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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Change
	2021	2020	
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	
Revenue	648,988	563,475	15.2%
Gross profit	135,970	125,139	8.7%
Profit attributable to owners of the Company	40,882	40,463	1.0%
Basic and diluted earnings per share (HK cents)	5.8	5.8	
Interim dividend per share (HK cents)	4.0	4.0	

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of King's Flair International (Holdings) Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred hereafter as the “Group”) for the six months ended 30 June 2021, together with the comparative figures for the corresponding period in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	5	648,988	563,475
Cost of sales		<u>(513,018)</u>	<u>(438,336)</u>
Gross profit		135,970	125,139
Other income and gains, net	6	5,091	1,644
Distribution expenses		(24,458)	(19,332)
Administrative expenses		(59,571)	(51,829)
Share of results of associates		1,128	2,434
Finance costs	7	<u>(637)</u>	<u>(598)</u>
Profit before income tax	8	57,523	57,458
Income tax expenses	9	<u>(8,752)</u>	<u>(10,065)</u>
Profit for the period		<u>48,771</u>	<u>47,393</u>
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		6	–
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		<u>489</u>	<u>(1,037)</u>
Other comprehensive income for the period		<u>495</u>	<u>(1,037)</u>
Total comprehensive income for the period		<u>49,266</u>	<u>46,356</u>
Profit for the period attributable to:			
Owners of the Company		40,882	40,463
Non-controlling interests		<u>7,889</u>	<u>6,930</u>
		<u>48,771</u>	<u>47,393</u>

		Six months ended 30 June	
		2021	2020
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Total comprehensive income attributable to:			
Owners of the Company		41,205	39,942
Non-controlling interests		8,061	6,414
		49,266	46,356
		HK cents	HK cents
Earnings per share:	<i>10</i>		
– Basic		5.8	5.8
– Diluted		5.8	5.8

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	55,648	54,998
Other asset		172	172
Interests in associates		13,801	12,673
Intangible asset		–	–
Deposits paid for property, plant and equipment		15,875	16,365
Deposits paid for acquisition of a subsidiary		13,800	–
Financial assets at fair value through other comprehensive income	16	2,282	2,276
Deferred tax assets		168	277
		<u>101,746</u>	<u>86,761</u>
Current assets			
Inventories	13	56,336	50,569
Trade receivables	14	252,315	256,178
Prepayments, deposits and other receivables		64,295	46,904
Financial assets at fair value through profit or loss	15	36,615	44,602
Amounts due from associates		728	646
Pledged bank deposits		30,041	22,254
Cash and bank balances		302,300	373,928
		<u>742,630</u>	<u>795,081</u>
Current liabilities			
Trade and bills payables	17	66,836	102,975
Other payables and accruals		17,001	23,314
Contract liabilities		12,499	7,329
Bank overdrafts		26,017	–
Bank borrowings		41,080	59,450
Lease liabilities		4,824	3,314
Loans from non-controlling interests		1,920	1,920
Amount due to an associate		1,760	5,500
Provision for tax		5,929	7,630
		<u>177,866</u>	<u>211,432</u>
Net current assets		<u>564,764</u>	<u>583,649</u>
Total assets less current liabilities		<u>666,510</u>	<u>670,410</u>

		As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
	<i>Notes</i>		
Non-current liabilities			
Lease liabilities		2,800	1,563
Deferred tax liabilities		2,202	4,105
		5,002	5,668
Net assets		661,508	664,742
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	7,000	7,000
Reserves		598,257	609,552
		605,257	616,552
Non-controlling interests		56,251	48,190
Total equity		661,508	664,742

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. GENERAL INFORMATION

King's Flair International (Holdings) Limited (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 Stock Exchange.

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are trading, retail, wholesale and distribution of kitchenware and household products and trading of raw materials. There were no significant changes in the Group's operations during the period.

As at 30 June 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. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirement of Appendix 16 of the Listing Rules, and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The preparation of the condensed consolidated interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

The condensed consolidated interim financial statements contain selected explanatory notes which include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the consolidated financial statements for the year ended 31 December 2020 (the "2020 Annual Report"). The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and should be read in conjunction with the Group's 2020 Annual Report.

The condensed consolidated interim financial statements have been prepared under the historical cost convention, except for those financial assets that are measured at fair values. The condensed consolidated interim financial statements are unaudited but have been reviewed by the Company's audit committee.

This condensed consolidated interim financial statements are presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Company and all values are rounded to the nearest thousand ("HK\$'000") unless otherwise indicated.

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

In the current interim period, the Group has applied, for the first time, the following amendments issued by the HKICPA:

Amendments to HKAS 39, HKFRS 4, HKFRS 7,
HKFRS 9 and HKFRS 16

Interest Rate Benchmark Reform –
Phase 2

The application of the new or revised HKFRSs in the current interim period has no material effect on the amounts reported in the condensed consolidated interim financial statements and/or disclosures set out in the condensed consolidated interim financial statements.

The Group has not early adopted any new or revised HKFRSs that have been issued but are not yet effective in the condensed consolidated interim financial statements.

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 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 six months ended 30 June 2021 and 2020.

	Trading of kitchenware and household products		Trading of raw materials		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020	2021	2020
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue						
Revenue from external customers	583,987	513,509	65,001	49,966	648,988	563,475
Segment results	56,891	53,425	4,102	6,547	60,993	59,972
Share of results of associates					1,128	2,434
Unallocated income					333	1,556
Unallocated expenses					(4,931)	(6,504)
Profit before income tax					57,523	57,458

	Trading of kitchenware and household products		Trading of raw materials		Total	
	As at 30 June 2021	As at 31 December 2020	As at 30 June 2021	As at 31 December 2020	As at 30 June 2021	As at 31 December 2020
	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Segment assets	616,675	626,275	75,733	58,202	692,408	684,477
Deferred tax assets					168	277
Interests in associates					13,801	12,673
Unallocated corporate assets [#]					137,999	184,415
Consolidated total assets					844,376	881,842
Segment liabilities	172,945	202,722	126	821	173,071	203,543
Provision for tax					5,929	7,630
Deferred tax liabilities					2,202	4,105
Unallocated corporate liabilities					1,666	1,822
Consolidated total liabilities					182,868	217,100

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

	Trading of kitchenware and household products		Trading of raw materials		Total	
	Six months ended 30 June 2021	Six months ended 30 June 2020	Six months ended 30 June 2021	Six months ended 30 June 2020	Six months ended 30 June 2021	Six months ended 30 June 2020
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Other segment information:						
Interest income	555	1,006	–	–	555	1,006
Interest expenses	(613)	(593)	–	–	(613)	(593)
Depreciation of property, plant and equipment	(7,969)	(6,700)	–	–	(7,969)	(6,700)
(Provision of impairment loss)/reversal of impairment loss on trade receivables	(234)	(127)	150	(26)	(84)	(153)
Fair value gain/(loss) of financial assets at fair value through profit or loss, net	75	(3,111)	–	–	75	(3,111)

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other material items		
Reportable segments' interest income	555	1,006
Unallocated	332	918
Consolidated interest income	887	1,924
Reportable segments' depreciation of property, plant and equipment	(7,969)	(6,700)
Unallocated	(259)	(103)
Consolidated depreciation of property, plant and equipment	(8,228)	(6,803)
Reportable segments' fair value gain/(loss) of financial assets at fair value through profit or loss, net	75	(3,111)
Unallocated	(312)	(2,295)
Consolidated fair value loss of financial assets at fair value through profit or loss, net	(237)	(5,406)

(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:

		Six months ended 30 June	
		2021	2020
		HK\$'000	HK\$'000
	<i>Notes</i>	(Unaudited)	(Unaudited)
United States		387,308	384,416
Asia	(a)	183,601	132,551
Europe	(b)	61,441	33,926
Canada		16,123	10,310
Other locations	(c)	515	2,272
		648,988	563,475

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 approximately HK\$167,119,000 (six months ended 30 June 2020: approximately HK\$121,624,000)

The geographical location of customers is based on the location of customers. As at 30 June 2021 and 31 December 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 period was as follows:

		Six months ended 30 June	
		2021	2020
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Company A		124,044	158,876
Company B		154,885	120,067
Company C		58,130	78,981

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

Revenue amounting to approximately HK\$58,130,000 from transactions with Company C did not exceed 10% of the Group's revenue for the six months ended 30 June 2021 and was disclosed for illustrative purposes only.

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 period is as follows:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
– Sales of kitchenware and household products	583,987	513,509
– Sales of raw materials	65,001	49,966
	648,988	563,475

6. OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	857	1,894
Interest income from unlisted bond	30	30
Recharge from customers	144	701
Government grants	3,754	3,428
Fair value loss on financial assets at fair value through profit or loss, net	(237)	(5,406)
Others	543	997
	5,091	1,644

7. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest charges on financial liabilities at amortised cost:		
Bank borrowings	167	24
Bank overdrafts	224	388
Lease liabilities	246	186
	637	598

8. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit before income tax is arrived at after charging:		
Cost of inventories sold recognised as expense	513,018	438,336
Provision of impairment loss on trade receivables	84	153
Depreciation of property, plant and equipment	8,228	6,803
Research expenses	503	51
Short-term lease expenses	129	399
Low-value lease expenses	40	19
Employee benefit expenses (including directors' remuneration)		
Wages, salaries and other benefits	27,823	27,568
Discretionary bonuses	4,298	–
Contributions to defined contribution schemes	2,341	1,558
	34,462	29,126
Exchange loss, net	701	496

9. INCOME TAX EXPENSES

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The taxation attributable to the Group's operation comprises:		
Current tax		
– Hong Kong profits tax	7,988	8,006
– Income tax outside Hong Kong	2,578	2,208
	10,566	10,214
Over provision in prior years		
– Hong Kong profits tax	(20)	–
Deferred tax		
– Credit for the period	(1,794)	(149)
Income tax expenses	8,752	10,065

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% (six months ended 30 June 2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, 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 period was calculated at 25% (six months ended 30 June 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 period of approximately HK\$40,882,000 (six months ended 30 June 2020: approximately HK\$40,463,000) and the weighted average of 700,000,000 (six months ended 30 June 2020: 700,000,000) ordinary shares in issue during the interim period.

Diluted earnings per share

There were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2021 and 2020, and hence the diluted earnings per share is the same as basic earnings per share.

11. DIVIDENDS

- i. Dividends to equity shareholders attributable to the interim period:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interim dividend declared and payable after the interim period of HK4.0 cents per share (six months ended 30 June 2020: HK4.0 cents per share)	28,000	28,000

The interim dividend has not been recognised as a liability at the end of the reporting period.

- ii. Dividends to equity shareholders attributable to previous financial year, approved and payable/paid during the interim period:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Final dividend in respect of the previous financial year, approved and payable during the following interim period, of HK7.5 cents per share (six months ended 30 June 2020: approved and paid during the following interim period of HK6.0 cents per share)	52,500	42,000
Special dividend in respect of the previous financial year, approved and payable during the following interim period, of Nil (six months ended 30 June 2020: HK20.0 cents per share)	–	140,000
	52,500	182,000

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property, plant and equipment at a total cost of approximately HK\$8,878,000 (six months ended 30 June 2020: approximately HK\$2,459,000).

During the six months ended 30 June 2021, the Group has not disposed property, plant and equipment (six months ended 30 June 2020: Nil).

At 30 June 2021, the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK\$16,843,000 (31 December 2020: approximately HK\$17,234,000) were pledged to secure general banking facilities granted to the Group.

13. INVENTORIES

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Merchandises held for resale	30,148	33,828
Raw materials	26,188	16,741
	56,336	50,569

14. TRADE RECEIVABLES

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Trade receivables	254,088	257,867
Less: impairment loss allowance	(1,773)	(1,689)
	<u>252,315</u>	<u>256,178</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 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:

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
0–30 days	102,246	136,183
31–60 days	105,454	69,336
61–90 days	21,661	27,967
Over 90 days	22,954	22,692
	<u>252,315</u>	<u>256,178</u>

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Financial assets at fair value through profit or loss:		
Listed equity securities in Hong Kong, at fair value (<i>note (a)</i>)	27,826	26,824
Unlisted bond in UK, at fair value (<i>note (b)</i>)	–	7,673
Unlisted secured promissory note in US, at fair value (<i>note (c)</i>)	8,348	8,659
Derivative financial instruments at fair value (<i>note (d)</i>)	441	1,446
	<u>36,615</u>	<u>44,602</u>

Notes:

- a) The fair values of the Group's investment in listed equity securities have been determined by reference to their quoted market prices at the end of the reporting period.
- b) The fair values of the Group's unlisted bond has been determined based on the quoted prices from relevant financial institutions at the end of the reporting period. As at 31 December 2020, the unlisted bond was pledged to a bank to secure the general banking facilities granted to the Group.
- c) At 30 June 2021, there was one (31 December 2020: one) secured promissory note (the "Note") with gross principal amount of US\$2,000,000 equivalent to approximately HK\$15,560,000 (31 December 2020: US\$2,000,000 equivalent to approximately HK\$15,560,000) due from an independent third party (the "Issuer"). The loan under the Note is interest-bearing at rate of 4% per annum or 10% per annum under an event of default for the period from the issue date of the Note to 7 January 2020. The principal of the loan was originally repayable on 15 June 2019, being twenty-four months from the issue date and the maturity date was extended to 7 January 2020 by entering a supplementary agreement in June 2019 and was further extended to 15 January 2021, 15 February 2021, 15 April 2021, 30 June 2021 and 31 December 2021 (the "Maturity Dates") by entering another supplementary agreement in January 2020, January 2021, February 2021, April 2021 and June 2021 respectively. Pursuant to the terms of the Note, the Group has the right to convert the outstanding loan amount and accrued interest to 51% of all shares outstanding post-conversion of the Issuer in the Group's sole discretion. The conversion right is exercisable at any time after one year of the issue date of the Note and prior to the Maturity Dates of the Note. The outstanding principal and the interest receivable from the Note was secured by all the assets of the Issuer.

At 30 June 2021, the fair value of the Note was estimated to be approximately HK\$8,348,000 (31 December 2020: approximately HK\$8,659,000). The fair value loss of approximately HK\$311,000 (six months ended 30 June 2020: approximately HK\$2,295,000) was recognised in consolidated statement of comprehensive income in other income and gains, net for the six months ended 30 June 2021. As the repayment date of the Note is within twelve months from the end of the reporting period, the financial assets at fair value through profit or loss were classified under current assets.

The fair value of the Note as at 30 June 2021 is determined by the Directors with reference to the valuation prepared by Royson Valuation Advisory Limited, an independent valuer, by using binominal model with the following key parameters:

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Revenue growth rate	Ranged from 40% to 408%	Ranged from 39% to 625%
Terminal growth rate	3%	3%
Post-tax discount rate	26%	24.9%
Discount for lack of marketability	35%	35%
Expected volatility	40%	25%

- d) At 30 June 2021, the Group's derivative financial instruments represented foreign currency forward contracts and options. Foreign currency forward contracts denominated in USD and the fair values are based on the quoted prices from the relevant financial institutions. The notional amounts of these forward contracts are RMB76,000,000 (31 December 2020: RMB15,000,000) and the forward currency rates of all these contracts ranged from USD1: RMB6.4890 to USD1: RMB6.6750 (31 December 2020: USD1: RMB7.0740 to USD1: RMB7.0860) with various maturity dates from July 2021 to March 2022 (31 December 2020: January 2021 to March 2021).

Foreign currency options denominated in USD and the fair values are based on the quoted prices from the relevant financial institutions. The notional amounts of these options are USD3,000,000 (31 December 2020: Nil) and the options strike price of all these contracts ranged from EUR1: USD1.1600 to EUR1: USD1.1850 (31 December 2020: Nil) with various maturity dates from September 2021 to December 2021 (31 December 2020: Nil).

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Unlisted equity securities in Hong Kong, at fair value (<i>note</i>)	2,282	2,276

Note:

The above equity investment was irrevocably designated at fair value through other comprehensive income as the Group considers this investment to be strategic in nature.

As at 30 June 2021, the fair value of the Group's investment of 11.5% of equity interest in a private entity incorporated in Hong Kong is estimated by the Directors with reference to the valuation prepared by Royson Valuation Advisory Limited, an independent valuer, with income approach by discounting future cash flows with the following key parameters:

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Revenue growth rate	Ranged from 5% to 96%	Ranged from 5% to 76%
Terminal growth rate	3%	3%
Post-tax discount rate	21%	21%
Discount for lack of control	10%	10%
Discount for lack of marketability	35%	35%

17. TRADE AND BILLS PAYABLES

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

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Trade payables	66,836	120,340
Bills payables	–	635
	66,836	120,975

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:

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
0–90 days	66,429	98,810
91–180 days	–	826
181–365 days	–	880
Over 365 days	407	2,459
	66,836	102,975

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

18. SHARE CAPITAL

	As at 30 June 2021		As at 31 December 2020	
	Number of shares ('000) (Unaudited)	HK\$'000 (Unaudited)	Number of shares ('000) (Audited)	HK\$'000 (Audited)
Authorised:				
Shares of HK\$0.01 each	10,000,000	100,000	10,000,000	100,000
Issued and fully paid:				
Shares of HK\$0.01 each	700,000	7,000	700,000	7,000

19. EVENTS AFTER REPORTING PERIOD

On 12 May 2021, the Group and the independent third party vendor, namely, Lee Sung Yin, entered into the provisional agreement in relation to the acquisition by the Group of the entire issued share capital of and in Golden Well Ventures Limited (“Golden Well”), a company incorporated in BVI with limited liability, at the consideration of HK\$138.0 million. The transaction was completed on 19 July 2021. For more details, please refer to the Group’s announcement on 13 May 2021, 27 May 2021 and 21 July 2021.

Golden Well’s 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, No. 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.

The Group intended to utilise the property for self-use after the expiry of the existing tenancies. In the meantime, the acquisition would generate steady recurring rental income and strengthen the income base of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the first half of year 2021, despite the unusually high degree of uncertainty to the outlook in the year 2021 brought about by the prevailing impact of the COVID-19 pandemic, with the deployment of COVID-19 vaccines around the world and the COVID-19 cases in some countries were dropping, the global economy starts to rebound and recover. In the United States, one of the Group's largest markets, the expectations of more fiscal stimuli policies 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.

FINANCIAL REVIEW

Revenue

During the six months ended 30 June 2021, the Group recorded an increase in its revenue to approximately HK\$649.0 million, representing an increase of approximately 15.2%, as compared to approximately HK\$563.5 million for the six months ended 30 June 2020. This was mainly due to the gradual recovery in the global economy and an increase in orders from the Group's customers after the rollout of the COVID-19 vaccine for the period under review as compared with the same period in year 2020 during which the impact of the outbreak of COVID-19 pandemic was more prevalent.

Gross profit and gross profit margin

The Group's gross profit increased by approximately 8.7% to approximately HK\$136.0 million for the six months ended 30 June 2021 (six months ended 30 June 2020: approximately HK\$125.1 million) and the gross profit margin decreased by approximately 1.2% to approximately 21.0% for the six months ended 30 June 2021 (six months ended 30 June 2020: approximately 22.2%). The lower gross profit margin was mainly due to the higher cost of raw materials as the price of commodities increased and maintained a growing trend for most of the time during the first half of the year 2021. In addition, the appreciation of Renminbi increased the cost of production and raw materials of the Group.

Other income and gains, net

During the six months ended 30 June 2021, other income increased by approximately 218.8% to approximately HK\$5.1 million (six months ended 30 June 2020: approximately HK\$1.6 million) primarily due to the unrealized loss in fair value change of the financial assets at fair value through profit or loss during the same period of last year when the impact of COVID-19 on the global economy was more uncertain.

Distribution expenses

During the six months ended 30 June 2021, distribution expenses increased by approximately 26.9% to approximately HK\$24.5 million (six months ended 30 June 2020: approximately HK\$19.3 million). The increase was mainly attributable to the expansion and reinforcement of the Group's sales team for new business development and the Group's timely adaption to the rapid changing and dynamic marketing environment. Moreover, the increase in sales orders received by the Group resulted in a corresponding increase in the relevant transportation cost and marketing expenses.

Administrative expenses

During the six months ended 30 June 2021, the administrative expenses increased by approximately 15.1% to approximately HK\$59.6 million (six months ended 30 June 2020: approximately HK\$51.8 million). The increase was mainly due to the lower administrative expenses for the six months ended 30 June 2020 when the impact of the COVID-19 pandemic was more prevalent and the level of administrative expenses went back to normal level during the first half of this year when the impact of COVID-19 pandemic started to subside.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the six months ended 30 June 2021 increased by approximately 1.0% to approximately HK\$40.9 million (six months ended 30 June 2020: approximately HK\$40.5 million). The increase in the Group's revenue during the period was due to the recovery of global economy after the rollout of COVID-19 vaccine. The effect of the increase of the Group's revenue was off-set by the drop of profit margin when the cost of goods sold increased.

FUTURE STRATEGY

Although the uncertainty of the impact of the COVID-19 pandemic persists, with the deployment of vaccines around the world and various measures launched by the powerful countries, such as the PRC and the United States, to stimulate the economy, the Group remains cautiously optimistic about the growth of the global economy. 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 strive for meticulousness in the quality of products and services, the Group is capable to respond to market trends 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. 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 1,600 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 has entered into a 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. For this purpose, the Group has been approved for a funding of HK\$15 million from the Re-industrialisation Funding Scheme under the Innovation and Technology Commission of The Government of the Hong Kong Special Administrative Region regarding its project of "Setting up of smart electrospinning production lines for nanofiber filter material". Further details of the funding have been disclosed in the announcement of the Company dated 13 August 2021.

On 12 May 2021, the Group also entered into an agreement with an independent third party to acquire a non-residential premise of approximately 12,000 square feet through acquisition of the entire issued share capital of a target company which was completed on 19 July 2021. 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. The Group intended to utilise the premises for self-use after the expiry of the existing tenancies. In the meantime, the acquisition would generate steady recurring rental income and strengthen the income base of the Group.

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 would contribute to driving business growth over the long run. For the remaining half of this year, the Group will continue to establish strategic partnership with certain partners to further strengthen our product design capabilities and penetrate potential markets.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group had 193 employees (30 June 2020: 178 employees). Total staff costs (including Directors' emoluments) were approximately HK\$34.5 million for the six months ended 30 June 2021, as compared to approximately HK\$29.1 million for the same period in 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.

SIGNIFICANT INVESTMENT HELD AND FUTURE PLANS FOR MATERIAL INVESTMENTS ON CAPITAL ASSETS

Save for the acquisition of the non-residential premises through acquisition of a target company as disclosed in the section headed "Material Acquisition and Disposal of Subsidiaries and Associated Companies" in this announcement, there were no other significant investments held during the period under review and there were no material investments or additions of capital assets authorised by the Board as at the date of this announcement.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 12 May 2021, the Group and the independent third party vendor, namely, Lee Sung Yin, entered into a provisional agreement for sale and purchase relating to the acquisition by the Group of the entire issued share capital of and in Golden Well, a company incorporated in BVI with limited liability, at the consideration of HK\$138.0 million. The transaction was completed on 19 July 2021. Golden Well's principal asset comprises a non-residential premises located at 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 (the "Property") and its sole activity is the leasing of the Property. The Property is currently leased to independent third parties. The Group intended to utilise the Property for self-use after the expiry of the existing tenancies. In the meantime, the acquisition would generate steady recurring rental income and strengthen the income base of the Group.

Save as disclosed above, there was no material acquisition or disposal of subsidiaries or associate companies during the six months ended 30 June 2021 and up to the date of this announcement.

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 30 June 2021, the Group had cash and bank balances amounted to approximately HK\$302.3 million (31 December 2020: approximately 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 and bank borrowings of approximately HK\$26.0 million (31 December 2020: Nil) and approximately HK\$41.1 million (31 December 2020: approximately HK\$59.5 million) as at 30 June 2021 respectively. The annual interest rate of the bank overdrafts and bank borrowings during the six months ended 30 June 2021 ranged from 2.25% to 5.00% (31 December 2020: ranged from 2.01% to 3.63%) and ranged from 0.79% to 0.90% (31 December 2020: ranged from 0.97% to 1.59%) respectively.

Cash flows

For the six months ended 30 June 2021, the Group recorded a cash outflow from operating activities of approximately HK\$7.5 million (six months ended 30 June 2020: cash inflow of approximately HK\$12.4 million). The significant drop in the operating cash flow was mainly due to the stocking up on the inventory by the Group in order to prepare for the potential increase in demands from customers when the impact of COVID-19 subsides.

Net cash used in investing activities amounted to approximately HK\$18.8 million for the six months ended 30 June 2021 (six months ended 30 June 2020: approximately HK\$8.2 million). The increase was mainly due to costs incurred in the deposit paid for acquisition of a subsidiary during the period. There was a net cash outflow of approximately HK\$74.4 million for the six months ended 30 June 2021 (six months ended 30 June 2020: net cash inflow of approximately HK\$32.6 million) from financing activities due to the repayment of bank borrowings and payment of dividend during the period.

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 30 June 2021 and 31 December 2020 were approximately 11.6% and 10.0% respectively. The increase of the gearing ratio was mainly due to increase in bank overdrafts during the period.

Banking facilities

As at 30 June 2021, the Group has banking facilities totalling approximately HK\$423.9 million (31 December 2020: approximately HK\$423.9 million) and approximately HK\$67.1 million (31 December 2020: approximately HK\$59.5 million), of which has been utilised by the Group. The utilisation rates as at 30 June 2021 and 31 December 2020 were approximately 15.8% and 14.0% respectively. With financial supports from the banks and the low utilization rate, the Group has reserved sufficient facilities available for future draw down.

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 30 June 2021, the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK\$16.8 million (31 December 2020: approximately HK\$17.2 million), bond classified as financial assets at fair value through profit or loss of HK\$Nil (31 December 2020: approximately HK\$7.7 million) and pledged bank deposits of approximately HK\$30.0 million (31 December 2020: approximately HK\$22.3 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 30 June 2021, approximately HK\$134.7 million of the proceeds raised has been utilised and the unused proceeds were deposited in licensed banks in Hong Kong. In the event that the Directors decided to use such net proceeds in a manner different from that stated in the Prospectus, the Company will issue further announcement in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

Set out below is a breakdown of the planned use and actual use of proceeds up to 30 June 2021 are as follows:

Purposes of net proceeds as disclosed in the Prospectus	Planned use of proceeds as disclosed in the Prospectus (HK\$' million)	As at 30 June 2021		Unused proceeds as at 30 June 2021 (HK\$' million)
		Actual use of proceeds from the listing date to 31 December 2020 (HK\$' million)	Actual use of proceeds during the six months ended 30 June 2021 (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	–	13.8	85.1
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>120.9</u>	<u>13.8</u>	<u>85.1</u>

On 12 May 2021, the Group and the independent third party vendor, namely, Lee Sung Yin, entered into the provisional agreement in relation to the acquisition by the Group of the entire issued share capital of and in Golden Well Ventures Limited, a company incorporated in BVI with limited liability, at the consideration of HK\$138.0 million. Pursuant to the terms of the provisional agreement, the Group paid an initial deposit of HK\$6.0 million and a further deposit of HK\$7.8 million in May 2021 and June 2021, respectively.

Accordingly, as at 30 June 2021, the Group had utilized HK\$13.8 million of the net proceeds to purchase a non-residential premises which is in line with the planned use disclosed in the Prospectus. Completion of the acquisition took place on 19 July 2021 whereby the remaining net proceeds of approximately HK\$85.1 million had been fully utilised towards the payment of the balance of consideration for the acquisition on the same date.

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

CAPITAL COMMITMENTS

As at 30 June 2021, the Group had capital commitment of approximately HK\$156.1 million (31 December 2020: approximately HK\$35.2 million) for the purchase of and addition to property, plant and equipment and acquisition of a subsidiary.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance and has steered its development and protection of the interests of the Shareholders 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 period 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.

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 of 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 throughout the six months ended 30 June 2021.

AUDIT COMMITTEE

The Company has an audit committee (the “Audit Committee”) which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group’s financial reporting process, risk management and internal controls. The Audit Committee, comprising Ms. Leung Wai Ling, Wylie (Chairman), Dr. Lau Kin Tak and Mr. Anthony Graeme Michaels, has reviewed the Company’s unaudited condensed interim financial statements for the six months ended 30 June 2021 and the accounting principles and practices adopted, and discussed auditing, risk management, internal controls and financial reporting matters with the Group’s management and the Company’s external auditors.

INTERIM DIVIDEND

The Board resolved to declare an interim dividend of HK4.0 cents per share (six months ended 30 June 2020: interim dividend HK4.0 cents per share) to Shareholders whose names appear on the register of members on Tuesday, 28 September 2021, representing a payout ratio of approximately 68.5% of profit attributable to owners of the Company for the six months ended 30 June 2021. The interim dividend will be paid on or around Friday, 8 October 2021.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlements to the interim dividend, the register of members of the Company will be closed from Friday, 24 September 2021 to Tuesday, 28 September 2021 (both days inclusive) during which period no transfer of shares will be affected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificate must be lodged with the Company's share registrar and transfer office 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 Thursday, 23 September 2021.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

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

This result announcement is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.kingsflair.com.hk. The interim report of the Company for the six months ended 30 June 2021 will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
King's Flair International (Holdings) Limited
Dr. Wong Siu Wah
Chairman and Executive Director

Hong Kong, 23 August 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.