

END TO END CONTROL

Design
Engineering
Technology
Patents

Distribution Platform
Branding and Marketing
Warehouse
Logistic

Pause
Resume

Business Intelligence

Interim Report 2021

Quality Inspection
Production
Tooling
Raw Material



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

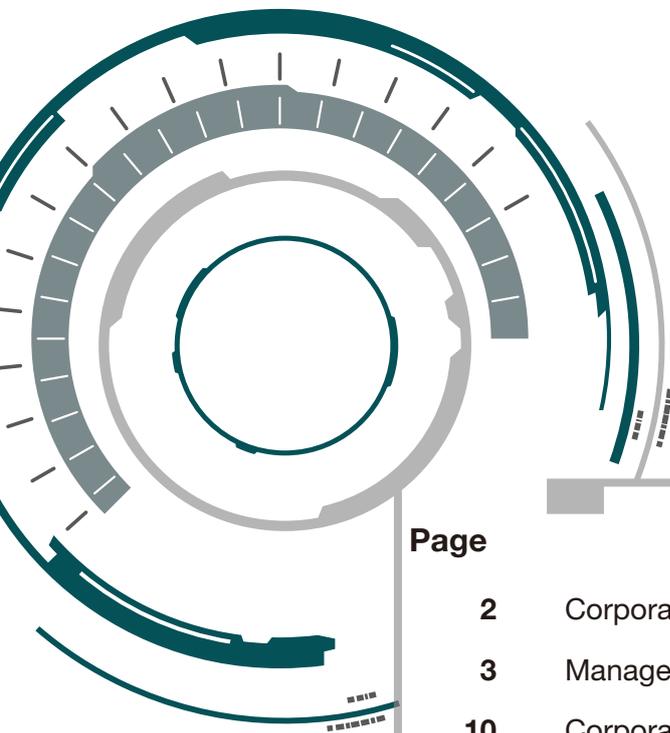


Table of CONTENTS

Page

2	Corporate Information
3	Management Discussion and Analysis
10	Corporate Governance and Other Information
15	Condensed Consolidated Statement of Comprehensive Income
16	Condensed Consolidated Statement of Financial Position
18	Condensed Consolidated Statement of Changes in Equity
19	Condensed Consolidated Statement of Cash Flows
20	Notes to the Condensed Consolidated Interim Financial Statements



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 year 2021, despite the unusually high degree of uncertainty to the outlook in the year 2021 brought about by the prevailing impact of the COVID-19 pandemic, with the deployment of COVID-19 vaccines around the world and the COVID-19 cases in some countries were dropping, the global economy starts to rebound and recover. In the United States, one of the Group's largest markets, the expectations of more fiscal stimuli policies outline a favourable outlook to the Group. Given the immediate and continuing challenges, the Group will stay vigilant and react cautiously to the possible impact on the financial position and operating results of the Group.

FINANCIAL REVIEW

Revenue

During the six months ended 30 June 2021, the Group recorded an increase in its revenue to approximately HK\$649.0 million, representing an increase of approximately 15.2%, as compared to approximately HK\$563.5 million for the six months ended 30 June 2020. This was mainly due to the gradual recovery in the global economy and an increase in orders from the Group's customers after the rollout of the COVID-19 vaccine for the period under review as compared with the same period in year 2020 during which the impact of the outbreak of COVID-19 pandemic was more prevalent.

Gross profit and gross profit margin

The Group's gross profit increased by approximately 8.7% to approximately HK\$136.0 million for the six months ended 30 June 2021 (six months ended 30 June 2020: approximately HK\$125.1 million) and the gross profit margin decreased by approximately 1.2% to approximately 21.0% for the six months ended 30 June 2021 (six months ended 30 June 2020: approximately 22.2%). The lower gross profit margin was mainly due to the higher cost of raw materials as the price of commodities increased and maintained a growing trend for most of the time during the first half of the year 2021. In addition, the appreciation of Renminbi increased the cost of production and raw materials of the Group.

Other income and gains, net

During the six months ended 30 June 2021, other income increased by approximately 218.8% to approximately HK\$5.1 million (six months ended 30 June 2020: approximately HK\$1.6 million) primarily due to the unrealized loss in fair value change of the financial assets at fair value through profit or loss during the same period of last year when the impact of COVID-19 on the global economy was more uncertain.

Distribution expenses

During the six months ended 30 June 2021, distribution expenses increased by approximately 26.9% to approximately HK\$24.5 million (six months ended 30 June 2020: approximately HK\$19.3 million). The increase was mainly attributable to the expansion and reinforcement of the Group's sales team for new business development and the Group's timely adaption to the rapid changing and dynamic marketing environment. Moreover, the increase in sales orders received by the Group resulted in a corresponding increase in the relevant transportation cost and marketing expenses.



Management Discussion and Analysis

Administrative expenses

During the six months ended 30 June 2021, the administrative expenses increased by approximately 15.1% to approximately HK\$59.6 million (six months ended 30 June 2020: approximately HK\$51.8 million). The increase was mainly due to the lower administrative expenses for the six months ended 30 June 2020 when the impact of the COVID-19 pandemic was more prevalent and the level of administrative expenses went back to normal level during the first half of this year when the impact of COVID-19 pandemic started to subside.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the six months ended 30 June 2021 increased by approximately 1.0% to approximately HK\$40.9 million (six months ended 30 June 2020: approximately HK\$40.5 million). The increase in the Group's revenue during the period was due to the recovery of global economy after the rollout of COVID-19 vaccine. The effect of the increase of the Group's revenue was off-set by the drop of profit margin when the cost of goods sold increased.

FUTURE STRATEGY

Although the uncertainty of the impact of the COVID-19 pandemic persists, with the deployment of vaccines around the world and various measures launched by the powerful countries such as the PRC and the United States, to stimulate the economy, the Group remains cautiously optimistic about the growth of the global economy. Given the immediate and continuing challenges, the Group will stay vigilant and react cautiously to the possible impact on the financial position and operating results of the Group.

As for the Group's products and services, the Group continues to develop new products with patentable design, catering to mechanical design breakthrough, users' experience enhancement and production streamlining, in order to support its customers' market penetration through product innovation. The Group's professional research and development team and the research center and laboratory in the Hong Kong Science Park enables the Group to actively drive innovative designs to assist the Group's customers in meeting 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.

For the Group's wholesale and retail service, the Group insists on distributing only products produced by the Group. Leveraging on the Group's in-house design capability, flexible and agility supply chain capability, real-time quality control and local market knowledge, together with the Group's strive for meticulousness in the quality of products and services, the Group is capable to respond to market trends and needs in a speedy manner without compromising quality product and services. The Group extends its end-to-end control through establishing sales and distribution network, penetrating the PRC market, securing multi-channel and expanding other territories in the Asia Pacific region such as Taiwan, Thailand and Japan.

Diversifying the Group's product portfolio has been one of the main focuses. In addition to the existing category of kitchenware products, the Group fosters new customers from other household product segments such as baby, toddlers, kids tools and gadgets, pets accessories, coffee accessories and glassware help to widen its supply chain capability. The Group is optimistic about the prospect of the new product lines.

With the establishment of a production line in Tai Po consisting of standard version of the Nanospider™ eight-electrode solvent optimized 1,600 mm width with an upward spinning configuration (the “Equipment”), which can optimize the specific properties of the produced nanofibers, the Group is able to perform research on raw material development and application for our products. Moreover, the Group has entered into a rental arrangement with Hong Kong Science and Technology Parks Corporation in the project of Advanced Manufacturing Centre in Tseung Kwan O Industrial Estate which is expected to complete in 2022 for the Group to install the remaining Equipment that provides the Group with the production capacity for introducing new materials and features to its products. For this purpose, the Group has been approved for a funding of HK\$15 million from the Re-industrialisation Funding Scheme under the Innovation and Technology Commission of The Government of the Hong Kong Special Administrative Region regarding its project of “Setting up of smart electrospinning production lines for nanofiber filter material”. Further details of the funding have been disclosed in the announcement of the Company dated 13 August 2021.

On 12 May 2021, the Group also entered into an agreement with an independent third party to acquire a non-residential premise of approximately 12,000 square feet through acquisition of the entire issued share capital of a target company which was completed on 19 July 2021. Further details of the acquisition have been disclosed in the announcements of the Company dated 13 May 2021, 27 May 2021 and 21 July 2021, respectively. The Group intended to utilise the premises for self-use after the expiry of the existing tenancies. In the meantime, the acquisition would generate steady recurring rental income and strengthen the income base of the Group.

The Group will continue to expand its existing headcounts and establish new departments by recruiting talents with competitive knowledge, skillset, experience and capability to cater for the special needs of each project. The Group will also continue to invest in design and intellectual property right protection, upgrade its supply chain production capability and expand the wholesale and retail network in Asia which collaboratively would contribute to driving business growth over the long run. For the remaining half of this year, the Group will continue to establish strategic partnership with certain partners to further strengthen our product design capabilities and penetrate potential markets.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group had 193 employees (30 June 2020: 178 employees). Total staff costs (including Directors’ emoluments) were approximately HK\$34.5 million for the six months ended 30 June 2021, as compared to approximately HK\$29.1 million for the same period in 2020.

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-run retirement benefit schemes for employees in the PRC.

The emoluments of the Directors are decided by the Remuneration Committee, taking into account of the Group’s operating results, individual performance and comparable market statistics.

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

Save for the acquisition of the non-residential premises through acquisition of a target company as disclosed in the section headed “Material Acquisition and Disposal of Subsidiaries and Associated Companies” in this report, there were no other significant investments held during the period under review and there were no material investments or additions of capital assets authorised by the Board as at the date of this report.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 12 May 2021, the Group and the independent third party vendor, namely, Lee Sung Yin, entered into a provisional agreement for sale and purchase relating to the acquisition by the Group of the entire issued share capital of and in Golden Well Ventures Limited (“Golden Well”), a company incorporated in the British Virgin Islands (“BVI”) with limited liability, at the consideration of HK\$138.0 million. The transaction was completed on 19 July 2021. Golden Well’s principal asset comprises a non-residential premises located at 14th Floor of Block C of Sea View Estate, No. 8 Watson Road and Parking Space No.60 on 1st Floor of Block B of Seaview Estate, Nos. 4-6 Watson Road, Hong Kong (the “Property”) and its sole activity is the leasing of the Property. The Property is currently leased to independent third parties. The Group intended to utilise the Property for self-use after the expiry of the existing tenancies. In the meantime, the acquisition would generate steady recurring rental income and strengthen the income base of the Group.

Save as disclosed above, there was no material acquisition or disposal of subsidiaries or associate companies during the six months ended 30 June 2021 and up to the date of this report.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group manages its capital structure with an 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.

Cash and bank balances and borrowing

As at 30 June 2021, the Group had cash and bank balances amounted to approximately HK\$302.3 million (31 December 2020: approximately HK\$373.9 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\$26.0 million (31 December 2020: Nil) and approximately HK\$41.1 million (31 December 2020: approximately HK\$59.5 million) as at 30 June 2021 respectively. The annual interest rate of the bank overdrafts and bank borrowings during the six months ended 30 June 2021 ranged from 2.25% to 5.00% (31 December 2020: ranged from 2.01% to 3.63%) and ranged from 0.79% to 0.90% (31 December 2020: ranged from 0.97% to 1.59%) respectively.

Cash flows

For the six months ended 30 June 2021, the Group recorded a cash outflow from operating activities of approximately HK\$7.5 million (six months ended 30 June 2020: cash inflow of approximately HK\$12.4 million). The significant drop in the operating cash flow was mainly due to the stocking up on the inventory by the Group in order to prepare for the potential increase in demands from customers when the impact of COVID-19 subsides.

Net cash used in investing activities amounted to approximately HK\$18.8 million for the six months ended 30 June 2021 (six months ended 30 June 2020: approximately HK\$8.2 million). The increase was mainly due to costs incurred in the deposit paid for acquisition of a subsidiary during the period. There was a net cash outflow of approximately HK\$74.4 million for the six months ended 30 June 2021 (six months ended 30 June 2020: net cash inflow of approximately HK\$32.6 million) from financing activities due to the repayment of bank borrowings and payment of dividend during the period.

Gearing ratio

The Group's gearing ratio is calculated as total borrowings, which is the summation 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 2021 and 31 December 2020 were approximately 11.6% and 10.0% respectively. The increase of the gearing ratio was mainly due to increase in bank overdrafts during the period.

Banking facilities

As at 30 June 2021, the Group has banking facilities totalling approximately HK\$423.9 million (31 December 2020: approximately HK\$423.9 million) and approximately HK\$67.1 million (31 December 2020: approximately HK\$59.5 million), of which has been utilised by the Group. The utilisation rates as at 30 June 2021 and 31 December 2020 were approximately 15.8% and 14.0% 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 2021, the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK\$16.8 million (31 December 2020: approximately HK\$17.2 million), bond classified as financial assets at fair value through profit or loss of HK\$Nil (31 December 2020: approximately HK\$7.7 million) and pledged bank deposits of approximately HK\$30.0 million (31 December 2020: approximately HK\$22.3 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 2021, approximately HK\$134.7 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 of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

Management Discussion and Analysis

Set out below is a breakdown of the planned use and actual use of proceeds up to 30 June 2021 are as follows:

Purposes of net proceeds as disclosed in the Prospectus	Planned use of proceeds as disclosed in the Prospectus (HK\$' million)	As at 30 June 2021		Unused proceeds as at 30 June 2021 (HK\$' million)
		Actual use of proceeds from the listing date to 31 December 2020 (HK\$' million)	Actual use of proceeds during the six months ended 30 June 2021 (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	33.0	–	–
To purchase and renovate office premises	98.9	–	13.8	85.1
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	120.9	13.8	85.1

On 12 May 2021, the Group and the independent third party vendor, namely, Lee Sung Yin, entered into the provisional agreement in relation to the acquisition by the Group of the entire issued share capital of and in Golden Well, a company incorporated in BVI with limited liability, at the consideration of HK\$138.0 million. Pursuant to the terms of the provisional agreement, the Group paid an initial deposit of HK\$6.0 million and a further deposit of HK\$7.8 million in May 2021 and June 2021, respectively.

Accordingly, as at 30 June 2021, the Group had utilized HK\$13.8 million of the net proceeds to purchase a non-residential premises which is in line with the planned use disclosed in the Prospectus. Completion of the acquisition took place on 19 July 2021 whereby the remaining net proceeds of approximately HK\$85.1 million had been fully utilised towards the payment of the balance of consideration for the acquisition on the same date.

Further details of the acquisition have been disclosed in the announcements of the Company dated 13 May 2021, 27 May 2021 and 21 July 2021, respectively.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group had no significant contingent liabilities (31 December 2020: Nil).

CAPITAL COMMITMENTS

As at 30 June 2021, the Group had capital commitment of approximately HK\$156.1 million (31 December 2020: HK\$35.2 million) for the purchase of and addition to property, plant and equipment and acquisition of a subsidiary.

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 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 2021.

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 2021 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 2020: interim dividend HK4.0 cents per share) to Shareholders whose names appear on the register of members on Tuesday, 28 September 2021, representing a payout ratio of approximately 68.5% of profit attributable to owners of the Company for the six months ended 30 June 2021. The interim dividend will be paid on or around Friday, 8 October 2021.

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 Friday, 24 September 2021 to Tuesday, 28 September 2021 (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 Thursday, 23 September 2021.

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 2021.

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 report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 June 2021, 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 2021, 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 2021 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 2021, 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	49%
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 2021, 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.



Corporate Governance and Other Information

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 2021, 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 2021

	Notes	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	5	648,988	563,475
Cost of sales		(513,018)	(438,336)
Gross profit		135,970	125,139
Other income and gains, net	6	5,091	1,644
Distribution expenses		(24,458)	(19,332)
Administrative expenses		(59,571)	(51,829)
Share of results of associates		1,128	2,434
Finance costs	7	(637)	(598)
Profit before income tax	8	57,523	57,458
Income tax expenses	9	(8,752)	(10,065)
Profit for the period		48,771	47,393
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		6	–
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		489	(1,037)
Other comprehensive income for the period		495	(1,037)
Total comprehensive income for the period		49,266	46,356
Profit for the period attributable to:			
Owners of the Company		40,882	40,463
Non-controlling interests		7,889	6,930
		48,771	47,393
Total comprehensive income attributable to:			
Owners of the Company		41,205	39,942
Non-controlling interests		8,061	6,414
		49,266	46,356
		HK cents	HK cents
Earnings per share:	10		
– Basic		5.8	5.8
– Diluted		5.8	5.8

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	<i>Notes</i>	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	55,648	54,998
Other asset		172	172
Interests in associates		13,801	12,673
Intangible asset		-	-
Deposits paid for property, plant and equipment		15,875	16,365
Deposit paid for acquisition of a subsidiary		13,800	-
Financial assets at fair value through other comprehensive income	16	2,282	2,276
Deferred tax assets		168	277
		101,746	86,761
Current assets			
Inventories	13	56,336	50,569
Trade receivables	14	252,315	256,178
Prepayments, deposits and other receivables		64,295	46,904
Financial assets at fair value through profit or loss	15	36,615	44,602
Amounts due from associates		728	646
Pledged bank deposits		30,041	22,254
Cash and bank balances		302,300	373,928
		742,630	795,081
Current liabilities			
Trade and bills payables	17	66,836	102,975
Other payables and accruals		17,001	23,314
Contract liabilities		12,499	7,329
Bank overdrafts		26,017	-
Bank borrowings		41,080	59,450
Lease liabilities		4,824	3,314
Loans from non-controlling interests		1,920	1,920
Amount due to an associate		1,760	5,500
Provision for tax		5,929	7,630
		177,866	211,432
Net current assets		564,764	583,649
Total assets less current liabilities		666,510	670,410

Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	<i>Notes</i>	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Non-current liabilities			
Lease liabilities		2,800	1,563
Deferred tax liabilities		2,202	4,105
		5,002	5,668
Net assets			
		661,508	664,742
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	7,000	7,000
Reserves		598,257	609,552
		605,257	616,552
Non-controlling interests		56,251	48,190
Total equity			
		661,508	664,742

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Equity attributable to owners of the Company										
	Share capital HK\$'000	Share premium* HK\$'000	Merger reserve* HK\$'000	Financial assets at fair value through other comprehensive income reserve* HK\$'000	Exchange reserve* HK\$'000	Statutory reserve* HK\$'000	Other reserve* HK\$'000	Retained profits* HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total Equity HK\$'000
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(iii))	-	-	-	-	-	-	-	(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
At 1 January 2021 (Audited)	7,000	215,385	(4,231)	(1,174)	3,556	6,241	2,867	386,908	616,552	48,190	664,742
2020 final dividend (note 11(iii))	-	-	-	-	-	-	-	(52,500)	(52,500)	-	(52,500)
Transactions with owners	-	-	-	-	-	-	-	(52,500)	(52,500)	-	(52,500)
Profit for the period	-	-	-	-	-	-	-	40,882	40,882	7,889	48,771
Other comprehensive income											
- Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	6	-	-	-	-	6	-	6
- Exchange difference arising on translation of foreign operations	-	-	-	-	317	-	-	-	317	172	489
Total comprehensive income for the period	-	-	-	6	317	-	-	40,882	41,205	8,061	49,266
At 30 June 2021 (Unaudited)	7,000	215,385	(4,231)	(1,168)	3,873	6,241	2,867	375,290	605,257	56,251	661,508

* The aggregate balances of these reserve accounts of approximately HK\$598,257,000 (30 June 2020: approximately HK\$562,152,000) are included as reserves as at 30 June 2021 in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Net cash (used in)/generated from operating activities	(7,525)	12,353
Net cash used in investing activities	(18,787)	(8,203)
Net cash (used in)/generated from financing activities	(74,428)	32,629
Net (decrease)/increase in cash and cash equivalents	(100,740)	36,779
Cash and cash equivalents at the beginning of period	373,928	423,748
Effect on foreign exchange rate changes	3,095	(1,234)
Cash and cash equivalents at the end of period	276,283	459,293
Analysis of cash and cash equivalents		
Cash and bank balances	302,300	502,500
Bank overdrafts	(26,017)	(43,207)
Cash and cash equivalents at the end of period	276,283	459,293

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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.

As at 30 June 2021 and up to the date of authorisation of these financial statements, in the opinion of the directors, the Company's ultimate holding company is City Concord Limited, a company incorporated in the BVI. The Company's controlling party is Dr. Wong Siu Wah, who is also the Chairman and Chief Executive Officer of the Company.

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 2020 (the "2020 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 2020 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 2021

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 HKAS 39, HKFRS 4, HKFRS 7, Interest Rate Benchmark Reform – Phase 2
HKFRS 9 and HKFRS 16

The application of the 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 segments 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. The Group is organised around differences in products. There are two business components in the internal reporting to the executive Directors, which are (i) trading of kitchenware and household products, including drinkware, tools and gadgets, bakeware and accessories and food preparation products and (ii) trading of raw materials, including mainly silicone.

There were no inter-segment sales between different business segments for the six months ended 30 June 2021 and 2020.

	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	
	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue						
Revenue from external customers	583,987	513,509	65,001	49,966	648,988	563,475
Segment results	56,891	53,425	4,102	6,547	60,993	59,972
Share of results of associates					1,128	2,434
Unallocated income					333	1,556
Unallocated expenses					(4,931)	(6,504)
Profit before income tax					57,523	57,458

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

4. SEGMENT INFORMATION *(Continued)*

(i) Operating segment information *(Continued)*

	Trading of kitchenware and household products		Trading of raw materials		Total	
	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Segment assets	616,675	626,275	75,733	58,202	692,408	684,477
Deferred tax assets					168	277
Interests in associates					13,801	12,673
Unallocated corporate assets [#]					137,999	184,415
Consolidated total assets					844,376	881,842
Segment liabilities	172,945	202,722	126	821	173,071	203,543
Provision for tax					5,929	7,630
Deferred tax liabilities					2,202	4,105
Unallocated corporate liabilities					1,666	1,822
Consolidated total liabilities					182,868	217,100

[#] 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.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

4. 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	
	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Other segment information:						
Interest income	555	1,006	-	-	555	1,006
Interest expenses	(613)	(593)	-	-	(613)	(593)
Depreciation of property, plant and equipment	(7,969)	(6,700)	-	-	(7,969)	(6,700)
(Provision of impairment loss)/ reversal of impairment loss on trade receivables	(234)	(127)	150	(26)	(84)	(153)
Fair value gain/(loss) of financial assets at fair value through profit or loss, net	75	(3,111)	-	-	75	(3,111)

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

4. SEGMENT INFORMATION *(Continued)*

(ii) Reconciliations of other material items in the segment information

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Other material items		
Reportable segments' interest income	555	1,006
Unallocated	332	918
Consolidated interest income	887	1,924
Reportable segments' depreciation of property, plant and equipment	(7,969)	(6,700)
Unallocated	(259)	(103)
Consolidated depreciation of property, plant and equipment	(8,228)	(6,803)
Reportable segments' fair value gain/(loss) of financial assets at fair value through profit or loss, net	75	(3,111)
Unallocated	(312)	(2,295)
Consolidated fair value loss of financial assets at fair value through profit or loss, net	(237)	(5,406)

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

4. SEGMENT INFORMATION *(Continued)*

(iii) 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 on point in time basis, is divided into the following geographical areas:

	Notes	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
United States		387,308	384,416
Asia	(a)	183,601	132,551
Europe	(b)	61,441	33,926
Canada		16,123	10,310
Other locations	(c)	515	2,272
		648,988	563,475

Notes:

(a) Principally included the PRC*, Hong Kong* and Japan

(b) Principally included United Kingdom, Switzerland, Belgium and Germany

(c) Principally included Australia

* Including revenue from the PRC and Hong Kong of approximately HK\$167,119,000 (six months ended 30 June 2020: approximately HK\$121,624,000)

The geographical location of customers is based on the location of customers. As at 30 June 2021 and 31 December 2020, over 90% of the Group's non-current assets (other than financial instruments and deferred tax assets) are physically located in Hong Kong.

(iv) 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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Company A	124,044	158,876
Company B	154,885	120,067
Company C	58,130	78,981

The revenue from those three customers were all derived from the segment engaging in trading of kitchenware and household products.

Revenue amounting to approximately HK\$58,130,000 from transactions with Company C did not exceed 10% of the Group's revenue for the six months ended 30 June 2021 and was disclosed for illustrative purposes only.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

5. REVENUE

The Group is principally engaged in trading of kitchenware and household products and raw materials including mainly silicone for certain of these products. Revenue from sales of kitchenware and household products and raw materials are 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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue from contracts with customers		
– Sales of kitchenware and household products	583,987	513,509
– Sales of raw materials	65,001	49,966
	648,988	563,475

6. OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Bank interest income	857	1,894
Interest income from unlisted bond	30	30
Recharge from customers	144	701
Government grants	3,754	3,428
Fair value loss on financial assets at fair value through profit or loss, net	(237)	(5,406)
Others	543	997
	5,091	1,644

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

7. FINANCE COSTS

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interest charges on financial liabilities at amortised cost:		
Bank borrowings	167	24
Bank overdrafts	224	388
Lease liabilities	246	186
	637	598

8. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Profit before income tax is arrived at after charging:		
Cost of inventories sold recognised as expense	513,018	438,336
Provision of impairment loss on trade receivables	84	153
Depreciation of property, plant and equipment	8,228	6,803
Research expenses	503	51
Short-term lease expenses	129	399
Low-value lease expenses	40	19
Employee benefit expenses (including directors' remuneration)		
Wages, salaries and other benefits	27,823	27,568
Discretionary bonuses	4,298	–
Contributions to defined contribution schemes	2,341	1,558
	34,462	29,126
Exchange loss, net	701	496

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

9. INCOME TAX EXPENSES

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
The taxation attributable to the Group's operation comprises:		
Current tax		
– Hong Kong profits tax	7,988	8,006
– Income tax outside Hong Kong	2,578	2,208
	10,566	10,214
Over provision in prior years		
– Hong Kong profits tax	(20)	–
Deferred tax		
– Credit for the period	(1,794)	(149)
Income tax expenses	8,752	10,065

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.

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2020: 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 2020: 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.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

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 approximately HK\$40,882,000 (six months ended 30 June 2020: approximately HK\$40,463,000) and the weighted average of 700,000,000 (six months ended 30 June 2020: 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 2021 and 2020, and hence the diluted earnings per share is the same as basic earnings per share.

11. DIVIDENDS

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

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interim dividend declared and payable after the interim period of HK4.0 cents per share (six months ended 30 June 2020: HK4.0 cents per share)	28,000	28,000

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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Final dividend in respect of the previous financial year, approved and payable during the following interim period, of HK7.5 cents per share (six months ended 30 June 2020: approved and paid during the following interim period of HK6.0 cents per share)	52,500	42,000
Special dividend in respect of the previous financial year, approved and payable during the following interim period, of Nil (six months ended 30 June 2020: HK20.0 cents per share)	–	140,000
	52,500	182,000

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property, plant and equipment at a total cost of approximately HK\$8,878,000 (six months ended 30 June 2020: approximately HK\$2,459,000).

During the six months ended 30 June 2021, the Group has not disposed property, plant and equipment (six months ended 30 June 2020: Nil).

At 30 June 2021, the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK\$16,843,000 (31 December 2020: approximately HK\$17,234,000) were pledged to secure general banking facilities granted to the Group.

13. INVENTORIES

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Merchandises held for resale	30,148	33,828
Raw materials	26,188	16,741
	56,336	50,569

14. TRADE RECEIVABLES

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Trade receivables	254,088	257,867
Less: impairment loss allowance	(1,773)	(1,689)
	252,315	256,178

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 2021

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 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
0–30 days	102,246	136,183
31–60 days	105,454	69,336
61–90 days	21,661	27,967
Over 90 days	22,954	22,692
	252,315	256,178

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Financial assets at fair value through profit or loss:		
Listed equity securities in Hong Kong, at fair value <i>(note (a))</i>	27,826	26,824
Unlisted bond in UK, at fair value <i>(note (b))</i>	–	7,673
Unlisted secured promissory note in US, at fair value <i>(note (c))</i>	8,348	8,659
Derivative financial instruments at fair value <i>(note (d))</i>	441	1,446
	36,615	44,602

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

15. 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 end of the reporting period.
- b) The fair values of the Group's unlisted bond has been determined based on the quoted prices from relevant financial institutions at the end of the reporting period. As at 31 December 2020, the unlisted bond was pledged to a bank to secure the general banking facilities granted to the Group.
- c) At 30 June 2021, there was one (31 December 2020: one) secured promissory note (the "Note") with gross principal amount of US\$2,000,000 equivalent to approximately HK\$15,560,000 (31 December 2020: US\$2,000,000 equivalent to approximately 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 for the period from the issue date of the Note to 7 January 2020. The principal of the loan 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 by entering a supplementary agreement in June 2019 and was further extended to 15 January 2021, 15 February 2021, 15 April 2021, 30 June 2021 and 31 December 2021 (the "Maturity Dates") by entering another supplementary agreement in January 2020, January 2021, February 2021, April 2021 and June 2021 respectively. 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 Dates of the Note. The outstanding principal and the interest receivable from the Note was secured by all the assets of the Issuer.

At 30 June 2021, the fair value of the Note was estimated to be approximately HK\$8,348,000 (31 December 2020: approximately HK\$8,659,000). The fair value loss of approximately HK\$311,000 (six months ended 30 June 2020: approximately HK\$2,295,000) was recognised in consolidated statement of comprehensive income in other income and gains, net for the six months ended 30 June 2021. 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 2021 is determined by the Directors with reference to the valuation prepared by Royson Valuation Advisory Limited, an independent valuer, by using binomial model with the following key parameters:

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Revenue growth rate	Ranged from 40% to 408%	Ranged from 39% to 625%
Terminal growth rate	3%	3%
Post-tax discount rate	26%	24.9%
Discount for lack of marketability	35%	35%
Expected volatility	40%	25%

- d) At 30 June 2021, the Group's derivative financial instruments represented foreign currency forward contracts and options. 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 RMB76,000,000 (31 December 2020: RMB15,000,000) and the forward currency rates of all these contracts ranged from USD1:RMB6.4890 to USD1:RMB6.6750 (31 December 2020: USD1:RMB7.0740 to USD1:RMB7.0860) with various maturity dates from July 2021 to March 2022 (31 December 2020: January 2021 to March 2021).

Foreign currency options denominated in USD and the fair values are based on the quoted prices from the relevant financial institutions. The notional amounts of these options are USD3,000,000 (31 December 2020: Nil) and the options strike price of all these contracts ranged from EUR1:USD1.1600 to EUR1:USD1.1850 (31 December 2020: Nil) with various maturity dates from September 2021 to December 2021 (31 December 2020: Nil).

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Unlisted equity securities in Hong Kong, at fair value (note)	2,282	2,276

Note:

The above equity investment was irrevocably designated at fair value through other comprehensive income as the Group considers this investment to be strategic in nature.

As at 30 June 2021, 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 2021 (Unaudited)	As at 31 December 2020 (Audited)
Revenue growth rate	Ranged from 5% to 96%	Ranged from 5% to 76%
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 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Trade payables	66,836	102,340
Bills payables	-	635
	66,836	102,975

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

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 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
0–90 days	66,429	98,810
91–180 days	–	826
181–365 days	–	880
Over 365 days	407	2,459
	66,836	102,975

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

18. SHARE CAPITAL

	As at 30 June 2021		As at 31 December 2020	
	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

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

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 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 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.

The financial assets measured at fair value as at 30 June 2021 and 31 December 2020 in the condensed consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1 HK\$'000 (note (a))	Level 2 HK\$'000 (note (b))	Level 3 HK\$'000 (note (c))	Total HK\$'000
As at 30 June 2021 (Unaudited)				
Financial assets at fair value through profit or loss				
– Listed equity securities, at fair value	27,826	–	–	27,826
– Unlisted secure promissory note, at fair value	–	–	8,348	8,348
– Derivative financial instruments	–	441	–	441
Financial assets at fair value through other comprehensive income				
– Unlisted equity securities, at fair value	–	–	2,282	2,282
As at 31 December 2020 (Audited)				
Financial assets at fair value through profit or loss				
– Listed equity securities, at fair value	26,824	–	–	26,824
– Unlisted bond, at fair value	–	7,673	–	7,673
– Unlisted secure promissory note, at fair value	–	–	8,659	8,659
– Derivative financial instruments	–	1,446	–	1,446
Financial assets at fair value through other comprehensive income				
– Unlisted equity securities, at fair value	–	–	2,276	2,276

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

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

Notes:

- (a) 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.
- (b) 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.
- (c) 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 2021 and 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.

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	Six months ended 30 June	
			2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Licensing fee	Ignite Hong Kong Limited ("Ignite HK")	(a)	4,459	4,802
Lease payments	Dr. Wong Siu Wah ("Dr. Wong")	(b)	420	420

Notes:

- (a) An associate of the Group.
- (b) During the six months ended 30 June 2021 and 2020, the Group had paid lease payments relating to premises which are owned by Dr. Wong. The associated lease liabilities of approximately HK\$416,000 (31 December 2020: approximately HK\$827,000) were recognised in the condensed consolidated statement of financial position as at 30 June 2021.
- (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.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

20. RELATED PARTY TRANSACTIONS *(Continued)*

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	31 December
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Ignite HK	(1,760)	(5,500)
Toddler Copenhagen Asia Ltd.	541	531
Narrative Ltd.	158	90
Cheer Mind Corp. Ltd.	29	25

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

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	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries, allowances and benefits in kind	3,064	3,039
Discretionary bonuses	169	–
Contributions to defined contribution scheme	17	18
	3,250	3,057

21. CONTINGENT LIABILITIES

As at 30 June 2021, the Group does not have any significant contingent liabilities (31 December 2020: Nil).

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

22. CAPITAL COMMITMENTS

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 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	31,936	35,226
– acquisition of a subsidiary	124,200	–
	156,136	35,226

23. EVENTS AFTER REPORTING PERIOD

On 12 May 2021, the Group and the independent third party vendor, namely, Lee Sung Yin, entered into the provisional agreement in relation to the acquisition by the Group of the entire issued share capital of and in Golden Well, a company incorporated in BVI with limited liability, at the consideration of HK\$138.0 million. The transaction was completed on 19 July 2021. For more details, please refer to the Group's announcement on 13 May 2021, 27 May 2021 and 21 July 2021.

Golden Well's principal asset is the Property and its sole activity is the leasing of the Property. The Property comprises the 14th Floor of Block C of Sea View Estate, No. 8 Watson Road and parking space No. 60 on 1/F, Block B of Seaview Estate, No. 4-6 Watson Road, Hong Kong. The said 14th Floor has gross floor area of approximately 12,000 square feet. The property is currently leased to independent third parties.

The Group intended to utilise the property for self-use after the expiry of the existing tenancies. In the meantime, the acquisition would generate steady recurring rental income and strengthen the income base of the Group.