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Casablanca Group Limited
卡撒天嬌集團有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)

(Stock Code: 2223)

2012 ANNUAL RESULTS ANNOUNCEMENT

HIGHLIGHTS

	Notes	**2012**	2011	Change
Revenue *(HK$'000)*		**472,593**	430,263	9.8%
EBITDA *(HK$'000)*	*1*	**71,154**	55,743	27.6%
Profit for the year attributable to owners of the Company *(HK$'000)*	*2*	**32,019**	45,864	-30.2%
EBITDA margin		**15.1%**	13.0%	
Net profit margin	*2*	**6.8%**	10.7%	
Basic earnings per share *(HK cents)*		**20.61**	30.58	
Diluted earnings per share *(HK cents)*		**20.61**	N/A	

		As at 31/12/2012	As at 31/12/2011	Change
Total assets *(HK$'000)*		**500,951**	362,905	38.0%
Total equity *(HK$'000)*		**271,849**	161,031	68.8%
Total bank borrowings *(HK$'000)*		**95,858**	57,395	67.0%
Net cash *(HK$'000)*	*3*	**41,916**	49,655	-15.6%
Gearing ratio	*4*	**35.3%**	35.6%	

Notes:

1. EBITDA represents gross profit less selling and distribution costs and administrative expenses adding back depreciation, amortisation and share-based payments included in administrative expenses.

2. If listing expenses amounted to HK$21.5 million is excluded for 2012, the adjusted profit for the year attributable to owners of the Company and net profit margin for 2012 become HK$53.5 million and 11.3% respectively.

3. Net cash represents bank balances and cash less total bank borrowings.

4. Gearing ratio is calculated as total bank borrowings divided by total equity and multiplied by 100%.

The board (the "Board") of directors (the "Directors") of Casablanca Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	**2012** *HK$'000*	2011 *HK$'000*
Revenue	*3*	**472,593**	430,263
Cost of goods sold		**(180,511)**	(176,514)
Gross profit		**292,082**	253,749
Other income		**1,050**	841
Other gains and losses		**2,654**	8,519
Selling and distribution costs		**(176,269)**	(161,470)
Administrative expenses		**(52,039)**	(43,726)
Finance costs		**(691)**	(830)
Listing expenses		**(21,457)**	–
Profit before taxation	*4*	**45,330**	57,083
Taxation	*5*	**(13,311)**	(11,219)
Profit for the year		**32,019**	45,864
Other comprehensive income for the year			
Exchange differences arising on translation		**1,675**	5,703
Total comprehensive income for the year		**33,694**	51,567
Profit for the year attributable to owners of the Company		**32,019**	45,864
Total comprehensive income attributable to owners of the Company		**33,694**	51,567
Earnings per share			
– Basic (HK cents)	*6*	**20.61**	30.58
– Diluted (HK cents)	*6*	**20.61**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment		**140,142**	60,714
Prepaid lease payments		**28,630**	29,013
Intangible assets		**8**	10
Deposits paid for acquisition of property, plant and equipment		**282**	97
Rental deposits		**2,708**	2,156
		171,770	91,990
Current assets			
Inventories		**82,796**	80,879
Trade and other receivables	*7*	**107,929**	82,231
Prepaid lease payments		**603**	597
Taxation recoverable		**79**	158
Bank balances and cash		**137,774**	107,050
		329,181	270,915
Current liabilities			
Trade and other payables	*8*	**126,379**	68,853
Amounts due to related companies		**–**	57,503
Amounts due to directors		**–**	4,714
Taxation payable		**6,017**	11,343
Bank borrowings		**64,515**	57,395
Obligations under a finance lease		**–**	790
		196,911	200,598
Net current assets		**132,270**	70,317
Total assets less current liabilities		**304,040**	162,307
Non-current liabilities			
Bank borrowings		**31,343**	–
Obligations under a finance lease		**–**	408
Deferred tax liabilities		**848**	868
		32,191	1,276
Net assets		**271,849**	161,031
Capital and reserves			
Share capital		**20,000**	1
Reserves		**251,849**	161,030
Total equity		**271,849**	161,031

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 2 April 2012. The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 23 November 2012 (the "Listing Date").

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are manufacture and trading of home textile products and accessories.

For the purpose of listing of the shares of the Company on the Stock Exchange, the Group underwent a series of group reorganisation (the "Group Reorganisation"). Details of the Group Reorganisation are more fully explained in the section headed "History, Reorganisation and Group Structure" in the prospectus of the Company dated 13 November 2012 (the "Prospectus"). Accordingly, the combined financial statements for the year ended 31 December 2011 have been prepared on the basis as if the Company had always been the holding company of the companies now comprising the Group throughout the year ended 31 December 2011. The consolidated financial statements have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger accounting under common control combination" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as if the group structure under the Group Reorganisation had been in existence throughout the year or since their respective dates of incorporation/establishment of the entities now comprising the Group, whichever is the shorter period.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The HKICPA issued a number of amended and revised standards and interpretations ("amended and revised HKFRSs") which are effective for the Group's accounting periods beginning on 1 January 2012. For the purpose of preparing and presenting the consolidated financial statements for each of the two years ended 31 December 2012, the Group has adopted all these amended and revised HKFRSs consistently throughout each of the two years ended 31 December 2012.

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle, except for the amendments to HKAS 1[1]
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[2]
HKFRS 9	Financial instruments[3]
HKFRS 10	Consolidated financial statements[1]
HKFRS 11	Joint arrangements[1]
HKFRS 12	Disclosure of interests in other entities[1]
HKFRS 13	Fair value measurement[1]
HKAS 19 (as revised in 2011)	Employee benefits[1]
HKAS 27 (as revised in 2011)	Separate financial statements[1]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[1]
Amendments to HKAS 1	Presentation of items of other comprehensive income[4]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[2]
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine[1]

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 January 2014.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 July 2012.

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

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 conform to HKFRSs, that are regularly reviewed by the executive directors of the Company, the chief operating decision maker of the Group. The executive directors of the Company review the revenue and the profit for the year of the Group as a whole to make decision about resources allocation. No analysis of segment assets or segment liabilities is presented. The executive directors of the Company regularly review revenue analysis by the following:

(i) 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.

(ii) 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.

(iii) Others: Other sales include sales to wholesale customers located in the People's Republic of China (for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan) ("PRC") and Hong Kong and Macau, and sales made to overseas customers and through e-commerce.

The information of segment revenue is as follows:

	2012	2011
	HK$'000	*HK$'000*
Self-operated retail sales	**348,196**	329,675
Sales to distributors	**72,904**	43,041
Others	**51,493**	57,547
	472,593	430,263

Entity-wide information

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

	2012	2011
	HK$'000	*HK$'000*
Bed linens	**237,796**	237,257
Duvets and pillows	**213,020**	176,390
Other home accessories	**21,777**	16,616
	472,593	430,263

Geographical information

During the year ended 31 December 2012, the Group decided to exclude the revenue from external customers located in Macau from "Others" and presented it under the category "Hong Kong and Macau". As such, the comparative figures under the category "Hong Kong and Macau" and "Others" as disclosed below have been restated. Information about the Group's revenue from external customers is presented based on the location of the operations:

	2012	2011
	HK$'000	*HK$'000*
PRC	**233,024**	201,019
Hong Kong and Macau	**235,292**	220,489
Others	**4,277**	8,755
	472,593	430,263

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

	2012	2011
	HK$'000	*HK$'000*
PRC	**157,681**	39,288
Hong Kong	**11,381**	50,546
	169,062	89,834

Information about major customers

No individual customer accounted for over 10% of the Group's total revenue during both years.

4. PROFIT BEFORE TAXATION

	2012	2011
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Directors' and chief executive's remuneration	**8,735**	6,322
Other staff costs	**66,576**	54,755
Retirement benefit schemes contributions for other staff	**4,425**	2,871
Share-based payments for other staff (included in administrative expenses)	**345**	–
Total staff costs	**80,081**	63,948
Auditor's remuneration		
– current year	**1,284**	641
– overprovision in prior years	**(9)**	–
	1,275	641
Amortisation of intangible assets	**2**	2
Amortisation of prepaid lease payments	**645**	243
Allowance for inventories (included in costs of goods sold)	**713**	–
Bad debts written off	**9**	–
Cost of inventories recognised as expenses	**180,511**	176,514
Depreciation of property, plant and equipment		
– owned assets	**5,600**	6,471
– leased assets	**–**	474
	5,600	6,945
Share-based payments for customers, supplier and consultant (included in administrative expenses)	**78**	–
Operating lease rentals in respect of		
– rented premises	**6,379**	5,639
– retail stores *(Note a)*	**8,383**	6,442
– department store counters *(Note a)* (including concessionaire commission) (included in selling and distribution costs)	**83,036**	78,672
	97,798	90,753
Design costs (included in administrative expenses) *(Note b)*	**1,425**	1,284

Notes:

(a) Included contingent rent of HK$53,011,000 (2011: HK$51,854,000) for the year ended 31 December 2012. The contingent rent refers to the operating lease rentals based on pre-determined percentages to realised sales less basic rentals of the respective leases.

(b) The design costs comprised of staff salaries of HK$1,101,000 (2011: HK$1,002,000) for the year ended 31 December 2012, which were included in the staff costs disclosed above.

5. TAXATION

	2012	2011
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**5,817**	7,066
PRC Enterprise Income Tax (the "EIT")	**8,610**	4,986
	14,427	12,052
Overprovision in prior years:		
Hong Kong	**(584)**	–
PRC EIT	**(512)**	–
	(1,096)	–
Deferred taxation	**(20)**	(833)
	13,311	11,219

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

Pursuant to the relevant laws and regulations in the PRC, a subsidiary was entitled to exemption from EIT for the first two years commencing from its first profit-making year in 2006, followed by a 50% reduction on the EIT for the following three years ("Tax Holiday").

Following the Enterprise Income Tax Law (the "New EIT Law") passed in 2007, the income tax rate for both domestic and foreign-investment enterprise was unified at 25% effective from 1 January 2008 onwards. Under the New EIT Law, progressive tax rates applied to that subsidiary, which was entitled to Tax Holiday, until the exemption and reduction period expired. The applicable EIT rate of that subsidiary is 24% in 2011 and 25% in 2012, respectively.

6. 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:

	2012	2011
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**32,019**	45,864

	2012	2011
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**155,327,869**	150,000,000

The computation of diluted earnings per share for the year ended 31 December 2012 has not assumed 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 those shares for the outstanding period during the year ended 31 December 2012.

No diluted earnings per share was presented as there was no potential ordinary share during the year ended 31 December 2011.

For the years ended 31 December 2012 and 2011, the weighted average number of ordinary shares for the purpose of basic earnings per share has been taken into account the share issued pursuant to the Group Reorganisation and the capitalisation issue of 146,000,000 ordinary shares of HK$0.10 each of the Company at par value on 22 October 2012 had been effective on 1 January 2011.

7. TRADE AND OTHER RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**98,752**	72,837
Less: Allowance for doubtful debts	**(2,091)**	(867)
	96,661	71,970
Bills receivables	**223**	–
Trade and bills receivables	**96,884**	71,970
Other receivables	**11,045**	10,261
Total trade and other receivables	**107,929**	82,231

Retailing sales are mainly made at concession counters in department stores, the department stores collect cash from the ultimate customers and then repay the balance after deducting the concessionaire commission to the Group. The credit period granted to department stores ranging from 30 to 75 days. For distributors and wholesale sales, the Group allows a credit period up to 60 days to its trade customers. The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates.

	2012	2011
	HK$'000	*HK$'000*
Within 30 days	**59,419**	44,261
31 to 60 days	**23,436**	21,169
61 to 90 days	**9,880**	4,530
91 to 180 days	**3,798**	1,396
181 to 365 days	**351**	488
Over 365 days	**–**	126
	96,884	71,970

8. TRADE AND OTHER PAYABLES

	2012	2011
	HK$'000	*HK$'000*
Trade payables	**49,388**	35,523
Bills payables	**6,615**	11,233
Trade and bills payables	**56,003**	46,756
Other payables	**70,376**	22,097
Total trade and other payables	**126,379**	68,853

The average credit period of trade and bills payables is from 30 to 60 days.

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

	2012	2011
	HK$'000	*HK$'000*
Within 30 days	**49,225**	39,262
31 to 60 days	**6,198**	5,737
61 to 90 days	**111**	211
91 to 180 days	**2**	116
Over 180 days	**467**	1,430
	56,003	46,756

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

2012 marked the 20th anniversary of the inception of the Group and an important milestone in the development of the Group. Thanks to the unremitting efforts and contributions of all our colleagues, as well as the support of the shareholders and investors, the Company was successfully listed on the Stock Exchange on the Listing Date ("Listing").

We are pleased to announce the first annual results after listing of the Company. Our revenue sustained continuous growth and increased by 9.8% from HK$430.3 million in 2011 to HK$472.6 million in 2012; profit attributable to owners of the Company was HK$32.0 million. If excluding listing expenses, profit attributable to owners of the Company would be HK$53.5 million, representing an increase of 16.6% as compared with that in 2011.

Continued expansion of the sales network

Our expansion of sales network to 382 points of sale ("POS") (2011: 346 POS) was one major factor contributing to our success in 2012. The network expansion strategy was implemented in a balanced way with the combination of our self-operated POS in Hong Kong and first-tier cities of the PRC and other POS operated by distributors in other major cities of the PRC, both of which had direct contact with target customers and facilitated us to respond quickly to changing consumer preferences and capture new market opportunities.

As at 31 December 2012, we had a sales network covering 82 cities in 25 provinces, autonomous regions and municipalities in the PRC, including a total of 233 self-operated POS and 149 POS operated by distributors. During the year 2012, we opened 88 new POS, including 11 in Hong Kong and 77 in the PRC. Concession counters in department stores remained the most important channel of our sales, whilst the number of stand-alone retail stores increased rapidly in southern China.

Adoption of a multi-brand strategy targeting at different customer groups

We have adopted a multi-brand strategy to meet the needs of consumers in different market segments. During the year 2012, our proprietary brands, mainly "Casablanca" and "Casa Calvin", achieved a continued rising trend with turnover increased by 6.0% from HK$368.3 million in 2011 to HK$390.3 million for the year 2012. During the year 2012, we renewed the licensing agreement with "Elle Deco" (a famous French fashion brand) for exclusive franchise in the PRC and Hong Kong and Macau for the period from 2012 to 2015. We also reported satisfactory sales of other international brands including "Tru Trussardi", "Home Concept", "Move", "Centa Star" and cartoon products. The aggregated turnover of our licensed brands grew by 32.9% from HK$62.0 million in 2011 to HK$82.3 million in 2012.

Enhanced marketing and branding activities

In order to improve the brand awareness of our core brands, we organised a series of promotional activities in 2012, including placement of advertisements in home textile and fashion magazines and outdoor advertising on public buses and MTR carriages as well as platforms, TV commercials at Shenzhen airport and China-Hong Kong Port crossings, as well as online media advertising so as to boost our sales and marketing activities and enhance our brand exposure.

Future enhanced production facility

To cope with the needs of growing sales, we acquired a parcel of industrial land with an area of approximately 87,000 m^2 at Dongjiang High Technology Park, Huizhou City, Guangdong Province, the PRC. The construction of phase I of Huizhou plant ("Huizhou Plant") with approximately 42,000 m^2 of new production space was substantially completed at 31 December 2012, which is expected to increase the Group's existing production capacity by 30%. We expect that the new production base will be put into operation in the first half of 2013 according to schedule. The total investment budget for Huizhou Plant increased from HK$128.3 million to HK$170 million due to change of design for part of the premises and delay in certain work caused by rainy weather during construction. This project was fully financed by our internal resources and bank borrowings.

FUTURE PROSPECTS

Looking ahead into the future, a better performance of the overall economy of the PRC is expected in 2013 as compared to 2012. The PRC government has announced to double the 2010 GDP and per capita income for both urban and rural residents by 2020, primarily rely on expansion of domestic consumption for driving economic development and continue to promote the process of urbanisation. We believe that the PRC domestic bedding product market will continue to sustain a healthy growth.

We will continue to expand our network and improve the operational efficiency in our core market. Hong Kong will remain as the most important market for the Group and we expect to achieve a steady growth in this area. We plan to continue expanding our sales network in the PRC at a pragmatic pace. In addition to traditional retail channels, we will proactively explore new sales channels including e-commerce and develop the commercial users market.

We believe that brand awareness and customer loyalty are critical to the establishment of a successful retail brand. We will strengthen advertising campaign so as to increase brand awareness of our proprietary brands and their market influence, especially in the PRC. In addition to placing advertisements on print media and public transportation, we are developing a series of new publicity measures, including micro films.

In line with our multi-brand strategy, we will introduce more international brands to our bedding products and further increase the market share of our proprietary brands so as to better serve the needs of consumers in different market segments and drive the same store sales growth.

The Huizhou Plant will greatly enhance our production capacity and logistics capability upon its targetted commencement of operation in 2013. We will complete the installation of POS systems in all our self-operated POS by the end of 2014, with an aim to provide sales information in a timely and accurate manner, and improve the operational efficiency of the Group.

In a challenging operating environment, we rely on the efforts and contributions of all our staff and their teamwork to develop our business and achieve our business goal. In the future, we will allocate more resources to support our staff in improving their professional skills.

Our management will use their extensive experiences to aggressively promote the implementation of the above strategies and measures so as to give full play to our competitive strength and seek various opportunities to achieve rapid development, and continue to bring good returns to our shareholders.

FINANCIAL REVIEW

Revenue

For the year 2012, the Group recorded revenue of HK$472.6 million (2011: HK$430.3 million), representing a growth of 9.8% over 2011. The growth in revenue was primarily attributable to (i) an increase in consumer demand for our products, and (ii) an increase in sales of our products in the PRC.

Breakdown of revenue by brands:

	2012		2011		Change	
	HK$'000	***% of Total***	*HK$'000*	*% of Total*	*HK$'000*	*%*
Proprietary brands	**390,253**	**82.6%**	368,293	85.6%	21,960	6.0%
Licensed and authorised brands	**82,340**	**17.4%**	61,970	14.4%	20,370	32.9%
Total	**472,593**	**100.0%**	430,263	100.0%	42,330	9.8%

Casablanca and Casa Calvin are our major proprietary brands. Sales of proprietary brands achieved a continued rising trend in sales for 2012, which rose by 6.0% to HK$390.3 million (2011: HK$368.3 million). Sales of our licensed and authorised brands for 2012 increased by 32.9% to HK$82.3 million (2011: HK$62.0 million).

Breakdown of revenue by products:

	2012		2011		Change	
	HK$'000	***% of Total***	*HK$'000*	*% of Total*	*HK$'000*	*%*
Bed linens	**237,796**	**50.3%**	237,257	55.1%	539	0.2%
Duvets and pillows	**213,020**	**45.1%**	176,390	41.0%	36,630	20.8%
Other home accessories	**21,777**	**4.6%**	16,616	3.9%	5,161	31.1%
Total	**472,593**	**100.0%**	430,263	100.0%	42,330	9.8%

Bed linens and duvets and pillows are major products of the Group. Sales of bed linens and duvets and pillows for 2012 were HK$237.8 million (2011: HK$237.3 million) and HK$213.0 million (2011: HK$176.4 million) respectively. Sale of duvets and pillows increased primarily due to the change in the sales mix and longer period of cold weather in 2012.

Breakdown of revenue by channels:

	2012		2011		Change	
	HK$'000	***% of Total***	*HK$'000*	*% of Total*	*HK$'000*	*%*
Self-operated retail sales						
Self-operated concession counters	**306,809**	**64.9%**	296,468	68.9%	10,341	3.5%
Self-operated retail stores	**41,387**	**8.8%**	33,207	7.7%	8,180	24.6%
Sub-total for self-operated retail sales	**348,196**	**73.7%**	329,675	76.6%	18,521	5.6%
Sales to distributors	**72,904**	**15.4%**	43,041	10.0%	29,863	69.4%
Others *(Note)*	**51,493**	**10.9%**	57,547	13.4%	(6,054)	-10.5%
Total	**472,593**	**100.0%**	430,263	100.0%	42,330	9.8%

Note:

(1) "Others" includes sales to wholesale customers in Hong Kong and the PRC and also exports to overseas markets.

Self-operated retail sales for 2012 amounted to HK$348.2 million (2011: HK$329.7 million), accounting for 73.7% of the total revenue and representing an increase of 5.6% as compared to that of 2011. Sales to distributors for 2012 significantly increased by 69.4% to HK$72.9 million (2011: HK$43.0 million). The increase in sales to distributors for 2012 was mainly attributable to the continued growth of sales to distributors. Sales to others for 2012 was HK$51.5 million (2011: HK$57.5 million) representing a decrease of 10.5% primarily due to the decrease in export sales to overseas markets as a result of the downturn of global economy.

Breakdown of revenue by geographic regions:

	2012		2011		Change	
	HK$'000	***% of Total***	*HK$'000*	*% of Total*	*HK$'000*	*%*
HK and Macau	**235,292**	**49.8%**	220,489	51.2%	14,803	6.7%
PRC	**233,024**	**49.3%**	201,019	46.8%	32,005	15.9%
Others	**4,277**	**0.9%**	8,755	2.0%	(4,478)	-51.1%
Total	**472,593**	**100.0%**	430,263	100.0%	42,330	9.8%

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

Revenues from Hong Kong and Macau, the PRC and others for 2012 were HK$235.3 million (2011: HK$220.5 million), HK$233.0 million (2011: HK$201.0 million) and HK$4.3 million (2011: HK$8.8 million) respectively. Revenue from the PRC achieved continuous growth in 2012 as a result of the expansion of sales network in the PRC. Revenue from others decreased in 2012 due to the decrease in export sales to overseas markets as a result of the downturn of global economy.

Gross Profit and Gross Profit Margin

Gross profit increased by 15.1% to HK$292.1 million for 2012 when compared to HK$253.7 million for 2011. The gross profit margin for 2012 was 61.8% which was better than 59.0% for 2011. Proper cost control measures helped to improve the overall gross margin for 2012.

Other Gains and Losses

Other gains decreased by 68.8% to HK$2.7 million for 2012 as compared to HK$8.5 million for 2011. Gain on disposal of a subsidiary amounted to HK$4.2 million for 2012 was attributable to a gain on disposal of Wealth Pine Asia Limited, our subsidiary prior to the reorganisation, as a result of the reorganisation in preparation for the Listing. This gain was offset by provision for doubtful debts and exchange differences amounted to HK$1.2 million and HK$0.3 million respectively.

Operating Expenses

Selling and distribution costs for 2012 increased by 9.2% to HK$176.3 million from HK$161.5 million for 2011. The increase in selling and distribution costs was mainly due to rise in commissions of concession counters, rentals of retail stores, staff costs and repair & maintenance expenses along with the increase in number of POS.

Administrative expenses for 2012 increased by 19.0% to HK$52.0 million compared with HK$43.7 million for 2011. The increase was mainly due to the increase in staff costs, Directors' remuneration and the share-based payments for 2012.

Listing Expenses

During the year 2012, the Group incurred non-recurring listing expenses of HK$21.5 million, which related to the initial public offering (the "IPO") of the Company's shares, as recognised in the Group's consolidated statement of comprehensive income. These were one-off expenses and not expected to recur in the coming year.

Taxation

The Group's effective tax rate for 2012 was 29.4% as compared to 19.7% for 2011. The increase in effective tax rate for 2012 was mainly due to the listing expenses which were non-deductible for tax purposes. If excluding the non-recurring listing expenses of HK$21.5 million, the effective tax rate for 2012 would be 19.9%.

Profit for the Year

The Group's profit for the year for 2012 decreased to HK$32.0 million from HK$45.9 million for 2011, representing a decrease of 30.2%. This was mainly attributable to the inclusion of non-recurring listing expenses of HK$21.5 million as recognised in the Group's consolidated statement of comprehensive income for 2012.

If excluding the non-recurring listing expenses of HK$21.5 million, the profit for the year for 2012 would increase by 16.6% to HK$53.5 million as compared to HK$45.9 million for 2011.

EBITDA represents gross profit less selling and distribution costs and administrative expenses adding back depreciation, amortisation and share-based payments included in administrative expenses. The EBITDA for 2012 increased by 27.6% to HK$71.2 million from HK$55.7 million for 2011.

Major Operating Efficiency Ratios

	2012	2011
Inventory turnover *(days)*	**165.5**	155.5
Trade and bills receivables turnover *(days)*	**65.2**	54.7
Trade and bills payables turnover *(days)*	**103.9**	82.6

Inventory turnover

The inventory turnover is equal to the average of opening and closing inventory divided by total cost of sales for the year and multiplied by 365 days. The increase in inventory turnover to 165.5 days for 2012, from 155.5 days for 2011, was due to inventory kept as at 31 December 2012 for sales to the wholesale customer with non-recurring bulk-purchases in January 2013 and the increase in self-operated POS in the PRC.

Trade and bills receivables turnover

The trade and bills receivables turnover is equal to the average of opening and closing trade and bills receivables divided by total sales for the year and multiplied by 365 days. The trade and bills receivables turnover increased to 65.2 days for 2012 from 54.7 days for 2011 due to sales to the wholesale customer with non-recurring bulk-purchases in November and December 2012 for which the payment was not yet due as at 31 December 2012 and the increase in proportion of sales to distributors to which we granted longer credit periods.

Trade and bills payables turnover

The trade and bills payables turnover is equal to the average of opening and closing trade and bills payables divided by total cost of sales for the year and multiplied by 365 days. The trade and bills payables turnover increased to 103.9 days for 2012 from 82.6 days for 2011, primarily due to significant purchases during the fourth quarter of 2012.

Liquidity and Capital Resources

The gearing structure is set out below:

	As at 31 December	
	2012	2011
	HK$'000	*HK$'000*
Total bank borrowings	**95,858**	57,395
Bank balances and cash	**137,774**	107,050
Net cash	**41,916**	49,655
Total assets	**500,951**	362,905
Total liabilities	**229,102**	201,874
Total equity	**271,849**	161,031

The Group has been adhering to the principal of prudent financial management in order to minimise financial and operational risks. The Group generally finances its operations with internally generated cash flows. Bank borrowings are primarily for financing the construction of the Huizhou Plant. The financial position of the Group is healthy during 2012. The net proceeds of HK$44.2 million raised from the IPO has enlarged the Group's capital base and strengthened the Group's financial position.

Current ratio

The Group's total current assets increased to HK$329.2 million as at 31 December 2012 from HK$270.9 million as at 31 December 2011, while total current liabilities decreased to HK$196.9 million as at 31 December 2012 from HK$200.6 million as at 31 December 2011. As a result, the current ratio improved to 1.7 as at 31 December 2012 from 1.4 as at 31 December 2011.

Gearing ratio

Gearing ratio is calculated as total bank borrowings divided by total equity at the end of the year. As at 31 December 2012, the gearing ratio was 35.3% when the total equity increased by HK$75.0 million from the IPO and the bank borrowings also increased by HK$38.5 million for financing the construction of the Huizhou Plant. The Group was still at net cash position at 31 December 2012.

Pledge of assets

As at 31 December 2012, the Group had pledged its leasehold land and buildings, trade receivables and prepaid lease payments with an aggregate carrying value of HK$58.3 million to certain banks in Hong Kong and the PRC to secure banking facilities granted to the Group.

Capital expenditures

During the year 2012, the Group invested HK$122.8 million (2011: HK$38.3 million) for construction of Huizhou Plant and acquisition of property, plant and equipment.

Capital commitments

As at 31 December 2012, the Group had capital commitments of approximately HK$8.4 million (2011: HK$78.8 million), all of which were related to construction of the Huizhou Plant and acquisition of property, plant and equipment.

LISTING OF THE SHARES AND SHARE CAPITAL

The total number of shares of the Company in issue upon the Listing was 200,000,000 shares.

During the year 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

USE OF NET PROCEEDS

The Company had received net proceeds from the IPO of approximately HK$44.2 million, after deducting the underwriting fees and commissions and listing expenses. The Company intends to apply the proceeds from the IPO for expanding the sales network, upgrading management information systems, enhancing brand building and product promotion and funding the working capital and other general corporate uses. Up to the financial year ended 31 December 2012, there was no significant amount of usage out of the net proceeds from the IPO.

CORPORATE GOVERNANCE CODE

The Company has adopted 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. Since the Listing Date and up to 31 December 2012, the Company has complied with the code provisions as set out in the CG Code, save for the following:

Under Code Provision A.1.1 of the CG Code, the Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals and under Code Provision A.2.7, the Chairman should at least annually hold meeting with the Non-executive Directors (including Independent Non-executive Directors) without the Executive Directors present. The Company has held one time of Board meeting with all the Directors present during the short period since the Listing Date to 31 December 2012. The Board intends to meet at least four times per year in the future, and the Chairman intends to hold at least one meeting per year with the Non-executive Directors (including the Independent Non-executive Directors) without the Executive Directors present.

DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31 December 2012.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year ended 31 December 2012 is scheduled to be held on Thursday, 16 May 2013 (the "AGM"). A notice convening the AGM will be issued and disseminated to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The share register of the Company will be closed from Tuesday, 14 May 2013 to Thursday 16 May 2013 (both days inclusive), during which no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all completed transfer documents accompanying with the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 13 May 2013.

REVIEW OF ANNUAL RESULTS

The annual results have been reviewed by the audit committee of the Company.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2012 as set out in the preliminary announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

APPRECIATION

I would like to thank the Board, the management team and all other employees for their hard work, diligence, and dedication to the Group. On behalf of the Board, I would like to express hearty gratitude to our stakeholders for their continuing support and those professional teams for their assistance in our success of listing in 2012.

By Order of the Board
Casablanca Group Limited
Cheng Sze Kin
Chairman

Hong Kong, 20 March 2013

As at the date of this announcement, the Board comprises Mr. Cheng Sze Kin (Chairman), Mr. Cheng Sze Tsan (Vice-chairman), Ms. Wong Pik Hung and Mr. Sung Shuk Ka as the Executive Directors and Mr. Tse Yat Hong, Mr. Leung Lin Cheong and Mr. Li Kai Fat as the Independent Non-executive Directors.