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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 SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

	Notes	Six months ended 30 June **2019**	2018	Change
Revenue *(HK$'000)*		**183,822**	147,308	24.8%
Gross profit *(HK$'000)*		**113,677**	94,226	20.6%
EBITDA *(HK$'000)*	*1*	**29,622**	7,893	275.3%
Profit (loss) for the period attributable to owners of the Company *(HK$'000)*		**11,856**	(2,502)	N/A
Gross profit margin		**61.8%**	64.0%	
EBITDA margin		**16.1%**	5.4%	
Net profit (loss) margin		**6.4%**	-1.7%	
Earnings (loss) per share – Basic and diluted (HK cents)		**4.59**	(0.97)	N/A
Interim dividend per share (HK cents)		**2.00**	–	N/A

	Notes	**As at 30/06/2019**	As at 31/12/2018	Change
Total assets *(HK$'000)*		**515,799**	514,733	0.2%
Total equity *(HK$'000)*		**409,912**	398,663	2.8%
Total bank balances and cash *(HK$'000)*	*2*	**171,448**	181,914	-5.8%
Total bank borrowings *(HK$'000)*		**8,535**	9,961	-14.3%
Net cash *(HK$'000)*	*3*	**162,913**	171,953	-5.3%
Gross gearing ratio	*4*	**2.1%**	2.5%	

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 included 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 2019 and 31 December 2018 respectively.

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 2019 (the "Period") as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*4*	**183,822**	147,308
Cost of goods sold		**(70,145)**	(53,082)
Gross profit		**113,677**	94,226
Other income		**611**	531
Other gains and losses	*5*	**392**	(1,781)
Selling and distribution costs		**(75,650)**	(72,369)
Administrative expenses		**(23,884)**	(22,793)
Finance costs		**(864)**	(37)
Profit (loss) before taxation	*6*	**14,282**	(2,223)
Taxation	*7*	**(3,013)**	(1,009)
Profit (loss) for the period		**11,269**	(3,232)
Other comprehensive expense			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**(20)**	(2,418)
Other comprehensive expense for the period		**(20)**	(2,418)
Total comprehensive income (expense) for the period		**11,249**	(5,650)
Profit (loss) for the period attributable to:			
Owners of the Company		**11,856**	(2,502)
Non-controlling interests		**(587)**	(730)
		11,269	(3,232)
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**11,828**	(4,898)
Non-controlling interests		**(579)**	(752)
		11,249	(5,650)
Earnings (loss) per share			
– Basic and diluted (HK cents)	*9*	**4.59**	(0.97)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Notes	30.6.2019 HK$'000 (unaudited)	31.12.2018 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**123,838**	128,003
Right-of-use assets		**38,780**	–
Prepaid lease payments		–	17,330
Intangible assets		–	–
Deposits paid for acquisition of property, plant and equipment		**3,282**	422
Rental and other deposits		**1,792**	1,211
Deferred tax assets		**5**	–
		167,697	146,966
Current assets			
Inventories		**99,330**	97,530
Trade and other receivables	*10*	**77,304**	87,142
Prepaid lease payments		–	418
Taxation recoverable		**20**	763
Pledged bank deposits		**7,201**	10,506
Bank balances and cash		**164,247**	171,408
		348,102	367,767
Current liabilities			
Trade and other payables	*11*	**72,236**	103,755
Lease liabilities		**12,704**	–
Taxation payable		**2,551**	1,190
Bank borrowings		**3,983**	3,415
		91,474	108,360
Net current assets		**256,628**	259,407
Total assets less current liabilities		**424,325**	406,373
Non-current liabilities			
Bank borrowings		**4,552**	6,546
Lease liabilities		**8,977**	–
Deferred tax liabilities		**884**	1,164
		14,413	7,710
Net assets		**409,912**	398,663
Capital and reserves			
Share capital		**25,843**	25,843
Reserves		**382,882**	371,054
Equity attributable to owners of the Company		**408,725**	396,897
Non-controlling interests		**1,187**	1,766
Total equity		**409,912**	398,663

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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 (the "Listing Rules") 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 for derivative financial assets, which is measured at fair value.

Other than the changes in accounting policies resulting from application of new and amendments of Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

In the six months ended 30 June 2019, the Group has applied, for the first time, certain new and amendments to HKFRSs issued by the HKICPA that are mandatorily effective for the six months ended 30 June 2019.

3. APPLICATION OF NEW AND REVISED HKFRSS

(a) Overview

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

- HKFRS 16, Leases
- HK(IFRIC)-Int 23, Uncertainty over Income Tax Treatments
- Amendments to HKAS 19, Plan Amendment, Curtailment or Settlement
- Amendments to HKFRSs, Annual Improvements to HKFRSs 2015-2017 Cycle

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Except as described in (b) below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and on the disclosures set out in these condensed consolidated financial statements.

(b) Transition and summary of effects arising from initial application of HKFRS 16

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of approximately HK$19,956,000 and right-of-use assets of approximately HK$37,704,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 5.27%.

	At 1 January 2019 *HK$'000*
Operating lease commitments disclosed as at 31 December 2018	28,099
Lease liabilities discounted at relevant incremental borrowing rates	(1,124)
Less: Recognition exemption – short-term leases	(6,918)
Others	(101)
Lease liabilities as at 1 January 2019	19,956
Analysed as	
Current	13,051
Non-current	6,905
	19,956

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-Use assets *HK$'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	19,956
Reclassified from prepaid lease payments *(note)*	17,748
By class:	
Retail stores	9,704
Department store counters	3,587
Directors' quarters	4,210
Rented premises	2,455
Leasehold lands	17,748
	37,704

Note:

Upfront payments for leasehold lands in the People's Republic of China (the "PRC" or "Mainland China", for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan) were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to approximately HK$418,000 and approximately HK$17,330,000 respectively were reclassified to right of-use assets.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts Previously reported at 31 December 2018	Adjustments	Carrying amounts Under HKFRS 16 At 1 January 2019
	HK$'000	*HK$'000*	*HK$'000*
Non-current Assets			
Prepaid lease payments	17,330	(17,330)	–
Right-of-use assets	–	37,704	37,704
Current Assets			
Prepaid lease payments	418	(418)	–
Current Liabilities			
Lease liabilities	–	13,051	13,051
Non-current Liabilities			
Lease liabilities	–	6,905	6,905

4. REVENUE AND SEGMENT INFORMATION

The Group's operating activities are attributable to a single operating segment focusing on manufacture and sales of bedding products. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conforming to HKFRSs, which are regularly reviewed by the executive directors of the Company, the chief operating decision maker of the Group. The executive directors of the Company regularly review revenue analysis by (i) self-operated retail sales; (ii) sales to distributors and (iii) others. However, other than revenue analysis, no operating results and other discrete financial information is available for the assessment of performance of the respective products. The executive directors of the Company review the revenue and the profit for the period of the Group as a whole to make decision about resources allocation. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the executive directors of the Company. Accordingly, no analysis of this single operating segment is presented.

- Self-operated retail sales: Sales through the self-operated retail sales channel refer to sales at the self-operated concession counters in department stores and self-operated retail stores.

- Sales to distributors: Sales to distributors refer to the sales to distributors who resell the products to end-user consumers, typically at concession counters in department stores and retail stores operated by distributors.

- Others: Other sales include sales to wholesale customers located in the PRC and Hong Kong and Macau (collectively the "Greater China Region") and sales made to overseas customers.

Disaggregation of revenue

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

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Disaggregated by distribution channels		
– Self-operated retail sales	**112,657**	119,875
– Sales to distributors	**14,895**	15,723
– Others	**56,270**	11,710
	183,822	147,308

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Disaggregated by major products		
– Bed linens	**104,300**	78,035
– Duvets and pillows	**70,797**	62,974
– Other home accessories	**8,725**	6,299
	183,822	147,308

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Disaggregated by geographical location of customers		
– Hong Kong and Macau	**138,720**	103,793
– PRC	**45,005**	42,538
– Other countries	**97**	977
	183,822	147,308

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net exchange gains (losses)	**173**	(1,194)
Net reversal of loss allowance (loss allowance) on trade receivables	**219**	(327)
Fair value change on derivative financial assets	**–**	(260)
	392	(1,781)

6. PROFIT (LOSS) BEFORE TAXATION

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit (loss) before taxation has been arrived at after charging and crediting:		
Directors' and chief executive's remuneration (excluding share-based payments) *(note a)*	**6,329**	3,924
Other staff costs	**43,568**	39,939
Share-based payments (included in administrative expenses)	**–**	1,904
Amortisation of prepaid lease payments	**–**	298
Net allowance for inventories (included in costs of goods sold)	**614**	481
Interest income	**(513)**	(331)
Investment income	**(20)**	(65)
Depreciation of property, plant and equipment	**6,797**	6,627
Depreciation of right-of-use assets *(note a)*	**7,629**	–
Operating lease rentals in respect of		
– rented premises *(note b)*	**117**	487
– retail stores *(note c)*	**6**	5,358
– department store counters *(note d)* (including concessionaire commission) (included in selling and distribution costs)	**18,270**	21,381
	18,393	27,226

Notes:

(a) Upon application of HKFRS 16, the operating leases of directors' quarters provided to Mr. Cheng Sze Kin, Mr. Cheng Sze Tsan and Ms. Wong Pik Hung were classified as the right-of-use assets. The depreciation of the right-of-use assets related to the directors' quarters for the six months ended 30 June 2019 was approximately HK$1,053,000, which is included in the directors' and chief executive's remuneration. The rental payments paid to related companies for the six months ended 30 June 2019 was HK$1,110,000 (six months ended 30 June 2018: HK$1,110,000).

(b) The amount is represented by rental expenses for leases of offices and warehouses which are short-term leases.

(c) Included contingent rent of approximately HK$6,000 for the six months ended 30 June 2019 (six months ended 30 June 2018: approximately HK$60,000). The contingent rent refers to the operating lease rentals based on pre-determined percentages of realised sales less basic rentals of the respective leases.

(d) Included contingent rent of approximately HK$9,568,000 for the six months ended 30 June 2019 (six months ended 30 June 2018: approximately HK$11,298,000). The contingent rent refers to the operating lease rentals based on pre-determined percentages of realised sales less basic rentals of the respective leases. The remaining amount of approximately HK$8,702,000 represented minimum rental expenses paid for usage of department store counters which are entitled to the short-term lease recognition exemption in accordance with the HKFRS 16.

7. TAXATION

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax:		
Hong Kong	**3,204**	982
PRC Enterprise Income Tax ("EIT")	**94**	–
	3,298	982
Deferred tax:		
Current period	**(285)**	27
	3,013	1,009

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, during the six months ended 30 June 2019, the Hong Kong profits tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of the temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB26,824,000 (equivalent to approximately HK$30,523,000) (31 December 2018: approximately RMB23,435,000 (equivalent to approximately HK$26,680,000)) 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.

8. DIVIDEND

Subsequent to 30 June 2019, the directors of the Company have determined that an interim dividend of HK$0.02 per ordinary share in the share capital of the Company amounting to HK$5,169,000 in aggregate (2018: nil) will be paid on 20 September 2019 to the owners of the shares of the Company whose names appear in the Register of Members on 12 September 2019.

9. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings (Loss)		
Profit (loss) for the period attributable to owners of the Company for the purposes of basic and diluted earnings (loss) per share	**11,856**	(2,502)

	Six months ended 30 June	
	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	**258,432,000**	258,432,000

The computation of diluted earnings per share for the six months ended 30 June 2019 does not assume the exercise of the Company's share options because the exercise price of the share options was higher than the average market prices of shares of the Company during the six months ended 30 June 2019.

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

10. TRADE AND OTHER RECEIVABLES

	30.6.2019	31.12.2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables	**62,057**	73,384
Less: Loss allowance	**(6,193)**	(6,412)
Trade receivables, net	**55,864**	66,972
Deposits	**3,523**	3,860
Prepayments	**7,763**	5,685
Value added tax recoverable	**6,122**	7,451
Advances to employees	**1,669**	1,313
Other receivables	**2,363**	1,861
	21,440	20,170
Trade and other receivables	**77,304**	87,142

Retail sales are mainly made at concession counters in department stores. The department stores collect cash from the ultimate customers and then repay the balance after deducting the concessionaire commission to the Group. The credit period granted to department stores ranges from 30 to 90 days. For distributors and wholesale sales, the Group allows a credit period of up to 90 days to its trade customers, which may be extended to 180 days for selected customers.

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

	30.6.2019	31.12.2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 30 days	**24,529**	42,619
31 to 60 days	**23,178**	14,160
61 to 90 days	**3,392**	6,151
91 to 180 days	**2,940**	3,328
181 to 365 days	**1,800**	705
Over 365 days	**25**	9
Trade receivables	**55,864**	66,972

11. TRADE AND OTHER PAYABLES

	30.6.2019	31.12.2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade payables	**21,498**	39,430
Bills payables	**29,503**	39,677
Trade and bills payables	**51,001**	79,107
Deposits received from customers	**5,325**	2,797
Accrued expenses	**7,055**	9,541
Salaries payables	**6,357**	8,708
Payable for acquisition of property, plant and equipment	**1,774**	1,963
Other payables	**724**	1,639
	21,235	24,648
Trade and other payables	**72,236**	103,755

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

	30.6.2019	31.12.2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 30 days	**30,204**	53,902
31 to 60 days	**7,963**	11,868
61 to 90 days	**7,659**	9,103
91 to 180 days	**4,340**	3,513
Over 180 days	**835**	721
Trade and bills payables	**51,001**	79,107

The credit period of trade and bills payables is from 30 to 180 days.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the first half of 2019, the Sino-US trade dispute remained unresolved. Though the Group did not export any of its goods to the US and the imposition of additional tariffs by the US on goods imported from the PRC would not have impact on the Group directly, consumer confidence in the Greater China Region was nonetheless affected to a certain extent. Despite the complicated economic conditions, the GDP of Mainland China grew steadily at 6.3% during the first half of 2019, and overall consumption showed signs of faster growth over the first quarter of 2019 with total retail sales of consumer goods growing by 8.4%. However, the Group remained cautious towards the consumer market in Mainland China for the second half of 2019. With regard to the Hong Kong market, consumption sentiment remained normal during most of the first half of 2019; however, towards the latter part of the second quarter when social tensions began to emerge, the retail market was significantly impacted.

BUSINESS REVIEW

Since the publication of the annual report for the year ended 31 December 2018, there has been no material changes in the Group's operational and segmental information. During the Period, the Group recorded a decrease of 6.0% and 5.3% in self-operated retail sales and sales to distributors respectively. However, due to substantial sales growth by 380.5% recorded from the wholesale operation, total revenue during the period amounted to HK$183.8 million, representing an increase of 24.8% as compared with HK$147.3 million for the corresponding period of 2018. During the Period, the Group recorded a profit attributable to owners of the Company of HK$11.9 million as compared with a loss attributable to owners of the Company of HK$2.5 million for the corresponding period last year. The turnaround from loss to profit for the six months ended 30 June 2019 was mainly due to (i) sales growth; and (ii) the absence of share-based payment expense.

Developed Export Business and Expanded Sales Channels

As at 30 June 2019, the Group had a total of 232 POS (31 December 2018: 224), among which 128 were self-operated POS and 104 were distributor-operated POS, covering a total of 65 cities in the Greater China Region.

During the Period, the Group established the "New Retail Project Department" in Mainland China to implement a complementary strategy for its online and offline sales channels, with the aim of integrating its online and offline businesses. It also continued to adopt the "cross-sector alliance" strategy to share cross-sector membership resources with enterprises from industries engaging in wedding dress, beauty, fitness and interior design related activities, while actively expanding sales channels for corporate gifts. For instance, it provided exclusive products to banks as their point redemption gifts.

During the Period, the Group consistently optimised its online sales strategies and product mix in Hong Kong. The online sales business performed satisfactorily, including the Group's self-operated official eShop in Hong Kong and via the websites of large online retail platforms. In addition, the Group offered items to various commercial customers in Hong Kong for their free gifts and point redemption schemes. These customers included personal care chain stores, telecommunication network providers, banks, infant and health food brands and electrical appliance brands. The Group also provided original equipment manufacturing (OEM) products for various commercial customers. As for the export business, the Group participated in the Hong Kong International Home Textiles and Furnishings Fair during the first half of 2019, and subsequently provided quotations for customers from Asia and Europe, some of which confirmed their orders. The Group's confidence in expanding its export business has therefore increased.

Introduced Innovative Products and Improved Product Mix

The Group is committed to providing quality products and attentive services, and strives to become the "Healthy Sleeping Expert" for its customers. In the first quarter of 2019, it launched the revolutionary Sleeptech Pillow Series (科技枕頭系列). The series includes a total of three products featuring various technological fabrics and quality latex rubber imported from Thailand, namely, the Universe Thermocules™ Pillow (恆溫宇宙枕), which adopts patented materials from Outlast® to effectively manage heat energy; the Auto-Sanitized Protect Pillow (納米淨化枕), which adopts Self Clean technological materials; and the Magnetic Stress-Relief Pillow (零壓磁療枕), which entered the market for testing in 2018. All of these new products received highly encouraging response from the market.

In respect of product planning for the Mainland China market, the Group enhanced its presence in high-end markets by increasing the proportion of imported products. At the same time, the Group further developed the "warmth-preserving system" for different duvet products, including the introduction of quality imported materials for the production of premium duvets, in order to offer consumers with an even wider range of duvet product options.

In respect of the "Healthy Lifestyle Store" business, the Group continued to provide one-stop shopping experiences for customers seeking bedding and customised furniture products with the goal of "Full House Output (全屋輸出)". During the Period, the Group participated in a renowned furniture exhibition organised by the interior design industry in Guangdong Province, which has not only enhanced recognition of the Group's "Healthy Lifestyle Store" business in the industry, but has also attracted interior designers to cooperate in depth with the Group, thus further enhancing its brand position.

Enhanced Corporate Image and Strengthened Brand Leadership

In order to capture opportunities arising from the Chinese government's Greater Bay Area initiative which has been under vigorous promotion, the Group has stepped up its marketing efforts in the region during the Period, including placing advertisements in high speed rail stations in Guangzhou, Shenzhen, Huizhou, Chaozhou-Shantou, Chaoyang and other regions. Moreover, the Group has actively co-operated with various organisations and enterprises in order to further enhance the leading position of its brand. At the beginning of 2019, the Group was invited by the Hong Kong Trade Development Council to be the guest speaker at the Asian Licensing Conference of the Hong Kong International Licensing Show, and to share with the industry its experience in management and promotion of licensed brands. It marked a recognition of the Group's committed efforts over the years. Furthermore, the Group's Casablanca brand was included as one of the highlighted brands at the Hong Kong International Home Textiles and Furnishings Fair 2019, and its Mosquito Repellent Quilt was also listed as one of the showcased products of the fair.

In order to attract young customers and create a more youthful image for its brands, the Group has placed great efforts in recent years towards collaborating with famous cartoon characters or brands, or engaging in licensed production of their products. During the first half of 2019, the Group launched licensed bedding products of Coca-Cola, the world renowned beverage brand. At the same time, the Group also kept abreast of the market trends and launched licensed bedding products for famous trendy cartoon characters from South Korea, including "BT21" and "Kakao Friends". During the Period, the Group also introduced licensed products of "Chibi Maruko-chan", a Japanese cartoon character that is well known by the general public in Hong Kong. The licensed bedding products under these new brands and cartoon characters were highly popular and produced very positive effects in terms of promoting the Group's brand image.

During the Period, the Group collaborated with the Crossroads Foundation for the first time, and organised the "Bedding Products Recycling Scheme" (床品回收計劃) to promote an environmentally-friendly lifestyle. During the event, the Group encouraged consumers to collect and donate bedding products and duvets that are clean and still in good condition to the grassroots in Hong Kong or to the people in need overseas via the Crossroads Foundation. The event successfully aroused the attention of consumers.

FUTURE PROSPECTS

In 2019, the Chinese government aims to maintain the GDP growth rate between 6.0% and 6.5%, and the growth rate of 6.3% recorded in the first half of 2019 has laid a solid foundation for achieving its annual target. According to the spokesman of the National Bureau of Statistics, the external environment is expected to remain complicated in the second half of 2019, while the domestic market will continue to face downside pressure. Nevertheless, the fundamentals for stable economic operation remain unchanged. The continuous growth of the domestic market will be favourable for achieving the main goals of Mainland China in respect of economic and social development for the year. The Group will remain prudent towards the consumption sentiment in Mainland China. Regarding the Hong Kong market, affected by the Sino-US trade dispute and external economic factors, compounded by tensions in society which will take time to resolve, consumption sentiment will need time to recover. Under such conditions, retailers will have to proactively broaden their sources of income and improve cost control. The Group will adhere to the principle of maintaining profitability while striving vigorously to achieve better results, and adjust its business strategies to cope with various challenges.

Mainland China

In the second half of 2019, the Group will abide by a complementary strategy for its online and offline sales channels and put great efforts to grasp business opportunities brought by new media sales. For the offline POS, the Group will encourage franchisees to establish "furniture and home textile megastores" and/or "home textile experience outlets" and continue to optimise its internal policies to encourage co-operation with franchisees so as to drive online sales of the Group's products. For the self-operated POS, the Group will focus on strengthening its presence in cities in Guangdong Province, such as Shenzhen and Guangzhou, so as to leverage advantages arising from the development of the Greater Bay Area. In light of such major online sales festivals such as "Single's Day" and "Double 12" during the second half year, the Group has now started making preparations for promoting its products. In addition, the Group will introduce new exclusive products for e-commerce in a timely manner to encourage consumers to keep abreast of the Group's product development efforts.

The newly established "New Retail Project Department" will continue to promote integration between online and offline businesses and the Group plans to (1) enhance training for sales personnel (including product knowledge, customer service, POS sales software, etc.); (2) upgrade the VIP system to enhance interaction between the Group's brands and their members; (3) expand the mobile sales platforms; and (4) regularly launch hero products that are only available via the new media sales channel and promote sales involving the Group's "Fast Fashion" products. Furthermore, besides traditional and online advertisements, the Group will employ targeted advertisements in the second half of 2019. This will include posting promotional posters in various residential areas that feature QR codes so that customers can directly scan and order suitable products.

Hong Kong

As the second half year is the peak season for promotions in department stores across Hong Kong, aligning with such factors as seasonality, peak wedding season and relatively more festivals, the Group will work diligently on product planning and marketing strategies to seize opportunities arising from these occasions. In order to compensate for the offline retail business which was affected by sluggish consumer sentiment, the Group will place greater effort in developing its online sales business, including launching more online exclusive products and online limited offers. Furthermore, the Group will continue to direct energies towards establishing business collaborations for brand promotions, and will actively seek opportunities for supplying products as corporate gifts. In particular, the Group has confirmed with a hotel in Hong Kong that it will collaborate in the launch of cartoon-themed rooms in August and September, using bedding products under licence from the B.Duck cartoon brand. The Group will also continue to develop its export business and participate in industry exhibitions to drum up business.

Striving to incorporate "Contemporary, Innovative and Functional" features in all of its products, the Group will endeavour to provide consumers with quality bedding products that are fashionably designed and reasonably priced, and home accessories that are trendy yet practical. The Group will also continue to broaden revenue streams and enhance its brand value to bring satisfactory returns to the shareholders of the Company (the "Shareholders") over the long term.

FINANCIAL REVIEW

Revenue

During the Period, the Group achieved revenue of HK$183.8 million (2018: HK$147.3 million) which increased by 24.8% as compared to the corresponding period last year. The overall increase in revenue was primarily due to the significant increase in sales to wholesale customers despite decreases in self-operated retail sales and sales to distributors during the Period.

Sales of our proprietary brands, which accounted for approximately 88.6% (2018: 85.8%) of the Group's revenue, increased by 28.8% to HK$162.8 million (2018: HK$126.4 million) due to the significant increase in sales of proprietary brand products, especially CASA-V, to wholesale customers during the Period. The sales of our licensed and authorised brands for the Period were HK$21.0 million (2018: HK$20.9 million) at similar level for the corresponding period last year.

In terms of channels, self-operated retail sales during the Period amounted to HK$112.7 million (2018: HK$119.9 million), accounted for approximately 61.3% (2018: 81.4%) of the total revenue, representing a decrease of 6.0% as compared to the corresponding period last year due to the number of self-operated POS in Hong Kong reduced. During the Period, sales to distributors slightly decreased by 5.3% to HK$14.9 million (2018: HK$15.7 million). With the significant increase in sales to wholesale customers as compared to the corresponding period last year, sales to others during the Period amounted to HK$56.3 million (2018: HK$11.7 million) representing an increase of 380.5%.

In terms of products, sales of bed linens during the Period were HK$104.3 million (2018: HK$78.0 million), representing an increase of 33.7% as compared to the corresponding period last year. During the Period, sales of duvets and pillows were HK$70.8 million (2018: HK$63.0 million) and sales of other home accessories were HK$8.7 million (2018: HK$6.3 million). The reason for increases in sales of bed linens and duvets and pillows during the Period was due to the increase in sales to wholesale customers as compared to the corresponding period last year.

In terms of regions, revenues from Hong Kong and Macau, the PRC and others during the Period were HK$138.7 million (2018: HK$103.8 million), HK$45.0 million (2018: HK$42.5 million) and HK$0.1 million (2018: HK$1.0 million) respectively. The overall revenue from Hong Kong and Macau increased by 33.7% mainly attributable to the increase in sales to wholesale customers in Hong Kong.

Gross Profit and Gross Profit Margin

During the Period, the Group achieved gross profit of HK$113.7 million (2018: HK$94.2 million) which increased by 20.6% as compared to the corresponding period last year. Owing to the increase in sales to wholesale customers, the overall gross profit margin for the Period was 61.8% which was lower than 64.0% for the corresponding period last year.

Other Gains and Losses

Other gains for the Period amounted to HK$0.4 million (2018 losses: HK$1.8 million), mainly representing the net exchange gains of HK$0.2 million (2018 net exchange losses: HK$1.2 million) and the net reversal of loss allowance on trade receivables of HK$0.2 million (2018 loss allowance on trade receivables: HK$0.3 million).

Expenses

Selling and distribution costs for the Period increased by 4.5% to HK$75.7 million from HK$72.4 million for the corresponding period last year. The increase in selling and distribution costs was primarily due to increases in staff related expenses in Hong Kong and the advertising expenses in the PRC during the Period.

Administrative expenses for the Period increased by 4.8% to HK$23.9 million as compared with HK$22.8 million for the corresponding period last year. The slight increase in administrative expenses was primarily attributable to the increase in Directors' remuneration despite none of expenses of share-based payments during the Period.

Profit (Loss) for the Period

The Group's profit for the Period attributable to owners of the Company amounted to HK$11.9 million (2018 loss: HK$2.5 million). Reasons for turnaround from loss for corresponding period last year to profit for the Period were mainly attributable to the increase in total sales and none of expenses of the 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 increased to HK$29.6 million from HK$7.9 million for the corresponding period last year, representing an increase of 275.3%. This was mainly attributable to the increase in total sales for the Period.

Liquidity, Financial Resources and Capital Structure

During the Period, the Group adhered to the principle of prudent financial management in order to minimize financial and operational risks. The Group financed its operations with internally generated cash flows. The financial position of the Group was healthy with net cash at 30 June 2019.

	As at 30 June 2019 *HK$'000*	As at 31 December 2018 *HK$'000*
Total bank borrowings	**8,535**	9,961
Pledged bank deposit and bank balance and cash	**171,448**	181,914
Net cash	**162,913**	171,953
Total assets	**515,799**	514,733
Total liabilities	**105,887**	116,070
Total equity	**409,912**	398,663
Current ratio	**3.8**	3.4
Gross gearing ratio *(Note)*	**2.1**%	2.5%

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

Foreign Exchange Exposure

The Group carries on its business mainly in Hong Kong and the PRC. The Group is exposed to foreign exchange risk principally in RMB which may affect the Group's performance. Although the fluctuation of RMB against HKD was not significant during the Period, the management is aware of the possible exchange rate exposure on RMB and will closely monitor its impact on the performance of the Group to see if any hedging arrangement is necessary. The Group currently does not use derivative financial instruments to hedge against the volatility associated with foreign currency transactions and other financial assets and liabilities arising in the ordinary course of business.

Pledge of Assets

At 30 June 2019, the Group pledged only its fixed deposits with an aggregate carrying value of HK$7.2 million (31 December 2018: HK$10.5 million) to certain banks in Hong Kong and the PRC to secure banking facilities granted to the Group.

Contingent Liabilities

As at 30 June 2019, the Group did not have material contingent liabilities.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group is actively identifying and exploring suitable investments with potential and synergy effect to its existing businesses. Only potential investments, which are in the interests of the Company and the Shareholders as a whole, will be considered. To cope with the business development and expansion, the Group will also consider to acquire properties for own use whenever necessary.

For providing additional warehouse space for own use in Hong Kong, the Group had entered into the provisional agreement on 3 June 2019 and the formal agreement on 17 June 2019 with an independent third party for acquisition of a property at a total consideration of HK$12.2 million of which HK$0.6 million was paid each on signing the provisional agreement and the formal agreement. The acquisition of the property was completed on 31 July 2019 with HK$11.0 million as the remaining balance of consideration being settled by the Group.

Apart from the above-mentioned acquisition of the property as warehouse for own use by the Group and those disclosed in this report, there was no plan authorised by the Board for material investments or additions of capital assets at the date of this report.

INTERIM DIVIDEND

On 23 August 2019, the Board has declared an interim dividend of HK$0.02 per ordinary share for the six months ended 30 June 2019 (six months ended 30 June 2018: nil). The interim dividend will become payable on Friday, 20 September 2019 to the Shareholders whose names appear on the register of members of the Company on Thursday, 12 September 2019.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend, the register of members of the Company will be closed from Tuesday, 10 September 2019 to Thursday, 12 September 2019 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all completed transfer documents accompanying with the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Union Registrars Limited, at Suite 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:00 p.m. (Hong Kong time) on Monday, 9 September 2019.

SUBSEQUENT EVENT

Apart from the completion of acquisition of property by the Group at a total consideration of HK$12.2 million on 31 July 2019 (as announced on 31 July 2019), there was no material subsequent event after the Period and up to the date of this report. For more information in relation to the above acquisition of property, please refer to the announcement of the Company dated 3 June 2019.

USE OF PROCEEDS FROM IPO AND PLACEMENT OF SHARES

The Company received net proceeds raised from the listing of approximately HK$44.2 million, which had fully been utilised as at 31 December 2018, and the placement of shares completed in March 2015 (the "Placing") of approximately HK$57.0 million.

Reference is made to the annual report of the Company for the year ended 31 December 2018 (the "Annual Report"). As stated in the Annual Report, as at 31 December 2018, the unutilised amount of proceeds from the Placing was HK$9.1 million. The Company would like to clarify that such unutilised amount was expected to be fully utilised by 31 December 2019 and the intended use remained as for general working capital and possible investments.

The use of net proceeds from the Placing until 30 June 2019 was as below:

	Planned Amount *HK$ million*	Utilised Amount *HK$ million*	Remaining Amount *HK$ million*
From the Placing			
General working capital and possible investments	57.0	53.3	3.7

The remaining amount of net proceeds from the Placing of approximately HK$3.7 million as at 30 June 2019 is expected to be fully utilised by 31 December 2019.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2019, the employee headcount of the Group was 636 (2018: 637) and the total staff costs, including Directors' remuneration and share-based payments, amounted to HK$49.9 million (2018: HK$45.8 million). Despite the absence of share-based payments, the increase in total staff costs was mainly due to increases in staff related expenses, especially provisions for bonuses and annual leaves, and Directors' remuneration 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 PRACTICES CODE

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules (the "CG Code") as its own code of corporate governance. The Company has complied with the code provisions as set out in the CG Code during the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

REVIEW OF INTERIM RESULTS

The Company has established the audit committee in compliance with rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code for the purpose of reviewing and supervising the Group's financial reporting process, risk management and internal audit functions and control. The audit committee of the Company, comprising three Independent Non-executive Directors, namely Mr. Lo Siu Leung, Dr. Cheung Wah Keung and Mr. Chow On Wa, and chaired by Mr. Lo Siu Leung, has reviewed the results (including the unaudited condensed consolidated financial statements) of the Group for the six months ended 30 June 2019.

In addition, the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2019 have been reviewed by our auditors, CHENG & CHENG LIMITED, Certified Public Accountants, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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

Hong Kong, 23 August 2019

As at the date of this announcement, the Board of the Company comprises Mr. Cheng Sze Kin (Chairman), Mr. Cheng Sze Tsan (Vice-chairman) and Ms. Wong Pik Hung as Executive Directors, and Mr. Lo Siu Leung, Dr. Cheung Wah Keung and Mr. Chow On Wa as Independent Non-executive Directors.