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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 2024

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Change
	2024	2023	
	HK\$'000	HK\$'000	
	(Unaudited)	(Unaudited)	
Revenue	332,923	334,287	-0.4%
Gross profit	87,481	85,670	2.1%
Profit attributable to owners of the Company	3,426	7,567	-54.7%
Basic and diluted earnings per share (HK cents)	0.5	1.1	

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 2024, together with the comparative figures for the corresponding period in 2023 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

		Six months ended 30 June	
	<i>Notes</i>	2024	2023
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	5	332,923	334,287
Cost of sales		<u>(245,442)</u>	<u>(248,617)</u>
Gross profit		87,481	85,670
Other income and gains and losses, net	6	3,683	7,625
Distribution expenses		(19,596)	(21,594)
Administrative expenses		(59,642)	(58,914)
Share of results of associates		(638)	(157)
Finance costs	7	<u>(3,637)</u>	<u>(3,340)</u>
Profit before income tax	8	7,651	9,290
Income tax (expenses)/credit	9	<u>(5,559)</u>	<u>349</u>
Profit for the period		<u>2,092</u>	<u>9,639</u>
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		<u>(2,131)</u>	<u>(2,663)</u>
Other comprehensive income for the period		<u>(2,131)</u>	<u>(2,663)</u>
Total comprehensive income for the period		<u>(39)</u>	<u>6,976</u>
Profit for the period attributable to:			
Owners of the Company		3,426	7,567
Non-controlling interests		<u>(1,334)</u>	<u>2,072</u>
		<u>2,092</u>	<u>9,639</u>

		Six months ended 30 June	
		2024	2023
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Total comprehensive income attributable to:			
Owners of the Company		2,460	6,532
Non-controlling interests		(2,499)	444
		<u>(39)</u>	<u>6,976</u>
		HK cents	HK cents
Earnings per share:			
	<i>10</i>		
– Basic		0.5	1.1
– Diluted		0.5	1.1
		<u>0.5</u>	<u>1.1</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		As at 30 June 2024 <i>HK\$'000</i> (Unaudited)	As at 31 December 2023 <i>HK\$'000</i> (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	45,868	54,699
Investment properties		115,400	119,400
Goodwill		4,125	4,125
Other asset		172	172
Interests in associates		21,058	21,757
Intangible assets		10,603	10,603
Deposits paid for property, plant and equipment		89,171	76,004
Financial assets at fair value through other comprehensive income		–	–
Deferred tax assets		5,343	3,531
		291,740	290,291
Current assets			
Inventories	13	108,277	109,813
Trade receivables	14	151,670	135,641
Prepayments, deposits and other receivables		54,519	42,092
Financial assets at fair value through profit or loss	15	26,277	23,129
Amounts due from associates		801	793
Tax recoverable		–	7,474
Time deposit with original maturity over three months		–	19,368
Pledged bank deposits		19,920	19,920
Cash and bank balances		110,170	155,791
		471,634	514,021

		As at 30 June 2024 <i>HK\$'000</i> (Unaudited)	As at 31 December 2023 <i>HK\$'000</i> (Audited)
Current liabilities			
Trade payables	16	35,064	50,011
Other payables and accruals		7,874	12,928
Financial liabilities at fair value through profit or loss	15	432	–
Contract liabilities		4,552	4,713
Bank borrowings		94,510	89,800
Lease liabilities		6,309	8,444
Loans from non-controlling interests		3,885	3,885
Amount due to an associate		2,682	1,995
Dividend payable		14,000	–
Provision for tax		2,775	2,404
		<u>172,083</u>	<u>174,180</u>
Net current assets		<u>299,551</u>	<u>339,841</u>
Total assets less current liabilities		<u>591,291</u>	<u>630,132</u>
Non-current liabilities			
Lease liabilities		22,526	25,120
Deferred tax liabilities		985	416
		<u>23,511</u>	<u>25,536</u>
Net assets		<u>567,780</u>	<u>604,596</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	7,000	7,000
Reserves		548,873	560,413
		<u>555,873</u>	<u>567,413</u>
Non-controlling interests		11,907	37,183
Total equity		<u>567,780</u>	<u>604,596</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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 2024 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 2023 (the "2023 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 2023 Annual Report.

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

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

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

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

Amendments to HKFRS 16	Leases Liability in a Sale and Leaseback
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the "2020 Amendments")
Amendments to HKAS 1	Non-current Liabilities with Covenants (the "2022 Amendments")

The application of the new or revised HKFRSs in the current interim period has no material effect on the amounts reported in the condensed consolidated interim financial statements and/or disclosures set out in the condensed consolidated interim financial statements.

The Group has not early adopted any new or revised HKFRSs that have been issued but are not yet effective in the condensed consolidated interim financial statements.

4. SEGMENT INFORMATION

(i) Operating segment information

The Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Company's executive directors for their decisions about resources allocation to the Group's business components and review of the components' performance. The Group is organised around differences in products. There are two (2023: 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 plastic and silicone.

There were no inter-segment sales between different business segments for the six months ended 30 June 2024 and 2023.

	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	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Segment revenue						
Revenue from external customers	312,985	309,394	19,938	24,893	332,923	334,287
Segment results	9,582	12,474	1,208	90	10,790	12,564
Share of results of associates					(638)	(157)
Unallocated income					1	1
Unallocated expenses					(2,502)	(3,118)
Profit before income tax					7,651	9,290
	Trading of kitchenware and household products		Trading of raw materials		Total	
	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Segment assets	619,564	663,674	95,438	99,855	715,002	763,529
Tax recoverable					-	7,474
Deferred tax assets					5,343	3,531
Interests in associates					21,058	21,757
Unallocated corporate assets [#]					21,971	8,021
Consolidated total assets					763,374	804,312
Segment liabilities	176,587	196,412	1,087	312	177,674	196,724
Provision for tax					2,775	2,404
Deferred tax liabilities					985	416
Dividend payable					14,000	-
Unallocated corporate liabilities					160	172
Consolidated total liabilities					195,594	199,716

[#] 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		Six months ended 30 June		Six months ended 30 June	
	2024	2023	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Other segment information:						
Interest income	1,433	1,067	1	6	1,434	1,073
Interest expenses	(3,637)	(3,340)	-	-	(3,637)	(3,340)
Fair value loss on investment properties	(4,000)	-	-	-	(4,000)	-
Depreciation of property, plant and equipment	(9,093)	(9,567)	-	-	(9,093)	(9,567)
Research expenses	(108)	(1,018)	-	-	(108)	(1,018)
(Impairment)/reversal of impairment of trade receivables	(60)	169	(131)	(89)	(191)	80
Fair value gain of financial assets/liabilities at fair value through profit or loss, net	2,717	948	-	-	2,717	948

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other material items		
Reportable segments' depreciation of property, plant and equipment	(9,093)	(9,567)
Unallocated	-	(392)
Consolidated depreciation of property, plant and equipment	<u>(9,093)</u>	<u>(9,959)</u>

(iii) Disaggregated revenue and geographical segment information

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

	<i>Notes</i>	Six months ended 30 June	
		2024	2023
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
United States		181,110	173,678
Asia	(a)	85,766	94,254
Europe	(b)	53,859	53,017
Canada		9,972	10,906
Other locations	(c)	2,216	2,432
		332,923	334,287

Notes:

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

(b) Principally included United Kingdom, Belgium and Germany

(c) Principally included Australia

* Including revenue from the Mainland China and Hong Kong of approximately HK\$73,665,000 for the six months ended 30 June 2024 (six months ended 30 June 2023: approximately HK\$81,861,000)

The geographical location of customers is based on the location of customers. As at 30 June 2024 and 31 December 2023, over 90% of the Group's non-current assets (other than financial instruments and deferred tax assets) are physically located in Hong Kong.

(iv) Information about major customers

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

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Company A (<i>note a</i>)	74,917	74,900
Company B (<i>note a</i>)	35,105	35,328
Company C (<i>note a, b</i>)	60,380	N/A

Notes:

(a) The revenue from those three customers was 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.

5. REVENUE

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
– Sales of kitchenware and household products	312,985	309,394
– Sales of raw materials	19,938	24,893
	332,923	334,287

6. OTHER INCOME AND GAINS AND LOSSES, NET

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	1,434	1,073
Rental income	1,561	1,156
Recharge from customers	–	9
Government grants	1,469	4,339
Fair value gain on financial assets/liabilities at fair value through profit or loss, net	2,717	948
Fair value loss on investment properties	(4,000)	–
Others	502	100
	3,683	7,625

7. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest charges on financial liabilities at amortised cost:		
Bank borrowings	2,058	1,541
Bank overdrafts	384	484
Lease liabilities	1,195	1,315
	3,637	3,340

8. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2024 <i>HK\$'000</i> (Unaudited)	2023 <i>HK\$'000</i> (Unaudited)
Profit before income tax is arrived at after charging/(crediting):		
Cost of inventories sold recognised as expense	233,612	237,326
Provision for impairment loss/(reversal of impairment loss) of trade receivables	191	(80)
Depreciation of property, plant and equipment	9,093	9,959
Research expenses	108	1,018
Short-term lease expenses	650	1,497
Low-value lease expenses	107	62
<hr/>		
Employee benefit expenses (including directors' remuneration)		
Wages, salaries and other benefits	26,966	25,501
Discretionary bonuses	1,908	2,428
Contributions to defined contribution schemes	2,377	2,340
	31,251	30,269
Exchange gain, net	<u>(662)</u>	<u>(2,403)</u>

9. INCOME TAX EXPENSES/(CREDIT)

	Six months ended 30 June	
	2024 <i>HK\$'000</i> (Unaudited)	2023 <i>HK\$'000</i> (Unaudited)
The taxation attributable to the Group's operation comprises:		
Current tax		
– Hong Kong profits tax	4,577	748
– Income tax outside Hong Kong	417	746
– Withholding tax outside Hong Kong	1,832	–
	6,826	1,494
Over provision in prior years		
– Hong Kong profits tax	18	–
Deferred tax		
– Credit for the period	(1,285)	(1,843)
Income tax expenses/(credit)	<u>5,559</u>	<u>(349)</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 2023: 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 2023.

Enterprise income tax (“EIT”) for the period was calculated at 25% (six months ended 30 June 2023: 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.

Withholding tax outside Hong Kong represents tax charged by the PRC tax authority on dividends distributed by one of the Group’s PRC subsidiaries during the six months ended 30 June 2024.

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 2024 (six months ended 30 June 2023: Nil).

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

10. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the period of approximately HK\$3,426,000 (six months ended 30 June 2023: approximately HK\$7,567,000) and the weighted average of 700,000,000 (six months ended 30 June 2023: 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 2024 and 2023, and hence the diluted earnings per share is the same as basic earnings per share.

11. DIVIDENDS

- i. The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).
- ii. Dividends to equity shareholders attributable to previous financial year, approved and payable/paid during the interim period:

	Six months ended 30 June	
	2024	2023
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Final dividend in respect of the previous financial year, approved and payable during the following interim period, of HK2.0 cents per share (six months ended 30 June 2023: approved and paid during the following interim period of HK3.0 cents per share)	14,000	21,000

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired property, plant and equipment at a total cost of approximately HK\$341,000 (six months ended 30 June 2023: approximately HK\$168,000).

During the six months ended 30 June 2024, the Group has not disposed property, plant and equipment (six months ended 30 June 2023: Nil).

At 30 June 2024, the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK\$14,688,000 (31 December 2023: approximately HK\$14,882,000) were pledged to secure general banking facilities granted to the Group.

13. INVENTORIES

	As at 30 June 2024 <i>HK\$'000</i> (Unaudited)	As at 31 December 2023 <i>HK\$'000</i> (Audited)
Merchandises held for resale	32,224	30,305
Raw materials	76,053	79,508
	<u>108,277</u>	<u>109,813</u>

14. TRADE RECEIVABLES

	As at 30 June 2024 <i>HK\$'000</i> (Unaudited)	As at 31 December 2023 <i>HK\$'000</i> (Audited)
Trade receivables	154,006	137,786
Less: impairment loss allowance	(2,336)	(2,145)
	<u>151,670</u>	<u>135,641</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 end of the reporting period, based on the invoices date, is as follows:

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
0–30 days	71,219	61,505
31–60 days	52,093	47,708
61–90 days	15,526	9,335
Over 90 days	12,832	17,093
	151,670	135,641

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

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Financial assets at fair value through profit or loss:		
Listed equity securities in Hong Kong, at fair value (<i>note (a)</i>)	26,277	21,135
Derivative financial instruments at fair value (<i>noted (b)</i>)	–	1,994
	26,277	23,129
Financial liabilities at fair value through profit or loss:		
Derivative financial instruments at fair value (<i>noted (b)</i>)	432	–

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 2024, 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 RMB25,000,000 (31 December 2023: RMB87,000,000) and the forward currency rates of all these contracts ranged from USD1:RMB7.1136 to USD1:RMB7.1702 (31 December 2023: USD1:RMB7.1136 to USD1:RMB7.2654) with various maturity dates from July 2024 to November 2024 (31 December 2023: January 2024 to November 2024).

16. TRADE PAYABLES

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

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Trade payables	35,064	50,011

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:

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
0–90 days	34,513	49,248
91–180 days	241	61
181–365 days	249	632
Over 365 days	61	70
	35,064	50,011

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

17. SHARE CAPITAL

	As at 30 June 2024		As at 31 December 2023	
	Number of shares ('000) (Unaudited)	HK\$'000 (Unaudited)	Number of shares ('000) (Audited)	HK\$'000 (Audited)
Authorised: Shares of HK\$0.01 each	10,000,000	100,000	10,000,000	100,000
Issued and fully paid: Shares of HK\$0.01 each	700,000	7,000	700,000	7,000

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the first half of year 2024, the global market condition and operation environment remained unstable and unpredictable due to the tightened monetary policies and the continued geopolitical tensions worldwide. The customers spending habits on houseware and drinkware retail market for mid-priced to premium products in North America became stabilized during the period, with a decrease in sales in Asia region during the period.

FINANCIAL REVIEW

Revenue

During the six months ended 30 June 2024, the Group was able to maintain a consistent level of revenue of approximately HK\$332.9 million, representing a slight decrease of approximately 0.4% as compared to approximately HK\$334.3 million for the six months ended 30 June 2023. This decrease in revenue was mainly due to the depreciation of the Renminbi which lower the amount of the revenue from the Mainland China when presenting in Hong Kong dollar and also the decrease in sales in Asia region.

Gross profit and gross profit margin

Gross profit increased by approximately 2.1% to approximately HK\$87.5 million for six months ended 30 June 2024 (six months ended 30 June 2023: HK\$85.7 million), with gross profit margin increased by approximately 0.7 percentage points to approximately 26.3% (six months ended 30 June 2023: 25.6%). The increase in gross profit was mainly attributable to the improvement in Group's profit margin ratio 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 period also contributed to the improvement of the Group's profit margin.

Other income and gains and losses, net

During the six months ended 30 June 2024, other income and gains and losses, net decreased by approximately 51.7% to approximately HK\$3.7 million (six months ended 30 June 2023: HK\$7.6 million), primarily due to fair value loss on the investment properties and the decrease of subsidy from Government.

Distribution expenses

During the six months ended 30 June 2024, distribution expenses decreased by approximately 9.3% to approximately HK\$19.6 million (six months ended 30 June 2023: HK\$21.6 million). The decrease was mainly attributable to the result of tighter cost control measures adopted by the Group and the lower cost incurred by the Group in the Mainland China as a result of depreciation of Renminbi.

Administrative expenses

During the six months ended 30 June 2024, administrative expenses slightly increased by approximately 1.2% to approximately HK\$59.6 million (six months ended 30 June 2023: HK\$58.9 million). Under the tight cost control measure, the Group was able to keep the administrative expenses at a relatively stable level.

Finance costs

During the six months ended 30 June 2024, finance costs increased by approximately 8.9% to approximately HK\$3.6 million (six months ended 30 June 2023: HK\$3.3 million), primarily due to the increase in bank borrowing interest rate and the increase in utilisation of short term trade credit during the period.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the six months ended 30 June 2024 decreased by approximately 54.7% to approximately HK\$3.4 million (six months ended 30 June 2023: HK\$7.6 million). The decrease in profit attributable to owners of the Company was mainly due to the continued loss in the fair value of investment property and a substantial increase in income tax expenses as a result of an increase in withholding tax for dividend declared in the Mainland China and no tax loss brought forward to offset tax expenses for the period.

FUTURE STRATEGY

Our Group is ready to contribute to the sustained growth driven by innovative technology in the household goods industry, with promising prospects. We are eager to expand our product portfolio, adopting cutting-edge designs and eco-friendly materials to meet the ever-changing demands of customers and the market. By enhancing operational efficiency, utilizing advanced technology, and continuously optimizing manufacturing processes, we strive to provide superior products to our customers and the market.

We have successfully implemented strategic measures to promote stability and growth in our core business. These measures include enriching our product portfolio, strengthening supply chain resilience, and improving cost structures. By focusing on high-margin products and exploring new markets, we are prepared to navigate market fluctuations and achieve sustained growth.

We are pleased to announce that the state-of-the-art nano production line at our Advanced Manufacturing Center in Tseung Kwan O Industrial Estate is now operational. This facility is equipped with advanced automation and intelligent logistics solutions, enabling us to produce precise and innovative products more efficiently. This strategic investment demonstrates our commitment to driving innovation and growth through technology.

Furthermore, our innovations in nano materials will further enhance the value of our existing product portfolio. By incorporating advanced nano materials, we can improve the functionality, durability, and performance of our products. These developments not only expand the application range of our products but also solidify our position as an industry leader.

We are committed to fostering strong and long-term partnerships with stakeholders, exploring new market opportunities, and consolidating our position as a global leader in the industry. Our unwavering pursuit of excellence in product design and quality, along with our keen interest in the application of innovative technology and material recycling, will bring long-term and high-quality value to our shareholders.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, the Group had approximately 163 employees (30 June 2023: 154 employees). Total staff costs (including Directors' emoluments) were approximately HK\$31.3 million for the six months ended 30 June 2024, as compared to approximately HK\$30.3 million for the six months ended 30 June 2023.

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 2024.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the period of six months ended 30 June 2024, 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 borrowings

As at 30 June 2024, the Group had cash and bank balances amounted to approximately HK\$110.2 million (31 December 2023: HK\$155.8 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\$94.5 million (31 December 2023: approximately HK\$89.8 million) as at 30 June 2024. The annual interest rate of the bank borrowings during the six months ended 30 June 2024 ranged from 3.13% to 6.48% (31 December 2023: ranged from 2.88% to 6.12%).

Cash flows

For the six months ended 30 June 2024, the Group recorded a cash used in operating activities of approximately HK\$24.5 million (six months ended 30 June 2023: cash generated from operating activities of approximately HK\$3.9 million). The cash used in operating activities was mainly due to the orders with significant amount received from the customers of the Group near the period end.

Net cash generated from investing activities amounted to approximately HK\$7.6 million for the six months ended 30 June 2024 (six months ended 30 June 2023: net cash used in investing activities of approximately HK\$12.4 million). This was mainly due to the cash received from the maturity of time deposit during the period. There was a net cash outflow from financing activities of approximately HK\$26.6 million for the six months ended 30 June 2024 (six months ended 30 June 2023: approximately HK\$12.1 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 borrowings, lease liabilities and loans from non-controlling interests, divided by total equity. The gearing ratio of the Group as at 30 June 2024 and 31 December 2023 were approximately 22.4% and 21.0%, respectively. Excluding the lease liabilities, the gearing ratio of the Group as at 30 June 2024 and 31 December 2023 were approximately 17.3% and 15.5%, respectively.

Banking facilities

As at 30 June 2024, the Group has banking facilities totalling approximately HK\$518.8 million (31 December 2023: approximately HK\$464.3 million) and approximately HK\$94.5 million (31 December 2023: approximately HK\$89.8 million), of which has been utilised by the Group. The utilisation rates as at 30 June 2024 and 31 December 2023 were approximately 18.2% and 19.3% 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 2024, the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK\$14.7 million (31 December 2023: HK\$14.9 million), investment properties with an aggregate carrying amount of approximately HK\$115.4 million (31 December 2023: HK\$119.4 million) and pledged bank deposits of approximately HK\$19.9 million (31 December 2023: HK\$19.9 million) were pledged to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 30 June 2024, the Group had no significant contingent liabilities (31 December 2023: Nil).

CAPITAL COMMITMENTS

As at 30 June 2024, the Group has capital commitment of approximately HK\$6.6 million (31 December 2023: approximately HK\$16.0 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 four 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 period under review and up to the date of this announcement, the Company has complied with the CG Code, except for code provision C.2.1, 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 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 period and up to the date of this announcement.

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 2024 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 2024 (six months ended 30 June 2023: 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 2024.

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

This result announcement is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.kingsflair.com.hk. The interim report of the Company for the six months ended 30 June 2024 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, 26 August 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 four independent non-executive directors, namely Dr. Lau Kin Tak, Mr. Anthony Graeme Michaels, Ms. Leung Wai Ling, Wylie and Professor Shyy Wei.