



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

# INTERIM REPORT 2016



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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*

## COMPLIANCE ADVISER

VBG Capital Limited  
*(formerly known as V Baron Global Financial Services Limited)*  
18th Floor Prosperity Tower  
39 Queen's Road Central  
Hong Kong

## 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 unaudited interim financial report of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2016.

## BUSINESS REVIEW

The global economic environment was still challenging even though the global economy was recovering during the six months ended 30 June 2016. Coping with this market condition, the Group continues to pursue differentiation strategy to deliver tailor-made services to our customers for maximizing customers' satisfaction. The Group continues to grow as one of the pre-eminent kitchenware and household product design and supply firms in our industry and go from strength to strength both financially and operationally.

Benefiting from the mild recovery of the US economy, customers had increased their purchase orders and built a higher inventory level in 2015, which resulted in their taking additional time to digest their inventory. Thus, customers reduced the pace of placing orders to our Group during the six months ended 30 June 2016. In addition, in order to improve the efficiency of resources utilization of the Group, the Group has refined the revenue portfolio by streamlining sales orders through eliminating some very low margin orders. As a result, for the six months ended 30 June 2016, the Group's revenue was approximately HK\$601.3 million, representing a decrease of approximately 12.0% as compared to approximately HK\$683.6 million for the same period in 2015.

Though the refining of the Group's revenue portfolio reduced the sales revenue of the Group in short-term, such adjustment will enhance the Group's capability of providing better services to our customers which will benefit the Group's performance in the long run. The Group believes that the growth engine will recover in the second half of this year.

On top of refining of existing business operation, the Group also pursues a strategy of establishing new revenue source to maintain the growth of the Group's revenue. After the internal review on the Group's existing resources, by utilizing our human resources with professional knowledge on raw materials and the existing customer network, the Group has set up a new business segment of trading of raw materials during the six months ended 30 June 2016. The Group will continue to research for any positive opportunity for increasing new revenue stream in term of developing new product types and new markets.

Benefiting from the restructuring of the Group's revenue portfolio, the Group showed an improvement in the gross profit during the six months ended 30 June 2016. The Group's gross profit margin increased by approximately 1.1% to approximately 23.6% for during the six months ended 30 June 2016 comparing with approximately 22.5% of the same period in 2015.

The Group has been built over the years with a clear focus on offering our clients differentiated first-class services that combine innovative design with quality products and intensive engineering capabilities. We have continued to invest in human resources, hardware and software to ensure we remain competitive in our ability to support our customers delivering quality products to market in ever-shortening timeframes.

### A POSITIVE FUTURE

Our three decades of experience in the global kitchenware and household product business has laid a foundation for our Group to maintain our position in the market for continued growth over the long term.

I am confident that the Group has the strategy to take us forward in the fast evolving global market for kitchenware and household products. With the anticipation of the continuous growth in the People's Republic of China (the "PRC") market, the Group has continued to put more effort to strengthen our cooperation with the brand-owners by establishing strategic partnership and engaging with various popular distribution channels in order to increase the penetration of our products to the PRC market to increase our market share. During the six months ended 30 June 2016, we have recorded a remarkable increase in revenue from the PRC to a record high. We will also further drive our international sales strategy in tandem with continued research and investment into expanding our market penetration in PRC, including exhibiting at various trade exhibitions worldwide for us to showcase our product design and reach the merchandisers from around the globe.

The market is growing rapidly and I am pleased to report that we too are growing with our valuable established clients from the US and Europe as well as developing relationship with potential new clients in the PRC, Eastern Europe, Africa and South America.

As the market grows, so does competition. It is in light of this competition we are now actively investing in patentable design to further protect our sales growth and market penetration. During the six months ended 30 June 2016, the Group has established an additional product design team in Taiwan with 7 members as at 30 June 2016. I believe that the design team can further reinforce the design capability of the Group and can deliver more fascinating and trendy product designs which can boost the revenue of the Group.

The Group also deeply realizes the importance of diversification which can reduce concentrating risk and maintain the momentum of revenue growth. Therefore, the Group branched into trading of raw materials during the six months ended 30 June 2016 which contributes a new revenue source to the Group. The Group will continue to look for opportunities to improve the profitability of the Group.

Moreover, the Group will also grasp the opportunity brought by the new two-child policy in the PRC by introducing products to capture the mother and toddler's market to increase the Group's revenue source. The Group plans to launch the products to the PRC market in 2017.

In closing, I would like to thank every one of our global customers, business partners and family of dedicated employees for their continued support and our shareholders for their trust in us to create value for them and continue the growth and development of the business.

**Wong Siu Wah**

*Chairman and Chief Executive Officer*

26 August 2016

# 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.

## 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 strengthen its product design, development and engineering capabilities in 2016. During the six months ended 30 June 2016, the Group had established an additional design team with 7 members in Taiwan which are professional in focusing on market research, data analysis, product designs and development, helping our clients in monitoring consumer demands and setting the latest trends in kitchenware and household products. 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, our 8 engineers from the Group's product engineering team provide innovative raw material ideas and cost-effective solutions to streamline the overall manufacturing process. As at 30 June 2016, the Group engaged a team of over 90 quality assurance professionals stationed at or near the production factories in the PRC. No major quality control issues or complaints were reported in the six months ended 30 June 2016.

### **International clientele**

The Group has an extensive sales network and international clientele. In the six months ended 30 June 2016, clients from the United States of America (US) contributed over 79.2% of total revenue. Asia, Europe and Canada contributed 11.9%, 6.3% and 1.8%, 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 2016, the Group exhibited in several trade fairs including the Hong Kong Houseware Fair in Hong Kong and the trade fair in Ambiente Frankfurt, one of the most important homeware and gift trade shows in Europe. Via such platforms, the Group has showcased its product designs and development capabilities and has reached merchandisers from around the globe while also closely tracked the latest innovation and design trends in the industry.

### FUTURE STRATEGY

The Group has set strong foothold in the global kitchenware and household product industry, especially in the high-end market. Leveraging on its success and foundation, the Group will continue to seek growth in our existing overseas market while pursuing breakthrough in the PRC market. In the second half of 2016, the Group plans to continue to recruit more talents in both design and engineering level, aiming to enhance our capability in product innovation and better cater for the demand of our 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 our customer base in these markets. Through these trade shows and by working with local importers and trade agents, the Group will also actively explore business opportunities in emerging markets namely Eastern Europe, Africa and South America. In view of the increase in discretionary income and the fast growing middleclass, the Group believes the consumption demand in these markets for mid to high-end kitchenware and household product with chic designs will be gradually unleashed.

Closer to home, the Group will focus on developing the retail kitchenware and household product chain and further penetrating the PRC market. The Group believes that the large population of middle-class consumers in the PRC is still craving for quality products in pursuit of high standards of living. Therefore, the Group continues to dedicate resources on expanding its market share in the PRC market. On top of the physical channels, the Group will continue to nurture its e-commerce platform with an aim to enlarge its market shares in the PRC. During the six months ended 30 June 2016, we have recorded a remarkable increase in revenue from the PRC to a record high.

The Group also pursues a diversification strategy to increase revenue source. During the six months ended 30 June 2016, the Group commenced a new line of business in trading of raw materials. 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.

In 2015, the PRC government introduced the two-child policy which allows couples to have two children. It is expected that the policy will bring a baby boom and the demand for toddler and children products will increase. The Group will grasp the opportunity brought by this new policy by introducing products to capture the mother and toddler's market. The Group plans to launch such products to the PRC market in 2017.

### FINANCIAL REVIEW

#### Revenue

Benefiting from the mild recovery of the US economy, customers have increased their purchase orders and built a higher inventory level in 2015, which resulted in their taking additional time to digest their inventory. Thus, customers reduced the pace of placing orders with our Group during the six months ended 30 June 2016. On the other hand, in order to improve the efficiency of resources utilization of the Group, the Group has refined the revenue portfolio by streamlining sales orders through eliminating some very low margin orders. Hence, during the six months ended 30 June 2016, our total revenue was approximately HK\$601.3 million, representing a decrease of approximately 12.0% as compared to approximately HK\$683.6 million for the same period in 2015.

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

On the other hand, with an aim to diversifying the source of the Group's revenue, the Group has established a new business segment of trading of raw materials during the six months ended 30 June 2016. The revenue contributed by this segment was approximately HK\$36.9 million which amounted to approximately 6.1% of the Group's total revenue for the six months ended 30 June 2016.

### Cost of sales

During the six months ended 30 June 2016, cost of sales of the Group decreased by approximately 13.3% to approximately HK\$459.5 million as compared to approximately HK\$530.1 million for the same period of 2015. Cost of sales as a percentage of revenue decreased to 76.4% for the six months ended 30 June 2016 as compared to 77.5% for the same period in 2015. The lower cost of sales of the Group was mainly due to the same reasons for the drop in revenue as mentioned in the paragraph headed "Revenue" above.

### Gross profit and gross profit margin

The Group's gross profit decreased by approximately 7.6% to approximately HK\$141.8 million for the six months ended 30 June 2016 (six months ended 30 June 2015: HK\$153.5 million) and the gross profit margin increased by approximately 1.1% to approximately 23.6% for the six months ended 30 June 2016 (six months ended 30 June 2015: 22.5%). The higher gross profit margin of the Group was mainly resulted from the refining of the Group's revenue portfolio in an attempt to improve the return of the Group and the efficiency of the use of resources. During the period, the Group had reviewed the business of the Group and identified orders with lower gross profit margin. The Group reallocated more resources to orders with higher gross profit margin and reduced or ceased orders with unsatisfactory gross profit margin. Thus, there was an improvement in the gross profit margin during this period.

### Other income

During the six months ended 30 June 2016, other income decreased by approximately 32.4% to approximately HK\$2.3 million (six months ended 30 June 2015: HK\$3.4 million) primarily due to the decrease in recharge from customers.

### Distribution expenses

Distribution expenses were primarily related to the PRC retail business. During the six months ended 30 June 2016, distribution expenses increased by 19.5% to approximately HK\$13.5 million (six months ended 30 June 2015: HK\$11.3 million). The increase was mainly due to the Group's dedication of more resources on retail business and the expenditure on marketing expenses, product approval test, cost of marketing staff and transportation cost thus increased.

### Administrative expenses

During the six months ended 30 June 2016, the administrative expenses decreased by approximately 4.5% to approximately HK\$46.8 million (six months ended 30 June 2015: HK\$49.0 million). The decrease was primarily due to the management's cost control effort.

### Profit for the period

Profit for the six months ended 30 June 2016 decreased by approximately 10.4% to approximately HK\$70.5 million (six months ended 30 June 2015: HK\$78.7 million). The decrease in revenue was the major factor that led to the decrease in profit for the period.

### EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2016, the Group had 160 employees (30 June 2015: 144 employees). Total staff costs (including Directors' emoluments) were approximately HK\$26.1 million for the six months ended 30 June 2016, as compared to approximately HK\$29.3 million for the same period in 2015.

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 as disclosed in the condensed consolidated statement of financial position, there were no significant investment held as at 30 June 2016 nor are 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 2016, 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 2016, the Group had cash and bank balances amounted to approximately HK\$482.0 million (31 December 2015: HK\$406.9 million) which were mainly denominated in United States dollars ("USD"), Renminbi ("RMB") and Hong Kong dollars ("HKD"). The Group's total bank borrowings amounted to approximately HK\$17.1 million (31 December 2015: HK\$0.5 million) 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 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 unforeseen circumstance, the management does not anticipate the need to change the capital structure. The annual interest rate of the bank borrowings during the six months ended 30 June 2016 was 2.5% (six months ended 30 June 2015: 2.5%).

For the six months ended 30 June 2016, the Group recorded a strong cash inflow from operating activities of HK\$59.2 million (six months ended 30 June 2015: HK\$45.1 million). Net cash used in investing activities of HK\$0.5 million (six months ended 30 June 2015: HK\$0.8 million) was due to the pledged bank deposit. There was a net cash outflow of HK\$0.5 million (six months ended 30 June 2015: net cash inflow HK\$221.9 million) from financing activities due to the proceeds from the Listing in the same period in 2015.

### Gearing ratio

The Group's gearing ratio is calculated as total borrowings, which is the summation of bank borrowings and loans from non-controlling interests, divided by total equity. The gearing ratio of the Group as at 30 June 2016 and 2015 were 6.8% and 7.6% respectively. The decrease of the gearing ratio was mainly due to the increase in equity balances arising from the Listing.

### 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 2016, the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK\$20.1 million (31 December 2015: HK\$21.2 million) and pledged time deposit of HK\$29.7 million (31 December 2015: HK\$28.9 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 2016, approximately HK\$52.1 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 2016, the Group had no significant contingent liabilities (31 December 2015: Nil).

### CAPITAL COMMITMENTS

As at 30 June 2016, the Group had no capital commitment contracted but not provided for in respect of the acquisition of property, plant and equipment (31 December 2015: 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 on the Stock Exchange. During the six months ended 30 June 2016, the Company has complied with the CG Code, except for the following deviations:

Code Provision A.2.1 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 (“Mr. Wong”) 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.

The revised Code Provision C.3.3, which came into effect commencing from 1 January 2016, provides that the audit committee’s terms of reference should include at least, among other things, oversight of the issuer’s risk management system. The Company has on 30 March 2016 revised the terms of reference of the audit committee in line with Code Provision C.3.3.

## 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 2016.

## 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 2016 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

The Board resolved to declare an interim dividend of HK6.0 cents (six months ended 30 June 2015: interim dividend HK4.5 cents and special dividend of HK5.5 cents per share) to Shareholders whose names appear on the register of members on 21 September 2016 representing a payout ratio of approximately 59.7% of profit attributable to shareholders for the six months ended 30 June 2016. The interim dividend will be paid on or around 30 September 2016.

## CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlements to the interim dividend, the register of members will be closed from 20 September 2016 to 21 September 2016 (both days inclusive) during which period no transfer of shares will be effected. 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 19 September 2016 for registration.

## 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 2016.

## 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 2016.

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

As at 30 June 2016, 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 |             |                |
| Mr. Wong         | –   | –                | 525,000,000<br>(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 2016, 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.

## Corporate Governance and Other Information

Save as disclosed above, at no time during the six months period ended 30 June 2016 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).

### INTEREST AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2016, the 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 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<br>(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<br>(Ningbo Homesbrands International Trading Company Limited) | Mr. Lin Zhao  | 25%  |

Save as disclosed above, as at 30 June 2016, 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 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 2016, 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 2016

|   | Notes | Six months ended 30 June        |                                 |
|---|-------|---------------------------------|---------------------------------|
|   |       | 2016<br>HK\$'000<br>(Unaudited) | 2015<br>HK\$'000<br>(Unaudited) |
| <b>Revenue</b>  | 5     | <b>601,343</b>                  | 683,592                         |
| Cost of sales   |       | <b>(459,530)</b>                | (530,055)                       |
| <b>Gross profit</b>   |       | <b>141,813</b>                  | 153,537                         |
| Other income  | 6     | <b>2,253</b>                    | 3,351                           |
| Distribution expenses   |       | <b>(13,499)</b>                 | (11,323)                        |
| Administrative expenses   |       | <b>(46,815)</b>                 | (48,974)                        |
| Operating profit  |       | <b>83,752</b>                   | 96,591                          |
| Finance costs   | 8     | <b>(144)</b>                    | (137)                           |
| <b>Profit before income tax</b>                                       | 7     | <b>83,608</b>                   | 96,454                          |
| Income tax expenses   | 9     | <b>(13,131)</b>                 | (17,708)                        |
| <b>Profit for the period</b>  |       | <b>70,477</b>                   | 78,746                          |
| <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>(2,100)</b>                  | 8,547                           |
| Exchange difference arising on translation of foreign operations      |       | <b>329</b>                      | 121                             |
| <b>Other comprehensive income for the period</b>                      |       | <b>(1,771)</b>                  | 8,668                           |
| <b>Total comprehensive income for the period</b>                      |       | <b>68,706</b>                   | 87,414                          |
| <b>Profit for the period attributable to:</b>                         |       |                                 |                                 |
| Owners of the Company   |       | <b>70,392</b>                   | 79,627                          |
| Non-controlling interests   |       | <b>85</b>                       | (881)                           |
|   |       | <b>70,477</b>                   | 78,746                          |
| <b>Total comprehensive income attributable to:</b>                    |       |                                 |                                 |
| Owners of the Company   |       | <b>68,479</b>                   | 88,226                          |
| Non-controlling interests   |       | <b>227</b>                      | (812)                           |
|   |       | <b>68,706</b>                   | 87,414                          |
|   |       | <b>HK cents</b>                 | HK cents                        |
| Earnings per share:   | 10    |                                 |                                 |
| – Basic   |       | <b>10.1</b>                     | 11.6                            |
| – Diluted   |       | <b>10.1</b>                     | 11.6                            |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

|  | <i>Notes</i> | <b>30 June<br/>2016<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2015<br>HK\$'000<br>(Audited) |
|--|--------------|--|--|
| <b>ASSETS AND LIABILITIES</b>                  |              |  |  |
| <b>Non-current assets</b>                      |              |  |  |
| Property, plant and equipment                  | 12           | 44,790   | 46,875                                       |
| Prepaid land lease payments                    |              | 1,810  | 1,874  |
| Other asset                                    |              | 172  | 172  |
| Interest in an associate                       |              | –  | –  |
| Intangible asset                               |              | 12,016   | 14,419                                       |
| Deferred tax assets                            |              | 4  | 4  |
|  |              | <b>58,792</b>  | 63,344                                       |
| <b>Current assets</b>                          |              |  |  |
| Inventories                                    | 13           | 24,285   | 10,064                                       |
| Trade and bills receivables                    | 14           | 167,084  | 127,689                                      |
| Prepayments, deposits and other receivables    |              | 49,102   | 51,738                                       |
| Available-for-sale financial assets            | 15           | 31,721   | 33,821                                       |
| Amount due from an associate                   |              | 260  | 187  |
| Prepaid tax                                    |              | 205  | 321  |
| Pledged bank deposits                          |              | 29,699   | 28,904                                       |
| Cash and bank balances                         |              | 482,015  | 406,922                                      |
|  |              | <b>784,371</b>                                       | 659,646                                      |
| <b>Current liabilities</b>                     |              |  |  |
| Trade and bills payables                       | 16           | 90,411   | 66,752                                       |
| Deposits received, other payables and accruals |              | 56,665   | 57,986                                       |
| Bank borrowings                                |              | 17,076   | 480  |
| Loans from non-controlling interests           |              | 9,259  | 9,448  |
| Provision for tax                              |              | 20,353   | 6,718  |
|  |              | <b>193,764</b>                                       | 141,384                                      |
| <b>Net current assets</b>                      |              | <b>590,607</b>                                       | 518,262                                      |
| <b>Total assets less current liabilities</b>   |              | <b>649,399</b>                                       | 581,606                                      |

## Condensed Consolidated Statement of Financial Position

As at 30 June 2016

|   | <i>Notes</i> | <b>30 June<br/>2016<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2015<br>HK\$'000<br>(Audited) |
|---|--------------|--|--|
| <b>Non-current liabilities</b>                      |              |  |  |
| Loans from non-controlling interests                |              | <b>16,265</b>  | 16,557                                       |
| Deferred tax liabilities                            |              | <b>7,695</b>   | 8,316  |
|   |              | <b>23,960</b>  | 24,873                                       |
| <b>Net assets</b>                                   |              | <b>625,439</b>                                       | 556,733                                      |
| <b>EQUITY</b>                                       |              |  |  |
| <b>Equity attributable to owners of the Company</b> |              |  |  |
| Share capital                                       | 17           | <b>7,000</b>   | 7,000  |
| Reserves  |              | <b>618,684</b>                                       | 550,205                                      |
|   |              | <b>625,684</b>                                       | 557,205                                      |
| <b>Non-controlling interests</b>                    |              | <b>(245)</b>   | (472)  |
| <b>Total equity</b>                                 |              | <b>625,439</b>                                       | 556,733                                      |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

|  | Equity attributable to owners of the Company |                |                 |                      |                   |                |                   | 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          | Sub-total                 | HK\$'000     | HK\$'000       |
| <b>At 1 January 2015 (Audited)</b>                                 | -  | -              | (4,231)         | 14,087               | 1,443             | 2,867          | 231,363           | 245,529                   | 1,417        | 246,946        |
| Profit/(loss) for the period                                       | -  | -              | -               | -                    | -                 | -              | 79,627            | 79,627                    | (881)        | 78,746         |
| <b>Other comprehensive income</b>                                  |  |                |                 |                      |                   |                |                   |                           |              |                |
| - Change in fair value of available-for-sale financial assets      | -  | -              | -               | 8,547                | -                 | -              | -                 | 8,547                     | -            | 8,547          |
| - Exchange difference arising on translation of foreign operations | -  | -              | -               | -                    | 52                | -              | -                 | 52                        | 69           | 121            |
| <b>Total comprehensive income for the period</b>                   | -  | -              | -               | 8,547                | 52                | -              | 79,627            | 88,226                    | (812)        | 87,414         |
| <b>Capitalisation issue</b>  | 5,250  | (5,250)        | -               | -                    | -                 | -              | -                 | -                         | -            | -              |
| <b>Share issued under public offer and placing</b>                 | 1,750  | 239,750        | -               | -                    | -                 | -              | -                 | 241,500                   | -            | 241,000        |
| <b>Share issue expenses</b>  | -  | (19,115)       | -               | -                    | -                 | -              | -                 | (19,115)                  | -            | (19,115)       |
| <b>At 30 June 2015 (Unaudited)</b>                                 | 7,000  | 215,385        | (4,231)         | 22,634               | 1,495             | 2,867          | 310,990           | 556,140                   | 605          | 556,745        |
| <b>At 1 January 2016 (Audited)</b>                                 | <b>7,000</b>                                 | <b>215,385</b> | <b>(4,231)</b>  | <b>9,617</b>         | <b>1,659</b>      | <b>2,867</b>   | <b>324,908</b>    | <b>557,205</b>            | <b>(472)</b> | <b>556,733</b> |
| 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>                                 | <b>7,000</b>                                 | <b>215,385</b> | <b>(4,231)</b>  | <b>7,517</b>         | <b>1,846</b>      | <b>2,867</b>   | <b>395,300</b>    | <b>625,684</b>            | <b>(245)</b> | <b>625,439</b> |

\* The aggregate balance of these reserve amounts of HK\$618,684,000 (2015: HK\$549,140,000) are included as reserves as at 30 June 2016 in the condensed consolidated statement of financial position.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

|   | Six months ended 30 June        |                                 |
|---|---------------------------------|---------------------------------|
|   | 2016<br>HK\$'000<br>(Unaudited) | 2015<br>HK\$'000<br>(Unaudited) |
| <b>Net cash generated from operating activities</b>           | <b>59,194</b>                   | 45,105                          |
| <b>Net cash used in investing activities</b>                  | <b>(469)</b>                    | (845)                           |
| <b>Net cash (used in)/generated from financing activities</b> | <b>(504)</b>                    | 221,897                         |
| <b>Net increase in cash and cash equivalents</b>              | <b>58,221</b>                   | 266,157                         |
| <b>Cash and cash equivalents at beginning of period</b>       | <b>406,922</b>                  | 116,130                         |
| <b>Effect on foreign exchange rate changes</b>                | <b>(83)</b>                     | (99)                            |
| <b>Cash and cash equivalents at end of period</b>             | <b>465,060</b>                  | 382,188                         |
| <b>Analysis of cash and cash equivalents</b>                  |                                 |                                 |
| Short-term bank deposits                                      | <b>78,819</b>                   | –                               |
| Cash and bank balances  | <b>403,196</b>                  | 396,625                         |
| Bank overdrafts   | <b>(16,955)</b>                 | (14,437)                        |
| Cash and cash equivalents at end of period                    | <b>465,060</b>                  | 382,188                         |



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period ended 30 June 2016

## 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 of Hong Kong Limited (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 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 2015 (the "2015 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 2015 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.

### 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>HKFRSs (Amendments)</i> | Annual Improvements to HKFRSs 2012-2014 Cycle |
| <i>Amendments to HKAS1</i> | Disclosure Initiative                         |

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. The segment of trading of raw materials was established during the six months ended 30 June 2016.

## Notes to the Condensed Consolidated Interim Financial Statements

For the period ended 30 June 2016

### 4. SEGMENT INFORMATION (Continued)

#### (ii) Business segment information

|                                 | 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        |                                 |
|                                 | 2016<br>HK\$'000<br>(Unaudited)               | 2015<br>HK\$'000<br>(Unaudited) | 2016<br>HK\$'000<br>(Unaudited) | 2015<br>HK\$'000<br>(Unaudited) | 2016<br>HK\$'000<br>(Unaudited) | 2015<br>HK\$'000<br>(Unaudited) |
| <b>Segment revenue</b>          |   |                                 |                                 |                                 |                                 |                                 |
| Revenue from external customers | 564,429                                       | 683,592                         | 36,914                          | –                               | 601,343                         | 683,592                         |
| <b>Segment results</b>          | 78,772  | 99,304                          | 6,292                           | –                               | 85,064                          | 99,304                          |
| <b>Unallocated income</b>       |   |                                 |                                 |                                 | 253                             | 475                             |
| <b>Unallocated expenses</b>     |   |                                 |                                 |                                 | (1,709)                         | (3,325)                         |
| <b>Profit before income tax</b> |   |                                 |                                 |                                 | 83,608                          | 96,454                          |

|                                   | Trading of kitchenware and household products       |   | Trading of raw materials                            |   | Consolidated  |   |
|-----------------------------------|---|---|---|---|---|---|
|                                   | As at<br>30 June<br>2016<br>HK\$'000<br>(Unaudited) | As at<br>31 December<br>2015<br>HK\$'000<br>(Audited) | As at<br>30 June<br>2016<br>HK\$'000<br>(Unaudited) | As at<br>31 December<br>2015<br>HK\$'000<br>(Audited) | As at<br>30 June<br>2016<br>HK\$'000<br>(Unaudited) | As at<br>31 December<br>2015<br>HK\$'000<br>(Audited) |
|                                   | Segment assets                                      | 563,450   | 519,702   | 32,760  | –   | 596,210   |
| Unallocated corporate assets      |   |   |   |   | 246,953   | 203,288   |
| <b>Total assets</b>               |   |   |   |   | 843,163   | 722,990   |
| Segment liabilities               | 216,533   | 165,991   | 1,168   | –   | 217,701   | 165,991   |
| Unallocated corporate liabilities |   |   |   |   | 23  | 266   |
| <b>Total liabilities</b>          |   |   |   |   | 217,724   | 166,257   |

**4. SEGMENT INFORMATION** (Continued)**(ii) Business segment information** (Continued)

|   | 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        |                                 |
|   | 2016<br>HK\$'000<br>(Unaudited)               | 2015<br>HK\$'000<br>(Unaudited) | 2016<br>HK\$'000<br>(Unaudited) | 2015<br>HK\$'000<br>(Unaudited) | 2016<br>HK\$'000<br>(Unaudited) | 2015<br>HK\$'000<br>(Unaudited) |
| <b>Other segment information:</b>             |   |                                 |                                 |                                 |                                 |                                 |
| Interest income                               | 281   | 26                              | -                               | -                               | 281                             | 26                              |
| Interest expenses                             | (144)   | (137)                           | -                               | -                               | (144)                           | (137)                           |
| Depreciation of property, plant and equipment | (2,534)                                       | (2,403)                         | -                               | -                               | (2,534)                         | (2,403)                         |
| Amortisation of intangible asset              | (2,403)                                       | (2,403)                         | -                               | -                               | (2,403)                         | (2,403)                         |

**(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:

|                 | Notes | Six months ended 30 June        |                                 |
|-----------------|-------|---------------------------------|---------------------------------|
|                 |       | 2016<br>HK\$'000<br>(Unaudited) | 2015<br>HK\$'000<br>(Unaudited) |
| United States   |       | 476,058                         | 597,785                         |
| Europe          | (a)   | 37,797                          | 31,842                          |
| Asia            | (b)   | 71,696                          | 33,393                          |
| Canada          |       | 10,916                          | 13,828                          |
| Other locations | (c)   | 4,876                           | 6,744                           |
|                 |       | <b>601,343</b>                  | 683,592                         |

Notes:

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

## Notes to the Condensed Consolidated Interim Financial Statements

For the period ended 30 June 2016

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

#### (iii) Geographical segment information *(Continued)*

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 2016, over 90% (31 December 2015: over 90%) of the Group's non-current assets (other than financial instruments and deferred tax assets) are located in Hong Kong.

#### (iv) Information about major customers

For the six months ended 30 June 2016, revenues from two (2015: 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\$347,885,000 (2015: HK\$435,760,000) of the Group's revenue for the six months ended 30 June 2016.

|           | Six months ended 30 June        |                                 |
|-----------|---------------------------------|---------------------------------|
|           | 2016<br>HK\$'000<br>(Unaudited) | 2015<br>HK\$'000<br>(Unaudited) |
| Company A | 274,737                         | 359,729                         |
| Company B | 73,148                          | 76,031                          |

### 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        |                                 |
|---|---------------------------------|---------------------------------|
|   | 2016<br>HK\$'000<br>(Unaudited) | 2015<br>HK\$'000<br>(Unaudited) |
| Sales of kitchenware and household products | 564,429                         | 683,592                         |
| Sales of raw materials                      | 36,914                          | –                               |
|   | 601,343                         | 683,592                         |

## Notes to the Condensed Consolidated Interim Financial Statements

For the period ended 30 June 2016

### 6. OTHER INCOME

|   | Six months ended 30 June        |                                 |
|---|---------------------------------|---------------------------------|
|   | 2016<br>HK\$'000<br>(Unaudited) | 2015<br>HK\$'000<br>(Unaudited) |
| Bank interest income                              | 534                             | 501                             |
| Dividend income from listed equity securities     | 273                             | –                               |
| Management and handling services                  | 73                              | 142                             |
| Recharge from customers                           | 1,353                           | 2,599                           |
| Gain on disposal of property, plant and equipment | –                               | 65                              |
| Others  | 20                              | 44                              |
|   | <b>2,253</b>                    | <b>3,351</b>                    |

### 7. PROFIT BEFORE INCOME TAX

|   | Six months ended 30 June        |                                 |
|---|---------------------------------|---------------------------------|
|   | 2016<br>HK\$'000<br>(Unaudited) | 2015<br>HK\$'000<br>(Unaudited) |
| Profit before income tax is arrived at after charging:        |                                 |                                 |
| Cost of inventories sold recognised as expenses               | 459,530                         | 530,055                         |
| Depreciation of property, plant and equipment                 | 2,534                           | 2,297                           |
| Amortisation of intangible asset                              | 2,403                           | 2,403                           |
| Amortisation of prepaid land lease payments                   | 27                              | 29                              |
| Employee benefit expenses (including directors' remuneration) |                                 |                                 |
| Wages, salaries and other benefits                            | 20,218                          | 18,404                          |
| Discretionary bonuses   | 5,041                           | 10,179                          |
| Contributions to defined contribution schemes                 | 796                             | 747                             |
|   | <b>26,055</b>                   | <b>29,330</b>                   |

## Notes to the Condensed Consolidated Interim Financial Statements

For the period ended 30 June 2016

### 8. FINANCE COSTS

|  | Six months ended 30 June        |                                 |
|--|---------------------------------|---------------------------------|
|  | 2016<br>HK\$'000<br>(Unaudited) | 2015<br>HK\$'000<br>(Unaudited) |
| Interest charges on financial liabilities at amortised cost: |                                 |                                 |
| Bank loans   | 4                               | 13                              |
| Bank overdrafts and other borrowings                         | 140                             | 124                             |
|  | 144                             | 137                             |

### 9. INCOME TAX EXPENSES

|                         | Six months ended 30 June        |                                 |
|-------------------------|---------------------------------|---------------------------------|
|                         | 2016<br>HK\$'000<br>(Unaudited) | 2015<br>HK\$'000<br>(Unaudited) |
| Current tax – Hong Kong |                                 |                                 |
| – Current period        | 13,752                          | 18,153                          |
| Deferred tax            |                                 |                                 |
| – Credit for the period | (621)                           | (445)                           |
| Income tax expenses     | 13,131                          | 17,708                          |

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% (2015: 16.5%) on the estimated assessable profit arising in Hong Kong for the six months ended 30 June 2016.

Enterprise income tax (“EIT”) for the period was calculated at the estimated annual effective tax rate of 25% (2015: 25%) of the estimated assessable profits arising from the PRC. No PRC EIT tax has been provided for Group’s PRC subsidiaries as they did not derive any assessable profits during the six months ended 30 June 2016 (2015: Nil).

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

## 10. EARNINGS PER SHARE

### Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the period of HK\$70,392,000 (2015: HK\$79,627,000) and the weighted average of 700,000,000 ordinary shares (2015: 685,497,000 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 2016 and 2015, and hence the diluted earnings per share is the same as basic earnings per share.

## 11. DIVIDENDS

|  | Six months ended 30 June        |                                 |
|--|---------------------------------|---------------------------------|
|  | 2016<br>HK\$'000<br>(Unaudited) | 2015<br>HK\$'000<br>(Unaudited) |
| Interim dividend declared and payable after the interim period of HK6.0 cents per share (six months ended 30 June 2015: HK4.5 cents per share) | 42,000                          | 31,500                          |
| Special dividend declared and payable after the interim period of Nil per share (six months ended 30 June 2015: HK5.5 cents per share)         | –                               | 38,500                          |
|  | <b>42,000</b>                   | <b>70,000</b>                   |

The interim dividend has not been recognised as a liability at the end of the reporting period.

## 12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired property, plant and equipment at a total cost of HK\$481,000 (2015: HK\$1,341,000).

No property, plant and equipment (2015: HK\$27,000) was disposed by the Group during the six months ended 30 June 2016.

At 30 June 2016, the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK\$20,148,000 (31 December 2015: HK\$21,159,000) were pledged to secure general banking facilities granted to the Group.

## Notes to the Condensed Consolidated Interim Financial Statements

For the period ended 30 June 2016

### 13. INVENTORIES

|                       | As at<br>30 June<br>2016<br>HK\$'000<br>(Unaudited) | As at<br>31 December<br>2015<br>HK\$'000<br>(Audited) |
|-----------------------|---|---|
| Merchandises, at cost | 13,112  | 10,064  |
| Raw materials         | 11,173  | –   |
|                       | <b>24,285</b>                                       | 10,064  |

### 14. TRADE AND BILLS RECEIVABLES

|                   | As at<br>30 June<br>2016<br>HK\$'000<br>(Unaudited) | As at<br>31 December<br>2015<br>HK\$'000<br>(Audited) |
|-------------------|---|---|
| Trade receivables | 167,084   | 127,139   |
| Bills receivables | –   | 550   |
|                   | <b>167,084</b>                                      | 127,689   |

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 and bills receivables are interest-free.

## Notes to the Condensed Consolidated Interim Financial Statements

For the period ended 30 June 2016

### 14. TRADE AND BILLS RECEIVABLES *(Continued)*

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

|              | As at<br>30 June<br>2016<br>HK\$'000<br>(Unaudited) | As at<br>31 December<br>2015<br>HK\$'000<br>(Audited) |
|--------------|---|---|
| 0-30 days    | 125,980   | 97,688  |
| 31-60 days   | 31,271  | 22,735  |
| 61-90 days   | 4,200   | 2,371   |
| Over 90 days | 5,633   | 4,895   |
|              | <b>167,084</b>                                      | 127,689   |

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

|  | As at<br>30 June<br>2016<br>HK\$'000<br>(Unaudited) | As at<br>31 December<br>2015<br>HK\$'000<br>(Audited) |
|--|---|---|
| Listed equity securities, at fair value: |   |   |
| – in Hong Kong                           | 31,721  | 33,821  |

During the six months ended 30 June 2016, the change in fair value in respect of the Group's available-for-sale financial assets recognised in other comprehensive income amounted to HK\$2,100,000 in deficit (2015: HK\$8,547,000 in surplus).

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

## Notes to the Condensed Consolidated Interim Financial Statements

For the period ended 30 June 2016

### 16. 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<br>30 June<br>2016<br>HK\$'000<br>(Unaudited) | As at<br>31 December<br>2015<br>HK\$'000<br>(Audited) |
|----------------|---|---|
| Trade payables | 75,816  | 63,752  |
| Bills payables | 14,595  | 3,000   |
|                | <b>90,411</b>                                       | 66,752  |

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<br>30 June<br>2016<br>HK\$'000<br>(Unaudited) | As at<br>31 December<br>2015<br>HK\$'000<br>(Audited) |
|---------------|---|---|
| 0-90 days     | 86,391  | 65,077  |
| 91-180 days   | 3,626   | 1,273   |
| Over 365 days | 394   | 402   |
|               | <b>90,411</b>                                       | 66,752  |

## 17. SHARE CAPITAL

|   | As at 30 June 2016                  |                      | As at 31 December 2015            |                    |
|---|-------------------------------------|----------------------|-----------------------------------|--------------------|
|   | Number of shares ('000) (Unaudited) | HK\$'000 (Unaudited) | Number of shares ('000) (Audited) | HK\$'000 (Audited) |
| Authorised:<br>Shares of HK\$0.01 each<br>At 1 January 2016/1 January 2015            | <b>10,000,000</b>                   | 100,000              | <b>10,000,000</b>                 | 100,000            |
| At 30 June 2016/31 December 2015  | <b>10,000,000</b>                   | 100,000              | <b>10,000,000</b>                 | 100,000            |
| Issued and fully paid:<br>Shares of HK\$0.01 each<br>At 1 January 2016/1 January 2015 | <b>700,000</b>                      | 7,000                | <b>10</b>                         | –                  |
| Capitalisation issue ( <i>note a</i> )  | –                                   | –                    | <b>524,990</b>                    | 5,250              |
| Allotment of shares ( <i>note b</i> )   | –                                   | –                    | <b>175,000</b>                    | 1,750              |
| At 30 June 2016/31 December 2015  | <b>700,000</b>                      | 7,000                | <b>700,000</b>                    | 7,000              |

Note:

- (a) On 15 January 2015, 524,990,000 ordinary shares of HK\$0.01 each were issued at par to the shareholders of the Company by way of capitalisation of HK\$5,249,900 from the Company's share premium account.
- (b) On 15 January 2015, an aggregate of 17,500,000 ordinary shares and 157,500,000 ordinary shares were issued and offered for subscription by way of public offer and placing, respectively at a price of HK\$1.38 per share. The Group raised approximately HK\$241,500,000 before any related listing expenses arising from the public offer and placing, resulting in an increase in the issued share capital of the Company by HK\$1,750,000 and the share premium of the Company by HK\$239,750,000.

## Notes to the Condensed Consolidated Interim Financial Statements

For the period ended 30 June 2016

### 18. 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 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.

The financial assets measured at fair value as at 30 June 2016 and 31 December 2015 in the condensed consolidated statement of financial position are grouped into the fair value hierarchy as follows:

| Recurring fair value measurement          | Level 1<br>HK\$'000 | Level 2<br>HK\$'000 | Level 3<br>HK\$'000 | Total<br>HK\$'000 |
|---|---------------------|---------------------|---------------------|-------------------|
| <b>As at 30 June 2016 (Unaudited)</b>     |                     |                     |                     |                   |
| Available-for-sale financial assets       |                     |                     |                     |                   |
| – Listed equity securities, at fair value | <b>31,721</b>       | –                   | –                   | <b>31,721</b>     |
| <b>As at 31 December 2015 (Audited)</b>   |                     |                     |                     |                   |
| Available-for-sale financial assets       |                     |                     |                     |                   |
| – Listed equity securities, at fair value | 33,821              | –                   | –                   | 33,821            |

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.

During the six months ended 30 June 2016, 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 2015: Nil).

**19. CAPITAL COMMITMENTS**

As at 30 June 2016, there were no capital commitment contracted but not provided for in respect of the acquisition of property, plant and equipment (31 December 2015: Nil).

**20. RELATED PARTY TRANSACTIONS**

In addition to the transactions and balances disclosed elsewhere in the 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        |                                 |
|-----------------------|---|-------|---------------------------------|---------------------------------|
|                       |   |       | 2016<br>HK\$'000<br>(Unaudited) | 2015<br>HK\$'000<br>(Unaudited) |
| Licensing fee paid    | Ignite Hong Kong Limited<br>("Ignite HK")           | (a)   | 2,634                           | 2,166                           |
| Management fee income | Grand Venture Holdings<br>Limited ("Grand Venture") | (b)   | 73                              | 142                             |
| Rental expenses       | Mr. Wong Siu Wah<br>("Mr. Wong")                    | (c)   | 381                             | 381                             |

Notes:

- (a) A related company, of which Mr. Wong is a director and Mr. Wong and Ms. Cheng, the Company's ex-director, are together interested in 50% of its shareholding.
- (b) An associate of the Group.
- (c) During the six months ended 30 June 2016 and 2015, the Group had paid rental expenses relating to a premise which is 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 period ended 30 June 2016

### 20. RELATED PARTY TRANSACTIONS (Continued)

#### 20.2 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<br>30 June<br>2016<br>HK\$'000<br>(Unaudited) | As at<br>31 December<br>2015<br>HK\$'000<br>(Audited) |
|---------------------------|---|---|
| Ignite HK (note 1)        | 507   | 18  |
| Grand Venture (note 2)    | 260   | 187   |

Note 1: As at 30 June 2016, included in other payables of approximately HK\$507,000 (31 December 2015: HK\$18,000) 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.

#### 20.3 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        |                                 |
|--|---------------------------------|---------------------------------|
|  | 2016<br>HK\$'000<br>(Unaudited) | 2015<br>HK\$'000<br>(Unaudited) |
| Salaries, allowances and benefits in kind    | 3,343                           | 3,214                           |
| Discretionary bonuses                        | 4,000                           | 4,000                           |
| Contributions to defined contribution scheme | 27                              | 27                              |
|  | 7,370                           | 7,241                           |

### 21. CONTINGENT LIABILITIES

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