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## **King's Flair International (Holdings) Limited**

**科勁國際(控股)有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 6822)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023**

#### **FINANCIAL HIGHLIGHTS**

	<b>For the six months ended 30 June</b>		
	<b>2023</b>	2022	
	<b>HK\$'000</b>	HK\$'000	Change
	<b>(Unaudited)</b>	(Unaudited)	
		(Restated)	
Revenue	<b>334,287</b>	469,647	-28.8%
Gross profit	<b>85,670</b>	86,903	-1.4%
Profit attributable to owners of the Company	<b>7,567</b>	9,177	-17.4%
Basic and diluted earnings per share (HK cents)	<b>1.1</b>	1.3	

#### **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 2023, together with the comparative figures for the corresponding period in 2022 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2023*

		<b>Six months ended 30 June</b>	
	<i>Notes</i>	<b>2023</b>	2022
		<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Unaudited) (Restated)
<b>Revenue</b>	6	<b>334,287</b>	469,647
Cost of sales		<u>(248,617)</u>	<u>(382,744)</u>
<b>Gross profit</b>		<b>85,670</b>	86,903
Other income and gains, net	7	<b>7,625</b>	7,728
Distribution expenses		<b>(21,594)</b>	(20,058)
Administrative expenses		<b>(58,914)</b>	(60,270)
Share of results of associates		<b>(157)</b>	(1,135)
Finance costs	8	<u><b>(3,340)</b></u>	<u>(650)</u>
<b>Profit before income tax</b>	9	<b>9,290</b>	12,518
Income tax credit/(expenses)	10	<u><b>349</b></u>	<u>(2,089)</u>
<b>Profit for the period</b>		<u><b>9,639</b></u>	<u>10,429</u>
<b>Other comprehensive income</b>			
<b>Item that will not be reclassified to profit or loss:</b>			
Change in fair value of financial assets at fair value through other comprehensive income		–	(793)
<b>Item that may be reclassified subsequently to profit or loss:</b>			
Exchange difference arising on translation of foreign operations		<u><b>(2,663)</b></u>	<u>(4,168)</u>
<b>Other comprehensive income for the period</b>		<u><b>(2,663)</b></u>	<u>(4,961)</u>
<b>Total comprehensive income for the period</b>		<u><b>6,976</b></u>	<u>5,468</u>
<b>Profit for the period attributable to:</b>			
Owners of the Company		<u><b>7,567</b></u>	9,177
Non-controlling interests		<u><b>2,072</b></u>	<u>1,252</u>
		<u><b>9,639</b></u>	<u>10,429</u>

		<b>Six months ended 30 June</b>	
		<b>2023</b>	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
			<b>(Restated)</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>6,532</b>	8,320
Non-controlling interests		<b>444</b>	(2,852)
		<hr/>	<hr/>
		<b>6,976</b>	5,468
		<hr/>	<hr/>
		<i>HK cents</i>	<i>HK cents</i>
<b>Earnings per share:</b>			
	<i>11</i>		
– Basic		<b>1.1</b>	1.3
– Diluted		<b>1.1</b>	1.3
		<hr/>	<hr/>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2023*

		As at <b>30 June 2023</b> <i>HK\$'000</i> <b>(Unaudited)</b>	As at 31 December 2022 <i>HK\$'000</i> (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<i>13</i>	<b>63,407</b>	73,352
Investment properties		<b>135,300</b>	135,300
Goodwill		<b>12,050</b>	12,050
Other asset		<b>172</b>	172
Interests in associates		<b>20,055</b>	19,800
Intangible assets		<b>10,763</b>	10,603
Deposits paid for property, plant and equipment		<b>72,428</b>	59,327
Financial assets at fair value through other comprehensive income		–	–
Deferred tax assets		<b>4,146</b>	4,479
		<b>318,321</b>	315,083
<b>Current assets</b>			
Inventories	<i>14</i>	<b>102,973</b>	97,722
Trade receivables	<i>15</i>	<b>118,023</b>	127,215
Prepayments, deposits and other receivables		<b>41,153</b>	50,551
Financial assets at fair value through profit or loss	<i>16</i>	<b>23,089</b>	22,269
Amounts due from associates		<b>827</b>	783
Tax recoverable		<b>8,988</b>	9,009
Pledged bank deposits		<b>20,045</b>	19,959
Cash and bank balances		<b>245,312</b>	229,623
		<b>560,410</b>	557,131

		As at 30 June 2023 <i>HK\$'000</i> (Unaudited)	As at 31 December 2022 <i>HK\$'000</i> (Audited)
<b>Current liabilities</b>			
Trade payables	17	35,070	52,049
Other payables and accruals		8,675	15,397
Financial liabilities at fair value through profit or loss	16	1,260	1,388
Contract liabilities		4,507	5,955
Bank overdrafts		87,033	47,734
Bank borrowings		42,900	45,500
Lease liabilities		7,163	4,152
Loans from non-controlling interests		3,885	3,885
Amount due to an associate		1,250	1,082
Dividend payable		21,000	–
Provision for tax		1,132	4,652
		<u>213,875</u>	<u>181,794</u>
<b>Net current assets</b>		<u>346,535</u>	<u>375,337</u>
<b>Total assets less current liabilities</b>		<u>664,856</u>	<u>690,420</u>
<b>Non-current liabilities</b>			
Lease liabilities		28,655	33,615
Deferred tax liabilities		817	3,075
		<u>29,472</u>	<u>36,690</u>
<b>Net assets</b>		<u>635,384</u>	<u>653,730</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	18	7,000	7,000
Reserves		583,235	597,703
		<u>590,235</u>	<u>604,703</u>
Non-controlling interests		45,149	49,027
<b>Total equity</b>		<u>635,384</u>	<u>653,730</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*For the six months ended 30 June 2023*

## 1. GENERAL INFORMATION

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

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

As at 30 June 2023 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 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 2022 (the "2022 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 2022 Annual Report.

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

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

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

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

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction

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. ADJUSTMENTS ARISING FROM PRIOR PERIOD PROVISIONAL ACCOUNTING

As further disclosed in note 19, the Group completed the Kor Water, Inc. (“KOR”) acquisition on 30 June 2022 (the “Acquisition Date”). In the preparation of the Company’s condensed consolidated financial statements for the six months ended 30 June 2022, the purchase price allocation of the KOR acquisition and the identifiable assets and liabilities arising from the acquisition were determined on a provisional basis. During the year ended 31 December 2022, the Group has finalised the fair value assessment of the identifiable assets and liabilities of KOR (the “Finalised Assessment”) as of the Acquisition Date.

On completion of the fair value assessments, retrospective adjustments were made to the provisional amounts related to identifiable assets and liabilities of the KOR recognised as of the Acquisition Date. Consequently, the Group’s condensed consolidated statement of profit or loss and other comprehensive income and the condensed consolidated statement of changes in equity for the six months ended 30 June 2022, and certain explanatory notes have been restated to reflect these restatements.

Impact on profit and total comprehensive income for the prior period:

	Six months ended 30 June 2022 HK\$’000 (Unaudited)
Adjustments arising from the Finalised Assessment:	
Increase in administrative expenses	1,572
<b>Decrease in total comprehensive income for the period</b>	<b>1,572</b>
<b>Net decrease in total comprehensive income attributable to:</b>	
Owners of the Company	1,572
	<b>1,572</b>

Six months  
ended 30 June  
2022  
*HK cents*  
(Unaudited)

Basic and diluted earnings per share, as originally reported	1.5
Adjustment arising from the Finalised Assessment	<u>(0.2)</u>

<b>Basic and diluted earnings per share, as restated</b>	<b><u>1.3</u></b>
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## 5. 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 (2022: 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 2023 and 2022.

	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	
	2023	2022	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited) (Restated)
<b>Segment revenue</b>						
Revenue from external customers	<u>309,394</u>	437,171	<u>24,893</u>	32,476	<u>334,287</u>	469,647
Segment results	<u>12,474</u>	16,613	<u>90</u>	(209)	<u>12,564</u>	16,404
Share of results of associates					(157)	(1,135)
Unallocated income					1	1,558
Unallocated expenses					<u>(3,118)</u>	<u>(4,309)</u>
Profit before income tax					<u>9,290</u>	<u>12,518</u>

	Trading of kitchenware and household products		Trading of raw materials		Total	
	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Segment assets	710,361	729,482	105,530	95,992	815,891	825,474
Tax recoverable					8,988	9,009
Deferred tax assets					4,146	4,479
Interests in associates					20,055	19,800
Unallocated corporate assets <sup>#</sup>					29,651	13,452
Consolidated total assets					878,731	872,214
Segment liabilities	219,853	209,342	330	1,125	220,183	210,467
Provision for tax					1,132	4,652
Deferred tax liabilities					817	3,075
Dividend payable					21,000	–
Unallocated corporate liabilities					215	290
Consolidated total liabilities					243,347	218,484

# 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 2023 HK\$'000 (Unaudited)	Six months ended 30 June 2022 HK\$'000 (Unaudited)	Six months ended 30 June 2023 HK\$'000 (Unaudited)	Six months ended 30 June 2022 HK\$'000 (Unaudited)	Six months ended 30 June 2023 HK\$'000 (Unaudited)	Six months ended 30 June 2022 HK\$'000 (Unaudited)
<b>Other segment information:</b>						
Interest income	1,067	542	6	–	1,073	542
Interest expenses	(3,340)	(616)	–	–	(3,340)	(616)
Fair value loss on investment properties	–	(100)	–	–	–	(100)
Depreciation of property, plant and equipment	(9,567)	(9,209)	–	–	(9,567)	(9,209)
Research expenses	(1,018)	(729)	–	–	(1,018)	(729)
Reversal of impairment/ (Impairment) of trade receivables	169	1,608	(89)	47	80	1,655
Fair value gain/(loss) of financial assets at fair value through profit or loss, net	948	(2,382)	–	–	948	(2,382)

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Other material items</b>		
Reportable segments' interest expenses	<b>(3,340)</b>	(616)
Unallocated	<u>–</u>	<u>(34)</u>
Consolidated interest expenses	<b><u>(3,340)</u></b>	<b><u>(650)</u></b>
Reportable segments' research expenses	<b>(1,018)</b>	(729)
Unallocated	<u>–</u>	<u>(24)</u>
Consolidated research expenses	<b><u>(1,018)</u></b>	<b><u>(753)</u></b>
Reportable segments' depreciation of property, plant and equipment	<b>(9,567)</b>	(9,209)
Unallocated	<u>(392)</u>	<u>(266)</u>
Consolidated depreciation of property, plant and equipment	<b><u>(9,959)</u></b>	<b><u>(9,475)</u></b>
Reportable segments' fair value gain/(loss) of financial assets at fair value through profit or loss, net	<b>948</b>	(2,382)
Unallocated	<u>–</u>	<u>(31)</u>
Consolidated fair value gain/(loss) of financial assets at fair value through profit or loss, net	<b><u>948</u></b>	<b><u>(2,413)</u></b>

**(iii) Disaggregated revenue and geographical segment information**

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

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2023</b>	<b>2022</b>
		<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
United States		<b>173,678</b>	305,592
Asia	<i>(a)</i>	<b>94,254</b>	93,337
Europe	<i>(b)</i>	<b>53,017</b>	51,217
Canada		<b>10,906</b>	18,157
Other locations	<i>(c)</i>	<b>2,432</b>	1,344
		<b>334,287</b>	<b>469,647</b>

*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\$81,861,000 for the six months ended 30 June 2023 (six months ended 30 June 2022: approximately HK\$80,541,000)

The geographical location of customers is based on the location of customers. As at 30 June 2023 and 31 December 2022, 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:

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Company A ( <i>note a</i> )	<b>74,900</b>	149,282
Company B ( <i>note a</i> )	<b>35,328</b>	58,453
Company C ( <i>note b</i> )	<b>N/A</b>	54,980

*Notes:*

- (a) The revenue from those two customers were all derived from the segment engaging in trading of kitchenware and household products.
- (b) Revenue from transactions with Company C did not exceed 10% of the Group revenue for the six months ended 30 June 2023 and the respective amount was not disclosed accordingly.

## 6. 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:

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue from contracts with customers		
– Sales of kitchenware and household products	<b>309,394</b>	437,171
– Sales of raw materials	<b>24,893</b>	32,476
	<b>334,287</b>	<b>469,647</b>

## 7. OTHER INCOME AND GAINS, NET

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Bank interest income	<b>1,073</b>	542
Rental income	<b>1,156</b>	1,739
Recharge from customers	<b>9</b>	47
Government grants	<b>4,339</b>	6,091
Fair value gain/(loss) on financial assets at fair value through profit or loss, net	<b>948</b>	(2,413)
Fair value loss on investment properties	<b>–</b>	(100)
Others	<b>100</b>	1,822
	<b>7,625</b>	<b>7,728</b>

## 8. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest charges on financial liabilities at amortised cost:		
Bank borrowings	<b>1,541</b>	294
Bank overdrafts	<b>484</b>	114
Lease liabilities	<b>1,315</b>	242
	<b>3,340</b>	<b>650</b>

## 9. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited) (Restated)
Profit before income tax is arrived at after charging/(crediting):		
Cost of inventories sold recognised as expense	237,326	362,966
Reversal of impairment of trade receivables	(80)	(1,655)
Depreciation of property, plant and equipment	9,959	9,475
Loss on effective settlement of pre-existing relationship arising from acquisition of a subsidiary	–	1,572
Research expenses	1,018	753
Short-term lease expenses	1,497	276
Low-value lease expenses	62	49
<hr/>		
Employee benefit expenses (including directors' remuneration)		
Wages, salaries and other benefits	25,501	28,078
Discretionary bonuses	2,428	4,299
Contributions to defined contribution schemes	2,340	2,565
	30,269	34,942
Exchange gain, net	<u>(2,403)</u>	<u>(584)</u>

## 10. INCOME TAX (CREDIT)/EXPENSES

	Six months ended 30 June	
	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)
The taxation attributable to the Group's operation comprises:		
Current tax		
– Hong Kong profits tax	748	1,789
– Income tax outside Hong Kong	746	1,020
	<u>1,494</u>	<u>2,809</u>
Over provision in prior years		
– Hong Kong profits tax	<u>–</u>	<u>–</u>
Deferred tax		
– Credit for the period	<u>(1,843)</u>	<u>(720)</u>
Income tax expenses	<u>(349)</u>	<u>2,089</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% (six months ended 30 June 2022: 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 of profits tax for this subsidiary was calculated at the same bases in 2022.

United States income tax has not been provided as there is no assessable profit arising in United States during the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

Enterprise income tax (“EIT”) for the period was calculated at 25% (six months ended 30 June 2022: 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.

## **11. 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\$7,567,000 (six months ended 30 June 2022: approximately HK\$9,177,000 (restated)) and the weighted average of 700,000,000 (six months ended 30 June 2022: 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 2023 and 2022, and hence the diluted earnings per share is the same as basic earnings per share.

## 12. DIVIDENDS

- i. The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).
- ii. Dividends to equity shareholders attributable to previous financial year, approved and payable/paid during the interim period:

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Final dividend in respect of the previous financial year, approved and payable during the following interim period, of HK3.0 cents per share (six months ended 30 June 2022: approved and paid during the following interim period of HK6.0 cents per share)	<b>21,000</b>	42,000

## 13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired property, plant and equipment at a total cost of approximately HK\$168,000 (six months ended 30 June 2022: approximately HK\$4,280,000).

During the six months ended 30 June 2023, the Group has not disposed property, plant and equipment (six months ended 30 June 2022: Nil).

At 30 June 2023, the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK\$15,274,000 (31 December 2022: approximately HK\$15,666,000) were pledged to secure general banking facilities granted to the Group.

## 14. INVENTORIES

	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Merchandises held for resale	<b>33,200</b>	32,293
Raw materials	<b>69,773</b>	65,429
	<b>102,973</b>	97,722

## 15. TRADE RECEIVABLES

	As at <b>30 June</b> <b>2023</b> <i>HK\$'000</i> (Unaudited)	As at 31 December 2022 <i>HK\$'000</i> (Audited)
Trade receivables	<b>118,632</b>	127,904
Less: impairment loss allowance	<b>(609)</b>	(689)
	<b><u>118,023</u></b>	<b><u>127,215</u></b>

The Group's trading terms with customers are mainly on credit. The credit terms are generally 0 to 90 days from the invoice date.

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

	As at <b>30 June</b> <b>2023</b> <i>HK\$'000</i> (Unaudited)	As at 31 December 2022 <i>HK\$'000</i> (Audited)
0–30 days	<b>44,794</b>	63,180
31–60 days	<b>47,607</b>	47,681
61–90 days	<b>8,441</b>	7,469
Over 90 days	<b>17,181</b>	8,885
	<b><u>118,023</u></b>	<b><u>127,215</u></b>

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

	As at 30 June 2023 <i>HK\$'000</i> (Unaudited)	As at 31 December 2022 <i>HK\$'000</i> (Audited)
<b>Financial assets at fair value through profit or loss:</b>		
Listed equity securities in Hong Kong, at fair value ( <i>note (a)</i> )	<u>23,089</u>	<u>22,269</u>
<b>Financial liabilities at fair value through profit or loss:</b>		
Derivative financial instruments at fair value ( <i>note (b)</i> )	<u>1,260</u>	<u>1,388</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 30 June 2023, 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 RMB37,000,000 (31 December 2022: RMB27,000,000) and the forward currency rates of all these contracts ranged from USD1:RMB6.8700 to USD1:RMB7.0947 (31 December 2022: USD1:RMB6.4671 to USD1:RMB6.7550) with various maturity dates from July 2023 to December 2023 (31 December 2022: January 2023 to May 2023).

## 17. TRADE PAYABLES

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

	As at 30 June 2023 <i>HK\$'000</i> (Unaudited)	As at 31 December 2022 <i>HK\$'000</i> (Audited)
Trade payables	<u>35,070</u>	<u>52,049</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:

	<b>As at 30 June 2023 HK\$'000 (Unaudited)</b>	As at 31 December 2022 HK\$'000 (Audited)
0–90 days	<b>34,606</b>	47,423
91–180 days	<b>370</b>	4,615
181–365 days	<b>83</b>	8
Over 365 days	<b>11</b>	3
	<b><u>35,070</u></b>	<u>52,049</u>

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

## 18. SHARE CAPITAL

	<b>As at 30 June 2023</b>		As at 31 December 2022	
	<b>Number of shares (‘000) (Unaudited)</b>	<b>HK\$'000 (Unaudited)</b>	Number of shares (‘000) (Audited)	HK\$'000 (Audited)
Authorised:				
Shares of HK\$0.01 each	<b><u>10,000,000</u></b>	<b><u>100,000</u></b>	<u>10,000,000</u>	<u>100,000</u>
Issued and fully paid:				
Shares of HK\$0.01 each	<b><u>700,000</u></b>	<b><u>7,000</u></b>	<u>700,000</u>	<u>7,000</u>

## 19. ACQUISITION OF A SUBSIDIARY

Since the first half of 2017, the Group held 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 principal activity of KOR is trading the kitchenware and household product in US and the Mainland China. The acquisition increased the Group's market share in the trading of kitchenware and household products. 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.

On 30 June 2022 (the “Acquisition Date”), the Group exercised the conversion right under the Note and became 51% owned 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 fair values of the identifiable assets and liabilities of KOR as at the Acquisition Date were as follows:

	<i>HK\$'000</i> (Audited)
Property, plant and equipment	167
Intangible assets	10,603
Inventories	5,760
Trade receivables	292
Rental, utility and other deposits	49
Other receivables	244
Prepayment	67
Cash and bank balances	1,291
Other payables	(19)
Bank overdraft	(49)
Loans from the shareholders	(1,965)
Deferred tax liabilities	(412)
	<hr/>
Net assets	16,028
	<hr/>
Net assets	(16,028)
Non-controlling interests	(6,747)
Fair value consideration:	
– Promissory note	6,598
– Effective settlement of trade receivables	11,900
– Effective settlement of loan receivables	16,327
	<hr/>
Goodwill	12,050
	<hr/>
	<i>HK\$'000</i> (Audited)
Net cash inflow in connection with the acquisition of a subsidiary:	
Cash and cash equivalent balance acquired	1,242
	<hr/>

The goodwill of HK\$12,050,000, which was not deductible for tax purposes, comprises the value of the acquired management team for its future market development and the expected synergies from the combination of the acquired business with the existing operations of the Group.

The non-controlling interests of HK\$6,747,000 was measured at the proportionate share of the acquiree's fair value of KOR net identifiable liabilities as at Acquisition Date.

The fair value of trade receivables of KOR as at Acquisition Date amounted to HK\$292,000.

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\$7,899,000 (restated), respectively.

The Group incurred transaction costs of HK\$126,000 for this acquisition. These transaction costs had 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 2023, the global market condition and operation environment remained unstable and unpredictable due to the inflation rate hikes, the tightened monetary policies and the geopolitical tensions worldwide. The changing customers spending habits post pandemic also resulted in a continued diminishing houseware and drinkware retail market for mid-priced to premium products in North America during the reporting period, which led to the Group's customers in the North America (including the Group's major customers) to further compressed their orders.

### **FINANCIAL REVIEW**

#### **Revenue**

During the six months ended 30 June 2023, the Group recorded a decrease in revenue, from approximately HK\$469.6 million for the six months ended 30 June 2022, to approximately HK\$334.3 million, representing a decrease of approximately 28.8%. This decrease in revenue was mainly due to the decrease in orders placed from the Group's customers resulting from the soaring inflation and shifts in customer spending habit away from the mid-priced to premium houseware and drinkware products during the period. In addition, there was also a drop in revenue from lower-value business and revenue of the Group as a result of the Group's strategy to more focus on high quality and value business and to refine the Group's sales mix for facilitating long term development of the Group's business.

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

Gross profit decreased by approximately 1.4% to approximately HK\$85.7 million for six months ended 30 June 2023 (six months ended 30 June 2022: HK\$86.9 million), with gross profit margin increased by approximately 7.1 percentage points to approximately 25.6% (six months ended 30 June 2022: 18.5%). Though there was a drop in gross profit as the revenue of the Group decreased, due to the reason to focus on high value business as aforesaid, the Group's profit was improved, so was its profit margin ratio. In addition, the depreciation of Renminbi and the drop of the raw material price during the period also contributed the improvement of the margin.

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

During the six months ended 30 June 2023, other income decreased by approximately 1.3% to approximately HK\$7.6 million (six months ended 30 June 2022: HK\$7.7 million), primarily due to the fair value gain on the financial assets at fair value through profit or loss, which positive effect partially offset by the decrease in rental income and government grants received by the Group during the period.

## **Distribution expenses**

During the six months ended 30 June 2023, distribution expenses increased by approximately 7.5% to approximately HK\$21.6 million (six months ended 30 June 2022: HK\$20.1 million). The increase was mainly attributable to the expenses incurred in attending and participating more local and overseas trade fairs and exhibitions during the period to promote the Group's products and to explore business opportunities.

## **Administrative expenses**

During the six months ended 30 June 2023, administrative expenses decreased by approximately 2.3% to approximately HK\$58.9 million (six months ended 30 June 2022: HK\$60.3 million (restated)). Under the tight cost control measure, the Group maintained the administrative expenses at a relatively stable level.

## **Finance costs**

During the six months ended 30 June 2023, finance costs increased by approximately 371.4% to approximately HK\$3.3 million (six months ended 30 June 2022: HK\$0.7 million), primarily due to the lease liabilities arising from the rental arrangement of the Advanced Manufacturing Centre in Tseung Kwan O Industrial Estate during the period. In addition, the interest rate hikes increased the finance costs for the Group's borrowing during the period.

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

Profit attributable to owners of the Company for the six months ended 30 June 2023 decreased by approximately 17.4% to approximately HK\$7.6 million (six months ended 30 June 2022: HK\$9.2 million (restated)). The decrease was mainly due to the decrease in the Group's revenue during the period.

## **FUTURE STRATEGY**

The global business outlook will remain challenging and uncertain in the second half of year 2023. It is expected that the global market condition and operation environment will continue to remain unstable and unpredictable. The still high inflation and monetary policy tightening continue to weigh on economic activities. Braving these potential adverse effect, the Group will continue to stay vigilant and react cautiously to any possible impact on its financial position and operating results.

Diversifying the Group's product portfolio has been and will remain as one of the main strategies towards sustainability, which aim to achieve greater market differentiation and penetration. In addition to its existing kitchenware products, the Group will continue to foster new customers from other household product segments such as baby, toddlers, kids tools and gadgets, pets accessories, coffee accessories and glassware, in an attempt to widen its product coverage, customer reach, and hence, revenue stream. The Group is contemplating a new product program which is expected for launch in the year 2024 and 2025. On the operation side, the Group will further streamline its workforce through natural attrition and 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. Based on the latest progress update, the renovation of the facility and installation of the nanofiber equipment is expected to complete around the end of year 2023.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2023, the Group had approximately 154 employees (30 June 2022: 180 employees). Total staff costs (including Directors' emoluments) were approximately HK\$30.3 million for the six months ended 30 June 2023, as compared to approximately HK\$34.9 million for the six months ended 30 June 2022.

The Group will continue to streamline the organizational structure to increase operational efficiency through natural attrition and process re-engineering. 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 2023.

## **MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

During the period of six months ended 30 June 2023, the Group had not made any material acquisition or disposal of subsidiaries and associated companies.

## **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 2023, the Group had cash and bank balances amounted to approximately HK\$245.3 million (31 December 2022: HK\$229.6 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\$87.0 million (31 December 2022: HK\$47.7 million) and had bank borrowings of approximately HK\$42.9 million (31 December 2022: approximately HK\$45.5 million) as at 30 June 2023. The annual interest rate of the bank overdrafts and bank borrowings during the six months ended 30 June 2023 ranged from 2.88% to 5.09% (31 December 2022: ranged from 2.25% to 4.59%) and ranged from 2.88% to 5.09% (31 December 2022: ranged from 0.79% to 4.59%) respectively.

### **Cash flows**

For the six months ended 30 June 2023, the Group recorded a cash inflow from operating activities of approximately HK\$3.9 million (six months ended 30 June 2022: cash outflow of approximately HK\$10.0 million). The increase in net operating cash flow was mainly due to the one-off stocking up on the inventory by the Group during the corresponding period in year 2022 to meet with the potential increase in demands from customers post pandemic.

Net cash used in investing activities amounted to approximately HK\$12.4 million for the six months ended 30 June 2023 (six months ended 30 June 2022: net cash inflow of approximately HK\$1.2 million). The decrease was mainly due to an increase in deposit paid for the acquisition of property, plant and equipment. There was a net cash outflow from financing activities of approximately HK\$12.1 million for the six months ended 30 June 2023 (six months ended 30 June 2022: net cash inflow of approximately HK\$15.1 million) due to the repayment of bank borrowings and payment of dividend to non-controlling interests during the period.

### **Gearing ratio**

The Group’s gearing ratio is calculated as total borrowings, which is the summation of bank overdrafts, bank borrowings, lease liabilities and loans from non-controlling interests, divided by total equity. The gearing ratio of the Group as at 30 June 2023 and 31 December 2022 were approximately 26.7% and 20.6% respectively. The increase of the gearing ratio was mainly due to increase in bank overdrafts during the period. Excluding the lease liabilities, the gearing ratio of the Group as at 30 June 2023 and 31 December 2022 were approximately 21.1% and 14.9%, respectively.

## **Banking facilities**

As at 30 June 2023, the Group has banking facilities totalling approximately HK\$518.8 million (31 December 2022: approximately HK\$338.0 million) and approximately HK\$130.7 million (31 December 2022: approximately HK\$93.2 million), of which has been utilised by the Group. The utilisation rates as at 30 June 2023 and 31 December 2022 were approximately 25.2% and 27.6% 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 2023, the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK\$15.3 million (31 December 2022: HK\$15.7 million), investment properties with an aggregate carrying amount of approximately HK\$135.3 million (31 December 2022: HK\$135.3 million) and pledged bank deposits of approximately HK\$20.0 million (31 December 2022: HK\$20.0 million) were pledged to secure general banking facilities granted to the Group.

## **CONTINGENT LIABILITIES**

As at 30 June 2023, the Group had no significant contingent liabilities (31 December 2022: Nil).

## **CAPITAL COMMITMENTS**

As at 30 June 2023, the Group has capital commitment of approximately HK\$15.0 million (31 December 2022: approximately HK\$25.0 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 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 period under review and up to the date of this report, 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.

### **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 period and up to the date of this report.

### **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 2023 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 2023 (six months ended 30 June 2022: Nil).

## **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 2023.

## **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](http://www.hkexnews.hk) and the Company's website at [www.kingsflair.com.hk](http://www.kingsflair.com.hk). The interim report of the Company for the six months ended 30 June 2023 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, 25 August 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.*