

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

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 2013 (the “Period”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

		Six months ended 30 June	
	<i>Notes</i>	2013	2012
		HK\$'000	HK\$'000
		(unaudited)	(audited)
Revenue	3	231,935	206,825
Cost of goods sold		(91,133)	(80,579)
Gross profit		140,802	126,246
Other income		780	680
Other gains and losses		634	3,369
Selling and distribution costs		(97,138)	(78,933)
Administrative expenses		(35,840)	(23,039)
Finance costs		(798)	(468)
Listing expenses		—	(9,414)
Profit before taxation	5	8,440	18,441
Taxation	4	(4,628)	(5,155)
Profit for the period		3,812	13,286

		Six months ended 30 June	
		2013	2012
		HK\$'000	HK\$'000
	Notes	(unaudited)	(audited)
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		<u>3,586</u>	<u>(1,390)</u>
Total comprehensive income for the period		<u><u>7,398</u></u>	<u><u>11,896</u></u>
Profit for the period attributable to owners of the Company		<u><u>3,812</u></u>	<u><u>13,286</u></u>
Total comprehensive income for the period attributable to owners of the Company		<u><u>7,398</u></u>	<u><u>11,896</u></u>
Earnings per share			
– Basic (HK cents)	6	<u><u>1.91</u></u>	<u><u>8.86</u></u>
– Diluted (HK cents)	6	<u><u>1.84</u></u>	<u><u>N/A</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	Notes	30.6.2013 HK\$'000 (unaudited)	31.12.2012 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		159,211	140,142
Prepaid lease payments		28,784	28,630
Intangible assets		7	8
Deposits paid for acquisition of property, plant and equipment		972	282
Rental deposits		3,609	2,708
		<u>192,583</u>	<u>171,770</u>
Current assets			
Inventories		92,613	82,796
Trade and other receivables	7	93,897	107,929
Prepaid lease payments		612	603
Taxation recoverable		85	79
Pledged bank deposits		1,000	—
Bank balances and cash		116,778	137,774
		<u>304,985</u>	<u>329,181</u>
Current liabilities			
Trade and other payables	8	81,163	126,379
Amount due to a related company		186	—
Taxation payable		4,365	6,017
Bank borrowings		47,301	64,515
		<u>133,015</u>	<u>196,911</u>
Net current assets		<u>171,970</u>	<u>132,270</u>
Total assets less current liabilities		<u>364,553</u>	<u>304,040</u>
Non-current liabilities			
Bank borrowings		73,253	31,343
Deferred tax liabilities		734	848
		<u>73,987</u>	<u>32,191</u>
Net assets		<u>290,566</u>	<u>271,849</u>
Capital and reserves			
Share capital		20,054	20,000
Reserves		270,512	251,849
Total equity		<u>290,566</u>	<u>271,849</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”), amendments and interpretation (“INT”) (hereinafter collectively referred to as “new and revised HKFRSs”) issued by the HKICPA which are effective for the Group’s financial year beginning on 1 January 2013.

Amendments to HKFRSs	Annual improvements to HKFRSs 2009-2011 cycle
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
Amendments to HKAS 1	Presentation of items of other comprehensive income
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine

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

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

The information of segment revenue is as follows:

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Self-operated retail sales	151,355	151,824
Sales to distributors	40,048	35,882
Others	40,532	19,119
	231,935	206,825

Entity-wide information

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

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Bed linens	117,918	114,131
Duvets and pillows	105,008	83,623
Other home accessories	9,009	9,071
	231,935	206,825

4. TAXATION

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Current tax:		
Hong Kong	2,864	2,703
PRC Enterprise Income Tax (the "EIT")	2,512	2,359
	5,376	5,062
Overprovision in prior period:		
PRC EIT	(634)	—
Deferred taxation	(114)	93
	4,628	5,155

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.

5. PROFIT BEFORE TAXATION

Six months ended 30 June	
2013	2012
HK\$'000	HK\$'000
(unaudited)	(audited)

Profit before taxation has been arrived at after charging (crediting):

Directors' and chief executive's remuneration (excluding share-based payments)	4,424	2,988
Other staff costs	41,692	32,783
Share-based payments (included in administrative expenses)	10,669	–
Amortisation of intangible assets	1	1
Amortisation of prepaid lease payments	304	298
(Reversal of) allowance for inventories (included in costs of goods sold)	(174)	1,647
Depreciation of property, plant and equipment	3,090	2,956
Operating lease rentals in respect of		
– rented premises	4,187	2,805
– retail stores (<i>Note</i>)	4,774	3,469
– department store counters (<i>Note</i>) (including concessionaire commission) (included in selling and distribution costs)	39,470	34,048
	48,431	40,322

Note: Included contingent rent of HK\$24,075,000 for the period ended 30 June 2013 (six months ended 30 June 2012: HK\$25,374,000). The contingent rent refers to the operating lease rentals based on pre-determined percentages to realised sales less basic rentals of the respective leases.

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:

Six months ended 30 June	
2013	2012
HK\$'000	HK\$'000
(unaudited)	(audited)

Earnings

Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	3,812	13,286
---	-------	--------

Six months ended 30 June	
2013	2012

Number of shares

Weighted average number of ordinary shares for the purpose of basic earnings per share	200,093,569	150,000,000
Effect of dilutive potential ordinary shares on share options	7,400,350	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	207,493,919	N/A

For the six months period ended 30 June 2012, 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 in 2012 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 as stated in the note 29 of the Group's annual financial statements for the year ended 31 December 2012 as if it had been effective on 1 January 2012.

No diluted earnings per share was presented as there was no potential ordinary share during the period ended 30 June 2012.

7. TRADE AND OTHER RECEIVABLES

Retailing sales are mainly made at concession counters in department stores, the department stores collect cash from the ultimate customers and then repay the balance after deducting the concessionaire commission to the Group. The credit period granted to department stores 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 date at the end of the reporting period.

	30.6.2013 HK\$'000 (unaudited)	31.12.2012 HK\$'000 (audited)
Within 30 days	55,939	59,419
31 to 60 days	9,582	23,436
61 to 90 days	3,577	9,880
91 to 180 days	6,779	3,798
181 to 365 days	2,521	351
Trade and bills receivables	78,398	96,884

8. TRADE AND OTHER PAYABLES

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

	30.6.2013 HK\$'000 (unaudited)	31.12.2012 HK\$'000 (audited)
Within 30 days	43,703	49,225
31 to 60 days	5,013	6,198
61 to 90 days	953	111
91 to 180 days	6	2
Over 180 days	438	467
Trade and bills payables	50,113	56,003

Included in other payables is payable for acquisition of property, plant and equipment of HK\$16,597,000 (31.12.2012: HK\$46,052,000).

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

During the Period, the recovery of the global economy proceeded at a slow pace. The Chinese economy has recorded a lower than usual growth rate with its gross domestic product (“GDP”) expanding by 7.6% while the total retail sales of consumer goods grew by 12.7%; both were beneath the percentages in the corresponding period of 2012. The new PRC administration appears to have different ideas on economic development. A series of credit tightening measures launched by the new PRC administration has had a negative impact on the already fragile retail market sentiment. The market competition has become even more fierce due to inventory clearance actions accompanied by price wars among peers in the bedding product industry in China. Challenged by new retail models especially online retail, department stores stepped up promotional activities in order to attract more customers, which in turn meant higher promotional expenses and additional concessionaire commissions for branded retailers. Meanwhile, the retail industry faced continuous pressure on operating costs not only for increasing rentals of commercial properties but also for further adjustment of the minimum wage. All of these factors led to the drop of same store sales and the rise of selling expenses across the bedding product industry.

BUSINESS REVIEW

Since its listing in Hong Kong during late 2012, the Group has been executing its planned business development strategies. Despite the worsening macro-economic environment in the PRC, the Group has managed to maintain revenue growth during the Period. Total revenue has increased by 12.1% year-on-year to HK\$231.9 million while the gross margin was 60.7% which was similar to the corresponding period in 2012. Whilst maintaining its leading market share in Hong Kong, the Group strove to further expand its sales network in the PRC and to raise the awareness of its proprietary brands, aiming to lay the foundation for becoming one of the leading players in China’s bedding product market.

However, the net profit of the Group has decreased by 71.3% year-on-year to HK\$3.8 million (2012: HK\$13.3 million) due to the surge of selling and distribution expenses and the significant amortised expenses of share-based payments under the pre-IPO share option scheme (“Pre-IPO Share Option Scheme”). The estimated total amount of share-based payments is about HK\$16.9 million, which will be amortised during 7 November 2012 till 22 November 2014 according to HKFRS 2 “Share-based Payment”, and the total amount amortised in 2013 is estimated to be HK\$13.6 million of which the amount of HK\$10.7 million has been amortised during the Period.

Expansion of sales network

During the Period, the Group strengthened its market position by continuing its efforts to expand its sales network. 38 new points of sale (“POS”) were opened during the Period, including 9 in Hong Kong and Macau and 29 in the PRC. As at 30 June 2013, the Group had a total of 384 POS in the Greater China region. In addition to setting up more concession counters in department stores, the Group has focused on opening stand-alone shops for its proprietary brands in Guangdong province and developing its e-commerce retail channel. The Group’s online flagship store on TMall.com commenced operation in early June 2013. In response to the changing market situation, the Group took over some of its distributors’ regional market operations during the Period extending the self-operated sales network from major cities such as Beijing, Shanghai, Guangzhou and Shenzhen to Nanjing, Chongqing and Tianjin. The increase of self-operated POS helps the Group to strengthen its market position in big cities in the PRC.

Breakdown of POS (as at 30 June 2013)

	Self-operated POS			Distributor-operated POS			Total
	Concession counters	Stand-alone retail stores	Sub-total	Concession counters	Stand-alone retail stores	Sub-total	
Hong Kong and Macau sub-total	40	17	57	2	2	4	61
PRC							
Southern ⁽¹⁾	120	14	134	20	37	57	191
Northern ⁽²⁾	23	0	23	8	0	8	31
Eastern ⁽³⁾	24	0	24	30	3	33	57
Northeast ⁽⁴⁾	1	0	1	25	1	26	27
Southwest ⁽⁵⁾	7	0	7	5	0	5	12
Central ⁽⁶⁾	0	0	0	1	1	2	2
Northwest ⁽⁷⁾	0	0	0	3	0	3	3
PRC sub-total	175	14	189	92	42	134	323
Total	215	31	246	94	44	138	384

Notes:

- (1) “Southern” includes Guangxi, Guangdong and Hainan.
- (2) “Northern” includes Tianjin, Hebei, Shanxi, Beijing and Inner Mongolia.
- (3) “Eastern” includes Shanghai, Jiangsu, Zhejiang, Anhui, Shandong, Jiangxi and Fujian.
- (4) “Northeast” includes Heilongjiang, Liaoning and Jilin.
- (5) “Southwest” includes Sichuan, Guizhou, Tibet, Yunnan and Chongqing.
- (6) “Central” includes Henan, Hubei and Hunan.
- (7) “Northwest” includes Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang.

Enhanced advertising and promotions

Brand awareness is one of the key elements for the success of a retail brand. In order to raise the awareness of its proprietary brands, mainly “Casablanca” and “Casa Calvin,” the Group has increased its advertising and promotional activities, including placement of advertisements on MTR platforms and carriages in Hong Kong and Shenzhen and producing a micro film with “Love Life Love Future” as its main theme which was broadcast in the PRC market. The Group also held a catwalk fashion show during its 2013 Autumn/Winter Product Release Conference, which attracted coverage by a number of PRC media. All these efforts bore fruit in significantly raised awareness of the Group and its proprietary brands. Evidence of this success can be seen in “Casablanca” being awarded as a “Famous Guangdong Trademark” by the Guangdong Province Administration for Industry & Commerce during the Period.

Enhanced corporate facilities

The construction of the Huizhou plant (“Huizhou Plant”) which commenced operation in May 2013 is an important foundation block for the future development of the Group as it further enhances the Group’s production capacity and improves its manufacturing efficiency. The Huizhou Plant has mainly carried out setting up works in the first half of 2013, including recruitment and training of production staff, installation and calibration of new machinery and relocation of equipment from its Shenzhen plant (“Shenzhen Plant”). During the parallel-running period of Huizhou Plant and Shenzhen Plant, the Group’s headcount of production units increased significantly to 428 as at 30 June 2013 (2012: 260), one of the reasons for the increase in staff costs.

The collection and subsequent analysis of sales data has a crucial role in analyzing customers’ behavior, improving shop efficiency, controlling inventory level and monitoring aggregate customer trends. In order to improve the timeliness and accuracy of sales data collection, the Group has been gradually installing point-of-sales systems (“POS system”) in its self-operated POS in the PRC. As at 30 June 2013, the Group has installed POS systems in 71 POS in the PRC, covering about 38% of its self-operated POS. Whilst our self-operated POS in the Hong Kong and Macau region are already fully equipped with POS systems, the Group plans to have POS systems in all of its self-operated POS in the PRC market by the end of 2014.

OUTLOOK

Looking ahead, the Group will continue to focus on development in the bedding product industry within the Greater China market. Despite the slowdown of economic growth in China, the positive factors of the PRC bedding product market, including increased per capita disposable income, continued urbanisation and consumption upgrade, remain unchanged. With our expanding sales network, enhancing brand awareness activities and strong production foundation, the management remains optimistic about the Group’s long-term prospects.

The PRC government has recently proposed stabilising economic development to achieve a GDP growth target of not lower than 7.5% for the year 2013. The management therefore expects Chinese economic environment in the second half of the year tends to be stable. The second half of the year is traditionally the peak season for the sales of bedding products, thus the management expects the situation of inventory clearance causing price competition within the industry will be eased. The Group is developing more new functional products to stimulate sales performance. In order to control selling and distribution expenses and to boost profitability for its part, the management plans to adjust our operating strategies in the short-term and to focus on development within Southern China, especially within Guangdong province. The Group is also encouraging distributors to set up more stand-alone shops and improve inventory turnover. The management will seize opportunities brought by the better business environment in the second half of 2013 and expects the Group’s results for the second half of the year to improve.

FINANCIAL REVIEW

Revenue

During the Period, the Group has achieved revenue of HK\$231.9 million (2012: HK\$206.8 million), representing a growth of 12.1% compared with the corresponding period last year. Sales of our proprietary brands remained the major contributor of the Group's revenue, which accounted for approximately 81.7% of total revenue and rose by 10.9% to HK\$189.5 million (2012: HK\$170.8 million). Sales of our licensed and authorised brands increased by 17.8% to HK\$42.4 million (2012: HK\$36.0 million).

In terms of channels, self-operated retail sales during the Period amounted to HK\$151.4 million (2012: HK\$151.8 million) accounting for 65.3% (2012: 73.4%) of the total revenue. The decrease in proportion to the total revenue was due to increase in sales to our distributors and sharp increase in sales to others. Sales to distributors increased by 11.6 % to HK\$40.0 million (2012: HK\$35.9 million). Sales to others were HK\$40.5 million (2012: HK\$19.1 million) representing a significant increase of 112.0% primarily due to sales of duvets under a bulk-purchase agreement to a wholesale customer in Hong Kong.

In terms of products, sales of bed linens during the Period were HK\$117.9 million (2012: HK\$114.1 million). Sales of duvets and pillows were HK\$105.0 million (2012: HK\$83.6 million), whereas sales of other home accessories were HK\$9.0 million (2012: HK\$9.1 million). Sales of duvets and pillows rose by 25.6% primarily due to the sales of duvets under a bulk-purchase agreement with a wholesale customer in Hong Kong during the Period.

In terms of regions, revenues from Hong Kong and Macau, the PRC and others during the Period were HK\$123.4 million (2012: HK\$105.4 million), HK\$102.6 million (2012: HK\$98.6 million) and HK\$5.9 million (2012: HK\$2.9 million) respectively. Revenue from Hong Kong and Macau achieved sharp growth by 17.1% during the Period as a result of the significant increase in sales to a wholesale customer in Hong Kong.

Gross Profit and Gross Profit Margin

Gross profit increased by 11.5% to HK\$140.8 million during the Period as compared to HK\$126.2 million for the corresponding period last year. The overall gross profit margin for the Period was 60.7% which was at similar level as the corresponding period last year. The increase in production overhead that was induced by soaring labour wages and increasing number of workers in the PRC was offset by the decrease in raw material costs during the Period.

Other Gains and Losses

Other gains and losses for the Period decreased by 81.2% to HK\$0.6 million (2012: HK\$3.4 million) was primarily attributable to the absence of a gain on disposal of a subsidiary amounted to HK\$4.2 million for the corresponding period last year as a result of the reorganisation in preparation for listing of the Company's shares on the Stock Exchange.

Expenses

Selling and distribution costs for the Period increased by 23.1% to HK\$97.1 million from HK\$78.9 million for the corresponding period last year. The significant increase in selling and distribution costs for the Period was mainly due to extra concessionaire commissions paid for participation in more promotional activities introduced by department stores, rises in staff costs for more sales and marketing staff employed and more rentals of new retail stores opened as compared to the corresponding period last year.

Administrative expenses for the Period increased by 55.6% to HK\$35.8 million compared with HK\$23.0 million for the corresponding period last year. The increase was primarily attributable to the share-based payments of HK\$10.7 million under the Pre-IPO Share Option Scheme and post-listing professional expenses, such as fees to legal advisor, compliance advisor, share registrars and public relation agent, of HK\$1.9 million incurred for the Period. The estimated total amount of share-based payments is about HK\$16.9 million, which will be amortised during the period from 7 November 2012 till 22 November 2014 according to HKFRS 2 “Share-based Payment”, and the total amount amortised in 2013 is estimated to be HK\$13.6 million.

Taxation

The Group’s effective tax rate for the Period was 54.8% as compared to 28.0% for the corresponding period last year. The increase in effective tax rate for the Period was mainly due to the share-based payments, which were non-deductible for tax purposes for the Period, and operation losses of some PRC subsidiaries. Had the operation losses of PRC subsidiaries and the share-based payments for the Period and the non-recurring listing expenses and the gain on disposal of a subsidiary for the corresponding period last year been excluded, the effective tax rates would be 16.6% for the Period and 21.8% for the corresponding period last year.

Profit for the Period

The Group’s profit for the Period decreased to HK\$3.8 million from HK\$13.3 million for the corresponding period last year, representing a decrease of 71.3%. This was mainly attributable to the increase in sales and distribution expenses as well as share-based payments.

Liquidity and Financial Resources

During the Period, the Group adhered to the principle of prudent financial management in order to minimise financial and operational risks. The Group finances its operations with internally generated cash flows. Bank borrowings during the Period were primarily for financing the construction of Huizhou Plant. The financial position of the Group remained healthy. The total equity increased by HK\$75.0 million from the IPO in November 2012 enlarged the Group's capital base and strengthened the Group's financial position.

	As at 30 June 2013 HK\$'000	As at 31 December 2012 HK\$'000
Total bank borrowings	120,554	95,858
Bank balances and cash	116,778	137,774
Net (borrowings)/cash	(3,776)	41,916
Total assets	497,568	500,951
Total liabilities	207,002	229,102
Total equity	290,566	271,849
Current ratio	2.3	1.7
Quick ratio	1.6	1.3
Gross gearing ratio (<i>Note</i>)	41.5%	35.3%
Net gearing ratio (<i>Note</i>)	1.3%	N/A

Note: Gross gearing ratio is calculated as total bank borrowings divided by total equity, whereas net gearing ratio is calculated as bank borrowings minus cash and equivalent items and then divided by total equity.

Pre-IPO Share Option Scheme

The Group adopted a Pre-IPO Share Option Scheme and granted share options to certain grantees including Directors, employees, suppliers and others on 7 November 2012 to subscribe for a total of 22,320,000 ordinary shares of HK\$0.10 per share with the exercise price of HK\$1.20 per share. The share options shall be exercisable during the period from 23 May 2013 to 6 November 2022. As at 30 June 2013, 21,594,000 share options were still outstanding under the Pre-IPO Share Option Scheme.

Foreign Exchange Exposure

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

Pledge of Assets

As at 30 June 2013, the Group had pledged its leasehold land and buildings, prepaid lease payments, trade receivables and fixed deposits with an aggregate carrying value of HK\$108.7 million to certain banks in Hong Kong and the PRC to secure banking facilities granted to the Group.

INTERIM DIVIDEND

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2013.

USE OF IPO PROCEEDS

The Company received net proceeds raised from the IPO of approximately HK\$44.2 million.

The usage of net proceeds until 30 June 2013 was as follows:

	Planned Amount <i>HK\$ million</i>	Utilised Amount <i>HK\$ million</i>	Remaining Amount <i>HK\$ million</i>
Expansion of sales network	37.0	8.2	28.8
Upgrade of management information system	4.0	–	4.0
Brand building and product promotion	2.2	1.2	1.0
General working capital	1.0	1.0	–
Total	44.2	10.4	33.8

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2013, the employee headcount of the Group was 1,174 (2012: 930) and the total staff costs, including directors' remuneration and shared-based payments, amounted to HK\$56.1 million (2012: HK\$35.8 million). The significant increase in employee headcount was primarily due to two factories parallel-running in the first half of 2013 and the establishment of e-business division in the second quarter of 2013.

The Group offers competitive remuneration packages 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.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), save for the code provisions A.6.7 and E.1.2.

Under the code provision A.6.7 of the CG Code, independent non-executive directors should attend general meetings and develop a balanced understanding of views of the shareholders. Under the code provision E1.2, the chairmen of the Board as well as Board committees should be available to answer questions at the annual general meeting. At the annual general meeting of the Company held on 16 May 2013 (the “AGM”), an independent non-executive Director, who is also the chairman of the Audit Committee, was unable to attend the AGM due to other pre-arranged business engagements. Despite his absence, other members of the Audit Committee together with the external auditor attended the AGM being able to answer relevant questions raised by and understand the views of the shareholders of the Company thereat.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “Model Code”) as the code of conduct for Directors in their dealings in the Company’s securities. Having made specific enquiry to all the Directors of the Company, all the Directors confirmed that they have complied with the required standard of dealing as set out in the Model Code throughout the Period.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the results (including the unaudited condensed consolidated financial statements) of the Group for the six months ended 30 June 2013.

In addition, the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2013 have been reviewed by our auditors, Messrs. Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

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

Hong Kong, 21 August 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.