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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 2023**

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 2023, together with the comparative audited figures for the year ended 31 December 2022 as follows:

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

*For the year ended 31 December 2023*

	<i>Notes</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Revenue</b>	5	<b>691,143</b>	925,663
Cost of sales		<u>(511,470)</u>	<u>(726,678)</u>
<b>Gross profit</b>		<b>179,673</b>	198,985
Other income and gains and losses, net	6	<b>(11,929)</b>	6,720
Distribution expenses		<b>(42,986)</b>	(45,012)
Administrative expenses		<b>(127,858)</b>	(124,106)
Share of result of associates		<b>1,550</b>	1,756
Finance costs	7	<u><b>(7,660)</b></u>	<u>(2,560)</u>
<b>(Loss)/profit before income tax</b>	8	<b>(9,210)</b>	35,783
Income tax expenses	9	<u><b>(4,371)</b></u>	<u>(6,820)</u>
<b>(Loss)/profit for the year</b>		<u><b>(13,581)</b></u>	<u>28,963</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME** *(Continued)*  
*For the year ended 31 December 2023*

	<i>Notes</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Other comprehensive income</b>			
<b>Item that will not be reclassified to profit or loss:</b>			
Change in fair value of financial assets at fair value through other comprehensive income		–	(1,704)
<b>Item that may be reclassified subsequently to profit or loss:</b>			
Exchange differences arising on translation of foreign operations		<u>(1,889)</u>	<u>(9,680)</u>
<b>Other comprehensive income for the year</b>		<u>(1,889)</u>	<u>(11,384)</u>
<b>Total comprehensive income for the year</b>		<u>(15,470)</u>	<u>17,579</u>
<b>(Loss)/profit for the year attributable to:</b>			
Owners of the Company		(14,829)	23,248
Non-controlling interests		<u>1,248</u>	<u>5,715</u>
		<u>(13,581)</u>	<u>28,963</u>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		(15,495)	18,269
Non-controlling interests		<u>25</u>	<u>(690)</u>
		<u>(15,470)</u>	<u>17,579</u>
		<i>HK cents</i>	<i>HK cents</i>
<b>(Loss)/earnings per share:</b>			
– Basic	<i>10</i>	(2.1)	3.3
– Diluted		<u>(2.1)</u>	<u>3.3</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	<b>2023</b> <i>HK\$'000</i>	<b>2022</b> <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>54,699</b>	73,352
Investment properties		<b>119,400</b>	135,300
Goodwill		<b>4,125</b>	12,050
Other asset		<b>172</b>	172
Interests in associates		<b>21,757</b>	19,800
Intangible assets		<b>10,603</b>	10,603
Deposits paid for property, plant and equipment		<b>76,004</b>	59,327
Financial assets at fair value through other comprehensive income		<b>–</b>	–
Deferred tax assets		<b>3,531</b>	4,479
		<b>290,291</b>	315,083
<b>Current assets</b>			
Inventories	<i>12</i>	<b>109,813</b>	97,722
Trade receivables	<i>13</i>	<b>135,641</b>	127,215
Prepayments, deposits and other receivables		<b>42,092</b>	50,551
Financial assets at fair value through profit or loss		<b>23,129</b>	22,269
Amounts due from associates		<b>793</b>	783
Tax recoverable		<b>7,474</b>	9,009
Time deposit with original maturity over three months		<b>19,368</b>	–
Pledged bank deposits		<b>19,920</b>	19,959
Cash and bank balances		<b>155,791</b>	229,623
		<b>514,021</b>	557,131

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(Continued)*  
*As at 31 December 2023*

	<i>Notes</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Current liabilities</b>			
Trade payables	<i>14</i>	<b>50,011</b>	52,049
Other payables and accruals		<b>12,928</b>	15,397
Financial liabilities at fair value through profit or loss		–	1,388
Contract liabilities		<b>4,713</b>	5,955
Bank overdrafts		–	47,734
Bank borrowings		<b>89,800</b>	45,500
Lease liabilities		<b>8,444</b>	4,152
Loans from non-controlling interests		<b>3,885</b>	3,885
Amount due to an associate		<b>1,995</b>	1,082
Provision for tax		<b>2,404</b>	4,652
		<u><b>174,180</b></u>	<u>181,794</u>
<b>Net current assets</b>		<u><b>339,841</b></u>	<u>375,337</u>
<b>Total assets less current liabilities</b>		<u><b>630,132</b></u>	<u>690,420</u>
<b>Non-current liabilities</b>			
Lease liabilities		<b>25,120</b>	33,615
Deferred tax liabilities		<b>416</b>	3,075
		<u><b>25,536</b></u>	<u>36,690</u>
<b>Net assets</b>		<u><b>604,596</b></u>	<u>653,730</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		<b>7,000</b>	7,000
Reserves		<b>560,413</b>	597,703
		<u><b>567,413</b></u>	<u>604,703</u>
<b>Non-controlling interests</b>		<u><b>37,183</b></u>	<u>49,027</u>
<b>Total equity</b>		<u><b>604,596</b></u>	<u>653,730</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 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 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 ("US"). There were no significant changes in the Group's operations during the year.

As at 31 December 2023 and up to the date of authorisation of these consolidated financial statements, in the opinion of the directors, the Company's ultimate holding company is City Concord Limited, a company incorporated in the British Virgin Islands ("BVI"). The Company's controlling party is Dr. Wong Siu Wah, who is also the Chairman and Chief Executive Officer of the Company.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

### (a) Adoption of new and revised HKFRSs – first effective on 1 January 2023

In the current year, the Group has applied for the first time the following new and 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 2023:

HKFRS 17	Insurance Contracts
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
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The adoption of the above new and amended HKFRSs did not have any significant impact on the Group's results, financial position and accounting policies except for the adoption of Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies" and HKFRS 17 which are discussed below.

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

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policies disclosure. The impacts on the Group's accounting policy disclosure resulted in removal or reduction of certain immaterial accounting policies.

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

### (a) Adoption of new and revised HKFRSs – first effective on 1 January 2023 (Continued)

#### *HKFRS 17 – Insurance Contracts*

The Group has applied the new standard and the relevant amendments for the first time in the current year. HKFRS 17 defines an insurance contract as a contract under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

In October 2020, the HKICPA issued Amendments to HKFRS 17 to address concerns and implementation challenges that were identified after HKFRS 17 was published. The amendments defer the date of initial application of HKFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the HKICPA issued Amendments to HKFRS 4 Extension of the Temporary Exemption from HKFRS 9 that extends the fixed expiry date of the temporary exemption from applying HKFRS 9 in HKFRS 4 to annual reporting periods beginning on or after 1 January 2023.

In February 2022, the HKICPA issued Amendment to HKFRS 17 Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information to address implementation challenges that were identified after HKFRS 17 was published. The amendment addresses challenges in the presentation of comparative information.

Certain contracts entered into by the Group, including warranty contracts issued by the Group, meet the definition of insurance contracts under HKFRS 17. However, these contracts are specifically scoped out from HKFRS 17 and the Group continues to account for these contracts under relevant accounting standards. Therefore, the application of HKFRS 17 in the current year had no material impact on the consolidated financial statements.

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

### (b) Revised HKFRSs that have been issued but are not yet effective

The following 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 <sup>4</sup>
Amendments to HKFRS 16	Leases Liability in a Sale and Leaseback <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the “2020 Amendments”) <sup>1,3</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants (the “2022 Amendments”) <sup>1,3</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>1</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>2</sup>

#### Notes:

1. Effective for annual periods beginning on or after 1 January 2024.
2. Effective for annual periods beginning on or after 1 January 2025.
3. 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.
4. No mandatory effective date yet determined by available for adoption.

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

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

#### ***Amendments to 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) 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 with 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 7 and HKFRS 7, Supplier Finance Arrangements*

The amendments introduce new disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on an entity’s liabilities, cash flows and exposure to liquidity risk.

#### *Amendments to HKAS 21, Lack of Exchangeability*

The amendments clarify the requirements on determining whether a currency is exchangeable into another currency, and the spot exchange rate to use when it is not.

The directors of the Company have performed an assessment of the above amendments to standards and interpretations and have concluded on a preliminary basis that these standards 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates.

#### **(c) Functional and presentation currency**

The consolidated financial statements are 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 (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 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 2023 and 2022.

	Trading of kitchenware and household products		Trading of raw materials		Total	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
<b>Segment revenue</b>						
Revenue from external customers	<u>642,212</u>	857,384	<u>48,931</u>	68,279	<u>691,143</u>	925,663
<b>Segment results</b>	<u>(3,925)</u>	<u>40,284</u>	<u>(2,004)</u>	<u>(746)</u>	<u>(5,929)</u>	39,538
Share of result of associates					1,550	1,756
Unallocated income					2	1
Unallocated expenses					<u>(4,833)</u>	<u>(5,512)</u>
(Loss)/profit before income tax					<u>(9,210)</u>	<u>35,783</u>
	Trading of kitchenware and household products		Trading of raw materials		Total	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Segment assets	<u>663,674</u>	729,482	<u>99,855</u>	95,992	<u>763,529</u>	825,474
Tax recoverable					7,474	9,009
Deferred tax assets					3,531	4,479
Interests in associates					21,757	19,800
Unallocated corporate assets <sup>#</sup>					<u>8,021</u>	<u>13,452</u>
Consolidated total assets					<u>804,312</u>	<u>872,214</u>
Segment liabilities	<u>196,412</u>	209,342	<u>312</u>	1,125	<u>196,724</u>	210,467
Provision for tax					2,404	4,652
Deferred tax liabilities					416	3,075
Unallocated corporate liabilities					<u>172</u>	<u>290</u>
Consolidated total liabilities					<u>199,716</u>	<u>218,484</u>

<sup>#</sup> Unallocated corporate assets comprised prepayment and cash and bank balance held by headquarter which 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	
	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Amounts included in the measure of segment profit or loss or assets:</b>						
Interest income	2,394	1,350	12	4	2,406	1,354
Interest expenses	(7,660)	(2,560)	-	-	(7,660)	(2,560)
Fair value loss on investment properties	(15,900)	(3,700)	-	-	(15,900)	(3,700)
Depreciation of property, plant and equipment	(19,921)	(18,202)	-	-	(19,921)	(18,202)
Research expenses	(5,058)	(5,891)	-	-	(5,058)	(5,891)
Reversal of impairment/ (Impairment) of trade receivables	491	1,644	(1,947)	138	(1,456)	1,782
Fair value gain/(loss) of financial assets at fair value through profit or loss, net	2,248	(4,441)	-	-	2,248	(4,441)
Impairment of goodwill	(7,925)	-	-	-	(7,925)	-
Provision for inventories	(2,971)	-	-	-	(2,971)	-
Additions to non-current assets*	18,067	93,745	-	-	18,067	93,745

\* These consist of additions to property, plant and equipment, deposit paid for property, additions to goodwill and intangible assets arising from acquisition of subsidiary.

4. SEGMENT INFORMATION (Continued)

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Other material items</b>		
Reportable segments' interest income	2,406	1,354
Unallocated	—	1
	<u>2,406</u>	<u>1,355</u>
Consolidated interest income	<u>2,406</u>	<u>1,355</u>
Reportable segments' fair value gain/(loss) of financial assets at fair value through profit or loss, net	2,248	(4,441)
Unallocated	—	(31)
	<u>2,248</u>	<u>(4,472)</u>
Consolidated fair value gain/(loss) of financial assets at fair value through profit or loss, net	<u>2,248</u>	<u>(4,472)</u>

#### 4. SEGMENT INFORMATION (Continued)

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

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

	<i>Notes</i>	<b>2023</b> <b>HK\$'000</b>	2022 <i>HK\$'000</i>
United States		<b>340,399</b>	522,286
Asia	(a)	<b>206,401</b>	245,959
Europe	(b)	<b>118,570</b>	120,121
Canada		<b>21,401</b>	34,773
Other locations	(c)	<b>4,372</b>	2,524
		<b>691,143</b>	<b>925,663</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 HK\$181,534,000 (2022: HK\$216,419,000).

The geographical analysis of the Group's revenue from external customers is based on the location of customers. As at 31 December 2023, over 84% (2022: 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:

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Company A ( <i>notes a, b</i> )	<b>131,682</b>	216,111
Company B ( <i>notes a, c</i> )	<b>90,955</b>	N/A
Company C ( <i>notes a, b</i> )	<b>81,859</b>	94,081
Company D ( <i>notes b, c</i> )	<b>N/A</b>	107,733

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 2023, 64.0% of the Group's trade receivables were due from the abovementioned three major customers.
- (b) As at 31 December 2022, 43.8% of the Group's trade receivables were due from the abovementioned three major customers.
- (c) Revenue from transactions with Company D (2022: Company B) did not exceed 10% of the Group revenue for the year ended 31 December 2023 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:

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue from contracts with customers		
– Sales of kitchenware and household products	<b>642,212</b>	857,384
– Sales of raw materials	<b>48,931</b>	68,279
	<b>691,143</b>	925,663

**6. OTHER INCOME AND GAINS AND LOSSES, NET**

	<b>2023</b>	2022
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Bank interest income	<b>2,406</b>	1,355
Dividend income from listed equity securities	<b>1,727</b>	1,743
Recharge from customers	–	41
Government grants	<b>4,279</b>	8,254
Rental income	<b>1,077</b>	3,480
Fair value gain/(loss) on financial assets at fair value through profit or loss, net	<b>2,248</b>	(4,472)
Fair value loss on investment properties	<b>(15,900)</b>	(3,700)
Impairment loss of goodwill	<b>(7,925)</b>	–
Others	<b>159</b>	19
	<b><u>(11,929)</u></b>	<u>6,720</u>

**7. FINANCE COSTS**

	<b>2023</b>	2022
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Interest charges on financial liabilities at amortised cost:		
Bank borrowings	<b>4,273</b>	1,647
Bank overdrafts	<b>768</b>	312
Lease liabilities	<b>2,619</b>	601
	<b><u>7,660</u></b>	<u>2,560</u>

## 8. (LOSS)/PROFIT BEFORE INCOME TAX

	2023 HK\$'000	2022 HK\$'000
(Loss)/profit before income tax is arrived at after charging/(crediting):		
Auditor's remuneration	978	985
Cost of inventories sold recognised as expense	487,329	693,331
Provision for impairment/(reversal of impairment) of trade receivables	1,456	(1,782)
Provision for inventories (note d)	2,971	–
Depreciation of property, plant and equipment (note a)	19,921	18,202
Loss on effective settlement of pre-existing relationship arising from acquisition of a subsidiary	–	1,572
Write-off of property, plant and equipment	10	3
Research expenses (note c)	5,058	5,891
Short-term lease expenses	2,298	714
Low-value lease expenses	175	179
Marketing expenses (note b)	10,812	11,241
Licensing fee (note b)	3,846	3,722
Transportation cost (note b)	9,250	9,677
Quality inspection expenses (note c)	14,937	16,078
Employee benefit expenses (including directors' remuneration) (note e)		
Wages, salaries and other benefits	50,341	53,626
Discretionary bonuses	2,666	4,396
Contributions to defined contribution schemes (note f)	4,823	5,110
	57,830	63,132
Exchange loss/(gain), net	489	(1,531)

### Notes:

- (a) Depreciation charges are recognised in the consolidated statement of comprehensive income as distribution expenses of approximately HK\$860,000 (2022: approximately HK\$1,085,000) and administrative expenses of approximately HK\$19,061,000 (2022: approximately HK\$17,117,000) for the year ended 31 December 2023.
- (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) The item is included in cost of sales in the consolidated statement of comprehensive income.
- (e) Employee benefit expenses are recognised in the consolidated statement of comprehensive income as distribution expenses of approximately HK\$8,635,000 (2022: approximately HK\$10,133,000) and administrative expenses of approximately HK\$49,195,000 (2022: approximately HK\$52,999,000) for the year ended 31 December 2023.
- (f) 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 2023 and 2022.

## 9. INCOME TAX EXPENSES

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
The taxation attributable to the Group's operations comprises:		
Current tax		
– Hong Kong profits tax	<b>2,310</b>	3,916
– PRC withholding tax	–	832
– PRC Enterprise Income Tax	<b>3,713</b>	8,089
	<b>6,023</b>	12,837
Under/(over) provision in prior years		
– Hong Kong profits tax	<b>121</b>	(604)
	<b>6,144</b>	12,233
Deferred tax		
– Credit for the year	<b>(1,773)</b>	(5,413)
Income tax expenses	<b>4,371</b>	6,820

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% (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.

Enterprise income tax (“EIT”) for the year was calculated at 25% (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.

PRC withholding tax represents tax charged by the PRC tax authority on dividends distributed by one of the Group's PRC subsidiaries in 2022.

US income tax has not been provided as there is no assessable profit arising in US during the year ended 31 December 2023.

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

## 10. (LOSS)/EARNINGS PER SHARE

### Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company for the year of HK\$14,829,000 (2022: a profit of HK\$23,248,000) and the weighted average of 700,000,000 (2022: 700,000,000) ordinary shares in issue during the year.

### Diluted (loss)/earnings per share

There were no potential ordinary shares outstanding during the years ended 31 December 2023 and 2022, and hence the diluted (loss)/earnings per share is the same as basic (loss)/earnings per share.

## 11. DIVIDENDS

Dividends to equity shareholders attributable to the year:

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Final dividend declared and paid in respect of the prior year of HK3.0 cents (2022: HK6.0 cents) per share	<b>21,000</b>	42,000

At the board meeting held on 25 March 2024, the Board resolved to recommend a final dividend of HK2.0 cents (2022: HK3.0 cents) per ordinary share. The proposed final dividend has not been recognised as a dividend payable as at 31 December 2023, but will be reflected as an appropriation of retained profits/ share premium for the year ending 31 December 2024.

## 12. INVENTORIES

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Merchandises held for resale	<b>30,305</b>	32,293
Raw materials	<b>79,508</b>	65,429
	<b>109,813</b>	97,722

### 13. TRADE RECEIVABLES

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	<b>137,786</b>	127,904
Less: impairment loss allowance	<b>(2,145)</b>	(689)
	<b><u>135,641</u></b>	<u>127,215</u>

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

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

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0–30 days	<b>61,505</b>	63,180
31–60 days	<b>47,708</b>	47,681
61–90 days	<b>9,335</b>	7,469
Over 90 days	<b>17,093</b>	8,885
	<b><u>135,641</u></b>	<u>127,215</u>

### 14. TRADE PAYABLES

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

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	<b>50,011</b>	52,049

#### 14. TRADE PAYABLES (Continued)

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>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0–90 days	<b>49,248</b>	47,423
91–180 days	<b>61</b>	4,615
181–365 days	<b>632</b>	8
Over 365 days	<b>70</b>	3
	<b>50,011</b>	52,049

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

#### 15. COMMITMENTS

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Capital expenditures contracted but not provided for in the consolidated financial statements in respect of:		
– Purchase of and addition to property, plant and equipment	<b>16,039</b>	24,993

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

The Directors resolved to recommend the payment of a final dividend of HK2.0 cents (2022: HK3.0 cents) per share for the year ended 31 December 2023. The payment of the proposed final dividend is subject to the approval of the Shareholders at the forthcoming annual general meeting (“AGM”) to be held on Friday, 31 May 2024 and are payable to Shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 27 June 2024. It is expected that the proposed final dividend will be paid on or about Friday, 5 July 2024.

## **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 Tuesday, 28 May 2024 to Friday, 31 May 2024, 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 Monday, 27 May 2024.

### **Final Dividend**

In order to establish entitlements to the proposed final dividend, the register of members of the Company will be closed from Tuesday, 25 June 2024 to Thursday, 27 June 2024, 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, 24 June 2024.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

During the 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 year, which led a further compression of orders from the Group’s customers in the North America (including the Group’s major customers).

## **FINANCIAL REVIEW**

### **Revenue**

During the year ended 31 December 2023, the Group recorded a decrease in revenue, from approximately HK\$925.7 million in 2022, to approximately HK\$691.1 million, representing a decrease of approximately 25.3%. 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 year. 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 9.7% to approximately HK\$179.7 million for year ended 31 December 2023 (2022: HK\$199.0 million), with gross profit margin increased by approximately 4.5 percentage points to approximately 26.0% (2022: 21.5%). Although there was a drop in gross profit as the revenue of the Group decreased, the Group's profit margin ratio improved as a result of the shifting of the Group's focus on high value customers and business. In addition, the depreciation of Renminbi and the drop of the raw material price during the year also contributed to the improvement of the Group's profit margin.

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

During the year ended 31 December 2023, other income and gains and losses decreased by approximately 277.6% to approximately other losses of HK\$11.9 million (2022: other income and gain of HK\$6.7 million), primarily due to a significant fair value loss on the investment properties and impairment loss of goodwill of the Group's investment in a subsidiary.

### **Distribution expenses**

During the year ended 31 December 2023, distribution expenses decreased by approximately 4.4% to approximately HK\$43.0 million (2022: HK\$45.0 million). The decrease was mainly attributable to the certain marketing expenses and transportation cost decreased with the amount of Group's revenue.

### **Administrative expenses**

During the year ended 31 December 2023, administrative expenses increased by approximately 3.1% to approximately HK\$127.9 million (2022: HK\$124.1 million). Under the tight cost control measure, the Group maintained the administrative expenses at a relatively stable level. The increase was mainly due to the provision of impairment on trade receivables.

## **Finance costs**

During the year ended 31 December 2023, finance costs increased by approximately 196.2% to approximately HK\$7.7 million (2022: HK\$2.6 million), primarily due to the increase in bank borrowing interest rate and interest on lease liabilities arising from the rental arrangement of the Advanced Manufacturing Centre in Tseung Kwan O Industrial Estate during the year.

## **(Loss)/profit attributable to owners of the Company**

For the year ended 31 December 2023, the Group incurred a loss attributable to owners of the Company with amount approximately HK\$14.8 million, represents a decrease of approximately 163.8% (2022: profit attributable to owners of the Company HK\$23.2 million). The turnabout from profit to loss was mainly due to the combined effect of the significant increase in other losses and finance costs during the year. There has been a significant fair value loss on the Group's investment properties, which was affected by the unfavourable market conditions during the year. In addition, a provision for impairment on goodwill was made as a conservative accounting practice in response to the market condition. The loss incurred was largely due to these one-off factors, which did not impair the underlying health and performance of the Group's business.

## **FUTURE STRATEGY**

The global business outlook will remain challenging and uncertain in year 2024. 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. Within its existing business segment the Group has established a new product program which will involve an implementation of significant re-engineered improvements and is expected for launch in the year 2024 and 2025. 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.

In order to optimize the specific properties of the produced nanofibers and allow the Group to perform research on the raw material development, application of nanotechnologies and 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 has moved the production line in Tai Po and 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 in the first half of 2024. The Group has also entered into a framework agreement with The Hong Kong University of Science and Technology for the establishment of a joint laboratory bearing the name “HKUST-KF Joint Laboratory for Sustainable Technologies” for a period of three years from July 2023. During the term of the framework agreement, the Group will provide funding in support of the sponsored research project, mix-funding research project and research-related events and student sponsorship relating to the innovative materials technology and research for the development of products using sustainable materials that will meet market demand.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2023, the Group had approximately 154 employees (2022: 171 employees). Total staff costs (including Directors’ emoluments) were approximately HK\$57.8 million for the year ended 31 December 2023, as compared to approximately HK\$63.1 million for the year ended 31 December 2022.

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 2023, the Group had cash and bank balances amounted to approximately HK\$155.8 million (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 borrowings of approximately HK\$89.8 million (2022: approximately HK\$45.5 million) as at 31 December 2023. The Group did not have bank overdrafts as at 31 December 2023 (2022: approximately HK\$47.7 million). The annual interest rate of the bank overdrafts and bank borrowings during the year ended 31 December 2023 ranged from 2.88% to 6.12% (2022: ranged from 2.25% to 4.59%) and ranged from 2.88% to 6.12% (2022: ranged from 0.79% to 4.59%) respectively.

## **Gearing ratio**

The Group’s gearing ratio is calculated as total borrowings, which is the summation of bank overdrafts, bank borrowings, lease liabilities and loans from non-controlling interests, divided by total equity. The gearing ratio of the Group as at 31 December 2023 and 2022 were approximately 21.0% and 20.6%, respectively. Excluding the lease liabilities, the gearing ratio of the Group as at 31 December 2023 and 2022 were approximately 15.5% and 14.9%, 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 2023, the Group’s leasehold land and buildings with an aggregate carrying amount of approximately HK\$14.9 million (2022: HK\$15.7 million), investment properties with an aggregate carrying amount of approximately HK\$119.4 million (2022: HK\$135.3 million) and pledged bank deposits of approximately HK\$19.9 million (2022: HK\$20.0 million) were pledged to secure general banking facilities granted to the Group.

## **CONTINGENT LIABILITIES**

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

## **CAPITAL COMMITMENTS**

As at 31 December 2023, the Group has capital commitment of approximately HK\$16.0 million (2022: approximately HK\$25.0 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 C3 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 2023 as set out in this announcement have been agreed by the Group’s auditor, BDO Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this announcement.

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

During the year ended 31 December 2023, 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 C1 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 2023.

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

The 2023 annual report of the Company containing all applicable information required by the Listing Rules will be dispatched to the Shareholders and available on the Company’s website at [www.kingsflair.com.hk](http://www.kingsflair.com.hk) and Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) in due course.

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

Hong Kong, 25 March 2024

*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.*