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King's Flair International (Holdings) Limited

科勁國際(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6822)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020, together with the comparative audited figures for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	5	1,311,184	1,540,412
Cost of sales		(1,005,587)	(1,227,891)
Gross profit		305,597	312,521
Other income and gains, net	6	8,463	12,473
Distribution expenses		(44,711)	(48,364)
Administrative expenses		(113,077)	(111,934)
Share of results of associates		4,243	4,827
Finance costs	7	(1,402)	(1,932)
Profit before income tax	8	159,113	167,591
Income tax expenses	9	(28,014)	(29,256)
Profit for the year		131,099	138,335

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*
For the year ended 31 December 2020

	2020	2019
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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	(294)	(880)
Item that may be reclassified subsequently to profit or loss:		
Exchange difference arising on translation of foreign operations	<u>3,097</u>	<u>(501)</u>
Other comprehensive income for the year	<u>2,803</u>	<u>(1,381)</u>
Total comprehensive income for the year	<u>133,902</u>	<u>136,954</u>
Profit for the year attributable to:		
Owners of the Company	114,081	124,945
Non-controlling interests	<u>17,018</u>	<u>13,390</u>
	<u>131,099</u>	<u>138,335</u>
Total comprehensive income attributable to:		
Owners of the Company	115,342	123,826
Non-controlling interests	<u>18,560</u>	<u>13,128</u>
	<u>133,902</u>	<u>136,954</u>
	<i>HK cents</i>	<i>HK cents</i>
Earnings per share:	<i>10</i>	
– Basic	16.3	17.8
– Diluted	<u>16.3</u>	<u>17.8</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		54,998	66,688
Other asset		172	172
Interests in associates		12,673	13,540
Intangible asset		–	–
Deposits paid for property, plant and equipment		16,365	13,811
Financial assets at fair value through other comprehensive income		2,276	2,570
Deferred tax assets		277	69
		86,761	96,850
Current assets			
Inventories	<i>12</i>	50,569	45,952
Trade receivables	<i>13</i>	256,178	306,722
Prepayments, deposits and other receivables		46,904	49,109
Financial assets at fair value through profit or loss		44,602	53,125
Amounts due from associates		646	548
Pledged bank deposits		22,254	22,169
Cash and bank balances		373,928	471,536
		795,081	949,161
Current liabilities			
Trade and bills payables	<i>14</i>	102,975	121,534
Other payables and accruals		23,314	72,816
Contract liabilities		7,329	10,476
Bank overdrafts		–	47,788
Bank borrowings		59,450	–
Lease liabilities		3,314	4,642
Loans from non-controlling interests		1,920	10,646
Amount due to an associate		5,500	8,239
Provision for tax		7,630	19,504
		211,432	295,645
Net current assets		583,649	653,516
Total assets less current liabilities		670,410	750,366

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)**As at 31 December 2020*

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current liabilities		
Lease liabilities	1,563	5,114
Deferred tax liabilities	4,105	4,412
	<u>5,668</u>	<u>9,526</u>
Net assets	<u>664,742</u>	<u>740,840</u>
EQUITY		
Equity attributable to owners of the Company		
Share capital	7,000	7,000
Reserves	609,552	704,210
	<u>616,552</u>	<u>711,210</u>
Non-controlling interests	<u>48,190</u>	<u>29,630</u>
Total equity	<u>664,742</u>	<u>740,840</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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 2020 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. The Company's controlling party is Dr. Wong Siu Wah, who is also the Chairman and Chief Executive Officer of the Company.

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

(a) Adoption of new/revised HKFRSs – first effective on 1 January 2020

In the current year, the Group has applied for the first time the following amendments to HKFRSs issued by HKICPA which is relevant to and effective for the Group's financial statements for annual period beginning on 1 January 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 16	COVID-19 – Related Rent Concessions (early adopted)

The adoption of the above amended HKFRSs did not have any significant impact on the Group's accounting policies.

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

(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 HKAS 1	Classification of Liabilities as Current or Non-current ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ¹
Amendments to HKFRS 3	References to Conceptual Framework ³
Annual Improvements to HKFRSs to 2018-2020 ²	
HK Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁴
HKFRS 17	Insurance Contracts ⁴

Notes:

- 1 Effective for annual periods beginning on or after 1 January 2021.
- 2 Effective for annual periods beginning on or after 1 January 2022.
- 3 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.
- 4 Effective for annual periods beginning on or after 1 January 2023.
- 5 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after or date to be determined.

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Interpretation 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Interpretation 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

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

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

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

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors’ interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture.

Amendments to HKAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the “Reform”). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

Annual Improvements to HKFRSs 2018-2020

The annual improvements amends a number of standards, including:

HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

HKFRS 17, Insurance Contracts

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4, Insurance Contracts. The standard outlines a 'General Model', which is modified for insurance contracts with direct participation features, described as the 'Variable Fee Approach'. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

The directors of the Company have performed an assessment on the above 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 (the "Listing Rules").

(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. The Group is organised around differences in products. There are two (2019: two) business components in the internal reporting to the executive directors, which are (i) trading of kitchenware and household products, including drinkware, tools and gadgets, bakeware and accessories and food preparation products and (ii) trading of raw materials, including mainly silicone.

There were no inter-segment sales between different business segments for the year ended 31 December 2020 and 2019.

	Trading of kitchenware and household products		Trading of raw materials		Total	
	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue						
Revenue from external customers	<u>1,212,469</u>	<u>1,427,920</u>	<u>98,715</u>	<u>112,492</u>	<u>1,311,184</u>	<u>1,540,412</u>
Segment results	<u>154,109</u>	<u>155,608</u>	<u>11,591</u>	<u>14,262</u>	<u>165,700</u>	<u>169,870</u>
Share of results of associates					4,243	4,827
Unallocated income					3,563	3,232
Unallocated expenses					<u>(14,393)</u>	<u>(10,338)</u>
Profit before income tax					<u>159,113</u>	<u>167,591</u>
	Trading of kitchenware and household products		Trading of raw materials		Total	
	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	626,275	758,350	58,202	86,042	684,477	844,392
Deferred tax assets					277	69
Interests in associates					12,673	13,540
Unallocated corporate assets [#]					<u>184,415</u>	<u>188,010</u>
Consolidated total assets					<u>881,842</u>	<u>1,046,011</u>
Segment liabilities	202,722	279,699	821	826	203,543	280,525
Provision for tax					7,630	19,504
Deferred tax liabilities					4,105	4,412
Unallocated corporate liabilities					<u>1,822</u>	<u>730</u>
Consolidated total liabilities					<u>217,100</u>	<u>305,171</u>

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

4. SEGMENT INFORMATION (Continued)

(i) Operating segment information (Continued)

	Trading of kitchenware and household products		Trading of raw materials		Total	
	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts included in the measurement of segment profit or loss or assets:						
Interest income	1,598	3,651	–	11	1,598	3,662
Interest expenses	(1,377)	(1,932)	–	–	(1,377)	(1,932)
Depreciation of property, plant and equipment	(14,663)	(10,357)	–	–	(14,663)	(10,357)
Impairment of trade receivables	(233)	(895)	(79)	(227)	(312)	(1,122)
Fair value (loss)/gain of financial assets at fair value through profit or loss, net	(2,813)	1,807	–	–	(2,813)	1,807
Additions to non-current segment assets	2,726	29,162	–	–	2,726	29,162

(ii) Reconciliations of other material items in the segment information

	2020 HK\$'000	2019 HK\$'000
Other material items		
Reportable segments' interest income	1,598	3,662
Unallocated	1,904	3,180
Consolidated interest income	3,502	6,842
Reportable segments' depreciation of property, plant and equipment	(14,663)	(10,357)
Unallocated	(314)	(107)
Consolidated depreciation of property, plant and equipment	(14,977)	(10,464)
Reportable segments' fair value (loss)/gain of financial assets at fair value through profit or loss, net	(2,813)	1,807
Unallocated	(5,711)	(1,735)
Consolidated fair value (loss)/gain of financial assets at fair value through profit or loss, net	(8,524)	72

4. SEGMENT INFORMATION (Continued)

(iii) Disaggregated revenue and geographical segment information

The management determines that 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 on point in time basis, is divided into the following geographical areas:

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
United States		879,745	1,096,157
Asia	(a)	305,153	297,728
Europe	(b)	90,949	107,200
Canada		30,917	31,140
Other locations	(c)	4,420	8,187
		1,311,184	1,540,412

Notes:

(a) Principally included the PRC*, Hong Kong* and Japan

(b) Principally included United Kingdom, Switzerland, Belgium and Germany

(c) Principally included Australia

* Including revenue from the PRC and Hong Kong of HK\$275,179,000 (2019: HK\$272,553,000)

The geographical location of customers is based on the location of customers. As at 31 December 2020 and 2019, over 90% of the Group's non-current assets (other than financial instruments and deferred tax assets) are physically located in Hong Kong.

(iv) 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Company A (<i>note a,b</i>)	342,449	669,290
Company B (<i>note a,b</i>)	255,438	203,117
Company C (<i>note a,c</i>)	196,203	146,519

The revenue from these three customers were all derived from segment engaging in trading of kitchenware and household products.

Notes:

(a) As at 31 December 2020, 54% of the Group's trade receivables were due from the abovementioned three major customers.

(b) As at 31 December 2019, 68% of the Group's trade receivables were due from the above mentioned two major customers.

(c) Revenue amounting to approximately HK\$146,519,000 from transactions with Company C did not exceed 10% of the Group's revenue for the year ended 31 December 2019 and is disclosed for comparison.

5. REVENUE

The Group is principally engaged in trading of kitchenware and household products and raw materials including mainly silicone for certain of these products. 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from contracts with customers		
– Sales of kitchenware and household products	1,212,469	1,427,920
– Sales of raw materials	98,715	112,492
	1,311,184	1,540,412

6. OTHER INCOME AND GAINS, NET

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank interest income	3,412	6,649
Interest income from unlisted bond	90	193
Dividend income from listed equity securities	1,431	1,428
Recharge from customers	191	228
Government grants	9,851	3,156
Fair value (loss)/gain on financial assets at fair value through profit or loss, net	(8,524)	72
Gain on disposal of property, plant and equipment	93	200
Others	1,919	547
	8,463	12,473

7. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest charges on financial liabilities at amortised cost:		
Bank borrowings	258	1,159
Bank overdrafts	799	434
Lease liabilities	345	339
	1,402	1,932

8. PROFIT BEFORE INCOME TAX

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit before income tax is arrived at after charging/(crediting):		
Auditor's remuneration	942	963
Cost of inventories sold recognised as expense	1,005,587	1,227,891
Impairment of trade receivables	312	1,122
Depreciation of property, plant and equipment (<i>note a</i>)	14,977	10,464
Write-off of property, plant and equipment	–	12
Research expenses	2,075	80
Short-term lease expenses	862	780
Low-value lease expenses	69	68
Licensing fee (<i>note b</i>)	10,302	10,351
Quality inspection expenses (<i>note c</i>)	16,473	16,438
Employee benefit expenses (including directors' remuneration) (<i>note d</i>)		
Wages, salaries and other benefits	51,325	50,221
Discretionary bonuses	3,811	9,000
Contributions to defined contribution schemes	3,184	3,664
	58,320	62,885
Exchange loss/(gain), net	1,244	(3,955)

Notes:

- (a) Depreciation charges are recognised in the consolidated statement of comprehensive income as distribution expenses of approximately HK\$70,000 (2019: HK\$39,000) and administrative expenses of approximately HK\$14,907,000 (2019: HK\$10,425,000) for the year ended 31 December 2020.
- (b) This item is included in distribution expenses in the consolidated statement of comprehensive income.
- (c) This item is included in administrative expenses in the consolidated statement of comprehensive income.
- (d) Employee benefit expenses are recognised in the consolidated statement of comprehensive income as distribution expenses of approximately HK\$7,350,000 (2019: HK\$6,791,000) and administrative expenses of approximately HK\$50,970,000 (2019: HK\$56,094,000) for the year ended 31 December 2020.

9. INCOME TAX EXPENSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The taxation attributable to the Group's operation comprises:		
Current tax		
– Hong Kong profits tax	19,237	22,509
– Income tax outside Hong Kong	9,630	8,174
	28,867	30,683
Over provision in prior years		
– Hong Kong profits tax	(338)	(853)
Deferred tax		
– Credit for the year	(515)	(574)
Income tax expenses	28,014	29,256

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% (2019: 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 is taxed at 16.5%

Enterprise income tax (“EIT”) for the year was calculated at 25% (2019: 25%) of the estimated assessable profits arising from the PRC. 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\$114,081,000 (2019: HK\$124,945,000) and the weighted average of 700,000,000 (2019: 700,000,000) ordinary shares in issue during the year.

Diluted earnings per share

There were no potential ordinary shares outstanding during the years ended 31 December 2020 and 2019, 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interim dividend declared and paid in respect of current year of HK4.0 cents (2019: HK5.5 cents) per share	28,000	38,500
Special dividend declared and paid in respect of current year of Nil (2019: HK1.5 cents) per share	–	10,500
Final dividend declared and paid in respect of the prior year of HK6.0 cents (2019: HK6.0 cents) per share	42,000	42,000
Special dividend declared and paid in respect of the prior year of HK20.0 cents (2019: Nil) per share	140,000	–
	<u>210,000</u>	<u>91,000</u>

At the board meeting held on 19 March 2021, the board of directors resolved to recommend a final dividend of HK7.5 cents (2019: HK6.0 cents) and a special dividend of Nil (2019: HK20.0 cents) per ordinary share. The proposed final dividend has not been recognised as a dividend payable as at 31 December 2020, but will be reflected as an appropriation of retained profits/share premium for the year ending 31 December 2021.

12. INVENTORIES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Merchandises held for resale	33,828	22,953
Raw materials	16,741	22,999
	<u>50,569</u>	<u>45,952</u>

13. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	257,867	308,099
Less: impairment loss allowance	(1,689)	(1,377)
	<u>256,178</u>	<u>306,722</u>

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 that 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 end of the reporting period, based on the invoices date, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0–30 days	136,183	140,911
31–60 days	69,336	95,112
61–90 days	27,967	45,098
Over 90 days	22,692	25,601
	<u>256,178</u>	<u>306,722</u>

14. TRADE AND BILLS PAYABLES

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	102,340	120,866
Bills payables (<i>note</i>)	635	668
	102,975	121,534

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0–90 days	98,810	112,682
91–180 days	826	4,196
181–365 days	880	3,113
Over 365 days	2,459	1,543
	102,975	121,534

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

15. CAPITAL COMMITMENTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Capital expenditures contracted but not provided for in the consolidated financial statements in respect of:		
– Purchase of and addition to property, plant and equipment	35,226	27,502

FINAL DIVIDEND AND ANNUAL GENERAL MEETING

The Directors resolved to recommend the payment of a final dividend of HK7.5 cents (2019: HK6.0 cents) and no special dividend (2019: HK20.0 cents) per share. Together with the interim dividend of HK4.0 cents (2019: interim dividend of HK5.5 cents and special dividend of HK1.5 cents) per share in total already paid, the total dividend for the year would be HK11.5 cents per share (2019: HK33.0 cents per share), representing an approximately 70.6% (2019: 184.9%) 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 May 2021 and are payable to Shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 23 June 2021. It is expected that the proposed final dividend will be paid on or about Wednesday, 30 June 2021. Notice of the 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 May 2021 to Friday, 28 May 2021, 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, 21 May 2021.

Final Dividend

In order to establish entitlements to the proposed final dividend, the register of members of the Company will be closed from Monday, 21 June 2021 to Wednesday, 23 June 2021, 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 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 18 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year 2020, the rapid global spread of the Coronavirus Disease (“COVID-19”) has severely disrupted the global economic activities and leading to widespread economic recession. With the temporary factory shutdowns in the PRC and Southeast Asian countries and the imposition of various lockdowns and other social distancing measures by the local governments, the unprecedented situation hindered the operational efficiencies of the Group’s manufacturing function and led to temporary supply chain disruptions, causing delayed shipments, reduced and cancelled order booked from customers in response to lower consumer demand.

As the COVID-19 pandemic was swiftly and effectively contained in the PRC during the first half of 2020, there was a quick recovery in the domestic economic activities. The Group’s suppliers in the PRC was able to resume their operation, while the Group was able to respond actively to the challenge of and to overcome the difficulties arising from the COVID-19 pandemic by working closely with all its customers, suppliers and all other partners together and maintain a stable operation of its overall business.

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2020, the Group recorded a decrease in its revenue to approximately HK\$1,311.2 million, representing a decrease of approximately 14.9%, as compared to approximately HK\$1,540.4 million for 2019. This was mainly due to the noticeable decrease in sales of outdoor products to the United States and Europe and the decrease in sales of raw materials resulting from the outbreak of the COVID-19.

Gross profit and gross profit margin

The Group’s gross profit decreased by approximately 2.2% to approximately HK\$305.6 million for year ended 31 December 2020 (2019: HK\$312.5 million) and the gross profit margin increased by approximately 3.0% to approximately 23.3% for the year ended 31 December 2020 (2019: 20.3%). The higher gross profit margin was mainly due to the lower cost of raw materials as the price of commodities decreased and remained at a relatively low level for most of the time during the year. In addition, the sales credit offered to a customer that caused a reduction in revenue for the year 2019 and hence the lower gross profit margin comparing to the year 2020.

Other income and gains, net

During the year ended 31 December 2020, other income decreased by approximately 32.0% to approximately HK\$8.5 million (2019: HK\$12.5 million) primarily due to the decrease in interest income resulting from the dramatic lowering of interest rate by major central banks around the world to protect the economy from a potential recession after the COVID-19 pandemic and the unrealized loss in fair value change of the financial assets at fair value through profit or loss during the year.

Distribution expenses

During the year ended 31 December 2020, distribution expenses decreased by approximately 7.6% to approximately HK\$44.7 million (2019: HK\$48.4 million). The decrease was mainly due to the decrease in sales orders received by the Group resulting in a corresponding decrease in the relevant transportation cost and marketing expenses.

Administrative expenses

During the year ended 31 December 2020, the administrative expenses slightly increased by approximately 1.1% to approximately HK\$113.1 million (2019: HK\$111.9 million) due to the decrease in the Directors' remuneration as a proactive cost control measure to minimise the effect on the Group's performance brought about by the impact of the COVID-19 pandemic, which was partially offset by the increase in depreciation charge as a result in an increase in the investment in the research and development and the machinery.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the year ended 31 December 2020 decreased by approximately 8.6% to approximately HK\$114.1 million (2019: HK\$124.9 million). The decrease in the Group's revenue during the year was an inevitable outcome of the slowdown in the global economy as a result of the outbreak of the COVID-19 pandemic. In order to cope with this adverse situation, the Group has taken measures to minimize the impact on the profit attributable to the owners of the Company by maintaining the leanest cost structure.

In addition, the worsening market sentiment due to the impact of the COVID-19 pandemic has resulted in an unrealized fair value loss on financial assets at fair value through profit or loss amounting to approximately HK\$8.5 million for the year. Excluding the unrealized fair value loss, the decrease in the profit of underlying business is approximately 1.8% for the year.

FUTURE STRATEGY

Despite the unusually high degree of uncertainty to the outlook in the year 2021 brought about by the ongoing impact of the COVID-19 pandemic, with the rollout of COVID-19 vaccine, the global economy will see its first sight of twilight in the tunnel. Depending on the effective deployment of vaccines around the world, the global economy is projected to recover and grow robustly. In the United States, one of the Group's largest markets, the possibility of less combative international trade and foreign policies under the new administration and the expectations of more fiscal stimuli outline a favourable outlook to the Group. Given the immediate and continuing challenges, the Group will stay vigilant and react cautiously to the possible impact on the financial position and operating results of the Group.

As for the Group's products and services, the Group continues to develop new products with patentable design, catering to mechanical design breakthrough, users' experience enhancement and production streamlining, in order to support its customers' market penetration through product innovation. The Group's professional research and development team and the research center and laboratory in the Hong Kong Science Park enables the Group to actively drive innovative designs to assist the Group's customers in meeting the potential surge in consumption demand when the economy recovers. By providing tailor-made services to its customers, the Group will look to drive sales order from existing customers and attract new customers, with a view to further diversifying and expanding its customer base to achieve a sustainable revenue growth.

For the Group's wholesale and retail service, the Group insists on distributing only products produced by the Group. Leveraging on the Group's in-house design capability, flexible and agility supply chain capability, real-time quality control and local market knowledge, together with the Group's meticulousness on the quality of products and services, the Group is capable to response to market trend and needs in a speedy manner without compromising quality product and services. The Group extends its end-to-end control through establishing sales and distribution network, penetrating the PRC market, securing multi-channel and expanding other territories in the Asia Pacific region such as Taiwan, Thailand and Japan.

Diversifying the Group's product portfolio has been one of the main focuses. In addition to the existing category of kitchenware products, the Group fosters new customers from other household product segments such as baby, toddlers, kids tools and gadgets, pets accessories, coffee accessories and glassware help to widen its supply chain capability. In 2020, this product line has achieved steady growth, and the Group is optimistic about the prospect of the new product lines.

With the establishment of a production line in Tai Po consisting of standard version of the Nanospider™ eight-electrode solvent optimized 1600 mm width with an upward spinning configuration (the "Equipment"), which can optimize the specific properties of the produced nanofibers, the Group is able to perform research on raw material development and application for our products. Moreover, the Group is in the course of entering into rental arrangement with Hong Kong Science and Technology Parks Corporation in the project of Advanced Manufacturing Centre in Tseung Kwan O Industrial Estate which is expected to complete in 2022 for the Group to install the remaining Equipment that provides the Group with the production capacity for introducing new materials and features to its products.

The Group will continue to expand its existing headcounts and establish new departments by recruiting talents with competitive knowledge, skillset, experience and capability to cater for the special needs of each project. The Group will also continue to invest in design and intellectual property right protection, upgrade its supply chain production capability and expand the wholesale and retail network in Asia which collaboratively contributes to drive business growth over the long term. In 2021, the Group will continue to establish strategic partnership with certain partners to further strengthen our product design capabilities and penetrate potential market.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group had approximately 190 employees (2019: 173 employees). Total staff costs (including Directors' emoluments) were approximately HK\$58.3 million for the year ended 31 December 2020, as compared to approximately HK\$62.9 million for the year ended 31 December 2019.

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-run retirement benefit schemes for employees in the PRC.

The emoluments of the Directors are decided by the Remuneration Committee, taking into account of the Group's operating results, individual performance and comparable market statistics.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group manages its capital structure with an 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.

Cash and bank balances and borrowing

As at 31 December 2020, the Group had cash and bank balances amounted to approximately HK\$373.9 million (2019: HK\$471.5 million) which were mainly denominated in United States dollars ("USD"), Renminbi ("RMB") and Hong Kong dollars ("HKD"). The Group had no bank overdrafts (2019: approximately HK\$47.8 million) and had bank borrowings of approximately HK\$59.5 million (2019: Nil) as at 31 December 2020. The annual interest rate of the bank overdrafts and bank borrowings during the year ended 31 December 2020 ranged from 2.01% to 3.63% (2019: ranged from 1.6% to 5.0%) and ranged from 0.97% to 1.59% (2019: Nil) 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 2020 and 2019 were approximately 10.0% and 9.2% respectively. The increase of the gearing ratio was mainly due to increase in bank borrowings during the year.

Banking facilities

As at 31 December 2020, the Group has banking facilities totalling approximately HK\$441.3 million (2019: HK\$319.9 million), of which approximately HK\$59.5 million (2019: HK\$47.8 million) has been utilised by the Group. The utilisation rates as at 31 December 2020 and 2019 were approximately 13.5% and 14.9% respectively. With financial supports from the banks and low utilization rate, the Group has reserved sufficient banking facilities available for future use.

FOREIGN EXCHANGE EXPOSURE

The Group's revenue is mainly denominated in USD while its cost of sales is mainly denominated 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 financial performance. The Group's treasury policies are designed to mitigate the impact of fluctuations in foreign currency exchange rates arising from the Group's operations. The Group principally uses forward foreign exchange contracts to hedge the foreign exchange risks in the ordinary course of business.

PLEDGE OF ASSETS

As at 31 December 2020, the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK\$17.2 million (2019: HK\$18.0 million), bond classified as financial assets at fair value through profit or loss of approximately HK\$7.7 million (2019: HK\$7.6 million) and pledged bank deposits of approximately HK\$22.3 million (2019: HK\$22.2 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 2020, approximately HK\$120.9 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 Listing Rules.

Set out below is a breakdown of the planned use and actual use of proceeds up to 31 December 2020 are as follows:

Purposes of net proceeds as disclosed in the Prospectus	Planned use of proceeds as disclosed in the Prospectus (HK\$' million)	Actual use of proceeds from the listing date to 31 December 2019 (HK\$' million)	Actual use of proceeds during the year ended 31 December 2020 (HK\$' million)	Unused proceeds as at 31 December 2020 (HK\$' million)
To broaden customer base, to expand penetration in existing markets and to penetrate into new markets	11.0	11.0	-	-
To enhance the Group's product design, development and engineering capabilities	48.4	48.4	-	-
To establish flagship stores, with one flagship store in Shanghai by end of 2015, and expand the Group's retail sales networks and e-commerce business in the PRC	33.0	26.0	7.0	-
To purchase and renovate office premises	98.9	-	-	98.9
To enhance the Group's information technology infrastructure	6.5	6.5	-	-
For working capital and general corporate purposes	22.0	22.0	-	-
	<u>219.8</u>	<u>113.9</u>	<u>7.0</u>	<u>98.9</u>

Since completion of the Share Offer in January 2015, the Company has been on the lookout for acquiring suitable premises for expansion of office space as described in the Prospectus. However, prices of office premises in Hong Kong has been in a continuous upward trend since then and prices for premises of suitable size and location on the market has exceeded the budget allocated for such purpose. The Group will continue identifying suitable premises for expansion with a view to implement the acquisition and utilise part or whole of the proceeds allocated for this purpose by the year ending 31 December 2021.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group had no significant contingent liabilities (2019: Nil).

CAPITAL COMMITMENTS

As at 31 December 2020, the Group has capital commitment of approximately HK\$35.2 million (2019: HK\$27.5 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 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 2020 as set out in this 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 this announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the year ended 31 December 2020, 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.

Dr. 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 2020.

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

The 2020 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
Dr. Wong Siu Wah
Chairman and Executive Director

Hong Kong, 19 March 2021

As at the date of this announcement, the Board comprises two executive directors, namely Dr. 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.