CASABLANCA®
HOME

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 2015

FINANCIAL HIGHLIGHTS

	Notes	**Six months ended 30 June 2015**	2014	Change
Revenue *(HK$'000)*		**176,617**	231,057	-23.6%
Gross profit *(HK$'000)*		**111,652**	138,834	-19.6%
EBITDA *(HK$'000)*	*1*	**2,846**	20,997	-86.4%
(Loss) profit for the period *(HK$'000)*		**(9,096)**	4,198	N/A
Gross profit margin		**63.2%**	60.1%	
EBITDA margin		**1.6%**	9.1%	
Net (loss) profit margin		**-5.2%**	1.8%	
(Loss) earnings per share				
– Basic and diluted (HK cents)		**(3.98)**	2.09	N/A
		As at 30/06/2015	As at 31/12/2014	Change
Total assets *(HK$'000)*		**529,949**	515,780	2.7%
Total equity *(HK$'000)*		**369,375**	311,710	18.5%
Total bank balances and cash *(HK$'000)*	*2*	**181,434**	141,433	28.3%
Total bank borrowings *(HK$'000)*		**85,090**	96,437	-11.8%
Net cash *(HK$'000)*	*3*	**96,344**	44,996	114.1%
Gross gearing ratio	*4*	**23.0%**	30.9%	

Notes:

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

2. Total bank balances and cash includes pledged bank deposits.

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

4. Gross gearing ratio is calculated as total bank borrowings divided by total equity, whereas the Company was at net cash position at 30 June 2015 and 31 December 2014.

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 2015 (the "Period") as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**176,617**	231,057
Cost of goods sold		**(64,965)**	(92,223)
Gross profit		**111,652**	138,834
Other income		**1,091**	911
Other gains and losses		**(887)**	(3,795)
Selling and distribution costs		**(90,655)**	(100,576)
Administrative expenses		**(28,578)**	(25,073)
Finance costs		**(1,545)**	(2,319)
(Loss) profit before taxation	*4*	**(8,922)**	7,982
Taxation	*5*	**(174)**	(3,784)
(Loss) profit for the period		**(9,096)**	4,198
Other comprehensive expense			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**(21)**	(6,316)
Total comprehensive expense for the period		**(9,117)**	(2,118)
(Loss) profit for the period attributable to owners of the Company		**(9,096)**	4,198
Total comprehensive expense for the period attributable to owners of the Company		**(9,117)**	(2,118)
(Loss) earnings per share			
– Basic and diluted (HK cents)	*7*	**(3.98)**	2.09

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	Notes	**30.6.2015** ***HK$'000*** **(unaudited)**	31.12.2014 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment		**144,619**	149,290
Prepaid lease payments		**27,273**	27,548
Intangible assets		**3**	4
Deferred tax assets		**420**	451
Deposits paid for acquisition of property, plant and equipment		**243**	1,215
Rental deposits		**1,762**	2,087
Available-for-sale investment	*8*	**7,749**	–
		182,069	180,595
Current assets			
Inventories		**92,685**	90,991
Trade and other receivables	*9*	**73,155**	102,134
Prepaid lease payments		**606**	605
Taxation recoverable		**–**	22
Pledged bank deposits		**1,226**	1,225
Bank balances and cash		**180,208**	140,208
		347,880	335,185
Current liabilities			
Trade and other payables	*10*	**70,553**	100,024
Taxation payable		**2,987**	3,945
Bank borrowings – due within one year		**56,930**	61,141
Obligation under a finance lease – due within one year		**731**	717
		131,201	165,827
Net current assets		**216,679**	169,358
Total assets less current liabilities		**398,748**	349,953
Non-current liabilities			
Bank borrowings – due after one year		**28,160**	35,296
Obligation under a finance lease – due after one year		**439**	808
Deferred tax liabilities		**774**	2,139
		29,373	38,243
Net assets		**369,375**	311,710
Capital and reserves			
Share capital	*11*	**24,643**	20,079
Reserves		**344,732**	291,631
Total equity		**369,375**	311,710

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. BASIS OF PREPARATION

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

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 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning on 1 January 2015.

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle

The application of the above 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.

In addition, the Group has applied the following accounting policy for available-for-sale investment during the current interim period.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less any identified impairment losses at the end of the reporting period.

When an available-for-sale financial asset is considered to be impaired, accumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

3. REVENUE AND SEGMENT INFORMATION

The Group's operating activities are attributable to a single operating segment focusing on manufacture and sales of bedding products. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conforming to HKFRSs, which are regularly reviewed by the executive directors of the Company, the chief operating decision maker of the Group. The executive directors of the Company regularly review revenue analysis by (i) self-operated retail sales; (ii) sales to distributors and (iii) others. However, other than revenue analysis, no operating results and other discrete financial information is available for the assessment of performance of the respective products. The executive directors of the Company review the revenue and the profit for the year of the Group as a whole to make decision about resource 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 (collectively the "Greater China Region") and sales made to overseas customers.

The information of segment revenue is as follows:

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Self-operated retail sales	**141,469**	141,196
Sales to distributors	**25,491**	28,722
Others	**9,657**	61,139
	176,617	231,057

Entity-wide information

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

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Bed linens	**100,738**	106,857
Duvets and pillows	**66,842**	118,650
Other home accessories	**9,037**	5,550
	176,617	231,057

4. (LOSS) PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss) profit before taxation has been arrived at after charging:		
Directors' and chief executive's remuneration (excluding share-based payments)	**4,735**	4,164
Other staff costs	**42,476**	42,736
Share-based payments (included in selling and distribution costs and administrative expenses)	**3,047**	1,025
Amortisation of intangible assets	**1**	1
Amortisation of prepaid lease payments	**302**	305
Allowance for inventories (included in costs of goods sold)	**357**	150
Depreciation of property, plant and equipment	**7,077**	6,481
Operating lease rentals in respect of		
– rented premises	**1,768**	1,690
– retail stores *(note)*	**5,075**	4,411
– department store counters *(note)* (including concessionaire commission) (included in selling and distribution costs)	**32,735**	40,777
	39,578	46,878

Note: Included contingent rent of HK$19,374,000 for the six months ended 30 June 2015 (six months ended 30 June 2014: HK$22,263,000). The contingent rent refers to the operating lease rentals based on pre-determined percentages of realised sales less basic rentals of the respective leases.

5. TAXATION

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax:		
Hong Kong	**442**	4,319
Overprovision in prior period:		
Hong Kong	**(48)**	(20)
PRC Enterprise Income Tax (the "EIT")	**–**	(227)
	(48)	(247)
Withholding tax paid on distributed profits	**1,113**	–
Deferred tax:		
Current period	**128**	(288)
Withholding tax on undistributed profits	**(1,461)**	–
	(1,333)	(288)
	174	3,784

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

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. A deferred tax liability has been recognised in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to nil (31 December 2014: RMB20,938,000 (equivalent to HK$26,159,000)). Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of the remaining temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB14,240,000 (equivalent to HK$17,809,000) (31 December 2014: RMB14,183,000 (equivalent to HK$17,720,000)) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

6. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period (six months ended 30 June 2014: nil)

7. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss) earnings		
(Loss) profit for the period attributable to owners of the Company for the purposes of basic and diluted (loss) earnings per share	**(9,096)**	4,198

	Six months ended 30 June	
	2015	2014
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	**228,414,707**	200,788,000

The diluted loss per share for the six months ended 30 June 2015 has not taken into account the effect of outstanding share options as exercise of such options would result in a decrease in loss per share.

The computation of diluted earnings per share for the six months 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 six months ended 30 June 2014.

8. AVAILABLE-FOR-SALE INVESTMENT

The balance represents an unlisted investment in 15% equity interest in a private entity, an investment holding company incorporated in Hong Kong whose subsidiaries are principally engaged in virtual retailing business through a television shopping channel in the PRC. As at 30 June 2015, the investment is measured at cost less impairment because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably.

9. 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 ranges from 30 to 75 days. For distributors and wholesale sales, the Group allows a credit period of up to 60 days to its trade customers, which may be extended to 180 days for selected customers.

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

	30.6.2015	31.12.2014
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 30 days	**34,955**	46,745
31 to 60 days	**4,597**	17,576
61 to 90 days	**1,854**	5,594
91 to 180 days	**3,213**	3,370
181 to 365 days	**8,417**	10,105
Over 365 days	**2,374**	4,241
Trade and bills receivables	**55,410**	87,631

10. 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.

	30.6.2015	31.12.2014
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 30 days	**28,693**	35,743
31 to 60 days	**11,881**	13,412
61 to 90 days	**6,112**	11,520
91 to 180 days	**4,471**	10,162
Over 180 days	**–**	1,141
Trade and bills payables	**51,157**	71,978

Included in other payables is payable for acquisition of property, plant and equipment of HK$1,994,000 (31 December 2014: HK$2,381,000).

11. SHARE CAPITAL

The movement of share capital of the Company are as follows:

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2014, 30 June 2014, 1 January 2015 and 30 June 2015	**500,000,000**	50,000
Issued and fully paid:		
At 1 January 2014, 30 June 2014 and 1 January 2015	**200,788,000**	20,079
Issue of shares on 13 March 2015 *(note a)*	**40,000,000**	4,000
Exercise of share options *(note b)*	**5,644,000**	564
At 30 June 2015	**246,432,000**	24,643

Notes:

(a) On 13 March 2015, pursuant to the conditional placing agreement dated 2 March 2015, 40,000,000 ordinary shares of HK$0.1 each were allotted and issued at HK$1.50 per share.

(b) During the six months ended 30 June 2015, 5,644,000 ordinary shares of HK$0.1 each were issued at HK$1.20 per share upon exercise of the share options under the pre-IPO share option scheme of the Company which was adopted pursuant to the sole shareholder's resolution passed on 22 October 2012 by the option holders.

All ordinary shares issued during the period rank pari passu with the then existing ordinary shares in all respects.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Despite a year-on-year increase of 7% in GDP in the first half of 2015 as announced by the PRC government recently, the Chinese economy is still in the process of structural adjustments and continues to face economic downward pressure, which has affected consumers' confidence. The first half of a year is a traditional low season of the bedding products industry, together with the unfavourable sentiment of the retail market during the Period and the soaring operating costs including rental and labour costs, all have caused pressure on the traditional bedding products retail businesses. In order to raise the Group's operation efficiency in the long term and to prepare for opportunities brought by e-commerce, the Group continued to work on its resource allocation in the first half of 2015, making dedicated efforts to pave its way towards an optimized interactive online and offline ("O2O") operation model.

BUSINESS REVIEW

The first half of 2015 has been the most challenging operation period since the Group's listing. Facing weakened consumer sentiment and rising operating costs, along with the expenditures on brand image as well as advertising and promotion costs associated with new products, the Group recorded a loss for the first time during the Period.

(1) Continued to optimise and establish strategic sales channels

During the Period, the Group continued to restructure its sales network to raise operation efficiency. We closed down 52 self-operated points of sale (the "POS") which had unsatisfactory profitability and strategically established 5 new self-operated POS in districts where target customers of the Group's brand gathered. Including POS operated by distributors, the sales network of the Group consists of a total of 296 POS (31 December 2014: 361) covering over 80 cities in the Greater China Region as at 30 June 2015. The decrease in number of self-operated POS and the absence of the significant sales of duvets under a bulk-purchase agreement to a wholesale customer in Hong Kong for the corresponding period last year were the major reasons for the drop of sales income during the Period.

In order to broaden its income stream, the Group completed the acquisition of 15% equity interests of Million Zone Capital Investment Limited ("Million Zone"), a company incorporated in Hong Kong and is principally engaged in virtual retailing business, on 25 June 2015. Million Zone operates a television shopping channel in Guangdong Province in the PRC and possesses internet shopping platforms and mobile shopping platforms. The

Board believes that the acquisition of Million Zone's equity interest is a suitable investment with potential and has synergy effect to the Group's existing businesses. The Group wishes to leverage on Million Zone's technology, experience and network to expand its businesses to virtual shopping platforms.

(2) Enhanced market positioning of products with launch of new brands and use of the multi-brand strategy

The Group continued to adhere to the design concept of "Contemporary, Innovative and Functional" and introduced a new brand, namely "CASA-V", in mid-May 2015 in Hong Kong to enhance brand differentiation and acquire its unique positioning in the market. "CASA-V" introduced the first series of bedding products with "5A Features" to Hong Kong consumers, which include functions such as Air purification, Anti-bacteria, Anti-fungal, Anti-mite and Anti-odor. Through this, the Group took a lead in bringing contemporary home accessories with health functions and environmental-friendly features to the market, creating a refreshing, fashionable and comfortable sleeping environment for high-end consumers.

Furthermore, in order to strengthen the Group's multi-brand strategy, in addition to our proprietary brands "Casablanca", "Casa Calvin" and "CASA-V", the Group had also distributed a number of premium European brands of bedding products and featured home accessories. The Group will continue to introduce other premium branded products to the Greater China Region market.

(3) Enhanced brand image and awareness

The Group engaged an entertainment celebrity renowned in both China and Hong Kong to be the spokesman in the Greater China Region for the first time in 2015. In May 2015, the Group also launched its first TV advertisement starring the spokesman in Hong Kong market and upgraded the POS's image and display. In order to make progression to an optimised O2O sales model, the Group used its best endeavours to raise its brand awareness and enhance brand positioning. The launch of TV advertisement was supported by the Group's Facebook games, which increased the interaction with consumers and was well-supported by the consumers. In respect of the PRC market, the Group launched its first promotion activities on WeChat to align with the promotion of our specialty stores in Guangdong province. At the beginning of this year, we revamped the design of the company website to create a more prominent and youthful image of Group.

PROSPECTS

Looking ahead to the second half of 2015, the global economy is still facing considerable uncertainties whereas the PRC government has announced that it will continue to achieve high-level integration of information technology, industrialisation and urbanisation with its "Internet+" strategy, thereby promoting the upgrade of consumption structure and maintaining the steady growth of domestic economy. With a steady growth of per capita disposable income and increasing demands of the consumers for stylish home accessories with health function, the Group expects that the market demands for premium and functional bedding products will continue to rise. The Group expects that both Hong Kong and China will continue to be under the influence of unfavourable sentiment of the retail market, but as the second half of the year is traditionally the peak season for the sales of bedding products, the Group will continue to strive for upgrade and transformation while actively seeking to broaden its income stream and making steady progression to its O2O business model.

(1) Continuing to optimise the sales network structure

The Group will continue to optimise the structure of physical sales network and close down self-operated POS with unsatisfactory operation efficiency, so as to enhance the overall efficiency of the Group's offline business. In addition, the Group also plans to establish "Healthy Lifestyle Store (健康家居生活館)" in Hong Kong and big cities in China, which suffered from relatively severe air pollution problems, in the second half of the year. "Healthy Lifestyle Store" will focus on selling various products with "5A Features" and premium healthy-living related home accessories from around the world, offering not only one-stop shopping experience to the consumers, but also serving as the customer service and logistics hub of the Group's O2O business.

(2) Enriching product mix and making progress to become a brand for environmental protection and healthy home living

The Group will strive to expand its sales areas. The preliminary plan is to extend the "5A Features" of "CASA-V" to baby products and other home accessories. Apart from expanding its income source, the Group intends to transform gradually from a traditional bedding products brand to a brand for environmental-friendly and healthy lifestyle.

(3) Stepping up marketing efforts and enhancing customer relationship management

In addition to stepping up the placement of TV advertisement starring our spokesman, the Group will organise various marketing activities in the second half of the year, with a view to arouse consumers' interest and awareness towards the Group's brands and new products. The Group will also consider organising large-scale activities for the spokesman to raise public awareness of the Group's brands. It is expected to be beneficial to the brand image of the Group in the long run. Furthermore, the Group will continue to make use of Facebook, WeChat and Weibo to strengthen the interaction with consumers in the Greater China Region, striving to provide better customer services to the consumers.

(4) Intensifying the efforts to expand sales channels and broaden streams of income

In the second half of 2015, we will commence our cooperation with the Guangdong television shopping platform owned by Million Zone, expanding the Group's sales channels in China to television, internet and mobile shopping platforms. In July 2015, the Group also entered into a framework agreement for cooperation with Golden Tulip (Shanghai) Hospitality Management Co., Ltd. ("SH Golden Tulip"), and was granted the priority to provide various duvets, bedding products and towels that SH Golden Tulip may require for "Golden Tulip" branded hotels in the PRC. Although the cooperation with SH Golden Tulip is still in the process of negotiation, we believe that the successful cooperation with SH Golden Tulip will be a crucial step for the Group to expand its business channels to hotel customers. Furthermore, we will also proactively develop commercial-customer markets which have synergy effect to the Group's business, including provision of home accessories with health functions and environmental-friendly features to real estate developers for their environmental projects, which is likely to enhance the Group's sales channels at the same time.

The Group also proactively develops its export business to broaden its income stream. Apart from developing various sales channels for its products, the Group also plans to provide services such as design, production and processing for certain overseas brands, making better use of the advantage of its proprietary production line and broadening the Group's income streams.

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 suitable, as well as trendy home accessories. We will continue to strive for upgrade and transformation, enhance the Group's brand value and broaden our income stream, so as to bring better returns to our shareholders in the long run.

FINANCIAL REVIEW

Revenue

During the Period, the Group achieved revenue of HK$176.6 million (2014: HK$231.1 million) which decreased by 23.6% as compared to the corresponding period last year. The decrease was primarily due to the absence of sales under a bulk-purchase agreement to a wholesale customer in Hong Kong and the reduction in number of self-operated POS, of which most were in the PRC during the Period.

Sales of our proprietary brands, which accounted for approximately 79.5% (2014: 83.8%) of the Group's revenue, decreased by 27.5% to HK$140.4 million (2014: HK$193.6 million) when sales in Casablanca brand under a bulk-purchase agreement to a wholesale customer in Hong Kong was absent during the Period. Sales of our licensed and authorised brands slightly decreased by 3.2% to HK$36.2 million (2014: HK$37.5 million).

In terms of channels, self-operated retail sales during the Period amounted to HK$141.5 million (2014: HK$141.2 million) at similar level as the corresponding period and accounted for 80.1% (2014: 61.1%) of the total revenue of the Group. Owing to the restructuring of the Group's sales network in response to the sluggish retail market in the PRC, 47 self-operated POS were closed down in the PRC and the self-operated retail sales in the PRC decreased by 16.3%. With more advertising campaigns and promotional activities in Hong Kong, self-operated retail sales in Hong Kong rose by 10.5%. Distributors faced the same adverse market condition in the PRC such that sales to distributors decreased by 11.2% to HK$25.5 million (2014: HK$28.8 million). Without sales under a bulk-purchase agreement to a wholesale customer in Hong Kong, sales to others amounted to HK$9.7 million (2014: HK$61.1 million), representing a significant decrease of 84.2% during the Period.

In terms of products, sales of bed linens during the Period were HK$100.7 million (2014: HK$106.9 million). Sales of duvets and pillows were HK$66.8 million (2014: HK$118.6 million), whereas sales of other home accessories were HK$9.0 million (2014: HK$5.6 million). Sales of duvets and pillows decreased by 43.7% primarily due to the absence of sales of duvets under a bulk-purchase agreement to 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$107.2 million (2014: HK$145.4 million), HK$68.7 million (2014: HK$82.8 million) and HK$0.7 million (2014: HK$2.9 million) respectively. During the Period, the absence of sales under a bulk-purchase agreement to a wholesale customer in Hong Kong and the close of 47 self-operated POS in the PRC resulted in decreases in revenue from Hong Kong and Macau and the PRC by 26.2% and 17.0% respectively.

Gross Profit and Gross Profit Margin

Gross profit decreased by 19.6% to HK$111.7 million during the Period as compared to HK$138.8 million for the corresponding period last year. The overall gross profit margin for the Period was 63.2% which was higher as compared to 60.1% for the corresponding period last year. The increase in overall gross profit margin was primarily due to the increase in proportion of self-operated retail sales with higher gross profit margin.

Other Gains and Losses

Other losses for the Period amounted to HK$0.9 million (2014: HK$3.8 million), mainly including allowances for doubtful debts on trade and other receivables of HK$0.7 million (2014: HK$1.4 million) and loss on disposal of fixed assets of HK$0.6 million (2014: HK$0.4 million), offsetting net exchange gains of HK$0.4 million (2014: exchange losses: HK$2.0 million) on the translation of Renminbi receivables.

Expenses

Despite the decrease in total sales by 23.6%, selling and distribution costs for the Period merely decreased by 9.9% to HK$90.7 million from HK$100.6 million for the corresponding period last year. Operating costs inducing rental and labour costs were still expensive during the Period. Less concessionaire commissions and related expenses were paid to department stores and less transportation cost were incurred with less self-operated retail sales on reduction in number of self-operated POS in the PRC, whereas more advertising and marketing expenses were incurred on building brand image and on launching new products in Hong Kong during the Period.

Administrative expenses for the Period increased by 14.0% to HK$28.6 million compared with HK$25.1 million for the corresponding period last year. The increase in administrative expenses was primarily attributable to increases in directors' remuneration, professional fees and share-based payments recognised for the Period under the share option scheme.

(Loss) Profit for the Period

The Group's loss for the Period amounted to HK$9.1 million (2014 profit: HK$4.2 million). Reasons for suffering loss for the Period were mainly attributable to the decrease in sales, especially the absence of sales under a bulk-purchase agreement to a wholesale customer in Hong Kong, and increases in advertising and marketing expenses and share-based payments.

EBITDA represents gross profit less selling and distribution costs and administrative expenses, adding depreciation, amortization and share-based payments. The Group's EBITDA for the Period decreased to HK$2.8 million from HK$21.0 million for the corresponding period last year, representing a significant decrease of 86.4%. This was mainly attributable to the decrease in gross profit more than the decrease in selling and distribution costs and administrative expenses excluding depreciation, amortization and share-based payments.

Liquidity and Financial Resources

During the Period, the Group adhered to the principle of prudent financial management in order to minimize financial and operational risks. The Group financed its operations with internally generated cash flows. Bank borrowings were primarily for financing the construction of Huizhou Plant in previous years. During the Period, additional funds of approximately HK$57.0 million raised by the placement of shares strengthened the financial position and broadened the capital base of the Company so as to facilitate its future development. Despite suffering the loss for the Period, the financial position of the Group remained healthy. As at 30 June 2015, the Company was at net cash position.

	As at 30 June 2015 *HK$'000*	As at 31 December 2014 *HK$'000*
Total bank borrowings	**85,090**	96,437
Pledged bank deposit and bank balances and cash	**181,434**	141,433
Net cash	**96,344**	44,996
Total assets	**529,949**	515,780
Total liabilities	**160,574**	204,070
Total equity	**369,375**	311,710
Current ratio	**2.7**	2.0
Gross gearing ratio *(Note)*	**23.0%**	30.9%

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

Available-for-sale investment

On 25 June 2015, Rich Creation Asia Investment Limited, a wholly owned subsidiary of the Company, entered into a subscription agreement with Million Zone to agree on subscription of 301,598 newly issued ordinary shares of Million Zone, representing 15% of the total issued shares of Million Zone after completion of the subscription, for a consideration of HK$7,749,000 (equivalent to US$1,000,000).

For details of the investment, please refer to the announcements of the Company dated 8 June 2015 and 25 June 2015.

Foreign Exchange Exposure

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

Pledge of Assets

As at 30 June 2015, the Group had pledged its leasehold land and buildings, prepaid lease payments and fixed deposits with an aggregate carrying value of HK$144.1 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 2015 (six months ended 30 June 2014: nil).

USE OF PROCEEDS FROM IPO AND PLACEMENT OF SHARES

On 13 March 2015, the Company successfully placed 40,000,000 new shares under general mandate at a price of HK$1.50 per share with gross proceeds of HK$60.0 million. For details of the placement of shares, please refer to the announcements of the Company dated 2 March 2015 and 13 March 2015.

The Company received net proceeds raised from the IPO of approximately HK$44.2 million and the placement of shares of approximately HK$57.0 million. The usage of net proceeds until 30 June 2015 was as follows:

	Planned Amount *HK$ million*	**Utilised Amount** *HK$ million*	**Remaining Amount** *HK$ million*
From IPO:			
Expansion of sales network	37.0	22.1	14.9
Upgrade of management information system	4.0	1.9	2.1
Brand building and product promotion	2.2	2.2	–
General working capital	1.0	1.0	–
Total	44.2	27.2	17.0
From placement of shares:			
General working capital and possible investments	57.0	7.7	49.3

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2015, the employee headcount of the Group was 768 (2014: 894) and the total staff costs, including directors' remuneration and shared-based payments, amounted to HK$50.3 million (2014: HK$47.8 million). The significant decrease in employee headcount was primarily due to the reduction in number of self-operated POS, mainly in the PRC, during the Period. The increase in total staff costs was due to increases in share-based payments and directors' remuneration and increase in number of Hong Kong staff of marketing, customer services and information technology employed as compared to the corresponding period last year.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

On 24 March 2015, Mr. Tse Yat Hong and Mr. Li Kai Fat tendered their resignations as Independent Non-executive Directors with effect from 1 April 2015.

On 1 April 2015, Mr. Zhang Senquan and Mr. Kam Leung Ming were appointed as Independent Non-executive Directors of the Company.

On 9 April 2015, Mr. Mok Tsan San was appointed as a Non-executive Director of the Company.

On 22 May 2015, Mr. Leung Lin Cheong retired from his office as an Independent Non-executive Director and Mr. Leung Yiu Man was elected as an Independent Non-executive Director of the Company at the annual general meeting (the "AGM") with effect from the conclusion of the AGM.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

REVIEW OF INTERIM RESULTS

The audit committee of the Company has reviewed the results (including the unaudited condensed consolidated financial statements) of the Group for the six months ended 30 June 2015.

In addition, the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2015 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 2015

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 Executive Directors, Mr. Mok Tsan San as Non-executive Director, and Mr. Zhang Senquan, Mr. Kam Leung Ming and Mr. Leung Yiu Man as Independent Non-executive Directors.