

END TO END CONTROL

Design
Engineering
Material
Technology
Patents

Pause
Resume

Distribution Platform

Branding Management
Marketing Strategy
Logistic and Warehouse

Business Intelligence

Quality Inspection

Smart
Manufacturing
Tooling
Supply Chain
Management

Interim Report
2022



King's Flair International (Holdings) Limited

科勁國際(控股)有限公司

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

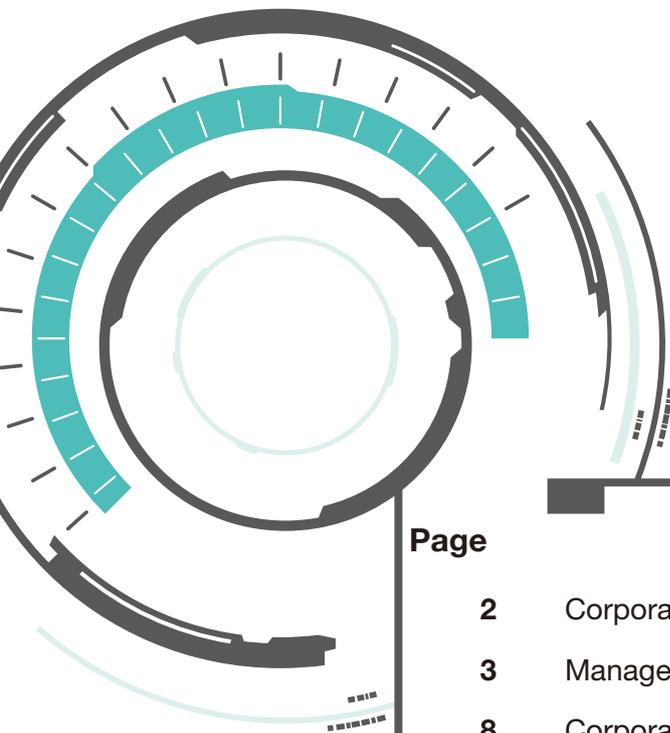


Table of CONTENTS

Page

2	Corporate Information
3	Management Discussion and Analysis
8	Corporate Governance and Other Information
13	Condensed Consolidated Statement of Comprehensive Income
14	Condensed Consolidated Statement of Financial Position
16	Condensed Consolidated Statement of Changes in Equity
17	Condensed Consolidated Statement of Cash Flows
18	Notes to the Condensed Consolidated Interim Financial Statements



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

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

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Risk Management Committee

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

COMPANY SECRETARY

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

AUDITOR

BDO Limited
Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

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

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

STOCK CODE

Hong Kong Stock Exchange: 6822

WEBSITE

www.kingsflair.com.hk

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the first half of year 2022, the continuous threat of the new COVID-19 variants in the Mainland China and the escalating conflicts in geopolitical environment worldwide.

In Mainland China, the new COVID-19 variants continued to cast uncertainties over the business operating environment. With the worsening of the pandemic situation, the government implemented the most stringent and extensive lockdown measures in various cities and districts including first-tier city, Shanghai. This led to an unprecedented disruption on the Group's retail business and supply chain logistics in the Mainland China.

The new COVID-19 variant also re-shaped the policies and directions of the governments and the lifestyle and preference of consumers worldwide. For instance, the conservatism among brand owners in the United States in placing orders due to uncertain consumer sentiments caused by the worsened global economic condition and the continued disruption in supply chain.

At the same time, the conflict between Russia and Ukraine and the sanctions imposed by the United States and Europe led to the continuous surging of raw material costs as commodity prices remained strong during the period. The interest rate hikes to combat the high inflation rate in the United States and Europe also intensify the uncertainties to the global economic development in the near future.

FINANCIAL REVIEW

Revenue

During the six months ended 30 June 2022, the Group recorded a decrease in revenue from approximately HK\$649.0 million for the six months ended 30 June 2021 to approximately HK\$469.6 million, representing a decrease of approximately 27.6%. This was mainly due to (i) the stringent and extensive lockdown in various cities and districts in the Mainland China as a result of the outbreak of the new COVID-19 variant in the Mainland China during the period; and (ii) the conservatism among brand owners in the United States in placing orders due to uncertain consumer sentiments caused by the worsened global economic condition and the continued disruption in supply chain due to the new COVID-19 variant.

Gross profit and gross profit margin

Gross profit decreased by approximately 36.1% to approximately HK\$86.9 million for six months ended 30 June 2022 (six months ended 30 June 2021: HK\$136.0 million), with gross profit margin also decreased by approximately 2.5 percentage points to approximately 18.5% (six months ended 30 June 2021: 21.0%). The decrease in gross profit and the lower gross profit margin were mainly due to the continuously high raw materials costs as commodity prices remained strong during the period. In addition, the appreciation of Renminbi also put pressure on the Group's cost of production and raw materials.

Other income and gains, net

During the six months ended 30 June 2022, other income increased by approximately 51.0% to approximately HK\$7.7 million (six months ended 30 June 2021: HK\$5.1 million), primarily due to the rental income derived from the investment properties acquired in year 2021 and the funding support received from the Employment Support Scheme under the Anti-epidemic Fund set up by the government body in Hong Kong during the period.

Distribution expenses

During the six months ended 30 June 2022, distribution expenses decreased by approximately 18.0% to approximately HK\$20.1 million (six months ended 30 June 2021: HK\$24.5 million). The decrease was mainly attributable to the Group taking a conservative strategy in promotion amidst the period of uncertainty and the sales related expenses such as licensing fee and transportation dropped with the revenue.

Management Discussion and Analysis

Administrative expenses

During the six months ended 30 June 2022, administrative expenses slightly decreased by approximately 1.5% to approximately HK\$58.7 million (six months ended 30 June 2021: HK\$59.6 million). Under the tight cost control measure, the Group maintained the administrative expenses at a relatively stable level.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the six months ended 30 June 2022 decreased by approximately 73.8% to approximately HK\$10.7 million (six months ended 30 June 2021: HK\$40.9 million). The decrease was due to the combination of (i) a significant decrease in the Group's revenue during the period and (ii) a decrease in gross profit margin during the period as a result of the increase in raw material cost and the appreciation of Renminbi.

FUTURE STRATEGY

For the second half of 2022, the global business outlook will remain uncertain due to the persistence impact of the COVID-19 variant. Followed by the higher-than-expected inflation worldwide, triggering more tighter monetary policy, geopolitical tensions in Eastern Europe, and lockdowns in certain cities in China, has led to more unpredictable global market condition and operation environment. Braving the potential adverse effect from various factors such as new COVID-19 variant, high inflation, surging raw material and crude oil prices, as well as the conflict of world political powers, the Group will stay vigilant and react cautiously to their possible impact on its financial position and operating results.

Due to pro-longed instability, diversifying the Group's product portfolio has been and will remain as one of the main strategies towards sustainability, which aim to achieve greater market differentiation and penetration. In addition to its existing kitchenware products, the Group fosters new customers from other household product segments such as baby, toddlers, kids tools and gadgets, pets accessories, coffee accessories and glassware, in an attempt to widen its product coverage, customer reach, and hence, revenue stream. On the operation side, the Group will further streamline its workforce; enhance efficiency through re-arranging workflow process and office automation.

With the establishment of a production line in Tai Po, which is aimed to optimize the specific properties of the produced nanofibers, the Group is able to perform research on the raw material development and application of nanotechnologies. To support its commercialization, the Group has entered a rental arrangement with Hong Kong Science and Technology Parks Corporation regarding the Advanced Manufacturing Centre in Tseung Kwan O Industrial Estate for setting up a designated centre. The centre is expected to complete in the third quarter of 2022, and the Group will install the remaining nanofiber equipment at the centre, which would further expand its production capacity for new materials and new product features. The Group has also obtained a HK\$15 million funding approval from the Re-industrialization Funding Scheme under the Innovation and Technology Commission of the Government of the Hong Kong Special Administrative Region, for the project of "Setting up of smart electrospinning production lines for nanofiber filter material".

On talent acquisition, the Group will continue to recruit suitable talents with competitive knowledge, skillset, experience and capability to cater the needs of each project. In view of the various challenges confronted, the management will make every effort to ensure that strategy aligns for the Group's future long-term growth.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group had approximately 180 employees (30 June 2021: 193 employees). Total staff costs (including Directors' emoluments) were approximately HK\$34.9 million for the six months ended 30 June 2022, as compared to approximately HK\$34.5 million for the six months ended 30 June 2021.

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

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

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

Other than the investment properties and financial assets at fair value through profit or loss as disclosed in the condensed consolidated statements of financial position, there was no significant investment held as at 30 June 2022.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Acquisition of a subsidiary

Since the first half of 2017, the Group has held one secured promissory note (the "Note") with gross principal amount of US\$2.0 million equivalent to approximately HK\$15.6 million due from an independent third party, namely Kor Water, Inc. ("KOR"). The loan was originally repayable to the Group on 15 June 2019 and was extended several times until 30 June 2022. Pursuant to the terms of the Note, the Group has the right to convert the outstanding loan amount and accrued interests to 51% of all shares outstanding post-conversion of KOR in the Group's sole discretion prior to its maturity. Further details of the Note are set out in Note 15 to the condensed consolidated interim financial statements for the six months ended 30 June 2022.

On 30 June 2022 (the "Acquisition Date"), the Group exercised the conversion right under the Note and became interested in 51% of all shares outstanding post-conversion of KOR. As a result, KOR became a non-wholly owned subsidiary of the Company with effect from the Acquisition Date.

As none of the applicable percentage ratios (as defined under Rule 14.07 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")), exceeds 5% on the Acquisition Date, the acquisition of 51% interests in KOR by the Group did not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules.

Save as disclosed above, there was no material acquisition or disposal of subsidiaries or associate companies during the six months ended 30 June 2022.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

Cash and bank balances and borrowing

As at 30 June 2022, the Group had cash and bank balances amounted to approximately HK\$239.7 million (31 December 2021: HK\$220.4 million) which were mainly denominated in United States dollars (“USD”), Renminbi (“RMB”) and Hong Kong dollars (“HKD”). The Group had bank overdrafts amounted to approximately HK\$17.7 million (31 December 2021: HK\$0.5 million) and had bank borrowings of approximately HK\$78.1 million (31 December 2021: approximately HK\$58.5 million) as at 30 June 2022. The annual interest rate of the bank overdrafts and bank borrowings during the six months ended 30 June 2022 ranged from 2.25% to 5.25% (31 December 2021: ranged from 2.25% to 5.25%) and ranged from 0.70% to 1.01% (31 December 2021: ranged from 0.66% to 0.90%) respectively.

Cash flows

For the six months ended 30 June 2022, the Group recorded a cash outflow from operating activities of approximately HK\$10.0 million (six months ended 30 June 2021: cash outflow of approximately HK\$7.5 million). The operating cash outflow was mainly due to the stocking up on the inventory by the Group in order to prepare for the potential increase in demands from customers when the impact of COVID-19 subsides.

Net cash generated from investing activities amounted to approximately HK\$1.2 million for the six months ended 30 June 2022 (six months ended 30 June 2021: net cash used in approximately HK\$18.8 million). The increase was mainly due to costs incurred in the deposit paid for acquisition of a subsidiary during the same period in year 2021. There was a net cash inflow of approximately HK\$15.1 million for the six months ended 30 June 2022 (six months ended 30 June 2021: net cash outflow of approximately HK\$74.4 million) from financing activities due to the raise of bank borrowings during the period comparing with a net repayment of bank borrowings and payment of dividend during the same period in year 2021.

Gearing ratio

The Group’s gearing ratio is calculated as total borrowings, which is the summation of bank overdrafts, bank borrowings, lease liabilities and loans from non-controlling interests, divided by total equity. The gearing ratio of the Group as at 30 June 2022 and 31 December 2021 were approximately 16.8% and 10.5% respectively. The increase of the gearing ratio was mainly due to increase in bank overdrafts and bank borrowings during the period.

Banking facilities

As at 30 June 2022, the Group has banking facilities totalling approximately HK\$338.0 million (31 December 2021: approximately HK\$338.0 million) and approximately HK\$95.7 million (31 December 2021: approximately HK\$60.3 million), of which has been utilised by the Group. The utilisation rates as at 30 June 2022 and 31 December 2021 were approximately 28.3% and 17.8% respectively. With financial supports from the banks and the low utilization rate, the Group has reserved sufficient facilities available for future draw down.

FOREIGN EXCHANGE EXPOSURE

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

PLEDGE OF ASSETS

As at 30 June 2022, the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK\$16.1 million (31 December 2021: HK\$16.5 million), investment properties with an aggregate carrying amount of approximately HK\$138.9 million (31 December 2021: HK\$139.0 million) and pledged bank deposits of approximately HK\$19.9 million (31 December 2021: HK\$27.7 million) were pledged to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group had no significant contingent liabilities (31 December 2021: Nil).

CAPITAL COMMITMENTS

As at 30 June 2022, the Group has capital commitment of approximately HK\$39.2 million (31 December 2021: approximately HK\$28.5 million) for the purchase of and addition to property, plant and equipment.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance and has steered its development and protection of the interests of the Shareholders in an enlightened and open manner. The Board comprises two executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code (“CG Code”) set out in Appendix 14 to the Listing Rules. During the period under review and up to the date of this report, the Company has complied with the CG Code, except for code provision C.2.1 under Part 2 of the CG code, which provides that, among other things, the role of chairman of the board and the chief executive officer of a listed issuer shall be separate and shall not be performed by the same individual.

Dr. Wong Siu Wah is both the chief executive officer and the chairman of the Board of the Company which deviates from code provision C.2.1 under Part 2 of the CG code. The Board considers that vesting the role of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by the current Board composition and structure taking into account the background and experience of the Directors and the number of independent non-executive Directors on the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Directors have adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in dealing in the Company’s securities. Specific enquiries have been made of all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code throughout the six months ended 30 June 2022.

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 2022 and the accounting principles and practices adopted, and discussed auditing, risk management, internal controls and financial reporting matters with the Group’s management and the Company’s external auditors.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: interim dividend HK4.0 cents per share).

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 2022.

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 June 2022, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code, were as follows:

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

Note:

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

Save as disclosed above, as at 30 June 2022, none of the Directors and the chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, at no time during the six months ended 30 June 2022 was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the Directors and the chief executive of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2022, the following persons (not being the directors or chief executive of the Company) who had interest or short position in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follows:

Interests in Shares

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

Notes:

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

Interests in other member(s) of the Group

Name of non-wholly owned subsidiary of the Company	Name of registered substantial shareholders (other than members of the Group)	Percentage of issued share capital (%)
Homespan (HK) Limited	Mr. Christopher Paul Liversey	49.00%
Manweal Development Limited	Primehill Holdings Limited	32.00%
寧波家之良品國際貿易有限公司 (Ningbo Homesbrands International Trading Company Limited)	Mr. Lin Zhao	25.00%
Kor Water, Inc.	Mr. J. Eric Barnes	23.56%
Kor Water, Inc.	Mr. Paul Shustak	11.19%

Save as disclosed above, as at 30 June 2022, the Directors were not aware of any other person having an interest or short position in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

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

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

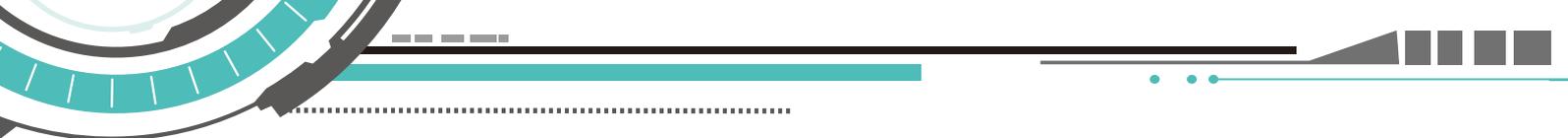
SHARE OPTION SCHEME

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

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

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

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



Corporate Governance and Other Information

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

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

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

As at 30 June 2022, 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 2022

	Notes	Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	5	469,647	648,988
Cost of sales		(382,744)	(513,018)
Gross profit		86,903	135,970
Other income and gains, net	6	7,728	5,091
Distribution expenses		(20,058)	(24,458)
Administrative expenses		(58,698)	(59,571)
Share of results of associates		(1,135)	1,128
Finance costs	7	(650)	(637)
Profit before income tax	8	14,090	57,523
Income tax expenses	9	(2,089)	(8,752)
Profit for the period		12,001	48,771
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Change in fair value of financial assets at fair value through other comprehensive income		(793)	6
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		(4,168)	489
Other comprehensive income for the period		(4,961)	495
Total comprehensive income for the period		7,040	49,266
Profit for the period attributable to:			
Owners of the Company		10,749	40,882
Non-controlling interests		1,252	7,889
		12,001	48,771
Total comprehensive income attributable to:			
Owners of the Company		9,892	41,205
Non-controlling interests		(2,852)	8,061
		7,040	49,266
		HK cents	HK cents
Earnings per share:	10		
– Basic		1.5	5.8
– Diluted		1.5	5.8

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	52,041	57,612
Investment properties		138,900	139,000
Goodwill	19	14,503	–
Other asset		172	172
Interests in associates		20,626	21,760
Intangible asset	19	10,044	–
Deposits paid for property, plant and equipment		28,264	20,473
Financial assets at fair value through other comprehensive income	16	911	1,704
Deferred tax assets		730	2
		266,191	240,723
Current assets			
Inventories	13	83,754	50,240
Trade receivables	14	191,214	196,838
Prepayments, deposits and other receivables		71,319	71,173
Financial assets at fair value through profit or loss	15	23,959	31,951
Amounts due from associates		783	750
Tax recoverable		4,136	5,385
Pledged bank deposits		19,913	27,686
Cash and bank balances		239,692	220,427
		634,770	604,450
Current liabilities			
Trade and bills payables	17	51,515	41,984
Other payables and accruals		27,859	19,020
Financial liabilities at fair value through profit or loss	15	1,019	–
Contract liabilities		12,764	11,477
Bank overdrafts		17,675	481
Bank borrowings		78,100	58,480
Lease liabilities		5,965	6,458
Loans from non-controlling interests		1,920	1,920
Amount due to an associate		3,027	1,365
Dividend payable		42,000	–
Provision for tax		2,321	4,470
		244,165	145,655
Net current assets		390,605	458,795
Total assets less current liabilities		656,796	699,518

Condensed Consolidated Statement of Financial Position

As at 30 June 2022

	<i>Notes</i>	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Non-current liabilities			
Lease liabilities		5,291	5,466
Deferred tax liabilities		3,534	3,526
		8,825	8,992
Net assets			
		647,971	690,526
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	7,000	7,000
Reserves		589,326	621,434
		596,326	628,434
Non-controlling interests		51,645	62,092
		647,971	690,526

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Equity attributable to owners of the Company										
	Share capital HK\$'000	Share premium* HK\$'000	Merger reserve* HK\$'000	Financial assets at fair value through other comprehensive income reserve* HK\$'000	Exchange reserve* HK\$'000	Statutory reserve* HK\$'000	Other reserve* HK\$'000	Retained profits* HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total Equity HK\$'000
At 1 January 2021 (Audited)	7,000	215,385	(4,231)	(1,174)	3,556	6,241	2,867	386,908	616,552	48,190	664,742
2020 final dividend (note 11(iii))	-	-	-	-	-	-	-	(52,500)	(52,500)	-	(52,500)
Transactions with owners	-	-	-	-	-	-	-	(52,500)	(52,500)	-	(52,500)
Profit for the period	-	-	-	-	-	-	-	40,882	40,882	7,889	48,771
Other comprehensive income											
- Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	6	-	-	-	-	6	-	6
- Exchange difference arising on translation of foreign operations	-	-	-	-	317	-	-	-	317	172	489
Total comprehensive income for the period	-	-	-	6	317	-	-	40,882	41,205	8,061	49,266
At 30 June 2021 (Unaudited)	7,000	215,385	(4,231)	(1,168)	3,873	6,241	2,867	375,290	605,257	56,251	661,508
At 1 January 2022 (Audited)	7,000	215,385	(4,231)	(1,746)	1,603	6,241	2,867	401,315	628,434	62,092	690,526
2021 final dividend (note 11(iii))	-	-	-	-	-	-	-	(42,000)	(42,000)	-	(42,000)
Acquisition of a subsidiary (note 19)	-	-	-	-	-	-	-	-	-	(7,595)	(7,595)
Transactions with owners	-	-	-	-	-	-	-	(42,000)	(42,000)	(7,595)	(49,595)
Profit for the period	-	-	-	-	-	-	-	10,749	10,749	1,252	12,001
Other comprehensive income											
- Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	(793)	-	-	-	-	(793)	-	(793)
- Exchange difference arising on translation of foreign operations	-	-	-	-	(64)	-	-	-	(64)	(4,104)	(4,168)
Total comprehensive income for the period	-	-	-	(793)	(64)	-	-	10,749	9,892	(2,852)	7,040
At 30 June 2022 (Unaudited)	7,000	215,385	(4,231)	(2,539)	1,539	6,241	2,867	370,064	596,326	51,645	647,971

* The aggregate balances of these reserve accounts of approximately HK\$589,326,000 (30 June 2021: approximately HK\$598,257,000) are included as reserves as at 30 June 2022 in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Net cash used in operating activities	(10,026)	(7,525)
Net cash generated from/(used in) investing activities	1,162	(18,787)
Net cash generated from/(used in) financing activities	15,131	(74,428)
Net increase/(decrease) in cash and cash equivalents	6,267	(100,740)
Cash and cash equivalents at the beginning of period	219,946	373,928
Effect on foreign exchange rate changes	(4,196)	3,095
Cash and cash equivalents at the end of period	222,017	276,283
Analysis of cash and cash equivalents		
Cash and bank balances	239,692	302,300
Bank overdrafts	(17,675)	(26,017)
Cash and cash equivalents at the end of period	222,017	276,283

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. GENERAL INFORMATION

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

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are trading, retail, wholesale and distribution of kitchenware and household products and trading of raw materials. There were no significant changes in the Group's operations during the period.

As at 30 June 2022 and up to the date of authorisation of these financial statements, in the opinion of the directors, the Company's ultimate holding company is City Concord Limited, a company incorporated in the British Virgin Islands ("BVI"). The Company's controlling party is Dr. Wong Siu Wah, who is also the Chairman and Chief Executive Officer of the Company.

2. BASIS OF PREPARATION

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

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

The condensed consolidated interim financial statements contain selected explanatory notes which include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the consolidated financial statements for the year ended 31 December 2021 (the "2021 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 2021 Annual Report.

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

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

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

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

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

Amendments to HKFRS 3	References to Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to HKFRSs 2018-2020	

The application of the new or revised HKFRSs in the current interim period has no material effect on the amounts reported in the condensed consolidated interim financial statements and/or disclosures set out in the condensed consolidated interim financial statements.

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

4. SEGMENT INFORMATION

(i) Operating segment information

The Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Company’s executive directors for their decisions about resources allocation to the Group’s business components and review of the components’ performance. The Group is organised around differences in products. There are two (2021: two) business components in the internal reporting to the executive Directors, which are (i) trading of kitchenware and household products, including drinkware, tools and gadgets, bakeware and accessories and food preparation products and (ii) trading of raw materials, including mainly silicone.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

4. SEGMENT INFORMATION (Continued)

(i) Operating segment information (Continued)

There were no inter-segment sales between different business segments for the six months ended 30 June 2022 and 2021.

	Trading of kitchenware and household products		Trading of raw materials		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue						
Revenue from external customers	437,171	583,987	32,476	65,001	469,647	648,988
Segment results	18,185	56,891	(209)	4,102	17,976	60,993
Share of results of associates					(1,135)	1,128
Unallocated income					1,558	333
Unallocated expenses					(4,309)	(4,931)
Profit before income tax					14,090	57,523

	Trading of kitchenware and household products		Trading of raw materials		Total	
	As at	As at	As at	As at	As at	As at
	30 June	31 December	30 June	31 December	30 June	31 December
	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Segment assets	738,617	748,650	81,004	50,836	819,621	799,486
Tax recoverable					4,136	5,385
Deferred tax assets					730	2
Interests in associates					20,626	21,760
Unallocated corporate assets [#]					55,848	18,540
Consolidated total assets					900,961	845,173
Segment liabilities	200,200	144,880	4,204	737	204,404	145,617
Provision for tax					2,321	4,470
Deferred tax liabilities					3,534	3,526
Dividend payable					42,000	-
Unallocated corporate liabilities					731	1,034
Consolidated total liabilities					252,990	154,647

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

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

4. SEGMENT INFORMATION *(Continued)*

(i) Operating segment information *(Continued)*

	Trading of kitchenware and household products		Trading of raw materials		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Other segment information:						
Interest income	542	555	-	-	542	555
Interest expenses	(616)	(613)	-	-	(616)	(613)
Fair value loss on investment properties	(100)	-	-	-	(100)	-
Depreciation of property, plant and equipment	(9,209)	(7,969)	-	-	(9,209)	(7,969)
Research expenses	(729)	(471)	-	-	(729)	(471)
Reversal of impairment loss/ (provision of impairment loss) on trade receivables	1,608	(234)	47	150	1,655	(84)
Fair value (loss)/gain on financial assets at fair value through profit or loss, net	(2,382)	75	-	-	(2,382)	75

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

4. SEGMENT INFORMATION *(Continued)*

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

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Other material items		
Reportable segments' interest income	542	555
Unallocated	–	332
Consolidated interest income	542	887
Reportable segments' interest expenses	(616)	(613)
Unallocated	(34)	(24)
Consolidated interest expenses	(650)	(637)
Reportable segments' research expenses	(729)	(471)
Unallocated	(24)	(32)
Consolidated research expenses	(753)	(503)
Reportable segments' depreciation of property, plant and equipment	(9,209)	(7,969)
Unallocated	(266)	(259)
Consolidated depreciation of property, plant and equipment	(9,475)	(8,228)
Reportable segments' fair value (loss)/gain on financial assets at fair value through profit or loss, net	(2,382)	75
Unallocated	(31)	(312)
Consolidated fair value loss on financial assets at fair value through profit or loss, net	(2,413)	(237)

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

4. SEGMENT INFORMATION *(Continued)*

(iii) Disaggregated revenue and geographical segment information

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

	Notes	Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
United States		305,592	387,308
Asia	(a)	93,337	183,601
Europe	(b)	51,217	61,441
Canada		18,157	16,123
Other locations	(c)	1,344	515
		469,647	648,988

Notes:

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

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

(c) Principally included Australia

* Including revenue from the Mainland China and Hong Kong of approximately HK\$80,541,000 (six months ended 30 June 2021: approximately HK\$167,119,000)

The geographical location of customers is based on the location of customers. As at 30 June 2022 and 31 December 2021, over 90% of the Group's non-current assets (other than financial instruments and deferred tax assets) are physically located in Hong Kong.

(iv) Information about major customers

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

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Company A	149,282	124,044
Company B	58,453	58,130
Company C	54,980	154,885

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

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

5. REVENUE

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

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue from contracts with customers		
– Sales of kitchenware and household products	437,171	583,987
– Sales of raw materials	32,476	65,001
	469,647	648,988

6. OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Bank interest income	542	857
Interest income from unlisted bond	–	30
Rental income	1,739	–
Recharge from customers	47	144
Government grants	6,091	3,754
Fair value loss on financial assets at fair value through profit or loss, net	(2,413)	(237)
Fair value loss on investment properties	(100)	–
Others	1,822	543
	7,728	5,091

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

7. FINANCE COSTS

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interest charges on financial liabilities at amortised cost:		
Bank borrowings	294	167
Bank overdrafts	114	224
Lease liabilities	242	246
	650	637

8. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Profit before income tax is arrived at after charging/(crediting):		
Cost of inventories sold recognised as expense	362,966	491,361
(Reversal of impairment loss)/provision of impairment loss on trade receivables	(1,655)	84
Depreciation of property, plant and equipment	9,475	8,228
Research expenses	753	503
Short-term lease expenses	276	129
Low-value lease expenses	49	40
Employee benefit expenses (including directors' remuneration)		
Wages, salaries and other benefits	28,078	27,823
Discretionary bonuses	4,299	4,298
Contributions to defined contribution schemes	2,565	2,341
	34,942	34,462
Exchange (gain)/loss, net	(584)	701

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

9. INCOME TAX EXPENSES

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
The taxation attributable to the Group's operation comprises:		
Current tax		
– Hong Kong profits tax	1,789	7,988
– Income tax outside Hong Kong	1,020	2,578
	2,809	10,566
Over provision in prior years		
– Hong Kong profits tax	–	(20)
Deferred tax		
– Credit for the period	(720)	(1,794)
Income tax expenses	2,089	8,752

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

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK\$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Enterprise income tax ("EIT") for the period was calculated at 25% (six months ended 30 June 2021: 25%) of the estimated assessable profits arising from the Mainland China. The income tax for other jurisdictions is calculated at the rates applicable in the respective jurisdictions.

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

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

10. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the period of approximately HK\$10,749,000 (six months ended 30 June 2021: approximately HK\$40,882,000) and the weighted average of 700,000,000 (six months ended 30 June 2021: 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 2022 and 2021, 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	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
No interim dividend declared and payable after the interim period (six months ended 30 June 2021: HK4.0 cents per share)	–	28,000

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

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 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 2021: approved and paid during the following interim period of HK7.5 cents per share)	42,000	52,500

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired property, plant and equipment at a total cost of approximately HK\$4,280,000 (six months ended 30 June 2021: approximately HK\$8,878,000).

During the six months ended 30 June 2022, the Group has not disposed property, plant and equipment (six months ended 30 June 2021: Nil).

At 30 June 2022, the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK\$16,059,000 (31 December 2021: approximately HK\$16,450,000) were pledged to secure general banking facilities granted to the Group.

13. INVENTORIES

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Merchandises held for resale	34,460	25,110
Raw materials	49,294	25,130
	83,754	50,240

14. TRADE RECEIVABLES

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Trade receivables	192,030	199,309
Less: impairment loss allowance	(816)	(2,471)
	191,214	196,838

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

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

14. TRADE RECEIVABLES *(Continued)*

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

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
0-30 days	69,869	75,753
31-60 days	70,809	77,996
61-90 days	38,377	13,986
Over 90 days	12,159	29,103
	191,214	196,838

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

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Financial assets at fair value through profit or loss:		
Listed equity securities in Hong Kong, at fair value <i>(note (a))</i>	23,959	24,592
Unlisted secured promissory note in US, at fair value <i>(note (b))</i>	-	6,629
Derivative financial instruments at fair value <i>(note (c))</i>	-	730
	23,959	31,951
Financial liabilities at fair value through profit or loss:		
Derivative financial instruments at fair value <i>(note (c))</i>	1,019	-

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

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

(Continued)

Notes:

- a) The fair values of the Group's investment in listed equity securities have been determined by reference to their quoted market prices at the end of the reporting period.
- b) As at 31 December 2021, there was one secured promissory note (the "Note") with gross principal amount of US\$2,000,000 equivalent to approximately HK\$15,560,000 due from an independent third party (the "Issuer"). The loan under the Note is interest-bearing at rate of 4% per annum or 10% per annum under an event of default. The principal of the loan was originally repayable on 15 June 2019, being twenty-four months from the issue date and was extended to 7 January 2020, 15 January 2021, 15 February 2021, 15 April 2021, 30 June 2021, 31 December 2021 and 30 June 2022 (the "Maturity Dates") by entering various supplementary agreements in June 2019, January 2020, June 2020, January 2021, February 2021, April 2021, June 2021 and December 2021 respectively. Pursuant to the terms of the Note, the Group has the right to convert the outstanding loan amount and accrued interest to 51% of all shares outstanding post-conversion of the Issuer in the Group's sole discretion. The conversion right is exercisable at any time after one year of the issue date of the Note and prior to the Maturity Dates of the Note. The outstanding principal and the interest receivable from the Note was secured by all the assets of the Issuer. As at 30 June 2022, the Group exercised the conversion right under the Note and became interested in 51% of all shares outstanding post-conversion of Issuer. As a result, the Issuer became a non-wholly owned subsidiary of the Company.

As at 31 December 2021, the fair value of the Note was estimated to be approximately HK\$6,629,000. The fair value loss of approximately HK\$311,000 was recognised in consolidated statement of comprehensive income in other income and gains, net for the six months ended 30 June 2021. As the repayment date of the Note is within twelve months from the end of the reporting period, the financial assets at fair value through profit or loss were classified under current assets.

The fair value of the Note as at the end of the reporting period is determined by the directors with reference to the valuation prepared by Royson Valuation Advisory Limited, an independent valuer, by using binominal model and income approach with the following key parameters:

	As at 31 December 2021 (Audited)
Revenue growth rate	Ranged from 45% to 370%
Terminal growth rate	3%
Post-tax discount rate	25.5%
Discount for lack of marketability	35%
Expected volatility	35%

- c) As at 30 June 2022, the Group's derivative financial instruments represented foreign currency forward contracts denominated in USD and the fair values are based on the quoted prices from the relevant financial institutions. The notional amounts of these forward contracts are RMB66,000,000 (31 December 2021: RMB26,000,000) and the forward currency rates of all these contracts ranged from USD1:RMB6.4336 to USD1:RMB6.7550 (31 December 2021: USD1:RMB6.4020 to USD1:RMB6.6750) with various maturity dates from July 2022 to May 2023 (31 December 2021: January 2022 to March 2022).

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Unlisted equity securities in Hong Kong, at fair value (note)	911	1,704

Note:

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

As at 30 June 2022, the fair value of the Group's investment of 11.5% of equity interest in a private entity, incorporated in Hong Kong and engaged in provision of interior design services, is estimated by the directors with reference to the valuation prepared by Royson Valuation Advisory Limited, an independent valuer, with income approach by discounting future cash flows with the following key parameters:

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Revenue growth rate	Ranged from -51.1% to 207.9%	Ranged from 11% to 44%
Terminal growth rate	3%	3%
Post-tax discount rate	20.04%	20.2%
Discount for lack of control	25%	25%
Discount for lack of marketability	20%	20%

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

17. TRADE AND BILLS PAYABLES

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

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Trade payables	47,692	41,984
Bills payables	3,823	–
	51,515	41,984

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

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
0–90 days	50,206	41,067
91–180 days	447	897
181–365 days	842	14
Over 365 days	20	6
	51,515	41,984

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

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

18. SHARE CAPITAL

	As at 30 June 2022		As at 31 December 2021	
	Number of shares ('000) (Unaudited)	HK\$'000 (Unaudited)	Number of shares ('000) (Audited)	HK\$'000 (Audited)
Authorised:				
Shares of HK\$0.01 each	10,000,000	100,000	10,000,000	100,000
Issued and fully paid:				
Shares of HK\$0.01 each	700,000	7,000	700,000	7,000

19. ACQUISITION OF A SUBSIDIARY

Since the first half of 2017, the Group has held one secured promissory note (the "Note") with gross principal amount of US\$2,000,000 equivalent to approximately HK\$15,560,000 due from an independent third party, namely Kor Water, Inc. ("KOR"). The loan was originally repayable to the Group on 15 June 2019 and was extended several times until 30 June 2022. Pursuant to the terms of the Note, the Group has the right to convert the outstanding loan amount and accrued interests to 51% of all shares outstanding post-conversion of KOR in the Group's sole discretion prior to its maturity. Further details of the Note are set out in Note 15 to the condensed consolidated interim financial statements for the six months ended 30 June 2022.

On 30 June 2022 (the "Acquisition Date"), the Group exercised the conversion right under the Note and became interested in 51% of all shares outstanding post-conversion of KOR. As a result, KOR became a non-wholly owned subsidiary of the Company with effect from the Acquisition Date.

The Group has elected to initially measure the non-controlling interests in KOR at the non-controlling interests' proportionate share of KOR's identifiable net assets at the Acquisition Date. As at the date of approval for issuance of the financial statements, the fair value assessments of identifiable assets and liabilities arising from the above acquisition have not been finalised and thus, the assets and liabilities recognised at the Acquisition Date (see below) have been determined provisionally. Upon finalisation of the valuation, the goodwill may change accordingly. The Directors expect the valuation will be finalised within one year from the completion date of the acquisition.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

19. ACQUISITION OF A SUBSIDIARY (Continued)

The provisional fair values of the identifiable assets and liabilities of KOR as at the Acquisition Date were as follows:

	HK\$'000 (Unaudited)
Property, plant and equipment	167
Intangible assets	10,044
Inventories	5,760
Trade receivables	292
Rental, utility and other deposits	48
Other receivables	60
Prepayment	67
Cash at banks	1,291
Trade payables	(11,900)
Contract Liabilities/trade deposits received	1
Other payables and accrual	(21,281)
Bank overdraft	(49)
Net liabilities	(15,500)
Net liabilities	15,500
Fair value of consideration	6,598
Non-controlling interests	(7,595)
Goodwill	14,503

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

19. ACQUISITION OF A SUBSIDIARY (Continued)

	HK\$'000 (Unaudited)
Net cash inflow in connection with the acquisition of subsidiaries:	
Cash and cash equivalent balance acquired*	1,242

* The acquisition was initiated by exercising the conversion right of the Note and no further consideration paid during the acquisition.

The goodwill of HK\$14,503,000, which is not deductible for tax purposes, comprises the value of the acquired management team for its future market development from the combination of the acquired business with the existing operations of the Group.

As the acquisition was completed at the end of the reporting period, KOR did not contributed any revenue and net profit to the consolidated profit of the Group for the six months ended 30 June 2022. Had the combination taken place at the beginning of the reporting period, the revenue of the Group and the profit of the Group for the six months ended 30 June 2022 would have been HK\$472,126,000 and HK\$9,471,000, respectively.

The Group incurred transaction costs of HK\$71,000 for this acquisition. These transaction costs have been expensed off and are included in the administrative expenses in profit or loss.

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

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

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

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

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

The financial assets and liabilities measured at fair value as at 30 June 2022 and 31 December 2021 in the condensed consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1 HK\$'000 <i>(note (a))</i>	Level 2 HK\$'000 <i>(note (b))</i>	Level 3 HK\$'000 <i>(note (c))</i>	Total HK\$'000
As at 30 June 2022 (Unaudited)				
Financial assets at fair value through profit or loss				
– Listed equity securities, at fair value	23,959	–	–	23,959
Financial assets at fair value through other comprehensive income				
– Unlisted equity securities, at fair value	–	–	911	911
Financial liabilities at fair value through profit or loss				
– Derivative financial instruments	–	(1,019)	–	(1,019)
As at 31 December 2021 (Audited)				
Financial assets at fair value through profit or loss				
– Listed equity securities, at fair value	24,592	–	–	24,592
– Unlisted secure promissory note, at fair value	–	–	6,629	6,629
– Derivative financial instruments	–	730	–	730
Financial assets at fair value through other comprehensive income				
– Unlisted equity securities, at fair value	–	–	1,704	1,704

Notes:

- The investment in listed equity securities at fair values are denominated in HK\$. Fair values have been determined by reference to their quoted market prices at the reporting date.
- The derivative financial instruments at fair values are denominated in USD and the fair values are determined based on the present value calculations using forward pricing and observable forward interest rate.
- The investment in promissory note and unlisted equity securities at fair value are denominated in USD and HK\$ respectively and their fair values are determined by using valuation technique of binomial model and income approach, which include significant inputs that are not based on observable market data.

During the six months ended 30 June 2022 and 2021, there have been no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

21. RELATED PARTY TRANSACTIONS

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

21.1 Significant transactions with related parties

Nature of transaction	Name of related company/party	Notes	Six months ended 30 June	
			2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Licensing fee	Ignite Hong Kong Limited ("Ignite HK")	(a)	1,661	4,459
Lease payments	Dr. Wong Siu Wah ("Dr. Wong")	(b)	420	420

Notes:

- (a) An associate of the Group.
- (b) During the six months ended 30 June 2022 and 2021, the Group had paid lease payments relating to premises which are owned by Dr. Wong. The associated lease liabilities of approximately HK\$2,028,000 (31 December 2021: Nil) were recognised in the condensed consolidated statement of financial position as at 30 June 2022.
- (c) All transactions as shown above were made on the Group's normal course of business and were made with reference to the terms negotiated between the relevant parties.

21.2 Outstanding balances with related parties

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

Name of related companies	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
	Ignite HK	(3,027)
Toddler Copenhagen Asia Ltd.	551	551
Narrative Ltd.	200	170
Cheer Mind Corp. Ltd.	32	29

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

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

21. RELATED PARTY TRANSACTIONS *(Continued)*

21.3 Compensation of key management personnel

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

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Salaries, allowances and benefits in kind	3,090	3,064
Discretionary bonuses	53	169
Contributions to defined contribution scheme	9	17
	3,152	3,250

22. CONTINGENT LIABILITIES

As at 30 June 2022, the Group does not have any significant contingent liabilities (31 December 2021: Nil).

23. CAPITAL COMMITMENTS

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
	Capital expenditures contracted but not provided for in the condensed consolidated financial statements in respect of: – purchase of and addition to property, plant and equipment	39,202