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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)

**DISCLOSEABLE TRANSACTION –
ACQUISITION OF THE TARGET COMPANY HOLDING
THE PROPERTY**

The Board wishes to announce that on 12 May 2021 after trading hours, the Purchaser (being an indirect wholly-owned subsidiary of the Company) and the Vendor entered into the Provisional Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Share and the Sale Loan, representing the entire issued share capital of, and all amounts owing to the Vendor by, the Target Company, at the Consideration of HK\$138,000,000 (subject to adjustment based on the Net Current Asset Value), which will be satisfied in cash.

The principal asset and activity of the Target Company is the Property and the leasing thereof.

LISTING RULES IMPLICATION

As certain applicable percentage ratios calculated in accordance with the Listing Rules are above 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Board wishes to announce that on 12 May 2021 (after trading hours), the Purchaser and the Vendor entered into the Provisional Agreement, the principal terms of which are set out below.

THE PROVISIONAL AGREEMENT

Date:

12 May 2021 (after trading hours)

Parties:

Purchaser : King's Flair Marketing Limited, a company incorporated in BVI with limited liability and an indirect wholly-owned subsidiary of the Company

Vendor : Lee Sung Yin, who is an individual who, to the best of the Directors' knowledge, information and belief having made all reasonable enquires, is an Independent Third Party.

Subject matter of the Provisional Agreement

Pursuant to the Provisional Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Share and the Sale Loan free from encumbrances.

The Sale Share represents the entire issued share capital of and in the Target Company as at the date of the Provisional Agreement and at Completion. The Sale Loan represents the aggregate amount owing by the Target Company to the Vendor on Completion.

Consideration

The total consideration for the Sale Share and Sale Loan is HK\$138,000,000, subject to adjustment based on the Net Current Asset Value as described below, which shall be paid as follows:

- (a) an initial deposit of HK\$6,000,000 (the "**Initial Deposit**") has been paid on the signing of the Provisional Agreement;
- (b) a further deposit of HK\$7,800,000 (the "**Further Deposit**") shall be paid on or before 10 June 2021; and
- (c) the remaining balance of the Consideration in the sum of HK\$124,200,000 (subject to adjustment as aforesaid) shall be paid upon Completion.

The Vendor shall produce to the Purchaser the proforma Completion Accounts of the Target Company at least 5 days prior to the Completion Date and the audited Completion Accounts of the Target Company within 30 days after the Completion Date.

If the Net Current Asset Value is more or less than zero, the Consideration shall be adjusted as follows:

- (a) adding to the Consideration all current tangible assets of the Target Company including rentals receivable (if applicable) (up to and inclusive of the Completion Date), utilities and other miscellaneous deposits, prepaid rates and government rent, and other expenses relating to the Property (up to but exclusive of the Completion Date); and
- (b) deducting from the Consideration all liabilities of the Target Company (other than the Sale Loan).

Based on the information of the Target Company provided by the Vendor, the Consideration is approximately HK\$138,000,000.

The Consideration was determined after arm's length negotiation between the Purchaser and the Vendor with reference to the current market value of comparable properties in the proximity of the Property.

As disclosed in the annual report of the Company for the year ended 31 December 2020, the Company has unused proceeds of HK\$98.9 million from the Share Offer allocated for purchase and renovation of office premises. Payment of the Consideration will be financed by internal resources of the Group, including utilization of the net proceeds from the Share Offer and external borrowings.

Formal Agreement

Pursuant to the terms of the Provisional Agreement, the Vendor and the Purchaser shall enter into a formal agreement for sale and purchase on or before 10 June 2021, which shall incorporate the terms, warranties and representations customary to transactions of similar nature based on the principal terms of the Provisional Agreement. If the parties shall fail to agree on such formal agreement the Provisional Agreement shall remain in full force and effect.

Conditions precedent

Completion is conditional upon fulfilment of the following matters:

- (a) the Purchaser having completed its due diligence review on the business, financial, legal and other aspects of the Target Company and satisfied with the results thereof; and
- (b) the Vendor having shown and proved that the Target Company has good title to the Property pursuant to Sections 13 and 13A of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong).

If any of the conditions above has not been fulfilled (or waived by the Purchaser) on or before the Completion Date, the Purchaser shall be entitled to terminate the Provisional Agreement whereupon the Vendor shall forthwith refund to the Purchaser all deposits paid.

Completion

Completion shall take place on or before 19 July 2021.

The Vendor shall be entitled to terminate the Provisional Agreement before he receives the Further Deposit provided that the Vendor shall refund to the Purchaser the Initial Deposit paid by the Purchaser and compensate the Purchaser with an amount equivalent to the Initial Deposit as liquidated damages but the Purchaser shall not have any further claims against the Vendor.

If the Purchaser shall fail to pay the Further Deposit in accordance with the provisions of the Provisional Agreement, the Vendor may terminate the Provisional Agreement and forfeit the Initial Deposit paid by the Purchaser but the Vendor shall not have any further claims against the Purchaser.

INFORMATION OF THE GROUP AND THE PURCHASER

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

The Purchaser, King's Flair Marketing Limited, is an indirect wholly-owned subsidiary of the Company.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in BVI. As at the date of the Provisional Agreement, its principal asset is the Property and its sole activity is the leasing of the Property.

The Property comprises the 14th Floor of Block C of Sea View Estate, No. 8 Watson Road and Parking Space No.60 on 1/F, Block B of Seaview Estate, Nos. 4-6 Watson Road, Hong Kong. The said 14th Floor has gross floor area of approximately 12,000 square feet. The Property is currently leased to Independent Third Parties at the aggregate monthly rental of HK\$289,900, exclusive of management fees and government rates but inclusive of government rents for the said 14th Floor and inclusive of management fees for the said Parking Space.

The unaudited financial information of the Target Company as provided by the Vendor for the two financial years ended 31 March 2019 and 31 March 2020 was as follows:

	For the year ended 31 March 2019	For the year ended 31 March 2020
(Loss) before taxation	HK\$(632,200.31)	HK\$(1,087,659.63)
(Loss) after taxation	HK\$(632,200.31)	HK\$(1,087,659.63)

REASONS FOR AND BENEFITS OF THE TRANSACTION

As disclosed in the Prospectus, the Company intended to apply HK\$98.9 million of the proceeds from the Share Offer for the expansion of the Group's head office in Hong Kong through the purchase of additional office premises. The Property, which is sufficiently sizeable and suitable for the Group's expansion and located in the vicinity of Causeway Bay Hong Kong, represents a valuable opportunity for the Company to utilise part or whole of the proceeds allocated for this purpose. The Company intended to use the Property as its new head office after the expiry of the existing tenancy. In the meantime, the Acquisition would generate steady recurring rental income and strengthen the income base of the Group.

In view of the above, the Directors are of the view that the terms of the Provisional Agreement, including the Consideration, are fair and reasonable and the entering into of the Provisional Agreement is in the interest of the Company and its shareholders as a whole.

LISTING RULES IMPLICATION

As certain applicable percentage ratios calculated in accordance with the Listing Rules are above 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context requires, the following terms have the following meanings:

“Acquisition”	the acquisition of the Sale Share and the Sale Loan by the Purchaser pursuant to the Provisional Agreement
“BVI”	the British Virgin Islands
“Company”	King's Flair International (Holdings) Limited (Stock Code: 6822), a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on the Main Board of the Stock Exchange

“Completion”	completion of the Acquisition pursuant to the terms and conditions of the Provisional Agreement
“Completion Accounts”	the management accounts of the Target Company made up to the Completion Date
“Completion Date”	the date on which Completion takes place
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration for the Sale Share and Sale Loan payable by the Purchaser
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	person(s) or company(ies) who/which is (are) independent of the Company and its connected person(s)
“Net Current Asset Value”	(A) the aggregate amount of (i) all tangible assets of the Target Company which are readily convertible into cash or cash equivalents (excluding the Property, any intangible assets and other fixed assets and deferred tax); less (B) the aggregate amount of all liabilities (actual, contingent or otherwise but excluding the Sale Loan) and provisions of the Target Company as at the Completion Date
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Property”	14th Floor of Block C of Sea View Estate, No. 8 Watson Road and Parking Space No.60 on 1st Floor of Block B of Seaview Estate, Nos. 4-6 Watson Road, Hong Kong
“Prospectus”	the prospectus of the Company dated 31 December 2014
“Provisional Agreement”	The provisional agreement dated 12 May 2021 entered into between the Purchaser and the Vendor in relation to the Acquisition

“Purchaser”	King’s Flair Marketing Limited, a company incorporated in BVI with limited liability and an indirect wholly-owned subsidiary of the Company
“Sale Loan”	all amount owing by Target Company to the Vendor as at Completion
“Sale Share”	the entire issued share capital of and in the Target Company as at the date of the Provisional Agreement and at Completion
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Offer”	the share offer of the Company as described in the Prospectus
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Golden Well Ventures Limited, a company incorporated in BVI with limited liability
“%”	per cent.

By Order of the Board
KING’S FLAIR INTERNATIONAL (HOLDINGS) LIMITED
Dr. Wong Siu Wah
Chairman and Executive Director

Hong Kong, 13 May 2021

As at the date of this announcement, the Board comprises two executive Directors, namely Dr. Wong Siu Wah (Chairman and Chief Executive Officer) 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.