

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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Change
	2022	2021	
	HK\$'000	HK\$'000	
	(Unaudited)	(Unaudited)	
Revenue	469,647	648,988	-27.6%
Gross profit	86,903	135,970	-36.1%
Profit attributable to owners of the Company	10,749	40,882	-73.8%
Basic and diluted earnings per share (HK cents)	1.5	5.8	
Interim dividend per share (HK cents)	-	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 2022, together with the comparative figures for the corresponding period in 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		Six months ended 30 June	
	<i>Notes</i>	2022	2021
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	5	469,647	648,988
Cost of sales		<u>(382,744)</u>	<u>(513,018)</u>
Gross profit		86,903	135,970
Other income and gains, net	6	7,728	5,091
Distribution expenses		(20,058)	(24,458)
Administrative expenses		(58,698)	(59,571)
Share of results of associates		(1,135)	1,128
Finance costs	7	<u>(650)</u>	<u>(637)</u>
Profit before income tax	8	14,090	57,523
Income tax expenses	9	<u>(2,089)</u>	<u>(8,752)</u>
Profit for the period		<u>12,001</u>	<u>48,771</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		(793)	6
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		<u>(4,168)</u>	<u>489</u>
Other comprehensive income for the period		<u>(4,961)</u>	<u>495</u>
Total comprehensive income for the period		<u>7,040</u>	<u>49,266</u>
Profit for the period attributable to:			
Owners of the Company		10,749	40,882
Non-controlling interests		<u>1,252</u>	<u>7,889</u>
		<u>12,001</u>	<u>48,771</u>

		Six months ended 30 June	
		2022	2021
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Total comprehensive income attributable to:			
Owners of the Company		9,892	41,205
Non-controlling interests		(2,852)	8,061
		7,040	49,266
		HK cents	HK cents
Earnings per share:			
	<i>10</i>		
– Basic		1.5	5.8
– Diluted		1.5	5.8

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		As at 30 June 2022	31 December 2021
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	<i>12</i>	52,041	57,612
Investment properties		138,900	139,000
Goodwill	<i>19</i>	14,503	–
Other asset		172	172
Interests in associates		20,626	21,760
Intangible asset	<i>19</i>	10,044	–
Deposits paid for property, plant and equipment		28,264	20,473
Financial assets at fair value through other comprehensive income	<i>16</i>	911	1,704
Deferred tax assets		730	2
		<hr/> 266,191	<hr/> 240,723
Current assets			
Inventories	<i>13</i>	83,754	50,240
Trade receivables	<i>14</i>	191,214	196,838
Prepayments, deposits and other receivables		71,319	71,173
Financial assets at fair value through profit or loss	<i>15</i>	23,959	31,951
Amounts due from associates		783	750
Tax recoverable		4,136	5,385
Pledged bank deposits		19,913	27,686
Cash and bank balances		239,692	220,427
		<hr/> 634,770	<hr/> 604,450

		As at 30 June 2022 <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
Current liabilities			
Trade and bills payables	17	51,515	41,984
Other payables and accruals		27,859	19,020
Financial liabilities at fair value through profit or loss	15	1,019	–
Contract liabilities		12,764	11,477
Bank overdrafts		17,675	481
Bank borrowings		78,100	58,480
Lease liabilities		5,965	6,458
Loans from non-controlling interests		1,920	1,920
Amount due to an associate		3,027	1,365
Dividend payable		42,000	–
Provision for tax		2,321	4,470
		<u>244,165</u>	<u>145,655</u>
Net current assets		<u>390,605</u>	<u>458,795</u>
Total assets less current liabilities		<u>656,796</u>	<u>699,518</u>
Non-current liabilities			
Lease liabilities		5,291	5,466
Deferred tax liabilities		3,534	3,526
		<u>8,825</u>	<u>8,992</u>
Net assets		<u>647,971</u>	<u>690,526</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	7,000	7,000
Reserves		589,326	621,434
		<u>596,326</u>	<u>628,434</u>
Non-controlling interests		51,645	62,092
Total equity		<u>647,971</u>	<u>690,526</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 of Hong Kong Limited (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 2022 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 has been prepared in accordance with the applicable disclosure requirement of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (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 2021 (the "2021 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 2021 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 HKFRS 3	References to Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to HKFRSs 2018-2020	

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 (2021: 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 2022 and 2021.

	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	
	2022	2021	2022	2021	2022	2021
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue						
Revenue from external customers	<u>437,171</u>	<u>583,987</u>	<u>32,476</u>	<u>65,001</u>	<u>469,647</u>	<u>648,988</u>
Segment results	<u>18,185</u>	<u>56,891</u>	<u>(209)</u>	<u>4,102</u>	<u>17,976</u>	<u>60,993</u>
Share of results of associates					(1,135)	1,128
Unallocated income					1,558	333
Unallocated expenses					<u>(4,309)</u>	<u>(4,931)</u>
Profit before income tax					<u>14,090</u>	<u>57,523</u>

	Trading of kitchenware and household products		Trading of raw materials		Total	
	As at 30 June 2022	As at 31 December 2021	As at 30 June 2022	As at 31 December 2021	As at 30 June 2022	As at 31 December 2021
	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Segment assets	738,617	748,650	81,004	50,836	819,621	799,486
Tax recoverable					4,136	5,385
Deferred tax assets					730	2
Interests in associates					20,626	21,760
Unallocated corporate assets [#]					55,848	18,540
Consolidated total assets					900,961	845,173
Segment liabilities	200,200	144,880	4,204	737	204,404	145,617
Provision for tax					2,321	4,470
Deferred tax liabilities					3,534	3,526
Dividend payable					42,000	–
Unallocated corporate liabilities					731	1,034
Consolidated total liabilities					252,990	154,647

[#] 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 2022	Six months ended 30 June 2021	Six months ended 30 June 2022	Six months ended 30 June 2021	Six months ended 30 June 2022	Six months ended 30 June 2021
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Other segment information:						
Interest income	542	555	–	–	542	555
Interest expenses	(616)	(613)	–	–	(616)	(613)
Fair value loss on investment properties	(100)	–	–	–	(100)	–
Depreciation of property, plant and equipment	(9,209)	(7,969)	–	–	(9,209)	(7,969)
Research expenses	(729)	(471)	–	–	(729)	(471)
Reversal of impairment loss/(provision of impairment loss) on trade receivables	1,608	(234)	47	150	1,655	(84)
Fair value (loss)/gain of financial assets at fair value through profit or loss, net	(2,382)	75	–	–	(2,382)	75

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other material items		
Reportable segments' interest income	542	555
Unallocated	<u>–</u>	<u>332</u>
Consolidated interest income	<u>542</u>	<u>887</u>
Reportable segments' interest expenses	(616)	(613)
Unallocated	<u>(34)</u>	<u>(24)</u>
Consolidated interest expenses	<u>(650)</u>	<u>(637)</u>
Reportable segments' research expenses	(729)	(471)
Unallocated	<u>(24)</u>	<u>(32)</u>
Consolidated research expenses	<u>(753)</u>	<u>(503)</u>
Reportable segments' depreciation of property, plant and equipment	(9,209)	(7,969)
Unallocated	<u>(266)</u>	<u>(259)</u>
Consolidated depreciation of property, plant and equipment	<u>(9,475)</u>	<u>(8,228)</u>
Reportable segments' fair value (loss)/gain of financial assets at fair value through profit or loss, net	(2,382)	75
Unallocated	<u>(31)</u>	<u>(312)</u>
Consolidated fair value loss of financial assets at fair value through profit or loss, net	<u>(2,413)</u>	<u>(237)</u>

(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>	Six months ended 30 June	
		2022	2021
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
United States		305,592	387,308
Asia	<i>(a)</i>	93,337	183,601
Europe	<i>(b)</i>	51,217	61,441
Canada		18,157	16,123
Other locations	<i>(c)</i>	1,344	515
		469,647	648,988

Notes:

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

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

(c) Principally included Australia

* Including revenue from the Mainland China and Hong Kong of approximately HK\$80,541,000 (six months ended 30 June 2021: approximately HK\$167,119,000)

The geographical location of customers is based on the location of customers. As at 30 June 2022 and 31 December 2021, 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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Company A	149,282	124,044
Company B	58,453	58,130
Company C	54,980	154,885

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

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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
– Sales of kitchenware and household products	437,171	583,987
– Sales of raw materials	32,476	65,001
	<u>469,647</u>	<u>648,988</u>

6. OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	542	857
Interest income from unlisted bond	–	30
Rental income	1,739	–
Recharge from customers	47	144
Government grants	6,091	3,754
Fair value loss on financial assets at fair value through profit or loss, net	(2,413)	(237)
Fair value loss on investment properties	(100)	–
Others	1,822	543
	<u>7,728</u>	<u>5,091</u>

7. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest charges on financial liabilities at amortised cost:		
Bank borrowings	294	167
Bank overdrafts	114	224
Lease liabilities	242	246
	<u>650</u>	<u>637</u>

8. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Profit before income tax is arrived at after charging/(crediting):		
Cost of inventories sold recognised as expense	362,966	491,361
(Reversal of impairment loss)/provision of impairment loss on trade receivables	(1,655)	84
Depreciation of property, plant and equipment	9,475	8,228
Research expenses	753	503
Short-term lease expenses	276	129
Low-value lease expenses	49	40
Employee benefit expenses (including directors' remuneration)		
Wages, salaries and other benefits	28,078	27,823
Discretionary bonuses	4,299	4,298
Contributions to defined contribution schemes	2,565	2,341
	34,942	34,462
Exchange (gain)/loss, net	(584)	701

9. INCOME TAX EXPENSES

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
The taxation attributable to the Group's operation comprises:		
Current tax		
– Hong Kong profits tax	1,789	7,988
– Income tax outside Hong Kong	1,020	2,578
	2,809	10,566
Over provision in prior years		
– Hong Kong profits tax	–	(20)
Deferred tax		
– Credit for the period	(720)	(1,794)
Income tax expenses	2,089	8,752

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 2021: 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 2021: 25%) of the estimated assessable profits arising from the Mainland China. 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\$10,749,000 (six months ended 30 June 2021: approximately HK\$40,882,000) and the weighted average of 700,000,000 (six months ended 30 June 2021: 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 2022 and 2021, 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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
No interim dividend declared and payable after the interim period (six months ended 30 June 2021: HK4.0 cents per share)	–	28,000

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Final dividend in respect of the previous financial year, approved and payable during the following interim period, of HK6.0 cents per share (six months ended 30 June 2021: approved and paid during the following interim period of HK7.5 cents per share)	42,000	52,500

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired property, plant and equipment at a total cost of approximately HK\$4,280,000 (six months ended 30 June 2021: approximately HK\$8,878,000).

During the six months ended 30 June 2022, the Group has not disposed property, plant and equipment (six months ended 30 June 2021: Nil).

At 30 June 2022, the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK\$16,059,000 (31 December 2021: approximately HK\$16,450,000) were pledged to secure general banking facilities granted to the Group.

13. INVENTORIES

	As at 30 June 2022	As at 31 December 2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Merchandises held for resale	34,460	25,110
Raw materials	49,294	25,130
	83,754	50,240

14. TRADE RECEIVABLES

	As at 30 June 2022 <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
Trade receivables	192,030	199,309
Less: impairment loss allowance	(816)	(2,471)
	<u>191,214</u>	<u>196,838</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 2022 <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
0–30 days	69,869	75,753
31–60 days	70,809	77,996
61–90 days	38,377	13,986
Over 90 days	12,159	29,103
	<u>191,214</u>	<u>196,838</u>

15. FINANCIAL ASSETS/(LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2022 <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
Financial assets at fair value through profit or loss:		
Listed equity securities in Hong Kong, at fair value (<i>note (a)</i>)	23,959	24,592
Unlisted secured promissory note in US, at fair value (<i>note (b)</i>)	–	6,629
Derivative financial instruments at fair value (<i>note (c)</i>)	–	730
	<u>23,959</u>	<u>31,951</u>
Financial liabilities at fair value through profit or loss:		
Derivative financial instruments at fair value (<i>note (c)</i>)	1,019	–
	<u>1,019</u>	<u>–</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) As at 31 December 2021, there was one secured promissory note (the "Note") with gross principal amount of 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. The principal of the loan was originally repayable on 15 June 2019, being twenty-four months from the issue date and was extended to 7 January 2020, 15 January 2021, 15 February 2021, 15 April 2021, 30 June 2021, 31 December 2021 and 30 June 2022 (the "Maturity Dates") by entering various supplementary agreements in June 2019, January 2020, June 2020, January 2021, February 2021, April 2021, June 2021 and December 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. As at 30 June 2022, the Group exercised the conversion right under the Note and became interested in 51% of all shares outstanding post-conversion of Issuer. As a result, the Issuer became a non-wholly owned subsidiary of the Company.

As at 31 December 2021, the fair value of the Note was estimated to be approximately HK\$6,629,000. The fair value loss of approximately HK\$311,000 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 the end of the reporting period is determined by the directors with reference to the valuation prepared by Royson Valuation Advisory Limited, an independent valuer, by using binominal model and income approach with the following key parameters:

	As at 31 December 2021 (Audited)
Revenue growth rate	Ranged from 45% to 370%
Terminal growth rate	3%
Post-tax discount rate	25.5%
Discount for lack of marketability	35%
Expected volatility	35%

- c) As at 30 June 2022, the Group's derivative financial instruments represented 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 RMB66,000,000 (31 December 2021: RMB26,000,000) and the forward currency rates of all these contracts ranged from USD1:RMB6.4336 to USD1:RMB6.7550 (31 December 2021: USD1:RMB6.4020 to USD1:RMB6.6750) with various maturity dates from July 2022 to May 2023 (31 December 2021: January 2022 to March 2022).

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2022 <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
Unlisted equity securities in Hong Kong, at fair value (<i>note</i>)	911	1,704

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 2022, the fair value of the Group's investment of 11.5% of equity interest in a private entity, incorporated in Hong Kong and engaged in provision of interior design services, 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 2022 (Unaudited)	As at 31 December 2021 (Audited)
Revenue growth rate	Ranged from -51.1% to 207.9%	Ranged from 11% to 44%
Terminal growth rate	3%	3%
Post-tax discount rate	20.04%	20.2%
Discount for lack of control	25%	25%
Discount for lack of marketability	20%	20%

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 2022 <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
Trade payables	47,692	41,984
Bills payables	3,823	–
	51,515	41,984

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 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
0–90 days	50,206	41,067
91–180 days	447	897
181–365 days	842	14
Over 365 days	20	6
	<u>51,515</u>	<u>41,984</u>

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 2022		As at 31 December 2021	
	Number of shares (‘000) (Unaudited)	HK\$'000 (Unaudited)	Number of shares (‘000) (Audited)	HK\$'000 (Audited)
Authorised:				
Shares of HK\$0.01 each	<u>10,000,000</u>	<u>100,000</u>	<u>10,000,000</u>	<u>100,000</u>
Issued and fully paid:				
Shares of HK\$0.01 each	<u>700,000</u>	<u>7,000</u>	<u>700,000</u>	<u>7,000</u>

19. ACQUISITION OF A SUBSIDIARY

Since the first half of 2017, the Group has held one secured promissory note (the “Note”) with gross principal amount of US\$2,000,000 equivalent to approximately HK\$15,560,000 due from an independent third party, namely Kor Water, Inc. (“KOR”). The loan was originally repayable to the Group on 15 June 2019 and was extended several times until 30 June 2022. Pursuant to the terms of the Note, the Group has the right to convert the outstanding loan amount and accrued interests to 51% of all shares outstanding post-conversion of KOR in the Group's sole discretion prior to its maturity. Further details of the Note are set out in Note 15 to the condensed consolidated interim financial statements for the six months ended 30 June 2022.

On 30 June 2022 (the “Acquisition Date”), the Group exercised the conversion right under the Note and became interested in 51% of all shares outstanding post-conversion of KOR. As a result, KOR became a non-wholly owned subsidiary of the Company with effect from the Acquisition Date.

The Group has elected to initially measure the non-controlling interests in KOR at the non-controlling interests' proportionate share of KOR's identifiable net assets at the Acquisition Date. As at the date of approval for issuance of the financial statements, the fair value assessments of identifiable assets and liabilities arising from the above acquisition have not been finalised and thus, the assets and liabilities recognised at the Acquisition Date (see below) have been determined provisionally. Upon finalisation of the valuation, the goodwill may change accordingly. The Directors expect the valuation will be finalised within one year from the completion date of the acquisition.

The provisional fair values of the identifiable assets and liabilities of KOR as at the Acquisition Date were as follows:

	HK\$'000 <i>(Unaudited)</i>
Property, plant and equipment	167
Intangible assets	10,044
Inventories	5,760
Trade receivables	292
Rental, utility and other deposits	48
Other receivables	60
Prepayment	67
Cash at banks	1,291
Trade payables	(11,900)
Contract Liabilities/trade deposits received	1
Other payables and accrual	(21,281)
Bank overdraft	(49)
Net liabilities	(15,500)
Net liabilities	15,500
Fair value of consideration	6,599
Non-controlling interests	(7,596)
Goodwill	14,503
	HK\$'000 <i>(Unaudited)</i>
Net cash inflow in connection with the acquisition of subsidiaries:	
Cash and cash equivalent balance acquired*	1,242

* The acquisition was initiated by exercising the conversion right of the Note and no further consideration paid during the acquisition.

The goodwill of HK\$14,503,000, which is not deductible for tax purposes, comprises the value of the acquired management team for its future market development from the combination of the acquired business with the existing operations of the Group.

As the acquisition was completed at the end of the reporting period, KOR did not contributed any revenue and net profit to the consolidated profit of the Group for the six months ended 30 June 2022. Had the combination taken place at the beginning of the reporting period, the revenue of the Group and the profit of the Group for the six months ended 30 June 2022 would have been HK\$472,126,000 and HK\$9,471,000, respectively.

The Group incurred transaction costs of HK\$71,000 for this acquisition. These transaction costs have been expensed off and are included in the administrative expenses in profit or loss.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the first half of year 2022, the continuous threat of the new COVID-19 variants in the Mainland China and the escalating conflicts in geopolitical environment worldwide.

In Mainland China, the new COVID-19 variants continued to cast uncertainties over the business operating environment. With the worsening of the pandemic situation, the government implemented the most stringent and extensive lockdown measures in various cities and districts including first-tier city, Shanghai. This led to an unprecedented disruption on the Group's retail business and supply chain logistics in the Mainland China.

The new COVID-19 variant also re-shaped the policies and directions of the governments and the lifestyle and preference of consumers worldwide. For instance, the conservatism among brand owners in the United States in placing orders due to uncertain consumer sentiments caused by the worsened global economic condition and the continued disruption in supply chain.

At the same time, the conflict between Russia and Ukraine and the sanctions imposed by the United States and Europe led to the continuous surging of raw material costs as commodity prices remained strong during the period. The interest rate hikes to combat the high inflation rate in the United States and Europe also intensify the uncertainties to the global economic development in the near future.

FINANCIAL REVIEW

Revenue

During the six months ended 30 June 2022, the Group recorded a decrease in revenue from approximately HK\$649.0 million for the six months ended 30 June 2021 to approximately HK\$469.6 million, representing a decrease of approximately 27.6%. This was mainly due to (i) the stringent and extensive lockdown in various cities and districts in the Mainland China as a result of the outbreak of the new COVID-19 variant in the Mainland China during the period; and (ii) the conservatism among brand owners in the United States in placing orders due to uncertain consumer sentiments caused by the worsened global economic condition and the continued disruption in supply chain due to the new COVID-19 variant.

Gross profit and gross profit margin

Gross profit decreased by approximately 36.1% to approximately HK\$86.9 million for six months ended 30 June 2022 (six months ended 30 June 2021: HK\$136.0 million), with gross profit margin also decreased by approximately 2.5 percentage points to approximately 18.5% (six months ended 30 June 2021: 21.0%). The decrease in gross profit and the lower gross profit margin were mainly due to the continuously high raw materials costs as commodity prices remained strong during the period. 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 six months ended 30 June 2022, other income increased by approximately 51.0% to approximately HK\$7.7 million (six months ended 30 June 2021: HK\$5.1 million), primarily due to the rental income derived from the investment properties acquired in year 2021 and the funding support received from the Employment Support Scheme under the Anti-epidemic Fund set up by the government body in Hong Kong during the period.

Distribution expenses

During the six months ended 30 June 2022, distribution expenses decreased by approximately 18.0% to approximately HK\$20.1 million (six months ended 30 June 2021: HK\$24.5 million). The decrease was mainly attributable to the Group taking a conservative strategy in promotion amidst the period of uncertainty and the sales related expenses such as licensing fee and transportation dropped with the revenue.

Administrative expenses

During the six months ended 30 June 2022, administrative expenses slightly decreased by approximately 1.5% to approximately HK\$58.7 million (six months ended 30 June 2021: HK\$59.6 million). Under the tight cost control measure, the Group maintained the administrative expenses at a relatively stable level.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the six months ended 30 June 2022 decreased by approximately 73.8% to approximately HK\$10.7 million (six months ended 30 June 2021: HK\$40.9 million). The decrease was due to the combination of (i) a significant decrease in the Group's revenue during the period and (ii) a decrease in gross profit margin during the period as a result of the increase in raw material cost and the appreciation of Renminbi.

FUTURE STRATEGY

For the second half of 2022, the global business outlook will remain uncertain due to the persistence impact of the COVID-19 variant. Followed by the higher-than-expected inflation worldwide, triggering more tighter monetary policy, geopolitical tensions in Eastern Europe, and lockdowns in certain cities in China, has led to more unpredictable global market condition and operation environment. Braving 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.

Due to pro-longed instability, diversifying the Group's product portfolio has been and will remain as one of the main strategies towards sustainability, which aim to achieve greater market differentiation and penetration. 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. On the operation side, the Group will further streamline its workforce; enhance efficiency through re-arranging workflow process and office automation.

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 for setting up a designated centre. The centre is expected to complete in the third quarter of 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 Re-industrialization 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 recruit suitable talents with competitive knowledge, skillset, experience and capability to cater the needs of each project. In view of the various challenges confronted, the management will make every effort to ensure that strategy aligns for the Group’s future long-term growth.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group had approximately 180 employees (30 June 2021: 193 employees). Total staff costs (including Directors’ emoluments) were approximately HK\$34.9 million for the six months ended 30 June 2022, as compared to approximately HK\$34.5 million for the six months ended 30 June 2021.

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 Mainland China.

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

Other than the investment properties and financial assets at fair value through profit or loss as disclosed in the condensed consolidated statements of financial position, there was no significant investment held as at 30 June 2022.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Acquisition of a subsidiary

Since the first half of 2017, the Group has held one secured promissory note (the “Note”) with gross principal amount of US\$2.0 million equivalent to approximately HK\$15.6 million due from an independent third party, namely Kor Water, Inc. (“KOR”). The loan was originally repayable to the Group on 15 June 2019 and was extended several times until 30 June 2022. Pursuant to the terms of the Note, the Group has the right to convert the outstanding loan amount and accrued interests to 51% of all shares outstanding post-conversion of KOR in the Group’s sole discretion prior to its maturity. Further details of the Note are set out in Note 15 to the condensed consolidated interim financial statements for the six months ended 30 June 2022.

On 30 June 2022 (the “Acquisition Date”), the Group exercised the conversion right under the Note and became interested in 51% of all shares outstanding post-conversion of KOR. As a result, KOR became a non-wholly owned subsidiary of the Company with effect from the Acquisition Date.

As none of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) exceeds 5% on the Acquisition Date, the acquisition of 51% interests in KOR by the Group did not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules.

Save as disclosed above, there was no material acquisition or disposal of subsidiaries or associate companies during the six months ended 30 June 2022.

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 2022, the Group had cash and bank balances amounted to approximately HK\$239.7 million (31 December 2021: HK\$220.4 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\$17.7 million (31 December 2021: HK\$0.5 million) and had bank borrowings of approximately HK\$78.1 million (31 December 2021: approximately HK\$58.5 million) as at 30 June 2022. The annual interest rate of the bank overdrafts and bank borrowings during the six months ended 30 June 2022 ranged from 2.25% to 5.25% (31 December 2021: ranged from 2.25% to 5.25%) and ranged from 0.70% to 1.01% (31 December 2021: ranged from 0.66% to 0.90%) respectively.

Cash flows

For the six months ended 30 June 2022, the Group recorded a cash outflow from operating activities of approximately HK\$10.0 million (six months ended 30 June 2021: cash outflow of approximately HK\$7.5 million). The operating cash outflow 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 generated from investing activities amounted to approximately HK\$1.2 million for the six months ended 30 June 2022 (six months ended 30 June 2021: net cash used in approximately HK\$18.8 million). The increase was mainly due to costs incurred in the deposit paid for acquisition of a subsidiary during the same period in year 2021. There was a net cash inflow of approximately HK\$15.1 million for the six months ended 30 June 2022 (six months ended 30 June 2021: net cash outflow of approximately HK\$74.4 million) from financing activities due to the raise of bank borrowings during the period comparing with a net repayment of bank borrowings and payment of dividend during the same period in year 2021.

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 2022 and 31 December 2021 were approximately 16.8% and 10.5% respectively. The increase of the gearing ratio was mainly due to increase in bank overdrafts and bank borrowings during the period.

Banking facilities

As at 30 June 2022, the Group has banking facilities totalling approximately HK\$338.0 million (31 December 2021: approximately HK\$338.0 million) and approximately HK\$95.7 million (31 December 2021: approximately HK\$60.3 million), of which has been utilised by the Group. The utilisation rates as at 30 June 2022 and 31 December 2021 were approximately 28.3% and 17.8% 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 2022, the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK\$16.1 million (31 December 2021: HK\$16.5 million), investment properties with an aggregate carrying amount of approximately HK\$138.9 million (31 December 2021: HK\$139.0 million) and pledged bank deposits of approximately HK\$19.9 million (31 December 2021: HK\$27.7 million) were pledged to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group had no significant contingent liabilities (31 December 2021: Nil).

CAPITAL COMMITMENTS

As at 30 June 2022, the Group has capital commitment of approximately HK\$39.2 million (31 December 2021: approximately HK\$28.5 million) for the purchase of and addition to property, plant and equipment.

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 C.2.1 under Part 2 of the CG Code, 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 C.2.1 under Part 2 of the CG Code. 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 2022.

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 2022 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 does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: interim dividend HK4.0 cents per share).

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 2022.

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 2022 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, 22 August 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.