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 2019

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 2019, together with the comparative audited figures for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** ***HK$'000***	2018 *HK$'000*
Revenue	*5*	**1,540,412**	1,566,864
Cost of sales		**(1,227,891)**	(1,282,245)
Gross profit		**312,521**	284,619
Other income and gains, net	*6*	**12,473**	6,646
Distribution expenses		**(48,364)**	(44,814)
Administrative expenses		**(111,934)**	(93,549)
Share of result of an associate		**4,827**	5,715
Finance costs	*7*	**(1,932)**	(952)
Profit before income tax	*8*	**167,591**	157,665
Income tax expenses	*9*	**(29,256)**	(25,719)
Profit for the year		**138,335**	131,946

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*
For the year ended 31 December 2019

	Notes	**2019** **HK$'000**	2018 *HK$'000*
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Change in fair value of financial assets at fair value through other comprehensive income		**(880)**	–
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(501)**	(127)
Other comprehensive income for the year		**(1,381)**	(127)
Total comprehensive income for the year		**136,954**	131,819
Profit for the year attributable to:			
Owners of the Company		**124,945**	118,003
Non-controlling interests		**13,390**	13,943
		138,335	131,946
Total comprehensive income attributable to:			
Owners of the Company		**123,826**	117,962
Non-controlling interests		**13,128**	13,857
		136,954	131,819
		HK cents	*HK cents*
Earnings per share:	*10*		
– Basic		**17.8**	16.9
– Diluted		**17.8**	16.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**66,688**	38,079
Prepaid land lease payments		**–**	1,623
Other asset		**172**	172
Interests in associates		**13,540**	8,713
Intangible asset		**–**	–
Deposits paid for property, plant and equipment		**13,811**	23,904
Financial assets at fair value through other comprehensive income		**2,570**	3,450
Deferred tax assets		**69**	6
		96,850	75,947
Current assets			
Inventories	*12*	**45,952**	64,851
Trade receivables	*13*	**306,722**	360,862
Prepayments, deposits and other receivables		**49,109**	79,414
Financial assets at fair value through profit or loss		**53,125**	53,053
Amounts due from associates		**548**	492
Prepaid tax		**–**	9,866
Pledged bank deposits		**22,169**	22,083
Cash and bank balances		**471,536**	421,415
		949,161	1,012,036
Current liabilities			
Trade and bills payables	*14*	**121,534**	120,754
Deposits received, other payables and accruals	*15*	**72,816**	58,893
Contract liabilities		**10,476**	7,562
Bank overdrafts		**47,788**	35,453
Bank borrowings		**–**	145,233
Lease liabilities		**4,642**	–
Loans from non-controlling interests		**10,646**	13,087
Amount due to an associate		**8,239**	1,980
Provision for tax		**19,504**	5,158
		295,645	388,120
Net current assets		**653,516**	623,916
Total assets less current liabilities		**750,366**	699,863

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
As at 31 December 2019

	Notes	**2019** **HK$'000**	2018 HK$'000
Non-current liabilities			
Lease liabilities		**5,114**	–
Deferred tax liabilities		**4,412**	4,936
		9,526	4,936
Net assets		**740,840**	694,927
EQUITY			
Equity attributable to owners of the Company			
Share capital		**7,000**	7,000
Reserves		**704,210**	669,696
		711,210	676,696
Non-controlling interests		**29,630**	18,231
Total equity		**740,840**	694,927

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 and other particulars 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 2019 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 2019

In the current year, the Group has applied for the first time the following new/revised HKFRSs and amendments issued by HKICPA which is relevant to and effective for the Group's financial statements for annual period beginning on 1 January 2019:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features and Negative Compensation
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs

The impact of the adoption of HKFRS 16 Leases have been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any significant impact on the Group's accounting policies.

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

(a) Adoption of new/revised HKFRSs – first effective on 1 January 2019 (Continued)

HKFRS 16 Leases

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease ("HK(IFRIC)-Int 4"), HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the consolidated statement of financial position as right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (v) as below.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following table summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as of 31 December 2018 to that of 1 January 2019 (increase/(decrease)):

	HK$'000
Consolidated statement of financial position as at 1 January 2019	
Assets	
Prepaid land lease payments	**(1,623)**
Property, plant and equipment	**9,989**
Deferred tax assets	**13**
Total assets	**8,379**
Liabilities	
Lease liabilities (non-current)	**5,274**
Lease liabilities (current)	**3,146**
Total liabilities	**8,420**
Total adjustment on equity	
Retained profits	**(25)**
Non-controlling interests	**(16)**
	(41)

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

(a) Adoption of new/revised HKFRSs – first effective on 1 January 2019 (Continued)

HKFRS 16 Leases (Continued)

(i) Impact of the adoption of HKFRS 16 (Continued)

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at 1 January 2019:

	HK$'000
Reconciliation of operating lease commitments to lease liabilities	
Operating lease commitment as of 31 December 2018	**12,873**
Less: short-term leases for which lease terms end within 31 December 2019	**(2,338)**
Less: leases of low-value assets	**(101)**
Less: leases included in termination option which the Group considers reasonably certain to exercise	**(1,588)**
Less: future interest expenses	**(426)**
Total lease liabilities as of 1 January 2019	**8,420**

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019 was approximately 3.8%.

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

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

(a) Adoption of new/revised HKFRSs – first effective on 1 January 2019 (Continued)

HKFRS 16 Leases (Continued)

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the consolidated statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets (the Group has leased photocopying machines) and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The Group presents right-of-use asset in "property, plant and equipment", the same line item within which the corresponding underlying assets would be presented if they were owned.

For leasehold land and buildings which is held for own use would continue to be accounted for under HKAS 16 and would be carried at cost less accumulated depreciation and any accumulated losses. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

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

(a) Adoption of new/revised HKFRSs – first effective on 1 January 2019 (Continued)

HKFRS 16 Leases (Continued)

(iii) Accounting as a lessee (Continued)

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group’s incremental borrowing rate.

The Group presents lease liability as a separate line item on the consolidated statement of financial position.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Accounting as a lessor

As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these consolidated financial statements.

(v) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application (1 January 2019). The comparative information presented in 2018 has not been restated and continued to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate at 1 January 2019.

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

(a) Adoption of new/revised HKFRSs – first effective on 1 January 2019 (Continued)

HKFRS 16 Leases (Continued)

(v) Transition (Continued)

The Group has elected to recognise the right-of-use assets at 1 January 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019 and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

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

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9 HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
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 2020

2 The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendment continue to be permitted.

The directors of the Company have performed an assessment on new standards, amendments and interpretations and have concluded on a preliminary basis that these new standards and amendments would not have a significant impact on the Group's consolidated financial statements in subsequent years.

3. BASIS OF PREPARATION

(a) Statement of compliance

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.

(b) Basis of measurement

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

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.

(c) Functional and presentation currency

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 (2018: 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**	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue						
Revenue from external customers	**1,427,920**	1,412,451	**112,492**	154,413	**1,540,412**	1,566,864
Segment results	**155,608**	149,633	**14,262**	6,212	**169,870**	155,845
Share of result of an associate					**4,827**	5,715
Unallocated income					**3,232**	2,700
Unallocated expenses					**(10,338)**	(6,595)
Profit before income tax					**167,591**	157,665

4. **SEGMENT INFORMATION (Continued)**

(i) **Operating segment information (Continued)**

	Trading of kitchenware and household products		Trading of raw materials		Total	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**758,350**	790,788	**86,042**	97,378	**844,392**	888,166
Prepaid tax					**–**	9,866
Deferred tax assets					**69**	6
Interests in associates					**13,540**	8,713
Unallocated corporate assets#					**188,010**	181,232
Consolidated total assets					**1,046,011**	1,087,983
Segment liabilities	**279,699**	379,630*	**826**	2,745	**280,525**	382,375*
Provision for tax					**19,504**	5,158
Deferred tax liabilities					**4,412**	4,936
Unallocated corporate liabilities					**730**	587*
Consolidated total liabilities					**305,171**	393,056

\# 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.

* Certain unallocated corporate liabilities for the year ended 31 December 2018 have been represented under segment liabilities of trading of kitchenware and household products in order to conform with the current year's presentation.

	Trading of kitchenware and household products		Trading of raw materials		Total	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:						
Interest income	**3,651**	2,633	**11**	2	**3,662**	2,635
Interest expenses	**(1,932)**	(952)	**–**	–	**(1,932)**	(952)
Depreciation of property, plant and equipment	**(10,357)**	(4,935)	**–**	–	**(10,357)**	(4,935)
Amortisation of intangible asset	**–**	(4,807)	**–**	–	**–**	(4,807)
Impairment of trade receivables	**(895)**	(213)	**(227)**	(74)	**(1,122)**	(287)
Fair value gain/(loss) of financial assets at fair value through profit or loss, net	**1,807**	(3,656)	**–**	–	**1,807**	(3,656)
Additions to non-current segment assets	**29,162**	26,891	**–**	–	**29,162**	26,891

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 a point in time, is divided into the following geographical areas:

	Notes	**2019** ***HK$'000***	2018 *HK$'000*
United States		**1,096,157**	1,128,565
Europe	*(a)*	**107,200**	77,117
Asia	*(b)*	**297,728**	330,567
Canada		**31,140**	27,905
Other locations	*(c)*	**8,187**	2,710
		1,540,412	1,566,864

Notes:

(a) Principally included United Kingdom, Switzerland, Belgium 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. The geographical location of other non-current assets is based on the physical location of the assets. As at 31 December 2019 and 2018, 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:

	2019 ***HK$'000***	2018 *HK$'000*
Company A	**669,290**	718,265
Company B	**203,117**	208,990

As at 31 December 2019, 68% (2018: 74%) 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 a 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:

	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers		
– Sales of kitchenware and household products	**1,427,920**	1,412,451
– Sales of raw materials	**112,492**	154,413
	1,540,412	1,566,864

6. OTHER INCOME AND GAINS, NET

	2019	2018
	HK$'000	*HK$'000*
Bank interest income	**6,649**	5,092
Interest income from unlisted bond	**193**	164
Dividend income from listed equity securities	**1,428**	136
Recharge from customers	**228**	2,911
Government grants	**3,156**	1,654
Fair value gain/(loss) on financial assets at fair value through profit or loss, net	**72**	(3,656)
Gain on disposal of property, plant and equipment	**200**	200
Others	**547**	145
	12,473	6,646

7. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest charges on financial liabilities at amortised cost:		
Bank borrowings	**1,159**	314
Bank overdrafts	**434**	638
Lease liabilities	**339**	–
	1,932	952

8. PROFIT BEFORE INCOME TAX

	2019	2018
	HK$'000	*HK$'000*
Profit before income tax is arrived at after charging/(crediting):		
Auditor's remuneration	**963**	1,053
Cost of inventories sold recognised as expense	**1,227,891**	1,282,245
Impairment of trade receivables	**1,122**	287
Depreciation of property, plant and equipment*	**10,464**	4,985
Amortisation of intangible asset*	**–**	4,807
Amortisation of prepaid land lease payments*	**–**	54
Write-off of property, plant and equipment	**12**	5
Research expenses	**80**	1,941
Short-term lease expenses	**780**	–
Low-value lease expenses	**68**	–
Operating lease rentals in respect of land and buildings and equipment previously classified as operating leases under HKAS 17	**–**	5,294
Employee benefit expenses (including directors' remuneration)		
Wages, salaries and other benefits	**50,221**	39,283
Discretionary bonuses	**9,000**	8,061
Contributions to defined contribution schemes	**3,664**	3,210
	62,885	50,554
Exchange gain, net	**(3,955)**	(5,922)

* Depreciation and amortisation charges are recognised in the consolidated statement of comprehensive income as distribution expenses of approximately HK$39,000 (2018: HK$54,000) and administrative expenses of approximately HK$10,425,000 (2018: HK$9,792,000) for the year ended 31 December 2019.

9. INCOME TAX EXPENSES

	2019	2018
	HK$'000	*HK$'000*
The taxation attributable to the Group's operation comprises:		
Current tax		
– Hong Kong profits tax	**22,509**	20,479
– Income tax outside Hong Kong	**8,174**	6,276
	30,683	26,755
Over provision in prior years		
– Hong Kong profits tax	**(853)**	(137)
Deferred tax		
– Credit for the year	**(574)**	(899)
Income tax expenses	**29,256**	25,719

9. INCOME TAX EXPENSES (Continued)

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% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Enterprise income tax ("EIT") for the year was calculated at 25% (2018: 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. 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$124,945,000 (2018: HK$118,003,000) and the weighted average of 700,000,000 (2018: 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 2019 and 2018, 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:

	2019	2018
	HK$'000	*HK$'000*
Interim dividend paid in respect of current year of HK5.5 cents (2018: HK5.5 cents) per share	**38,500**	38,500
Special dividend paid in respect of current year of HK1.5 cents (2018: HK1.5 cents) per share	**10,500**	10,500
Final dividend paid in respect of the prior year of HK6.0 cents (2018: HK7.0 cents) per share	**42,000**	49,000
	91,000	98,000

At the board meeting held on 23 March 2020, the board of directors resolved to recommend a final dividend of HK6.0 cents (2018: HK6.0 cents) and a special dividend of HK20.0 cents (2018: Nil) per ordinary share. The proposed final and special dividends have not been recognised as a dividend payable as at 31 December 2019, but will be reflected as an appropriation of retained profits/share premium for the year ending 31 December 2020.

12. INVENTORIES

	2019	2018
	HK$'000	*HK$'000*
Merchandises	**22,953**	25,610
Raw materials	**22,999**	39,241
	45,952	64,851

13. TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**308,099**	361,232
Less: impairment loss allowance	**(1,377)**	(370)
	306,722	360,862

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

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 allowance) as at the reporting date, based on the invoices dates, is as follows:

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**140,911**	188,698
31–60 days	**95,112**	80,484
61–90 days	**45,098**	69,659
Over 90 days	**25,601**	22,021
	306,722	360,862

14. TRADE AND BILLS PAYABLES

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

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**120,866**	118,212
Bills payables *(note)*	**668**	2,542
	121,534	120,754

Note: At 31 December 2019, bills payables of HK$668,000 (2018: HK$2,542,000) were secured by the pledge of the Group's leasehold land and buildings, pledged bank deposits and the corporate guarantee provided by the Company.

14. TRADE AND BILLS PAYABLES (Continued)

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

	2019	2018
	HK$'000	*HK$'000*
0–90 days	**112,682**	112,602
91–180 days	**4,196**	6,997
181–365 days	**3,113**	600
Over 365 days	**1,543**	555
	121,534	120,754

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

15. DEPOSITS RECEIVED, OTHER PAYABLES AND ACCRUALS

	2019	2018
	HK$'000	*HK$'000*
Accruals	**13,194**	21,063
Refund liabilities	**44,027**	37,800
Other payables *(note)*	**15,595**	30
	72,816	58,893

Note: During the year, the Group was informed by Contigo USA, one of the Group's customers, that they actively initiated an alert (the "Recall Alert") on 27 August 2019, through the United States Consumer Product Safety Commission, recalling approximately 5.7 million units of a product supplied by the Group, namely "Contigo Kids Cleanable Water Bottles" (the "Affected Products"). According to the Recall Alert, the Affected Products involved only for models with black spout base and cover, and it is believed that the Affected Products may pose safety concerns to children as its clear silicone spout can detach. Consumers are advised to contact Contigo USA for inspection instructions and a free replacement lid.

In December 2019, the Group reached an agreement (the "Agreement") with Ignite USA, LLC ("Ignite"), trading under the name of Contigo USA, on a without admission of liability basis for both parties, to assist on the issues and to release each other from claims and liabilities with respect to the recall of the Affected Products. Under the terms of the Agreement, the Group will grant Ignite a one-time sales credit (the "Sales Credit") in the amount of US$2 million (equivalent to approximately HK$15,560,000) for applying towards orders placed by or on behalf of Ignite from 1 January 2020 but Ignite shall not be entitled to require payment in respect of any unused portion of the Sales Credit. The amount of HK$15,560,000 was recognised as other payables as at 31 December 2019 and a reduction of revenue for the year ended 31 December 2019.

For details, please refer to the Company's announcements dated 30 August 2019 and 20 December 2019.

16. CAPITAL COMMITMENTS

	2019	2018
	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	**27,502**	42,104

17. EVENT AFTER THE REPORTING DATE

The outbreak of the Coronavirus Disease ("COVID-19") since early 2020 has posed a tremendous challenge to the overall global economy and the Group's business operation. Depending on the development of COVID-19 and its impact on the economic conditions, there may be adverse effect on the financial performance of the Group subsequent to the date of these financial statements. The Group will closely monitor the situation and, to the extent applicable, react proactively to minimize the impact of COVID-19 on the financial position and operating results of the Group. The assessment on the impact to the Group's financial performance brought about by the outbreak of COVID-19 is still in progress as at the date of this announcement.

FINAL DIVIDEND AND ANNUAL GENERAL MEETING

The Directors resolved to recommend the payment of a final dividend of HK6.0 cents amounting in aggregate to approximately HK$42.0 million. In order to celebrate the 5th anniversary of listing and thank all shareholder for their long-term support, the Directors also proposed a special dividend of HK20.0 cents per share amounting to approximately HK$140.0 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 HK33.0 cents per share (2018: HK13.0 cents per share), representing an approximately 184.9% dividend ratio. Excluding the special dividend, the total interim and final dividends of HK11.5 cents per share (2018: HK11.5 cents per share), representing an approximately 64.4% dividend ratio. The payment of the proposed final and special dividends is subject to the approval of the Shareholders at the forthcoming annual general meeting ("AGM") to be held on Friday, 29 May 2020 and are payable to Shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 15 July 2020. It is expected that the proposed final and special dividends will be paid on or about Friday, 17 July 2020. 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, 25 May 2020 to Friday, 29 May 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 22 May 2020.

Final Dividend and Special Dividend

In order to establish entitlements to the proposed final and special dividends, the register of members of the Company will be closed from Monday, 13 July 2020 to Wednesday, 15 July 2020, 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 and special dividends, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 10 July 2020.

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 2019. During 2019, the Group had expanded its design and R&D team which currently consist of a total of 18 members, as compared to 16 members in 2018, 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 has 11 engineers, provide innovative raw material ideas and cost-effective solutions to streamline the overall manufacturing process. As at 31 December 2019, the Group engaged a team of over 90 quality assurance professionals stationed at or near the production factories in the PRC.

International clientele

The Group has an extensive sales network and international clientele. During the year ended 31 December 2019, clients from the U.S. contributed over 71.2% of total revenue. Asia, Europe and Canada contributed 19.3%, 7.0% and 2.0%, 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 2019, the Group visited various trade fairs and shows worldwide. 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 outbreak of the Coronavirus Disease ("COVID-19") since early 2020 has posed a tremendous challenge to the overall global economy. Despite its minimal financial impact on the Group's 2019 annual results, there may be adverse effect on the subsequent financial performance, depending on the development of COVID-19 and its impact on the economic conditions. The Group will closely monitor the situation and, to the extent applicable, taking proactive actions to minimize the impact of COVID-19. The Group will also take the opportunity to further streamline its business process in order to maintain the leanest cost structure possible, in preparation for the upcoming challenges and opportunities when the global condition recovers.

Specifically, the Group will continue to leverage its growing design and engineering capabilities in the pursuit of its differentiation strategy. By providing tailor-made services to its customers, the Group will look to drive sales order from existing customers and attract new customers, further diversifying and expanding its customer base to achieve a sustainable revenue growth. 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 is expected to upgrade the Group's production capability on components of existing products, while allowing the Group to tap into new products range in the future. The Group has since identified an appropriate location in Hong Kong to assemble the first production line, and testing has been completed by the end of 2019. The Group is looking forward to applying the technology to achieve materials advancement, functionality improvement and product range expansion.

In terms of geographical markets, the Group will seek stable business growth in its existing overseas and the PRC markets through its established foothold in the global kitchenware and household product industry. On existing overseas markets, the Group will continue to focus on the mid-to-high-end segment through the introduction of innovative products with high functionality. The Group will also look to increase market penetration by working with local importers and trade agents, and expand potential collaborations with well-known U.S., Europe and also local brand owners and retailers.

On the PRC front, the Group will continue to focus on expanding its retail contribution and product assortment, as the market remains highly-underpenetrated with the large number of middle-class consumers craving for quality and trendy products. Since the introduction of the two-child policy by the PRC government in 2015, the demand for toddler and children products has been increasing, providing ample business opportunities and incentives to the Group. The Group has since dedicated more resources, such as enhancing its e-commerce platform and marketing and promotional activities, to capture the mother and toddler's market. Following the success on the launch of 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 also engages in raw materials trading business in order to diversify its business risk and expand revenue stream. For this business segment, the Group will continue to explore reliable commodities suppliers around the world for enriching raw material intelligence and increasing the varieties of raw materials to enjoy the benefits of economies of scale and synergy efficiency.

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2019, the Group recorded a steady revenue level and the Group's revenue was approximately HK$1,540.4 million, representing a slight decrease of approximately 1.7% as compared to approximately HK$1,566.9 million for 2018. This was mainly due to the new revenue sources to the Group generated from the Group's new sales projects with certain famous brand name owners which was offset by a decrease in sales from the segment of trading of raw materials and the sales credit offered to one of the Group's major customers during the year.

Gross profit and gross profit margin

The Group's gross profit increased by approximately 9.8% to approximately HK$312.5 million for year ended 31 December 2019 (2018: HK$284.6 million) and the gross profit margin increased by approximately 2.1% to approximately 20.3% for the year ended 31 December 2019 (2018: 18.2%). The higher gross profit margin was mainly due to the drop of the crude oil-based commodities price during the year which lowers the costs of certain raw materials for manufacturing the Group's products.

Other income and gains, net

During the year ended 31 December 2019, other income increased by approximately 89.4% to approximately HK$12.5 million (2018: HK$6.6 million) primarily due to the gain in fair value change of the financial assets at fair value through profit or loss and the increase in interest income and government grants during the year.

Distribution expenses

During the year ended 31 December 2019, distribution expenses increased by 8.0% to approximately HK$48.4 million (2018: HK$44.8 million). The increase was mainly due to the Group's dedication of more resources in product development and hence the cost of product approval test increased correspondingly.

Administrative expenses

During the year ended 31 December 2019, the administrative expenses increased by approximately 19.7% to approximately HK$111.9 million (2018: HK$93.5 million). The increase was primarily due to the increase in donation and Group's investment in human resources by recruiting more talent people to join the Group.

Profit for the year

Profit for the year ended 31 December 2019 increased by approximately 4.9% to approximately HK$138.3 million (2018: HK$131.9 million). The increase was mainly due to the increase of gross profit and other income. However, the one-time sales credit off-setting the positive effect from the increase of gross profit and other income.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had approximately 173 employees (2018: 156 employees). Total staff costs (including Directors' emoluments) were approximately HK$62.9 million for the year ended 31 December 2019, as compared to approximately HK$50.6 million for the year ended 31 December 2018.

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 2019, the Group had cash and bank balances amounted to approximately HK$471.5 million (2018: HK$421.4 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$47.8 million (2018: HK$35.5 million) and Nil (2018: HK$145.2 million) respectively as at 31 December 2019. The annual interest rate of the bank overdrafts and bank borrowings during the year ended 31 December 2019 ranged from 1.6% to 5.0% (2018: ranged from 3.5% to 4.5%) and Nil (2018: ranged from 1.3% to 4.3%) respectively.

Gearing ratio

The Group's gearing ratio is calculated as total borrowings, which is the summation of bank overdrafts, bank borrowings, lease liabilities and loans from non-controlling interests, divided by total equity. The gearing ratio of the Group as at 31 December 2019 and 2018 were 9.2% and 27.9% respectively. The decrease of the gearing ratio was mainly due to repayment 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 2019, the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK$18.0 million (2018: HK$18.8 million), bond classified as financial assets at fair value through profit or loss of approximately HK$7.6 million (2018: HK$7.6 million) and pledged bank deposits of HK$22.2 million (2018: HK$22.1 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 2019, approximately HK$113.9 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

The amounts utilised as at 31 December 2019 are as follows:

Purposes of net proceeds as disclosed in the Prospectus		Percentage	As at 31 December 2019 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**	**48.4**	**–**
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**	**26.0**	**7.0**
4.	To purchase and renovate office premises	**45%**	**98.9**	**–**	**98.9**
5.	To enhance our information technology infrastructure	**3%**	**6.5**	**6.5**	**–**
6.	For working capital and general corporate purposes	**10%**	**22.0**	**22.0**	**–**
		100%	**219.8**	**113.9**	**105.9**

CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no significant contingent liabilities (2018: Nil).

CAPITAL COMMITMENTS

As at 31 December 2019, the Group has capital commitment of approximately HK$27.5 million (2018: approximately HK$42.1 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 2019 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 THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance and has steered its development and protection of the interests of the shareholders of the Company ("Shareholders") in an enlightened and open manner. The Board comprises 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 2019.

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

The 2019 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, 23 March 2020

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.