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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

FINANCIAL HIGHLIGHTS

		Six months ended 30 June		
	Notes	2014	2013	Change
Revenue (HK\$ '000)		231,057	231,935	-0.4%
Gross profit (HK\$ '000)		138,834	140,802	-1.4%
EBITDA (HK\$ '000)	1	20,997	21,888	-4.1%
Profit for the period attributable to owners of the Company (HK\$ '000)		4,198	3,812	10.1%
Gross profit margin		60.1%	60.7%	
EBITDA margin		9.1%	9.4%	
Net profit margin		1.8%	1.6%	
Basic EPS (HK cents)		2.09	1.91	9.4%
Diluted EPS (HK cents)		2.09	1.84	13.6%
		As at	As at	
		30/06/2014	31/12/2013	Change
Total assets (HK\$ '000)		506,106	559,485	-9.5%
Total equity (HK\$ '000)		302,679	303,772	-0.4%
Total bank balances and cash (HK\$ '000)	2	124,312	135,641	-8.4%
Total bank borrowings (HK\$ '000)		117,183	136,223	-14.0%
Net cash/ (borrowings) (HK\$ '000)	3	7,129	(582)	N/A
Gross gearing ratio	4	38.7%	44.8%	
Net gearing ratio	4	N/A	0.2%	

Notes:

- EBITDA represents gross profit less selling and distribution costs and administrative expenses adding back depreciation, amortisation and share-based payments.
- Total bank balances and cash included pledged bank deposits.
- Net cash/ (borrowings) represents total bank balances and cash less total bank borrowings.
- Gross gearing ratio is calculated as total bank borrowings divided by total equity, whereas net gearing ratio is calculated as total bank borrowings minus cash and equivalent items and then divided by total equity.

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 period ended 30 June 2014 (the “Period”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

		Six months ended 30 June	
	<i>Notes</i>	2014	2013
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	3	231,057	231,935
Cost of goods sold		(92,223)	(91,133)
Gross profit		138,834	140,802
Other income		911	780
Other gains and losses		(3,795)	634
Selling and distribution costs		(100,576)	(97,138)
Administrative expenses		(25,073)	(35,840)
Finance costs		(2,319)	(798)
Profit before taxation	5	7,982	8,440
Taxation	4	(3,784)	(4,628)
Profit for the period		4,198	3,812
Other comprehensive (expense) income			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		(6,316)	3,586
Total comprehensive (expense) income for the period		(2,118)	7,398
Profit for the period attributable to owners of the Company		4,198	3,812
Total comprehensive (expense) income for the period attributable to owners of the Company		(2,118)	7,398
Earnings per share			
– Basic (HK cents)	6	2.09	1.91
– Diluted (HK cents)	6	2.09	1.84

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	Notes	30.6.2014 HK\$'000 (unaudited)	31.12.2013 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		153,478	159,079
Prepaid lease payments		27,847	28,860
Intangible assets		5	6
Deferred tax assets		207	—
Deposits paid for acquisition of property, plant and equipment		225	—
Rental deposits		1,535	1,796
		<u>183,297</u>	<u>189,741</u>
Current assets			
Inventories		91,746	108,563
Trade and other receivables	7	106,146	124,919
Prepaid lease payments		605	621
Pledged bank deposits		1,203	1,213
Bank balances and cash		123,109	134,428
		<u>322,809</u>	<u>369,744</u>
Current liabilities			
Trade and other payables	8	78,309	113,061
Amount due to a related company		24	—
Taxation payable		4,096	4,406
Bank borrowings		61,083	71,377
Obligation under a finance lease		703	—
		<u>144,215</u>	<u>188,844</u>
Net current assets		<u>178,594</u>	<u>180,900</u>
Total assets less current liabilities		<u>361,891</u>	<u>370,641</u>
Non-current liabilities			
Bank borrowings		56,100	64,846
Obligation under a finance lease		1,170	—
Deferred tax liabilities		1,942	2,023
		<u>59,212</u>	<u>66,869</u>
Net assets		<u><u>302,679</u></u>	<u><u>303,772</u></u>
Capital and reserves			
Share capital		20,079	20,079
Reserves		282,600	283,693
Total equity		<u><u>302,679</u></u>	<u><u>303,772</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“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 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 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) – INT 21	Levies

The application of the above new interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed 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 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 (“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	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Self-operated retail sales	141,196	151,355
Sales to distributors	28,722	40,048
Others	61,139	40,532
	<u>231,057</u>	<u>231,935</u>

Entity-wide information

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

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Bed linens	106,857	117,918
Duvets and pillows	118,650	105,008
Other home accessories	5,550	9,009
	<u>231,057</u>	<u>231,935</u>

4. TAXATION

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
Hong Kong	4,319	2,864
PRC Enterprise Income Tax (the "EIT")	—	2,512
	<u>4,319</u>	<u>5,376</u>
Overprovision in prior period:		
Hong Kong	(20)	—
PRC EIT	(227)	(634)
	<u>(247)</u>	<u>(634)</u>
Deferred taxation	<u>(288)</u>	<u>(114)</u>
	<u>3,784</u>	<u>4,628</u>

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	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Directors' and chief executive's remuneration (excluding share-based payments)	4,164	4,424
Other staff costs	42,736	41,692
Share-based payments (included in selling and distribution costs and administrative expenses)	1,025	10,669
Amortisation of intangible assets	1	1
Amortisation of prepaid lease payments	305	304
Allowance (reversal of allowance) for inventories (included in costs of goods sold)	150	(174)
Depreciation of property, plant and equipment	6,481	3,090
Operating lease rentals in respect of		
– rented premises	1,690	4,187
– retail stores (note)	4,411	4,774
– department store counters (note) (including concessionaire commission) (included in selling and distribution costs)	40,777	39,470
	46,878	48,431

Note: Included contingent rent of HK\$22,263,000 for the period ended 30 June 2014 (six months ended 30 June 2013: HK\$24,075,000). 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	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	<u>4,198</u>	<u>3,812</u>
	Six months ended 30 June	2013
	2014	
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	200,788,000	200,093,569
Effect of dilutive potential ordinary shares on share options	—	7,400,350
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>200,788,000</u>	<u>207,493,919</u>

The computation of diluted earnings per share for the period ended 30 June 2014 does not assume the exercise of the Company's share options because the adjusted exercise price of the share options (after the adjustment of the fair value of the unvested share options) were higher than the average market prices of shares of the Company during the period ended 30 June 2014.

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, which may be extended to 180 days for selected customers.

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

	30.6.2014	31.12.2013
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Within 30 days	35,697	58,372
31 to 60 days	13,828	17,791
61 to 90 days	10,921	6,924
91 to 180 days	8,144	10,369
181 to 365 days	10,438	7,857
Over 1 year	<u>575</u>	<u>257</u>
Trade and bills receivables	<u>79,603</u>	<u>101,570</u>

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.

	30.6.2014 HK\$'000 (unaudited)	31.12.2013 <i>HK\$'000</i> (audited)
Within 30 days	25,663	39,922
31 to 60 days	18,731	28,998
61 to 90 days	14,431	19,587
91 to 180 days	1,049	2,169
Over 180 days	208	222
Trade and bills payables	60,082	90,898

Included in other payables is payable for acquisition of property, plant and equipment of HK\$2,816,000 (31.12.2013: HK\$2,830,000).

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

During the first half of 2014, the global economy was still characterised by continued uncertainty. Although the growth rate of China's GDP slightly declined in comparison with the corresponding period last year, the economic trends appeared to have gradually stabilised. However, under the pressure brought by policy adjustments in the real estate market, consumer confidence has remained low. The traditional retail businesses have been forced to cope with the impact from online sales, while at the same time struggling with difficult challenges in sales network management brought about by soaring operating costs including rental and labour costs. The competition was particularly fierce in the highly fragmented bedding product industry in the PRC. The first half of 2014 was traditionally the annual slow season for the industry, however, inventory clearance activities including price-cutting promotions and department stores promotional activities were still frequently carried out.

BUSINESS REVIEW

Under the twin pressures of weakened consumer sentiment and rising operating costs, the Group has strived to adjust its pace and strategies, to prepare for future opportunities. Leveraging its leading position in the Hong Kong market and its continuous efforts in exploring PRC and overseas markets, the Group's revenue achieved HK\$231.1 million during the Period, a similar level to the corresponding period last year. The gross profit margin was 60.1% which was marginally lower than that for the corresponding period last year.

Prudently restructured sales network

During the first half of 2014, the Group has continued restructuring its sales network. Our sales network consists of 369 points of sale (the "POS") covering the PRC, Hong Kong and Macau (collectively the "Greater China Region") as at 30 June 2014. We have reviewed the profitability of each POS and withdrew from districts yielding a lower contribution, while at the same time we have continued to explore the burgeoning potential of e-commerce. We have maintained our focus on expanding the sales network within Guangdong Province and have encouraged distributors in the province to open stand-alone retail stores in order to strengthen our leading market position in Southern China.

Enhanced overseas market strategies

While Hong Kong and the PRC remain as our major centres of operations, the Group is proactively exploring overseas markets to broaden its income sources. In order to develop the market in Japan, the Company has entered into a business collaboration agreement (the "Agreement") with Goyo Intex Co., Ltd. ("Goyo Intex", a company listed on the JASDAQ Standard of the Tokyo Stock Exchange) during the first half of 2014. According to the Agreement, products of the Group will be sold exclusively by Goyo Intex in Japan while products of Goyo Intex will be sold exclusively by the Group in the Greater China Region, and products jointly developed by the Group and Goyo Intex will be sold exclusively by the Group in the Greater China Region and exclusively by Goyo Intex in Japan.

The Group believes that cooperating with Goyo Intex presents an excellent opportunity to expand the Group's source of income and raise its brand awareness in Japan.

Continued to enrich product collection

Adhering to the design concept of “Contemporary, Innovative and Functional” in its product features, the Group endeavours to develop quality functional bedding products to create a health-facilitating, comfortable and relaxing sleep experience for customers. In its latest effort, the Group has launched the innovative Cool Mint Summer Quilt in the Hong Kong market during June 2014. The quilt is cool to the touch and can effectively soothe skin inflammation and relieve itchiness. The quilt has received an overwhelming market response.

Moreover, according to the Agreement with Goyo Intex, the Group will be the exclusive franchisee of the environmentally-friendly “Ecofix” curtain product developed by Goyo Intex under its own patent. The curtain product is designed with special features such as block out day light, antibacterial and heat shielding functions.

Enhanced branding and greater customer loyalty

In order to more prominently stand out in the highly fragmented bedding product market in the PRC and to strengthen its leading market position in Hong Kong, the Group has strived to raise brand awareness of its proprietary brands, mainly “Casablanca” and “Casa Calvin”. We have launched a mix of promotional activities through different channels in the first half of 2014, including placement of advertisements in magazines and outdoor advertisements on public buses and MTR carriages and platforms and tram carriages. Furthermore, we have also arranged advertisements and promotional pages on online media in order to facilitate closer communication with retail customers and distributors. During the Period, the Company has also launched television commercials in the Hong Kong market timed to coincide with the launch of new products and attract greater public attention.

Aiming to boost customers’ loyalty, the Group has optimised the policy of its “Prestige Club” membership programme, so as to provide members with more detailed product and promotional information. In order to gather an increased volume of information from more customers and improve customer relationship management, the Group is evaluating the launch of a membership programme in the PRC market.

Prospects

Looking ahead, the global economy is still facing considerable uncertainty whereas the PRC government is striving to maintain GDP growth of not less than 7.5% in 2014. Since the PRC government is continuing its policies to promote urbanisation, increasing per capita disposable income and ongoing consumption upgrade, the Group believes the retail market in PRC will sustain stable growth. Based on the above mentioned factors and with the second half of the year traditionally the peak season for the sales of bedding products, the Group remains cautiously optimistic about its prospects for the second half of 2014. The Group plans to continue to execute its core strategy “**Broadening income sources while saving costs; Exploring business opportunities actively and pragmatically**” to seize the opportunities during the peak season and, at the same time, consolidate the foundation for future business development.

Control operating costs and raise management professionalism

Nowadays, controlling operating costs has become a crucial factor for retail corporations to stabilise business development. With the weak consumption sentiment, soaring rental and staff costs are exacerbating the already difficult business environment. The Group is continuing its efforts to manage selling expenses by selectively participating in the promotional activities of department stores to control the expenditures of concession counters. On the other hand, we will consider relocating the stand-alone shops to nearby locations with lower rental costs if the lease renewal rentals are significantly increased. The Group also continues to review the structure of its sales network and would consider terminating under-performing POS.

Improving management standards are essential to the growth of corporation. The Group will continue to streamline its internal structure, and enhance synergies and improvement across all of its functional departments while providing distributors with detailed guidelines and targets. We will continue to upgrade our internal information system in order to strengthen information flow and procedure management of the whole value chain from product design, merchandising and production, through logistics to selling at POS. We believe this upgrade can effectively enhance the inventory management of the Group enabling it to promptly and precisely seize business opportunities.

Enrich product collection and develop new markets

The Group has developed from providing a very limited product range to becoming one of the leading bedding product companies in the Greater China Region. It has launched numerous new products every year to cater for different needs of customers in the developing China market while striving to enhance product quality. Looking ahead, in order to serve customers with different needs and sleeping habits, the Group is developing more quality bedding product with “Contemporary, Innovation and Functional” as key features. Furthermore, the Group is considering distributing more reasonably priced home accessories products which are fashionably designed so as to provide customers with greater choices. The Group is continuing to seek suitable business partners to exploit new market niches while exploring the feasibility of integrating online and offline sales operations.

Incorporating” Contemporary, Innovation and Functional” features in our product design, the Group endeavours to provide consumers with quality bedding products which are fashionably designed but reasonably priced and to bring better returns to our shareholders.

FINANCIAL REVIEW

Revenue

During the Period, the Group has achieved revenue of HK\$231.1 million (2013: HK\$231.9 million) at similar level as the corresponding period last year. Sales of our proprietary brands remained the major contributor of the Group’s revenue, which accounted for approximately 83.8% of total revenue and rose by 2.2% to HK\$193.6 million (2013: HK\$189.5 million). Sales of our licensed and authorised brands decreased by 11.8% to HK\$37.5 million (2013: HK\$42.4 million).

In terms of channels, self-operated retail sales during the Period amounted to HK\$141.2 million (2013: HK\$151.4 million) accounting for 61.1% (2013: 65.3%) of the total revenue. The decrease in self-operated retail sales by 6.7% was due to the sluggish retail markets in Hong Kong as well as in the PRC. Sales to distributors decreased by 28.3% to HK\$28.8 million (2013: HK\$40.0 million) with the similar reason as the decrease in self-operated retail sales. Sales to others were HK\$61.1 million (2013: HK\$40.5 million) representing a significant increase of 50.8% primarily due to sales of duvets under a bulk-purchase agreement to a wholesale customer in Hong Kong during the Period.

In terms of products, sales of bed linens during the Period were HK\$106.9 million (2013: HK\$117.9 million). Sales of duvets and pillows were HK\$118.6 million (2013: HK\$105.0 million), whereas sales of other home accessories were HK\$5.6 million (2013: HK\$9.0 million). Sales of duvets and pillows rose by 13.0% 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\$145.4 million (2013: HK\$123.4 million), HK\$82.8 million (2013: HK\$102.6 million) and HK\$2.9 million (2013: HK\$5.9 million) respectively. Revenue from Hong Kong and Macau achieved a sharp growth of 17.8% 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 slightly decreased by 1.4% to HK\$138.8 million during the Period as compared to HK\$140.8 million for the corresponding period last year. The overall gross profit margin for the Period was 60.1% which was slightly lower than 60.7% as compared with the corresponding period last year. The decrease in overall gross profit margin was primarily due to the increase in proportion of sales to others with lower gross profit margin.

Other Gains and Losses

Other losses for the Period amounted to HK\$3.8 million (2013 gains: HK\$0.6 million) mainly including the provision for doubtful debts of HK\$1.0 million (2013 reversal of provision: HK\$0.7 million) for some long outstanding trade receivables in the PRC, allowance for other receivables of HK\$0.5 million (2013: nil) and the exchange loss of HK\$2.0 million (2013 exchange gain: HK\$ 0.1 million) primarily incurred on the translation of Renminbi receivables.

Expenses

Selling and distribution costs for the Period increased by 3.5% to HK\$100.6 million from HK\$97.1 million for the corresponding period last year. The 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 and rises in sales and marketing staff costs as compared to the corresponding period last year.

Administrative expenses for the Period significantly decreased by 30.0% to HK\$25.1 million compared with HK\$35.8 million for the corresponding period last year. The decrease in administrative expenses was primarily attributable to only the share-based payments of HK\$0.9 million recognised for the Period under the Pre-IPO Share Option Scheme as compared to HK\$10.7 million for the corresponding period last year.

Taxation

The Group's effective tax rate for the Period was 47.4% as compared to 54.8% for the corresponding period last year. The high effective tax rates were mainly due to the share-based payments, which were non-deductible for tax purposes, and operation losses of some PRC subsidiaries. Had the operation losses of PRC subsidiaries and the share-based payments been excluded, the effective tax rates would be 13.4% for the Period and 16.6% for the corresponding period last year.

Profit for the Period

The Group's profit for the Period increased to HK\$4.2 million from HK\$3.8 million for the corresponding period last year, representing an increase of 10.1%. This was mainly attributable to the decrease in share-based payments offsetting against decreases in gross profit and other gains and the increase in sales and distribution costs.

EBITDA represents gross profit less selling and distribution costs and administrative expenses adding back depreciation, amortization and share-based payments. The Group's EBITA for the period decreased to HK\$21.0 million from HK\$21.9 million for the corresponding period last year, represented a decrease of 4.1%. This was mainly attributable to the decrease in gross profit and the increase in sales and distribution costs.

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 were primarily for financing the construction of Huizhou Plant in the past two years. The financial position of the Group remained healthy. The total equity increased by HK\$75.0 million from the IPO in November 2012, enlarging the Group's capital base and strengthening the Group's financial position.

	As at 30 June 2014 HK\$'000	As at 31 December 2013 HK\$'000
Total bank borrowings	117,183	136,223
Pledged bank deposit and bank balances and cash	124,312	135,641
Net cash/(borrowings)	7,129	(582)
Total assets	506,106	559,485
Total liabilities	203,427	255,713
Total equity	302,679	303,772
Current ratio	2.2	2.0
Gross gearing ratio (<i>Note</i>)	38.7%	44.8%
Net gearing ratio (<i>Note</i>)	N/A	0.2%

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.

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 trends of the Renminbi and take appropriate measures to deal with the foreign exchange exposure if necessary.

Pledge of Assets

As at 30 June 2014, the Group had pledged its leasehold land and buildings, prepaid lease payments and fixed deposits with an aggregate carrying value of HK\$149.4 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 2014.

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 2014 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	17.0	20.0
Upgrade of management information system	4.0	0.7	3.3
Brand building and product promotion	2.2	2.2	—
General working capital	1.0	1.0	—
Total	44.2	20.9	23.3

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2014, the employee headcount of the Group was 894 (2013: 1,174) and the total staff costs, including directors' remuneration and shared-based payments, amounted to HK\$47.8 million (2013: HK\$56.1 million). The significant decrease in employee headcount was primarily due to two factories parallel-running in the first half 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 Listing Rules.

Mr. Sung Shuk Ka tendered his resignation as an Executive Director and the Chief Executive Officer of the Company with effect from 1 May 2014 in order to pursue his other interests. As at 30 June 2014, the Board was still in the course of identifying a suitable candidate as the new Chief Executive Officer of the Company. The Board appointed Mr. Kwok Yuen Keung Tommy as an Executive Director and the Chief Executive Officer of the Company with effect from 1 August 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted 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 2014.

In addition, the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2014 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.

On behalf of the Board
Casablanca Group Limited
Cheng Sze Kin
Chairman

Hong Kong, 22 August 2014

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. Kwok Yuen Keung Tommy as the Executive Directors and Mr. Tse Yat Hong, Mr. Leung Lin Cheong and Mr. Li Kai Fat as the Independent Non-executive Directors.