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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015**

The board (the “Board”) of directors (the “Directors”) of King’s Flair International (Holdings) Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred hereafter as the “Group”) for the year ended 31 December 2015, together with the comparative audited figures for the year ended 31 December 2014 as follows:

#### **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*for the year ended 31 December 2015*

	<i>Notes</i>	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Revenue</b>	3	<b>1,394,635</b>	1,359,459
Cost of sales		<b>(1,089,690)</b>	(1,113,522)
<b>Gross profit</b>		<b>304,945</b>	245,937
Other income	5	<b>7,056</b>	12,441
Distribution expenses		<b>(20,037)</b>	(21,925)
Administrative expenses		<b>(97,607)</b>	(119,454)
Operating profit		<b>194,357</b>	116,999
Finance costs	6	<b>(250)</b>	(349)
<b>Profit before income tax</b>	7	<b>194,107</b>	116,650
Income tax expenses	8	<b>(32,031)</b>	(23,496)
<b>Profit for the year</b>		<b>162,076</b>	93,154

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME** *(Continued)*  
*for the year ended 31 December 2015*

	<i>Notes</i>	<b>2015</b> <b>HK\$'000</b>	2014 <b>HK\$'000</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Change in fair value of available-for-sale financial assets		(4,470)	5,949
Exchange difference arising on translation of foreign operations		<u>463</u>	<u>12</u>
<b>Other comprehensive income for the year</b>		<u>(4,007)</u>	<u>5,961</u>
<b>Total comprehensive income for the year</b>		<u><b>158,069</b></u>	<u>99,115</u>
<b>Profit for the year attributable to:</b>			
Owners of the Company		163,545	95,146
Non-controlling interests		<u>(1,469)</u>	<u>(1,992)</u>
		<u><b>162,076</b></u>	<u>93,154</u>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		159,291	101,088
Non-controlling interests		<u>(1,222)</u>	<u>(1,973)</u>
		<u><b>158,069</b></u>	<u>99,115</u>
<b>Earnings per share:</b>			
	9		
– Basic		<u>HK\$0.24</u>	HK\$0.18
– Diluted		<u>HK\$0.24</u>	HK\$0.18

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2015

	<i>Notes</i>	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		46,875	33,685
Prepaid land lease payments		1,874	2,021
Other asset		172	172
Interest in an associate		–	–
Intangible asset		14,419	19,225
Deferred tax assets		4	5
		<u>63,344</u>	<u>55,108</u>
<b>Current assets</b>			
Inventories		10,064	10,200
Trade and bills receivables	11	127,689	144,639
Prepayments, deposits and other receivables		51,738	35,901
Available-for-sale financial assets		33,821	38,291
Amount due from an associate		187	2,046
Prepaid tax		321	528
Pledged bank deposits		28,904	20,895
Cash and bank balances		406,922	125,211
		<u>659,646</u>	<u>377,711</u>
<b>Current liabilities</b>			
Trade and bills payables	12	66,752	90,198
Deposits received, other payables and accruals		57,986	43,294
Bank borrowings		480	10,268
Loans from non-controlling interests		9,448	14,239
Provision for tax		6,718	7,832
		<u>141,384</u>	<u>165,831</u>
<b>Net current assets</b>		<u>518,262</u>	<u>211,880</u>
<b>Total assets less current liabilities</b>		<u>581,606</u>	<u>266,988</u>
<b>Non-current liabilities</b>			
Loans from non-controlling interests		16,557	12,916
Deferred tax liabilities		8,316	7,126
		<u>24,873</u>	<u>20,042</u>
<b>Net assets</b>		<u>556,733</u>	<u>246,946</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** (*Continued*)  
*as at 31 December 2015*

	<i>Notes</i>	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	<i>13</i>	<b>7,000</b>	–
Reserves		<b>550,205</b>	245,529
		<hr/> <b>557,205</b>	<hr/> 245,529
Non-controlling interests		<b>(472)</b>	1,417
		<hr/> <b>556,733</b>	<hr/> 246,946
<b>Total equity</b>		<hr/> <b>556,733</b>	<hr/> 246,946

## NOTES TO THE FINANCIAL STATEMENTS

*for the year ended 31 December 2015*

### 1. GENERAL INFORMATION

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.

Pursuant to a group reorganisation (the "Reorganisation") as set out under the section "History, Reorganisation and Group Structure" in the Company's prospectus dated 31 December 2014 (the "Prospectus"), the Company became the holding company of the subsidiaries now comprising the Group. The consolidated financial statements of the Group has been prepared as if the Group had always been in existence throughout both periods presented, or since the respective dates of incorporation or establishment of the group companies, rather than from the date when the Company became the holding company pursuant to the Reorganisation.

The Group resulting from the Reorganisation was regarded as a continuing entity. Accordingly, the Group's statement of comprehensive income, Group's statement of changes in equity for the year ended 31 December 2014 and the Group's statement of financial position as at 31 December 2014 had been prepared on the basis as if the Company had always been the holding company of the companies now comprising the Group throughout the year. The consolidated financial statements had been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as if the group structure under the Reorganisation had been in existence throughout the year or since the respective dates of incorporation of the entities now comprising the Group, whichever is the shorter period.

The principal activity of the Company is investment holding while the Group is principally engaged in the trading of kitchenware products. The Group's principal places of business are Hong Kong and the People's Republic of China (the "PRC"). There were no significant changes in the Group's operations during the year.

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. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

#### (a) Adoption of new/revised HKFRSs – first effective on 1 January 2015

In the current year, the Group has applied for the first time the following new/revised HKFRSs and amendments issued by the HKICPA which is relevant to and effective for the Group's financial statements for annual period beginning on 1 January 2015:

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle

The adoption of the above amendments has no material impact on the Group's financial statements.

**(b) New/revised HKFRSs that have been issued but are not yet effective**

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group for the year ended 31 December 2015.

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle <sup>1</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>1</sup>
HKFRS 9 (2014)	Financial Instruments <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>

*Notes:*

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> No mandatory effective date yet determined but is available for adoption

*Amendments to HKAS 1 – Disclosure Initiative*

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

*Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

*Amendments to HKAS 27 – Equity Method in Separate Financial Statements*

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

### *HKFRS 9 (2014) – Financial Instruments*

HKFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at fair value through other comprehensive income. All other debt and equity instruments are measured at fair value through profit or loss.

HKFRS 9 (2014) includes a new expected loss impairment model for all financial assets not measured at fair value through profit or loss replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 (2014) carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 (2014) retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

### *Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

### *HKFRS 15 – Revenue from Contracts with Customers*

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRSs. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Group has already commenced an assessment of the impact of adopting the above new/revised HKFRSs to the Group. The Group is not yet in a position to state whether these pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

**(c) New Hong Kong Companies Ordinance provisions relating to the preparation of financial statements**

The provisions of the new Hong Kong Companies Ordinance, Cap. 622, in relation to the preparation of financial statements apply to the Company in this financial year.

The Directors consider that there is no impact on the Group's financial position or performance, however the new Hong Kong Companies Ordinance, Cap. 622, impacts on the presentation and disclosures in the consolidated financial statements. For example, the statement of financial position of the Company is now presented in the notes to the financial statements rather than as a primary statement and related notes to the statement of financial position of the Company are generally no longer presented.

**3. REVENUE**

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Sales of goods	<u>1,394,635</u>	<u>1,359,459</u>

**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>	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
United States		<b>1,213,663</b>	1,159,739
Europe	(a)	<b>74,645</b>	84,727
Asia	(b)	<b>64,461</b>	65,743
Canada		<b>30,481</b>	38,296
Other locations	(c)	<b>11,385</b>	10,954
		<b>1,394,635</b>	<b>1,359,459</b>

*Notes:*

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

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 31 December 2015 and 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 year ended 31 December 2015, revenues from three (2014: four) customers with whom transactions of each has exceeded 10% of the Group's revenue. Total revenue from these three major customers as shown below accounted for HK\$1,035,191,000 (2014: four customers totalling HK\$1,078,095,000) of the Group's revenue for the year ended 31 December 2015.

	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
Company A	<b>712,628</b>	576,999
Company B	<b>155,048</b>	202,109
Company C	<b>167,515</b>	153,429
Company D ( <i>Note</i> )	<b>113,116</b>	145,558

As at 31 December 2015, 73% of the Group's trade and bills receivables were due from the abovementioned major three customers (i.e. Company A, B and C).

As at 31 December 2014, 72% of the Group's trade receivables were due from the abovementioned major four customers (i.e. Company A, B, C and D).

*Note:* For the year ended 31 December 2015, revenue from this customer with whom transaction does not exceed 10% of the Group's revenue. The revenue from this customer for the year ended 31 December 2015 is disclosed for illustrative purposes only.

## 5. OTHER INCOME

	2015 HK\$'000	2014 HK\$'000
Bank interest income	1,264	23
Dividend income from listed equity securities	695	691
Management and handling services	221	1,317
Recharge from customers	3,720	10,359
Gain on disposal of property, plant and equipment	866	–
Others	290	51
	<u>7,056</u>	<u>12,441</u>

## 6. FINANCE COSTS

	2015 HK\$'000	2014 HK\$'000
Interest charges on financial liabilities at amortised cost:		
Bank loans	21	71
Bank overdrafts and other borrowings	229	278
	<u>250</u>	<u>349</u>

## 7. PROFIT BEFORE INCOME TAX

	2015 HK\$'000	2014 HK\$'000
Profit before income tax is arrived at after charging:		
Auditor's remuneration	950	850
Cost of inventories sold recognised as expense, including	1,089,690	1,113,522
– Provision for inventories	128	–
Depreciation of property, plant and equipment*	4,728	4,113
Amortisation of intangible asset*	4,806	4,806
Amortisation of prepaid land lease payments*	55	58
Operating lease rentals in respect of land and buildings and equipment	4,148	5,465
Provision for impairment of trade receivables	–	152
Listing expenses	–	13,340
Employee benefit expenses (including directors' remuneration)		
Wages, salaries and other benefits	35,139	34,575
Discretionary bonuses	17,621	20,472
Contributions to defined contribution schemes	2,018	1,612
	<u>54,778</u>	<u>56,659</u>
Exchange loss, net	<u>2,392</u>	<u>6,037</u>

\* Depreciation and amortisation charges are recognised in the consolidated statement of comprehensive income as distribution expenses of HK\$124,000 (2014: HK\$127,000) and administrative expenses of HK\$9,465,000 (2014: HK\$8,850,000) for the year ended 31 December 2015.

## 8. INCOME TAX EXPENSES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current tax – Hong Kong		
– Current year	30,920	24,525
– Over-provision in respect of prior years	(80)	(41)
	<u>30,840</u>	<u>24,484</u>
Deferred tax		
– Charge/(Credit) for the year	1,191	(988)
	<u>32,031</u>	<u>23,496</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 year ended 31 December 2015.

Enterprise income tax (“EIT”) for the year was calculated at 25% (2014: 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 year ended 31 December 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.

## 9. 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 year of HK\$163,545,000 (2014: HK\$95,146,000) and the weighted average of 692,808,000 ordinary shares (2014: 525,000,000 ordinary shares, comprising 10,000 ordinary shares issued as at 31 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 year) in issue during the year.

### Diluted earnings per share

There were no potential dilutive ordinary shares outstanding during the years ended 31 December 2015 and 2014, and hence the diluted earnings per share is the same as basic earnings per share.

## 10. DIVIDENDS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
2015 interim dividend paid of HK\$0.045 (2014: Nil) per share	31,500	–
2015 special dividend paid of HK\$0.055 (2014: Nil) per share	38,500	–
	<u>70,000</u>	<u>–</u>

At the Board meeting held on 30 March 2016, the Directors resolved to recommend a final dividend of HK\$0.065 per ordinary share (2014: Nil). The proposed dividends have not been recognised as a dividend payable as at 31 December 2015, but will be reflected as an appropriation of retained profits/share premium for the year ending 31 December 2016.

During the year ended 31 December 2014, King's Flair Development Limited ("King's Flair Development"), a subsidiary of the Company, declared and paid an interim dividend of HK\$50 per ordinary share to its equity holders, totalling HK\$50,000,000.

## 11. TRADE AND BILLS RECEIVABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables	127,139	144,791
Bills receivables	550	–
	<u>127,689</u>	<u>144,791</u>
Less: provision for impairment loss	–	(152)
	<u>127,689</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 and bills receivables are interest-free.

The Directors considered the fair values of trade and bills 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 and bills receivables (net of impairment losses) as at the reporting date, based on the invoices dates, is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0–30 days	97,688	111,173
31–60 days	22,735	24,701
61–90 days	2,371	4,492
Over 90 days	4,895	4,273
	<u>127,689</u>	<u>144,639</u>

## 12. TRADE AND BILLS PAYABLES

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

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade payables	<b>63,752</b>	90,198
Bills payables ( <i>note</i> )	<b>3,000</b>	–
	<hr/> <b>66,752</b> <hr/>	<hr/> 90,198 <hr/>

*Note:* At 31 December 2015, bills payables of HK\$3,000,000 (2014: Nil) were secured by the pledge of leasehold land and buildings and pledged bank deposits and guaranteed by the corporate guarantee provided by the Company.

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

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0–90 days	<b>65,077</b>	89,668
91–180 days	<b>1,273</b>	108
Over 365 days	<b>402</b>	422
	<hr/> <b>66,752</b> <hr/>	<hr/> 90,198 <hr/>

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

### 13. SHARE CAPITAL

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

*Notes:*

- (a) On 22 December 2014, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 ordinary shares to HK\$100,000,000 divided into 10,000,000,000 ordinary shares by the creation of an additional 9,962,000,000 ordinary shares.

On 23 December 2014, shareholder’s loan (i) in the aggregate sum of HK\$248,766,204 advanced by King’s Flair (Group) Development Limited (“KF Group”), a related company of which Mr. Wong Siu Wah is a director, to Lions Power Development Limited (“Lions Power”) to finance its payment of the consideration for the acquisition of the 1,000,000 shares in King’s Flair Development Limited was capitalised by the allotment and issue to KF Group of 999 new shares, credited as fully paid, of Lions Power; and (ii) in the sum of HK\$3,740,000 advanced by KF Group to Wealth Wise Investments Limited (“Wealth Wise”) to finance its acquisition of the 3,740,000 shares in Manweal Development Limited was capitalised by the allotment and issue to KF Group of 999 new shares, credited as fully paid, of Wealth Wise.

On 24 December 2014, the Company acquired the entire issued share capital of Lions Power and Wealth Wise from KF Group. The consideration was satisfied by the allotment and issue of 9,000 ordinary shares of the Company, credited as fully paid, as to 1,800 shares in favour of First Concord Limited and as to the remaining 7,200 shares in favour of City Concord Limited and crediting as fully paid at par the 1,000 nil paid ordinary shares in issue at the time.

- (b) 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\$5,250,000 from the Company’s share premium account.
- (c) 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, resulting in an increase in the issued share capital of the Company by HK\$1,750,000 and the share premium of the Company by HK\$239,750,000.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

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

Core products of the Group include kitchen tools and gadgets, drinkware, bakeware and accessories and food preparation and storage products and accessories.

### **OPERATIONAL REVIEW**

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

With a strong commitment in providing differentiated services and reinforcing its competitive advantages, the Group continued to strengthen its product design, development and engineering capabilities in 2015. As at 31 December 2015, the Group had 7 professionals focusing on market research, data analysis, product designs and development, helping our clients in monitoring consumer demands and setting the latest trends in kitchenware. These capabilities differentiated us among our peers and fortified our strategic partnership with our customers.

7 engineers form the Group's product engineering team. With strong background in industrial designs as well as experiences in manufacturing, the engineering team provides innovative raw material ideas and cost-effective solutions to streamline the overall manufacturing process. As at 31 December 2015, the Group has a team of over 90 quality assurance professionals stationed at or near the production factories in the PRC. No major quality control issues or complaints were reported in the year 2015.

#### **International clientele**

The Group has an extensive sales network and international clientele. In the year ended 31 December 2015, clients from the United States of America (US) contributed over 87.0% of overall revenue. Europe, Asia and Canada contributed 5.4%, 4.6% and 2.2%, respectively, and the Group received orders from over 100 customers.

In addition to maintaining solid partnership with its existing customers, the Group also endeavored to explore new business opportunities. In 2015, the Group exhibited in several trade fairs in Hong Kong and participated in The Ambiente Frankfurt, one of the most important homeware and gift trade shows in Europe. Via such platforms, the Group has showcased its product design and development capabilities and has reached merchandisers from around the globe while also closely tracked the latest innovation and design trends in the industry.

## **FUTURE STRATEGY**

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

Closer to home, the Group will focus on developing the retail kitchenware chain and further penetrate the PRC market. Against the backdrop of economic turmoil, the retail sentiment in the PRC has faced difficulties in the past two years. However, the Group believes that the large population of middle-class consumers in the PRC is still craving for quality products in pursuit of high standards of living quality. Therefore, the Group will adopt a prudent yet decisive approach towards expansion. On top of the physical channels, the Group will continue to nurture its e-commerce platform with an aim to enlarge market share in the PRC.

## **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, during the financial year ended 31 December 2015, our total revenue reached approximately HK\$1,394.6 million, representing an increase of approximately 2.6% as compared to that of approximately HK\$1,359.5 million in 2014.

The price of our products is determined based on variety of factors including cost of raw materials, production costs and profit margin. As the price of raw materials dropped coupled with the devaluation of Renminbi ("RMB"), which will be further elaborated in the next section, the Group revised price quotations in accordance with the market situation and hence the growth of revenue slowed down in the second half of year 2015.



In 2015, the aggregate revenue derived from the five largest customers was increased by approximately 6.2% to approximately HK\$1,177.8 million as compared to that of approximately HK\$1,109.4 million in 2014.

In addition to maintaining the business with our current customers whom we expect will continue to contribute 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 year under review, cost of sales of the Group decreased by approximately 2.1% to approximately HK\$1,089.7 million as compared to that of approximately HK\$1,113.5 million in 2014. Cost of sales as a percentage of revenue decreased slightly to 78.1% for the year ended 31 December 2015 as compared to that of 81.9% for the year ended 31 December 2014. The lower cost of sales of the Group was mainly resulted from the lower cost of materials caused by the following occasional factors in the macro economy.

The first is the unexpected significant and continuous drop in the price of commodities in the year of 2015. As the raw materials used for our products are mainly crude oil based commodities, the prices of raw materials were affected by the fluctuation in crude oil prices. During the year, the Group benefited from lower costs of certain raw materials due to lower commodity prices.

In addition, the devaluation of RMB in August 2015 also contributed to lower those production cost which were principally settled in RMB. The management believes that the foreign exchange market is still volatile but the fluctuation is temporary after the president of the People's Bank of China assured that there is no basis of persistent devaluation of RMB.

### **Gross profit and gross profit margin**

The Group's gross profit increased by approximately 24.0% to approximately HK\$304.9 million for the financial year ended 31 December 2015 (2014: HK\$245.9 million) and the gross profit margin increased by approximately 21.0% to approximately 21.9% for the year of 2015 (2014: 18.1%).

During year 2015, the unexpected significant drop of raw material prices and the devaluation of RMB resulted in the price quotation of our products not having taken in these market factors and hence higher profit margin was enjoyed by the Group under this time lag. Subsequently, such higher profit margin did not sustain as the Group reviewed the price together with the customers in order to reflect the market situation of the decrease of raw material prices and the fluctuation of RMB as well.

## **Other income**

In the financial year ended 31 December 2015, other income decreased by approximately 42.7% to approximately HK\$7.1 million (2014: HK\$12.4 million) primarily due to the 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 decreased to approximately HK\$20.0 million in the financial year ended 31 December 2015 (2014: HK\$21.9 million).

## **Administrative expenses**

During the year 2015, administrative expenses decreased by approximately 18.3% to approximately HK\$97.6 million (2014: HK\$119.5 million), mainly due to the decrease in legal and professional fee, of which an approximately HK\$13.3 million was one-off listing fee and other professional expenses incurred in the year ended 31 December 2014 for the listing but which would not recur in year 2015. This, together with a decrease in loss on exchange of approximately HK\$3.6 million and consultancy fee of approximately HK\$4.3 million resulted in the reduction of approximately HK\$21.9 million in administrative expenses comparing with year 2014.

## **Profit for the year**

During the financial year ended 31 December 2015, profit for the year increased by approximately 73.9% to approximately HK\$162.1 million (2014: HK\$93.2 million). Approximately 31.8% of such increase was attributed to the decrease in administrative expenses which in turn was mainly due to the one-off listing fee and the other legal and profession fees for the listing not being recurrent for 2015 and a reduction in loss of exchange and consultancy fee as mentioned above, and the remaining balance mainly attributable to the macro economic factors leading to a lower costs of products as mentioned above.

## **DIVIDENDS**

The Board declared an interim dividend of HK\$0.045 per share (2014: Nil) and a special dividend of HK\$0.055 per share (2014: Nil) for the six months ended 30 June 2015. The interim and special dividends were paid on 22 September 2015.

## **Final Dividend and Annual General Meeting**

The Directors resolved to recommend the payment of a final dividend of HK\$0.065 per share amounting to approximately HK\$45.5 million, which represent an approximately 27.8% dividend ratio. Such payment of dividends will be subject to the approval of shareholders at the forthcoming annual general meeting of the Company to be held on Friday, 24 June 2016 and are payable to shareholders whose names appear on the register of members of the Company at the close of business on 12 July 2016. It is expected that the proposed final dividend will be paid on or about 26 July 2016. Notice of the annual general meeting will be published and despatched to shareholders of the Company in the manner required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in due course.

## **Closures of Register of Members**

### *Annual General Meeting*

In order to establish entitlements to attend and vote at the forthcoming annual general meeting of the Company, the register of members of the Company will be closed from Wednesday, 22 June 2016 to Friday, 24 June 2016, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be entitled to attend and vote at the forthcoming annual general meeting, all transfers of shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 21 June 2016.

### *Final Dividends*

In order to establish entitlements to the proposed final dividend, the register of members of the Company will be closed from Monday, 11 July 2016 to Tuesday, 12 July 2016, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be qualified for the declared dividend, all transfers of shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 8 July 2016.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2015, the Group had approximately 142 employees (2014: 140 employees). Total staff costs (including Directors' emoluments) were approximately HK\$54.8 million, as compared to approximately HK\$56.7 million for the year ended 31 December 2014.

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

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 31 December 2015, the Group had cash and bank balances amounted to approximately HK\$406.9 million (2014: HK\$125.2 million) which were mainly denominated in United States dollars ("USD"), RMB and Hong Kong dollars ("HKD"). The Group's total bank borrowings amounted to approximately HK\$0.5 million (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 of the Company's shares on the Stock Exchange (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, the management does not anticipate the need to change the capital structure. The annual interest rate of the bank borrowings during the year ended 31 December 2015 was 2.5% (2014: 2.5%).

### **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 31 December 2015 and 2014 were 4.8% 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. The management is aware of the possible exchange rate exposure due to the continuing fluctuation of RMB and will closely monitor its impact on the performance of the Group to see if any hedging policy is necessary. The Group currently does not have any hedging policy.

### **PLEDGE OF ASSETS**

At 31 December 2015, the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK\$21.2 million (2014: HK\$21.9 million) and pledged time deposit of HK\$28.9 million (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. As at 31 December 2015, approximately HK\$36.4 million of the proceeds raised has been utilised and the unused proceeds were deposited in licensed banks in Hong Kong. In the event that the Directors decided to use such net proceeds in a manner different from that stated in the Prospectus, the Company will issue further announcement in compliance with the Listing Rules.

### **CONTINGENT LIABILITIES**

At 31 December 2015, the Group had no significant contingent liabilities (2014: Nil).

## **CAPITAL COMMITMENTS**

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

## **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 date of the Listing (the “Listing Date”) and up to the date of this announcement.

## **SCOPE OF WORK OF BDO LIMITED ON THIS PRELIMINARY ANNOUNCEMENT**

The financial figures in respect of the Group’s consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2015 as set out in this announcement have been agreed by the Group’s auditor, BDO Limited, to the amounts as set out in the Group’s audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this announcement.

## **PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY**

During the financial year ended 31 December 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Board has adopted the code provisions of the Corporate Governance Code (“CG Code”) set out in Appendix 14 to the Listing Rules. Throughout the period since the Listing Date up to 31 December 2015, the Company has complied with the CG Code, except for code provision A.2.1 which provides that, among other things, the role of chairman of the board and the chief executive officer of a listed issuer shall be separate and shall not be performed by the same individual.

Mr. Wong Siu Wah (“Mr. Wong”) is both the chief executive officer and the chairman of the Board which deviates from code provision A.2.1. The Board considers that vesting the role of both chairman and chief executive officer in the same person has the benefit of ensuing 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 the Directors and the number of independent non-executive Directors on the Board.

## **AUDIT COMMITTEE**

The Company has an audit committee (“Audit Committee”) which was established in accordance with the requirement of Rule 3.21 of the Listing Rules for the purposes to assist the Board in reviewing, supervising and providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties as assigned by the Board. The Audit Committee, comprising Dr. Lau Kin Tak, Mr. Anthony Graeme Michaels and Ms. Leung Wai Ling, Wylie, has reviewed the audited financial statements of the Group for the year ended 31 December 2015.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company will be held on Friday, 24 June 2016. Further details of the annual general meeting of the Company will be announced in due course.

## **PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY**

The 2015 annual report of the Company containing all applicable information required by the Listing Rules will be despatched to the shareholders of the Company and available on the Company’s website at [www.kingsflair.com.hk](http://www.kingsflair.com.hk) and Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) in due course.

## **APPRECIATION**

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

By Order of the Board  
**King’s Flair International (Holdings) Limited**  
**Wong Siu Wah**  
*Chairman and Executive Director*

Hong Kong, 30 March 2016

*As at the date of this announcement, the Board comprises 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.*