(944,000)	–
	17.4.2018	17.4.2018-16.4.2021	1.18	–	300,000	–	–	300,000
Total Employees				944,000	300,000	–	(944,000)	300,000
Total				2,934,000	5,250,000	–	2,934,000	5,250,000

Notes:

(1) 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.

(2) The options, granted on 17 April 2018, are exercisable from 17 April 2018 to 16 April 2021 (both days inclusive).

Directors' and Chief Executive's Interests in Shares

At 30 June 2018, 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 Directors	Nature of interest	Number of options held	Number of underlying shares interested
Mr. Cheng Sze Kin	Beneficial interest (Note 1)	1,400,000	1,400,000
	Spouse interest (Note 1)	1,400,000	1,400,000
		2,800,000	2,800,000
Mr. Cheng Sze Tsan	Beneficial interest (Note 2)	1,400,000	1,400,000
Ms. Wong Pik Hung	Beneficial interest (Note 3)	1,400,000	1,400,000
	Spouse interest (Note 3)	1,400,000	1,400,000
		2,800,000	2,800,000
Mr. Lo Siu Leung	Beneficial interest	250,000	250,000
Dr. Cheung Wah Keung	Beneficial interest	250,000	250,000
Mr. Chow On Wa	Beneficial interest	250,000	250,000

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 1,400,000 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 1,400,000 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 1,400,000 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 1,400,000 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 1,400,000 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 2018.

Substantial Shareholders and Other Persons

As at 30 June 2018, 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%

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 during the Period.

On 9 April 2018, Mr. Mok Tsan San tendered his resignation as a Non-executive Director of the Company and Mr. Zhang Senquan tendered his resignation as an Independent Non-executive Director, the chairman of audit committee and a member of each of the remuneration committee and nomination committee of the Company.

On 9 April 2018, Mr. Lo Siu Leung was appointed as an Independent Non-executive Director, the chairman of audit committee and a member of each of the remuneration committee and nomination committee of the Company.

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. Lo Siu Leung, Dr. Cheung Wah Keung and Mr. Chow On Wa, and chaired by Mr. Lo Siu Leung, has reviewed the results (including the unaudited condensed consolidated financial statements) of the Group for the six months ended 30 June 2018.

In addition, the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2018 have been reviewed by our auditors, CHENG & CHENG LIMITED, Certified Public Accountants, 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, and Mr. Lo Siu Leung, 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, 24 August 2018

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Cheng Sze Kin (鄭斯堅), aged 58, 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"). 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 45, 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 51, 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.

Independent Non-executive Directors

Mr. Lo Siu Leung (盧紹良), aged 40, was appointed as an Independent Non-executive Director on 9 April 2018. He is currently the director of Cheerful Arts Group Limited, which is a wholly owned subsidiary of Asia Investment Finance Group Limited (the shares of which are listed on the Main Board of the Stock Exchange, stock code: 33). He joined Harmonic Strait Financial Holdings Limited (currently known as Asia Investment Finance Group Limited, stock code: 33) in 2009 and was the executive director during December 2013 to June 2015. Before joining Harmonic Strait Financial Holdings Limited, he was the partner of Lui & Mak Certified Public Accountants. He has over 15 years of experience in auditing, accounting, tax and finance. Mr. Lo is a Chartered Financial Analyst. He is also a fellow member of each of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and The Institute of Chartered Accountants in England and Wales. He holds a Master degree in Business Administration from The Hong Kong Polytechnic University.

Dr. Cheung Wah Keung (張華強), aged 57, 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 (stock code: 3882) and PanAsialum Holdings Company Limited (stock code: 2078), the shares of which are listed on the Stock Exchange respectively. He was also 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, a master degree in global political economy from The Chinese University of Hong Kong and a master degree in corporate governance, 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.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chow On Wa (周安華), aged 56, 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 52, 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 59, 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 48, 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 the Group's 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 and qualification of senior accountant from Human Resources and Social Security Department of Guangdong Province. Mr. Lin holds a bachelor's degree in accounting from Guangdong Polytechnic Normal University.

Company Secretary

Mr. Ho Yiu Leung (何耀樑), aged 52, 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

CHENG & CHENG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
鄭 鄭 會 計 師 事 務 所 有 限 公 司

10/F., Allied Kajima Building,
138 Gloucester Road, Wanchai, Hong Kong
香港灣仔告士打道138號聯合鹿島大廈10樓

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 47, which comprises the condensed consolidated statement of financial position as of 30 June 2018 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.

Other matter

The comparative 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 ended 30 June 2017 and the relevant explanatory notes disclosed in these condensed consolidated financial statements were reviewed by another auditor who expressed an unmodified review conclusion on those statements on 21 August 2017 and the consolidated financial position and the relevant explanatory notes disclosed in the condensed consolidated financial statements for the year ended 31 December 2017 were audited by another auditor who expressed an unqualified opinion on the consolidated financial statements of the Group on 26 March 2018.

CHENG & CHENG LIMITED
Certified Public Accountants
Hong Kong
24 August 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
Revenue	4	**147,308**	177,343
Cost of goods sold		**(53,082)**	(60,571)
Gross profit		**94,226**	116,772
Other income		**531**	925
Other gains and losses	5	**(1,781)**	1,885
Selling and distribution costs		**(72,369)**	(67,717)
Administrative expenses		**(22,793)**	(23,646)
Finance costs	6	**(37)**	(745)
(Loss) profit before taxation	7	**(2,223)**	27,474
Taxation	8	**(1,009)**	(5,253)
(Loss) profit for the period		**(3,232)**	22,221
Other comprehensive (expense) income			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**(2,418)**	5,747
Other comprehensive (expense) income for the period		**(2,418)**	5,747
Total comprehensive (expense) income for the period		**(5,650)**	27,968
(Loss) profit for the period attributable to:			
Owners of the Company		**(2,502)**	22,221
Non-controlling interests		**(730)**	–
		(3,232)	22,221
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(4,898)**	27,968
Non-controlling interests		**(752)**	–
		(5,650)	27,968
(Loss) earnings per share			
– Basic and diluted (HK cents)	10	**(0.97)**	8.60

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	**30.6.2018 HK$'000 (unaudited)**	31.12.2017 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	11	**134,806**	139,264
Prepaid lease payments		**24,121**	24,731
Intangible assets		**–**	–
Deposits paid for acquisition of property, plant and equipment		**906**	1,229
Rental and other deposits		**1,774**	2,364
Derivative financial assets	12	**232**	492
		161,839	168,080
Current assets			
Inventories		**67,827**	62,843
Trade and other receivables	13	**59,132**	77,853
Prepaid lease payments		**574**	582
Taxation recoverable		**1,246**	1,719
Pledged bank deposits		**7,615**	6,293
Bank balances and cash		**172,147**	158,417
		308,541	307,707
Current liabilities			
Trade and other payables	14	**61,767**	71,597
Taxation payable		**894**	1,897
Bank borrowings	15	**2,963**	2,200
		65,624	75,694
Net current assets		**242,917**	232,013
Total assets less current liabilities		**404,756**	400,093
Non-current liabilities			
Bank borrowings	15	**8,888**	1,375
Deferred tax liabilities		**1,165**	1,138
		10,053	2,513
Net assets		**394,703**	397,580
Capital and reserves			
Share capital	16	**25,843**	25,843
Reserves		**368,372**	371,366
Equity attributable to owners of the Company		**394,215**	397,209
Non-controlling interests		**488**	371
Total equity		**394,703**	397,580

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	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	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2018 (audited)	25,843	166,268	2,000	1,319	3,161	(4,512)	4,300	198,830	397,209	371	397,580
Changes in equity for the six months ended 30 June 2018:											
Loss for the period	–	–	–	–	–	–	–	(2,502)	(2,502)	(730)	(3,232)
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	–	(2,396)	–	–	(2,396)	(22)	(2,418)
Other comprehensive expense for the period	–	–	–	–	–	(2,396)	–	–	(2,396)	(22)	(2,418)
Total comprehensive expense for the period	–	–	–	–	–	(2,396)	–	(2,502)	(4,898)	(752)	(5,650)
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	869	869
Recognition of equity-settled share-based payments	–	–	–	–	–	–	1,904	–	1,904	–	1,904
Lapse of share options	–	–	–	–	–	–	(4,300)	4,300	–	–	–
At 30 June 2018 (unaudited)	**25,843**	**166,268**	**2,000**	**1,319**	**3,161**	**(6,908)**	**1,904**	**200,628**	**394,215**	**488**	**394,703**
At 1 January 2017 (audited)	25,843	166,268	2,000	1,319	2,747	(18,361)	4,592	171,915	356,323	–	356,323
Changes in equity for the six months ended 30 June 2017:											
Profit for the period	–	–	–	–	–	–	–	22,221	22,221	–	22,221
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	–	5,747	–	–	5,747	–	5,747
Other comprehensive income for the period	–	–	–	–	–	5,747	–	–	5,747	–	5,747
Total comprehensive income for the period	–	–	–	–	–	5,747	–	22,221	27,968	–	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	–	384,291

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 PRC statutory reserve fund can be used to make up the prior year losses, if any. The PRC statutory reserve fund is non-distributable other than upon liquidation.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Net cash from operating activities	**9,877**	49,006
Net cash used in investing activities		
Placement of pledged bank deposits	**(23,754)**	(9,815)
Deposit paid for acquisition of property, plant and equipment	**(1,124)**	–
Purchase of property, plant and equipment	**(2,669)**	(13,859)
Withdrawal of pledged bank deposits	**22,308**	11,433
Proceeds from disposal of property, plant and equipment	**–**	100
Other investing cash flows	**395**	698
	(4,844)	(11,443)
Net cash from (used in) financing activities		
Addition of bank borrowing	**12,311**	33,866
Repayments of bank borrowings	**(3,665)**	(42,218)
Repayments of obligations under a finance lease	**–**	(63)
Contribution from non-controlling interests	**869**	–
Other financing cash flows	**(37)**	(745)
	9,478	(9,160)
Net increase in cash and cash equivalents	**14,511**	28,403
Cash and cash equivalents at beginning of the period	**158,417**	172,444
Effect of foreign exchange rate changes	**(781)**	629
Cash and cash equivalents at end of the period, represented by bank balances and cash	**172,147**	201,476

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 financial assets, which is measured at fair value.

Other than the changes in accounting policies resulting from application of new and amendments of Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

In the current interim period, the Group has applied, for the first time, certain new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants that are mandatorily effective for the current interim period.

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

(a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, Financial instruments
- HKFRS 15, Revenue from contracts with customers
- HK(IFRIC) 22, Foreign currency transactions and advance consideration

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, Prepayment features with negative compensation which have been adopted at the same time as HKFRS 9.

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

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 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;

- in relation to the impairment of financial assets, of which HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 "Financial instruments: Recognition and measurement". 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.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate that all the financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39 on initial application of HKFRS 9.

The Group assesses on a forward looking basis the expected credit losses ("ECL") associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

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

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(c) 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 superseded the revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related interpretations.

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.

The adoption of HKFRS 15 does not have a significant impact on the financial position and the financial result of the Group.

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

(d) HK(IFRIC) 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way.

The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

4. 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 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.

4. Revenue and Segment Information (Continued)

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by distribution channels, major products and geographical location of customers is as follows:

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Disaggregated by distribution channels		
– Self-operated retail sales	**119,875**	109,645
– Sales to distributors	**15,723**	14,235
– Others	**11,710**	53,463
	147,308	177,343

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Disaggregated by major products		
– Bed linens	**78,035**	74,401
– Duvets and pillows	**62,974**	97,269
– Other home accessories	**6,299**	5,673
	147,308	177,343

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Disaggregated by geographical location of customers		
– Hong Kong and Macau	**103,793**	138,569
– PRC	**42,538**	38,099
– Other countries	**977**	675
	147,308	177,343

5. Other Gains and Losses

	Six months ended 30 June	
	2018 **HK$'000** **(unaudited)**	2017 HK$'000 (unaudited)
Net exchange (losses) gains	**(1,194)**	1,011
Net (allowance for) reversal of allowance for doubtful debts	**(327)**	1,082
Loss on disposal of property, plant and equipment	**–**	(208)
Fair value change on derivative financial assets (note 12)	**(260)**	–
	(1,781)	1,885

6. Finance Costs

	Six months ended 30 June	
	2018 **HK$'000** **(unaudited)**	2017 HK$'000 (unaudited)
Interest on:		
Bank borrowings	**37**	745
Total borrowing costs	**37**	745

7. (Loss) Profit Before Taxation

	Six months ended 30 June	
	2018 **HK$'000** **(unaudited)**	2017 HK$'000 (unaudited)
(Loss) profit before taxation has been arrived at after charging and crediting:		
Directors' and chief executive's remuneration (excluding share-based payments) (note a)	**3,924**	4,173
Other staff costs	**39,939**	38,988
Share-based payments (included in administrative expenses)	**1,904**	–
Amortisation of prepaid lease payments	**298**	274
Net allowance for (reversal of allowance for) inventories (included in costs of goods sold)	**481**	(434)
Interest income	**(331)**	(322)
Investment income	**(65)**	(377)
Depreciation of property, plant and equipment	**6,627**	6,224
Operating lease rentals in respect of		
– rented premises	**487**	365
– retail stores (note b)	**5,358**	4,901
– department store counters (note b) (including concessionaire commission) (included in selling and distribution costs)	**21,381**	20,632
	27,226	25,898

Notes:

(a) Included rental expenses paid to related companies for the six months ended 30 June 2018 of HK$1,110,000 (six months ended 30 June 2017: HK$1,374,000) for directors' quarters provided to Mr. Cheng Sze Kin, Mr. Cheng Sze Tsan and Ms. Wong Pik Hung.

(b) Included contingent rent of HK$11,358,000 for the six months ended 30 June 2018 (six months ended 30 June 2017: HK$9,311,000). The contingent rent refers to the operating lease rentals based on pre-determined percentages of realised sales less basic rentals of the respective leases.

8. Taxation

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current tax:		
Hong Kong	**982**	4,089
PRC Enterprise Income Tax ("EIT")	**–**	1,286
	982	5,375
Deferred tax:		
Current period	**27**	(122)
	1,009	5,253

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 RMB19,199,000 (equivalent to HK$22,753,000) (31 December 2017: RMB20,882,000 (equivalent to HK$25,075,000)) 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.

9. 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 2017: nil).

10. (Loss) 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	
	2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
(Loss) Earnings		
(Loss) profit for the period attributable to owners of the Company for the purposes of basic and diluted (loss) earnings per share	**(2,502)**	22,221

	Six months ended 30 June	
	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	**258,432,000**	258,432,000

The diluted loss per share for the six months ended 30 June 2018 has not taken into account the effect of outstanding share options as exercise of such options would result in decrease in loss per share.

11. Property, Plant and Equipment

During the six months ended 30 June 2018, the Group acquired property, plant and equipment with a cost of HK$3,693,000 (six months ended 30 June 2017: HK$14,370,000).

12. Derivative Financial Assets

During the year ended 31 December 2017, the Group has engaged a start-up company to provide consulting services in exploring and developing the technology and products as required by the Group. The consultancy fee was charged to the profit or loss during the year ended 31 December 2017. Pursuant to an option agreement entered by the Group and the shareholders of the project consulting company, an option is granted to the Group to acquire 40% equity interests in the project consultancy company within 18 months from the date of signing of the agreement at the predetermined exercise price.

The fair value at initial recognition of the option and as at 30 June 2018, which amounted to nil and HK$232,000 (31 December 2017: HK$492,000), respectively, are determined based on the valuation provided by an independent professional qualified valuer not connected with the Group.

The Group's option is recognised as follows:

	HK$'000
At the date on initial recognition	–
Unrealised fair value recognised in profit or loss (included in other gains and losses)	492
At 31 December 2017	492
Unrealised fair value recognised in profit or loss (included in other gains and losses)	(260)
At 30 June 2018	**232**

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

	(Date of grant) 10 April 2017	**31 December 2017**	**30 June 2018**
Enterprise value per share	HK$4,000	HK$531,464	**HK$271,689**
Exercise price	HK$40,000	HK$40,000	**HK$40,000**
Expected volatility	62.27%	34.62%	**59.23%**
Expected life	1.5 years	0.8 year	**0.3 year**
Risk-free rate	0.75%	1.03%	**1.51%**
Expected dividend yield	0%	0%	**0%**

13. Trade and Other Receivables

	30.6.2018 HK$'000 (unaudited)	31.12.2017 HK$'000 (audited)
Trade receivables	45,265	67,367
Less: Allowance for doubtful debts	(4,034)	(3,769)
Trade receivables, net	41,231	63,598
Other receivables	17,901	14,255
Trade and other receivables	59,132	77,853

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 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.

	30.6.2018 HK$'000 (unaudited)	31.12.2017 HK$'000 (audited)
Within 30 days	12,872	29,724
31 to 60 days	14,500	22,519
61 to 90 days	5,683	6,202
91 to 180 days	5,090	2,743
181 to 365 days	3,086	2,410
Over 365 days	–	–
Trade receivables	41,231	63,598

14. Trade and Other Payables

	30.6.2018 HK$'000 (unaudited)	31.12.2017 HK$'000 (audited)
Trade payables	19,028	21,262
Bills payables	27,113	26,465
Trade and bills payables	46,141	47,727
Other payables	15,626	23,870
Trade and other payables	61,767	71,597

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

	30.6.2018 HK$'000 (unaudited)	31.12.2017 HK$'000 (audited)
Within 30 days	20,451	20,362
31 to 60 days	11,823	13,404
61 to 90 days	6,947	8,828
91 to 180 days	6,170	4,453
Over 180 days	750	680
Trade and bills payables	46,141	47,727

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

15. Bank Borrowings

During the six months ended 30 June 2018, the Group obtained new bank borrowings of HK$12,311,000 (six months ended 30 June 2017: HK$33,866,000) and repaid bank borrowings of HK$3,665,000 (six months ended 30 June 2017: HK$42,218,000). The loans carry interest at market rates ranging from 1.53% to 5.97% (31 December 2017: 2.02% to 5.46%) per annum and are repayable up to three years.

16. Share Capital

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2017, 30 June 2017, 1 January 2018 and 30 June 2018	**500,000,000**	**50,000**
Issued and fully paid:		
At 1 January 2017, 30 June 2017, 1 January 2018 and 30 June 2018	**258,432,000**	**25,843**

17. Share Option Schemes

(a) Pre-IPO share option scheme

The Pre-IPO share option scheme had been 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 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 are no outstanding share options as at 30 June 2018 and 2017 under the Pre-IPO share option scheme.

17. 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.

In the current interim period, share options were granted on 17 April 2018 with an aggregate estimated fair value of HK$1,904,000.

The closing price of the Company's shares immediately before 17 April 2018, the date of grant was HK$1.12.

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

Date of grant	**17.4.2018**
Share price at grant date	HK$1.18
Exercise price	HK$1.18
Expected volatility	70.495%
Expected life	3 years
Risk-free rate	1.752%
Expected dividend yield	0%
Sub-optimal exercise factor	1.60 for directors of the Company and 2.39 for employees of the Group

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

The Group recognised the share-based payments of HK$1,904,000 for the six months ended 30 June 2018 (six months ended 30 June 2017: nil) in relation to share options granted by the Company during the interim period.

17. Share Option Schemes (Continued)

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

At 30 June 2018, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was, in aggregate, 5,250,000 (31 December 2017: 2,934,000), representing 2.03% (31 December 2017: 1.14%) 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$1.18 (31 December 2017: HK$4.95).

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 2018

Categories of participants	Date of grant	Exercisable period	Exercise price HK$	Number of share options: Outstanding at 1.1.2018	Granted during the period	Lapsed during the period	Outstanding at 30.6.2018
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	944,000	–	(944,000)	–
				2,934,000	–	(2,934,000)	–
Executive directors	17.4.2018	17.4.2018-16.4.2021	1.18	–	4,200,000	–	**4,200,000**
Independent non-executive directors	17.4.2018	17.4.2018-16.4.2021	1.18	–	750,000	–	**750,000**
Employee	17.4.2018	17.4.2018-16.4.2021	1.18	–	300,000	–	**300,000**
				–	5,250,000	–	**5,250,000**

17. Share Option Schemes (Continued)

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

(c) Hangzhou Sky Walnut Hi-Tech Limited ("HZSW") was a company established in the PRC on 21 October 2017 in which the Group has 60% equity interest. Pursuant to a share award agreement entered into on 21 September 2017 by the existing shareholders of HZSW and the management of HZSW, 8% equity interest of HZSW will be transferred from its existing shareholders (in proportion to the respective shareholdings) to the management of HZSW as an incentive if certain performance targets are met.

As HZSW is still at initial stage, the directors of the Company considered the fair value of the share award as at grant date is insignificant.

18. Capital Commitment

	30.6.2018 HK$'000 (unaudited)	31.12.2017 HK$'000 (audited)
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**511**	2,095

19. Related Party Transactions

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

Name of related companies	Relationship	Nature of transactions	Six months ended 30 June 2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
Gain Harvest Investment Limited	Related company (Note)	Rental expenses	**660**	816
Wealth Pine Asia Limited	Related company (Note)	Rental expenses	**450**	558

Note: Mr. Cheng Sze Kin, Mr. Cheng Sze Tsan and Ms. Wong Pik Hung have directorship and beneficial and controlling interests in these related companies.

Compensation of key management personnel

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

	Six months ended 30 June	
	2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
Salaries and allowances	**4,548**	4,229
Retirement benefit schemes contributions	**257**	249
Share-based payments	**1,904**	–
	6,709	4,478

20. Financial Instruments

Fair value measurements of financial instruments

The fair values of financial assets and financial liabilities at amortised cost 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 condensed consolidated financial statements approximate their fair values.

20. Financial Instruments (Continued)

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	Fair value as at 30.06.2018 HK$'000	Fair value as at 31.12.2017 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Sensitivity/ relationship of unobservable input to fair value
Derivative financial assets	**232**	492	Level 3	Binomial Pricing Model	Enterprise value, taking into account of enterprise value of the start-up company	The higher the enterprise value, volatility and dividend yield, the higher the fair value
				The key inputs (1) Enterprise value (2) Risk-free rate (3) Dividend yield (4) Volatility	Risk-free rate, based on the yield of the Hong Kong Sovereign yield curve, 1.51% Volatility, referenced to the historical volatility of comparable companies, 59.23% Dividend yield, provided by the management, 0%.	The lower the risk-free rate, the higher the fair value

Reconciliation of Level 3 fair value measurements is disclosed in note 12. There were no transfers between Level 1, 2 and 3 fair value measurements during the period.

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

Independent Non-executive Directors

Mr. Lo Siu Leung
Dr. Cheung Wah Keung
Mr. Chow On Wa

Committees

Audit Committee

Mr. Lo Siu Leung *(Chairman)*
Dr. Cheung Wah Keung
Mr. Chow On Wa

Remuneration Committee

Dr. Cheung Wah Keung *(Chairman)*
Mr. Lo Siu Leung
Mr. Chow On Wa

Nomination Committee

Mr. Cheng Sze Kin *(Chairman)*
Mr. Lo Siu Leung
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

CHENG & CHENG LIMITED, Certified Public Accountants

Principal Share Registrar and Transfer Office

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PO Box 1093, Boundary Hall
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Grand Cayman KY1-1102
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Union Registrars Limited
Suites 3301-04, 33/F,
Two Chinachem Exchange Square,
338 King's Road,
North Point, Hong Kong

Principal Bankers

Bank of China (Hong Kong) Limited
Bank of China Limited
Standard Chartered Bank (Hong Kong) Limited
Standard Chartered Bank (China) Limited

Company Website

www.casablanca.com.hk