



# Interim Report 2017

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

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

#### Independent Non-Executive Directors

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

### BOARD COMMITTEES

#### Audit Committee

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

#### Remuneration Committee

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

#### Nomination Committee

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

#### Risk Management Committee

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

### COMPANY SECRETARY

Mr. Po Tien Chu, Ronnie *HKICPA*

### 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 22, 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

### 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

<http://www.kingsflair.com.hk>



## CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of King's Flair International (Holdings) Limited (the "Company"), I am pleased to present the interim report of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2017.

### BUSINESS AND FINANCIAL REVIEW

The period of six months ended 30 June 2017 was still a challenging period for the Group. Although the global economy was recovering during the period, the keen competition of the market and the rapid changing requirement of the customers imposed a pressure on the growth of the Group's revenue. Thanks to the effort of the sales team, the Group maintained a slight growth on the total revenue by approximately 2.2% to approximately HK\$614.8 million during the six months ended 30 June 2017 comparing with approximately HK\$601.3 million in the same period in 2016.

The Group values the relationship with the customers and realizes the improvement of quality of services to the customers is the key to success. The Group continues to pursue differentiation strategies through strengthening the one stop tailor made platform to the customers, providing value added services and supporting the customers' business growth and needs. The Group continues to develop products with patentable design catering to user experience enhancement. The Group identifies one of the keys to secure the Group's sales and to enhance market penetration is through innovation and creativity in product design. With that in mind, the design capability of the Group's design and R&D team with 12 members in Hong Kong and Taiwan was reinforced in order to deliver faster and quality product design service to the customers.

Leveraging on our existing resources including professional raw material knowledge and existing customer network, the segment of trading of raw materials established in 2016 recorded a remarkable growth in term of revenue during the six months ended 30 June 2017 comparing with the same period in 2016. The Group keeps looking for potential business opportunity for diversification.

The Group has achieved promising growth in the PRC retail business during the six months ended 30 June 2017. The Group continued to expand both physical and online points of sales. The Group has also invested in product assortment and marketing and promotional activities to further enhance brand image and increase its market share.

The Group's profit for the six months ended 30 June 2017 was approximately HK\$58.6 million which represents a decrease of approximately 16.9% comparing with approximately HK\$70.5 million for the same period in 2016. The decrease of profit was primarily due to the increase of the cost of raw materials consumed by the Group. The price of raw materials rose as the price of commodities increased during the recovery of the economy. The appreciation of Renminbi against Hong Kong Dollar also increased the cost of sales of the Group.

Moreover, the increase in distribution expenses and administrative expenses during the period also reduced the profit of the Group as the Group has devoted more resources to expand the retail business in the PRC market, which led to increased expenditure on marketing and promotional expenses and product approval test expenses.

## Chairman's Statement

### A POSITIVE FUTURE

With the Group's operations streamlined increasing the performance and production efficiency, the Group continued to invest in the PRC retail business and intellectual property rights protection, which is believed to be the two main areas to drive business growth over the long term.

The Group's exporting market business is highly competitive. It is due to the fierce competition in the kitchenware and household product markets that the Group believes its one-stop services are valuable to support its customers' differentiation and continuous growth, helping them with protected intellectual property innovation and launch to market in speedy time manners. The Group will continue to support and grow with valuable established clients in the US, Europe, Australia and Japan with its professional design and engineering services, as well as developing potential new clients from other territories which the Group is exploring. The Group will also continue its drive to establish strategic partnership with new customers who are international brand owners with great product concept, strong and passionate team and effective marketing strategies.

The Group anticipates there will be a continuous growth in the PRC's market. In order to capture such growth, the Group will continue to dedicate substantial resources and effort with existing brand-owners, establish strategic partnership with new customers, continue to engage and expand potential up-and-coming popular sales and distribution channels, invest in localizing the existing product design features and functions for the PRC market while strengthening the brand image, promoting customization and trendy style. Moreover, the Group will also grasp the opportunity brought by the two-child policy in the PRC by introducing mother and toddler products in upcoming year.

Besides focusing on the Group's existing category of kitchenware products, the Group has been fostering new customers from other household product segments e.g. baby, toddlers, kids tools and gadgets, pets accessories, coffee accessories and glassware. The Group will continue to look for opportunities to diversify its customers and product portfolio. Since 2016, the Group has initiated the process of design, development and registration for trademark and patent of products for baby and toddlers markets. The Group is optimistic about the progress of the product development and expects to launch the products to this market in near future.

The Group has also been working closely on raw material development and application and expanded its product supply with customized plastic material and enhanced stainless steel grade. The Group will continue to work on raw material development and production technology, such as quality glass.

The Group believes that these strategies will enable it to increase its revenue source.

### ACKNOWLEDGMENT

On behalf of the Board, I would like to thank the Group's global customers for supporting the Group with opportunities to grow, the Group's vendors who continues to strive to improve and achieve the Group's standard and services, and last but not least the exceptional people who live and carry the Group's values, delivering the Group's achievements and milestones.

**Wong Siu Wah**

*Chairman and Chief Executive Officer*

22 August 2017



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

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

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

## OPERATIONAL REVIEW

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

With a strong commitment in providing differentiated services and reinforcing its competitive advantages, the Group continued to invest in its product design, development and engineering capabilities in 2017. During the six months ended 30 June 2017, the Group had maintained a design and R&D team to a total of 12 members, which are professional in focusing on market research, data analysis, product design and development, helping our clients in monitoring consumer demands and setting the latest trends in kitchenware and household products as well as collaborating with our customers to derive patentable solutions. These capabilities differentiated us among our peers and fortified our strategic partnership with our customers.

With strong background in industrial designs as well as experiences in manufacturing, the Group's product engineering team, which currently has 5 engineers, provide innovative raw material ideas and cost-effective solutions to streamline the overall manufacturing process. As at 30 June 2017, the Group engaged a team of over 90 quality assurance professionals stationed at or near the production factories in the People's Republic of China (the "PRC"). No major quality control issues or complaints were reported in the six months ended 30 June 2017.

### International clientele

The Group has an extensive sales network and international clientele. During the six months ended 30 June 2017, clients from the United States of America (US) contributed over 76.1% of total revenue. Asia, Europe and Canada contributed 16.8%, 4.7% and 2.3%, respectively, and the Group received orders from over 100 customers.

In addition to maintaining solid partnership with its existing customers, the Group also endeavored to explore new business opportunities. During the six months ended 30 June 2017, the Group visited the trade fair in Ambiente Frankfurt, NY Now, International Home + Houseware Show, and Hong Kong Houseware Fair and Playtime Tokyo. Via such platforms, the Group was able to reach merchandisers from around the globe and closely track the latest innovation and design trends in the industry.

## Management Discussion and Analysis

### FUTURE STRATEGY

The Group has set strong foot-holds in the global kitchenware and household product industry, especially in the mid-tier and high-end market. Leveraging on its success and foundation, the Group will continue to seek growth in its existing overseas markets while pursuing breakthrough in the PRC market. In the second half of 2017, the Group will continue to enhance its capability in product innovation and better cater for the demand of its customers. Mid-tier and high-end kitchenware and household product markets will continue to be the Group's focus and the Group will continue to participate in major trade shows to further broaden its customer base. Through these trade shows and by working with local importers and trade agents, the Group is expanding potential collaborations with well-known U.S. and Europe brand owners and retailers. For emerging markets such as Eastern Europe, Africa and South America, the Group will continue to explore business opportunities in these countries amidst their current economic conditions.

The Group will continue to focus on expanding the retail kitchenware and household product assortment and further penetrate the PRC market. The Group believes that the large population of middle-class consumers in the PRC, having achieved a higher standard of living, is still craving for quality and trendy products in pursuit of wellness living. With the introduction of the two-child policy by the PRC government in 2015 which allows couples to have two children, it is expected that the demand for toddler and children products will remain strong. The Group will grasp the opportunity brought by this policy by developing more products to capture the mother and toddler's market and continuing to dedicate resources on increasing its market share in the PRC market by expanding product assortment. In addition, the Group will continue to nurture its e-commerce platform and increase marketing and promotion activities with an aim to enlarge market shares in the PRC.

The Group also pursues a diversification strategy to increase its revenue source. For its raw materials trading business, the Group will continue to explore more potential commodities suppliers with high reliability around the world for enriching the raw material intelligence and increasing the varieties of raw materials to enjoy the benefit of economies of scale and improving efficiency.

### FINANCIAL REVIEW

#### Revenue

The Group recorded a slight growth in revenue for the first half of year 2017 comparing to the same period in year 2016. During the six months ended 30 June 2017, the Group's total revenue was approximately HK\$614.8 million, representing an increase of approximately 2.2% as compared to approximately HK\$601.3 million for the same period in 2016.

Facing the challenge, the Group has continued to adhere to the differentiation strategy with its strong design and engineering skills, and enhanced its design capabilities, to provide tailor-made services to our customers to increase order levels from existing customers and to attract new customers. The Group is also actively diversifying and expanding our customer base with the aim to sustaining the growth of its revenue.



## Management Discussion and Analysis

### Cost of sales

During the six months ended 30 June 2017, cost of sales of the Group increased by approximately 4.9% to approximately HK\$482.0 million as compared to approximately HK\$459.5 million for the same period of 2016. Cost of sales as a percentage of revenue increased to 78.4% for the six months ended 30 June 2017 as compared to 76.4% for the same period in 2016. The higher cost of sales of the Group was mainly due to the increase in the cost of raw materials consumed by the Group. The price of raw materials rose as the price of commodities increased during the recovery of global economy. The appreciation of Renminbi (“RMB”) against Hong Kong Dollar (“HKD”) also increased the cost of sales of the Group.

### Gross profit and gross profit margin

The Group’s gross profit decreased by approximately 6.4% to approximately HK\$132.8 million for the six months ended 30 June 2017 (six months ended 30 June 2016: HK\$141.8 million) and the gross profit margin decreased by approximately 2.0% to approximately 21.6% for the six months ended 30 June 2017 (six months ended 30 June 2016: 23.6%). The lower gross profit and gross profit margin was mainly due to the increase of cost of raw materials as mentioned in the paragraph headed “Cost of sales” above.

### Other income and gain

During the six months ended 30 June 2017, other income and gain increased by approximately 26.1% to approximately HK\$2.9 million (six months ended 30 June 2016: HK\$2.3 million) primarily due to the increase in interest income and the gain from the fair value change of a fund which was classified as financial asset at fair value through profit or loss.

### Distribution expenses

Distribution expenses were primarily related to the PRC retail business. During the six months ended 30 June 2017, distribution expenses increased by 20.0% to approximately HK\$16.2 million (six months ended 30 June 2016: HK\$13.5 million) in the PRC. The increase was mainly due to the Group’s dedication of more resources on the PRC retail business and the expenditure on marketing expenses and product approval tests.

### Administrative expenses

During the six months ended 30 June 2017, the administrative expenses increased by approximately 3.6% to approximately HK\$48.5 million (six months ended 30 June 2016: HK\$46.8 million). The increase was primarily due to the increase in loss on exchange and staff cost.

### Profit for the period

Profit for the six months ended 30 June 2017 decreased by approximately 16.9% to approximately HK\$58.6 million (six months ended 30 June 2016: HK\$70.5 million). The increase in cost of raw materials consumed was the major factor that led to the decrease in profit for the period.



## Management Discussion and Analysis

### EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2017, the Group had 146 employees (30 June 2016: 160 employees). Total staff costs (including Directors' emoluments) were approximately HK\$26.5 million for the six months ended 30 June 2017, as compared to approximately HK\$26.1 million for the same period in 2016.

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 available-for-sale financial assets, loan receivable and financial asset at fair value through profit or loss as disclosed in the condensed consolidated statement of financial position, there were no significant investment held as at 30 June 2017 nor were there plans for material investments on capital assets as at the date of this report.

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

During the six months ended 30 June 2017, the Group had not made any material acquisition or disposal of subsidiaries and associated companies.

### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2017, the Group had cash and bank balances amounted to approximately HK\$501.7 million (31 December 2016: HK\$384.0 million) which were mainly denominated in United States dollars ("USD"), RMB and HKD. The Group's total bank overdraft amounted to approximately HK\$15.9 million (31 December 2016: Nil) which were all denominated in HKD. Interest is determined on the basis of Hong Kong Interbank Offering Rate or Prime Rate for HKD borrowings.

There was no change to the Group's capital structure since the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 January 2015 (the "Listing") and up to the date of this interim report. In light of the current financial position of the Group and provided there is no unforeseeable circumstance, the management does not anticipate the need to change the capital structure. The annual interest rate of the bank overdraft as at 30 June 2017 was approximately 4% (31 December 2016: Nil).

For the six months ended 30 June 2017, the Group recorded a strong cash inflow from operating activities of HK\$123.5 million (six months ended 30 June 2016: HK\$59.2 million). Net cash used in investing activities of HK\$22.5 million (six months ended 30 June 2016: HK\$0.5 million) was due to the increase in the investment in equity fund and bond and the subscription of a loan receivable under a secured convertible note (the "Note"). There was a net cash outflow of HK\$0.1 million (six months ended 30 June 2016: net cash inflow HK\$0.5 million) from financing activities.



## Management Discussion and Analysis

### Gearing ratio

The Group's gearing ratio is calculated as total borrowings, which is the summation of bank overdraft and loans from non-controlling interests, divided by total equity. The gearing ratio of the Group as at 30 June 2017 and 31 December 2016 were 6.5% and 4.1% respectively. The increase of the gearing ratio was mainly due to the increase in bank overdraft.

### FOREIGN EXCHANGE EXPOSURE

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

### PLEDGE OF ASSETS

As at 30 June 2017, the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK\$19.9 million (31 December 2016: HK\$20.4 million), bond classified as available-for-sales financial assets of approximately HK\$7.8 million (31 December 2016: Nil) and pledged time deposit of HK\$22.0 million (31 December 2016: HK\$29.7 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 2017, approximately HK\$70.3 million of the proceeds raised has been utilised and the unused proceeds were deposited in licensed banks in Hong Kong. In the event that the Directors decided to use such net proceeds in a manner different from that stated in the Prospectus, the Company will issue further announcement in compliance with the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

### CONTINGENT LIABILITIES

As at 30 June 2017, the Group had no significant contingent liabilities (31 December 2016: Nil).

### CAPITAL COMMITMENTS

As at 30 June 2017, the Group had no significant outstanding capital commitment (31 December 2016: Nil).

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

### MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Directors have adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in dealing in the Company’s securities. Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code throughout the six months ended 30 June 2017.

### 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 2017 and the accounting principles and practices adopted, and discussed auditing, risk management, internal controls and financial reporting matters with our management and the Company’s external auditors.

### INTERIM DIVIDEND AND SPECIAL DIVIDEND

The Board resolved to declare an interim dividend of HK4.5 cents per share (six months ended 30 June 2016: interim dividend HK6.0 cents per share) and a special dividend of HK1.5 cents per share (six months ended 30 June 2016: Nil) to Shareholders whose names appear on the register of members on 19 September 2017 representing a payout ratio of approximately 75.1% of profit attributable to shareholders for the six months ended 30 June 2017. The interim dividend and special dividend will be paid on or around 29 September 2017.

### CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlements to the interim dividend and special dividend, the register of members of the Company will be closed from 18 September 2017 to 19 September 2017 (both days inclusive) during which period no transfer of shares will be effected. In order to qualify for the interim dividend and special dividend, all transfers accompanied by the relevant share certificate must be lodged with the Company’s share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on 15 September 2017 for registration.



## 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 2017.

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained sufficient public float as required under the Listing Rules throughout the six months ended 30 June 2017.

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

As at 30 June 2017, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

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

Note:

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

Saved as disclosed above, as at 30 June 2017, none of the Directors and the chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, at no time during the six months period ended 30 June 2017 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).

## Corporate Governance and Other Information

### INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2017, the persons (not being the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follows:

#### Interests in shares

Name of substantial shareholders	Capacity/nature of interests	Number of shares held (Note 1)	Approximate percentage of issued share capital (%)
First Concord Limited (Note 2)	Beneficial owner	105,000,000(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 Mr. Wong and 40% by Ms. Cheng. Mr. Wong and Ms. Cheng are therefore both deemed to be interested in the 105,000,000 shares held by First Concord Limited.
- City Concord Limited is wholly and beneficially owned by Mr. Wong. Mr. Wong is therefore deemed to be interested in the 420,000,000 shares held by City Concord Limited. Ms. Cheng is deemed to be interested in the 420,000,000 shares held by City Concord Limited by reason of her being the spouse of Mr. Wong.

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

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

Save as disclosed above, as at 30 June 2017, 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 13.51 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 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 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 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 2017, 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 2017

	Notes	Six months ended 30 June	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
<b>Revenue</b>	5	<b>614,763</b>	601,343
Cost of sales		<b>(481,977)</b>	(459,530)
<b>Gross profit</b>		<b>132,786</b>	141,813
Other income and gain	6	<b>2,912</b>	2,253
Distribution expenses		<b>(16,206)</b>	(13,499)
Administrative expenses		<b>(48,476)</b>	(46,815)
Operating profit		<b>71,016</b>	83,752
Finance costs	8	<b>(74)</b>	(144)
<b>Profit before income tax</b>	7	<b>70,942</b>	83,608
Income tax expenses	9	<b>(12,377)</b>	(13,131)
<b>Profit for the period</b>		<b>58,565</b>	70,477
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Change in fair value of available-for-sale financial assets		<b>8,919</b>	(2,100)
Exchange difference arising on translation of foreign operations		<b>411</b>	329
<b>Other comprehensive income for the period</b>		<b>9,330</b>	(1,771)
<b>Total comprehensive income for the period</b>		<b>67,895</b>	68,706
<b>Profit for the period attributable to:</b>			
Owners of the Company		<b>55,928</b>	70,392
Non-controlling interests		<b>2,637</b>	85
		<b>58,565</b>	70,477
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>65,143</b>	68,479
Non-controlling interests		<b>2,752</b>	227
		<b>67,895</b>	68,706
		<b>HK cents</b>	HK cents
Earnings per share:	10		
– Basic		<b>8.0</b>	10.1
– Diluted		<b>8.0</b>	10.1



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	<i>Notes</i>	<b>30 June 2017 HK\$'000 (Unaudited)</b>	31 December 2016 HK\$'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	41,199	43,616
Prepaid land lease payments		1,708	1,692
Other asset		172	172
Loan receivable	13	12,993	–
Derivative financial instrument	13	2,567	–
Interest in an associate		–	–
Intangible asset		7,209	9,613
Deferred tax assets		4	4
		<b>65,852</b>	55,097
<b>Current assets</b>			
Inventories	14	34,499	21,354
Trade receivables	15	150,024	216,662
Prepayments, deposits and other receivables		31,427	36,023
Available-for-sale financial assets	16	48,862	32,163
Financial asset at fair value through profit or loss	17	8,301	–
Amount due from an associate		421	351
Prepaid tax		192	4,693
Pledged bank deposits		21,969	29,720
Cash and bank balances		501,682	383,984
		<b>797,377</b>	724,950
<b>Current liabilities</b>			
Trade and bills payables	18	85,068	89,974
Deposits received, other payables and accruals		53,019	57,145
Bank overdraft		15,912	–
Dividend payable	11	42,000	–
Loans from non-controlling interests		13,676	13,388
Provision for tax		10,725	2,485
		<b>220,400</b>	162,992
<b>Net current assets</b>		<b>576,977</b>	561,958
<b>Total assets less current liabilities</b>		<b>642,829</b>	617,055



## Condensed Consolidated Statement of Financial Position

As at 30 June 2017

	<i>Notes</i>	<b>30 June 2017 HK\$'000 (Unaudited)</b>	<b>31 December 2016 HK\$'000 (Audited)</b>
<b>Non-current liabilities</b>			
Loans from non-controlling interests		<b>11,213</b>	10,938
Deferred tax liabilities		<b>6,876</b>	7,272
		<b>18,089</b>	18,210
<b>Net assets</b>			
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Share capital	19	<b>7,000</b>	7,000
Reserves		<b>618,579</b>	595,436
		<b>625,579</b>	602,436
Non-controlling interests		<b>(839)</b>	(3,591)
<b>Total equity</b>			
		<b>624,740</b>	598,845



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Equity attributable to owners of the Company							Sub-total	Non-controlling interests	Total equity
	Share capital	Share premium*	Merger reserve*	Revaluation reserve*	Exchange reserve*	Other reserve*	Retained profits*			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 January 2016 (Audited)</b>	7,000	215,385	(4,231)	9,617	1,659	2,867	324,908	557,205	(472)	556,733
Profit for the period	-	-	-	-	-	-	70,392	70,392	85	70,477
<b>Other comprehensive income</b>										
- Change in fair value of available-for-sale financial assets	-	-	-	(2,100)	-	-	-	(2,100)	-	(2,100)
- Exchange difference arising on translation of foreign operations	-	-	-	-	187	-	-	187	142	329
<b>Total comprehensive income for the period</b>	-	-	-	(2,100)	187	-	70,392	68,479	227	68,706
<b>At 30 June 2016 (Unaudited)</b>	7,000	215,385	(4,231)	7,517	1,846	2,867	395,300	625,684	(245)	625,439
<b>At 1 January 2017 (Audited)</b>	<b>7,000</b>	<b>215,385</b>	<b>(4,231)</b>	<b>7,959</b>	<b>2,204</b>	<b>2,867</b>	<b>371,252</b>	<b>602,436</b>	<b>(3,591)</b>	<b>598,845</b>
2016 final dividend (note 11)	-	-	-	-	-	-	(42,000)	(42,000)	-	(42,000)
<b>Transaction with owners</b>	-	-	-	-	-	-	(42,000)	(42,000)	-	(42,000)
Profit for the period	-	-	-	-	-	-	55,928	55,928	2,637	58,565
<b>Other comprehensive income</b>										
- Change in fair value of available-for-sale financial assets	-	-	-	8,919	-	-	-	8,919	-	8,919
- Exchange difference arising on translation of foreign operations	-	-	-	-	296	-	-	296	115	411
<b>Total comprehensive income for the period</b>	-	-	-	8,919	296	-	55,928	65,143	2,752	67,895
<b>At 30 June 2017 (Unaudited)</b>	<b>7,000</b>	<b>215,385</b>	<b>(4,231)</b>	<b>16,878</b>	<b>2,500</b>	<b>2,867</b>	<b>385,180</b>	<b>625,579</b>	<b>(839)</b>	<b>624,740</b>

\* The aggregate balance of these reserve amounts of HK\$618,579,000 (2016: HK\$618,684,000) are included as reserves as at 30 June 2017 in the condensed consolidated statement of financial position.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
<b>Net cash generated from operating activities</b>	<b>123,503</b>	59,194
<b>Net cash used in investing activities</b>	<b>(22,538)</b>	(469)
<b>Net cash used in financing activities</b>	<b>(74)</b>	(504)
<b>Net increase in cash and cash equivalents</b>	<b>100,891</b>	58,221
<b>Cash and cash equivalents at beginning of period</b>	<b>383,984</b>	406,922
<b>Effect on foreign exchange rate changes</b>	<b>895</b>	(83)
<b>Cash and cash equivalents at end of period</b>	<b>485,770</b>	465,060
<b>Analysis of cash and cash equivalents</b>		
Short-term bank deposits	<b>295,328</b>	78,819
Cash and bank balances	<b>206,354</b>	403,196
Bank overdrafts	<b>(15,912)</b>	(16,955)
Cash and cash equivalents at end of period	<b>485,770</b>	465,060



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 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 interim condensed consolidated 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 2016 (the "2016 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 2016 Annual report.

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

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

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

### 3. PRINCIPAL ACCOUNTING POLICIES

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

<i>Amendments to HKAS 7</i>	Disclosure Initiative
<i>Amendments to HKAS 12</i>	Recognition of Deferred Tax Assets for Unrealised Losses

The application of the above amendments to HKFRSs in the current interim period has had 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 statements reported to the Company's executive directors for their decisions about resources allocation to the Group's business component and review of the component's performance. There are two business components in the internal reporting to the executive directors, which is the trading of kitchenware and household products and trading of raw materials.

#### (ii) Business segment result

	Trading of kitchenware and household products		Trading of raw materials		Consolidated	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Segment revenue</b>						
Company and subsidiaries	568,391	564,429	46,372	36,914	614,763	601,343
<b>Segment results</b>	68,642	78,772	5,011	6,292	73,653	85,064
<b>Unallocated income</b>					349	253
<b>Unallocated expenses</b>					(3,060)	(1,709)
<b>Profit before income tax</b>					70,942	83,608



## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

### 4. SEGMENT INFORMATION (Continued)

#### (ii) Business segment result (Continued)

	Trading of kitchenware and household products		Trading of raw materials		Consolidated	
	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Segment assets	589,497	539,967	62,187	41,666	651,684	581,633
Prepaid tax					192	4,693
Deferred tax assets					4	4
Unallocated corporate assets <sup>#</sup>					211,349	193,717
Consolidated total assets					863,229	780,047
Segment liabilities	175,656	170,784	3,152	55	178,808	170,839
Provision for tax					10,725	2,485
Deferred tax liabilities					6,876	7,272
Unallocated corporate liabilities					42,080	606
Consolidated total liabilities					238,489	181,202

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

	Trading of kitchenware and household products		Trading of raw materials		Consolidated	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
<b>Other segment information</b>						
Interest income	760	281	1	-	761	281
Interest expenses	(74)	(144)	-	-	(74)	(144)
Depreciation of property, plant and equipment	(2,596)	(2,534)	-	-	(2,596)	(2,534)
Amortisation of intangible asset	(2,403)	(2,403)	-	-	(2,403)	(2,403)

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

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

#### (iii) Geographical segment information

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

	<i>Notes</i>	Six months ended 30 June	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
United States		468,051	476,058
Europe	(a)	29,109	37,797
Asia	(b)	103,439	71,696
Canada		13,847	10,916
Other locations	(c)	317	4,876
		<b>614,763</b>	601,343

*Notes:*

- (a) Principally included United Kingdom, Switzerland, France 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. For intangible asset, the geographical location is based on the entities' areas of operation. The geographical location of other non-current assets is based on the physical location of the assets. As at 30 June 2017, over 90% (31 December 2016: 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 2017

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

#### (iv) Information about major customers

For the six months ended 30 June 2017, revenues from two (2016: two) customers with whom transactions of each has exceeded 10% of the Group's revenue. Total revenue from these two major customers as shown below accounted for HK\$369,369,000 (2016: HK\$347,885,000) of the Group's revenue for the six months ended 30 June 2017.

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Company A	305,329	274,737
Company B <i>(Note a)</i>	64,040	54,228
Company C <i>(Note b)</i>	60,193	73,148

Notes:

- Revenue amounting to approximately HK\$54,228,000 from transactions with Company B does not exceed 10% of the Group's revenue for the six months ended 30 June 2016 and is disclosed for illustrative purposes only.
- Revenue amounting to approximately HK\$60,193,000 from transactions with Company C does not exceed 10% of the Group's revenue for the six months ended 30 June 2017 and is disclosed for illustrative purposes only.

### 5. REVENUE

The Group is principally engaged in trading of kitchenware and household products and raw materials. Revenue represents invoiced value of goods sold, after allowances for returns and discounts (net of value added tax). Revenue recognised during the period is as follows:

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Sales of kitchenware and household products	568,391	564,429
Sales of raw materials	46,372	36,914
	614,763	601,343



## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

### 6. OTHER INCOME AND GAIN

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Bank interest income	1,110	534
Dividend income from listed equity securities	–	273
Fair value gain on financial assets at fair value through profit or loss	443	–
Management and handling services	70	73
Recharge from customers	606	1,353
Others	683	20
	<b>2,912</b>	<b>2,253</b>

### 7. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Profit before income tax is arrived at after charging:		
Cost of inventories sold recognised as expenses	481,977	459,530
Depreciation of property, plant and equipment	2,626	2,534
Amortisation of intangible asset	2,403	2,403
Amortisation of prepaid land lease payments	26	27
Exchange loss, net	1,636	867
Employee benefit expenses (including directors' remuneration)		
Wages, salaries and other benefits	20,397	20,218
Discretionary bonuses	5,242	5,041
Contributions to defined contribution schemes	877	796
	<b>26,516</b>	<b>26,055</b>



## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

### 8. FINANCE COSTS

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Interest charges on financial liabilities at amortised cost:		
Bank loans	–	4
Bank overdrafts	74	140
	<b>74</b>	144

### 9. INCOME TAX EXPENSES

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Current tax		
– Hong Kong	11,663	13,752
– the PRC	1,110	–
Deferred tax		
– Credit for the period	(396)	(621)
Income tax expenses	<b>12,377</b>	13,131

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 estimated annual effective tax rate of 16.5% (2016: 16.5%) on the estimated assessable profit arising in Hong Kong for the six months ended 30 June 2017.

Enterprise income tax (“EIT”) for the period was calculated at the estimated annual effective tax rate of 25% (2016: 25%) of the estimated assessable profits arising from the PRC.

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 2017

### 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\$55,928,000 (2016: HK\$70,392,000) and the weighted average of 700,000,000 ordinary shares (2016: 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 2017 and 2016, 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	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Interim dividend declared and payable after the interim period of HK4.5 cents per share (six months ended 30 June 2016: HK6.0 cents per share)	31,500	42,000
Special dividend declared and payable after the interim period of HK1.5 cents per share (six months ended 30 June 2016: Nil)	10,500	–
	<b>42,000</b>	42,000

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

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

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 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 2016: approved and paid during the following interim period of HK6.5 cents per share)	42,000	45,500



## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

### 12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired property, plant and equipment at a total cost of approximately HK\$190,000 (2016: HK\$481,000).

During the six months ended 30 June 2017, the Group has disposed property, plant and equipment at a total carrying amount of approximately HK\$29,000 (six months ended 30 June 2016: Nil).

At 30 June 2017, the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK\$19,816,000 (31 December 2016: HK\$20,375,000) were pledged to secure general banking facilities granted to the Group.

### 13. LOAN RECEIVABLE

As at 30 June 2017, there was one (31 December 2016: Nil) Note with gross principal amount of US\$2,000,000 equivalent to HK\$15,560,000 (31 December 2016: Nil) due from an independent third party. The loan under the Note is interest-bearing at rate of 4% per annum or 10% per annum under an event of default. The loan was repayable twenty-four months from purchase date and therefore were classified as non-current assets as at 30 June 2017. The term of the Note entitles the Group with the right to convert the outstanding loan amount and accrued interest to 51% of all shares outstanding post-conversion of the note issuer in the Group's sole discretion. The conversion right is exercisable one year after the purchase date.

The loan receivable under the Note contains debt component and conversion option. The fair value of debt component and conversion option of the Note is determined by the Directors with reference to the valuation performed by LCH (Asia – Pacific) Surveyors Limited.

The fair value of the debt component and the conversion option of the Note are determined by using the discounted cash flow method and the binominal model respectively, with the following key assumptions:

Fair value of shares	US\$2,190,000
Risk free interest rate	1.35%
Time to maturity	2 years
Expected volatility	40%
Expected dividend yield	0%
Discount rate	6.93%
Conversion period	Commences one year after the purchase date and ends until maturity

The fair value of the conversion option of the Note on its date of issue (i.e. 15 June 2017) was estimated to be approximately HK\$2,567,000 and is recorded under non-current assets as derivative financial instrument. The remaining balance of approximately HK\$12,993,000, representing the difference between the cash consideration paid for the Note of approximately HK\$15,560,000 and the fair value of the conversion option of approximately HK\$2,567,000, was accounted for as debt component of the Note and is recorded under non-current assets as loan receivable.

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

### 13. LOAN RECEIVABLE *(Continued)*

With respect to the passage of a short period of time, the Directors are of the opinion that the change in the fair value of the conversion option of the Note between the date of the issue and period end date (i.e. 30 June 2017) is considered as minimal.

The fair value of the conversion option of the Note is Level 3 recurring fair value measurement. There is no transfer under the fair value hierarchy classification during the six months ended 30 June 2017.

The key significant unobservable inputs to determine the fair value of the conversion option of the Note are the fair value of shares, which are not publicly traded, and expected volatility. An increase in the fair value of shares and expected volatility would result in an increase in the fair value measurement of the conversion option of the Note, and vice versa.

### 14. INVENTORIES

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Merchandises, at cost	13,461	12,311
Raw materials	21,038	9,043
	<b>34,499</b>	21,354

### 15. TRADE RECEIVABLES

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Trade receivables	150,024	216,662

The Group's trading terms with customers are mainly on credit. The credit terms are generally 7 to 90 days from the invoice date. All trade receivables are interest-free.



## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

### 15. TRADE RECEIVABLES (Continued)

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

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
0 – 30 days	113,081	147,857
31 – 60 days	23,563	47,235
61 – 90 days	6,196	2,990
Over 90 days	7,184	18,580
	<b>150,024</b>	216,662

### 16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Listed investment, at fair value: – equity securities listed in Hong Kong	41,082	32,163
Unlisted investment, at fair value: – bond in Hong Kong	7,780	–
	<b>48,862</b>	32,163

During the six months ended 30 June 2017, the change in fair value in respect of the Group's available-for-sale financial assets recognised in other comprehensive income amounted to HK\$8,919,000 in surplus (2016: HK\$2,100,000 in deficit).

The fair value of the Group's investment in listed securities has been determined by reference to their quoted market prices at the reporting date.

The fair value of the Group's unlisted investment is determined based on the quoted price from relevant financial institution at the reporting date.

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

### 17. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Unlisted investment, held-for-trading – equity fund in Hong Kong	<b>8,301</b>	–

The fair value of the Group's unlisted investment is determined based on the quoted price from relevant financial institution at the reporting date.

### 18. TRADE AND BILLS PAYABLES

Trade and bills payables are non-interest bearing and normally have a credit period of 0 to 90 days from the invoice date.

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Trade payables	<b>76,842</b>	82,059
Bills payables	<b>8,226</b>	7,915
	<b>85,068</b>	89,974

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

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
0 – 90 days	<b>79,067</b>	85,476
91 – 180 days	<b>5,617</b>	631
181 – 365 days	–	765
Over 365 days	<b>384</b>	3,102
	<b>85,068</b>	89,974



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For the six months ended 30 June 2017

### 19. SHARE CAPITAL

	As at 30 June 2017		As at 31 December 2016	
	Number of shares ('000) (Unaudited)	HK\$'000 (Unaudited)	Number of shares ('000) (Audited)	HK\$'000 (Audited)
Authorised: Shares of HK\$0.01 each At 1 January 2017 and 2016	<b>10,000,000</b>	<b>100,000</b>	10,000,000	100,000
At 30 June 2017/31 December 2016	<b>10,000,000</b>	<b>100,000</b>	10,000,000	100,000
Issued and fully paid: Shares of HK\$0.01 each At 1 January 2017 and 2016	<b>700,000</b>	<b>7,000</b>	700,000	7,000
At 30 June 2017/31 December 2016	<b>700,000</b>	<b>7,000</b>	700,000	7,000

### 20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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



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For the six months ended 30 June 2017

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

The financial assets measured at fair values as at 30 June 2017 and 31 December 2016 in the condensed consolidated statement of financial position are grouped into the fair value hierarchy as follows:

Recurring fair value measurement	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>As at 30 June 2017 (Unaudited)</b>				
Derivative financial instrument				
– Conversion option, at fair value	–	–	2,567	2,567
Financial asset at fair value through profit or loss				
– Equity fund, at fair value	–	8,301	–	8,301
Available-for-sale financial assets				
– Listed equity securities, at fair value	41,082	–	–	41,082
– Unlisted bond, at fair value	–	7,780	–	7,780
<b>As at 31 December 2016 (Audited)</b>				
Available-for-sale financial assets				
– Listed equity securities, at fair value	32,163	–	–	32,163

The listed equity securities at fair values are denominated in HK\$. Fair values have been determined by reference to their quoted market prices at the reporting date.

The derivative financial asset at fair value is denominated in USD and its fair value is determined by using a valuation technique of binomial model (note 13).

The equity fund and unlisted bond at fair values are denominated in USD and their fair values are determined based on the quoted prices from the relevant financial institution.

During the six months ended 30 June 2017, 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 2016: Nil).



## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

### 21. CAPITAL COMMITMENTS

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Commitments for the purchase of property, plant and equipment: – Contracted but not provided for:	–	400

### 22. 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:

#### 22.1 Significant transactions with related parties

Nature of transaction	Name of related company/party	Notes	Six months ended 30 June	
			2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Licensing fee paid	Ignite Hong Kong, Limited ("Ignite HK")	(a)	2,116	2,634
Management fee income	Grand Venture Holdings Limited ("Grand Venture")	(b)	70	73
Rental expenses	Mr. Wong	(c)	420	381

Notes:

- (a) A related company, of which Mr. Wong is a director and Mr. Wong and Ms. Cheng, the Company's controlling shareholders, are together interested in 50% of its shareholding.
- (b) An associate of the Group.
- (c) During the six months ended 30 June 2017 and 2016, the Group had paid rental expenses relating a premises which are owned by Mr. Wong.
- (d) 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 2017

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

#### 22.2 Outstanding balances with related parties

The Group had the following balances with related parties included in other payable and amount due from an associate to the condensed consolidated statement of financial position:

Name of related companies	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Ignite HK <i>(note 1)</i>	–	331
Grand Venture <i>(note 2)</i>	421	351

*Note 1:* As at 30 June 2017, included in other payables of approximately Nil (31 December 2016: HK\$331,000) was an amount due to a related company which was unsecured, interest-free and repayable on demand.

*Note 2:* Amount due from an associate is unsecured, interest-free and repayable on demand.

#### 22.3 Compensation of key management personnel

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

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Salaries, allowances and benefits in kind	3,279	3,343
Discretionary bonuses	4,000	4,000
Contributions to defined contribution scheme	27	27
	7,306	7,370

### 23. CONTINGENT LIABILITIES

At the reporting date, the Group does not have any significant contingent liabilities.