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King's Flair International (Holdings) Limited

科勁國際(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6822)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the “Board”) of directors (the “Directors”) of King’s Flair International (Holdings) Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred hereafter as the “Group”) for the year ended 31 December 2022, together with the comparative audited figures for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	5	925,663	1,301,652
Cost of sales		(726,678)	(1,012,137)
Gross profit		198,985	289,515
Other income and gains and other losses, net	6	6,720	13,030
Distribution expenses		(45,012)	(51,324)
Administrative expenses		(124,106)	(125,083)
Share of result of associates		1,756	2,718
Finance costs	7	(2,560)	(1,406)
Profit before income tax	8	35,783	127,450
Income tax expenses	9	(6,820)	(21,703)
Profit for the year		28,963	105,747

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*
For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Change in fair value of financial assets at fair value through other comprehensive income		(1,704)	(572)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations released upon disposal of a subsidiary		–	(1,312)
Exchange differences arising on translation of foreign operations		(9,680)	2,421
Other comprehensive income for the year		(11,384)	537
Total comprehensive income for the year		17,579	106,284
Profit for the year attributable to:			
Owners of the Company		23,248	94,907
Non-controlling interests		5,715	10,840
		28,963	105,747
Total comprehensive income attributable to:			
Owners of the Company		18,269	92,382
Non-controlling interests		(690)	13,902
		17,579	106,284
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share:	<i>10</i>		
– Basic		3.3	13.6
– Diluted		3.3	13.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		73,352	57,612
Investment properties		135,300	139,000
Goodwill		12,050	–
Other asset		172	172
Interests in associates		19,800	21,760
Intangible assets		10,603	–
Deposits paid for property, plant and equipment		59,327	20,473
Financial assets at fair value through other comprehensive income		–	1,704
Deferred tax assets		4,479	2
		<hr/> 315,083	<hr/> 240,723
Current assets			
Inventories	<i>12</i>	97,722	50,240
Trade receivables	<i>13</i>	127,215	196,838
Prepayments, deposits and other receivables		50,551	71,173
Financial assets at fair value through profit or loss		22,269	31,951
Amounts due from associates		783	750
Tax recoverable		9,009	5,385
Pledged bank deposits		19,959	27,686
Cash and bank balances		229,623	220,427
		<hr/> 557,131	<hr/> 604,450

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
As at 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current liabilities			
Trade payables	<i>14</i>	52,049	41,984
Other payables and accruals		15,397	19,020
Financial liabilities at fair value through profit or loss		1,388	–
Contract liabilities		5,955	11,477
Bank overdrafts		47,734	481
Bank borrowings		45,500	58,480
Lease liabilities		4,152	6,458
Loans from non-controlling interests		3,885	1,920
Amount due to an associate		1,082	1,365
Provision for tax		4,652	4,470
		181,794	145,655
Net current assets		375,337	458,795
Total assets less current liabilities		690,420	699,518
Non-current liabilities			
Lease liabilities		33,615	5,466
Deferred tax liabilities		3,075	3,526
		36,690	8,992
Net assets		653,730	690,526
EQUITY			
Equity attributable to owners of the Company			
Share capital		7,000	7,000
Reserves		597,703	621,434
		604,703	628,434
Non-controlling interests		49,027	62,092
Total equity		653,730	690,526

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands and domiciled in Hong Kong. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business in Hong Kong is 12/F, Yardley Commercial Building, 3 Connaught Road West, Hong Kong. The Company's shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The principal activities and other particulars of the principal subsidiaries are trading of kitchenware and household products and raw materials. The Company and its subsidiaries' (collectively referred to as the "Group") principal places of business are Hong Kong, the Mainland China and the United States. Save and except the acquisition of a 51% non-wholly owned subsidiary completed in June 2022, there were no significant changes in the Group's operations during the year.

As at 31 December 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. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of revised HKFRSs – first effective on 1 January 2022

In the current year, the Group has applied for the first time the following amendments to HKFRSs issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") which are relevant to and effective for the Group's consolidated financial statements for annual period beginning on 1 January 2022:

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	Amendments to HKFRS 9 and Amendments to Illustrative Examples accompanying HKFRS 16 Leases

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

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

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

The following new/revised HKFRSs, potentially relevant to the Group’s consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Leases Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the “2020 Amendments”) ²
Amendments to HKAS 1	Non-current Liabilities with Covenants (the “2022 Amendments”) ^{2,4}
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction ¹

Notes:

- 1 Effective for annual periods beginning on or after 1 January 2023
- 2 Effective for annual periods beginning on or after 1 January 2024
- 3 No mandatory effective date yet determined by available for adoption
- 4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion

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

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

Amendments to HKFRS 16, Leases Liability in a Sale and Leaseback

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are intended to improve the requirements for sale and leaseback transactions in HKFRS 16. They do not change the accounting for leases unrelated to sale and leaseback transactions.

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

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

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current

The amendments clarify the requirements on classifying liabilities as current or non-current. The 2020 Amendments provide clarification that if an entity’s right to defer settlement of a liability is subject to compliance with future covenants, the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The 2020 Amendments also clarify the situations that are considered as a settlement of a liability.

Amendments to HKAS 1, Non-current Liabilities with Covenants

The amendments clarify how to treat liabilities that are subject to covenants to be complied with, at a date subsequent to the reporting period. The 2022 Amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The 2022 Amendments clarify that only covenants with which an entity must comply on or before the reporting date will affect a liability’s classification as current or non-current.

Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies

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

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

Amendments to HKAS 8, Definition of Accounting Estimates

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

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

Amendments to HKAS 12, Deferred Tax Related to Assets and Liabilities arising from a Single Transaction

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

The directors of the Company have performed an assessment of the above new standards, amendments and interpretations and have concluded on a preliminary basis that these new standards and amendments would not have a significant impact on the Group’s consolidated financial statements in subsequent years.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRS”) issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention except for investment properties and those financial instruments stated at fair values, which are measured at fair value.

It should be noted that accounting estimates and assumptions are used in the preparation of the consolidated financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

(c) Functional and presentation currency

The consolidated financial statements is presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand (“HK\$’000”) except when otherwise indicated.

4. SEGMENT INFORMATION

(i) Operating segment information

The Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Company’s executive directors for their decisions about resources allocation to the Group’s business components and review of the components’ performance. The Group is organised around differences in products. There are two (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 plastic and silicone.

4. SEGMENT INFORMATION (Continued)

(i) Operating segment information (Continued)

There were no inter-segment sales between different business segments for the years ended 31 December 2022 and 2021.

	Trading of kitchenware and household products		Trading of raw materials		Total	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Segment revenue						
Revenue from external customers	<u>857,384</u>	1,181,975	<u>68,279</u>	119,677	<u>925,663</u>	1,301,652
Segment results	<u>40,284</u>	<u>126,277</u>	<u>(746)</u>	<u>7,507</u>	<u>39,538</u>	133,784
Share of result of associates					1,756	2,718
Unallocated income					1	988
Unallocated expenses					<u>(5,512)</u>	<u>(10,040)</u>
Profit before income tax					<u>35,783</u>	<u>127,450</u>
	Trading of kitchenware and household products		Trading of raw materials		Total	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Segment assets	729,482	748,650	95,992	50,836	825,474	799,486
Tax recoverable					9,009	5,385
Deferred tax assets					4,479	2
Interests in associates					19,800	21,760
Unallocated corporate assets [#]					<u>13,452</u>	<u>18,540</u>
Consolidated total assets					<u>872,214</u>	<u>845,173</u>
Segment liabilities	209,342	144,880	1,125	737	210,467	145,617
Provision for tax					4,652	4,470
Deferred tax liabilities					3,075	3,526
Unallocated corporate liabilities					<u>290</u>	<u>1,034</u>
Consolidated total liabilities					<u>218,484</u>	<u>154,647</u>

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

4. SEGMENT INFORMATION (Continued)

(i) Operating segment information (Continued)

	Trading of kitchenware and household products		Trading of raw materials		Total	
	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts included in the measure of segment profit or loss or assets:						
Interest income	1,350	1,111	4	–	1,354	1,111
Interest expenses	(2,560)	(1,391)	–	–	(2,560)	(1,391)
Fair value (loss)/gain on investment properties	(3,700)	1,000	–	–	(3,700)	1,000
Depreciation of property, plant and equipment	(18,202)	(17,711)	–	–	(18,202)	(17,711)
Research expenses	(5,891)	(7,148)	–	–	(5,891)	(7,148)
Reversal of impairment/ (impairment) of trade receivables	1,644	(702)	138	(80)	1,782	(782)
Fair value loss of financial assets at fair value through profit or loss, net	(4,441)	(2,871)	–	–	(4,441)	(2,871)
Additions to non-current assets*	<u>93,745</u>	<u>188,184</u>	<u>–</u>	<u>–</u>	<u>93,745</u>	<u>188,184</u>

* These consist of additions to property, plant and equipment, interest in an associate, deposit paid for property, plant and equipment, additions to goodwill, intangible assets and investment properties arising from acquisition of subsidiaries.

4. SEGMENT INFORMATION (Continued)

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other material items		
Reportable segments' interest income	1,354	1,111
Unallocated	<u>1</u>	<u>334</u>
Consolidated interest income	<u>1,355</u>	<u>1,445</u>
Reportable segments' interest expenses	(2,560)	(1,391)
Unallocated	<u>-</u>	<u>(15)</u>
Consolidated interest expenses	<u>(2,560)</u>	<u>(1,406)</u>
Reportable segments' research expenses	(5,891)	(7,148)
Unallocated	<u>-</u>	<u>(20)</u>
Consolidated research expenses	<u>(5,891)</u>	<u>(7,168)</u>
Reportable segments' depreciation of property, plant and equipment	(18,202)	(17,711)
Unallocated	<u>-</u>	<u>(266)</u>
Consolidated depreciation of property, plant and equipment	<u>(18,202)</u>	<u>(17,977)</u>
Reportable segments' fair value loss of financial assets at fair value through profit or loss, net	(4,441)	(2,871)
Unallocated	<u>(31)</u>	<u>(2,030)</u>
Consolidated fair value loss of financial assets at fair value through profit or loss, net	<u>(4,472)</u>	<u>(4,901)</u>

4. SEGMENT INFORMATION (Continued)

(iii) Disaggregated revenue and geographical segment information

The management determines that the Group is domiciled in Hong Kong, which is the location of the Group's principal place of operations. The Group's revenue from external customers, recognised on point in time basis, is divided into the following geographical areas:

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
United States		522,286	787,012
Asia	(a)	245,959	349,647
Europe	(b)	120,121	129,382
Canada		34,773	33,330
Other locations	(c)	2,524	2,281
		925,663	1,301,652

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 HK\$216,419,000 (2021: HK\$314,480,000).

The geographical analysis of the Group's revenue from external customers is based on the location of customers. As at 31 December 2022 and 2021, over 90% of the Group's non-current assets (other than financial instruments and deferred tax assets) are physically located in Hong Kong.

4. SEGMENT INFORMATION (Continued)

(iv) Information about major customers

An analysis of revenue from customers with whom transactions have exceeded 10% of the Group's revenue for the year was as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Company A (<i>notes a, b</i>)	216,111	317,992
Company B (<i>notes a, b</i>)	107,733	242,677
Company C (<i>notes a, c</i>)	94,081	N/A

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

Notes:

- (a) As at 31 December 2022, 43.8% of the Group's trade receivables were due from the abovementioned three major customers.
- (b) As at 31 December 2021, 45.0% of the Group's trade receivables were due from the abovementioned two major customers.
- (c) Revenue from transactions with Company C did not exceed 10% of the Group revenue for the year ended 31 December 2021 and the respective amount was not disclosed accordingly.

5. REVENUE

The Group is principally engaged in trading of kitchenware and household products and raw materials including plastic for certain of these products. Revenue from sales of kitchenware and household products and raw materials are recognised at a point in time when there is evidence that the control of goods has been transferred to the customer, the customer has adequate control over the goods and the Group has no unfulfilled obligations that affect customer accepting the goods. Revenue recognised during the year is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers		
– Sales of kitchenware and household products	857,384	1,181,975
– Sales of raw materials	68,279	119,677
	<u>925,663</u>	<u>1,301,652</u>

6. OTHER INCOME AND GAINS AND OTHER LOSSES, NET

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	1,355	1,415
Interest income from unlisted bond	–	30
Dividend income from listed equity securities	1,743	1,599
Recharge from customers	41	710
Government grants	8,254	3,765
Rental income	3,480	1,603
Fair value loss on financial assets at fair value through profit or loss, net	(4,472)	(4,901)
Fair value (loss)/gain on investment properties	(3,700)	1,000
Loss on disposal of property, plant and equipment	–	(5)
Gain on disposal of a subsidiary	–	6,376
Others	19	1,438
	<u>6,720</u>	<u>13,030</u>

7. FINANCE COSTS

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest charges on financial liabilities at amortised cost:		
Bank borrowings	1,647	411
Bank overdrafts	312	485
Lease liabilities	601	510
	<u>2,560</u>	<u>1,406</u>

8. PROFIT BEFORE INCOME TAX

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit before income tax is arrived at after charging:		
Auditor's remuneration	985	943
Cost of inventories sold recognised as expense	693,331	967,208
(Reversal of impairment)/impairment of trade receivables	(1,782)	782
Depreciation of property, plant and equipment (<i>note a</i>)	18,202	17,977
Write-off of property, plant and equipment	3	21
Loss on effective settlement of pre-existing relationship arising from acquisition of a subsidiary	1,572	–
Research expenses (<i>note c</i>)	5,891	7,168
Short-term lease expenses	714	255
Low-value lease expenses	179	68
Marketing expenses (<i>note b</i>)	11,241	13,176
Licensing fee (<i>note b</i>)	3,722	7,215
Transportation cost (<i>note b</i>)	9,677	6,896
Quality inspection expenses (<i>note c</i>)	16,078	16,061
Employee benefit expenses (including directors' remuneration) (<i>note d</i>)		
Wages, salaries and other benefits	53,626	56,090
Discretionary bonuses	4,396	4,597
Contributions to defined contribution schemes (<i>note e</i>)	5,110	4,887
	63,132	65,574
Exchange (gain)/loss, net	(1,531)	2,106

Notes:

- (a) Depreciation charges are recognised in the consolidated statement of comprehensive income as distribution expenses of approximately HK\$1,085,000 (2021: approximately HK\$1,335,000) and administrative expenses of approximately HK\$17,117,000 (2021: approximately HK\$16,642,000) for the year ended 31 December 2022.
- (b) These items are included in distribution expenses in the consolidated statement of comprehensive income.
- (c) These items are included in administrative expenses in the consolidated statement of comprehensive income.
- (d) Employee benefit expenses are recognised in the consolidated statement of comprehensive income as distribution expenses of approximately HK\$10,133,000 (2021: approximately HK\$11,553,000) and administrative expenses of approximately HK\$52,999,000 (2021: approximately HK\$54,021,000) for the year ended 31 December 2022.
- (e) The Group's contributions to defined contribution scheme vest fully and immediately with the employees. Accordingly, there are no forfeited contributions under the defined contribution scheme which may be used by the Group to reduce its existing level of contributions or contributions payable in future years as at and during each of the years ended 31 December 2022 and 2021.

9. INCOME TAX EXPENSES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
The taxation attributable to the Group's operations comprises:		
Current tax		
– Hong Kong profits tax	3,916	14,210
– PRC withholding tax	832	–
– PRC enterprise income tax	8,089	7,897
	<u>12,837</u>	<u>22,107</u>
Over provision in prior years		
– Hong Kong profits tax	(604)	(100)
	<u>(604)</u>	<u>(100)</u>
Deferred tax		
– Credit for the year	(5,413)	(304)
	<u>(5,413)</u>	<u>(304)</u>
Income tax expenses	<u>6,820</u>	<u>21,703</u>

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. 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%. The provision for profits tax for this subsidiary was calculated at the same bases in 2021.

US income tax has not been provided as there is no assessable profit arising in US during the year ended 31 December 2022.

Enterprise income tax (“EIT”) for the year was calculated at 25% (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 year of HK\$23,248,000 (2021: HK\$94,907,000) and the weighted average of 700,000,000 (2021: 700,000,000) ordinary shares in issue during the year.

Diluted earnings per share

There were no potential ordinary shares outstanding during the years ended 31 December 2022 and 2021, and hence the diluted earnings per share is the same as basic earnings per share.

11. DIVIDENDS

Dividends to equity shareholders attributable to the year:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
No interim dividend declared and paid in respect of current year (2021: HK4.0 cents) per share	–	28,000
Final dividend declared and paid in respect of the prior year of HK6.0 cents (2021: HK7.5 cents) per share	<u>42,000</u>	<u>52,500</u>
	<u>42,000</u>	<u>80,500</u>

At the board meeting held on 20 March 2023, the Board resolved to recommend a final dividend of HK3.0 cents (2021: HK6.0 cents) per ordinary share. The proposed final dividend has not been recognised as a dividend payable as at 31 December 2022, but will be reflected as an appropriation of retained profits/share premium for the year ending 31 December 2023.

12. INVENTORIES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Merchandises held for resale	32,293	25,110
Raw materials	<u>65,429</u>	<u>25,130</u>
	<u>97,722</u>	<u>50,240</u>

13. TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	127,904	199,309
Less: impairment loss allowance	<u>(689)</u>	<u>(2,471)</u>
	<u>127,215</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.

13. TRADE RECEIVABLES (Continued)

The directors of the Company considered the fair values of trade receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception. An ageing analysis of the Group's trade receivables (net of impairment allowance) as at end of the reporting period, based on the invoices date, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–30 days	63,180	75,753
31–60 days	47,681	77,996
61–90 days	7,469	13,986
Over 90 days	8,885	29,103
	<u>127,215</u>	<u>196,838</u>

14. TRADE PAYABLES

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	<u>52,049</u>	<u>41,984</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–90 days	47,423	41,067
91–180 days	4,615	897
181–365 days	8	14
Over 365 days	3	6
	<u>52,049</u>	<u>41,984</u>

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

15. COMMITMENTS

Capital commitments

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Capital expenditures contracted but not provided for in the consolidated financial statements in respect of:		
– Purchase of and addition to property, plant and equipment	<u>24,993</u>	<u>28,456</u>

FINAL DIVIDEND AND ANNUAL GENERAL MEETING

The Directors resolved to recommend the payment of a final dividend of HK3.0 cents (2021: HK6.0 cents) per share. As no interim dividend (2021: interim dividend of HK4.0 cents) per share was paid during the year, the total dividend for the year remained HK3.0 cents per share (2021: HK10.0 cents per share), representing an approximately 90.9% (2021: 73.5%) dividend ratio. The payment of the proposed final dividend is subject to the approval of the Shareholders at the forthcoming annual general meeting (“AGM”) to be held on Thursday, 25 May 2023 and are payable to Shareholders whose names appear on the register of members of the Company at the close of business on Monday, 26 June 2023. It is expected that the proposed final dividend will be paid on or about Monday, 3 July 2023. Notice of the AGM will be published and despatched to Shareholders as required under the Listing Rules in due course.

CLOSURES OF REGISTER OF MEMBERS

Annual General Meeting

In order to establish entitlements to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 22 May 2023 to Thursday, 25 May 2023, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be entitled to attend and vote at the AGM, all transfers of shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Friday, 19 May 2023.

Final Dividend

In order to establish entitlements to the proposed final dividend, the register of members of the Company will be closed from Tuesday, 20 June 2023 to Monday, 26 June 2023, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be qualified for the proposed final dividend, all transfers of shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Monday, 19 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year 2022, the new COVID-19 variants remained a threat in the Mainland China and the escalating conflicts in geopolitical environment worldwide casted uncertainties to the business operating environment of the Group.

In the Mainland China, the worsening pandemic situation in the first half of the year 2022 led to the implementation of the most stringent and extensive lockdown measures in various cities and districts including Shanghai, resulting in an unprecedented disruption to the Group's retail business and supply chain logistics in the Mainland China. The Group's retail business recovered gradually in the second half of year 2022 when the lockdown measures were loosened up progressively with the easing of the COVID-19 outbreak.

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 global tensions in various parts of the world led to the continuous surging of raw material costs as commodity prices remained strong during the year. The interest rate hikes to combat the high inflation rate in the United States and Europe is also expected to intensify the uncertainties on the global economic development in the near future.

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2022, the Group recorded a decrease in revenue, from approximately HK\$1,301.7 million in 2021, to approximately HK\$925.7 million, representing a decrease of approximately 28.9%. This was mainly due to (i) the continuous 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 year which only came to an end in or around December 2022; 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 31.3% to approximately HK\$199.0 million for year ended 31 December 2022 (2021: HK\$289.5 million), with gross profit margin also decreased by approximately 0.7 percentage points to approximately 21.5% (2021: 22.2%). 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 year.

Other income and gains and other losses, net

During the year ended 31 December 2022, other income and gains and other losses, net decreased by approximately 48.5% to approximately HK\$6.7 million (2021: HK\$13.0 million), primarily due to the fair value loss on the investment properties and the financial assets at fair value through profit or loss, which negative effect partially offset the income derived from the investment properties and the government grants received by the Group during the year.

Distribution expenses

During the year ended 31 December 2022, distribution expenses decreased by approximately 12.3% to approximately HK\$45.0 million (2021: HK\$51.3 million). The decrease was mainly due to the conservative promotion strategy taken by the Group amidst the period of uncertainty and the sales related expenses such as licensing fee dropped with the revenue.

Administrative expenses

During the year ended 31 December 2022, administrative expenses decreased by approximately 0.8% to approximately HK\$124.1 million (2021: HK\$125.1 million). Under the tight cost control measure, the Group was able to maintain the administrative expenses at a relatively stable level.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the year ended 31 December 2022 decreased by approximately 75.6% to approximately HK\$23.2 million (2021: HK\$94.9 million). The decrease was due to the combination of (i) a significant decrease in the Group's revenue during the year; and (ii) a decrease in gross profit margin during the year as a result of the increase in raw material cost.

FUTURE STRATEGY

The global business outlook will remain challenging and uncertain in the year 2023 due to the higher-than-expected inflation worldwide, triggering even tighter monetary policy and geopolitical tensions in the Eastern Europe, and even more unpredictable global market condition and operation environment. Braving the potential adverse effect from various factors such as 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.

As a result of prolonged political and economic 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 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 31 December 2022, the Group had approximately 171 employees (2021: 193 employees). Total staff costs (including Directors’ emoluments) were approximately HK\$63.1 million for the year ended 31 December 2022, as compared to approximately HK\$65.6 million for the year ended 31 December 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.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group manages its capital structure with an aim to ensure the Group will be able to continue as a going concern, maximize the return to the shareholders of the Company and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The management reviews the capital structure regularly by considering the risk and benefit associated with each class of capital and adjusts the capital structure as it sees fit and appropriate.

Cash and bank balances and borrowing

As at 31 December 2022, the Group had cash and bank balances amounted to approximately HK\$229.6 million (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\$47.7 million (2021: approximately HK\$0.5 million) and had bank borrowings of approximately HK\$45.5 million (2021: approximately HK\$58.5 million) as at 31 December 2022. The annual interest rate of the bank overdrafts and bank borrowings during the year ended 31 December 2022 ranged from 2.25% to 4.59% (2021: ranged from 2.25% to 5.25%) and ranged from 0.79% to 4.59% (2021: ranged from 0.66% to 0.90%) respectively.

Gearing ratio

The Group’s gearing ratio is calculated as total borrowings, which is the summation of bank overdrafts, bank borrowings, lease liabilities and loans from non-controlling interests, divided by total equity. The gearing ratio of the Group as at 31 December 2022 and 2021 were approximately 20.6% and 10.5%, respectively. The increase of the gearing ratio was mainly due to increase in lease liabilities arising from the new office premises leased during the year. Excluding the lease liabilities, the gearing ratio of the Group as at 31 December 2022 and 2021 were approximately 14.9% and 8.8%, respectively.

FOREIGN EXCHANGE EXPOSURE

The Group’s revenue is mainly denominated in USD while its cost of sales is mainly denominated in HKD and RMB. The Group is exposed to foreign exchange risk with respect mainly to USD and RMB which may affect the Group’s financial performance. The Group’s treasury policies are designed to mitigate the impact of fluctuations in foreign currency exchange rates arising from the Group’s operations. The Group principally uses forward foreign exchange contracts to hedge the foreign exchange risks in the ordinary course of business.

PLEDGE OF ASSETS

As at 31 December 2022, the Group’s leasehold land and buildings with an aggregate carrying amount of approximately HK\$15.7 million (2021: HK\$16.5 million), investment properties with an aggregate carrying amount of approximately HK\$135.3 million (2021: HK\$139.0 million) and pledged bank deposits of approximately HK\$20.0 million (2021: HK\$27.7 million) were pledged to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

As at 31 December 2022, the Group has capital commitment of approximately HK\$25.0 million (2021: approximately HK\$28.5 million) for the purchase of and addition to property, plant and equipment.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Directors have adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in dealing in the Company’s securities. Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code during the year and up to the date of this announcement.

SCOPE OF WORK OF BDO LIMITED ON THIS PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of comprehensive income and related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group’s auditor, BDO Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by BDO Limited on the preliminary announcement.

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

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance and has steered its development and protection of the interests of the shareholders of the Company (“Shareholders”) in an enlightened and open manner. The Board comprises two executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code (“CG Code”) set out in Part 2 of Appendix 14 to the Listing Rules. During the year under review and up to the date of this announcement, the Company has complied with the CG Code, except for code provision C.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 C.2.1. The Board considers that vesting the role of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by the current Board composition and structure taking into account the background and experience of the Directors and the number of independent non-executive Directors on the Board.

AUDIT COMMITTEE

The Company has an audit committee (“Audit Committee”) which was established in accordance with the requirement of Rule 3.21 of the Listing Rules for the purposes to assist the Board in reviewing, supervising and providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties as assigned by the Board. The Audit Committee, comprising Dr. Lau Kin Tak, Mr. Anthony Graeme Michaels and Ms. Leung Wai Ling, Wylie, has reviewed the audited financial results of the Group for the year ended 31 December 2022.

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

The 2022 annual report of the Company containing all applicable information required by the Listing Rules will be dispatched to the Shareholders and available on the Company’s website at www.kingsflair.com.hk and Stock Exchange’s website at www.hkexnews.hk in due course.

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

Hong Kong, 20 March 2023

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.