CASABLANCA®
HOME

Interim Report 2013

(INCORPORATED UNDER THE LAWS OF THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

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Management Discussion and Analysis

The board (the "Board") of directors (the "Directors") of Casablanca Group Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013 (the "Period").

INDUSTRY REVIEW

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

BUSINESS REVIEW

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

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

Expansion of sales network

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

Breakdown of POS (as at 30 June 2013)

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

Notes:

(1) "Southern" includes Guangxi, Guangdong and Hainan.

(2) "Northern" includes Tianjin, Hebei, Shanxi, Beijing and Inner Mongolia.

(3) "Eastern" includes Shanghai, Jiangsu, Zhejiang, Anhui, Shandong, Jiangxi and Fujian.

(4) "Northeast" includes Heilongjiang, Liaoning and Jilin.

(5) "Southwest" includes Sichuan, Guizhou, Tibet, Yunnan and Chongqing.

(6) "Central" includes Henan, Hubei and Hunan.

(7) "Northwest" includes Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang.

Enhanced advertising and promotions

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

Enhanced corporate facilities

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

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

OUTLOOK

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

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

FINANCIAL REVIEW

Revenue

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

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

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

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

Gross Profit and Gross Profit Margin

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

Other Gains and Losses

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

Expenses

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

Administrative expenses for the Period increased by 55.6% to HK$35.8 million compared with HK$23.0 million for the corresponding period last year. The increase was primarily attributable to the share-based payments of HK$10.7 million under the Pre-IPO Share Option Scheme and post-listing professional expenses, such as fees to the legal advisor, the compliance advisor, share registrars and the public relation agency, of HK$1.9 million incurred for the Period.

The Pre-IPO Share Option Scheme was established for purposes of rewarding eligible persons, including Directors, employees, suppliers and others, for their contributions to the Group before listing of the Company's shares on the Stock Exchange, motivating them to optimise their performance efficiency and retaining relationships with them for the benefit of the Company and its shareholders as a whole. Despite share options under the Pre-IPO Share Option Scheme with different vesting dates, the share-based payments are amortised over the period from the grant date to respective vesting dates of share options according to HKFRS 2 "Share-based Payment." The estimated total amount of share-based payments is about HK$16.9 million, which will be amortised during the period from 7 November 2012 till 22 November 2014 according to HKFRS 2 "Share-based Payment," and the total amount amortised in 2013 is estimated to be HK$13.6 million.

Taxation

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

Profit for the Period

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

EBITDA represents gross profit less selling and distribution costs and administrative expenses adding back depreciation, amortisation and share-based payments included in administrative expenses. The EBITDA for the Period decreased by 23.8% to HK$20.5 million from HK$26.8 million for the corresponding period last year.

Liquidity and Financial Resources

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

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

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

As at 30 June 2013, the total amount of interest-bearing bank borrowings of the Group was approximately HK$120.6 million (2012: HK$95.9 million) which were denominated as to 88.5% and 11.5% in Hong Kong dollars and Renminbi respectively. The bank borrowings were all secured and bore variable interest rates ranging from Hong Kong Interbank Offer Rate plus 1.5% to 10% margin over the interest rate offered by People's Bank of China with effective interest rates ranging from 1.7% to 7.3% per annum.

On 8 February 2013, Casablanca Hong Kong Limited, Casablanca International Limited and Casablanca Home Limited, the wholly-owned subsidiaries of the Company as borrowers (the "Borrowers"), the Company as guarantor and Bank of China (Hong Kong) Limited as lender (the "Lender") entered into the facility agreements (the "Facility Agreements") which consist of banking facilities granted by the Lender to the Borrower. The Facility Agreements impose a covenant relating to specific performance of the Controlling Shareholders (as defined below).

Under the Facility Agreements, it is (among other matters) an event of default if Mr. Cheng Sze Kin, Mr. Cheng Sze Tsan and Ms. Wong Pik Hung (the "Controlling Shareholders") collectively cease to hold and control shares of the Company directly or indirectly so that they collectively cannot remain as the single largest group of shareholders of the Company, and in such event the loans under the Facility Agreements may immediately become payable on demand. At the date of this interim report, the Controlling Shareholders ultimately hold 74.7% of the issued share capital of the Company through World Empire Investment Inc.

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

Corporate Governance and Other Information

INTERIM DIVIDEND

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

During the corresponding period last year, dividends of HK$14.0 million were paid to the shareholders prior to the listing of the Company's shares on the Stock Exchange. Details of dividends paid are set out in note 8 to the Condensed Consolidated Financial Statements.

USE OF IPO PROCEEDS

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

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

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

EMPLOYEE AND REMUNERATION POLICY

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

At 30 June 2013, the interests of the Directors and the chief executive and their associates in the shares and share options of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions

(a) Ordinary shares of HK$0.1 each of the Company

Name of Director	Nature of interest	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Cheng Sze Kin	Interest in a controlled corporation (Note 1)	150,000,000	74.8%
Mr. Cheng Sze Tsan	Interest in a controlled corporation (Note 2)	150,000,000	74.8%
Ms. Wong Pik Hung	Spouse interest (Note 3)	150,000,000	74.8%

(b) Share options

Name of Director	Nature of interest	Number of options held	Number of underlying shares interested
Mr. Cheng Sze Kin	Beneficial interest (Note 1)	4,500,000	4,500,000
	Spouse interest (Note 1)	3,375,000	3,375,000
		7,875,000	7,875,000
Mr. Cheng Sze Tsan	Beneficial interest (Note 2)	4,125,000	4,125,000
Ms. Wong Pik Hung	Beneficial interest (Note 3)	3,375,000	3,375,000
	Spouse interest (Note 3)	4,500,000	4,500,000
		7,875,000	7,875,000
Mr. Sung Shuk Ka	Beneficial interest	2,000,000	2,000,000

Notes:

(1) Mr. Cheng Sze Kin is interested in 40.0% of World Empire Investment Inc. ("World Empire"), which is in turn interested in 74.8% of the Company's issued share capital. Therefore, Mr. Cheng Sze Kin is deemed to be interested in such 74.8% of the Company's issued share capital, by virtue of Mr. Cheng Sze Kin's interests in World Empire. Mr. Cheng Sze Kin is also interested in the options granted under the Pre-IPO Share Option Scheme to subscribe 4,500,000 shares and is deemed to be interested in the options granted to his spouse, Ms. Wong Pik Hung, under the Pre-IPO Share Option Scheme to subscribe 3,375,000 shares. However, each of Mr. Cheng Sze Kin and Ms. Wong Pik Hung will not exercise any option if as a result of which the Company will not be able to comply with the public float requirements of the Listing Rules.

(2) Mr. Cheng Sze Tsan is interested in 35.0% of World Empire, which is in turn interested in 74.8% the Company's issued share capital. Therefore, Mr. Cheng Sze Tsan is deemed to be interested in such 74.8% of the Company's issued share capital, by virtue of Mr. Cheng Sze Tsan's interests in World Empire. Mr. Cheng Sze Tsan is also interested in the options granted under the Pre-IPO Share Option Scheme to subscribe 4,125,000 shares. However, Mr. Cheng Sze Tsan will not exercise any option if as a result of which the Company will not be able to comply with the public float requirements of the Listing Rules.

(3) Ms. Wong Pik Hung is the spouse of Mr. Cheng Sze Kin and is interested in 25.0% of World Empire, thus, Ms. Wong Pik Hung will be deemed to be interested in 74.8% of the Company's issued share capital. Ms. Wong Pik Hung is also interested in the options granted under the Pre-IPO Share Option Scheme to subscribe 3,375,000 shares and is deemed to be interested in the options granted to her spouse, Mr. Cheng Sze Kin, under the Pre-IPO Share Option Scheme to subscribe 4,500,000 shares. However, each of Mr. Cheng Sze Kin and Ms. Wong Pik Hung will not exercise any option if as a result of which the Company will not be able to comply with the public float requirements of the Listing Rules.

Save as disclosed above, none of the Directors, chief executive and their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2013.

PRE-IPO SHARE OPTION SCHEME

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

Particulars of the Company's Pre-IPO Share Option Scheme are set out in note 30 to the consolidated financial statements of the Company's 2012 annual report.

The following table disclosed movements in the Company's pre-IPO share options during the Period:

	Date of Grant	Exercisable period (Note 1)	Exercise price (HK$)	Number of options at 1.1.2013	Movements during the Period				Number of options at 30.6.2013
					Granted	Exercised (Note 2)	Cancelled	Lapsed	
Directors and Chief Executive									
Mr. Cheng Sze Kin	7.11.2012	23.5.2013 – 6.11.2022	1.20	4,500,000	–	–	–	–	4,500,000
Mr. Cheng Sze Tsan	7.11.2012	23.5.2013 – 6.11.2022	1.20	4,125,000	–	–	–	–	4,125,000
Ms. Wong Pik Hung	7.11.2012	23.5.2013 – 6.11.2022	1.20	3,375,000	–	–	–	–	3,375,000
Mr. Sung Shuk Ka	7.11.2012	23.5.2013 – 6.11.2022	1.20	2,000,000	–	–	–	–	2,000,000
				14,000,000	–	–	–	–	14,000,000
Employees	7.11.2012	23.5.2013 – 6.11.2022	1.20	6,800,000	–	(462,000)	–	(184,000)	6,154,000
Suppliers	7.11.2012	23.5.2013 – 6.11.2022	1.20	120,000	–	–	–	–	120,000
Others	7.11.2012	23.5.2013 – 6.11.2022	1.20	1,400,000	–	(80,000)	–	–	1,320,000
Total				22,320,000	–	(542,000)	–	(184,000)	21,594,000

Notes:

1. The options, granted on 7 November 2012, are exercisable from 23 May 2013 to 6 November 2022 (both days inclusive) in the following manner:

   (i) 40% of the total number of options granted under the Pre-IPO Share Option Scheme commencing 23 May 2013;

   (ii) 30% of the total number of options granted under the Pre-IPO Share Option Scheme commencing 23 November 2013; and

   (iii) 30% of the total number of options granted under the Pre-IPO Share Option Scheme commencing 23 November 2014.

2. The weighted average closing price of the shares immediately before the dates on which the options were exercised during the six months ended 30 June 2013 was HK$2.43 per share.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 30 June 2013, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that other than the interests disclosed above in respect of certain Directors and chief executive, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long positions in ordinary shares of HK$0.1 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
World Empire Investment Inc.	Beneficial owner	150,000,000	74.8%

Note: World Empire Investment Inc. is a company incorporated in British Virgin Islands, the issued share capital of which is owned as to 40%, 35% and 25% by Mr. Cheng Sze Kin, Mr. Cheng Sze Tsan and Ms. Wong Pik Hung, respectively.

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, save for the code provisions A.6.7 and E.1.2.

Under the code provision A.6.7 of the CG Code, independent non-executive directors should attend general meetings and develop a balanced understanding of views of the shareholders. Under the code provision E.1.2, the chairmen of the Board as well as Board committees should be available to answer questions at the annual general meeting. At the annual general meeting of the Company held on 16 May 2013 (the "AGM"), an independent non-executive Director, who is also the chairman of the Audit Committee, was unable to attend the AGM due to other pre-arranged business engagements. Despite his absence, other members of the Audit Committee together with the external auditor attended the AGM being able to answer relevant questions raised by and understand the views of the shareholders of the Company thereat.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct for Directors in their dealings in the Company's securities. Having made specific enquiry to all the Directors of the Company, all the Directors confirmed that they have complied with the required standard of dealing as set out in the Model Code throughout the Period.

REVIEW OF INTERIM RESULTS

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

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

BOARD OF DIRECTORS

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

On behalf of the Board
Casablanca Group Limited

Cheng Sze Kin
Chairman

Hong Kong, 21 August 2013

Report on Review of Condensed Consolidated Financial Statements

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF CASABLANCA GROUP LIMITED
卡撒天嬌集團有限公司
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Casablanca Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 18 to 33, which comprises the condensed consolidated statement of financial position as of 30 June 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review 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. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
21 August 2013

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2013

	Notes	Six months ended 30 June 2013 HK$'000 (unaudited)	2012 HK$'000 (audited)
Revenue	3	**231,935**	206,825
Cost of goods sold		**(91,133)**	(80,579)
Gross profit		**140,802**	126,246
Other income		**780**	680
Other gains and losses	4	**634**	3,369
Selling and distribution costs		**(97,138)**	(78,933)
Administrative expenses		**(35,840)**	(23,039)
Finance costs	5	**(798)**	(468)
Listing expenses		**–**	(9,414)
Profit before taxation	7	**8,440**	18,441
Taxation	6	**(4,628)**	(5,155)
Profit for the period		**3,812**	13,286
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**3,586**	(1,390)
Total comprehensive income for the period		**7,398**	11,896
Profit for the period attributable to owners of the Company		**3,812**	13,286
Total comprehensive income for the period attributable to owners of the Company		**7,398**	11,896
Earnings per share			
– Basic (HK cents)	9	**1.91**	8.86
– Diluted (HK cents)	9	**1.84**	N/A

Condensed Consolidated Statement of Financial Position

At 30 June 2013

	Notes	30.6.2013 HK$'000 (unaudited)	31.12.2012 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	10	**159,211**	140,142
Prepaid lease payments		**28,784**	28,630
Intangible assets		**7**	8
Deposits paid for acquisition of property, plant and equipment		**972**	282
Rental deposits		**3,609**	2,708
		192,583	171,770
Current assets			
Inventories		**92,613**	82,796
Trade and other receivables	11	**93,897**	107,929
Prepaid lease payments		**612**	603
Taxation recoverable		**85**	79
Pledged bank deposits		**1,000**	–
Bank balances and cash		**116,778**	137,774
		304,985	329,181
Current liabilities			
Trade and other payables	12	**81,163**	126,379
Amount due to a related company		**186**	–
Taxation payable		**4,365**	6,017
Bank borrowings		**47,301**	64,515
		133,015	196,911
Net current assets		**171,970**	132,270
Total assets less current liabilities		**364,553**	304,040
Non-current liabilities			
Bank borrowings		**73,253**	31,343
Deferred tax liabilities		**734**	848
		73,987	32,191
Net assets		**290,566**	271,849
Capital and reserves			
Share capital	13	**20,054**	20,000
Reserves		**270,512**	251,849
Total equity		**290,566**	271,849

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (Note i)	Merger reserve HK$'000 (Note ii)	PRC statutory reserve HK$'000 (Note iii)	Translation reserve HK$'000	Share options reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1 January 2013 (audited)	**20,000**	**78,992**	**2,000**	**1,319**	**7,792**	**14,189**	**1,133**	**146,424**	**271,849**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,812**	**3,812**
Exchange differences arising on translation of financial statements of foreign operations and other comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**3,586**	**–**	**–**	**3,586**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**3,586**	**–**	**3,812**	**7,398**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**10,669**	**–**	**10,669**
Exercise of share options	**54**	**1,009**	**–**	**–**	**–**	**–**	**(413)**	**–**	**650**
At 30 June 2013 (unaudited)	**20,054**	**80,001**	**2,000**	**1,319**	**7,792**	**17,775**	**11,389**	**150,236**	**290,566**
At 1 January 2012 (audited)	1	–	–	1,319	5,497	12,514	–	141,700	161,031
Profit for the period	–	–	–	–	–	–	–	13,286	13,286
Exchange differences arising on translation of financial statements of foreign operations and other comprehensive income for the period	–	–	–	–	–	(1,390)	–	–	(1,390)
Total comprehensive income for the period	–	–	–	–	–	(1,390)	–	13,286	11,896
Issue of shares at date of incorporation	380	–	–	–	–	–	–	–	380
Capitalisation and waiver of amount due to a related company	32,993	–	2,000	–	–	–	–	–	34,993
Dividends paid (note 8)	–	–	–	–	–	–	–	(14,000)	(14,000)
At 30 June 2012 (audited)	33,374	–	2,000	1,319	5,497	11,124	–	140,986	194,300

Notes:

(i) The capital reserve represents the waiver of the amount due to a related company.

(ii) The merger reserve of the Group represented the difference between the par value of the shares of Company issued in exchange for the entire share capital of Jollirich Investment Limited, Casablanca International Limited and Rich Creation Asia Investment Limited and transfer of 11.76% of equity interest in Forcetech (Shenzhen) Company Limited pursuant to the group reorganisation prior to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited.

(iii) According to the relevant requirements in the Articles of Association of the Group's subsidiaries in the People's Republic of China ("PRC"), a portion of their profits after taxation is transferred to PRC statutory reserve. The transfer must be made before the distribution of a dividend to equity owners. The statutory reserve fund can be used to make up the prior year losses, if any. The statutory reserve fund is non-distributable other than upon liquidation.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
	(unaudited)	(audited)
Net cash from operating activities	**5,057**	4,774
Net cash used in investing activities		
Proceeds from disposal of property, plant and equipment	**9**	601
Purchase of property, plant and equipment	**(49,046)**	(46,228)
Placement of pledged bank deposits	**(1,000)**	–
Other investing cash flows	**267**	(183)
	(49,770)	(45,810)
Net cash from financing activities		
New bank loans raised	**66,800**	52,783
Exercise of share options	**650**	–
Advances from related companies	**184**	41
Proceeds from issue of shares	**–**	380
Repayments of bank borrowings	**(42,479)**	(20,444)
Dividends paid	**–**	(14,000)
Repayment to directors	**–**	(4,700)
Repayments of obligations under a finance lease	**–**	(390)
Repayments to related companies	**–**	(488)
Other financing cash flows	**(2,025)**	(1,040)
	23,130	12,142
Net decrease in cash and cash equivalents	**(21,583)**	(28,894)
Cash and cash equivalents at beginning of the period	**137,774**	107,050
Effect of foreign exchange rate changes	**587**	(287)
Cash and cash equivalents at end of the period, represented by bank balances and cash	**116,778**	77,869

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Amendments to HKAS 1 "Presentation of items of other comprehensive income"

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Amendments to HKAS 34 "Interim financial reporting" (as part of the Annual Improvements to HKFRSs 2009-2011 Cycle)

The Group has applied the amendments to HKAS 34 for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the condensed consolidated financial statements only when the amounts are regularly provided to the chief operating decision maker (the "CODM") and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Since the CODM does not review assets and liabilities of the Group's reportable segments for performance assessment and resources allocation purposes, the Group has not included total assets information as part of segment information.

The application of other new and revised 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 CODM 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 PRC and Hong Kong and Macau and sales made to overseas customers.

The information of segment revenue is as follows:

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

3. REVENUE AND SEGMENT INFORMATION (continued)

Entity-wide information

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

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

4. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2013 HK$'000 (unaudited)	2012 HK$'000 (audited)
Reversal of allowance (allowance) for doubtful debts	**709**	(483)
(Loss) gain on disposal of property, plant and equipment	**(158)**	230
Gain on disposal of a subsidiary	**–**	4,179
Net exchange gain (loss)	**83**	(557)
	634	3,369

5. FINANCE COSTS

	Six months ended 30 June	
	2013 HK$'000 (unaudited)	2012 HK$'000 (audited)
Interest on:		
Bank borrowings wholly repayable		
– within five years	**403**	445
– after five years	**1,622**	572
Finance lease	**–**	23
Total borrowing costs	**2,025**	1,040
Less: amounts capitalised (note)	**(1,227)**	(572)
	798	468

Note: Borrowing costs capitalised during the period ended 30 June 2013 and 2012 solely arose from the specific bank borrowings for expenditure on qualifying assets. The effective interest rate of corresponding borrowings for the period ended 30 June 2013 is 5.02% (six months ended 30 June 2012: 4%) per annum.

6. TAXATION

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

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

7. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2013 HK$'000 (unaudited)	2012 HK$'000 (audited)
Profit before taxation has been arrived at after charging (crediting):		
Directors' and chief executive's remuneration (excluding share-based payments)	**4,424**	2,988
Other staff costs	**41,692**	32,783
Share-based payments (included in administrative expenses)	**10,669**	–
Amortisation of intangible assets	**1**	1
Amortisation of prepaid lease payments	**304**	298
(Reversal of) allowance for inventories (included in costs of goods sold)	**(174)**	1,647
Depreciation of property, plant and equipment	**3,090**	2,956
Operating lease rentals in respect of		
– rented premises	**4,187**	2,805
– retail stores (note)	**4,774**	3,469
– department store counters (note) (including concessionaire commission) (included in selling and distribution costs)	**39,470**	34,048
	48,431	40,322

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

8. DIVIDEND

No dividend has been declared or paid by the Company since its date of incorporation, nor has any dividend been proposed during the current interim period. However, during the period ended 30 June 2012, Casablanca Home Holdings Limited ("Casablanca Home Holdings") made distributions to Mr. Cheng Sze Kin, Mr. Cheng Sze Tsan and Ms. Wong Pik Hung (the "Ultimate Beneficial Owners") prior to the listing of the Company's shares on the Stock Exchange as follows:

	Six months ended 30 June	
	2013 HK$'000 (unaudited)	2012 HK$'000 (audited)
Dividends declared and paid/payable to Ultimate Beneficial Owners during the period and dividends attributable to owners of the Company		
– final dividend for the year ended 31 December 2011	**–**	14,000

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2013 HK$'000 (unaudited)	2012 HK$'000 (audited)
Earnings		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	**3,812**	13,286

9. EARNINGS PER SHARE (continued)

	Six months ended 30 June	
	2013	2012
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**200,093,569**	150,000,000
Effect of dilutive potential ordinary shares on share options	**7,400,350**	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**207,493,919**	N/A

For the six months period ended 30 June 2012, the weighted average number of ordinary shares for the purpose of basic earnings per share has been taken into account the share issued pursuant to the group reorganisation in 2012 and the capitalisation issue of 146,000,000 ordinary shares of HK$0.10 each of the Company at par value on 22 October 2012 as stated in the note 29 of the Group's annual financial statements for the year ended 31 December 2012 as if it had been effective on 1 January 2012.

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

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group spent HK$5,791,000 (six months ended 30 June 2012: HK$4,584,000) on purchase of property, plant and equipment and HK$14,348,000 (six months ended 30 June 2012: HK$41,890,000) on construction costs of a new manufacturing plant in the PRC.

11. TRADE AND OTHER RECEIVABLES

Retailing sales are mainly made at concession counters in department stores, the department stores collect cash from the ultimate customers and then repay the balance after deducting the concessionaire commission to the Group. The credit period granted to department stores ranging from 30 to 75 days. For distributors and wholesale sales, the Group allows a credit period up to 60 days to its trade customers.

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

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

12. TRADE AND OTHER PAYABLES

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

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

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

13. SHARE CAPITAL

The share capital of the Group as at 1 January 2012 represented the share capital of Casablanca Home Holdings.

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:		
On 2 April 2012 (date of incorporation) (note a)	3,800,000	380
Increased pursuant to the group reorganisation (note b)	496,200,000	49,620
At 30 June 2012 and 30 June 2013	500,000,000	50,000
Issued and fully paid:		
On 2 April 2012 (date of incorporation) (note a)	1	–
Issue of shares on 16 April 2012 (note a)	3,799,999	380
At 30 June 2012	3,800,000	380
Issue of shares upon the share swap on 22 October 2012 (note c)	200,000	20
Issue of shares by capitalisation of share premium (note d)	146,000,000	14,600
Issue of shares upon the public share offering on 23 November 2012 (note e)	50,000,000	5,000
At 31 December 2012	200,000,000	20,000
Exercise of share options (note f)	542,000	54
At 30 June 2013	200,542,000	20,054

13. SHARE CAPITAL (continued)

Notes:

(a) The Company was incorporated in the Cayman Islands with limited liability under the Companies Law on 2 April 2012 with an authorised share capital of HK$380,000 divided into 3,800,000 shares of HK$0.10 each. On 2 April 2012, 1 share of HK$0.10 was issued to Mapcal Limited at par to provide initial capital of the Company. The share was then transferred to World Empire Investment Inc. ("World Empire"), a company controlled by the Ultimate Beneficial Owners, on the same date. On 16 April 2012, 3,799,999 shares of HK$0.10 each were issued and allotted to World Empire and was settled by offsetting with the amounts due to directors.

(b) On 22 October 2012, the authorised share capital of the Company was increased from HK$380,000 divided into 3,800,000 ordinary shares of HK$0.10 each to HK$50,000,000 divided into 500,000,000 ordinary shares of HK$0.10 each.

(c) On 22 October 2012, the Company issued and allotted 200,000 ordinary shares of HK$0.10 each to World Empire as settlement of the swap of 4,230,000 shares of USD1.00 each in Casablanca Home Holdings from the Ultimate Beneficial Owners.

(d) On 22 October 2012, the Company capitalised the amount of HK$14,600,000 standing to the credit of the share premium account of the Company to pay up in full at par 146,000,000 ordinary shares of HK$0.10 each for allotment and issue to World Empire.

(e) On 23 November 2012, the Company issued 50,000,000 shares of HK$0.10 each at HK$1.50 per share by way of public share offering. On the same date, the Company's shares were listed on the Main Board of the Stock Exchange.

(f) During the period ended 30 June 2013, 542,000 shares of HK$0.1 each were issued at HK$1.20 per share upon exercise of the pre-IPO share option scheme of the Company by the option holders.

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

14. CAPITAL COMMITMENT

	30.6.2013 HK$'000 (unaudited)	31.12.2012 HK$'000 (audited)
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**1,550**	8,371

15. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the condensed consolidated financial statements, the Group had entered into the following related party transactions:

Name of related companies	Relationship	Nature of transactions	Six months ended 30 June	
			2013	2012
			HK$'000	HK$'000
			(unaudited)	(audited)
Shenzhen Fusheng Trading Company Limited	Related company (Note)	Rental expenses	**1,573**	1,181
Gain Harvest Investment Limited	Related company (Note)	Rental expenses	**840**	740
Wealth Pine Asia Limited	Related company (Note)	Rental expenses	**540**	268

Note: The Ultimate Beneficial Owners have directorship or direct beneficial and controlling interests in these related companies.

Compensation of key management personnel

The remuneration of directors and other member of key management during the period was as follows:

	Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
	(unaudited)	(audited)
Salaries and allowances	**4,867**	4,580
Retirement benefit schemes contributions	**262**	247
Share-based payments	**8,100**	–
	13,229	4,827

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Cheng Sze Kin *(Chairman)*
Mr. Cheng Sze Tsan *(Vice-chairman)*
Ms. Wong Pik Hung
Mr. Sung Shuk Ka *(Chief Executive Officer)*

Independent Non-executive Directors

Mr. Tse Yat Hong
Mr. Leung Lin Cheong
Mr. Li Kai Fat

COMMITTEES

Audit Committee

Mr. Tse Yat Hong *(Chairman)*
Mr. Leung Lin Cheong
Mr. Li Kai Fat

Remuneration Committee

Mr. Li Kai Fat *(Chairman)*
Mr. Tse Yat Hong
Mr. Leung Lin Cheong

Nomination Committee

Mr. Cheng Sze Kin *(Chairman)*
Mr. Tse Yat Hong
Mr. Leung Lin Cheong
Mr. Li Kai Fat

COMPANY SECRETARY

Mr. Ho Yiu Leung

AUTHORISED REPRESENTATIVES

Mr. Sung Shuk Ka
Mr. Ho Yiu Leung

REGISTERED OFFICE

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Cayman Islands

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Haitong International Capital Limited

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Hong Kong

PRINCIPAL BANKERS

In Hong Kong:
Bank of China (Hong Kong) Limited

In the PRC:
Bank of China Limited
Nanyang Commercial Bank (China) Ltd

STOCK CODE

2223

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