

END TO END CONTROL

Design
Engineering
Technology
Patents

Distribution Platform
Branding and Marketing
Warehouse
Logistic

Pause
Resume

Business Intelligence

Quality Inspection
Production
Tooling
Raw Material

Interim Report 2020



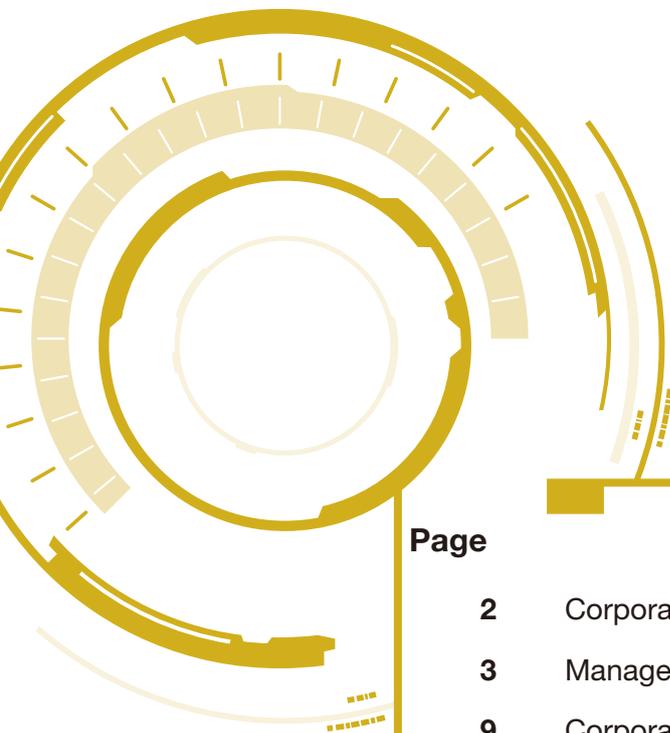


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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. 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
Dr. Wong Siu Wah
Ms. Wong Fook Chi

Nomination Committee

Dr. 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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the first half of 2020, the rapid global spread of the Coronavirus Disease (“COVID-19”) has severely disrupted the global economic activities and leading to widespread economic recession. With the temporary factory shutdowns in China and Southeast Asian countries and the imposition of various lockdowns and other social distancing measures by the local governments, the unprecedented situation hindered the operating efficiencies of the Group’s manufacturing function and led to temporary supply chain disruptions, causing delayed shipments, reduced and cancelled order booked from customers in response to lower consumer demand.

As the COVID-19 epidemic was swiftly and effectively contained in China during the first half of 2020, there was a quick recovery in the domestic economic activities. The Group’s suppliers in China was able to resume their operation, while the Group was able to respond actively to the challenge of and to overcome the difficulties arising from the COVID-19 epidemic by working closely with all its customers, suppliers and all other partners together and maintain a stable operation of its overall business.

FINANCIAL REVIEW

Revenue

During the six months ended 30 June 2020, the Group’s revenue was approximately HK\$563.5 million, representing a decrease of approximately 28.2% as compared to approximately HK\$784.6 million for the same period in year 2019. This was mainly due to the reduced or cancelled orders from the Group’s customers following the outbreak of the COVID-19 and its tremendous impact on the overall global economy and the Group’s business operation during the period.

Gross profit and gross profit margin

The Group’s gross profit decreased by approximately 18.9% to approximately HK\$125.1 million for the six months ended 30 June 2020 (six months ended 30 June 2019: HK\$154.2 million) and the gross profit margin increased by approximately 2.5% to approximately 22.2% for the six months ended 30 June 2020 (six months ended 30 June 2019: 19.7%). The higher gross profit margin was mainly due to the devaluation of Renminbi (“RMB”) and the lower cost of raw materials as the price of commodities such as crude oil decreased during the period.

Other income and gains, net

During the six months ended 30 June 2020, other income decreased by approximately 79.7% to approximately HK\$1.6 million (six months ended 30 June 2019: HK\$7.9 million) primarily due to the decrease in interest income resulting from the dramatic lowering of interest rate by the major central banks around the world during the first half of 2020 to protect the economy from a potential recession after the COVID-19 pandemic and the unrealized loss in fair value change of the financial assets at fair value through profit or loss during the period.

Distribution expenses

During the six months ended 30 June 2020, distribution expenses decreased by approximately 20.2% to approximately HK\$19.3 million (six months ended 30 June 2019: HK\$24.2 million). The decrease was mainly due to the decrease in sales orders received by the Group resulting in a corresponding decrease in the relevant transportation cost and marketing expenses.

Management Discussion and Analysis

Administrative expenses

During the six months ended 30 June 2020, the administrative expenses decreased by approximately 15.9% to approximately HK\$51.8 million (six months ended 30 June 2019: HK\$61.6 million). The decrease was mainly attributable by the Group's adoption of a proactive measure in cost control by reducing or postponing certain administrative expenditures such as a decrease in the Directors' remuneration and donation during the period, to minimise the effect on the Group's performance brought about by the impact of the COVID-19 pandemic.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the six months ended 30 June 2020 decreased by approximately 29.6% to approximately HK\$40.5 million (six months ended 30 June 2019: HK\$57.5 million). Under the impact of COVID-19 on the global economy, the Group's performance was inevitably affected by the outcome of the economic slowdown as shown in the decrease in the Group's revenue during the period. In order to cope with this adverse situation, the Group has taken measures to minimize the impact on the profit attributable to the owners of the Company by maintaining the leanest cost structure.

In addition, the worsening market sentiment due to the impact of COVID-19 has resulted in an unrealized fair value loss on financial assets at fair value through profit or loss amounting to approximately HK\$5.4 million for the period. Excluding the unrealized fair value loss, the decrease in the underlying business profit is approximately 20.2% for the period.

FUTURE STRATEGY

The outbreak of the COVID-19 since early 2020 has posed a tremendous challenge to the overall global economy and an adverse effect on the financial performance of the Group during the period. The effect on the subsequent financial period depending on its development and impact on the economic conditions. The Group will closely monitor the situation and, to the extent applicable, taking proactive actions to minimize the impact of COVID-19 on the Group's operation and performance.

In terms of the Group's products and services, the Group will continue to leverage its growing design and engineering capabilities in pursuit of its differentiation strategy. During the first half of 2020, the Group has further strengthened its design capabilities by adding further headcount and, under the leadership of the Group's talented design team, winning the Red Dot Design Award, an international design award, for two product designs of food container. On the other hand, the Group has established strategic partnership with a design arm in Australia and US, which is intended to be utilised to actively drive new products designs in order to help the Group's customers to meet the potential surge in consumption demand when the economy recovers. By providing tailor-made services to its customers, the Group will look to drive sales order from existing customers and attract new customers, with a view to further diversifying and expanding its customer base to achieve a sustainable revenue growth.

In October 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 1600 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 is expected to upgrade the Group's production capability on components of existing products, while allowing the Group to tap into new products range in the future. The Group established an appropriate location in Hong Kong to assemble the first production line, and testing was completed by the end of 2019. The Group expects that Nano-technology related business will start the trial production in late 3rd Quarter of 2020. Please refer to the announcement of the Company dated 15 October 2018 for further details of the acquisition of the Equipment.

In terms of geographical markets, the Group will continue to seek stable business growth in its existing overseas and the PRC markets through its established foothold in the global kitchenware and household product industry. On existing overseas markets, the Group will continue to focus on the mid-to-high-end segment through the introduction of innovative products with high functionality. The Group will also look to increase market penetration by working with local importers and trade agents, and expand potential collaborations with well-known US, Europe and also local brand owners and retailers.

On the PRC front, the Group will continue to focus on expanding its retail contribution and product assortment, as the market remains highly-underpenetrated with the large number of middle-class consumers craving for quality and trendy products. The rising demand for toddler and children products provides ample business opportunities and incentives to the Group. The Group will continue to dedicate more resources, such as enhancing its e-commerce platform and marketing and promotional activities, to capture the mother and toddler's market. Following the success on the launch of toddler and children products in the PRC market, the Group is also exploring similar business opportunities in other markets such as Japan and the Northern European countries.

The Group also engages in raw materials trading business in order to diversify its business risk and expand revenue stream. For this business segment, the Group will continue to explore reliable commodity suppliers around the world for enriching raw material intelligence and increasing the varieties of raw materials to capture the benefits of economies of scale and synergy efficiency.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group had 178 employees (30 June 2019: 160 employees). Total staff costs (including Directors' emoluments) were approximately HK\$29.1 million for the six months ended 30 June 2020, as compared to approximately HK\$33.0 million for the same period in 2019.

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 as disclosed in the condensed consolidated statements of financial position, there was no significant investment held as at 30 June 2020.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the six months ended 30 June 2020, 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 (the “Shareholders”) 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.

Cash and bank balances and borrowing

As at 30 June 2020, the Group had cash and bank balances amounted to approximately HK\$502.5 million (31 December 2019: HK\$471.5 million) which were mainly denominated in United States dollars (“USD”), RMB and Hong Kong dollars (“HKD”). The Group had bank overdrafts and bank borrowings of approximately HK\$43.2 million (31 December 2019: HK\$47.8 million) and HK\$40.0 million (31 December 2019: Nil) respectively as at 30 June 2020. The annual interest rate of the bank overdrafts and bank borrowings during the six months ended 30 June 2020 ranged from 1.35% to 3.25% (31 December 2019: ranged from 1.6% to 5.0%) and ranged from 1.05% to 2.95% (31 December 2019: Nil) respectively.

Cash flows

For the six months ended 30 June 2020, the Group recorded a positive cash inflow from operating activities of HK\$12.4 million (six months ended 30 June 2019: HK\$153.9 million). The significant drop in the operating cash flow was mainly due to the delayed or reduced sales orders from the Group’s customers as a result of the impact of the COVID-19 on the global economy and a one-time sales credit offered to a customer of the Group that had come into effect during the period which slowed down the Group’s operating cash inflow. At the same time, the Group had to stock up on the inventory in order to enable the Group to meet the demand from customers when the impact of COVID-19 eases.

Net cash used in investing activities amounted to HK\$8.2 million for the six months ended 30 June 2020 (six months ended 30 June 2019: HK\$4.8 million). The increase was mainly due to costs incurred in the establishment of the strategic partnership with a design arm in Australia and US during the period. There was a net cash inflow of HK\$32.6 million for the six months ended 30 June 2020 (net cash outflow during the six months ended 30 June 2019: HK\$85.2 million) from financing activities due to the increase of borrowing during the period.

Gearing ratio

The Group’s gearing ratio is calculated as total borrowings, which is the aggregate of bank overdrafts, bank borrowings, lease liabilities and loans from non-controlling interests, divided by total equity. The gearing ratio of the Group as at 30 June 2020 and 31 December 2019 were 16.0% and 9.2% respectively. The increase of the gearing ratio was mainly due to a rise in short-term borrowing and recognition of the dividend payable of approximately HK\$182.0 million during the period. The Group always maintains a healthy financial position by avoiding overleveraged and keeping the gearing ratio at a relatively low level.

Banking facilities

As at 30 June 2020, the Group has banking facilities of totalling HK\$441.3 million (31 December 2019: HK\$319.9 million) and HK\$83.2 million (31 December 2019: HK\$47.8 million), of which has been utilised by the Group. The utilisation rates as at 30 June 2020 and 31 December 2019 were approximately 18.9% and 14.9% respectively. With financial supports from the banks and the low utilization rate, the Group has reserved sufficient facilities available for future draw down.

FOREIGN EXCHANGE EXPOSURE

The Group's revenue is mainly denominated in USD while its cost of sales is mainly denominated 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 financial performance. The Group's treasury policies are designed to mitigate the impact of fluctuations in foreign currency exchange rates arising from the Group's operations. The Group principally uses forward foreign exchange contracts to hedge the foreign exchange risks in the ordinary course of business.

PLEDGE OF ASSETS

As at 30 June 2020, the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK\$17.6 million (31 December 2019: HK\$18.0 million), bond classified as financial assets at fair value through profit or loss of approximately HK\$7.7 million (31 December 2019: HK\$7.6 million) and pledged bank deposits of HK\$22.2 million (31 December 2019: HK\$22.2 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 (the "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 2020, approximately HK\$117.6 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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Management Discussion and Analysis

Set out below is a breakdown of the planned use and actual use of proceeds up to 30 June 2020 are as follows:

Purposes of net proceeds as disclosed in the Prospectus	Planned use of proceeds as disclosed in the Prospectus (HK\$' million)	Actual use of proceeds from the listing date to 31 December 2019 (HK\$' million)	Actual use of proceeds during the six months period ended 30 June 2020 (HK\$' million)	Unused proceeds as at 30 June 2020 (HK\$' million)
To broaden customer base, to expand penetration in existing markets and to penetrate into new markets	11.0	11.0	–	–
To enhance the Group's product design, development and engineering capabilities	48.4	48.4	–	–
To establish flagship stores, with one flagship store in Shanghai by end of 2015, and expand the Group's retail sales networks and e-commerce business in the PRC	33.0	26.0	3.7	3.3
To purchase and renovate office premises	98.9	–	–	98.9
To enhance the Group's information technology infrastructure	6.5	6.5	–	–
For working capital and general corporate purposes	22.0	22.0	–	–
	219.8	113.9	3.7	102.2

The Group has been gradually implementing its business strategy of expanding its retail sales networks and e-commerce business in the PRC and the net proceeds of the Share Offer allocated for such purpose has been applied in line with such implementation. During the six months ended 30 June 2020, the Group had utilised approximately HK\$3.7 million of the proceeds on marketing expenses and salary of marketing staffs relating to the retail business in the PRC. It is expected that the remaining HK\$3.3 million of the proceeds allocated for this purpose will be fully utilized by the year ending 31 December 2020.

Since completion of the Share Offer in January 2015, the Company has been on the lookout for acquiring suitable premises for expansion of office space as described in the Prospectus. However, prices of office premises in Hong Kong has been in a continuous upward trend since then and prices for premises of suitable size and location on the market has exceeded the budget allocated for such purpose. The Group will continue identifying suitable premises for expansion with a view to implement the acquisition and utilise part or whole of the proceeds allocated for this purpose by the year ending 31 December 2021.

CONTINGENT LIABILITIES

As at 30 June 2020, the Group had no significant contingent liabilities (31 December 2019: Nil).

CAPITAL COMMITMENTS

As at 30 June 2020, the Group has capital commitment of approximately HK\$27.4 million (31 December 2019: approximately HK\$27.5 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 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 interim 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.

Dr. 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 of 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 2020.

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 2020 and the accounting principles and practices adopted, and discussed auditing, risk management, internal controls and financial reporting matters with the Group’s management and the Company’s external auditors.

INTERIM DIVIDEND

The Board resolved to declare an interim dividend of HK4.0 cents per share (six months ended 30 June 2019: interim dividend HK5.5 cents per share) and no special dividend (six months ended 30 June 2019: HK1.5 cents per share) to Shareholders whose names appear on the register of members on 28 September 2020, representing a payout ratio of approximately 69.0% of profit attributable to owners of the Company for the six months ended 30 June 2020. The interim dividend will be paid on or around 8 October 2020.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlements to the interim dividend, the register of members of the Company will be closed from 25 September 2020 to 28 September 2020 (both days inclusive) during which period no transfer of shares will be affected. In order to qualify for the interim 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 24 September 2020.

Corporate Governance and Other Information

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 2020.

SUFFICIENCY OF PUBLIC FLOAT

As far as the information publicly available to the Company is concerned and to the best knowledge of the Directors, at least 25% of the Company's issued share capital were held by members of the public (as defined in the Listing Rules) as at the date of this interim report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 June 2020, 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 interests	Family interests	Corporate interests	Other interests		
Dr. Wong Siu Wah ("Dr. 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 Dr. 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 Dr. Wong. Accordingly, Dr. Wong is deemed to be interested in the shares held by First Concord Limited and City Concord Limited.

Save as disclosed above, as at 30 June 2020, 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 of the Company required to be kept 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 ended 30 June 2020 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 2020, the following persons (not being the Directors or chief executive of the Company) who had interest or short position 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 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 were as follows:

Interests in Shares

Name of substantial shareholder	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 ^(L)	15%
City Concord Limited (Note 3)	Beneficial owner	420,000,000 ^(L)	60%
Ms. Cheng	Interest of controlled corporation and interest of spouse	525,000,000 ^(L)	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 Dr. Wong and 40% by Ms. Cheng. Dr. Wong and Ms. Cheng are 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 Dr. Wong. Dr. 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 Dr. 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)	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 2020, 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

Dr. Wong Siu Wah, Chairman, Chief Executive Officer and executive Director of the Company, obtained a Doctor of Business Administration degree by the Hong Kong Polytechnic University in November 2019. Save as disclosed herein, there is no change in the Director's information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the last published annual report of the Company.

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 2020, 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 2020

	Notes	Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	5	563,475	784,576
Cost of sales		(438,336)	(630,385)
Gross profit		125,139	154,191
Other income and gains, net	6	1,644	7,911
Distribution expenses		(19,332)	(24,214)
Administrative expenses		(51,829)	(61,557)
Share of results of associates		2,434	2,509
Finance costs	7	(598)	(895)
Profit before income tax	8	57,458	77,945
Income tax expenses	9	(10,065)	(12,523)
Profit for the period		47,393	65,422
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Change in fair value of financial assets at fair value through other comprehensive income		–	(100)
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		(1,037)	148
Other comprehensive income for the period		(1,037)	48
Total comprehensive income for the period		46,356	65,470
Profit for the period attributable to:			
Owners of the Company		40,463	57,546
Non-controlling interests		6,930	7,876
		47,393	65,422
Total comprehensive income attributable to:			
Owners of the Company		39,942	57,518
Non-controlling interests		6,414	7,952
		46,356	65,470
		HK cents	HK cents
Earnings per share:	10		
– Basic		5.8	8.2
– Diluted		5.8	8.2

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	<i>Notes</i>	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	62,236	66,688
Other asset		172	172
Interests in associates		15,864	13,540
Intangible asset		–	–
Deposits paid for property, plant and equipment		13,859	13,811
Financial assets at fair value through other comprehensive income	16	2,570	2,570
Deferred tax assets		232	69
		94,933	96,850
Current assets			
Inventories	13	58,467	45,952
Trade receivables	14	229,287	306,722
Prepayments, deposits and other receivables		57,271	49,109
Financial assets at fair value through profit or loss	15	48,241	53,125
Amounts due from associates		552	548
Prepaid tax		36	–
Pledged bank deposits		22,233	22,169
Cash and bank balances		502,500	471,536
		918,587	949,161
Current liabilities			
Trade and bills payables	17	83,038	121,534
Other payables and accruals		13,801	72,816
Financial liabilities at fair value through profit or loss	15	522	–
Contract liabilities		10,644	10,476
Bank overdrafts		43,207	47,788
Bank borrowings		40,000	–
Lease liabilities		4,456	4,642
Loans from non-controlling interests		6,198	10,646
Amount due to an associate		4,802	8,239
Dividend payable	11(ii)	182,000	–
Provision for tax		12,139	19,504
		400,807	295,645
Net current assets		517,780	653,516
Total assets less current liabilities		612,713	750,366

Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	<i>Notes</i>	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Non-current liabilities			
Lease liabilities		3,090	5,114
Deferred tax liabilities		4,427	4,412
		7,517	9,526
Net assets			
		605,196	740,840
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	7,000	7,000
Reserves		562,152	704,210
		569,152	711,210
Non-controlling interests		36,044	29,630
Total equity			
		605,196	740,840

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Equity attributable to owners of the Company										
	Share capital	Share premium*	Merger reserve*	Financial assets at fair value through other comprehensive income reserve*	Exchange reserve*	Statutory reserve*	Other reserve*	Retained profits*	Sub-total	Non-controlling interests	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2018, as previously stated (Audited)	7,000	215,385	(4,231)	-	2,240	2,745	2,867	450,690	676,696	18,231	694,927
Adoption of HKFRS 16	-	-	-	-	-	-	-	(25)	(25)	(16)	(41)
At 1 January 2019 (Restated)	7,000	215,385	(4,231)	-	2,240	2,745	2,867	450,665	676,671	18,215	694,886
2018 final dividend (note 11(ii))	-	-	-	-	-	-	-	(42,000)	(42,000)	-	(42,000)
Transactions with owners	-	-	-	-	-	-	-	(42,000)	(42,000)	-	(42,000)
Profit for the period	-	-	-	-	-	-	-	57,546	57,546	7,876	65,422
Other comprehensive income											
- 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
Total comprehensive income for the period	-	-	-	(100)	72	-	-	57,546	57,518	7,952	65,470
At 30 June 2019 (Unaudited)	7,000	215,385	(4,231)	(100)	2,312	2,745	2,867	466,211	692,189	26,167	718,356
At 1 January 2020 (Audited)	7,000	215,385	(4,231)	(880)	2,001	6,241	2,867	482,827	711,210	29,630	740,840
2019 final dividend (note 11(ii))	-	-	-	-	-	-	-	(42,000)	(42,000)	-	(42,000)
2019 special dividend (note 11(iii))	-	-	-	-	-	-	-	(140,000)	(140,000)	-	(140,000)
Transactions with owners	-	-	-	-	-	-	-	(182,000)	(182,000)	-	(182,000)
Profit for the period	-	-	-	-	-	-	-	40,463	40,463	6,930	47,393
Other comprehensive income											
- Exchange difference arising on translation of foreign operations	-	-	-	-	(521)	-	-	-	(521)	(516)	(1,037)
Total comprehensive income for the period	-	-	-	-	(521)	-	-	40,463	39,942	6,414	46,356
At 30 June 2020 (Unaudited)	7,000	215,385	(4,231)	(880)	1,480	6,241	2,867	341,290	569,152	36,044	605,196

* The aggregate balances of these reserve accounts of HK\$562,152,000 (30 June 2019: HK\$685,189,000) are included as reserves as at 30 June 2020 in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Net cash generated from operating activities	12,353	153,869
Net cash used in investing activities	(8,203)	(4,795)
Net cash generated from/(used in) financing activities	32,629	(85,178)
Net increase in cash and cash equivalents	36,779	63,896
Cash and cash equivalents at the beginning of period	423,748	385,962
Effect on foreign exchange rate changes	(1,234)	154
Cash and cash equivalents at the end of period	459,293	450,012
Analysis of cash and cash equivalents		
Cash and bank balances	502,500	464,023
Bank overdrafts	(43,207)	(14,011)
Cash and cash equivalents at the end of period	459,293	450,012

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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 2019 (the "2019 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 2019 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 have 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 2020

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:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting (Revised)	

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. SEGMENT INFORMATION

(i) Operating segment information

The Group has identified its operating segment and prepared segment information based on the regular internal financial information reported to the Company’s executive directors for their decisions about resources allocation to the Group’s business components 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	
	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue						
Revenue from external customers	513,509	725,930	49,966	58,646	563,475	784,576
Segment results	53,425	70,487	6,547	8,368	59,972	78,855
Share of results of associates					2,434	2,509
Unallocated income					1,556	1,167
Unallocated expenses					(6,504)	(4,586)
Profit before income tax					57,458	77,945

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

4. SEGMENT INFORMATION (Continued)

(i) Operating segment information (Continued)

	Trading of kitchenware and household products		Trading of raw materials		Total	
	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Segment assets	724,830	758,350	87,013	86,042	811,843	844,392
Prepaid tax					36	-
Deferred tax assets					232	69
Interests in associates					15,864	13,540
Unallocated corporate assets [#]					185,545	188,010
Consolidated total assets					1,013,520	1,046,011
Segment liabilities	208,466	279,699	260	826	208,726	280,525
Provision for tax					12,139	19,504
Deferred tax liabilities					4,427	4,412
Dividend payable					182,000	-
Unallocated corporate liabilities					1,032	730
Consolidated total liabilities					408,324	305,171

[#] Unallocated corporate assets mainly comprised cash and bank balances which held as general working capital of the Group which are not directly attributable to any operating segment.

	Trading of kitchenware and household products		Trading of raw materials		Total	
	Six months ended 30 June 2020 HK\$'000 (Unaudited)	Six months ended 30 June 2019 HK\$'000 (Unaudited)	Six months ended 30 June 2020 HK\$'000 (Unaudited)	Six months ended 30 June 2019 HK\$'000 (Unaudited)	Six months ended 30 June 2020 HK\$'000 (Unaudited)	Six months ended 30 June 2019 HK\$'000 (Unaudited)
Other segment information:						
Interest income	1,006	2,083	-	7	1,006	2,090
Interest expenses	(593)	(895)	-	-	(593)	(895)
Depreciation of property, plant and equipment	(6,700)	(5,057)	-	-	(6,700)	(5,057)
Impairment of trade receivables	(127)	(94)	(26)	(51)	(153)	(145)
Fair value (loss)/gain of financial assets at fair value through profit or loss, net	(3,111)	1,271	-	-	(3,111)	1,271

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

4. SEGMENT INFORMATION *(Continued)*

(ii) Disaggregated revenue and geographical segment information

The management determines that 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 a 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, is divided into the following geographical areas:

	<i>Notes</i>	Six months ended 30 June	
		2020	2019
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
United States		384,416	573,184
Europe	(a)	33,926	41,710
Asia	(b)	132,551	149,893
Canada		10,310	15,586
Other locations	(c)	2,272	4,203
		563,475	784,576

Notes:

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

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 2020 and 31 December 2019, 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 2020

4. 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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Company A	158,876	333,903
Company B	120,067	138,362
Company C <i>(note)</i>	78,981	68,563

Note:

Revenue amounting to approximately HK\$68,563,000 from transactions with Company C did not exceed 10% of the Group's revenue for the six months ended 30 June 2019 and was disclosed for illustrative purposes only.

5. 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 is recognised at a 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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue from contracts with customers		
– Sales of kitchenware and household products	513,509	725,930
– Sales of raw materials	49,966	58,646
	563,475	784,576

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

6. OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Bank interest income	1,894	3,136
Interest income from unlisted bond	30	105
Recharge from customers	701	224
Government grants	3,428	3,031
Fair value (loss)/gain on financial assets at fair value through profit or loss, net	(5,406)	928
Others	997	487
	1,644	7,911

7. FINANCE COSTS

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interest charges on financial liabilities at amortised cost:		
Bank borrowings	24	525
Bank overdrafts	388	201
Lease liabilities	186	169
	598	895

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

8. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Profit before income tax is arrived at after charging/(crediting):		
Cost of inventories sold recognised as expense	438,336	630,385
Impairment of trade receivables	153	145
Depreciation of property, plant and equipment	6,803	5,110
Research expenses	51	65
Short-term lease expenses	399	–
Low-value lease expenses	19	–
Employee benefit expenses (including directors' remuneration)		
Wages, salaries and other benefits	27,568	25,309
Discretionary bonuses	–	6,000
Contributions to defined contribution schemes	1,558	1,705
	29,126	33,014
Exchange loss/(gain), net	496	(1,437)

9. INCOME TAX EXPENSES

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
The taxation attributable to the Group's operation comprises:		
Current tax		
– Hong Kong profits tax	8,006	10,004
– Income tax outside Hong Kong	2,208	2,709
	10,214	12,713
Deferred tax		
– Credit for the period	(149)	(190)
Income tax expenses	10,065	12,523

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 2020

9. INCOME TAX EXPENSES *(Continued)*

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK\$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Enterprise income tax ("EIT") for the period was calculated at 25% (six months ended 30 June 2019: 25%) of the estimated assessable profits arising from the PRC. 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.

10. 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\$40,463,000 (six months ended 30 June 2019: HK\$57,546,000) and the weighted average of 700,000,000 (six months ended 30 June 2019: 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 2020 and 2019, 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 2020

11. DIVIDENDS

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

	Six months ended 30 June	
	2020	2019
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Interim dividend declared and payable after the interim period of HK4.0 cents per share (six months ended 30 June 2019: HK5.5 cents per share)	28,000	38,500
Special dividend declared and payable after the interim period of Nil (six months ended 30 June 2019: HK1.5 cents per share)	–	10,500
	28,000	49,000

The interim dividend has not been recognised as a liability at 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	
	2020	2019
	HK\$'000 (Unaudited)	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 2019: approved and paid during the following interim period of HK6.0 cents per share)	42,000	42,000
Special dividend in respect of the previous financial year, approved and payable during the following interim period, of HK20.0 cents per share (six months ended 30 June 2019: Nil)	140,000	–
	182,000	42,000

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired property, plant and equipment at a total cost of approximately HK\$2,459,000 (six months ended 30 June 2019: HK\$7,780,000).

During the six months ended 30 June 2020, the Group has not disposed property, plant and equipment (six months ended 30 June 2019: Nil).

At 30 June 2020, the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK\$17,626,000 (31 December 2019: HK\$18,018,000) were pledged to secure general banking facilities granted to the Group.

13. INVENTORIES

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Merchandises	26,806	22,953
Raw materials	31,661	22,999
	58,467	45,952

14. TRADE RECEIVABLES

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Trade receivables	230,817	308,099
Less: impairment loss allowance	(1,530)	(1,377)
	229,287	306,722

The Group's trading terms with customers are mainly on credit. The credit terms are generally 0 to 90 days from the invoice date.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

14. TRADE RECEIVABLES (Continued)

The Directors considered the fair values of trade receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception. An ageing analysis of the Group's trade receivables (net of impairment allowance) as at end of the reporting period, based on the invoices date, is as follows:

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
0–30 days	116,048	140,911
31–60 days	69,343	95,112
61–90 days	21,118	45,098
Over 90 days	22,778	25,601
	229,287	306,722

15. FINANCIAL ASSETS/(LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Financial assets at fair value through profit or loss:		
Listed equity securities in Hong Kong, at fair value (note (a))	28,513	30,649
Unlisted bond in Hong Kong, at fair value (note (b))	7,653	7,617
Unlisted secured promissory note in US, at fair value (note (c))	12,075	14,370
Derivative financial instruments at fair value (note (d))	–	489
	48,241	53,125
Financial liabilities at fair value through profit or loss:		
Derivative financial instruments at fair value (note (d))	(522)	–

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

15. FINANCIAL ASSETS/(LIABILITIES) 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 end of the reporting period.
- b) The fair values of the Group's investment in unlisted bonds are determined based on the quoted prices from relevant financial institutions at the end of the reporting period. As at 30 June 2020, the unlisted bond amounted to HK\$7,653,000 (31 December 2019: HK\$7,617,000) was pledged to a bank to secure the general banking facilities granted to the Group.
- c) As at 30 June 2020, there was one (31 December 2019: one) secured promissory note (the "Note") with gross principal amount of US\$2,000,000 equivalent to approximately HK\$15,560,000 (31 December 2019: US\$2,000,000 equivalent to approximately HK\$15,560,000) due from an independent third party (the "Issuer"). The principal of the loan under the Note was originally repayable on 15 June 2019, being twenty-four months from the issue date and the maturity date was extended to 7 January 2020 pursuant to a supplementary agreement entered in June 2019. The maturity date was further extended to 15 January 2021 (the "Maturity Date") pursuant to a supplementary agreement entered in January 2020. The loan under the Note is interest-bearing at a rate of 4% per annum or 10% per annum under an event of default for the period from the issue date of the Note to 7 January 2020. 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 at 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. The outstanding principal and the interest receivable from the Note was secured by all the assets of the Issuer.

As at 30 June 2020, the fair value of the Note was estimated to be approximately HK\$12,075,000 (31 December 2019: approximately HK\$14,370,000). The fair value loss of approximately HK\$2,295,000 (six months ended 30 June 2019: fair value gain of approximately HK\$343,000) was recognised in condensed consolidated statement of comprehensive income in other income and gains, net for the six months ended 30 June 2020. As the repayment date of the Note is within twelve months from the end of the reporting period, the financial assets at fair value through profit or loss were classified under current assets.

The fair value of the Note as at 30 June 2020 is determined by the Directors with reference to the valuation prepared by Royson Valuation Advisory Limited, an independent valuer, by using binominal model with the following key parameters:

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Fair value of shares	US\$380,000	US\$815,000
Revenue growth rate	Ranged from 30% to 221%	Ranged from 30% to 190%
Terminal growth rate	3%	3%
Post-tax discount rate	25.0%	24.5%
Discount for lack of marketability	35%	35%
Risk free interest rate	0.16%	1.44%
Time to maturity	0.54 year	0.02 year
Expected volatility	49.25%	21%
Expected dividend yield	0%	0%
Conversion period	Commences one year after the purchase date until maturity	Commences one year after the purchase date until maturity

- d) As at 30 June 2020, the Group's derivative financial instruments represented foreign currency forward contracts denominated in USD and the fair values are based on the quoted prices from the relevant financial institutions. The notional amounts of these forward contracts are RMB70,000,000 (31 December 2019: RMB 55,000,000) and the forward currency rates of all these contracts ranged from USD1:RMB7.0335 to USD1:RMB7.0860 (31 December 2019: USD1:RMB7.0245 to USD1:RMB7.0735) with various maturity dates from July 2020 to March 2021 (31 December 2019: January 2020 to November 2020).

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Unlisted equity securities in Hong Kong, at fair value (<i>note</i>)	2,570	2,570

Note:

As at 30 June 2020, the fair value of the Group's investment of 11.5% of equity interest in a private entity incorporated in Hong Kong is estimated by the Directors with reference to the valuation prepared by Royson Valuation Advisory Limited, an independent valuer, with income approach by discounting future cash flows with the following key parameters:

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Revenue growth rate over the 5-year period	Ranged from 5% to 136%	Ranged from 5% to 85%
Terminal growth rate	3%	3%
Post-tax discount rate	21%	21%
Discount for lack of control	10%	10%
Discount for lack of marketability	35%	35%

17. TRADE AND BILLS PAYABLES

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

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Trade payables	83,038	120,866
Bills payables (<i>note</i>)	-	668
	83,038	121,534

Note:

As at 31 December 2019, bills payables of HK\$668,000 were secured by the pledge of the Group's leasehold land and buildings, pledged bank deposits and the corporate guarantee provided by the Company.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

17. TRADE AND BILLS PAYABLES (Continued)

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

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
0–90 days	73,252	112,682
91–180 days	4,204	4,196
181–365 days	4,616	3,113
Over 365 days	966	1,543
	83,038	121,534

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

18. SHARE CAPITAL

	As at 30 June 2020		As at 31 December 2019	
	Number of shares (‘000) (Unaudited)	HK\$'000 (Unaudited)	Number of shares (‘000) (Audited)	HK\$'000 (Audited)
Authorised: Shares of HK\$0.01 each	10,000,000	100,000	10,000,000	100,000
Issued and fully paid: Shares of HK\$0.01 each	700,000	7,000	700,000	7,000

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19. 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 and liabilities measured at fair value in the condensed consolidated statement of financial position in accordance with the fair value hierarchy. The hierarchy groups assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, 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 and liabilities is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

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For the six months ended 30 June 2020

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

The financial assets and liabilities measured at fair value as at 30 June 2020 and 31 December 2019 in the condensed consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(note (a))	(note (b))	(note (c))	
As at 30 June 2020 (Unaudited)				
Financial assets at fair value through profit or loss				
– Listed equity securities, at fair value	28,513	–	–	28,513
– Unlisted bond, at fair value	–	7,653	–	7,653
– Unlisted secure promissory note, at fair value	–	–	12,075	12,075
Financial assets at fair value through other comprehensive income				
– Unlisted equity securities, at fair value	–	–	2,570	2,570
Financial liabilities at fair value through profit or loss				
– Derivative financial instruments	–	(522)	–	(522)
As at 31 December 2019 (Audited)				
Financial assets at fair value through profit or loss				
– Listed equity securities, at fair value	30,649	–	–	30,649
– Unlisted bond, at fair value	–	7,617	–	7,617
– Unlisted secure promissory note, at fair value	–	–	14,370	14,370
– Derivative financial instruments	–	489	–	489
Financial assets at fair value through other comprehensive income				
– Unlisted equity securities, at fair value	–	–	2,570	2,570

Notes:

- The investment in 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.
- The investment in unlisted bond and derivative financial instruments at fair values are denominated in USD and the fair values is determined based on the quoted prices from the relevant financial institution.
- The investment in promissory note and unlisted equity securities at fair value are denominated in USD and HK\$ respectively 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.

During the six months ended 30 June 2020, 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 2019: Nil).

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

20. 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:

20.1 Significant transactions with related parties

Nature of transaction	Name of related company/party	Notes	As at	As at
			30 June 2020	31 December 2019
			HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Licensing fee	Ignite Hong Kong Limited ("Ignite HK")	(a)	4,802	5,024
Lease payments/ rental expenses	Dr. Wong Siu Wah ("Dr. Wong")	(b)	420	420

Notes:

- (a) An associate of the Group.
- (b) During the six months ended 30 June 2020 and 2019, the Group had paid lease payments/rental expenses relating to premises which are owned by Dr. Wong. The associated lease liabilities of HK\$1,231,000 (31 December 2019: HK\$1,629,000) were recognised in the condensed consolidated statement of financial position as at 30 June 2020.
- (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.

20.2 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	As at
	30 June 2020	31 December 2019
	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Ignite HK	(4,802)	(8,239)
Toddler Copenhagen Asia Ltd.	527	527
Cheer Mind Corp. Ltd.	25	21

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 2020

20. RELATED PARTY TRANSACTIONS (Continued)

20.3 Compensation of key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the Directors were as follows:

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Salaries, allowances and benefits in kind	3,039	3,034
Discretionary bonuses	–	6,000
Contributions to defined contribution scheme	18	18
	3,057	9,052

21. CONTINGENT LIABILITIES

As at 30 June 2020, the Group does not have any significant contingent liabilities (31 December 2019: Nil).

22. CAPITAL COMMITMENTS

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
	Capital expenditures contracted but not provided for in the condensed consolidated financial statements in respect of: – purchase of and addition to property, plant and equipment	27,424