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 2018

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 2018, together with the comparative audited figures for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2018

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Revenue	*5*	**1,566,864**	1,365,514
Cost of sales		**(1,282,245)**	(1,070,216)
Gross profit		**284,619**	295,298
Other income and gains, net	*6*	**6,646**	28,267
Distribution expenses		**(44,814)**	(33,169)
Administrative expenses		**(93,549)**	(111,176)
Share of result of an associate		**5,715**	–
Finance costs	*8*	**(952)**	(205)
Profit before income tax	*7*	**157,665**	179,015
Income tax expenses	*9*	**(25,719)**	(27,397)
Profit for the year		**131,946**	151,618

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*
for the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'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
Release upon disposal of available-for-sale financial assets		–	(17,758)
Exchange difference arising on translation of foreign operations		**(127)**	(24)
Other comprehensive income for the year		**(127)**	(6,950)
Total comprehensive income for the year		**131,819**	144,668
Profit for the year attributable to:			
Owners of the Company		**118,003**	143,552
Non-controlling interests		**13,943**	8,066
		131,946	151,618
Total comprehensive income attributable to:			
Owners of the Company		**117,962**	136,703
Non-controlling interests		**13,857**	7,965
		131,819	144,668
Earnings per share:	*10*	***HK cents***	*HK cents*
– Basic		**16.9**	20.5
– Diluted		**16.9**	20.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**38,079**	40,137
Prepaid land lease payments		**1,623**	1,737
Other asset		**172**	172
Loan receivable		**–**	13,337
Interests in associates		**8,713**	2,998
Intangible asset		**–**	4,807
Deposits paid for property, plant and equipment		**23,904**	–
Financial assets at fair value through other comprehensive income		**3,450**	–
Deferred tax assets		**6**	50
		75,947	63,238
Current assets			
Inventories	*12*	**64,851**	40,327
Trade receivables	*13*	**360,862**	236,004
Derivative financial instrument		**–**	1,011
Prepayments, deposits and other receivables		**79,414**	59,698
Financial assets at fair value through profit or loss		**53,053**	–
Available-for-sale financial assets		**–**	10,682
Amounts due from associates		**492**	–
Prepaid tax		**9,866**	171
Pledged bank deposits		**22,083**	21,999
Cash and bank balances		**421,415**	430,278
		1,012,036	800,170
Current liabilities			
Trade and bills payables	*14*	**120,754**	83,152
Deposits received, other payables and accruals		**58,893**	73,501
Contract liabilities		**7,562**	–
Bank overdrafts		**35,453**	12,876
Bank borrowings		**145,233**	–
Loans from non-controlling interests		**13,087**	19,063
Amount due to a related company		**–**	2,998
Amount due to an associate		**1,980**	–
Provision for tax		**5,158**	4,506
		388,120	196,096
Net current assets		**623,916**	604,074
Total assets less current liabilities		**699,863**	667,312

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
as at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Loans from non-controlling interests		**–**	1,920
Deferred tax liabilities		**4,936**	5,879
		4,936	7,799
Net assets		**694,927**	659,513
EQUITY			
Equity attributable to owners of the Company			
Share capital		**7,000**	7,000
Reserves		**669,696**	648,139
		676,696	655,139
Non-controlling interests		**18,231**	4,374
Total equity		**694,927**	659,513

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2018

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 Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 2018 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.

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

(a) Adoption of new/revised HKFRSs – first effective on 1 January 2018

In 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 ("HKICPA") which is relevant to and effective for the Group's financial statements for annual period beginning on 1 January 2018:

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

Save as disclosed in the note 2(b), the application of the other new and revised HKFRSs in the current year has no material effect on the amounts reported in the consolidated financial statements and/or disclosures set out in the consolidated financial statements.

(b) Summary of the impact of changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the consolidated financial statements and also discloses the new accounting policies that have been effective from 1 January 2018, where they are different to those applied in prior years.

(A) HKFRS 9 Financial Instruments – Impact of adoption

As explained below, the Group has applied the transitional provision in HKFRS 9 such that was generally adopted without restating comparative information. The adjustments arising from the new impairment rules, re-classifications and re-measurement of certain financial assets are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the opening balance in the consolidated statement of financial position on 1 January 2018.

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

(b) Summary of the impact of changes in accounting policies (Continued)

(A) HKFRS 9 Financial Instruments – Impact of adoption (Continued)

The following table shows the adjustments and re-classifications and re-measurement of the Group recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the subtotals and totals disclosed cannot be recalculated from the numbers provided. The adjustments, re-classifications and re-measurement of the Group's financial assets are explained in more detail below.

	As at 31 December 2017 *HK$'000* (as previously stated)	**Effect of adoption of HKFRS 9** *HK$'000*	**As at 1 January 2018** *HK$'000* (restated)
Loan receivable	13,337	(13,337)	–
Derivative financial instrument	1,011	(1,011)	–
Available-for-sale financial assets	10,682	(10,682)	–
Financial assets at fair value through profit or loss	–	26,708	26,708
Trade receivables	236,004	(83)	235,921
Total		1,595	
Reserves	648,139	1,595	649,734
Total equity	659,513	1,595	661,108

Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

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

(b) Summary of the impact of changes in accounting policies (Continued)

(A) HKFRS 9 Financial Instruments – Impact of adoption (Continued)

Classification and measurement of financial instruments (Continued)

The following table summarises the original classification and measurement categories under HKAS 39 and the new classification and measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 January 2018 under HKAS 39 *HK$'000*	Carrying amount as at 1 January 2018 under HKFRS 9 *HK$'000*
Listed equity securities	Available-for-sale financial assets	Fair value through profit or loss	3,168	3,168
Unlisted bond	Available-for-sale financial assets	Fair value through profit or loss	7,514	7,514
Debt component of a promissory note	Loan and receivables	Fair value through profit or loss	13,337	*Note*
Conversion option of a promissory note	Derivative financial instrument	Fair value through profit or loss	1,011	*Note*
Trade receivables	Loan and receivables	At amostised cost	236,004	235,921
Other deposits and other receivables	Loan and receivables	At amostised cost	12,243	12,243
Pledged bank deposits	Loan and receivables	At amostised cost	21,999	21,999
Cash and bank balances	Loan and receivables	At amostised cost	430,278	430,278

Note:

Upon the adoption of HKFRS 9, the host contract and the embedded derivative, which were classified as loan receivable and derivative financial instrument respectively previously, are re-classified as financial assets at fair value through profit or loss as a whole and were re-measured at fair value of HK$16,026,000 as at 1 January 2018.

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

(b) Summary of the impact of changes in accounting policies (Continued)

(A) HKFRS 9 Financial Instruments – Impact of adoption (Continued)

Classification and measurement of financial instruments (Continued)

The following tables summarised the impact of the re-classifications and re-measurement of certain financial assets and the impact, net of tax, of transition to HKFRS 9 on the opening balance of reserves and retained profits as of 1 January 2018.

The impacts on the Group's financial assets are as follows:

Financial assets	*Notes*	**Trade receivables** *HK$'000*	**Available-for-sale financial assets** *HK$'000*	**Loan receivable** *HK$'000*	**Derivative financial instrument** *HK$'000*	**Financial assets at fair value through profit or loss** *HK$'000*
Closing balance as at 31 December 2017 (as previously stated)		236,004	10,682	13,337	1,011	–
Re-classification from available-for-sale financial assets to financial assets at fair value through profit or loss	*(i)*	–	(10,682)	–	–	10,682
Re-classification and re-measurement of loan receivable and derivative financial instrument at fair value	*(ii)*	–	–	(13,337)	(1,011)	16,026*
Effect of increase in expected credit losses	*(iii)*	(83)	–	–	–	–
Opening balance as at 1 January 2018 (restated)		235,921	–	–	–	26,708

* The fair value gains on re-measurement of loan receivable and derivative financial instrument at fair value through profit or loss amounting to HK$1,678,000 were credited to retained profits of the Group on 1 January 2018.

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

(b) Summary of the impact of changes in accounting policies (Continued)

(A) HKFRS 9 Financial Instruments – Impact of adoption (Continued)

Classification and measurement of financial instruments (Continued)

The impacts on the Group's equity are as follows:

	Notes	**Revaluation reserve** *HK$'000*	**Retained profits** *HK$'000*
Closing balance as at 31 December 2017 (as previously stated)		1,033	429,824
Transfer of revaluation reserve to opening retained profits as a result of re-classification of financial assets	*(i)*	(1,033)	1,033
Effect of re-measurement of loan receivable and derivative financial instrument at fair value	*(ii)*	–	1,678
Effect of increase in expected credit losses	*(iii)*	–	(83)
		(1,033)	2,628
Opening balance as at 1 January 2018 (restated)		–	432,452

HKFRS 9 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 retains the requirements in HKAS 39 for de-recognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("At amortised cost"); (ii) financial assets at fair value through other comprehensive income; or (iii) financial assets at fair value through profit or loss. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

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

(b) Summary of the impact of changes in accounting policies (Continued)

(A) HKFRS 9 Financial Instruments – Impact of adoption (Continued)

Classification and measurement of financial instruments (Continued)

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at financial assets at fair value through profit or loss:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at fair value through other comprehensive income if it meets both of the following conditions and it has not been designated as at financial assets at fair value through profit or loss:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or fair value through other comprehensive income as described above are classified as financial assets at fair value through profit or loss. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or fair value through other comprehensive income at financial assets at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

(b) Summary of the impact of changes in accounting policies (Continued)

(A) HKFRS 9 Financial Instruments – Impact of adoption (Continued)

Classification and measurement of financial instruments (Continued)

The following accounting policies would be applied to the Group's financial assets as follows:

At fair value through profit or loss	Financial assets at fair value through profit or loss is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
At amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on de-recognition is recognised in profit or loss.
At fair value through other comprehensive income (equity instruments)	Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not re-classified to profit or loss.

Notes:

(i) Transfer of revaluation reserve to opening retained profits as a result of re-classification of financial assets

As at 1 January 2018, listed equity securities of HK$3,168,000 and unlisted bond of HK$7,514,000 that were previously classified as available-for-sale financial assets under HKAS 39 have been designated as financial assets at fair value through profit or loss under HKFRS 9. As a result, the revaluation reserve of available-for-sale financial assets amounting to HK$1,033,000 was reclassified to retained profits on 1 January 2018.

(ii) Effect of re-measurement of loan receivable and derivative financial instrument at fair value

Loan receivable of HK$13,337,000 was stated at amortised cost in prior years and its embedded derivative of HK$1,011,000 was stated at fair value as a derivative financial instrument as at 31 December 2017. Under HKFRS 9, embedded derivative is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is classified and measured at fair value as a whole. As a result, these balances had been re-measured and stated at fair value of HK$16,026,000 and were also re-classified as financial assets at fair value through profit or loss as at 1 January 2018.

The fair value gains on re-measurement of loan receivable and derivative financial instrument at fair value through profit or loss amounting to HK$1,678,000 were credited to retained profits of the Group on 1 January 2018.

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

(b) Summary of the impact of changes in accounting policies (Continued)

(A) HKFRS 9 Financial Instruments – Impact of adoption (Continued)

Classification and measurement of financial instruments (Continued)

Notes: (Continued)

(iii) Impairment of financial assets – effect of increase in expected credit losses

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECL") model". HKFRS 9 requires the Group to recognise ECL for trade receivables and other financial assets earlier than HKAS 39.

Under HKFRS 9, the loss allowances are measured on either of the following basis: (1) 12 months ECL: these are the ECL that result from possible default events within the 12 months after the end of the reporting period; and (2) lifetime ECL: these are ECL that result from all possible default events over the expected life of a financial instrument.

Measurement of ECL

ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECL based on lifetime ECL. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, ECL is based on the 12-months ECL. The 12-months ECL is the portion of the lifetime ECL that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

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

(b) Summary of the impact of changes in accounting policies (Continued)

(A) HKFRS 9 Financial Instruments – Impact of adoption (Continued)

Classification and measurement of financial instruments (Continued)

Notes: (Continued)

(iii) Impairment of financial assets – effect of increase in expected credit losses (Continued)

Presentation of ECL

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the ECL model – Impairment of trade receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECL which recognises a lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowances as at 1 January 2018 determined for trade receivables were as follows:

	Neither past due nor impaired	Past due 60 days or less	Past due more than 60 days but less than 1 year	Past due more than 1 year but less than 2 years	Total
As at 1 January 2018					
Gross carrying amount of trade receivables *(HK$'000)*	107,373	116,979	11,268	384	236,004
Expected loss rate *(%)*	0.00%	0.02%	0.34%	6.63%	
Loss allowance *(HK$'000)*	–	20	38	25	83

The increase in loss allowances for trade receivables upon the transition to HKFRS 9 as of 1 January 2018 were HK$83,000. The loss allowances further increased by HK$287,000 for trade receivables during the year ended 31 December 2018.

Impact of the ECL model – Impairment of other financial assets

Other financial assets at amortised cost of the Group includes other deposits and other receivables, amounts due from associates, pledged bank deposits and cash and bank balances. Since there is no increase in credit risk, the loss allowance recognised during the year was therefore limited to 12-months expected credit losses. Management considers the probability of default is low on other receivables since the counterparties are in good credit quality and no historical default is noted. Besides, management considers the probability of default is low on pledged bank deposits and bank balances since they are placed at the financial institutions with good credit rating. The Group's management has assessed and concluded the impact of ECL of other financial assets at amostised cost is insignificant as at 1 January 2018 and 31 December 2018.

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

(b) Summary of the impact of changes in accounting policies (Continued)

(B) HKFRS 15 Revenue from Contracts with Customers – Impact of adoption

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption, if any, will be recognised in retained profits as of 1 January 2018 and the comparatives will not be restated.

Revenue for sales of kitchenware and household products and raw materials are recognised at point in time as when there is evidence that the control of the goods has been transferred to the customer, the customer has adequate control over the product and the Group has no unfulfilled obligations that affect customer accepting the goods.

Customers obtain control of the kitchenware and household products and raw materials when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the kitchenware and household products and raw materials. There is generally only one performance obligation. Invoices are usually payable within 0 to 60 days. In the comparative period, revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which was taken as at the time of delivery and the title is passed to customer.

Some of the Group's contracts with customers from the sales of kitchenware and household products provide customers a right of return (a right to exchange for another product). These rights of return do not allow the returned goods to be refund in cash. The right of return gives rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred. In addition, a refund liability and a right to recover returned goods assets are recognised. In the comparative period, revenue for these contracts was recognised when a reasonable estimate of the returns could be made, provided that all other revenue recognition criteria are met. If a reasonable estimate could not be made, such revenue would be deferred until the return period lapsed or a reasonable estimate could be made. The Group's management assessed and considered the impact on the right of return is insignificant in the current period. Some of the Group's contracts with customers from the sales of kitchenware and household products and raw materials provide customers a right of return (a right to exchange for the same product due to faulty products). These rights of return do not allow the returned goods to be refund in cash. The Group's obligation to replace faulty products is recognised as a provision. HKFRS 15 did not result in significant impact on the Group's accounting policy regarding to the right of return in this regard.

Some of the Group's contracts with customers from the sales of kitchenware and household products provide customers a volume rebate if the customer purchases more than certain volume of kitchenware and household products in a calendar year. The volume rebates give rise to variable consideration. The Group apply the expected value method to estimate the variable consideration. A refund liability would be recognised based on the estimate of the expected value to be paid for the customer's volume-based rebate. In the comparative period, the Group estimated the expected volume rebates using the probability-weighted amount of rebates approach and recognised as a reduction of revenue as the sales were recognised. As at 31 December 2017, the provision of sales rebate of HK$28,489,000 was recognised as accruals under "Deposits received, other payables and accruals". Upon adoption of HKFRS 15, the said amount was reclassified from accruals to refund liabilities which continued to be presented under "Deposits received, other payables and accruals".

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

(b) Summary of the impact of changes in accounting policies (Continued)

(B) HKFRS 15 Revenue from Contracts with Customers – Impact of adoption (Continued)

Upon the adoption of HKFRS 15, if there is any satisfied performance obligation but where the Group does not have an unconditional right to consideration, the Group should recognised a contract asset. No contract asset is recognised upon transition and at the end of the reporting period.

Upon the adoption of HKFRS 15, contract liabilities represented the advance from customers received in relation to the trading of kitchenware and household products. As at 1 January 2018, such amounts were reclassified from trade deposits received presented under "Deposits received, other payables and accruals" to "Contract liabilities".

Following adjustments were made to the amounts presented in the consolidated statement of financial position at the date of initial application (1 January 2018):

	Carrying amount as at 31 December 2017 under HKAS 18	**Reclassification**	**Carrying amount as at 1 January 2018 under HKFRS 15**
	HK$'000	*HK$'000*	*HK$'000*
Deposits received, other payables and accruals			
– Trade deposits received	1,696	(1,696)	–
– Accruals	70,839	(28,489)	42,350
– Other payables	966	–	966
– Refund liabilities	–	28,489	28,489
	73,501		71,805
Contract liabilities	–	1,696	1,696

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

(b) Summary of the impact of changes in accounting policies (Continued)

(B) HKFRS 15 Revenue from Contracts with Customers – Impact of adoption (Continued)

The amount by each financial statements line items affected for the year ended 31 December 2018 and as at 31 December 2018 by the adoption of HKFRS 15 as compared to HKAS 18 that was previously in effect is as follows:

	Without adoption of HKFRS 15	Reclassifications under HKFRS 15	As reported
	HK$'000	*HK$'000*	*HK$'000*
As at 31 December 2018			
Consolidated statement of financial position (extract)			
Deposits received, other payables and accruals			
– Trade deposits received	7,562	(7,562)	–
– Accruals	58,863	(37,800)	21,063
– Other payables	30	–	30
– Refund liabilities	–	37,800	37,800
	66,455	(7,562)	58,893
Contract liabilities	–	7,562	7,562
For the year ended 31 December 2018			
Consolidated statement of cash flows (extract)			
Operating profit before working capital changes:			
Deposits received, other payables and accruals	(6,970)	(7,562)	(14,532)
Contract liabilities	–	7,562	7,562

(C) Amendments 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.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this year.

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

(b) Summary of the impact of changes in accounting policies (Continued)

(D) 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 Interpretations 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.

The adoption of these amendments has no impact on these financial statements as the Group has not paid or received advance consideration in a foreign currency.

(c) 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 2018. The Group's current intention is to apply those changes on the date they become effective.

HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKAS 28	Long-term Interest in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income taxes[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing costs[1]
Amendments to HKFRS 3	Definition of a Business[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

Notes:

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

2 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

3 Effective for annual periods beginning on or after 1 January 2020

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

(c) New/revised HKFRSs that have been issued but are not yet effective (Continued)

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 consolidated 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 machineries as at 31 December 2018 amounted to HK$12,873,000. 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 liability (for the payment obligation) in the consolidated statement of financial position.

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.

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

The amendment clarifies that HKFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

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

(c) New/revised HKFRSs that have been issued but are not yet effective (Continued)

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income taxes

The amendments to HKAS 12 clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income or equity.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing costs

The amendments to HKAS 23 clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool.

Amendments to HKFRS 3 – Definition of a Business

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 – Definition of Material

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

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

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

Save as disclosed in the foregoing paragraphs about the impact of 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. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

The consolidated financial statements have been prepared under the historical cost convention except for those financial assets stated at fair value.

It should be noted that accounting estimates and assumptions are used in the preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

The consolidated financial statements is presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

4. SEGMENT INFORMATION

(i) Operating segment information

The Group has identified its operating segment and prepared segment information based on the regular internal financial information reported to the Company's executive directors for their decisions about resources allocation to the Group's business components and review of the components' performance. There are two (2017: 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.

	Trading of kitchenware and household products		**Trading of raw materials**		**Total**	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue						
Revenue from external customers	**1,412,451**	1,264,197	**154,413**	101,317	**1,566,864**	1,365,514
Segment results	**149,633**	177,485	**6,212**	7,900	**155,845**	185,385
Share of result of an associate					**5,715**	–
Unallocated income					**2,700**	1,714
Unallocated expenses					**(6,595)**	(8,084)
Profit before income tax					**157,665**	179,015

4. SEGMENT INFORMATION (Continued)

(i) Operating segment information (Continued)

	Trading of kitchenware and household products		Trading of raw materials		Total	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**790,788**	581,750	**97,378**	66,720	**888,166**	648,470
Prepaid tax					**9,866**	171
Deferred tax assets					**6**	50
Interests in associates					**8,713**	2,998*
Unallocated corporate assets#					**181,232**	211,719
Consolidated total assets					**1,087,983**	863,408
Segment liabilities	**377,650**	189,552	**2,745**	492	**380,395**	190,044
Provision for tax					**5,158**	4,506
Deferred tax liabilities					**4,936**	5,879
Unallocated corporate liabilities					**2,567**	3,466
Consolidated total liabilities					**393,056**	203,895

* The interests in associates had been included in unallocated corporate assets in previous years. The comparative figure of interests in associates have been separately presented to conform to the current year's presentation.

\# 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	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:						
Interest income	**2,633**	1,641	**2**	3	**2,635**	1,644
Interest expenses	**(952)**	(205)	**–**	–	**(952)**	(205)
Depreciation of property, plant and equipment	**(4,935)**	(5,121)	**–**	–	**(4,935)**	(5,121)
Amortisation of intangible asset	**(4,807)**	(4,806)	**–**	–	**(4,807)**	(4,806)
Provision for inventories	**–**	–	**–**	(37)	**–**	(37)
Impairment of trade receivables	**(213)**	–	**(74)**	–	**(287)**	–
Fair value (loss)/gain on financial assets at fair value through profit or loss, net	**(3,656)**	1,341	**–**	–	**(3,656)**	1,341
Gain on disposal of available-for-sale financial assets	**–**	17,758	**–**	–	**–**	17,758
Additions to non-current segment assets	**26,891**	1,657	**–**	–	**26,891**	1,657

4. SEGMENT INFORMATION (Continued)

(ii) Disaggregated revenue and 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, recognised at point in time, is divided into the following geographical areas:

	Notes	**2018**	2017
		HK$'000	*HK$'000*
United States		**1,128,565**	1,041,266
Europe	*(a)*	**77,117**	58,484
Asia	*(b)*	**330,567**	225,007
Canada		**27,905**	40,123
Other locations	*(c)*	**2,710**	634
		1,566,864	1,365,514

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 2018 and 2017, over 90% of the Group's non-current assets (other than financial instruments and deferred tax assets) are located in Hong Kong.

(iii) Information about major customers

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

	2018	2017
	HK$'000	*HK$'000*
Company A	**718,265**	704,253
Company B	**208,990**	156,743

As at 31 December 2018, 74% (2017: 68%) of the Group's trade receivables were due from the abovementioned two major customers.

5. REVENUE

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

	2018	2017
	HK$'000	*HK$'000*
Revenue from contracts with customers		
– Sales of kitchenware and household products	**1,412,451**	1,264,197
– Sales of raw materials	**154,413**	101,317
	1,566,864	1,365,514

6. OTHER INCOME AND GAINS, NET

	2018	2017
	HK$'000	*HK$'000*
Bank interest income	**5,092**	2,834
Interest income from loan receivable	**–**	344
Interest income from unlisted bond	**164**	60
Dividend income from listed equity securities	**136**	815
Management and handling services	**–**	119
Recharge from customers	**2,911**	4,116
Government grants	**1,654**	–
Gain on disposal of available-for-sale financial assets	**–**	17,758
Fair value (loss)/gain on financial assets at fair value through profit or loss, net	**(3,656)**	1,341
Gain on disposal of property, plant and equipment	**200**	–
Others	**145**	880
	6,646	28,267

7. PROFIT BEFORE INCOME TAX

	2018	2017
	HK$'000	*HK$'000*
Profit before income tax is arrived at after charging/(crediting):		
Auditor's remuneration	**1,053**	981
Cost of inventories sold recognised as expense, including	**1,282,245**	1,070,216
– Provision for inventories	**–**	37
Impairment of amount due from an associate	**–**	470
Impairment of trade receivables	**287**	–
Depreciation of property, plant and equipment*	**4,985**	5,178
Amortisation of intangible asset*	**4,807**	4,806
Amortisation of prepaid land lease payments*	**54**	54
(Gain)/Loss on disposal of property, plant and equipment	**(200)**	31
Write-off of property, plant and equipment	**5**	–
Fair value change on derivative financial instrument	**–**	1,556
Research expenses	**1,941**	2,062
Operating lease rentals in respect of land and buildings and equipment	**5,294**	4,439
Employee benefit expenses (including directors' remuneration)		
Wages, salaries and other benefits	**39,283**	39,448
Discretionary bonuses	**8,061**	19,568
Contributions to defined contribution schemes	**3,210**	2,400
	50,554	61,416
Exchange (gain)/loss, net	**(5,922)**	1,782

* Depreciation and amortisation charges are recognised in the consolidated statement of comprehensive income as distribution expenses of approximately HK$54,000 (2017: HK$64,000) and administrative expenses of approximately HK$9,792,000 (2017: HK$9,974,000) for the year ended 31 December 2018.

8. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest charges on financial liabilities at amortised cost:		
Bank borrowings	**314**	–
Bank overdrafts	**638**	205
	952	205

9. INCOME TAX EXPENSES

	2018	2017
	HK$'000	*HK$'000*
The taxation attributable to the Group's operation comprises:		
Current tax		
– Hong Kong profits tax	**20,479**	27,277
– Income tax outside Hong Kong	**6,276**	2,243
	26,755	29,520
(Over)/Under provision in prior years		
– Hong Kong profits tax	**(137)**	(711)
– Income tax outside Hong Kong	**–**	27
	(137)	(684)
Deferred tax		
– Credit for the year	**(899)**	(1,439)
Income tax expenses	**25,719**	27,397

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.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the profits tax rate for the first HK$2 million of assessable profits of a subsidiary in Hong Kong will be taxed at 8.25% and the assessable profits above HK$2 million will continue to be subject to the rate of 16.5% for the year ended 31 December 2018. The profits of other subsidiaries in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate 16.5%. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the year ended 31 December 2017.

Enterprise income tax ("EIT") for the year was calculated at 25% (2017: 25%) of the estimated assessable profits arising from the PRC. Tax losses were utilised to offset against the assessable profit generated by some of the Group's PRC subsidiaries for the years ended 31 December 2018 and 2017. 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.

10. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the year of HK$118,003,000 (2017: HK$143,552,000) and the weighted average of 700,000,000 (2017: 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 2018 and 2017, and hence the diluted earnings per share is the same as basic earnings per share.

11. DIVIDENDS

Dividends to equity shareholders attributable to the year:

	2018	2017
	HK$'000	*HK$'000*
Interim dividend paid in respect of current year of HK5.5 cents (2017: HK4.5 cents) per share	**38,500**	31,500
Special dividend paid in respect of current year of HK1.5 cents (2017: HK1.5 cents) per share	**10,500**	10,500
Final dividend paid in respect of the prior year of HK7.0 cents (2017: HK6.0 cents) per share	**49,000**	42,000
	98,000	84,000

At the board meeting held on 25 March 2019, the board of directors resolved to recommend a final dividend of HK6.0 cents (2017: HK7.0 cents) per ordinary share. The proposed dividend have not been recognised as a dividend payable as at 31 December 2018, but will be reflected as an appropriation of retained profits/share premium for the year ending 31 December 2019.

12. INVENTORIES

	2018	2017
	HK$'000	*HK$'000*
Merchandises, at cost	**25,610**	15,422
Raw materials	**39,241**	24,905
	64,851	40,327

13. TRADE RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**361,232**	236,004
Less: impairment loss allowance	**(370)**	–
	360,862	236,004

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

13. TRADE RECEIVABLES (Continued)

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 (net of impairment loss allowance) as at the reporting date, based on the invoices dates, is as follows:

	2018	2017
	HK$'000	*HK$'000*
0–30 days	**188,698**	117,081
31–60 days	**80,484**	85,979
61–90 days	**69,659**	21,335
Over 90 days	**22,021**	11,609
	360,862	236,004

14. TRADE AND BILLS PAYABLES

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

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**118,212**	83,152
Bills payables *(note)*	**2,542**	–
	120,754	83,152

Note: At 31 December 2018, bills payables of HK$2,542,000 were secured by the pledge of leasehold land and buildings, pledged bank deposits and 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:

	2018	2017
	HK$'000	*HK$'000*
0–90 days	**112,602**	81,346
91–180 days	**6,997**	1,252
181–365 days	**600**	151
Over 365 days	**555**	403
	120,754	83,152

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

15. CAPITAL COMMITMENTS

	2018	2017
	HK$'000	*HK$'000*
Capital expenditures contracted but not provided for in the consolidated financial statements in respect of:		
– purchase of and addition to property, plant and equipment	**42,104**	80

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. Together with the interim dividend and special dividend of HK7.0 cents per share in total already paid, the total dividend for the year would be HK13.0 cents per share (2017: HK13.0 cents per share), representing an approximately 77.1% dividend ratio. The payment of the proposed final dividend is subject to the approval of the Shareholders at the forthcoming annual general meeting ("AGM") to be held on Friday, 28 June 2019 and are payable to Shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 10 July 2019. It is expected that the proposed final dividend will be paid on or about Wednesday, 24 July 2019. Notice of AGM will be published and despatched to Shareholders in the manner required by 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, 24 June 2019 to Friday, 28 June 2019, 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, 21 June 2019.

Final Dividend

In order to establish entitlements to the proposed final dividend, the register of members of the Company will be closed from Monday, 8 July 2019 to Wednesday, 10 July 2019, 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 Friday, 5 July 2019.

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 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 2018. During 2018, the Group had expanded its design and R&D team which currently consists of a total of 16 members, as compared to 13 members in 2017, who are professional in focusing on market research, data analysis, product design and development, helping our clients in monitoring consumer demands and setting the latest trends in kitchenware and household products as well as collaborating with our customers to derive patentable solutions. 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, the Group's product engineering team, which currently consists of 8 engineers, provide innovative raw material ideas and cost-effective solutions to streamline the overall manufacturing process. As at 31 December 2018, 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 2018.

International clientele

The Group has an extensive sales network and international clientele. During the year ended 31 December 2018, clients from the United States of America (U.S.) contributed over 72.0% of total revenue. Asia, Europe and Canada contributed 21.1%, 4.9% 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. During the year ended 31 December 2018, the Group visited the trade fair in Ambiente Frankfurt, NY Now, International Home + Houseware Show, 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 and the PRC markets. The markets in the U.S. and Europe are expected to remain stable while that of the PRC will continue to grow. However, the trade tension between the U.S. and the PRC, volatility of foreign currencies and commodity prices, may continue to cause some uncertainties in the markets. Same as the Group's strategies in previous years, the Group will continue to enhance its capability in product innovation and better cater for the demand of its customers in 2019, with mid-tier and high-end kitchenware and household product markets will remain the Group's focus. The Group will continue to participate in major trade shows to further broaden its customer base, through which the Group is able to work with local importers and trade agents and expand potential collaborations with well-known U.S. and Europe brand owners and retailers.

The Group will continue to focus on expanding the retail kitchenware and household product assortment and seek for further growth in the PRC market. The large population of middle-class consumers in the PRC who are craving for quality and trendy products in pursuit of wellness living and higher standard of living. Furthermore, since the introduction of the two-child policy by the PRC government in 2015, the demand for toddler and children products has been increasing which provides ample business opportunities and incentive to the Group to continue expanding product assortment and dedicating more resources, such as enhancing its e-commerce platform and marketing and promotion activities, to capture the mother and toddler's market and to increase its market share in the PRC. Following the success on launching the toddler and children products in the PRC market, the Group is also exploring other markets such as Japan and the Northern Europe countries. The Group has successfully launched the toddler products series in the PRC, Japan and Denmark during the year 2018 and the Group is optimistic about the prospect of this new product line.

Facing the challenge, the Group will continue to adhere to the differentiation strategy with its strong design and engineering skills and enhance its design capabilities to provide tailor-made services to its customers to increase order levels from existing customers and to attract new customers, with an aim to diversify and expand its customer base to achieve a sustainable revenue growth.

In addition, the Group also engages in raw materials trading business in order to diversify and increase its revenue source. For this business segment, 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 benefits of economies of scale and synergy efficiency.

Innovation is one of the key components of the Group's success. During the year 2018, the Group has entered into an agreement for the acquisition of four independent, separately operated production lines, each of which consists of standard version of the Nanospider™ eight-electrode solvent optimized 1600 mm width with an upward spinning configuration (the "Equipment") which is a versatile technology easily adapted to a variety of process parameters for the optimization of the specific properties of the produced nanofibers. The Equipment will upgrade the Group's supply chain production capability for the production of components for the Group's existing products portfolio, as well as new products range in future. According to the updates from the vendor of the Equipment, the first production line will be delivered at the end of May 2019. The Group has already identified an appropriate location in Hong Kong to assemble and test run the first production line, it is expected the trial production and mass production will commence around August and end of 3rd quarter of 2019, respectively.

FINANCIAL REVIEW

Revenue

The Group recorded a significant growth in revenue for the year 2018 comparing with year 2017. During 2018, the Group's total revenue was approximately HK$1,566.9 million, representing an increase of approximately 14.7% as compared to approximately HK$1,365.5 million for 2017. The increase was mainly due to the increase in sales in the PRC and the raw materials trading segment and the Group adjusted its sales strategies to cope with the rapidly changing market condition.

Cost of sales

During the year ended 31 December 2018, cost of sales of the Group increased by approximately 19.8% to approximately HK$1,282.2 million as compared to approximately HK$1,070.2 million for the year 2017. Cost of sales as a percentage of revenue increased to 81.8% for the year ended 31 December 2018 as compared to 78.4% for the year 2017. The higher cost of sales of the Group was mainly due to the increase in revenue comparing with year 2017 and the increase in the cost of raw materials consumed by the Group. The cost of raw materials rose as the price of commodities such as crude oil increased. The continued increase in labour costs and manufacturing overhead in the PRC and trade tension between the U.S. and the PRC during the year also contributed to the increase in the cost of sales.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately 3.6% to approximately HK$284.6 million for year ended 31 December 2018 (2017: HK$295.3 million) and the gross profit margin decreased by approximately 3.4% to approximately 18.2% for the year ended 31 December 2018 (2017: 21.6%). The lower gross profit margin was mainly due to the increase in cost of raw materials as mentioned in the paragraph headed "Cost of sales" above.

Other income and gains, net

During the year ended 31 December 2018, other income decreased by approximately 76.7% to approximately HK$6.6 million (2017: HK$28.3 million) primarily due to the one-off gain on the disposal from listed equity securities in year 2017 which significantly increase the other income of that year.

Distribution expenses

During the year ended 31 December 2018, distribution expenses increased by 34.9% to approximately HK$44.8 million (2017: HK$33.2 million). The increase was mainly due to the Group's dedication of more resources on the PRC retail business to increase its market penetration in the PRC and also the increase in the licensing fee which increased with the sales correspondingly.

Administrative expenses

During the year ended 31 December 2018, the administrative expenses decreased by approximately 15.9% to approximately HK$93.5 million (2017: HK$111.2 million). The decrease was primarily due to the effort of the management in controlling the operating cost and the exchange gain which off set the cost during the year.

Profit for the year

Profit for the year ended 31 December 2018 decreased by approximately 13.0% to approximately HK$131.9 million (2017: HK$151.6 million). The decrease was due to the one-off gain from the disposal of listed equity in year 2017 and the increase in cost of sales resulting from the increase of commodities prices, the continued increase in labour cost and manufacturing overhead in the PRC and trade tension between the U.S. and the PRC during the year, which off-setting the positive effect from the increase of the Group's revenue. Excluding the one-off gain in 2017, the decrease in the underlying business profit is 1.4%.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had approximately 156 employees (2017: 144 employees). Total staff costs (including Directors' emoluments) were approximately HK$50.6 million for the year ended 31 December 2018, as compared to approximately HK$61.4 million for the year ended 31 December 2017.

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

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

As at 31 December 2018, the Group had cash and bank balances amounted to approximately HK$421.4 million (2017: HK$430.3 million) which were mainly denominated in United States dollars ("USD"), Renminbi ("RMB") and Hong Kong dollars ("HKD"). The Group had bank overdrafts and bank borrowings of approximately HK$35.5 million (2017: HK$12.9 million) and approximately HK$145.2 million (2017: Nil) respectively as at 31 December 2018.

The annual interest rate of the bank overdrafts and bank borrowings during the year ended 31 December 2018 ranged from 3.5% to 4.5% (2017: ranged from 3.0% to 4.0%) and from 1.3% to 4.3% (2017: Nil) respectively.

Gearing ratio

The Group's gearing ratio is calculated as total borrowings, which is the summation of bank overdrafts, bank borrowings and loans from non-controlling interests, divided by total equity. The gearing ratio of the Group as at 31 December 2018 and 2017 were 27.9% and 5.1% respectively. The increase of the gearing ratio was mainly due to the utilisation of bank overdrafts and the raise of bank borrowings 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 2018, the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK$18.8 million (2017: HK$19.6 million), bond classified as financial assets at fair value through profit or loss of approximately HK$7.6 million (2017: HK$7.5 million classified as available-for-sale financial assets) and pledged bank deposits of HK$22.1 million (2017: HK$22.0 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 2018, approximately HK$101.8 million of the net 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The amounts utilised as at 31 December 2018 are as follows:

Purposes of net proceeds as disclosed in the Prospectus		Percentage	As at 31 December 2018 Amount of net proceeds *(HK' million)*	Amount utilised *(HK' million)*	Remaining balance *(HK' million)*
1.	To broaden customer base, to expand penetration in existing markets and to penetrate into new markets	**5%**	**11.0**	**11.0**	**–**
2.	To enhance our product design, development and engineering capabilities	**22%**	**48.4**	**45.4**	**3.0**
3.	To establish flagship stores, with one flagship store in Shanghai by end of 2015, and expand our retail sales networks and e-commerce business in the PRC	**15%**	**33.0**	**17.0**	**16.0**
4.	To purchase and renovate office premises	**45%**	**98.9**	**–**	**98.9**
5.	To enhance our information technology infrastructure	**3%**	**6.5**	**6.4**	**0.1**
6.	For working capital and general corporate purposes	**10%**	**22.0**	**22.0**	**–**
		100%	**219.8**	**101.8**	**118.0**

CONTINGENT LIABILITIES

As at 31 December 2018, the Group had no significant contingent liabilities (2017: Nil).

CAPITAL COMMITMENTS

As at 31 December 2018, the Group has capital commitment of approximately HK$42.1 million (2017: approximately HK$0.1 million) for the purchase of and addition to property, plant and equipment.

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 2018 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 REDEPTION 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 of the Company ("Shareholders") in an enlightened and open manner. The Board currently comprises two executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code ("CG Code") set out in Appendix 14 to the Listing Rules. During the 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 2018.

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

The 2018 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, 25 March 2019

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