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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 2016

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 2016, together with the comparative audited figures for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2016

	Notes	**2016** **HK$'000**	2015 HK$'000
Revenue	4	**1,365,000**	1,394,635
Cost of sales		**(1,081,048)**	(1,089,690)
Gross profit		**283,952**	304,945
Other income	5	**4,332**	7,056
Distribution expenses		**(25,466)**	(20,037)
Administrative expenses		**(100,860)**	(97,607)
Operating profit		**161,958**	194,357
Finance costs	6	**(306)**	(250)
Profit before income tax	7	**161,652**	194,107
Income tax expenses	8	**(27,601)**	(32,031)
Profit for the year		**134,051**	162,076

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*
for the year ended 31 December 2016

	Notes	**2016** **HK$'000**	2015 *HK$'000*
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale financial assets		**(1,658)**	(4,470)
Exchange difference arising on translation of foreign operations		**1,041**	463
Other comprehensive income for the year		**(617)**	(4,007)
Total comprehensive income for the year		**133,434**	158,069
Profit/(Loss) for the year attributable to:			
Owners of the Company		**133,844**	163,545
Non-controlling interests		**207**	(1,469)
		134,051	162,076
Total comprehensive income attributable to:			
Owners of the Company		**132,731**	159,291
Non-controlling interests		**703**	(1,222)
		133,434	158,069
Earnings per share:	*9*	***HK cents***	*HK cents*
– Basic		**19.1**	23.6
– Diluted		**19.1**	23.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**43,616**	46,875
Prepaid land lease payments		**1,692**	1,874
Other asset		**172**	172
Interest in an associate		**–**	–
Intangible asset		**9,613**	14,419
Deferred tax assets		**4**	4
		55,097	63,344
Current assets			
Inventories	*11*	**21,354**	10,064
Trade and bills receivables	*12*	**216,662**	127,689
Prepayments, deposits and other receivables		**36,023**	51,738
Available-for-sale financial assets		**32,163**	33,821
Amount due from an associate		**351**	187
Prepaid tax		**4,693**	321
Pledged bank deposits		**29,720**	28,904
Cash and bank balances		**383,984**	406,922
		724,950	659,646
Current liabilities			
Trade and bills payables	*13*	**89,974**	66,752
Deposits received, other payables and accruals		**57,145**	57,986
Bank borrowings		**–**	480
Loans from non-controlling interests		**13,388**	9,448
Provision for tax		**2,485**	6,718
		162,992	141,384
Net current assets		**561,958**	518,262
Total assets less current liabilities		**617,055**	581,606
Non-current liabilities			
Loans from non-controlling interests		**10,938**	16,557
Deferred tax liabilities		**7,272**	8,316
		18,210	24,873
Net assets		**598,845**	556,733

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
as at 31 December 2016

	Notes	**2016** **HK$'000**	2015 *HK$'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital	*14*	**7,000**	7,000
Reserves		**595,436**	550,205
		602,436	557,205
Non-controlling interests		**(3,591)**	(472)
Total equity		**598,845**	556,733

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

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, KY1-1111, Cayman Islands. The Company's principal place of business in Hong Kong is 12/F, Yardley Commercial Building, 3 Connaught Road West, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 16 January 2015.

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are trading of kitchenware and household products and raw materials. 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 ("BVI").

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

(a) Adoption of new/revised HKFRSs – first effective on 1 January 2016

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 2016:

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements

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.

Included in the clarifications is that an entity's share of other comprehensive income from equity accounted interests in associates and joint ventures is 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.

The adoption of the amendments has no impact on these financial statements.

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. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Group has not previously used revenue-based depreciation methods.

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. The amendments are applied retrospectively in accordance with HKAS 8.

The adoption of the amendments has no impact on these financial statements as the Company has not elected to apply the equity method in its separate 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 2016. The Group's current intention is to apply those changes on the date they become effective.

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[2]
HKFRS 16	Leases[3]

Notes:

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

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.

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.

Amendments to HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in note 33 of the Group's financial statements in the annual report, total operating lease commitment of the Group in respect of land and buildings and plant and machinery as at 31 December 2016 amounted to HK$4,711,000. The directors do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's results but it is expected that certain portion of these lease commitments will be required to be recognised in the form of an asset (for the right-of-use) and a financial liability (for the payment obligation) in the consolidated statement of financial position.

Save as disclosed in the foregoing paragraph about the impact of HKFRS 16 to the Group's financial statements, the directors have also performed an assessment on other new standards and amendments, and have concluded on a preliminary basis that other new standards and amendments would not have a significant impact on the Group's financial statements in subsequent years.

3. 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 are two (2015: one) business components in the internal reporting to the executive directors, which is the trading of kitchenware and household products and trading of raw materials. The segment of trading of raw materials was established during the year.

(ii) Business segment information

	Trading of kitchenware and household products		**Trading of raw materials**		**Consolidated**	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue						
Revenue from external customers	**1,264,545**	1,394,635	**100,455**	–	**1,365,000**	1,394,635
Segment results	**152,228**	195,696	**13,985**	–	**166,213**	195,696
Unallocated income					**482**	939
Unallocated expenses					**(5,043)**	(2,528)
Profit before income tax					**161,652**	194,107

	Trading of kitchenware and household products		**Trading of raw materials**		**Consolidated**	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**539,967**	519,377	**41,666**	–	**581,633**	519,377
Prepaid tax					**4,693**	321
Deferred tax assets					**4**	4
Unallocated corporate assets#					**193,717**	203,288
Consolidated total assets					**780,047**	722,990
Segment liabilities	**170,784**	150,957	**55**	–	**170,839**	150,957
Provision for tax					**2,485**	6,718
Deferred tax liabilities					**7,272**	8,316
Unallocated corporate liabilities					**606**	266
Consolidated total liabilities					**181,202**	166,257

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

	Trading of kitchenware and household products		Trading of raw materials		Total	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information						
Interest income	**687**	323	**–**	–	**687**	323
Interest expenses	**(306)**	(250)	**–**	–	**(306)**	(250)
Depreciation of property, plant and equipment	**(5,061)**	(4,728)	**–**	–	**(5,061)**	(4,728)
Amortisation of intangible asset	**(4,806)**	(4,806)	**–**	–	**(4,806)**	(4,806)
Provision for inventories	**(207)**	(128)	**–**	–	**(207)**	(128)
Additions to non-current segment assets	**1,665**	22,262	**–**	–	**1,665**	22,262

(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:

	Notes	2016	2015
	Notes	***HK$'000***	*HK$'000*
United States		**1,090,519**	1,213,663
Europe	*(a)*	**76,489**	74,645
Asia	*(b)*	**168,420**	64,461
Canada		**24,041**	30,481
Other locations	*(c)*	**5,531**	11,385
		1,365,000	1,394,635

Notes:

(a) Principally included United Kingdom, Switzerland, France and Germany

(b) Principally included Hong Kong, Japan and the People's Republic of China (the "PRC")

(c) Principally included Australia

The geographical location of customers is based on the location of customers. For intangible asset, the geographical location is based on the entities' areas of operation. The geographical location of other non – current assets is based on the physical location of the assets. As at 31 December 2016 and 2015, over 90% of the Group's non-current assets (other than financial instruments and deferred tax assets) are located in Hong Kong.

(iv) Information about major customers

For the year ended 31 December 2016, revenues from two (2015: three) customers with whom transactions of each has exceeded 10% of the Group's revenue. Total revenue from these two major customers (i.e. Company A and C) as shown below accounted for HK$807,952,000 (2015: three customers (i.e. Company A, B and C) totalling HK$1,035,191,000) of the Group's revenue for the year ended 31 December 2016.

	2016	2015
	HK$'000	*HK$'000*
Company A	**657,940**	712,628
Company B *(Note)*	**132,158**	155,048
Company C	**150,012**	167,515

As at 31 December 2016, 70% of the Group's trade receivables were due from the abovementioned major two customers (i.e. Company A and C).

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).

Note: For the year ended 31 December 2016, 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 2016 is disclosed for illustrative purposes only.

4. REVENUE

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

	2016	2015
	HK$'000	*HK$'000*
Sales of kitchenware and household products	**1,264,545**	1,394,635
Sales of raw materials	**100,455**	–
	1,365,000	1,394,635

5. OTHER INCOME

	2016	2015
	HK$'000	*HK$'000*
Bank interest income	**1,167**	1,264
Dividend income from listed equity securities	**811**	695
Management services	**164**	221
Recharge from customers	**1,720**	3,720
Gain on disposal of property, plant and equipment	**30**	866
Others	**440**	290
	4,332	7,056

6. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest charges on financial liabilities at amortised cost:		
Bank loans	**5**	21
Bank overdrafts	**301**	229
	306	250

7. PROFIT BEFORE INCOME TAX

	2016	2015
	HK$'000	*HK$'000*
Profit before income tax is arrived at after charging:		
Auditor's remuneration	**973**	950
Cost of inventories sold recognised as expense, including	**1,081,048**	1,089,690
– Provision for inventories	**207**	128
Depreciation of property, plant and equipment*	**5,095**	4,728
Amortisation of intangible asset*	**4,806**	4,806
Amortisation of prepaid land lease payments*	**52**	55
Operating lease rentals in respect of land and buildings and equipment	**4,069**	4,148
Employee benefit expenses (including directors' remuneration)		
Wages, salaries and other benefits	**39,135**	35,139
Discretionary bonuses	**15,767**	17,621
Contributions to defined contribution schemes	**2,195**	2,018
	57,097	54,778
Exchange loss, net	**1,117**	2,392

* *Depreciation and amortisation charges are recognised in the consolidated statement of comprehensive income as distribution expenses of approximately HK$137,000 (2015: HK$124,000) and administrative expenses of approximately HK$9,816,000 (2015: HK$9,465,000) for the year ended 31 December 2016.*

8. INCOME TAX EXPENSES

	2016	2015
	HK$'000	*HK$'000*
Current tax – Hong Kong		
– Current year	**28,720**	30,920
– Over provision in respect of prior years	**(75)**	(80)
	28,645	30,840
Deferred tax		
– (Credit)/Charge for the year	**(1,044)**	1,191
Income tax expenses	**27,601**	32,031

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% (2015: 16.5%) on the estimated assessable profit arising in Hong Kong for the year ended 31 December 2016.

Enterprise income tax ("EIT") for the year was calculated at 25% (2015: 25%) of the estimated assessable profits arising from the PRC. No PRC EIT tax provided for Group's PRC subsidiaries as they did not derive any assessable profits during the year ended 31 December 2015. During the year ended 31 December 2016, tax losses were utilised to offset against the assessable profit generated by the Group's PRC subsidiaries.

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$133,844,000 (2015: HK$163,545,000) and the weighted average of 700,000,000 (2015: 692,808,000) ordinary shares in issue during the year.

Diluted earnings per share

There were no potential dilutive ordinary shares outstanding during the years ended 31 December 2016 and 2015, and hence the diluted earnings per share is the same as basic earnings per share.

10. DIVIDENDS

	2016	2015
	HK$'000	*HK$'000*
Interim dividend paid in respect of current year of HK6.0 cents (2015: HK4.5 cents) per share	**42,000**	31,500
Special dividend paid in respect of current year of Nil (2015: HK5.5 cents) per share	**–**	38,500
Final dividend paid in respect of prior year of HK6.5 cents (2015: Nil) per share	**45,500**	–
	87,500	70,000

At the board meeting held on 30 March 2017, the directors resolved to recommend a final dividend of HK6.0 cents (2015: HK6.5 cents) per ordinary share. The proposed dividends have not been recognised as a dividend payable as at 31 December 2016, but will be reflected as an appropriation of retained profits/share premium for the year ending 31 December 2017.

11. INVENTORIES

	2016	2015
	HK$'000	*HK$'000*
Merchandises, at cost	**12,311**	10,064
Raw materials	**9,043**	–
	21,354	10,064

12. TRADE AND BILLS RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**216,662**	127,139
Bills receivables	**–**	550
	216,662	127,689

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

The Directors considered that the fair value of trade and bill 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 bill receivables as at the reporting date, based on the invoices dates, is as follows:

	2016	2015
	HK$'000	*HK$'000*
0–30 days	**147,857**	97,688
31–60 days	**47,235**	22,735
61–90 days	**2,990**	2,371
Over 90 days	**18,580**	4,895
	216,662	127,689

13. TRADE AND BILLS PAYABLES

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

	2016	2015
	HK$'000	*HK$'000*
Trade payables	**82,059**	63,752
Bills payables *(note)*	**7,915**	3,000
	89,974	66,752

Note: At 31 December 2016, bills payables of HK$7,915,000 (2015: HK$3,000,000) 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:

	2016	2015
	HK$'000	*HK$'000*
0–90 days	**85,476**	65,077
91–180 days	**631**	1,273
181–365 days	**765**	–
Over 365 days	**3,102**	402
	89,974	66,752

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

14. SHARE CAPITAL

	2016		2015	
	Number of shares **(’000)**	***HK$’000***	Number of shares (’000)	*HK$’000*
Authorised:				
Shares of HK$0.01 each				
At 1 January and 31 December	**10,000,000**	**100,000**	10,000,000	100,000
Issued and fully paid:				
Shares of HK$0.01 each				
At 1 January	**700,000**	**7,000**	10	–
Capitalisation issue *(note (a))*	**–**	**–**	524,990	5,250
Allotment of shares *(notes (a) and (b))*	**–**	**–**	175,000	1,750
At 31 December	**700,000**	**7,000**	700,000	7,000

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$5,250,000 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, 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.

15. EVENTS AFTER THE REPORTING DATE

There have been no significant events taken place subsequent to 31 December 2016 until the date of this announcement.

FINAL DIVIDEND AND ANNUAL GENERAL MEETING

The Directors resolved to recommend the payment of a final dividend of HK6.0 cents per share amounting in aggregate to approximately HK$42.0 million, which represent an approximately 31.4% dividend ratio. The payment of such dividends is subject to the approval of the shareholders of the Company ("Shareholders") at the forthcoming annual general meeting of the Company ("AGM") to be held on Thursday, 8 June 2017 and are payable to Shareholders whose names appear on the register of members of the Company at the close of business on Monday, 10 July 2017. It is expected that the proposed final dividend will be paid on or about Monday, 24 July 2017. Notice of AGM will be published and despatched to Shareholders in the manner required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") in due course.

CLOSURES OF REGISTER OF MEMBERS

Annual General Meeting

In order to establish entitlements to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 5 June 2017 to Thursday, 8 June 2017, 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 AGM, 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 at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 2 June 2017.

Final Dividends

In order to establish entitlements to the proposed final dividend, the register of members of the Company will be closed from Friday, 7 July 2017 to Monday, 10 July 2017, 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 at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 6 July 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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 year 2016. During the year, the Group had established an additional design team with 7 members in Taiwan, bringing our design and R&D team to a total of 16 members, which are professional in focusing on market research, data analysis, products designs and development, helping our clients in monitoring consumer demands and setting the latest trends in kitchenware and household products. These capabilities differentiated us among our peers and fortified our strategic partnership with our customers.

With strong background in industrial designs as well as experiences in manufacturing, our 7 engineers form the Group's product engineering team provides innovative raw material ideas and cost-effective solutions to streamline the overall manufacturing process. As at 31 December 2016, the Group has engaged a team of over 90 quality assurance professionals stationed at or near the production factories in the PRC. No major quality control issues or complaints were reported in the year 2016.

International clientele

The Group has an extensive sales network and international clientele. In the year ended 31 December 2016, clients from the United States of America ("US") contributed over 79.9% of total revenue. Asia, Europe and Canada contributed 12.3%, 5.6% and 1.8%, respectively, and the Group received orders from over 100 customers.

In addition to maintaining solid partnership with its existing customers, the Group also endeavored to explore new business opportunities. In year 2016, the Group exhibited in several trade fairs including the Hong Kong Houseware Fair in Hong Kong and the trade fair in Ambiente Frankfurt, one of the most important homeware and gift trade shows in Europe. Via such platforms, the Group has showcased its product 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 and household product industry, especially in the high-end market. Leveraging on its success and foundation, the Group will continue to seek growth in our existing overseas market while pursuing breakthrough in the PRC market. In year 2017, the Group aims to enhance our capability in product innovation and better cater for the demand of our customers. Mid-tier and high-end kitchenware and household product markets will continue to be the Group's focus and the Group will continue to participate in major trade shows to further broaden our customer base in these markets.

Through these trade shows and by working with local importers and trade agents, the Group is expanding potential collaborations with well-known U.S. and Europe brand owners and retailers. For emerging markets such as Eastern Europe, Africa and South America, the Group will still explore business opportunities in these countries amidst their current economic conditions.

Closer to home, the Group will focus on expanding the retail kitchenware and household product assortment and further penetrating the PRC market. The Group believes that the large population of middle-class consumers in the PRC, having achieved a higher standard of living, is still craving for quality and trendy products in pursuit of wellness living. In year 2015, the PRC government introduced the two-child policy which allows couples to have two children. It is expected that the policy will bring a baby boom and the demand for toddler and children products will increase. The Group will grasp the opportunity brought by this new policy by introducing products to capture the mother and toddler's market. Therefore, the Group continues to dedicate resources on expanding its market share in the PRC market by expanding product assortment. On top of the physical channels, the Group will continue to nurture its e-commerce platform and increase marketing and promotion activities with an aim to enlarge market shares in the PRC. During the year 2016, the Group has recorded a remarkable increase in revenue from the PRC to a record high.

The Group also pursues a diversification strategy to increase revenue source. During the year 2016, the Group commenced a new line of business in trading of raw materials. The Group will continue to explore more potential commodities suppliers with high reliability around the world for enriching the raw material intelligence and increasing the varieties of raw materials to enjoy the benefit of economies of scale and improving efficiency.

FINANCIAL REVIEW

Revenue

With the temporary negative impact of the slowing down of placing order from customers and the refining of the revenue portfolio during the first half of year 2016, the Group's revenue for that period was reduced. Benefiting from the continuance of recovery of the US economy and the effort of the sales team of the Group, the Group has grasped the opportunities from the recovery of the economy and the growth engine of the Group's revenue was revitalized during the second half of the year 2016. The Group recorded a remarkable growth rate in revenue during the second half of year 2016 compared to first half of year 2016. As a result, the Group's total revenue for year 2016 was only slightly reduced by approximately 2.1% to approximately HK$1,365.0 million in year 2016 compared to that of approximately HK$1,394.6 million for the year 2015.

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

On the other hand, with an aim to diversifying the source of the Group's revenue, the Group has established a new business segment of trading of raw materials during the year 2016. The revenue contributed by this segment was approximately HK$100.5 million which amount to approximately 7.4% of the Group's total revenue for the year 2016.

Cost of sales

During the year under review, cost of sales of the Group decreased by approximately 0.8% to approximately HK$1,081.0 million as compared to that of approximately HK$1,089.7 million in year 2015. Cost of sales as a percentage of revenue increased slightly to 79.2% for the year ended 31 December 2016 as compared to that of 78.1% for the year ended 31 December 2015. The cost of sales as a percentage of revenue of the Group was maintained at a relatively steady level mainly due to effort of refining the revenue portfolio by streamlining sales orders resulting in more efficient use of resources.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately 6.9% to approximately HK$284.0 million for the financial year ended 31 December 2016 (2015: HK$304.9 million) and the gross profit margin decreased slightly by approximately 1.1% to approximately 20.8% for the year of 2016 (2015: 21.9%).

During the first half of the year 2016, the Group refined the Group's revenue portfolio in an attempt to improve the return of the Group and the efficiency of the use of resources. During the period, the Group has reviewed and identified orders with lower gross profit margin. The Group reallocated more resources to orders with higher gross profit margin and reduced or ceased orders with unsatisfactory gross profit margin. Thus, the benefit achieved from the restructuring helped to maintain the gross profit to a relatively stable level.

Other income

During the year, other income decreased by approximately 39.4% to approximately HK$4.3 million (2015: HK$7.1 million) primarily due to the decrease in recharge from customers.

Distribution expenses

Distribution expenses were primarily related to the PRC retail business. During the year, distribution expenses increased by approximately 27.5% to approximately HK$25.5 million (2015: HK$20.0 million) which was primarily due to the increase in marketing and promotional expenses as well as the transportation expenses. As the Group has anticipated the potential growth of the PRC market, the Group has devoted more resources to expand the retail business in the PRC. During the year, the Group has participated in various channels for promoting our products and the marketing and promotional expenses increased by approximately HK$1.4 million. The transportation expenses also increased accordingly by approximately HK$1.3 million due to more delivery was made.

Administrative expenses

Administrative expenses increased by approximately 3.4% to approximately HK$100.9 million (2015: HK$97.6 million) of which an increment of approximately HK$1.6 million was primarily due to the increase of legal and professional fees and approximately HK$1.1 million was due to the increase of staff cost. During the year, the Group has allocated more resources in developing and securing the intellectual property rights and enhancing the image of the Group. The Group also incurred some resources to enhance compliance in order to comply with the new requirements of the Listing Rules that led to an increase in legal and professional fee. Moreover, the Group established a new design team in Taiwan during the year which caused an increase in administrative expenses.

Profit for the year

Profit for the year decreased by approximately 17.3% to approximately HK$134.1 million (2015: HK$162.1 million). The decrease in revenue was the major factor that led to the decrease in profit for the year.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group had approximately 152 employees (2015: 142 employees). Total staff costs (including Directors' emoluments) were approximately HK$57.1 million, as compared to approximately HK$54.8 million for the year ended 31 December 2015.

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

The emoluments of the Directors are decided by the Remuneration Committee, having regards to the Group's operating results, individual performance and comparable market statistics.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2016, the Group had cash and bank balances amounted to approximately HK$384.0 million (2015: HK$406.9 million) which were mainly denominated in United States dollars ("USD"), Renminbi ("RMB") and Hong Kong dollars ("HKD"). The Group had no bank borrowings as at year ended 31 December 2016 (2015: HK$0.5 million which were all denominated in HKD and 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 during the year ended 31 December 2016 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 2016 was 2.5% (2015: 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 2016 and 2015 were 4.1% and 4.8% respectively. The decrease of the gearing ratio was mainly due to the portion of loans from non-controlling interests denominated in RMB was translated to HKD as at year ended 31 December 2016 with lower amount due to the devaluation of RMB and the repayment of bank borrowings in year 2016.

FOREIGN EXCHANGE EXPOSURE

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

PLEDGE OF ASSETS

As at 31 December 2016, the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK$20.4 million (2015: HK$21.2 million) and pledged time deposit of HK$29.7 million (2015: HK$28.9 million) were pledged to secure general banking facilities granted to the Group.

USE OF PROCEEDS FROM THE SHARE OFFER

The net proceeds from the Company's share offer in January 2015 amounted to approximately HK$219.8 million (after deducting underwriting commissions and all related expenses). Such net proceeds are intended to be or have been applied in accordance with the proposed application as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 31 December 2014 (the "Prospectus"). As at 31 December 2016, approximately HK$67.4 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 2016, the Group had no significant contingent liabilities (2015: Nil).

CAPITAL COMMITMENTS

As at 31 December 2016, the Group has capital commitment of approximately HK$400,000 for the purchase of property, plant and equipment (2015: 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 during the year and up to the date of this announcement.

SCOPE OF WORK OF BDO LIMITED ON THIS PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts 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 the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

During the year, 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 ("Code Provisions") set out in Appendix 14 to the Listing Rules. During the year under review 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 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. 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 our 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 results of the Group for the year ended 31 December 2016.

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

The 2016 annual report of the Company containing all applicable information required by the Listing Rules will be dispatched to the Shareholders and available on the Company's website at www.kingsflair.com.hk and Stock Exchange's website at www.hkexnews.hk in due course.

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

Hong Kong, 30 March 2017

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.