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 2017

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 2017, together with the comparative audited figures for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2017

	Notes	**2017** *HK$'000*	2016 *HK$'000*
Revenue	*4*	**1,365,514**	1,365,000
Cost of sales		**(1,070,216)**	(1,081,048)
Gross profit		**295,298**	283,952
Other income and gain	*5*	**28,267**	4,332
Distribution expenses		**(33,169)**	(25,466)
Administrative expenses		**(111,176)**	(100,860)
Operating profit		**179,220**	161,958
Finance costs	*7*	**(205)**	(306)
Profit before income tax	*6*	**179,015**	161,652
Income tax expenses	*8*	**(27,397)**	(27,601)
Profit for the year		**151,618**	134,051

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*
for the year ended 31 December 2017

	Notes	**2017** **HK$'000**	2016 *HK$'000*
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale financial assets		**10,832**	(1,658)
Release upon disposal of available-for-sale financial assets		**(17,758)**	–
Exchange difference arising on translation of foreign operations		**(24)**	1,041
Other comprehensive income for the year		**(6,950)**	(617)
Total comprehensive income for the year		**144,668**	133,434
Profit for the year attributable to:			
Owners of the Company		**143,552**	133,844
Non-controlling interests		**8,066**	207
		151,618	134,051
Total comprehensive income attributable to:			
Owners of the Company		**136,703**	132,731
Non-controlling interests		**7,965**	703
		144,668	133,434
Earnings per share:	*9*	***HK cents***	*HK cents*
– Basic		**20.5**	19.1
– Diluted		**20.5**	19.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**40,137**	43,616
Prepaid land lease payments		**1,737**	1,692
Other asset		**172**	172
Loan receivable	*11*	**13,337**	–
Interests in associates		**2,998**	–
Intangible asset		**4,807**	9,613
Deferred tax assets		**50**	4
		63,238	55,097
Current assets			
Inventories	*12*	**40,327**	21,354
Trade receivables	*13*	**236,004**	216,662
Derivative financial instrument	*11*	**1,011**	–
Prepayments, deposits and other receivables		**59,698**	36,023
Available-for-sale financial assets		**10,682**	32,163
Amount due from an associate		**–**	351
Prepaid tax		**171**	4,693
Pledged bank deposits		**21,999**	29,720
Cash and bank balances		**430,278**	383,984
		800,170	724,950
Current liabilities			
Trade and bills payables	*14*	**83,152**	89,974
Deposits received, other payables and accruals		**73,501**	57,145
Bank overdraft		**12,876**	–
Loans from non-controlling interests		**19,063**	13,388
Amount due to a related company		**2,998**	–
Provision for tax		**4,506**	2,485
		196,096	162,992
Net current assets		**604,074**	561,958
Total assets less current liabilities		**667,312**	617,055
Non-current liabilities			
Loans from non-controlling interests		**1,920**	10,938
Deferred tax liabilities		**5,879**	7,272
		7,799	18,210
Net assets		**659,513**	598,845

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
as at 31 December 2017

	Notes	**2017** **HK$'000**	2016 *HK$'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital	*15*	**7,000**	7,000
Reserves		**648,139**	595,436
		655,139	602,436
Non-controlling interests		**4,374**	(3,591)
Total equity		**659,513**	598,845

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

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 the principal subsidiaries are trading of kitchenware and household products and raw materials. The Company and its subsidiaries' (collectively referred to as the Group) 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.

As at 31 December 2017 and up to the date of authorisation of these financial statements, in the opinion of the directors, the Company's ultimate holding company is City Concord Limited, a company incorporated in the British Virgin Islands ("BVI").

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

(a) Adoption of new/revised HKFRSs – first effective on 1 January 2017

In the current year, the Group has applied for the first time the following new/revised HKFRSs and amendments issued by the Hong Kong Institute of Certified Public Accountants which is relevant to and effective for the Group's financial statements for annual period beginning on 1 January 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

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.

The adoption of the amendments has led to additional disclosure presented in the note to the financial statements.

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.

The adoption of the amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets.

(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 2017. The Group's current intention is to apply those changes on the date they become effective.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards[1]
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
HKFRS 16	Leases[2]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty Over Income Tax Treatments[2]

Notes:

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

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 1, First time Adoption of Hong Kong Financial Reporting Standards

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28, Investments in Associates and Joint Ventures, clarifying that a Venture Capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

Amendments to HKAS 28 – Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity shall apply HKFRS 9 including its impairment requirements to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

HKFRS 9 – Financial Instruments

HKFRS 9 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 ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL 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 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, 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 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Application of HKFRS 9 in the future may have impact on the classification and measurement of the Group's financial assets.

The directors of the Company made an assessment on the financial impact of the Group's financial statements resulting from the adoption of HKFRS 9. The directors of the Company do not expect the adoption of HKFRS 9 to have a significant impact on the classification and measurement of the Group's financial assets and financial liabilities except for investments currently held as available-for-sale financial assets. These are investments in equity or debt instruments which the Group has the option to irrevocably designate as fair value through other comprehensive income (without recycling) on transition to HKFRS 9. The Group plans not to elect this designation option for any of the investments held on 1 January 2018 and will recognise any fair value changes in respect of these investments in profit or loss as they arise. This will give rise to a change in accounting policy as currently the Group recognises the fair value changes of available-for-sale investments in other comprehensive income until disposal or impairment, when gains or losses are recycled to profit or loss in accordance with the Group's policies.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Group on adoption of HKFRS 9.

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. While the Group has not yet undertaken a details assessment of how its impairment provisions would be affected by the new model, the Group expects that the application of the expected credit loss model may result in earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

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

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or services in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(a) when the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;

(b) when the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(c) when the entity's performance does not create an asset with an alternative use to the and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15, the entity recognise revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The directors of the Company has performed an assessment and considered that the new revenue standard is not likely to have significant impact on how it recognises revenue from the sales of kitchenware and household products and raw materials.

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 than 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.

Total operating lease commitment of the Group in respect of land and buildings and plant and machinery as at 31 December 2017 amounted to HK$6,229,000. The directors of the Company 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.

HK(IFRIC) – Int 22 – Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretation specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

HK(IFRIC) – Int 23 – Uncertainty Over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Save as disclosed in the foregoing paragraphs about the impact of HKFRS 9, HKFRS 15 and HKFRS 16 to the Group's consolidated financial statements, the directors of the Company have also performed an assessment on other new standards, amendments and interpretations, and have concluded on a preliminary basis that other new standards and amendments would not have a significant impact on the Group's consolidated 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 components and review of the components' performance. There are two (2016: two) business components in the internal reporting to the executive directors, which are (i) trading of kitchenware and household products and (ii) trading of raw materials.

(ii) Business segment information

	Trading of kitchenware and household products		**Trading of raw materials**		**Total**	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue						
Revenue from external customers	**1,264,197**	1,264,545	**101,317**	100,455	**1,365,514**	1,365,000
Segment results	**177,485**	152,228	**7,900**	13,985	**185,385**	166,213
Unallocated income					**1,714**	482
Unallocated expenses					**(8,084)**	(5,043)
Profit before income tax					**179,015**	161,652

	Trading of kitchenware and household products		Trading of raw materials		Total	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**581,750**	539,967	**66,720**	41,666	**648,470**	581,633
Prepaid tax					**171**	4,693
Deferred tax assets					**50**	4
Unallocated corporate assets#					**214,717**	193,717
Consolidated total assets					**863,408**	780,047
Segment liabilities	**189,552**	170,784	**492**	55	**190,044**	170,839
Provision for tax					**4,506**	2,485
Deferred tax liabilities					**5,879**	7,272
Unallocated corporate liabilities					**3,466**	606
Consolidated total liabilities					**203,895**	181,202

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

	Trading of kitchenware and household products		Trading of raw materials		Total	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:						
Interest income	**1,641**	687	**3**	–	**1,644**	687
Interest expenses	**(205)**	(306)	**–**	–	**(205)**	(306)
Depreciation of property, plant and equipment	**(5,121)**	(5,061)	**–**	–	**(5,121)**	(5,061)
Amortisation of intangible asset	**(4,806)**	(4,806)	**–**	–	**(4,806)**	(4,806)
Provision for inventories	**–**	(207)	**(37)**	–	**(37)**	(207)
Additions to non-current segment assets	**1,657**	1,665	**–**	–	**1,657**	1,665

(iii) Geographical segment information

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

	Notes	**2017** *HK$'000*	2016 *HK$'000*
United States		**1,041,266**	1,090,519
Europe	*(a)*	**58,484**	76,489
Asia	*(b)*	**225,007**	168,420
Canada		**40,123**	24,041
Other locations	*(c)*	**634**	5,531
		1,365,514	1,365,000

Notes:

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

(b) Principally included Hong Kong, Japan and 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 2017 and 2016, 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 2017, revenues from two (2016: two) customers with whom transactions of each has exceeded 10% of the Group's revenue. Total revenue from these two major customers as shown below accounted for HK$860,996,000 (2016: two customers totalling HK$807,952,000) of the Group's revenue for the year ended 31 December 2017.

	2017 *HK$'000*	2016 *HK$'000*
Company A	**704,253**	657,940
Company B	**156,743**	150,012

As at 31 December 2017, 68% (2016: 70%) of the Group's trade receivables were due from the abovementioned two major customers.

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:

	2017	2016
	HK$'000	*HK$'000*
Sales of kitchenware and household products	**1,264,197**	1,264,545
Sales of raw materials	**101,317**	100,455
	1,365,514	1,365,000

5. OTHER INCOME AND GAIN

	2017	2016
	HK$'000	*HK$'000*
Bank interest income	**2,834**	1,167
Interest income from loan receivable	**344**	–
Interest income from unlisted bond	**60**	–
Dividend income from listed equity securities	**815**	811
Management and handling services	**119**	164
Recharge from customers	**4,116**	1,720
Gain on disposal of available-for-sale financial assets	**17,758**	–
Fair value gain on held-for-trading investment	**1,341**	–
Gain on disposal of property, plant and equipment	**–**	30
Others	**880**	440
	28,267	4,332

6. PROFIT BEFORE INCOME TAX

	2017	2016
	HK$'000	*HK$'000*
Profit before income tax is arrived at after charging:		
Auditor's remuneration	**981**	973
Cost of inventories sold recognised as expense, including	**1,070,216**	1,081,048
– Provision for inventories	**37**	207
Provision for impairment on amount due from an associate	**470**	–
Depreciation of property, plant and equipment*	**5,178**	5,095
Amortisation of intangible asset*	**4,806**	4,806
Amortisation of prepaid land lease payments*	**54**	52
Loss on disposal of property, plant and equipment	**31**	–
Fair value change on derivative financial instrument	**1,556**	–
Research expenses	**2,062**	–
Operating lease rentals in respect of land and buildings and equipment	**4,439**	4,069
Employee benefit expenses (including directors' remuneration)		
Wages, salaries and other benefits	**39,448**	39,135
Discretionary bonuses	**19,568**	15,767
Contributions to defined contribution schemes	**2,400**	2,195
	61,416	57,097
Exchange loss, net	**1,782**	1,117

* Depreciation and amortisation charges are recognised in the consolidated statement of comprehensive income as distribution expenses of approximately HK$64,000 (2016: HK$137,000) and administrative expenses of approximately HK$9,974,000 (2016: HK$9,816,000) for the year ended 31 December 2017.

7. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest charges on financial liabilities at amortised cost:		
Bank loans	**–**	5
Bank overdraft	**205**	301
	205	306

8. INCOME TAX EXPENSES

	2017	2016
	HK$'000	*HK$'000*
The taxation attributable to the Group's operation comprises:		
Current tax		
– Hong Kong Profits Tax	**27,277**	28,720
– Income tax outside Hong Kong	**2,243**	–
	29,520	28,720
(Over)/under provision in prior years		
– Hong Kong Profits Tax	**(711)**	(75)
– Income tax outside Hong Kong	**27**	–
	(684)	(75)
Deferred tax		
– Credit for the year	**(1,439)**	(1,044)
Income tax expenses	**27,397**	27,601

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% (2016: 16.5%) on the estimated assessable profit arising in Hong Kong for the year ended 31 December 2017.

Enterprise income tax ("EIT") for the year was calculated at 25% (2016: 25%) of the estimated assessable profits arising from the PRC. Tax losses were utilised to offset against the assessable profit generated by the Group's PRC subsidiaries for the years ended 31 December 2017 and 2016. The income tax for other jurisdictions is calculated at the rates applicable in the respective jurisdictions.

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

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$143,552,000 (2016: HK$133,844,000) and the weighted average of 700,000,000 (2016: 700,000,000) 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 2017 and 2016, and hence the diluted earnings per share is the same as basic earnings per share.

10. DIVIDENDS

i. Dividends to equity shareholders attributable to the year:

	2017	2016
	HK$'000	*HK$'000*
Interim dividend paid in respect of current year of HK4.5 cents (2016: HK6.0 cents) per share	**31,500**	42,000
Special dividend paid in respect of current year of HK1.5 cents (2016: Nil) per share	**10,500**	–
Final dividend paid in respect of the prior year of HK6.0 cents (2016: HK6.5 cents) per share	**42,000**	45,500
	84,000	87,500

At the board meeting held on 26 March 2018, the directors resolved to recommend a final dividend of HK7.0 cents (2016: HK6.0 cents) per ordinary share. The proposed dividends have not been recognised as a dividend payable as at 31 December 2017, but will be reflected as an appropriation of retained profits/share premium for the year ending 31 December 2018.

11. LOAN RECEIVABLE AND DERIVATIVE FINANCIAL INSTRUMENT

As at 31 December 2017, there was one (2016: Nil) secured promissory note (the "Note") with gross principal amount of US$2,000,000 equivalent to HK$15,560,000 (2016: Nil) due from an independent third party (the "Issuer"). The loan under the Note is interest-bearing at a rate of 4% per annum or 10% per annum under an event of default. The principal of the loan is repayable on 15 June 2019, being twenty-four months from the issue date (the "Maturity Date"). Pursuant to the terms of the Note, the Group has the right to convert the outstanding loan amount and accrued interest to 51% of all shares outstanding post-conversion of the Issuer in the Group's sole discretion. The conversion right is exercisable at any time after one year of the issue date of the Note and prior to the Maturity Date of the Note. The outstanding principal and the interest receivable from the Note was secured by all the assets of the Issuer.

The Note contains debt component and conversion option. The fair value of debt component and conversion option of the Note is determined by the Directors with reference to the valuation performed by LCH (Asia – Pacific) Surveyors Limited.

The fair value of the conversion option of the Note at the date of subscription and at 31 December 2017 respectively, are determined by using binominal model with the following key assumptions:

	At the date of subscription	**At 31 December 2017**
Fair value of shares	US$2,190,000	US$1,840,000
Risk free interest rate	1.35%	1.80%
Time to maturity	2 years	1.5 years
Expected volatility	40%	31%
Expected dividend yield	0%	0%
Discount rate	6.93%	8.01%
Conversion period	Commences one year after the purchase date until maturity	Commences one year after the purchase date until maturity

As at the date of subscription, the fair value of the conversion option of the Note was estimated to be approximately HK$2,567,000 and was recognised as a derivative financial instrument. The remaining balance of approximately HK$12,993,000, representing the difference between the cash consideration paid for the Note of approximately HK$15,560,000 and the initial fair value of the conversion option of approximately HK$2,567,000, was accounted for as a debt component of the Note and was presented as a loan receivable.

As at 31 December 2017, the fair value of the derivative financial instrument was estimated to be approximately HK$1,011,000. The fair value change of HK$1,556,000 was recognised in profit or loss under administrative expenses. The derivative financial instrument is classified as current assets due to the conversion option will become exercisable in June 2018.

As at 31 December 2017, the debt component of the Note of HK$13,337,000 was measured at amortised costs and presented as loan receivable in the consolidated statement of financial position. As the repayment date of the loan is after twelve months from the reporting date, the loan receivable was classified under non-current assets.

12. INVENTORIES

	2017	2016
	HK$'000	*HK$'000*
Merchandises, at cost	**15,422**	12,311
Raw materials	**24,905**	9,043
	40,327	21,354

13. TRADE RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**236,004**	216,662

The Group's trading terms with customers are mainly on credit. The credit terms are generally 0 to 90 days from the invoice date. All trade receivables are interest-free.

The directors of the Company considered the fair values of trade receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception. An ageing analysis of the Group's trade receivables as at the reporting date, based on the invoices dates, is as follows:

	2017	2016
	HK$'000	*HK$'000*
0-30 days	**117,081**	147,857
31-60 days	**85,979**	47,235
61-90 days	**21,335**	2,990
Over 90 days	**11,609**	18,580
	236,004	216,662

14. TRADE AND BILLS PAYABLES

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

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**83,152**	82,059
Bills payables *(note)*	**–**	7,915
	83,152	89,974

Note: At 31 December 2016, bills payables of HK$7,915,000 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:

	2017	2016
	HK$'000	*HK$'000*
0-90 days	**81,346**	85,476
91-180 days	**1,252**	631
181-365 days	**151**	765
Over 365 days	**403**	3,102
	83,152	89,974

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

15. SHARE CAPITAL

	2017		2016	
	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 and 31 December	**700,000**	**7,000**	700,000	7,000

16. CAPITAL COMMITMENTS

	2017	2016
	HK$'000	*HK$'000*
Capital expenditures contracted but not provided for in the consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	**80**	400

17. EVENTS AFTER THE REPORTING DATE

No significant event has taken place subsequent to 31 December 2017 up to the date of this announcement.

FINAL DIVIDEND AND ANNUAL GENERAL MEETING

The Directors resolved to recommend the payment of a final dividend of HK7.0 cents per share amounting in aggregate to approximately HK$49.0 million, which represent an approximately 34.1% 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 ("AGM") to be held on Friday, 29 June 2018 and are payable to Shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 10 July 2018. It is expected that the proposed final dividend will be paid on or about Tuesday, 24 July 2018. 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 (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 AGM, the register of members of the Company will be closed from Monday, 25 June 2018 to Friday, 29 June 2018, 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, 22 June 2018.

Final Dividend

In order to establish entitlements to the proposed final dividend, the register of members of the Company will be closed from Friday, 6 July 2018 to Tuesday, 10 July 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be qualified for the proposed final 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, 5 July 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Core products of the Group include non-appliances household product e.g. kitchen tools and gadgets, drinkware, bakeware and accessories and food preparation and storage products and accessories. The Group also engages in trading of raw materials.

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 invest in its product design, development and engineering capabilities in 2017. During 2017, the Group had maintained a design and R&D team to a total of 13 members, which are professional in focusing on market research, data analysis, product design and development, helping its clients in monitoring consumer demands and setting the latest trends in kitchenware and household products as well as collaborating with its customers to derive patentable solutions. These capabilities differentiated the Group among its peers and fortified the Group's strategic partnership with its customers.

With strong background in industrial designs as well as experiences in manufacturing, the Group's product engineering team, which currently has 7 engineers, provides innovative raw material ideas and cost-effective solutions to streamline the overall manufacturing process. As at 31 December 2017, the Group engaged a team of over 90 quality assurance professionals stationed at or near the production factories in the PRC. No major quality control issues or complaints were reported in 2017.

International clientele

The Group has an extensive sales network and international clientele. During the year ended 31 December 2017, clients from the United States of America ("U.S.") contributed over 76.3% of the Group's total revenue, with Asia, Europe and Canada contributed 16.5%, 4.3% and 2.9%, respectively, of the Group's total revenue and the Group received orders from over 100 customers.

In addition to maintaining solid partnership with its existing customers, the Group also endeavored to explore new business opportunities. During 2017, the Group visited the trade fairs in Ambiente Frankfurt, NY Now, International Home + Houseware Show, and Hong Kong Houseware Fair and Playtime Tokyo. Via such platforms, the Group was able to reach merchandisers from around the globe and closely track 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 mid-tier and high-end market. Leveraging on its success and foundation, the Group will continue to seek growth in its existing overseas markets while pursuing breakthrough in the PRC market. In 2018, the Group will continue to enhance its capability in product innovation and better cater for the demand of its 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 its customer base. 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 continue to explore business opportunities in these countries amidst their current economic conditions.

The Group will continue to focus on expanding the retail kitchenware and household product assortment while further penetrating the PRC market and expanding to other countries in Asia. 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. With the introduction of the two-child policy by the PRC government in 2015 which allows couples to have two children, it is expected that the demand for toddler and children products will remain strong. The Group will grasp the opportunity brought by this policy by developing more products to capture the mother and toddler's market and continuing to dedicate resources on increasing its market share in the PRC market by expanding product assortment. In addition, 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. The Group also recognizes the increase in spending of disposable income on household products in other Asian countries, which the Group will start to partner with local distributors to open the retail and wholesale markets in selected countries.

The Group will continue to invest in developing patentable technology and mechanism to protect and strengthen the Group's competitive advantages.

The Group also pursues a diversification strategy to increase its revenue source. For its raw materials trading business, 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

The Group recorded a slight increase in revenue for the year 2017 comparing to the year 2016. During 2017, the Group's total revenue was approximately HK$1,365.5 million, representing an increase of 0.04% as compared to approximately HK$1,365.0 million for 2016.

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

Cost of sales

During the year under review, cost of sales of the Group decreased by approximately 1.0% to approximately HK$1,070.2 million as compared to that of approximately HK$1,081.0 million in year 2016. Cost of sales as a percentage of revenue decreased slightly to approximately 78.4% for the year ended 31 December 2017 as compared to that of approximately 79.2% for the year ended 31 December 2016. The cost of sales as a percentage of revenue of the Group was maintained at a relatively steady level mainly due to the effort of refining revenue portfolio by streamlining sales orders resulting in more efficient use of resources.

Gross profit and gross profit margin

The Group's gross profit increased by approximately 4.0% to approximately HK$295.3 million for the year ended 31 December 2017 (2016: HK$284.0 million) and the gross profit margin increased slightly by approximately 0.8% to approximately 21.6% for the year of 2017 (2016: 20.8%) which was mainly due to the reason mentioned in the paragraph headed "Cost of sales" above.

Other income and gain

During the year, other income and gain increased by approximately 558.1% to approximately HK$28.3 million (2016: HK$4.3 million) primarily due to the gain from the disposal of listed equity instruments which was classified as available-for-sale financial assets.

Distribution expenses

Distribution expenses were primarily related to the PRC retail business. During the year, distribution expenses increased by approximately 30.2% to approximately HK$33.2 million (2016: HK$25.5 million) which was primarily due to the Group's dedication of more resources on the PRC retail business and the expenditure on marketing expenses, transportation and product approval tests.

Administrative expenses

Administrative expenses increased by approximately 10.2% to approximately HK$111.2 million during the year 2017 (2016: HK$100.9 million). The increase in administrative expenses was mainly due to the increase in staff costs.

Profit for the year

Profit for the year increased by approximately 13.0% to approximately HK$151.6 million (2016: HK$134.1 million). The increase in revenue from the PRC retail business and the gain from the disposal of listed equity instruments which was classified as available-for-sale financial assets were the major factors that led to the increase in profit for the year.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group had approximately 144 employees (2016: 152 employees). Total staff costs (including Directors' emoluments) were approximately HK$61.4 million for the year ended 31 December 2017, as compared to approximately HK$57.1 million for the year ended 31 December 2016.

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 regard to the Group's operating results, individual performance and comparable market statistics.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2017, the Group had cash and bank balances amounted to approximately HK$430.3 million (2016: HK$384.0 million) which were mainly denominated in United States dollars ("USD"), Renminbi ("RMB") and Hong Kong dollars ("HKD"). The Group had bank overdraft of approximately HK$12.9 million as at 31 December 2017 (2016: Nil).

There was no change to the Group's capital structure during the year ended 31 December 2017 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 overdraft during the year ended 31 December 2017 ranged from 3% to 4% (2016: Nil).

Gearing ratio

The Group's gearing ratio is calculated as total borrowings, which is the summation of bank overdraft and loans from non-controlling interests, divided by total equity. The gearing ratio of the Group as at 31 December 2017 and 2016 were 5.1% and 4.1% respectively. The increase of the gearing ratio was mainly due to the utilisation of bank overdraft during the year.

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 2017, the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK$19.6 million (2016: HK$20.4 million), time deposit of approximately HK$22.0 million (2016: HK$29.7 million) and available-for-sale financial assets of approximately HK$7.5 million (2016: Nil) 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 2017, approximately HK$78.2 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

As at 31 December 2017, the Group had no significant contingent liabilities (2016: Nil).

CAPITAL COMMITMENTS

As at 31 December 2017, the Group has capital commitment of approximately HK$80,000 for the purchase of property, plant and equipment (2016: approximately HK$400,000).

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 under review 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 2017 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 Company is committed to maintaining high standards of corporate governance and has steered its development and protection of the interests of the Shareholders in an enlightened and open manner. The Board comprises three executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code ("CG Code") set out in Appendix 14 to the Listing Rules. During the year under review and up to the date of this announcement, 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 is both the chief executive officer and the chairman of the Board of the Company which deviates from code provision A.2.1. The Board considers that vesting the role of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by the current Board composition and structure taking into account the background and experience of the Directors and the number of independent non-executive Directors on the Board.

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 2017.

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

The 2017 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, 26 March 2018

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.