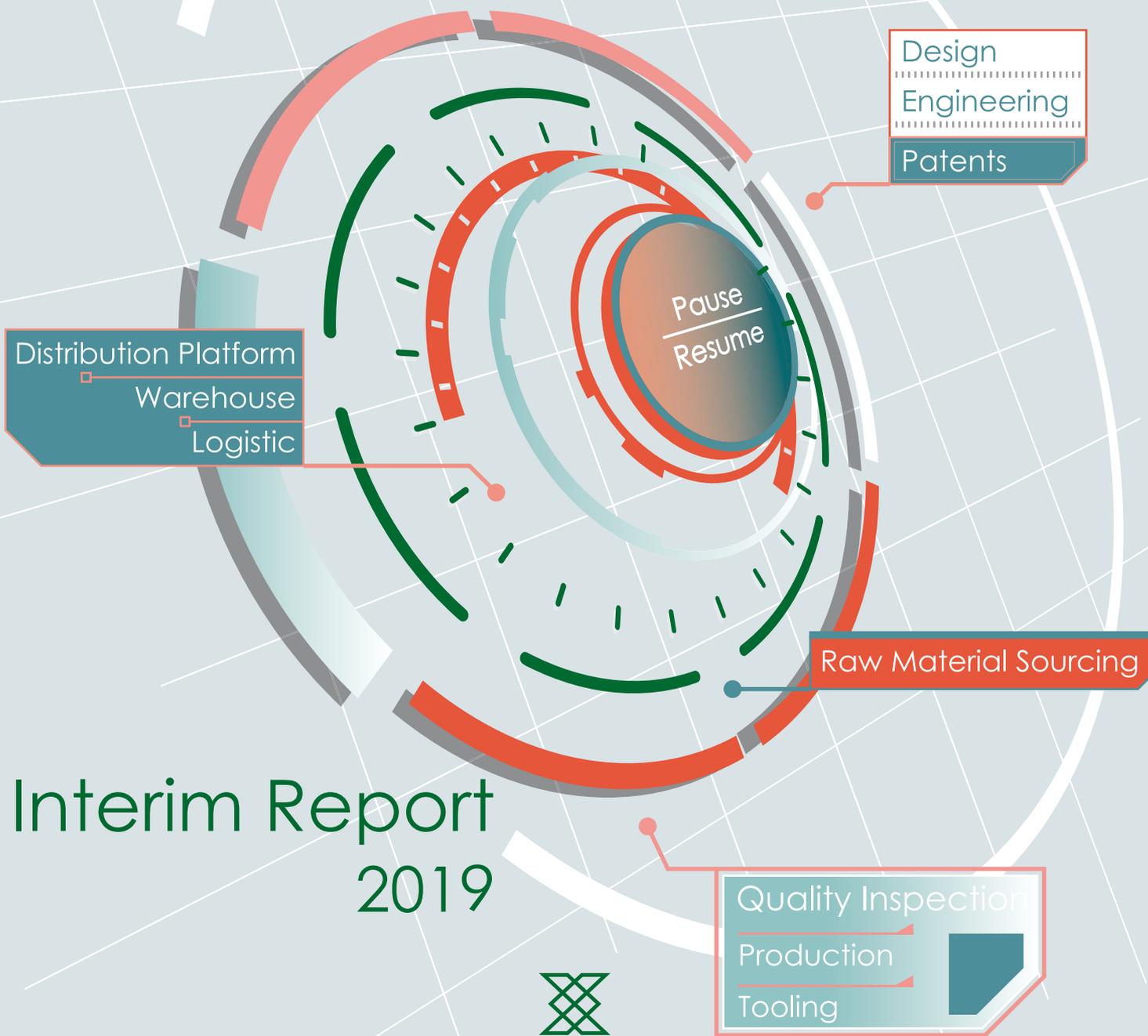


# END TO END CONTROL



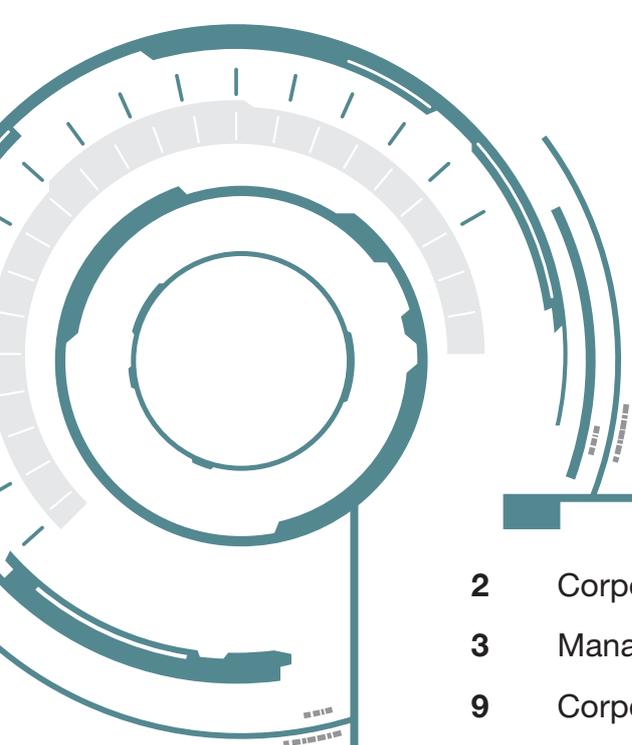
## Interim Report 2019



King's Flair International (Holdings) Limited

科勁國際(控股)有限公司

Incorporated in the Cayman Islands with limited liability Stock Code : 6822



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Wong Siu Wah (*Chairman and Chief Executive Officer*)  
Ms. Wong Fook Chi

### Independent Non-Executive Directors

Dr. Lau Kin Tak  
Mr. Anthony Graeme Michaels  
Ms. Leung Wai Ling, Wylie

## BOARD COMMITTEES

### Audit Committee

Ms. Leung Wai Ling, Wylie (*Chairman*)  
Dr. Lau Kin Tak  
Mr. Anthony Graeme Michaels

### Remuneration Committee

Dr. Lau Kin Tak (*Chairman*)  
Mr. Anthony Graeme Michaels  
Ms. Leung Wai Ling, Wylie  
Mr. Wong Siu Wah  
Ms. Wong Fook Chi

### Nomination Committee

Mr. Wong Siu Wah (*Chairman*)  
Dr. Lau Kin Tak  
Mr. Anthony Graeme Michaels  
Ms. Leung Wai Ling, Wylie

### Risk Management Committee

Ms. Wong Fook Chi (*Chairman*)  
Dr. Lau Kin Tak  
Ms. Leung Wai Ling, Wylie

## COMPANY SECRETARY

Mr. Wan Hok Yin, *HKICPA and CPA Australia*

## AUDITOR

BDO Limited  
*Certified Public Accountants*

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
Hang Seng Bank Limited  
Standard Chartered Bank (Hong Kong) Limited  
The Hongkong and Shanghai Banking Corporation Limited

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

12/F., Yardley Commercial Building  
3 Connaught Road West  
Hong Kong

## STOCK CODE

Hong Kong Stock Exchange: 6822

## WEBSITE

[www.kingsflair.com.hk](http://www.kingsflair.com.hk)

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group is an integrated one-stop kitchenware and household product solution provider to internationally renowned kitchenware and household product brands. Headquartered in Hong Kong, the Group provides differentiating and customised services from market research, concept creation, product design and development to raw material sourcing, production engineering as well as quality assurance, order tracking and logistics. This comprehensive and bespoke service platform has successfully differentiated the Group among kitchenware and household product solution providers in the industry and gained us the trust from high-end kitchenware and household product brand owners in North America, Europe and Asia.

Core products of the Group include kitchen tools and gadgets, drinkware, bakeware and accessories and food preparation and storage products and accessories. The Group also engages in trading of raw materials.

## OPERATIONAL REVIEW

### **Differentiated services is the key to enhance customer loyalty**

With a strong commitment in providing differentiated services and reinforcing its competitive advantages, the Group continued to invest in its product design, development and engineering capabilities in 2019. During the six months ended 30 June 2019, the Group had expanded its design and R&D team which currently consist of a total of 17 members, as compared to 15 members in the same period of 2018, who are professional in focusing on market research, data analysis, product design and development, helping our clients in monitoring consumer demands and setting the latest trends in kitchenware and household products as well as collaborating with our customers to derive patentable solutions. These capabilities differentiated us among our peers and fortified our strategic partnership with our customers.

With strong background in industrial designs as well as experiences in manufacturing, the Group's product engineering team, which currently has 8 engineers, provide innovative raw material ideas and cost-effective solutions to streamline the overall manufacturing process. As at 30 June 2019, the Group engaged a team of over 90 quality assurance professionals stationed at or near the production factories in the People's Republic of China (the "PRC"). No major quality control issues or complaints were reported during the six months ended 30 June 2019.

### **International clientele**

The Group has an extensive sales network and international clientele. During the six months ended 30 June 2019, clients from the U.S. contributed over 73.1% of total revenue. Asia, Europe and Canada contributed 19.1%, 5.3% and 2.0%, respectively, and the Group received orders from over 100 customers.

In addition to maintaining solid partnership with its existing customers, the Group also endeavored to explore new business opportunities. During the six months ended 30 June 2019, the Group has visited various famous trade fair and show worldwide. Via such platforms, the Group was able to reach merchandisers from around the globe and closely track the latest innovation and design trends in the industry.

### FUTURE STRATEGY

The Group has set strong foot-holds in the global kitchenware and household product industry, especially in the mid-tier and high-end market. Leveraging on its success and foundation, the Group will continue to seek growth in its existing overseas and the PRC markets. The markets in the U.S. and Europe are expected to remain stable while that of the PRC will continue to grow. However, the market is clouded with the concern over the imposition of tariff on the additional Chinese goods as announced during the period under review and in early August 2019. Same as the Group's strategies in previous years, the Group will continue to enhance its capability in product innovation and better cater for the demand of its customers in 2019, with mid-tier and high-end kitchenware and household product markets will remain the Group's focus. The Group will continue to participate in major trade shows to further broaden its customer base, through which the Group is able to work with local importers and trade agents and expand potential collaborations with well-known U.S. and Europe brand owners and retailers.

The Group will continue to focus on expanding the retail kitchenware and household product assortment and seek for growth in the PRC market. The large population of middle-class consumers in the PRC who are craving for quality and trendy products in pursuit of wellness living and higher standard of living. Furthermore, since the introduction of the two-child policy by the PRC government in 2015, the demand for toddler and children products has been increasing which provides ample business opportunities and incentive to the Group to continue expanding product assortment and dedicating more resources, such as enhancing its e-commerce platform and marketing and promotion activities, to capture the mother and toddler's market and to increase its market share in the PRC. Following the success on launching the toddler and children products in the PRC market, the Group is also exploring other markets such as Japan and the Northern Europe countries. The Group has successfully launched the toddler products series in the PRC, Japan and Denmark during the year 2018 and the Group is optimistic about the prospect of this new product line.

Facing the challenge, the Group will continue to adhere to the differentiation strategy with its strong design and engineering skills and enhance its design capabilities to provide tailor-made services to its customers to increase order levels from existing customers and to attract new customers, with an aim to diversify and expand its customer base to achieve a sustainable revenue growth.

In addition, the Group also engages in raw materials trading business in order to diversify and increase its revenue source. For this business segment, the Group will continue to explore more potential commodities suppliers with high reliability around the world for enriching the raw material intelligence and increasing the varieties of raw materials to enjoy the benefits of economies of scale and synergy efficiency.

Innovation is one of the key components of the Group's success. During the year 2018, the Group has entered into an agreement for the acquisition of four independent, separately operated production lines, each of which consists of standard version of the Nanospider™ eight-electrode solvent optimized 1,600 mm width with an upward spinning configuration (the "Equipment") which is a versatile technology easily adapted to a variety of process parameters for the optimization of the specific properties of the produced nanofibers. The Equipment will upgrade the Group's supply chain production capability for the production of components for the Group's existing products portfolio, as well as new products range in future. The Group has already identified an appropriate location in Hong Kong to assemble and test run the first production line. As a result of a change in the combination of raw material test on the Equipment, it is expected the trial production and mass production will commence in the 4th quarter of 2019.

## FINANCIAL REVIEW

### Revenue

The Group recorded a modest growth in revenue for the first half of year 2019 comparing to the same period in year 2018. During the six months ended 30 June 2019, the Group's total revenue was approximately HK\$784.6 million, representing an increase of approximately 0.5% as compared to approximately HK\$780.9 million for the same period in year 2018. The slight increase was mainly due to the new revenue sources to the Group generated from the Group's new sales projects with certain famous brand name owners which was offset by a decrease in sales from the segment of trading of raw materials.

### Gross profit and gross profit margin

The Group's gross profit increased by approximately 3.8% to approximately HK\$154.2 million for six months ended 30 June 2019 (six months ended 30 June 2018: HK\$148.6 million) and the gross profit margin increased by approximately 0.7% to approximately 19.7% for the six months ended 30 June 2019 (six months ended 30 June 2018: 19.0%). The higher gross profit margin was mainly due to the effective cost control on supply chain management in the first half of 2019.

### Other income and gains, net

During the six months ended 30 June 2019, other income and gains increased by approximately 132.4% to approximately HK\$7.9 million (six months ended 30 June 2018: HK\$3.4 million) primarily due to the increase in interest income and government grants during the period.

### Distribution expenses

During the six months ended 30 June 2019, distribution expenses increased by 4.3% to approximately HK\$24.2 million (six months ended 30 June 2018: HK\$23.2 million). The increase was mainly due to the Group's dedication of more resources on the PRC retail business to increase its market penetration in the PRC and also the increase in staff cost to reinforce the Group's sales team by recruiting more talent people to join our group.

### Administrative expenses

During the six months ended 30 June 2019, administrative expenses increased by approximately 14.7% to approximately HK\$61.6 million (six months ended 30 June 2018: HK\$53.7 million). The increase was primarily due to the Group's investment in human resources and the increase in rental expenses and bank charges.

### Profit attributable to owners of the Company

Profit for the six months ended 30 June 2019 increased slightly by approximately 2.9% to approximately HK\$57.5 million (six months ended 30 June 2018: HK\$55.9 million). The increase was due to the increase in gross profit and other income during the period.

### EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group had 160 employees (30 June 2018: 153 employees). Total staff costs (including Directors' emoluments) were approximately HK\$33.0 million for the six months ended 30 June 2019, as compared to approximately HK\$28.9 million for the same period in 2018.

The Group remunerates its employees based on their qualifications, performance, experience and prevailing industry practice. Competitive remuneration package is offered to retain elite employees including salaries, medical insurance, discretionary bonuses as well as mandatory provident fund schemes for employees in Hong Kong and state managed retirement benefit schemes for employees in the PRC.

The emoluments of the Directors are decided by the Remuneration Committee, based on the Group's operating results, individual performance and comparable market statistics.

### SIGNIFICANT INVESTMENT HELD AND FUTURE PLANS FOR MATERIAL INVESTMENTS ON CAPITAL ASSETS

Other than the financial assets at fair value through profit or loss and the financial assets at fair value through other comprehensive income as disclosed in the condensed consolidated statement of financial position, there were no significant investment held as at 30 June 2019.

On 15 October 2018, Nanoshields Technology Limited ("Nanoshields") as purchaser, an indirect wholly-owned subsidiary of the Company, and ELMARCO s.r.o. ("ELMARCO") as vendor, entered into the Equipment Sales Agreement with the vendor in relation to the purchase of equipment, four independent separately operated production lines, at the consideration of approximately EUR6.3 million (or approximately HK\$57.2 million as at contract date). The completion is subject to the final acceptance test of the fourth production line or by 1 July 2022, whichever is earlier.

The consideration will be satisfied by the internal resources of the Group without recourse to the net proceeds from the Company's share offer completed in January 2015.

For more details, please refer to the announcements of the Company dated 15 October 2018.

### MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the six months ended 30 June 2019, the Group had not made any material acquisition or disposal of subsidiaries and associated companies.

### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group manages its capital structure with the aim to ensure the Group will be able to continue as a going concern, maximize the return to the shareholders of the Company and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The management reviews the capital structure regularly by considering the risk and benefit associated with each class of capital and adjusts the capital structure as it sees fit and appropriate.

As at 30 June 2019, the Group had cash and bank balances amounted to approximately HK\$464.0 million (31 December 2018: HK\$421.4 million) which were mainly denominated in United States dollars (“USD”), Renminbi (“RMB”) and Hong Kong dollars (“HKD”). The Group had bank overdrafts and bank borrowings of approximately HK\$14.0 million (31 December 2018: HK\$35.5 million) and approximately HK\$63.0 million (31 December 2018: HK\$145.2 million) respectively as at 30 June 2019.

The annual interest rate of the bank overdrafts and bank borrowings during the six months ended 30 June 2019 ranged from 2.4% to 4.1% (31 December 2018: ranged from 3.5% to 4.5%) and from 1.6% to 5.0% (31 December 2018: ranged from 1.3% to 4.3%) respectively.

#### Gearing ratio

The Group’s gearing ratio is calculated as total borrowings, which is the summation of bank overdrafts, bank borrowings and loans from non-controlling interests, divided by total equity. The gearing ratio of the Group as at 30 June 2019 and 31 December 2018 were 12.5% and 27.9% respectively. The decrease of the gearing ratio was mainly due to the repayment of bank overdrafts and bank borrowings during the period.

### FOREIGN EXCHANGE EXPOSURE

The Group mainly earns revenue in USD and incurs cost in HKD and RMB. The Group is exposed to foreign exchange risk with respect mainly to USD and RMB which may affect the Group’s performance. The management is aware of the possible exchange rate exposure due to the continuing fluctuation of RMB and will closely monitor its impact on the performance of the Group to see if any hedging policy is necessary. The Group currently does not have any hedging policy.

### PLEDGE OF ASSETS

As at 30 June 2019, the Group’s leasehold land and buildings with an aggregate carrying amount of approximately HK\$18.4 million (31 December 2018: HK\$18.8 million), bond classified as financial assets at fair value through profit or loss of approximately HK\$7.6 million (31 December 2018: HK\$7.6 million) and pledged bank deposits of HK\$22.1 million (31 December 2018: HK\$22.1 million) were pledged to secure general banking facilities granted to the Group.

### USE OF PROCEEDS FROM THE SHARE OFFER

The net proceeds from the Company’s share offer in January 2015 amounted to approximately HK\$219.8 million (after deducting underwriting commissions and all related expenses). Such net proceeds are intended to be or have been applied in accordance with the proposed application as set out in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 31 December 2014 (the “Prospectus”). As at 30 June 2019, approximately HK\$107.9 million of the proceeds raised has been utilised and the unused proceeds were deposited in licensed banks in Hong Kong. In the event that the Directors decided to use such net proceeds in a manner different from that stated in the Prospectus, the Company will issue further announcement in compliance with the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

## Management Discussion and Analysis

The amounts utilised as at 30 June 2019 are as follows:

Purposes of net proceeds	Percentage	As at 30 June 2019		Remaining balance (HK\$' million)
		Amount of net proceeds (HK\$' million)	Amount utilised (HK\$' million)	
1. To broaden customer base, to expand penetration in existing markets and to penetrate into new markets	5%	11.0	11.0	–
2. To enhance our product design, development and engineering capabilities	22%	48.4	47.2	1.2
3. To establish flagship stores, with one flagship store in Shanghai by end of 2015, and expand our retail sales networks and e-commerce business in the PRC	15%	33.0	21.2	11.8
4. To purchase and renovate office premises	45%	98.9	–	98.9
5. To enhance our information technology infrastructure	3%	6.5	6.5	–
6. For working capital and general corporate purposes	10%	22.0	22.0	–
	100%	219.8	107.9	111.9

### CONTINGENT LIABILITIES

As at 30 June 2019, the Group had no significant contingent liabilities (31 December 2018: Nil).

### CAPITAL COMMITMENTS

As at 30 June 2019, the Group has capital commitment of approximately HK\$39.8 million (31 December 2018: approximately HK\$42.1 million) for the purchase of and addition to property, plant and equipment.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance and has steered its development and protection of the interests of the shareholders of the Company ("Shareholders") in an enlightened and open manner. The Board comprises two executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code ("CG Code") set out in Appendix 14 to the Listing Rules. During the period under review and up to the date of this report, the Company has complied with the CG Code, except for code provision A.2.1, which provides that, among other things, the role of chairman of the board and the chief executive officer of a listed issuer shall be separate and shall not be performed by the same individual.

Mr. Wong Siu Wah is both the chief executive officer and the chairman of the Board of the Company which deviates from code provision A.2.1. The Board considers that vesting the role of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by the current Board composition and structure taking into account the background and experience of the Directors and the number of independent non-executive Directors on the Board.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Directors have adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in dealing in the Company's securities. Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code throughout the six months ended 30 June 2019.

## AUDIT COMMITTEE

The Company has an audit committee (the "Audit Committee") which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process, risk management and internal controls. The Audit Committee, comprising Ms. Leung Wai Ling, Wylie (Chairman), Dr. Lau Kin Tak and Mr. Anthony Graeme Michaels, has reviewed the Company's unaudited condensed interim financial statements for the six months ended 30 June 2019 and the accounting principles and practices adopted, and discussed auditing, risk management, internal controls and financial reporting matters with our management and the Company's external auditors.

## INTERIM DIVIDEND AND SPECIAL DIVIDEND

The Board resolved to declare an interim dividend of HK5.5 cents per share (six months ended 30 June 2018: interim dividend HK5.5 cents per share) and a special dividend of HK1.5 cents per share (six months ended 30 June 2018: HK1.5 cents per share) to Shareholders whose names appear on the register of members on 16 September 2019 representing a payout ratio of approximately 85.1% of profit attributable to owners of the Company for the six months ended 30 June 2019. The interim dividend and special dividend will be paid on or around 26 September 2019.

## CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlements to the interim dividend and special dividend, the register of members of the Company will be closed from 13 September 2019 to 16 September 2019 (both days inclusive) during which period no transfer of shares will be effected. In order to qualify for the interim dividend and special dividend, all transfers accompanied by the relevant share certificate must be lodged with the Company's share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 12 September 2019.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019.

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained sufficient public float as required under the Listing Rules throughout the six months ended 30 June 2019.

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 June 2019, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of director	Long positions in the shares of the Company				Total	Percentage (%)
	Personal interest	Family interests	Corporate interests	Other interests		
Mr. Wong Siu Wah ("Mr. Wong")	–	–	525,000,000 (Note)	–	525,000,000	75%

Note:

The 525,000,000 shares comprise 105,000,000 shares held by First Concord Limited, which is held as to 60% by Mr. Wong and as to 40% by Ms. Cheng Rebecca Hew Hong ("Ms. Cheng"), and 420,000,000 shares held by City Concord Limited, which is 100% held by Mr. Wong. Accordingly, Mr. Wong is deemed to be interested in the shares held by First Concord Limited and City Concord Limited.

Saved as disclosed above, as at 30 June 2019, none of the Directors and the chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, at no time during the six months period ended 30 June 2019 was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the Directors and the chief executive of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2019, the persons (not being the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follows:

### Interests in shares

Name of substantial shareholders	Capacity/nature of interests	Number of shares held (Note 1)	Approximate percentage of issued share capital (%)
First Concord Limited (Note 2)	Beneficial owner	105,000,000 <sup>(L)</sup>	15%
City Concord Limited (Note 3)	Beneficial owner	420,000,000 <sup>(L)</sup>	60%
Ms. Cheng	Interest of controlled corporation and interest of spouse	525,000,000 <sup>(L)</sup>	75%

Notes:

- The letter "L" denotes a long position in the Shareholder's interest in the share capital of the Company.
- First Concord Limited is held as to 60% by Mr. Wong and 40% by Ms. Cheng. Mr. Wong and Ms. Cheng are therefore both deemed to be interested in the 105,000,000 shares held by First Concord Limited.
- City Concord Limited is wholly and beneficially owned by Mr. Wong. Mr. Wong is therefore deemed to be interested in the 420,000,000 shares held by City Concord Limited. Ms. Cheng is deemed to be interested in the 420,000,000 shares held by City Concord Limited by reason of her being the spouse of Mr. Wong.

### Interests in other member(s) of the Group

Name of non-wholly owned subsidiary of the Company	Name of registered substantial shareholders (other than members of the Group)	Approximate percentage of issued share capital (%)
Homespan (HK) Limited	Mr. Christopher Paul Liversey	44%
Manweal Development Limited	Primehill Holdings Limited	32%
寧波家之良品國際貿易有限公司 (Ningbo Homesbrands International Trading Company Limited)	Mr. Lin Zhao	25%

Save as disclosed above, as at 30 June 2019, the Directors were not aware of any other person having an interest or short position in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

### DISCLOSURE OF INFORMATION ON DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Since the last published annual report of the Company, there is no change in the Director's information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

### SHARE OPTION SCHEME

On 22 December 2014, the Company has conditionally adopted a share option scheme (the "Share Option Scheme") for the purposes of recognizing and acknowledging the contributions that eligible participants have made or may make to our Group. The Share Option Scheme became unconditional and commenced on 16 January 2015 (the "Listing Date") and will remain in force for 10 years from such date unless otherwise cancelled or amended.

Eligible participants of the Share Option Scheme include (i) any Director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company ("Affiliate"); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any Director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or an Affiliate; or (iii) a company beneficially owned by any Director, employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to our Group or an Affiliate.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the shares in issue as at the Listing Date (or 70,000,000 shares of the Company) (the "Limit"). Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- i. refresh the Limit at any time to 10% of the shares in issue as at the date of the approval of the Limit (as refreshed) by the Shareholders in general meeting; or
- ii. grant options beyond the Limit to eligible participants specifically identified by the Board before approval is sought.

Notwithstanding the foregoing, the maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the shares of the Company in issue from time to time. The maximum number of shares issuable upon the exercise of options granted under the Share Option Scheme and any other share option scheme adopted by the Group (including both exercised, cancelled or outstanding options) to each grantee within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of options in excess of this 1% limit shall be subject to: (i) the issue of a circular by the Company; and (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time. Options granted to a Director, chief executive or substantial Shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors of the Company. In addition, any options granted to a substantial Shareholder or an independent non-executive Director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to Shareholders' approval in advance in a general meeting.

The exercise period of the options granted is to be determined by the Board, which period may commence from the date of the offer of the options, and ends on a date which is not later than ten years from the date of grant of the options subject to the provisions for early termination thereof. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company non-refundable HK\$1 upon acceptance of the grant.

The exercise price of the options is to be determined by the Board, but shall not be less than the highest of (i) the closing price of the Company's shares as quoted on the Stock Exchange's daily quotations sheet on the date of grant of option, which must be a business day; (ii) the average closing price of the Company's shares as quoted on the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant of option; and (iii) the nominal value of a share.

As at 30 June 2019, no options have been granted, exercised or lapsed under the Share Option Scheme.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Notes	Six months ended 30 June	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
<b>Revenue</b>	6	<b>784,576</b>	780,882
Cost of sales		<b>(630,385)</b>	(632,296)
<b>Gross profit</b>		<b>154,191</b>	148,586
Other income and gains, net	7	<b>7,911</b>	3,391
Distribution expenses		<b>(24,214)</b>	(23,227)
Administrative expenses		<b>(61,557)</b>	(53,694)
Share of result of an associate		<b>2,509</b>	–
Finance costs	9	<b>(895)</b>	(187)
<b>Profit before income tax</b>	8	<b>77,945</b>	74,869
Income tax expenses	10	<b>(12,523)</b>	(9,320)
<b>Profit for the period</b>		<b>65,422</b>	65,549
<b>Other comprehensive income</b>			
<b>Item that may be reclassified subsequently to profit or loss:</b>			
Exchange difference arising on translation of foreign operations		<b>148</b>	(784)
<b>Item that may not be reclassified subsequently to profit or loss:</b>			
Change in fair value of financial assets at fair value through other comprehensive income		<b>(100)</b>	–
<b>Other comprehensive income for the period</b>		<b>48</b>	(784)
<b>Total comprehensive income for the period</b>		<b>65,470</b>	64,765
<b>Profit for the period attributable to:</b>			
Owners of the Company		<b>57,546</b>	55,934
Non-controlling interests		<b>7,876</b>	9,615
		<b>65,422</b>	65,549
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>57,518</b>	55,563
Non-controlling interests		<b>7,952</b>	9,202
		<b>65,470</b>	64,765
		<b>HK cents</b>	HK cents
<b>Earnings per share:</b>	11		
– Basic		<b>8.2</b>	8.0
– Diluted		<b>8.2</b>	8.0

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	<i>Notes</i>	<b>30 June 2019 HK\$'000 (Unaudited)</b>	31 December 2018 HK\$'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	42,733	38,079
Prepaid land lease payments		–	1,623
Right-of-use assets		10,543	–
Other asset		172	172
Interest in associates		11,222	8,713
Deposits paid for property, plant and equipment		17,381	23,904
Financial assets at fair value through other comprehensive income	17	3,350	3,450
Deferred tax assets		57	6
		<b>85,458</b>	75,947
<b>Current assets</b>			
Inventories	14	46,080	64,851
Trade receivables	15	355,813	360,862
Prepayments, deposits and other receivables		62,146	79,414
Financial assets at fair value through profit or loss	16	53,981	53,053
Amounts due from associates		498	492
Prepaid tax		5,205	9,866
Pledged bank deposits		22,136	22,083
Cash and bank balances		464,023	421,415
		<b>1,009,882</b>	1,012,036
<b>Current liabilities</b>			
Trade and bills payables	18	168,511	120,754
Deposits received, other payables and accruals		39,244	58,893
Contract liabilities		10,271	7,562
Bank overdrafts		14,011	35,453
Bank borrowings		63,000	145,233
Lease liabilities		3,999	–
Loans from non-controlling interests		13,086	13,087
Amount due to an associate		2,911	1,980
Dividend payable	12(ii)	42,000	–
Provision for tax		10,284	5,158
		<b>367,317</b>	388,120
<b>Net current assets</b>		<b>642,565</b>	623,916
<b>Total assets less current liabilities</b>		<b>728,023</b>	699,863

## Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	<i>Notes</i>	<b>30 June 2019 HK\$'000 (Unaudited)</b>	31 December 2018 HK\$'000 (Audited)
<b>Non-current liabilities</b>			
Lease liabilities		4,884	–
Deferred tax liabilities		4,783	4,936
		<b>9,667</b>	4,936
<b>Net assets</b>			
		<b>718,356</b>	694,927
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	19	7,000	7,000
Reserves		685,189	669,696
		<b>692,189</b>	676,696
Non-controlling interests		26,167	18,231
		<b>718,356</b>	694,927

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Equity attributable to owners of the Company									Non-controlling interests	Total Equity
	Share capital	Share premium*	Merger reserve*	Revaluation reserve*	Exchange reserve*	Statutory reserve*	Other reserve*	Retained profits*	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 31 December 2017, as previously stated (Audited)</b>	7,000	215,385	(4,231)	1,033	2,281	980	2,867	429,824	656,139	4,374	659,513
Adoption of HKFRS 9	-	-	-	(1,033)	-	-	-	2,628	1,595	-	1,595
<b>At 1 January 2018 (Restated)</b>	7,000	215,385	(4,231)	-	2,281	980	2,867	432,452	656,734	4,374	661,108
2017 final dividend (note 12(ii))	-	-	-	-	-	-	-	(49,000)	(49,000)	-	(49,000)
<b>Transactions with Owners</b>	-	-	-	-	-	-	-	(49,000)	(49,000)	-	(49,000)
Profit for the period	-	-	-	-	-	-	-	55,934	55,934	9,615	65,549
<b>Other comprehensive income</b>											
- Exchange difference arising on translation of foreign operations	-	-	-	-	(371)	-	-	-	(371)	(413)	(784)
<b>Total comprehensive income for the period</b>	-	-	-	-	(371)	-	-	55,934	55,563	9,202	64,765
<b>At 30 June 2018 (Unaudited)</b>	7,000	215,385	(4,231)	-	1,910	980	2,867	439,386	663,297	13,576	676,873
<b>At 31 December 2018, as previously stated (Audited)</b>	7,000	215,385	(4,231)	-	2,240	2,745	2,867	450,690	676,696	18,231	694,927
Adoption of HKFRS 16 (note 4)	-	-	-	-	-	-	-	(25)	(25)	(16)	(41)
<b>At 1 January 2019 (Restated)</b>	7,000	215,385	(4,231)	-	2,240	2,745	2,867	450,665	676,671	18,215	694,886
2018 final dividend (note 12(ii))	-	-	-	-	-	-	-	(42,000)	(42,000)	-	(42,000)
<b>Transactions with owners</b>	-	-	-	-	-	-	-	(42,000)	(42,000)	-	(42,000)
Profit for the period	-	-	-	-	-	-	-	57,546	57,546	7,876	65,422
<b>Other comprehensive income</b>											
- Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	(100)	-	-	-	-	(100)	-	(100)
- Exchange difference arising on translation of foreign operations	-	-	-	-	72	-	-	-	72	76	148
<b>Total comprehensive income for the period</b>	-	-	-	(100)	72	-	-	57,546	57,518	7,952	65,470
<b>At 30 June 2019 (Unaudited)</b>	7,000	215,385	(4,231)	(100)	2,312	2,745	2,867	466,211	692,189	26,167	718,356

\* The aggregate balances of these reserve accounts of HK\$685,189,000 (30 June 2018: HK\$656,297,000) are included as reserves as at 30 June 2019 in the condensed consolidated statement of financial position.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
<b>Net cash generated from operating activities</b>	<b>153,869</b>	68,699
<b>Net cash used in investing activities</b>	<b>(4,795)</b>	(29,914)
<b>Net cash used in financing activities</b>	<b>(85,178)</b>	(3,141)
<b>Net increase in cash and cash equivalents</b>	<b>63,896</b>	35,644
<b>Cash and cash equivalents at beginning of period</b>	<b>385,962</b>	417,402
<b>Effect on foreign exchange rate changes</b>	<b>154</b>	(811)
<b>Cash and cash equivalents at end of period</b>	<b>450,012</b>	452,235
<b>Analysis of cash and cash equivalents</b>		
Cash and bank balances	<b>464,023</b>	479,492
Bank overdrafts	<b>(14,011)</b>	(27,257)
Cash and cash equivalents at end of period	<b>450,012</b>	452,235

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 1. GENERAL INFORMATION

King's Flair International (Holdings) Limited (the "Company") is a limited liability company incorporated in the Cayman Islands and domiciled in Hong Kong. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business in Hong Kong is 12/F, Yardley Commercial Building, 3 Connaught Road West, Hong Kong. The Company's shares are listed on the Stock Exchange.

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are trading, retail, wholesale and distribution of kitchenware and household products and trading of raw materials. There were no significant changes in the Group's operations during the period. In the opinion of the directors, the Company's ultimate holding company is City Concord Limited, a company incorporated in the British Virgin Islands.

## 2. BASIS OF PREPARATION

The condensed consolidated interim financial statements has been prepared in accordance with the applicable disclosure requirement of Appendix 16 of the Listing Rules, and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The preparation of the condensed consolidated interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

The condensed consolidated interim financial statements contain selected explanatory notes which include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the consolidated financial statements for the year ended 31 December 2018 (the "2018 Annual Report"). The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and should be read in conjunction with the Group's 2018 Annual Report.

The condensed consolidated interim financial statements have been prepared under the historical cost convention, except for those financial assets that are measured at fair values. The condensed consolidated interim financial statements are unaudited but has been reviewed by the Company's audit committee.

This condensed consolidated interim financial statements are presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Company and all values are rounded to the nearest thousand ("HK\$'000") unless otherwise indicated.

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019

### 3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current interim period, the Group has applied, for the first time, the following amendments issued by the HKICPA:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 28	Long-term Interest in Associates and Joint Ventures
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs

Save as disclosed in the note below, the application of the other new or revised HKFRSs in the current interim period has no material effect on the amounts reported in the condensed consolidated interim financial statements and/or disclosures set out in the condensed consolidated interim financial statements.

The Group has not early adopted any new or revised HKFRSs that have been issued but are not yet effective in the condensed consolidated interim financial statements.

### 4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

The impact of the adoption of HKFRS 16 Leases have been summarised in below. The other new or revised HKFRSs that are effective from 1 January 2019 did not have any significant impact on the Group’s accounting policies.

#### (i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases (“HKAS 17”), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee’s perspective, almost all leases are recognised in the condensed consolidated statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor’s perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group’s accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (v) of this note.

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019

### 4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(Continued)*

#### (i) Impact of the adoption of HKFRS 16 *(Continued)*

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following tables summarised the impact of transition to HKFRS 16 on condensed consolidated statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows (increase/(decrease)):

	HK\$'000
<b>Condensed consolidated statement of financial position as at 1 January 2019</b>	
<b>Assets</b>	
Prepaid land lease payments	(1,623)
Right-of-use assets	9,989
Deferred tax assets	13
<b>Total assets</b>	<b>8,379</b>
<b>Liabilities</b>	
Lease liabilities (non-current)	5,274
Lease liabilities (current)	3,146
<b>Total liabilities</b>	<b>8,420</b>
<b>Total adjustment on equity</b>	
Retained profits	(25)
Non-controlling interests	(16)
	<b>(41)</b>

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019

### 4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(Continued)*

#### (i) Impact of the adoption of HKFRS 16 *(Continued)*

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the condensed consolidated statement of financial position as at 1 January 2019:

<i>Reconciliation of operating lease commitment to lease liabilities</i>	HK\$'000
Operating lease commitment as of 31 December 2018	12,873
Less: short-term leases for which lease terms end within 31 December 2019	(2,338)
Less: leases of low-value assets	(101)
Less: leases included in termination option which the Group considers reasonably certain to exercise	(1,588)
Less: future interest expenses	(426)
<b>Total lease liabilities as of 1 January 2019</b>	<b>8,420</b>

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the condensed consolidated statement of financial position as at 1 January 2019 is approximately 3.8%.

#### (ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

#### 4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(Continued)*

##### **(iii) Accounting as a lessee**

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the condensed consolidated statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the condensed consolidated statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets (the Group has leased mobile phones, laptop computers and photocopying machines) and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

##### **Right-of-use asset**

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019

### 4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(Continued)*

#### **(iii) Accounting as a lessee** *(Continued)*

##### **Lease liability**

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

#### **(iv) Accounting as a lessor**

As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these condensed consolidated interim financial statements.

#### 4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(Continued)*

##### **(v) Transition**

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application (1 January 2019). The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019; (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases; and (v) reliance on previous assessment on whether lease are onerous.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019

### 5. SEGMENT INFORMATION

#### (i) Operating segment information

The Group has identified its operating segment and prepared segment information based on the regular internal financial statements reported to the Company's executive directors for their decisions about resources allocation to the Group's business component and review of the components' performance. There are two business components in the internal reporting to the executive directors, which are (i) trading of kitchenware and household products and (ii) trading of raw materials.

	Trading of kitchenware and household products		Trading of raw materials		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Segment revenue</b>						
Revenue from external customers	725,930	700,951	58,646	79,931	784,576	780,882
<b>Segment results</b>	70,487	74,566	8,368	2,701	78,855	77,267
<b>Share of result of an associate</b>					2,509	-
Unallocated income					1,167	726
Unallocated expenses					(4,586)	(3,124)
<b>Profit before income tax</b>					77,945	74,869

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019

### 5. SEGMENT INFORMATION *(Continued)*

#### (i) Operating segment information *(Continued)*

	Trading of kitchenware and household products		Trading of raw materials		Total	
	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
Segment assets	806,651	790,788	81,731	97,378	888,382	888,166
Prepaid tax					5,205	9,866
Deferred tax assets					57	6
Interests in associates					11,222	8,713
Unallocated corporate assets <sup>#</sup>					190,474	181,232
Consolidated total assets					1,095,340	1,087,983
Segment liabilities	314,267	377,650	2,071	2,745	316,338	380,395
Provision for tax					10,284	5,158
Deferred tax liabilities					4,783	4,936
Dividend payable					42,000	–
Unallocated corporate liabilities					3,579	2,567
Consolidated total liabilities					376,984	393,056

<sup>#</sup> Unallocated corporate assets mainly represented cash and bank balances which held as general working capital of the Group which are not directly attributable to any operating segment.

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019

### 5. SEGMENT INFORMATION *(Continued)*

#### (i) Operating segment information *(Continued)*

	Trading of kitchenware and household products		Trading of raw materials		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Other segment information:</b>						
Interest income	2,083	843	7	-	2,090	843
Interest expenses	(895)	(187)	-	-	(895)	(187)
Depreciation of property, plant and equipment	(3,085)	(2,606)	-	-	(3,085)	(2,606)
Depreciation of right-of-use assets	(1,972)	-	-	-	(1,972)	-
Amortisation of intangible asset	-	(2,403)	-	-	-	(2,403)
Impairment of trade receivables	(94)	(95)	(51)	-	(145)	(95)
Fair value gain/(loss) on financial assets at fair value through profit or loss	1,271	(1,025)	-	-	1,271	(1,025)

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019

### 5. SEGMENT INFORMATION *(Continued)*

#### (ii) Disaggregated revenue and geographical segment information

The management determines the Group is domiciled in Hong Kong, which is the location of the Group's principal place of operations. The Group's revenue from external customers, recognised at point in time, is divided into the following geographical areas:

	Notes	Six months ended 30 June	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
United States		<b>573,184</b>	560,386
Europe	(a)	<b>41,710</b>	35,319
Asia	(b)	<b>149,893</b>	175,657
Canada		<b>15,586</b>	8,697
Other locations	(c)	<b>4,203</b>	823
		<b>784,576</b>	780,882

Notes:

- (a) Principally included United Kingdom, Switzerland, France and Germany
- (b) Principally included Hong Kong, Japan and the PRC
- (c) Principally included Australia and New Zealand

The geographical location of customers is based on the location of customers. The geographical location of other non-current assets is based on the physical location of the assets. As at 30 June 2019 and 31 December 2018, over 90% of the Group's non-current assets (other than financial instruments and deferred tax assets) are located in Hong Kong.

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019

### 5. SEGMENT INFORMATION *(Continued)*

#### (iii) Information about major customers

An analysis of revenue from customers with whom transactions have exceeded 10% of the Group's revenue for the period was as follows:

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Company A	333,903	338,419
Company B	138,362	118,714

### 6. REVENUE

The Group is principally engaged in trading of kitchenware and household products and raw materials. Revenue from sales of kitchenware and household products and raw materials are recognised at point in time when there is evidence that the control of goods has been transferred to the customer, the customer has adequate control over the goods and the Group has no unfulfilled obligations that affect customer accepting the goods. Revenue recognised during the period is as follows:

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue from contracts with customers		
– Sales of kitchenware and household products	725,930	700,951
– Sales of raw materials	58,646	79,931
	784,576	780,882

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019

### 7. OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Bank interest income	3,136	1,879
Interest income from unlisted bond	105	–
Gain on disposal of property, plant and equipment	–	200
Government grants	3,031	1,712
Fair value gain/(loss) on financial assets at fair value through profit or loss, net	928	(1,646)
Recharge from customers	224	849
Others	487	397
	<b>7,911</b>	<b>3,391</b>

### 8. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Profit before income tax is arrived at after charging/(crediting):		
Cost of inventories sold recognised as expense	630,385	632,296
Impairment of trade receivables	145	95
Depreciation of right-of-use assets	1,999	–
Depreciation of property, plant and equipment	3,111	2,631
Amortisation of intangible asset	–	2,403
Amortisation of prepaid land lease payments	–	28
Research expenses	65	1,822
Employee benefit expenses (including directors' remuneration)		
Wages, salaries and other benefits	25,309	20,199
Discretionary bonuses	6,000	7,442
Contributions to defined contribution schemes	1,705	1,267
	<b>33,014</b>	<b>28,908</b>
Exchange gain, net	(1,437)	(679)

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019

### 9. FINANCE COSTS

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interest charges on financial liabilities at amortised cost:		
Bank borrowings	525	–
Bank overdrafts	201	187
Lease liabilities	169	–
	<b>895</b>	187

### 10. INCOME TAX EXPENSES

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
The taxation attributable to the Group's operation comprises:		
Current tax		
– Hong Kong profits tax	10,004	7,994
– Income tax outside Hong Kong	2,709	2,421
	<b>12,713</b>	10,415
Deferred tax		
– Credited for the period	(190)	(1,095)
Income tax expenses	<b>12,523</b>	9,320

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019

### 10. INCOME TAX EXPENSES *(Continued)*

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 profits tax rate for the first HK\$2 million of assessable profits of a subsidiary in Hong Kong will be taxed at 8.25% and the assessable profits above HK\$2 million will continue to be subject to the rate of 16.5% for the six months ended 30 June 2019 and 2018. The profits of other subsidiaries in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate 16.5%.

Enterprise income tax ("EIT") for the period was calculated at 25% (six months ended 30 June 2018: 25%) of the estimated assessable profits arising from the PRC. Tax losses were utilised to offset against the assessable profit generated by the Group's PRC subsidiaries for the six months ended 30 June 2018. The income tax for other jurisdictions is calculated at the rates applicable in the respective jurisdictions.

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

### 11. EARNINGS PER SHARE

#### **Basic earnings per share**

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the period of HK\$57,546,000 (six months ended 30 June 2018: HK\$55,934,000) and the weighted average of 700,000,000 (six months ended 30 June 2018: 700,000,000) ordinary shares in issue during the interim period.

#### **Diluted earnings per share**

There were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2019 and 2018, and hence the diluted earnings per share is the same as basic earnings per share.

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019

### 12. DIVIDENDS

- i. Dividends to equity shareholders attributable to the interim period:

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interim dividend declared and payable after the interim period of HK5.5 cents per share (six months ended 30 June 2018: HK5.5 cents per share)	38,500	38,500
Special dividend declared and payable after the interim period of HK1.5 cents per share (six months ended 30 June 2018: HK1.5 cents per share)	10,500	10,500
	<b>49,000</b>	49,000

The interim and special dividends have not been recognised as a liability of the end of the reporting period.

- ii. Dividends to equity shareholders attributable to previous financial year, approved and payable/paid during the interim period:

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Final dividend in respect of the previous financial year, approved and payable during the following interim period, of HK6.0 cents per share (six months ended 30 June 2018: approved and paid during the following interim period of HK7.0 cents per share)	42,000	49,000

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019

### 13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired property, plant and equipment at a total cost of approximately HK\$7,780,000 (six months ended 30 June 2018: HK\$1,967,000).

During the six months ended 30 June 2019, the Group has not disposed property, plant and equipment (six months ended 30 June 2018: HK\$5,000).

At 30 June 2019, the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK\$18,412,000 (31 December 2018: HK\$18,804,000) were pledged to secure general banking facilities granted to the Group.

### 14. INVENTORIES

	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
Merchandises, at cost	20,785	25,610
Raw materials	25,295	39,241
	<b>46,080</b>	64,851

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019

### 15. TRADE RECEIVABLES

	<b>As at 30 June 2019 HK\$'000 (Unaudited)</b>	<b>As at 31 December 2018 HK\$'000 (Audited)</b>
Trade receivables	<b>356,214</b>	361,232
Less: impairment loss allowance	<b>(401)</b>	(370)
	<b>355,813</b>	360,862

The Group's trading terms with customers are mainly on credit. The credit terms are generally 0 to 90 days from the invoice date. All trade receivables are interest-free.

As at 30 June 2019, the amount of trade debts assigned to the bank was HK\$184,780,000 but none was discounted for financing purpose.

As at 31 December 2018, the Group assigned and discounted part of its trade debts to a bank for financing purpose. In the event of default by the relevant debtors, the Group was obliged to pay the bank for the amount discounted in default. Interest was charged on the discounted debts ranged from 3.3% to 4.3% per annum on the proceeds received from the bank until the date the debtors settled the discounted invoice in full. The Group was therefore exposed to the risks of credit losses and late payment in respect of the discounted debts.

As at 31 December 2018, the amount of trade debts assigned to the bank was HK\$242,898,000, of which HK\$83,860,000 was discounted for financing purpose. The discounting arrangement did not meet the requirements under HKFRS 9 for de-recognition of financial assets as the Group substantially retains the risks and rewards of ownership of the discounted debts. At 31 December 2018, trade receivables of HK\$242,898,000 continued to be recognised in the Group's consolidated statement of financial position. The proceeds of the discounting arrangement were included in borrowings as asset-backed financing until the trade receivables were collected or the Group settled any losses suffered by the bank. At 31 December 2018, the asset-backed financing liability amounted to HK\$82,233,000. The carrying amount of the assets and associated liabilities under the discounting arrangement approximate to their fair value as at 31 December 2018.

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019

### 15. TRADE RECEIVABLES *(Continued)*

An ageing analysis of the Group's trade receivables (net of impairment loss allowance) as at the reporting date, based on the invoices dates, is as follows:

	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
0-30 days	149,082	188,698
31-60 days	116,608	80,484
61-90 days	67,709	69,659
Over 90 days	22,414	22,021
	<b>355,813</b>	360,862

### 16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
Listed equity securities in Hong Kong, at fair value <i>(note (a))</i>	30,608	29,378
Unlisted bond in Hong Kong, at fair value <i>(note (b))</i>	7,611	7,570
Unlisted secured promissory note in US, at fair value <i>(note (c))</i>	15,762	16,105
	<b>53,981</b>	53,053

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019

### 16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Notes:

- (a) The fair values of the Group's investment in listed equity securities have been determined by reference to their quoted market prices at the reporting date.
- (b) The fair values of the Group's unlisted bond is determined based on the quoted price from relevant financial institutions at the reporting date. As at 30 June 2019, the unlisted bond amounted to HK\$7,611,000 (31 December 2018: HK\$7,570,000) was pledged to a bank to secure the general banking facilities granted to the Group.
- (c) As at 30 June 2019, there was one (31 December 2018: one) unlisted secured promissory note (the "Note") with gross principal amount of US\$2,000,000 equivalent to HK\$15,560,000 (31 December 2018: US\$2,000,000 equivalent to HK\$15,560,000) due from an independent third party (the "Issuer"). The loan under the Note is interest-bearing at rate of 4% per annum or 10% per annum under an event of default. The principal of the loan was originally repayable on 15 June 2019, being twenty-four months from the issue date, and further extended its maturity date to 7 January 2020 by entering a supplementary agreement in June 2019 (the "Maturity Date"). Pursuant to the terms of the Note, the Group has the right to convert the outstanding loan amount and accrued interest to 51% of all shares outstanding post-conversion of the Issuer in the Group's sole discretion. The conversion right is exercisable at any time after one year of the issue date of the Note and prior to the Maturity Date of the Note. The outstanding principal and the interest receivable from the Note was secured by all the assets of the Issuer.

The fair value of the Note as at 30 June 2019 are determined by using binominal model performed by an independent valuer, Royson Valuation Advisory Limited (31 December 2018: LCH (Asia-Pacific) Surveyors Limited) with the following key parameters:

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Fair value of shares	<b>US\$606,000</b>	US\$940,000
Risk free interest rate	<b>1.87%</b>	2.45%
Time to maturity	<b>0.5 year</b>	0.5 year
Expected volatility	<b>37%</b>	43%
Expected dividend yield	<b>0%</b>	0%
Discount rate	<b>18.78%</b>	10.20%
Conversion period	<b>Commences one year after the purchase date until maturity</b>	Commences one year after the purchase date until maturity

As at 30 June 2019, the fair value of the Note is estimated to be US\$2,026,000 (approximately equivalent to HK\$15,762,000) (31 December 2018: US\$2,070,000 (approximately equivalent to HK\$16,105,000)). The fair value change of HK\$343,000 (six months ended 30 June 2018: HK\$311,000) is recognised in condensed consolidated statement of comprehensive income as other income and gains, net for the six months ended 30 June 2019. As the Maturity Date of the Note is within twelve months from the reporting date, the financial assets at fair value through profit or loss is classified under current assets.

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019

### 17. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
Unlisted equity security in Hong Kong, at fair value	3,350	3,450

The fair value of the Group's 11.5% investment in unlisted equity securities at the reporting date is estimated by the directors of the Company with reference to the valuation performed by Royson Valuation Advisory Limited, an independent valuer, with income approach by discounting five years period cash flow with the following key parameters:

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Revenue growth rate	Range from 3% to 175%	Range from 5% to 141%
Terminal growth rate	3%	3%
Post-tax discount rate	21.0%	20.5%
Discount for lack of control	10%	10%
Discount for lack of marketability	35%	35%

As at 30 June 2019, the fair value of the unlisted equity securities is estimated to be HK\$3,350,000 (31 December 2018: HK\$3,450,000). The fair value change of HK\$100,000 (six months ended 30 June 2018: Nil) is recognised to other comprehensive income in the condensed consolidated statement of comprehensive income.

### 18. TRADE AND BILLS PAYABLES

Trade and bills payables normally have a credit period of 0 to 90 days from the invoice date.

	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
Trade payables	166,605	118,212
Bills payables	1,906	2,542
	<b>168,511</b>	120,754

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019

### 18. TRADE AND BILLS PAYABLES *(Continued)*

An ageing analysis of the Group's trade and bills payables as at the reporting date, based on the invoices dates is as follows:

	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
0–90 days	158,326	112,602
91–180 days	913	6,997
181–365 days	8,824	600
Over 365 days	448	555
	<b>168,511</b>	120,754

The directors of the Company considered the carrying amounts of trade and bills payables approximate to their fair values.

### 19. SHARE CAPITAL

	As at 30 June 2019		As at 31 December 2018	
	Number of shares ( <sup>'000</sup> ) (Unaudited)	HK\$'000 (Unaudited)	Number of shares ( <sup>'000</sup> ) (Audited)	HK\$'000 (Audited)
Authorised: Shares of HK\$0.01 each				
At 1 January 2019/1 January 2018	10,000,000	100,000	10,000,000	100,000
At 30 June 2019/31 December 2018	10,000,000	100,000	10,000,000	100,000
Issued and fully paid: Shares of HK\$0.01 each				
At 1 January 2019/1 January 2018	700,000	7,000	700,000	7,000
At 30 June 2019/31 December 2018	700,000	7,000	700,000	7,000

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019

### 20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The fair values of the financial assets and liabilities are not materially different from their carrying amounts because of the immediate or the short term maturity of those financial instruments. The following table presents assets measured at fair value in the condensed consolidated statement of financial position in accordance with the fair value hierarchy. The hierarchy groups assets into three levels based on the relative reliability of significant inputs used in measuring the fair value of these assets. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019

### 20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

The financial assets measured at fair values as at 30 June 2019 and 31 December 2018 in the condensed consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1 HK\$'000 <i>(note (a))</i>	Level 2 HK\$'000 <i>(note (b))</i>	Level 3 HK\$'000 <i>(note (c))</i>	Total HK\$'000
<b>As at 30 June 2019 (Unaudited)</b>				
Financial assets at fair value through profit or loss				
– Listed equity securities, at fair value	<b>30,608</b>	–	–	<b>30,608</b>
– Unlisted bond, at fair value	–	<b>7,611</b>	–	<b>7,611</b>
– Unlisted secured promissory note, at fair value	–	–	<b>15,762</b>	<b>15,762</b>
Financial assets at fair value through other comprehensive income				
– Unlisted equity securities, at fair value	–	–	<b>3,350</b>	<b>3,350</b>
<b>As at 31 December 2018 (Audited)</b>				
Financial assets at fair value through profit or loss				
– Listed equity securities, at fair value	29,378	–	–	29,378
– Unlisted bond, at fair value	–	7,570	–	7,570
– Unlisted secured promissory note, at fair value	–	–	16,105	16,105
Financial assets at fair value through other comprehensive income				
– Unlisted equity securities, at fair value	–	–	3,450	3,450

Notes:

- (a) The listed equity securities at fair values are denominated in HK\$. Fair values have been determined by reference to their quoted market prices at the reporting date.
- (b) The unlisted bond at fair value is denominated in USD and the fair value is determined based on the quoted prices from the relevant financial institutions.
- (c) The Group's promissory note and unlisted equity securities at fair value are denominated in USD and their fair values are determined by using valuation technique of binomial model and income approach which include significant inputs that are not based on observable market data (note 16 and 17).

During the six months ended 30 June 2019, there have been no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (six months ended 30 June 2018: Nil).

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019

### 21. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the condensed consolidated interim financial statements, the Group also had the following significant transactions with related parties during the period:

#### 21.1 Significant transactions with related parties

Nature of transaction	Name of related company/party	Notes	Six months ended 30 June	
			2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Licensing fee	Ignite Hong Kong Limited ("Ignite HK")	(a)	5,024	7,635
Lease payments/ Rental expenses	Mr. Wong Siu Wah ("Mr. Wong")	(b)	420	420

Notes:

- (a) An associate of the Group.
- (b) During the six months ended 30 June 2019 and 2018, the Group had paid lease payments/rental expenses relating premises which are owned by Mr. Wong. The associate lease liabilities of HK\$2,021,000 (31 December 2018: Nil) is recognised in the condensed consolidated statement of financial position as at 30 June 2019.
- (c) All transactions as shown above were made on the Group's normal course of business and were made with reference to the terms negotiated between the relevant parties.

#### 21.2 Outstanding balances with related parties

The Group had the following balances with related parties included in the amounts due from/(to) associates to the condensed consolidated statement of financial position:

Name of related companies	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
	Ignite HK	(2,911)
Toddler Copenhagen Asia Ltd.	477	477
Cheer Mind Corp. Ltd.	21	15

Amounts due from/(to) associates are unsecured, interest-free and repayable on demand.

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019

### 21. RELATED PARTY TRANSACTIONS *(Continued)*

#### 21.3 Compensation of key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors were as follows:

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Salaries, allowances and benefits in kind	3,034	3,464
Discretionary bonuses	6,000	4,000
Contributions to defined contribution scheme	18	27
	<b>9,052</b>	7,491

### 22. CONTINGENT LIABILITIES

As at 30 June 2019, the Group does not have any significant contingent liabilities (31 December 2018: Nil).

### 23. CAPITAL COMMITMENTS

	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
	Capital expenditures contracted but not provided for in the consolidated financial statements in respect of: – purchase of and addition to property, plant and equipment	<b>39,766</b>