

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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 2021**

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 2021, together with the comparative audited figures for the year ended 31 December 2020 as follows:

#### **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the year ended 31 December 2021*

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Revenue</b>	5	<b>1,301,652</b>	1,311,184
Cost of sales		<u><b>(1,012,137)</b></u>	<u>(1,005,587)</u>
<b>Gross profit</b>		<b>289,515</b>	305,597
Other income and gains, net	6	<b>13,030</b>	8,463
Distribution expenses		<b>(51,324)</b>	(44,711)
Administrative expenses		<b>(125,083)</b>	(113,077)
Share of result of associates		<b>2,718</b>	4,243
Finance costs	7	<u><b>(1,406)</b></u>	<u>(1,402)</u>
<b>Profit before income tax</b>	8	<b>127,450</b>	159,113
Income tax expenses	9	<u><b>(21,703)</b></u>	<u>(28,014)</u>
<b>Profit for the year</b>		<u><b>105,747</b></u>	<u>131,099</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME** (Continued)  
For the year ended 31 December 2021

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Other comprehensive income</b>			
<b>Item that will not be reclassified to profit or loss:</b>			
Change in fair value of financial assets at fair value through other comprehensive income		(572)	(294)
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translation of foreign operations released upon disposal of a subsidiary		(1,312)	–
Exchange differences arising on translation of foreign operations		2,421	3,097
		<hr/>	<hr/>
<b>Other comprehensive income for the year</b>		<b>537</b>	2,803
		<hr/>	<hr/>
<b>Total comprehensive income for the year</b>		<b>106,284</b>	133,902
		<hr/>	<hr/>
<b>Profit for the year attributable to:</b>			
Owners of the Company		94,907	114,081
Non-controlling interests		10,840	17,018
		<hr/>	<hr/>
		<b>105,747</b>	131,099
		<hr/>	<hr/>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		92,382	115,342
Non-controlling interests		13,902	18,560
		<hr/>	<hr/>
		<b>106,284</b>	133,902
		<hr/>	<hr/>
		<i>HK cents</i>	<i>HK cents</i>
<b>Earnings per share:</b>			
– Basic	10	13.6	16.3
– Diluted		13.6	16.3
		<hr/>	<hr/>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		57,612	54,998
Investment properties		139,000	–
Other asset		172	172
Interests in associates		21,760	12,673
Intangible asset		–	–
Deposits paid for property, plant and equipment		20,473	16,365
Financial assets at fair value through other comprehensive income		1,704	2,276
Deferred tax assets		2	277
		<u>240,723</u>	<u>86,761</u>
<b>Current assets</b>			
Inventories	<i>12</i>	50,240	50,569
Trade receivables	<i>13</i>	196,838	256,178
Prepayments, deposits and other receivables		71,173	46,904
Financial assets at fair value through profit or loss		31,951	44,602
Amounts due from associates		750	646
Tax recoverable		5,385	–
Pledged bank deposits		27,686	22,254
Cash and bank balances		220,427	373,928
		<u>604,450</u>	<u>795,081</u>
<b>Current liabilities</b>			
Trade and bills payables	<i>14</i>	41,984	102,975
Other payables and accruals		19,020	23,314
Contract liabilities		11,477	7,329
Bank overdrafts		481	–
Bank borrowings		58,480	59,450
Lease liabilities		6,458	3,314
Loans from non-controlling interests		1,920	1,920
Amount due to an associate		1,365	5,500
Provision for tax		4,470	7,630
		<u>145,655</u>	<u>211,432</u>
<b>Net current assets</b>		<u>458,795</u>	<u>583,649</u>
<b>Total assets less current liabilities</b>		<u>699,518</u>	<u>670,410</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(Continued)*  
*As at 31 December 2021*

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Lease liabilities		<b>5,466</b>	1,563
Deferred tax liabilities		<b>3,526</b>	4,105
		<u><b>8,992</b></u>	<u>5,668</u>
<b>Net assets</b>		<u><b>690,526</b></u>	<u>664,742</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		<b>7,000</b>	7,000
Reserves		<b>621,434</b>	609,552
		<u><b>628,434</b></u>	<u>616,552</u>
<b>Non-controlling interests</b>		<u><b>62,092</b></u>	<u>48,190</u>
<b>Total equity</b>		<u><b>690,526</b></u>	<u>664,742</u>

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31 December 2021*

### 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 2021 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"). 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 2021

In the current year, the Group has applied for the first time the following amendments to HKFRSs issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") which are relevant to and effective for the Group's financial statements for annual period beginning on 1 January 2021:

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

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 HKFRS 3	References to Conceptual Framework <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>3</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Liabilities and Deferred Tax Deferred Assets <sup>2</sup>
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use <sup>1</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>1</sup>
Annual Improvements to HKFRSs 2018–2020 <sup>1</sup>	
HK Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>2</sup>

#### Notes:

- 1 Effective for annual periods beginning on or after 1 January 2022
- 2 Effective for annual periods beginning on or after 1 January 2023
- 3 No mandatory effective date yet determined by available for adoption

#### ***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.

## 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 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 Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 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.

#### *Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies*

The key amendments to HKAS 1 include (i) requiring companies to disclose their material accounting policies rather than their significant accounting policies; (ii) clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and (iii) clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements.

Amended HKFRS Practice Statement 2 includes guidance and two additional examples on the application of materiality to accounting policy disclosures.

## 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 HKAS 8 – Definition of Accounting Estimates*

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

#### *Amendments to HKAS 12 – Recognition of Deferred Tax Liabilities and Deferred Tax Assets*

The amendments narrow the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

#### *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).

#### *Annual Improvements to HKFRSs 2018–2020*

The annual improvements amend 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.

The directors of the Company have performed an assessment of 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.

#### **(b) Basis of measurement**

The consolidated financial statements have been prepared under the historical cost convention except for investment properties and those financial assets stated at fair values, which are measured 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 segments 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 (2020: 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 plastic and silicone.

#### 4. SEGMENT INFORMATION (Continued)

##### (i) Operating segment information (Continued)

There were no inter-segment sales between different business segments for the year ended 31 December 2021 and 2020.

	Trading of kitchenware and household products		Trading of raw materials		Total	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
<b>Segment revenue</b>						
Revenue from external customers	<u>1,181,975</u>	1,212,469	<u>119,677</u>	98,715	<u>1,301,652</u>	1,311,184
<b>Segment results</b>	<u>126,277</u>	154,109	<u>7,507</u>	11,591	<u>133,784</u>	165,700
Share of result of associates					2,718	4,243
Unallocated income					988	3,563
Unallocated expenses					<u>(10,040)</u>	<u>(14,393)</u>
Profit before income tax					<u>127,450</u>	<u>159,113</u>
	Trading of kitchenware and household products		Trading of raw materials		Total	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Segment assets	748,650	626,275	50,836	58,202	799,486	684,477
Prepaid tax					5,385	–
Deferred tax assets					2	277
Interests in associates					21,760	12,673
Unallocated corporate assets <sup>#</sup>					<u>18,540</u>	<u>184,415</u>
Consolidated total assets					<u>845,173</u>	<u>881,842</u>
Segment liabilities	144,880	202,722	737	821	145,617	203,543
Provision for tax					4,470	7,630
Deferred tax liabilities					3,526	4,105
Unallocated corporate liabilities					<u>1,034</u>	<u>1,822</u>
Consolidated total liabilities					<u>154,647</u>	<u>217,100</u>

<sup>#</sup> 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	
	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Amounts included in the measurement of segment profit or loss or assets:</b>						
Interest income	1,111	1,598	-	-	1,111	1,598
Interest expenses	(1,391)	(1,377)	-	-	(1,391)	(1,377)
Fair value gain on investment properties	1,000	-	-	-	1,000	-
Depreciation of property, plant and equipment	(17,711)	(14,663)	-	-	(17,711)	(14,663)
Research expenses	(7,148)	(1,988)	-	-	(7,148)	(1,988)
Impairment of trade receivables	(702)	(233)	(80)	(79)	(782)	(312)
Fair value loss of financial assets at fair value through profit or loss, net	(2,871)	(2,813)	-	-	(2,871)	(2,813)
Additions to non-current assets*	<u>188,184</u>	<u>2,726</u>	<u>-</u>	<u>-</u>	<u>188,184</u>	<u>2,726</u>

\* These consist of additions to property, plant and equipment, interest in an associate, deposit paid for property, plant and equipment and additions to investment properties arising from an acquisition of a subsidiary.

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

	2021 HK\$'000	2020 HK\$'000
<b>Other material items</b>		
Reportable segments' interest income	1,111	1,598
Unallocated	<u>334</u>	<u>1,904</u>
Consolidated interest income	<u>1,445</u>	<u>3,502</u>
Reportable segments' interest expenses	(1,391)	(1,377)
Unallocated	<u>(15)</u>	<u>(25)</u>
Consolidated interest expenses	<u>(1,406)</u>	<u>(1,402)</u>
Reportable segments' research expenses	(7,148)	(1,988)
Unallocated	<u>(20)</u>	<u>(87)</u>
Consolidated research expenses	<u>(7,168)</u>	<u>(2,075)</u>
Reportable segments' depreciation of property, plant and equipment	(17,711)	(14,663)
Unallocated	<u>(266)</u>	<u>(314)</u>
Consolidated depreciation of property, plant and equipment	<u>(17,977)</u>	<u>(14,977)</u>
Reportable segments' fair value loss of financial assets at fair value through profit or loss, net	(2,871)	(2,813)
Unallocated	<u>(2,030)</u>	<u>(5,711)</u>
Consolidated fair value loss of financial assets at fair value through profit or loss, net	<u>(4,901)</u>	<u>(8,524)</u>

#### 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>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
United States		<b>787,012</b>	879,745
Asia	(a)	<b>349,647</b>	305,153
Europe	(b)	<b>129,382</b>	90,949
Canada		<b>33,330</b>	30,917
Other locations	(c)	<b>2,281</b>	4,420
		<b><u>1,301,652</u></b>	<u>1,311,184</u>

*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\$314,480,000 (2020: HK\$275,179,000).

The geographical analysis of the Group's revenue from external customers is based on the location of customers. As at 31 December 2021 and 2020, 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 is as follows:

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Company A ( <i>notes a, b</i> )	<b>317,992</b>	342,449
Company B ( <i>notes a, b</i> )	<b>242,677</b>	255,438
Company C ( <i>notes b, c</i> )	<b>N/A</b>	196,203

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

*Notes:*

- (a) As at 31 December 2021, 45% of the Group's trade receivables were due from the abovementioned two major customers.
- (b) As at 31 December 2020, 54% of the Group's trade receivables were due from the abovementioned three major customers.
- (c) Revenue from transactions with Company C does not exceed 10% of the Group revenue for the year ended 31 December 2021 and the respective amount is not disclosed accordingly.

**5. REVENUE**

The Group is principally engaged in trading of kitchenware and household products and raw materials including plastic 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:

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Revenue from contracts with customers		
– Sales of kitchenware and household products	<b>1,181,975</b>	1,212,469
– Sales of raw materials	<b>119,677</b>	98,715
	<b><u>1,301,652</u></b>	<u>1,311,184</u>

## 6. OTHER INCOME AND GAINS, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank interest income	1,415	3,412
Interest income from unlisted bond	30	90
Dividend income from listed equity securities	1,599	1,431
Recharge from customers	710	191
Government grants	3,765	9,851
Rental income	1,603	–
Fair value loss on financial assets at fair value through profit or loss, net	(4,901)	(8,524)
Fair value gain on investment properties	1,000	–
(Loss)/gain on disposal of property, plant and equipment	(5)	93
Gain on disposal of a subsidiary	6,376	–
Others	1,438	1,919
	<u>13,030</u>	<u>8,463</u>

## 7. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest charges on financial liabilities at amortised cost:		
Bank borrowings	411	258
Bank overdrafts	485	799
Lease liabilities	510	345
	<u>1,406</u>	<u>1,402</u>

## 8. PROFIT BEFORE INCOME TAX

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit before income tax is arrived at after charging:		
Auditor's remuneration	943	942
Cost of inventories sold recognised as expense	967,208	959,770
Impairment of trade receivables	782	312
Depreciation of property, plant and equipment ( <i>note a</i> )	17,977	14,977
Write-off of property, plant and equipment	21	–
Research expenses ( <i>note c</i> )	7,168	2,075
Short-term lease expenses	255	862
Low-value lease expenses	68	69
Marketing expenses ( <i>note b</i> )	13,176	11,007
Licensing fee ( <i>note b</i> )	7,215	10,302
Transportation costs ( <i>note b</i> )	6,896	6,154
Quality inspection expenses ( <i>note c</i> )	16,061	16,473
Employee benefit expenses (including directors' remuneration) ( <i>note d</i> )		
Wages, salaries and other benefits	56,090	51,325
Discretionary bonuses	4,597	3,811
Contributions to defined contribution schemes ( <i>note e</i> )	4,887	3,184
	65,574	58,320
Exchange loss, net	<u>2,106</u>	<u>1,244</u>

### Notes:

- (a) Depreciation charges are recognised in the consolidated statement of comprehensive income as distribution expenses of approximately HK\$1,335,000 (2020: approximately HK\$70,000) and administrative expenses of approximately HK\$16,642,000 (2020: approximately HK\$14,907,000) for the year ended 31 December 2021.
- (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\$11,553,000 (2020: approximately HK\$7,350,000) and administrative expenses of approximately HK\$54,021,000 (2020: approximately HK\$50,970,000) for the year ended 31 December 2021.
- (e) The Group's contributions to defined contribution scheme vest fully and immediately with the employees. Accordingly, there are no forfeited contributions under the defined contribution scheme which may be used by the Group to reduce its existing level of contributions or contributions payable in future years as at and during each of the years ended 31 December 2021 and 2020.

## 9. INCOME TAX EXPENSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
The taxation attributable to the Group's operations comprises:		
Current tax		
– Hong Kong profits tax	14,210	19,237
– Income tax outside Hong Kong	7,897	9,630
	<u>22,107</u>	<u>28,867</u>
Over provision in prior years		
– Hong Kong profits tax	(100)	(338)
Deferred tax		
– Credit for the year	(304)	(515)
	<u>(304)</u>	<u>(515)</u>
Income tax expenses	<u>21,703</u>	<u>28,014</u>

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% (2020: 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% (2020: 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\$94,907,000 (2020: HK\$114,081,000) and the weighted average of 700,000,000 (2020: 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 2021 and 2020, 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:

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interim dividend declared and paid in respect of current year of HK4.0 cents (2020: HK4.0 cents) per share	<b>28,000</b>	28,000
Final dividend declared and paid in respect of the prior year of HK7.5 cents (2020: HK6.0 cents) per share	<b>52,500</b>	42,000
Special dividend declared and paid in respect of the prior year of Nil (2020: HK20.0 cents) per share	–	140,000
	<b>80,500</b>	210,000

At the board meeting held on 21 March 2022, the Board resolved to recommend a final dividend of HK6.0 cents (2020: HK7.5 cents) per ordinary share. The proposed final dividend has not been recognised as a dividend payable as at 31 December 2021, but will be reflected as an appropriation of retained profits/share premium for the year ending 31 December 2022.

## 12. INVENTORIES

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Merchandises held for resale	<b>25,110</b>	33,828
Raw materials	<b>25,130</b>	16,741
	<b>50,240</b>	50,569

## 13. TRADE RECEIVABLES

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	<b>199,309</b>	257,867
Less: impairment loss allowance	<b>(2,471)</b>	(1,689)
	<b>196,838</b>	256,178

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

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–30 days	<b>75,753</b>	136,183
31–60 days	<b>77,996</b>	69,336
61–90 days	<b>13,986</b>	27,967
Over 90 days	<b>29,103</b>	22,692
	<b>196,838</b>	256,178

#### 14. TRADE AND BILLS PAYABLES

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

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	<b>41,984</b>	102,340
Bills payables	–	635
	<b>41,984</b>	102,975

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:

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–90 days	<b>41,067</b>	98,810
91–180 days	<b>897</b>	826
181–365 days	<b>14</b>	880
Over 365 days	<b>6</b>	2,459
	<b>41,984</b>	102,975

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

#### 15. COMMITMENTS

##### Capital commitments

	<b>2021</b> <i>HK\$'000</i>	2020 <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	<b>28,456</b>	35,226

## **FINAL DIVIDEND AND ANNUAL GENERAL MEETING**

The Directors resolved to recommend the payment of a final dividend of HK6.0 cents (2020: HK7.5 cents) per share. Together with the interim dividend of HK4.0 cents (2020: interim dividend of HK4.0 cents) per share in total already paid, the total dividend for the year would be HK10.0 cents per share (2020: HK11.5 cents per share), representing an approximately 73.5% (2020: 70.6%) 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, 27 May 2022 and are payable to Shareholders whose names appear on the register of members of the Company at the close of business on Friday, 24 June 2022. It is expected that the proposed final dividend will be paid on or about Monday, 4 July 2022. Notice of the AGM will be published and despatched to Shareholders as required under 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, 23 May 2022 to Friday, 27 May 2022, 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, 20 May 2022.

### **Final Dividend**

In order to establish entitlements to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 22 June 2022 to Friday, 24 June 2022, 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 Tuesday, 21 June 2022.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

In 2021, the global economy was on its road to recovery, supported by the growing vaccination rate and easing lockdown measures among major economies. However, the new COVID-19 variants continued to cast uncertainties over the operating environment, with confirmed cases hitting new high, forcing governments and consumers to respond with different policies, lifestyle, and hence, product needs. Together with the surging cost of raw materials and the disruption of global supply chain, the lack of visibility has led to brand owners being much more conservative in placing orders for household products.

### **FINANCIAL REVIEW**

#### **Revenue**

During the year ended 31 December 2021, the Group recorded a slight decrease in revenue, from approximately HK\$1,311.2 million in 2020, to approximately HK\$1,301.7 million, representing a decrease of approximately 0.7%. This was mainly due to the gradual recovery in sentiment and orders, especially after the gradual rollout of COVID-19 vaccination plan in the Group's target markets in Asia, Europe and Canada. However, this was offset by the conservatism among brand owners in the United States, as products were facing a higher logistics costs given the disruption of global supply chain, and there were fresh uncertainties in product demand due to the new COVID-19 variants, leading to hesitancy in placing orders.

#### **Gross profit and gross profit margin**

Gross profit decreased by approximately 5.3% to approximately HK\$289.5 million for year ended 31 December 2021 (2020: HK\$305.6 million), with gross profit margin also decreased by approximately 1.1 percentage points to approximately 22.2% (2020: 23.3%). The lower gross profit margin was mainly due to the higher raw materials cost, as commodity prices continued to increase and remained strong for most of the time during 2021. In addition, the appreciation of Renminbi also put pressure on the Group's cost of production and raw materials.

#### **Other income and gains, net**

During the year ended 31 December 2021, other income increased substantially by approximately 52.9% to approximately HK\$13.0 million (2020: HK\$8.5 million), primarily due to a reduction in unrealized loss in fair value change of the financial assets at fair value through profit or loss and a fair value gain on investment properties acquired during the year.

#### **Distribution expenses**

During the year ended 31 December 2021, distribution expenses increased by approximately 14.8% to approximately HK\$51.3 million (2020: HK\$44.7 million). The increase was mainly attributable to the expansion and reinforcement of the Group's sales team for new business development, to adapt to the rapidly-changing and dynamic marketing environment.

## **Administrative expenses**

During the year ended 31 December 2021, administrative expenses increased by approximately 10.6% to approximately HK\$125.1 million (2020: HK\$113.1 million). The increase was mainly due to the increase in staff cost and research and development cost, particularly on the development and commercialization of nanotechnologies.

## **Profit attributable to owners of the Company**

Profit attributable to owners of the Company for the year ended 31 December 2021 decreased by approximately 16.8% to approximately HK\$94.9 million (2020: HK\$114.1 million). The decrease was due to the combination of i) a decrease in gross profit margin as a result of the increase in raw material cost and the appreciation of Renminbi, ii) the rising staff cost and iii) the significant write-off of research and development expenses.

## **FUTURE STRATEGY**

Despite the lingering uncertainties over COVID-19, the Group remains cautiously optimistic on the outlook of the global economy as well as the Group's financial performance, supported by the deployment of vaccines around the world and the gradually-lifting social distancing measures in the Group's major markets such as the United States, Europe and certain Asian countries. In face of the potential adverse effect from various factors such as new COVID-19 variant, high inflation, surging raw material and crude oil prices, as well as the conflict of world political powers, the Group will stay vigilant and react cautiously to their possible impact on its financial position and operating results.

Diversifying the Group's product portfolio has been and will remain as one of the main strategies towards sustainability. In addition to its existing 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, in an attempt to widen its product coverage, customer reach, and hence, revenue stream. The Group is optimistic about the prospect of the new product lines in the coming years.

With the establishment of a production line in Tai Po, which is aimed to optimize the specific properties of the produced nanofibers, the Group is able to perform research on the raw material development and application of nanotechnologies. To support its commercialization, the Group has entered a rental arrangement with Hong Kong Science and Technology Parks Corporation regarding the Advanced Manufacturing Centre in Tseung Kwan O Industrial Estate. The centre is expected to complete in Q3 2022, and the Group will install the remaining nanofiber equipment at the centre, which would further expand its production capacity for new materials and new product features. The Group has also obtained a HK\$15 million funding approval from the Reindustrialization Funding Scheme under the Innovation and Technology Commission of The Government of the Hong Kong Special Administrative Region, for the project of "Setting up of smart electrospinning production lines for nanofiber filter material".

On talent acquisition, 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 the needs of each project. The Group will also continue to invest in design and intellectual property right protection, upgrade its supply chain capability, and expand its wholesale and retail network in Asia, which would lay the foundation for long-term business growth. The Group will also explore strategic partnership with selected partners in order to further strengthen its product design capabilities and market penetration.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2021, the Group had approximately 193 employees (2020: 190 employees). Total staff costs (including Directors' emoluments) were approximately HK\$65.6 million for the year ended 31 December 2021, as compared to approximately HK\$58.3 million for the year ended 31 December 2020.

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 2021, the Group had cash and bank balances amounted to approximately HK\$220.4 million (2020: HK\$373.9 million) which were mainly denominated in United States dollars ("USD"), Renminbi ("RMB") and Hong Kong dollars ("HKD"). The Group had bank overdrafts amounted to approximately HK\$0.5 million (2020: Nil) and had bank borrowings of approximately HK\$58.5 million (2020: approximately HK\$59.5 million) as at 31 December 2021. The annual interest rate of the bank overdrafts and bank borrowings during the year ended 31 December 2021 ranged from 2.25% to 5.25% (2020: ranged from 2.01% to 3.63%) and ranged from 0.66% to 0.90% (2020: ranged from 0.97% to 1.59%) 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 2021 and 2020 were approximately 10.5% and 10.0% respectively. The increase of the gearing ratio was mainly due to increase in lease liabilities arising from the new office leased during the year.

## **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 2021, the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK\$16.5 million (2020: HK\$17.2 million), investment properties with an aggregate carrying amount of approximately HK\$139.0 million (2020: Nil), pledged bank deposits of approximately HK\$27.7 million (2020: HK\$22.3 million) and no bond classified as financial assets at fair value through profit or loss (2020: HK\$7.7 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 2021, approximately HK\$219.8 million of the proceeds raised has been utilised. 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").

Set out below is a breakdown of the planned use and actual use of proceeds up to 31 December 2021 are as follows:

Purposes of net proceeds as disclosed in the Prospectus	As at 31 December 2021		Unused proceeds as at 31 December 2021
	Planned use of proceeds as disclosed in the Prospectus (HK\$' million)	Actual use of proceeds from the listing date to 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	33.0	-
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	-
	<b>219.8</b>	<b>120.9</b>	<b>98.9</b>

On 12 May 2021, the Group and an independent third party vendor entered into the provisional agreement in relation to the acquisition by the Group of the entire issued share capital of a property-holding company at the consideration of approximately HK\$138.0 million which was completed on 19 July 2021. Accordingly, as at 31 December 2021, the Group had utilized HK\$98.9 million of the net proceeds to purchase premises which is in line with the planned use disclosed in the Prospectus.

Further details of the acquisition have been disclosed in the announcements of the Company dated 13 May 2021, 27 May 2021 and 21 July 2021, respectively.

## CONTINGENT LIABILITIES

As at 31 December 2021, the Group had no significant contingent liabilities (2020: Nil).



## **CAPITAL COMMITMENTS**

As at 31 December 2021, the Group has capital commitment of approximately HK\$28.5 million (2020: approximately HK\$35.2 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 2021 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 2021, 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 2021.

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

The 2021 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](http://www.kingsflair.com.hk) and Stock Exchange’s website at [www.hkexnews.hk](http://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, 21 March 2022

*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.*