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## **KWUNG'S HOLDINGS LIMITED**

### **曠世控股有限公司**

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

**(Stock Code: 1925)**

## **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023**

The Board hereby announces the annual results of the Group for the year ended 31 December 2023.

### **FINANCIAL HIGHLIGHTS**

	<b>2023</b>	2022	Change
	<b><i>RMB'000</i></b>	<i>RMB'000</i>	
Revenue	<b>806,551</b>	718,675	12.2%
Gross profit	<b>162,132</b>	134,395	20.6%
Gross profit margin	<b>20.1%</b>	18.7%	1.4%
Profit for the year	<b>60,797</b>	52,638	15.5%
Earnings per share (basic and diluted)	<b>15.0 cents</b>	13.0 cents	15.5%
Dividend proposed in respect of the year (per share)	–	–	N/A

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

The Group provides solutions to customers on design and manufacture of home decoration products and home fragrance products, comprising core products such as home fragrance candles and home fragrance diffusers, which are considered to be widely used in people's daily life.

The Group has taken some measures during the year ended 31 December 2023 to further improve on the production management, product development and sales channel, which are considered to be one of the reasons for achieving a steady growth on the revenue in spite of the relatively sluggish economy.

In addition, the Group continues putting a lot of effort in research and product development. There is a collaboration with Ningbo Tech University (浙江大學寧波理工學院) to explore new technology on the Group's products, such as application of new nano-materials on home fragrance products and development of new portable fragrance diffusers, new car-used fragrance diffusers and new lighting products with fragrance diffusing function. The research on new technology and development of new products are considered by the Group's customers as essential elements for long term business collaboration with the Group.

In addition to the online showroom that the Group has launched in response to the lockdown and travel restriction back in 2020, the Group's sales teams has put a lot of efforts on the traditional sales channels, including arranging client visits to the Group's production plant in Yinzhou District, Ningbo City, Zhejiang Province, the PRC and visiting client's headquarters overseas.

### **FINANCIAL REVIEW**

#### **Revenue**

The Group's revenue mainly arises from the export sales of the Group's candle products, home fragrance products and home accessories during the year. It increased by approximately RMB87.9 million or 12.2% to approximately RMB806.6 million for the year ended 31 December 2023 from approximately RMB718.7 million for the year ended 31 December 2022. The Group secured more purchase orders from the existing customers, resulting in revenue growth for the year ended 31 December 2023. In addition, there is an appreciation of USD against RMB during the year ended 31 December 2023 contributing an increased revenue for overseas orders denominated in USD.

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

The Group's gross profit increased by approximately RMB27.7 million or 20.6% to approximately RMB162.1 million for the year ended 31 December 2023 from approximately RMB134.4 million for the year ended 31 December 2022. Such increase in gross profit was mainly because of the increase in the Group's revenue during the year ended 31 December 2023.

The Group's gross profit margin improved slightly for the current year, changing from approximately 18.7% for the year ended 31 December 2022 to approximately 20.1% for the year ended 31 December 2023, which was contributed by improved efficiency in the production cycle. In addition, the appreciation of USD against RMB during the year ended 31 December 2023 resulted in an increase in equivalent unit selling price in RMB but did not bring corresponding decrease in the production costs of the Group since the majority of the Group's suppliers are local enterprises in the PRC and the Group was billed in RMB, and it results in an improved gross profit margin for the year ended 31 December 2023.

### **Other income**

The Group's other income mainly comprises income from government grants in the PRC and also the rental income earned from leasing the Group's properties. The decrease in other income during the current year was mainly attributed to less grants from the local government in the PRC for the current year.

### **Administrative expenses**

The Group's administrative expenses mainly comprise payroll costs for the management team and supporting staff, cost of raw materials consumed for research and development purpose, depreciation expenses in relation to the Group's office buildings and office equipment and cost of utilities for office use.

There was an increase in administrative expenses of approximately RMB11.5 million or approximately 17.4% to approximately RMB77.5 million for the year ended 31 December 2023 from approximately RMB66.1 million for the year ended 31 December 2022. Increase in administrative expenses was mainly due to increased raw materials consumed for research and development and increased administrative staff to support the business growth and also salary adjustment for existing staff in response to their increased duties and performance.

### **Selling and marketing expenses**

The Group's selling and marketing expenses mainly comprise advertising and promotion expenses, payroll costs for staff in sales departments, sample inspection and express fees, commissions to agents and operating costs for the Group's retail stores.

There was an increase in selling and marketing expenses of approximately RMB3.5 million or 14.2% to approximately RMB28.0 million for the year ended 31 December 2023 from approximately RMB24.4 million for the year ended 31 December 2022. Increase in the Group's selling and marketing expenses for the current year was mainly due to increased payroll costs for the sales teams to support the business growth.

### **Other gain, net**

The Group's other gain, net mainly comprises foreign exchange differences, net fair value changes on foreign exchange forward contracts, net fair value changes on funds invested, net fair value change on fixed deposits, net fair value change on foreign exchange swaps and also donation expenses. There was an increase in other net gain of approximately RMB11.4 million to approximately RMB19.4 million for the year ended 31 December 2023 from approximately RMB8.0 million for the year ended 31 December 2022.

The increase in net other gain for the year ended 31 December 2023 was mainly due to the net fair value gain on the funds invested by the Group and the net fair value gain on the fixed deposits. The Group arranged its idle cash to invest into certain funds with low risk profile in the PRC and some fixed deposits during the year ended 31 December 2022 and the Group enjoyed a full-year return from those investments during the year ended 31 December 2023 as compared to a partial year return for the year ended 31 December 2022.

### **Net finance costs**

The Group's net finance costs mainly represent the interest income earned from financial institutions and the finance costs incurred for short-term bank borrowings.

There was a slight decrease in net finance costs of approximately RMB0.1 million or 8.6% to approximately RMB1.4 million for the year ended 31 December 2023 from approximately RMB1.5 million for the year ended 31 December 2022.

The Group had higher balances on both bank deposits and bank borrowing amounts during the year. The Group is offered by the local banks in the PRC for some short-term banking facilities and at the same time some fixed deposit arrangements. The Group placed a fixed deposit of approximately RMB101 million using the fund from the short-term borrowings from the local banks in the PRC. There is an arbitrage effect with such arrangement bringing net interest income to the Group. The fixed deposit is transferrable to third parties.

### **Income tax expense**

The Group is subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which companies comprising our Group domicile or operate.

#### **(i) *Cayman Islands income tax***

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

#### **(ii) *BVI income tax***

Under the current laws of the BVI, entities incorporated in BVI are not subject to tax on their income or capital gains.

**(iii) Hong Kong income tax**

Income tax provision of the Group in respect of operations in Hong Kong has been calculated at the applicable tax rate on the estimated assessable profits for the year ended 31 December 2023, based on the existing legislation, interpretations and practices in respect thereof. The statutory tax rate was 16.5% for the year ended 31 December 2023.

Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong during the year. The first HK\$2,000,000 of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

**(iv) PRC corporate income tax**

Income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the years, based on the existing legislation, interpretations and practices in respect thereof. The statutory tax rate was 25% for the years ended 31 December 2023 and 2022.

Ningbo Kwung's was qualified as a "High and New Technology Enterprise" since 2008 and renewed its qualification in December 2023, and it is subject to a reduced preferential corporate income rate of 15% from 2023 to December 2026 according to the tax preference applicable to the High and New Technology Enterprise.

There was an increase in the Group's income tax expense by approximately RMB12.9 million or 345.9% to approximately RMB16.7 million for the year ended 31 December 2023 from approximately RMB3.7 million for the year ended 31 December 2022. Such increase was mainly due to (i) the recognition of deferred tax liabilities arising from the withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC; and (ii) the increase in profits of the Group for the year ended 31 December 2023.

The overall effective tax rate of the Group increased from approximately 6.6% for the year ended 31 December 2022 to approximately 21.5% for the year ended 31 December 2023. The reasons for the increase in the effective tax rate for the year ended 31 December 2023 was the same as the reason disclosed above for the increase in the income tax expense.

## **Property, plant and equipment**

The Group's property plant and equipment mainly comprise net carrying amounts of the construction costs for the buildings and structures under construction, the office building, production plants, machinery and the corresponding capitalised renovation costs. There was a significant increase in the net carrying amount of the Group's property, plant and equipment by approximately RMB112.0 million during the year ended 31 December 2023 which was mainly due to the costs capitalised for the construction of production facilities on a piece of land located at the Sanshan Economic Development Zone of Wuhu City, Anhui Province, the PRC, which was acquired by the Group in 2022.

## **Right-of-use assets**

The Group's right-of-use assets comprise net carrying amounts of the prepaid land use rights for the lands used by the Group's office building and production plants, and also the net carrying amounts of the properties leased by the Group.

There was a slight increase in balance of approximately RMB1.5 million during the year ended 31 December 2023, which was mainly due to the net effect of (i) the capitalised costs arising from the renewed leases of several buildings located in Ningbo City, Zhejiang Province, the PRC, for the Group's internal usage; and (ii) the depreciation charge for the year ended 31 December 2023.

## **Investment properties**

The Group's investment properties represent the buildings located in Ningbo City, Zhejiang Province, the PRC, owned by the Group. Such buildings are leased to independent third parties as warehouses. The investment properties were subsequently disposed of in the first quarter of 2024 to a connected person of the Company.

## **Inventories**

The Group's inventory balance comprises raw materials, work in progress and finished goods for the Group's candle products, home fragrance products and home accessories products.

The inventories balance remained at a similar level as at 31 December 2023 as compared to 31 December 2022.

## **Trade receivables**

Trade receivables balance as at 31 December 2023 mainly represented outstanding balance from the Group's overseas customers. There was an increase in trade receivables balance before allowance for impairment of approximately RMB30.1 million or 24.2% from approximately RMB124.1 million as at 31 December 2022 to approximately RMB154.2 million as at 31 December 2023. Such increase is in line with the increase in the revenue of the Group for the current year.

Most of the Group's trade receivables balance were aged within 180 days. The Group experienced limited bad debt issues over the years and a small provision for impairment of trade receivables of approximately RMB3.0 million was recorded as at 31 December 2023, which is calculated based on the expected credit loss percentage for the aged trade receivables balance.

### **Prepayments, deposits and other receivables**

The balance of prepayments, deposits and other receivables comprises mainly advances to suppliers, recoverable value-added tax and deposits paid.

There was an increase in the balance of approximately RMB11.3 million or 53.0% to approximately RMB32.7 million as at 31 December 2023 from approximately RMB21.4 million as at 31 December 2022. The increase in balance was mainly due to an increase in recoverable value-added tax as at 31 December 2023 as a result of an increase in refundable value-added tax arising from the export sales closed to the financial year end date.

### **Financial assets/liabilities at fair value through profit or loss**

The Group subscribes certain private funds in the PRC using idle cash totalling RMB100 million during the year ended 31 December 2022. In addition, the Group arranged foreign currency forward contracts and currency swap contracts with commercial banks in the PRC in respect of the exchange rate of RMB against USD in response to the Group's foreign exchange exposure arising from the sales to the Group's overseas customers, which was denominated in USD.

The Group made full redemption for the investments in private funds and also the wealth management products during the year ended 31 December 2023. In addition, all foreign currency forwards contracts and also the currency swap contracts expired during the year ended 31 December 2023, resulting in nil balance as at 31 December 2023.

### **Other current assets**

Balance represented fixed deposits arranged with a local bank in the PRC. Those fixed deposits are measured at fair values.

### **Cash and cash in bank**

The balance of cash and cash in bank as at 31 December 2023 comprised cash deposited into financial institutions in the PRC and Hong Kong, and also restricted cash maintained in financial institutions in the PRC.

There was an increase in the balance of approximately RMB40.5 million or 28.3% to approximately RMB183.8 million as at 31 December 2023 from approximately RMB143.2 million as at 31 December 2022. Such increase in balance was mainly due to the net effect of the proceeds from redemption of investment funds and also payments made for the construction of production facilities in production base in Wuhu City, Anhui Province, the PRC.

## **Trade and other payables**

The balance of trade and other payables comprises mainly payables to suppliers of raw materials, payables to contractors in relation to the construction of production facilities in production base in Wuhu City, Anhui Province, the PRC, and also payroll payables to the Group's employees.

There was an increase in the balance of approximately RMB84.8 million or 100.7% to approximately RMB169.1 million as at 31 December 2023 from approximately RMB84.2 million as at 31 December 2022. The change in balance was mainly due to some purchase of raw materials close to the financial year end date and also some outstanding payments in relation to the construction of production facilities in production base in Wuhu City, Anhui Province, the PRC.

## **Lease liabilities**

The balance of lease liabilities represents the present value of future lease payments in respect of factory buildings leased by the Group.

There is an increase in the balance of approximately RMB0.9 million to approximately RMB1.1 million as at 31 December 2023 from approximately RMB0.2 million as at 31 December 2022 as a result of net effect of the new liabilities arising from some renewed lease arrangements and also settlement to the lessors during the year ended 31 December 2023.

## **RECENT DEVELOPMENT**

The Group has acquired a piece of land located at Sanshan Economic Development Zone\* (三山經濟開發區), Wuhu City, Anhui Province, the PRC (the “**Wuhu Site**”), and has started the construction of production facilities on top of the land. The total site area of the land is approximately 96,000 sq. m. and there will be warehouses, workshop buildings and staff quarters with a construction area of approximately 87,000 sq. m. Such production facilities can bring a better quality to the Group's products with less reliance on outsourced subcontracting work, especially for non-standard products. In addition, the production facilities will be equipped with more advanced machineries, achieving a more efficient production cycle. There will also be a more comprehensive production lines for fragrance products. The construction is still in progress and it is expected to be completed within the year 2024 to release additional production capacities for supporting the Group's business growth.

In addition, the Group subscribed interests in two investment funds in the PRC totalling RMB100 million on 2 January 2024 funded by the Group's surplus cash reserves. The Directors are of the view that such appropriate wealth management with low risk exposure is conducive to enhancing the utilisation of capital and increase income from idle funds of the Group.

Moreover, the Group has recently disposed of a subsidiary which mainly owned a land-use rights and buildings (the “**Properties**”) and cash of RMB1 million to a connected person of the Company at a consideration of RMB47 million. Upon the completion of the construction of production facilities mentioned above, it is considered not necessary to continue to own the Properties and therefore they were disposed of in exchange of liquidity to support the daily operation of the Group. Please refer to the circular of the Company dated 30 January 2024 for details.

## **FUTURE PLANS**

In addition to setting up the Group’s self-owned production facilities in the Wuhu Site as mentioned above, the Group is also exploring the possibilities of setting up new production facilities overseas in response to overseas market demands.

Having established a long term plan on the production capacity, the Group is also actively expanding its customer base, including customers from new geographical markets like the United States. The Group has established a healthy and solid customer base with existing customers and it is a good time for the Group to go further into new market and secure new customers for the Group’s sustainable growth.

## **FINANCIAL INFORMATION**

The financial information below is extracted from the audited financial statements of the Company.

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

		Year ended 31 December	
		2023	2022
	Notes	RMB'000	RMB'000
<b>Revenue</b>	3	<b>806,551</b>	718,675
Cost of sales		<u>(644,419)</u>	<u>(584,280)</u>
<b>Gross profit</b>		<u><b>162,132</b></u>	<u>134,395</u>
Administrative expenses	4	(77,538)	(66,062)
Selling and marketing expenses	4	(27,919)	(24,447)
Net impairment losses on financial assets		(1,243)	(354)
Other income	5	4,024	6,364
Other gain – net	6	<u>19,391</u>	<u>8,000</u>
<b>Operating profit</b>		<u><b>78,847</b></u>	<u>57,896</u>
Finance income		2,397	1,925
Finance costs		<u>(3,788)</u>	<u>(3,447)</u>
Finance costs – net	7	<u>(1,391)</u>	<u>(1,522)</u>
<b>Profit before income tax</b>		<b>77,456</b>	56,374
Income tax expense	8	<u>(16,659)</u>	<u>(3,736)</u>
<b>Profit for the year</b>		<u><b>60,797</b></u>	<u>52,638</u>
Profit attributable to:			
– Owners of the Company		60,645	52,605
– Non-controlling interests		<u>152</u>	<u>33</u>
<b>Other comprehensive loss</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		<u>58</u>	<u>122</u>
<b>Total comprehensive income for the year</b>		<u><b>60,855</b></u>	<u>52,760</u>
Total comprehensive income attributable to:			
– Owners of the Company		60,692	52,702
– Non-controlling interests		<u>163</u>	<u>58</u>
<b>Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)</b>			
– Basic and diluted	9	<u><b>15.0 cents</b></u>	<u>13.0 cents</u>

## Consolidated Statement of Financial Position

As at 31 December 2023

		As at 31 December	
	Notes	2023	2022
		RMB'000	RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		164,801	52,778
Investment properties		7,159	7,536
Right-of-use assets		38,610	37,097
Intangible assets		5,642	4,597
Deferred income tax assets		1,149	72
		<hr/>	<hr/>
Total non-current assets		217,361	102,080
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories	10	68,653	66,061
Trade receivables	11	151,192	120,661
Prepayments, deposits and other receivables	12	32,662	21,350
Financial assets at fair value through profit or loss		–	103,975
Other current assets		100,590	105,000
Cash and cash in bank		183,765	143,221
		<hr/>	<hr/>
Total current assets		536,862	560,268
		<hr/>	<hr/>
Total assets		<u>754,223</u>	<u>662,348</u>
		<hr/>	<hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	13	359	359
Share premium	13	206,813	249,653
Other reserves		(13,555)	(20,846)
Retained earnings		251,143	197,742
		<hr/>	<hr/>
		444,760	426,908
<b>Non-controlling interests</b>		<hr/>	<hr/>
		795	632
		<hr/>	<hr/>
Total equity		<u>445,555</u>	<u>427,540</u>

		<b>As at 31 December</b>	
	<i>Note</i>	<b>2023</b>	2022
		<b>RMB'000</b>	<b>RMB'000</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	14	<b>169,055</b>	84,225
Borrowings		<b>90,000</b>	135,000
Contract liabilities		<b>6,337</b>	6,219
Current income tax liabilities		<b>7,505</b>	4,055
Lease liabilities		<b>1,122</b>	201
Financial liabilities at fair value through profit or loss		–	4,972
Deferred income tax liability		<b>8,649</b>	136
		<hr/>	<hr/>
Total current liabilities		<b>282,668</b>	234,808
<b>Non-current liabilities</b>			
Borrowings		26,000	–
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>308,668</b>	<b>234,808</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>Total equity and liabilities</b>		<b>754,223</b>	<b>662,348</b>
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Notes:

### 1. BASIS OF PREPARATION

The financial information is extracted from the Group's consolidated financial statements which have been prepared in accordance with HKFRSs and under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value. The annual results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 December 2023.

The preparation of the Group's consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires the Directors to exercise their judgement in the process of applying the Group's accounting policies.

### 2. NEW STANDARDS NOT YET ADOPTED

A number of new standards had been issued but were not mandatory for the financial year beginning on 1 January 2023 and have not been early adopted by the Group.

The Group has already commenced an assessment of the impact of these new standards, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the Directors, no significant impact on the financial performance and position of the Group is expected when they become effective.

### 3. REVENUE

Revenue mainly comprises of proceeds from selling goods. An analysis of the Group's revenue by category for the years ended 31 December 2023 and 2022 is as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
<b>Revenue from customers</b>		
Candles	546,884	498,620
Home fragrance	142,814	111,940
Home accessories	116,853	108,115
	<u>806,551</u>	<u>718,675</u>

#### 4. EXPENSES BY NATURE

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Raw materials and consumables used	462,931	305,536
Subcontracting costs	126,419	231,852
Employee benefit expenses	83,677	69,608
Transportation expenses	15,295	15,217
Utilities	6,454	4,708
Depreciation of property, plant and equipment	15,863	10,936
Depreciation of investment properties	377	377
Amortisation of intangible assets	789	697
Amortisation and depreciation of right-of-use assets	3,479	2,838
Taxes and surcharges	4,946	2,848
Travelling expenses	2,138	1,131
Operating lease expenses on short-term leases	3,197	3,021
Business entertainment expenses	2,621	1,697
Sample inspection and express fees	3,949	3,007
Advertising and promotion expenses	4,254	10,245
Auditor's remuneration – Annual audit service	1,810	1,680
Statutory audit fees	491	165
Other service fees	5,599	4,005
Office expenses	2,326	1,994
Insurance expenses	415	228
Sales commission	454	1,050
Others	2,392	1,949
	<u>749,876</u>	<u>674,789</u>

#### 5. OTHER INCOME

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Rental income	1,285	1,529
Government grants (i)	1,759	3,662
Others	980	1,173
	<u>4,024</u>	<u>6,364</u>

(i) Government grants were mainly unconditional government subsidies received by the Group from relevant government bodies.

## 6. OTHER GAIN

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Losses on disposal of property, plant and equipment – net	(130)	(109)
Gains on disposal of right-of-use assets – net	–	32
Net foreign exchange gains/(losses)	6,487	13,660
Fair value losses on foreign exchange forward contracts	(170)	(10,040)
Fair value gains on funds	6,955	1,560
Fair value gains on fixed deposits	5,632	–
Fair value gains on fixed-fixed cross-currency exchange rate swap	2,842	3,708
Donation expenses	(2,050)	(150)
Others	(175)	(661)
	<u>19,391</u>	<u>8,000</u>

## 7. FINANCE COSTS

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Finance income</b>		
Interest income	<u>2,397</u>	<u>1,925</u>
<b>Finance costs</b>		
Interest expenses on borrowings	(3,698)	(3,364)
Interest expenses on lease liabilities	(90)	(83)
	<u>(3,788)</u>	<u>(3,447)</u>
	<u>(1,391)</u>	<u>(1,522)</u>

## 8. INCOME TAX EXPENSE

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
– PRC corporate income tax	6,656	2,075
– Hong Kong profits tax	2,567	1,209
Deferred income tax	<u>7,436</u>	<u>452</u>
Income tax expense	<u>16,659</u>	<u>3,736</u>

## 9. EARNINGS PER SHARE

### Basic earnings per share

The basic earnings per share for the years ended 31 December 2023 is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issued during the period.

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Profit attributable to owners of the Company ( <i>RMB'000</i> )	<b>60,645</b>	52,605
Weighted average number of ordinary shares in issue ( <i>expressed in thousand</i> )	<b>405,042</b>	405,042
Basic earnings per share for profit attributable to the owners of the Company ( <i>expressed in RMB per share</i> )	<b>0.15</b>	0.13

Diluted earnings per share is equal to basic earnings per share.

## 10. INVENTORIES

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	<b>30,760</b>	32,935
Work in progress	<b>8,516</b>	5,558
Finished goods	<b>31,243</b>	27,656
Provision for impairment of inventories	<b>(1,866)</b>	(88)
	<b>68,653</b>	66,061

## 11. TRADE RECEIVABLES

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables due from third parties	<b>154,221</b>	124,133
Less: allowance for impairment of trade receivables	<b>(3,029)</b>	(3,472)
Trade receivables – net	<b>151,192</b>	120,661

Trade receivables all arise from sales of goods.

As at 31 December 2023 and 2022, the gross carrying amounts of trade receivables before provision were denominated in the following currencies:

	<b>As at 31 December</b>	
	<b>2023</b>	2022
	<i>RMB'000</i>	<i>RMB'000</i>
USD	<b>111,694</b>	102,458
RMB (i)	<b>42,527</b>	21,675
	<b>154,221</b>	124,133

(i) As at 31 December 2023, RMB38,059,418 was due from overseas clients who made the payment via Cross-border Interbank Payment System.

As at 31 December 2023 and 2022, the ageing analysis of the trade receivables based on invoice date was as follows:

	<b>As at 31 December</b>	
	<b>2023</b>	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Within 30 days	<b>55,906</b>	37,295
Over 30 days and within 180 days	<b>95,252</b>	80,501
Over 180 days and within one year	<b>279</b>	1,964
Over one year and within two years	<b>746</b>	2,817
Over two years and within three years	<b>2,038</b>	1,556
	<b>154,221</b>	124,133

As at 31 December 2023 and 2022, the fair value of trade receivables approximated their carrying amounts. Sales of products are received in accordance with the terms of the relevant sales agreements, and due for payment upon the issuance of invoice.

The Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The expected loss rates are based on the payment profiles of sales over past years and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the factors such as GDP of the countries in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed. As at 31 December 2023 and 2022, the Group did not hold any collateral as security over these debtors.

	As at 31 December	
	2023	2022
	ECL Rate	ECL Rate
Within 30 days	0.15%	0.08%
Over 30 days and within 180 days	0.45%	0.18%
Over 180 days and within one year	21.30%	14.33%
Over one year and within two years	56.90%	51.83%
Over two years	100.00%	100.00%

Movements in the provision for impairment of trade receivables are as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
At the beginning of the year	(3,472)	(4,125)
Provision for impairment	(1,133)	(417)
Written off during the year	1,576	1,070
	<u>          </u>	<u>          </u>
At the end of the year	<u><u>(3,029)</u></u>	<u><u>(3,472)</u></u>

## 12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Prepayments		
– Advances to suppliers	7,849	10,468
– Prepaid income tax	129	3,773
– Prepaid value-added tax	7,831	1,005
	<u>          </u>	<u>          </u>
Subtotal	<u>15,809</u>	<u>15,246</u>
Other receivables		
– Deposits	975	926
– Advances to employees	947	1,017
– Recoverable value-added tax	14,396	3,670
– Amounts due from related parties	416	462
– Others	446	246
	<u>          </u>	<u>          </u>
Subtotal	<u>17,180</u>	<u>6,321</u>
Total	<u>32,989</u>	<u>21,567</u>
Less: Allowance for impairment of other receivables	<u>(327)</u>	<u>(217)</u>
	<u><u>32,662</u></u>	<u><u>21,350</u></u>

Movements in the provision for impairment of other receivables are as follows:

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	(217)	(325)
Reversal of/(provision for) impairment	(110)	63
Written off during the year	–	45
	<u>–</u>	<u>45</u>
At the end of the year	<u>(327)</u>	<u>(217)</u>

### 13. SHARE CAPITAL AND SHARE PREMIUM

On 13 November 2018, the Company was incorporated in the Cayman Islands. At the date of incorporation, the authorised share capital is HK\$380,000 at par value of HK\$0.001.

Ordinary shares issued and fully paid:

	Number of ordinary shares	Nominal value of shares <i>HKD</i>	Equivalent nominal value of shares <i>RMB</i>
At 31 December 2023 and 31 December 2022	405,042,000	405,042	358,767
	<u>405,042,000</u>	<u>405,042</u>	<u>358,767</u>

### 14. TRADE AND OTHER PAYABLES

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	104,989	70,001
Other payables	52,027	7,154
Staff salaries and welfare payables	10,153	5,264
Others	1,886	1,806
	<u>169,055</u>	<u>84,225</u>

As at 31 December 2023 and 2022, all trade and other payables of the Group were non-interest bearing.

## **FINAL DIVIDEND**

The Board does not recommend the payment of final dividend in respect of the year ended 31 December 2023.

## **PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES OF THE COMPANY**

Neither the Company nor any of the subsidiaries of the Company purchased, redeemed or sold the listed securities of the Company during the year ended 31 December 2023.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code in Appendix C1 to the Listing Rules (the "**CG Code**"). Save as disclosed below, the Company has complied with the CG Code for the year ended 31 December 2023.

Pursuant to code provision C.2.1 of the CG Code, the responsibilities between the chairman and the chief executive should be segregated and should not be performed by the same individual. However, we do not have a separate chairman and chief executive and Mr. JIN Jianxin ("**Mr. Jin**") currently performs these two roles. Throughout the Group's business history, Mr. Jin, being a founder of the Group and a controlling Shareholder, has held the key leadership position of the Group and has been deeply involved in the formulation of corporate strategies and management of the business and operations of the Group since its establishment. Taking into account the consistent leadership within the Group, the Board believes that it is in the best interests of the Group and the Shareholders as a whole to have Mr. Jin taking up both roles for effective and efficient overall strategic planning and continuation of the implementation of such plans for the Group. The Board considers that the balance of power and authority under the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively.

## **SCOPE OF WORK OF PRICEWATERHOUSECOOPERS**

The financial information in respect of the Group's consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2023 as set out in this announcement has been agreed by the Company's external auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers 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 PricewaterhouseCoopers on this announcement.

## **REVIEW BY THE AUDIT COMMITTEE**

The results of the Company for the year ended 31 December 2023 has been reviewed by the audit committee of the Company.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company will be held on 14 June 2024. The notice of the AGM will be issued and despatched in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 11 June 2024 to 14 June 2024, both days inclusive, for the purpose of ascertaining the entitlement of the Shareholders to attend and vote at the AGM. In order to be entitled to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with Tricor Investor Services Limited, the Company's Hong Kong branch share registrar, at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. (Hong Kong time) on 7 June 2024.

## **DEFINITION**

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

“AGM”	the annual general meeting of the Company to be held in Hong Kong on 14 June 2024
“Board”	the board of Directors
“China” or “PRC”	The People's Republic of China and, except where the context requires and only for the purpose of this announcement, references to China do not include Taiwan, Hong Kong or the Macao Special Administrative Region of the PRC
“Company”	Kwung's Holdings Limited
“Director(s)”	director(s) of the Company
“Group”, “our Group”, “we”, “our” or “us”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“Ningbo Kwung’s”	Ningbo Kwung’s Wisdom Art & Design Co., Ltd.* (寧波曠世智源工藝設計有限公司), a company established in the PRC with limited liability on 4 January 1999, and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi Yuan, the lawful currency of the PRC
"Shareholder(s)"	the holder(s) of the ordinary share(s) of the Company
“sq. m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD”	United States dollars, the lawful currency of the United States of America

\* *The English translation of the Chinese name of the relevant parties included in this announcement is prepared for identification purpose only. In the event of any inconsistency, the Chinese name shall prevail.*

By order of the Board  
**Kwung’s Holdings Limited**  
**JIN Jianxin**  
*Chairman and executive Director*

Hong Kong, 28 March 2024

*As at the date of this announcement, the executive Directors are Mr. JIN Jianxin and Mr. TIAN Dong; the non-executive Director is Mr. SHAO Patrick; and the independent non-executive Directors are Mr. LAI Chun Yu, Ms. XU Qiong and Mr. ZHOU Kai.*