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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2015	2014	
	HK\$'000	HK\$'000	Change
Revenue	683,592	624,715	+9.4%
Gross profit	153,537	104,487	+46.9%
Profit from operations	96,591	50,450	+91.5%
Profit attributable to equity shareholders	79,627	43,216	+84.3%
Basic and diluted earnings per share (HK\$)	0.12	0.08	
Gross profit margin	22.5%	16.7%	
Operating profit margin	14.1%	8.1%	
Net profit margin	11.5%	6.7%	

The board of directors resolved to declare an interim dividend of HK\$0.045 and a special dividend of HK\$0.055 per share of the Company.

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of King’s Flair International (Holdings) Limited (the “Company”) is pleased to announce the unaudited consolidated result of the Company and its subsidiaries (collectively refer to as the “Group”) for the six months ended 30 June 2015 together with the comparative audited figures for the corresponding period in 2014 as follows:

Condensed consolidated statement of comprehensive income

		Six months ended 30 June	
		2015	2014
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Revenue	5	683,592	624,715
Cost of sales		<u>(530,055)</u>	<u>(520,228)</u>
Gross profit		153,537	104,487
Other income	6	3,351	5,213
Distribution expenses		(11,323)	(11,001)
Administrative expenses		<u>(48,974)</u>	<u>(48,249)</u>
Operating profit		96,591	50,450
Finance costs	8	<u>(137)</u>	<u>(172)</u>
Profit before income tax	7	96,454	50,278
Income tax expenses	9	<u>(17,708)</u>	<u>(8,409)</u>
Profit for the period		78,746	41,869
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale financial assets, net of tax		8,547	(4,352)
Exchange difference arising on translation of foreign operations		<u>121</u>	<u>29</u>
Other comprehensive income for the period, net of tax		8,668	(4,323)
Total comprehensive income for the period		87,414	37,546

		Six months ended 30 June	
		2015	2014
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Profit for the period attributable to:			
Owners of the Company		79,627	43,216
Non-controlling interests		(881)	(1,347)
		<u>78,746</u>	<u>41,869</u>
Total comprehensive income attributable to:			
Owners of the Company		88,226	38,851
Non-controlling interests		(812)	(1,305)
		<u>87,414</u>	<u>37,546</u>
Earnings per share:			
– Basic	<i>10</i>	HK\$0.12	HK\$0.08
– Diluted		HK\$0.12	HK\$0.08

Condensed consolidated statement of financial position

		As at 30 June 2015 <i>HK\$'000</i> (Unaudited)	As at 31 December 2014 <i>HK\$'000</i> (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		32,676	33,685
Prepaid land lease payments		1,971	2,021
Other asset		172	172
Interest in an associate		–	–
Intangible asset		16,822	19,225
Deferred tax assets		5	5
		<u>51,646</u>	<u>55,108</u>
Current assets			
Inventories		10,157	10,200
Trade receivables	12	177,828	144,639
Prepayments, deposits and other receivables		49,378	35,901
Available-for-sale financial assets		46,838	38,291
Amount due from an associate		108	2,046
Prepaid tax		320	528
Pledged bank deposits		20,901	20,895
Cash and bank balances		396,625	125,211
		<u>702,155</u>	<u>377,711</u>
Current liabilities			
Trade and bills payables	13	82,551	90,198
Deposits received, other payables and accruals		39,885	43,294
Bank borrowings		15,272	10,268
Loans from non-controlling interests		12,189	14,239
Provision for tax		25,778	7,832
		<u>175,675</u>	<u>165,831</u>
Net current assets		<u>526,480</u>	<u>211,880</u>
Total assets less current liabilities		<u>578,126</u>	<u>266,988</u>

		As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
Non-current liabilities			
Loans from non-controlling interests		14,700	12,916
Deferred tax liabilities		6,681	7,126
		<u>21,381</u>	<u>20,042</u>
Net assets		<u>556,745</u>	<u>246,946</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>14</i>	7,000	–
Reserves		549,140	245,529
		<u>556,140</u>	<u>245,529</u>
Non-controlling interests		605	1,417
Total equity		<u>556,745</u>	<u>246,946</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

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, KYI-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") since 16 January 2015.

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are trading, retail, wholesale and distribution of kitchenware products. 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 interim financial statements have been prepared in accordance with the applicable disclosure requirement of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (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 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 2014 (the "2014 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 2014 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.

The 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. SIGNIFICANT ACCOUNTING POLICIES

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

<i>Amendments to HKFRS</i>	Annual Improvements to HKFRSs 2010-2012 Cycle
<i>Amendments to HKFRS</i>	Annual Improvements to HKFRSs 2011-2013 Cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in the interim financial statements and/or disclosures set out in the interim financial statements.

The Group has not early adopted the following new or amended HKFRSs that have been issued but are not yet effective in the interim financial statements:

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹
HKFRS 9 (2014)	Financial Instruments ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ¹
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹
HKFRS 14	Regulatory Deferral Accounts ¹
HKFRS 15	Revenue from Contracts with Customers ²

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2017

³ Effective for annual periods beginning on or after 1 January 2018

The Group is in the process of making an assessment of the potential impact of these pronouncements in the period of initial application and the Directors anticipate that more disclosures would be made but not yet in a position to state whether they would have a material impact on the Group's financial statements.

4. SEGMENT INFORMATION

(i) Operating segment information

The Group has identified its operating segment and prepared segment information based on the regular internal financial 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 is only one business component in the internal reporting to the executive directors, which is the trading of kitchenware products. The Group's assets and capital expenditure are principally attributable to this business component.

(ii) **Geographical segment information**

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

	<i>Notes</i>	Six months ended 30 June	
		2015	2014
		HK\$'000	HK\$'000
		(Unaudited)	(Audited)
United States		597,785	529,111
Europe	(a)	31,842	40,071
Asia	(b)	33,393	33,439
Canada		13,828	16,215
Other locations	(c)	6,744	5,879
		683,592	624,715

Notes:

- (a) Principally included United Kingdom, Switzerland, France and Germany
- (b) Principally included Hong Kong, the People's Republic of China (the "PRC") and Japan
- (c) Principally included Australia, Mexico, Turkey and Egypt

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 2015, over 90% (31 December 2014: over 90%) of the Group's non-current assets (other than financial instruments and deferred tax assets) are located in Hong Kong.

(iii) **Information about major customers**

For the six months ended 30 June 2015, revenues from two (2014: four) 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\$435,760,000 (2014: four customers totalling HK\$494,355,000) of the Group's revenue for the six months ended 30 June 2015.

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Company A	359,729	267,096
Company B (<i>note</i>)	62,692	63,035
Company C (<i>note</i>)	66,250	90,820
Company D	76,031	73,404
	564,702	494,355

Note:

For the six months ended 30 June 2015, revenue from these two customers with whom transactions of each does not exceed 10% of the Group's revenue. The revenue from these customers are disclosed for illustrative purpose only.

5. REVENUE

The Group is principally engaged in trading of kitchenware products. Revenue, which is also the Group's turnover, 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	
	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Audited)
Sales of goods	683,592	624,715

6. OTHER INCOME

	Six months ended 30 June	
	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Audited)
Bank interest income	501	11
Management and handling services	142	781
Recharge from customers	2,599	4,415
Gain on disposal of property, plant and equipment	65	–
Others	44	6
	3,351	5,213

7. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Audited)
Profit before income tax is arrived at after charging:		
Cost of inventories sold recognised as expenses	530,055	520,228
Depreciation of property, plant and equipment	2,297	2,033
Amortisation of intangible asset	2,403	2,403
Amortisation of prepaid land lease payments	29	28
Employee benefit expenses (including directors' remuneration)		
Wages, salaries and other benefits	18,404	16,718
Discretionary bonuses	10,179	8,203
Contributions to defined contribution schemes	747	747
	29,330	25,668

8. FINANCE COSTS

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Audited)
Interest charges on financial liabilities at amortised cost:		
Bank loans wholly repayable within five years	13	50
Bank overdrafts and other borrowings wholly repayable within five years	124	122
	<u>137</u>	<u>172</u>

9. INCOME TAX EXPENSES

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Audited)
Current tax – Hong Kong – Current period	<u>18,153</u>	<u>8,854</u>
Deferred tax – Credit for the period	<u>(445)</u>	<u>(445)</u>
Income tax expenses	<u>17,708</u>	<u>8,409</u>

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% (2014: 16.5%) on the estimated assessable profit arising in Hong Kong for the six months ended 30 June 2015.

Enterprise income tax (“EIT”) for the period was calculated at 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 2015 (2014: 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\$79,627,000 (2014: HK\$43,216,000) and the weighted average of 685,497,000 ordinary shares (2014: 525,000,000 ordinary shares, comprising 1,000 ordinary shares issued as at 30 June 2014, 9,000 ordinary shares issued as part of the group reorganisation on 24 December 2014 and 524,990,000 ordinary shares issued pursuant to the capitalisation issue on 15 January 2015 as if these shares were outstanding throughout the period) 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 2015 and 2014, and hence the diluted earnings per share is the same as basic earnings per share.

11. DIVIDENDS

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Audited)
Interim dividend declared and payable after the interim period of HK\$0.045 per share (six months ended 30 June 2014: Nil)	31,500	–
Special dividend declared and payable after the interim period of HK\$0.055 per share (six months ended 30 June 2014: Nil)	38,500	–
	<u>70,000</u>	<u>–</u>

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

12. TRADE RECEIVABLES

	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
	Trade receivables	177,828
Less: provision of impairment loss	–	(152)
Trade receivables, net	<u>177,828</u>	<u>144,639</u>

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

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

	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
0–30 days	124,740	111,173
31–60 days	43,489	24,701
61–90 days	7,090	4,492
Over 90 days	2,509	4,273
	<u>177,828</u>	<u>144,639</u>

13. TRADE AND BILLS PAYABLES

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

	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
Trade payables	76,359	90,198
Bills payables	6,192	–
	<u>82,551</u>	<u>90,198</u>

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

	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
0–90 days	81,709	89,668
91–180 days	425	108
181–365 days	–	–
Over 365 days	417	422
	<u>82,551</u>	<u>90,198</u>

14. SHARE CAPITAL

	As at 30 June 2015		As at 31 December 2014	
	Number of shares (‘000) (Unaudited)	HK\$’000 (Unaudited)	Number of shares (‘000) (Audited)	HK\$’000 (Audited)
Authorised:				
Shares of HK\$0.01 each				
At 1 January 2015/1 January 2014	10,000,000	100,000	38,000	380
Increase in authorised shares	–	–	9,962,000	99,620
At 30 June 2015/31 December 2014	10,000,000	100,000	10,000,000	100,000
Issued and fully paid:				
Shares of HK\$0.01 each				
At 1 January 2015/1 January 2014	10	–	1	–
Capitalisation issue (<i>note a</i>)	524,990	5,250	–	–
Allotment of shares (<i>note b</i>)	175,000	1,750	9	–
At 30 June 2015/31 December 2014	700,000	7,000	10	–

Notes:

- (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\$5,249,000 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 under 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. It resulted 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2015, the Group continued to be principally engaged in designing, developing and supplying an extensive assortment of kitchenware products with its headquarters in Hong Kong. Our business involves supplying mainly high-end global kitchenware products to international brandowner customers in North America, Europe and Asia which include tools and gadgets, drinkware, bakeware and accessories, food preparation products and storage and accessories.

The Group differentiates itself by providing customised services including market research, concept creation, product design, product development, raw material sourcing, production factory sourcing, production engineering and control, quality assurance, order tracking and logistics, as well as other ancillary services. The Group aims to become a complete one-stop shop for kitchenware products to international kitchenware brand-owner customers.

OPERATIONAL REVIEW

Continue strengthening of product design, development and engineering capabilities

Strong product design, development and engineering capabilities are the Group's core business strength. As at 30 June 2015, the Group had a team of 5 full-time personnel engaged in market research, product design and development, and 8 full-time production engineers in product development.

Further expand the global customer base

During the six months ended 30 June 2015, the Group received orders from over 100 customers. As at 30 June 2015, we had a sales and marketing team of over 35 employees.

Apart from strengthening relationship with existing customers, the Group regularly participates in Hong Kong trade fairs to explore new business opportunities with potential brand-owner customers. In February 2015 the Group has, for the first time, exhibited at Ambiente, an important trade show in Germany, as we further drive our international sales strategy in tandem with continued research and investment into expanding our market penetration in China. Attending major fairs is an important new step for the Group and one that will help to further drive our global growth.

Deep commitment to quality and customer services

The Group values quality control capability and believes it is one of our key strengths. In the period of six months ended 30 June 2015, the production and quality control processes were carried out by a team of over 90 quality assurance professionals in the PRC who provided quality control and production control services to us and were stationed at or near the production factories in the PRC and under the close supervision of our quality assurance management. During such period, there were no major quality control issues encountered by the production factories to whom production had been outsourced.

The Group had neither received any major sales return nor any complaint about product quality from customers during such period.

FUTURE STRATEGY

The Group believes that companies which operate in the global kitchenware market must be able to closely track market trends and immediately assist their customers to bring products to market with the best innovative product design, development and engineering capabilities. As such the Group continues to invest in our people, hardware and software to ensure that we will continue to bring innovation and value-added input to our customers.

While the Group still strives to expand our sales efforts to a larger international audience through participating in major global trade shows, the Group will continue to focus on meeting mid-tier and high-end kitchenware market demand, and ensure that we have the capability to cater for demand for a broad and diversified range of products. The Group also intends to enter into new markets with good growth potential such as Eastern Europe, Africa and South America, by working with local importers and trade agents where appropriate.

Closer to home, the Group continues to research opportunities in the PRC where a significant opportunity exists for us to deepen our market penetration. As the retail market in the PRC is still volatile, the Group is taking a cautious approach towards expansion, but in line with our plans at the time of the listing of the Company's shares on the Stock Exchange ("Listing"), we continue to look for opportunities to further develop our own physical retail and e-commerce presence in the PRC market.

FINANCIAL REVIEW

Revenue

Benefiting from our differentiation strategy with our strong design and engineering skills, the Group again achieved steady growth in sales in a highly competitive market. With increased order levels from existing customers as well as the orders placed by new customers, in the period of six months ended 30 June 2015, our total revenue achieved approximately HK\$683.6 million, representing an increase of approximately 9.4% as compared to that of approximately HK\$624.7 million in the same period of 2014.

In addition to maintaining the business with our current customers who will continue contributing to a large percentage of the Group's revenue, the Group is also actively diversifying and expanding our customer base with the aim to sustain the growth of our revenue.

Cost of sales

During the period of six months ended 30 June 2015, cost of sales of the Group increased by approximately 1.9% to approximately HK\$530.1 million as compared to that of approximately HK\$520.2 million in the same period of 2014. Cost of sales as a percentage of revenue decreased to 77.5% for the period of six months ended 30 June 2015 as compared to that of 83.3% for the same period in 2014.

The Group benefited from the lower cost of products in the period of six months ended 30 June 2015 driven by two factors:

- The global reduction in commodity prices during such period, which helped to reduce production costs of our suppliers.
- The switching to more competitive production factories from which the Group can enjoy lower cost of production.

Gross profit and gross profit margin

The Group's gross profit increased by approximately 46.9% to approximately HK\$153.5 million for the period of six months ended 30 June 2015 (2014: HK\$104.5 million) and the gross profit margin increased by approximately 34.7% to approximately 22.5% for such period (2014: 16.7%). This increase was mainly due to the lower cost of products as mentioned above.

Profit for the period

In the period of six months ended 30 June 2015, profit for the period increased by approximately 88.1% to approximately HK\$78.7 million (2014: HK\$41.9 million). The increase in profit for the period was mainly driven by the lower cost of products.

Other income

Other income decreased by approximately 35.7% to approximately HK\$3.4 million in the period of six months ended 30 June 2015 (2014: HK\$5.2 million) primarily due to decrease in recharge from customers.

Distribution expenses

Distribution expenses are primarily related to the PRC retail business. With the effort of the Group in cost control, the distribution expenses slightly increased by approximately 2.9% to approximately HK\$11.3 million during the period of six months ended 30 June 2015 (2014: HK\$11.0 million).

Administrative expenses

During the period of six months ended 30 June 2015, administrative expenses remained relatively stable, being approximately HK\$49.0 million (2014: HK\$48.2 million) which mainly due to the off-setting of the increase in staff cost with the decrease in other expenses such as legal and professional fee and loss on exchange.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2015, the Group had approximately 144 employees (2014: approximately 139). Total staff costs (including Directors' emoluments) were approximately HK\$29.3 million for the period of six months ended 30 June 2015 (2014: HK\$25.7 million).

The Group remunerates our 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.

SIGNIFICANT INVESTMENT HELD AND FUTURE PLANS FOR MATERIAL INVESTMENT 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 2015 nor are there plans for material investments on capital assets as at the date of this announcement.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the period of six months ended 30 June 2015, 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 2015, the Group had cash and bank balances amounted to approximately HK\$396.6 million (31 December 2014: HK\$125.2 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\$15.3 million (31 December 2014: HK\$10.3 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 in January 2015 and up to the date of this announcement. In light of the current financial position of the Group and provided there is no unforeseeable circumstance, our management does not anticipate the need to change the capital structure. The annual interest rate of the bank borrowings during the period of six months ended 30 June 2015 was 2.5% (2014: 2.5%).

For the period of six months ended 30 June 2015, the Group recorded a strong cash inflow from operating activities of HK\$45.1 million (2014: HK\$21.0 million). Net cash used in investing activities of HK\$0.8 million (2014: HK\$11.2 million) was due to pledged bank deposit. The significant increase in net cash inflow of HK\$221.9 million (2014: HK\$0.8 million) from financing activities was due to the proceeds from the Listing.

Prior to the Listing, the Group’s operations were funded principally from the cashflows from operation and bank borrowings. During the period of six month ended 30 June 2015, the principal liquidity and capital requirements of the Group related to the following:

- costs and expenses related to the operation of the business, including the cost of sales, distribution expenses and administrative expenses; and
- capital expenditures for the establishment of retail sales points and flagships stores in the PRC.

During such period, the Group mainly financed our liquidity needs through cash flow from operations, bank borrowings and the net proceeds from the Listing in January 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 2015 and 31 December 2014 were 7.6% and 15.2% 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. Our 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

At 30 June 2015, the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK\$21.5 million (31 December 2014: HK\$21.9 million) and pledged time deposit of HK\$20.9 million (31 December 2014: HK\$20.9 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 ("Prospectus"). 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 Listing Rules.

CONTINGENT LIABILITIES

As at 30 June 2015, the Group had no significant contingent liabilities (31 December 2014: Nil).

CAPITAL COMMITMENTS

As at 30 June 2015, the Group has no significant outstanding capital commitment (31 December 2014: Nil).

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 ("Code Provisions") set out in Appendix 14 to the Listing Rules. Throughout the period since the date of listing of the Company on the Stock Exchange on 16 January 2015 (the "Listing Date") and up to the date of this announcement, the Company has complied with the Code Provisions, except for code provision A.2.1, which provides that, among other things, the role of chairman of the board and the chief executive officer of a listed issuer shall be separate and shall not be performed by the same individual.

Mr. Wong Siu Wah (“Mr. Wong”) is both the chief executive officer and the chairman of the Board of the Company which is in deviation from code provision A.2.1. We consider 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 current Board composition and structure taking into account the background and experience of our Directors and the number of independent non-executive Directors on the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Directors have adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in dealing in the Company’s securities. Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code since the Listing Date and up to the date of this announcement.

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 and internal controls. The Audit Committee, comprising Ms. Leung Wai Ling, Wylie (Chairman), Dr. Lau Kin Tak and Mr. Anthony Graeme Michaels, has reviewed our unaudited condensed interim financial statements for the six months ended 30 June 2015 and the accounting principles and practices adopted, and discussed auditing, internal controls and financial reporting matters with our management and our Company’s external auditors.

INTERIM AND SPECIAL DIVIDENDS

The Board resolved to declare an interim dividend of HK\$0.045 (2014: Nil) and a special dividend of HK\$0.055 per share (2014: Nil) to Shareholders whose names appear on the register of members on 8 September 2015, representing a payout ratio of approximately 87.9% of profit attributable to shareholders for the six months ended 30 June 2015. The interim dividend and special dividends will be paid on or around 22 September 2015.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlements to the interim and special dividends, the register of members will be closed from 7 September 2015 to 8 September 2015 (both days inclusive) during which period no transfer of shares will be effected. In order to qualify for the interim and special dividends, 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 4 September 2015 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 period from the Listing Date to the date of this announcement.

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 the public float as required under the Listing Rules throughout the period from the Listing Date to 30 June 2015.

PUBLICATION OF INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This result announcement is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.kingsflair.com.hk. The interim report of the Company for the period of six months ended 30 June 2015 will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
King's Flair International (Holdings) Limited
Wong Siu Wah
Chairman and Executive Director

Hong Kong, 20 August 2015

As at the date of this announcement, the Board comprises of three executive directors, namely Mr. Wong Siu Wah, Ms. Wong Fook Chi, and Mr. Wong Ying Wai Dennis; and three independent non-executive directors, namely Dr. Lau Kin Tak, Mr. Anthony Graeme Michaels and Ms. Leung Wai Ling, Wylie.