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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 2022**

The Board hereby announces the annual results of the Group for the year ended 31 December 2022.

### **FINANCIAL HIGHLIGHTS**

	<b>2022</b>	2021	Change
	<b>RMB'000</b>	RMB'000	
Revenue	<b>718,675</b>	631,395	13.8%
Gross profit	<b>134,395</b>	121,126	11.0%
Gross profit margin	<b>18.7%</b>	19.2%	(0.5%)
Profit for the year	<b>52,638</b>	49,038	7.3%
Earnings per share (basic and diluted)	<b>13.0 cents</b>	12.1 cents	7.3%
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 global economy has been recovering from the COVID-19 pandemic during the year ended 31 December 2022, including release of lockdown and travel restriction, and resumption of the logistics capacity. However, the global economy has been badly hit by the COVID-19 pandemic over the past two years and it is still in an early stage of the economic recovery.

The Group has taken some measures during the year ended 31 December 2022 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.

The Group has set up a production plant in Yinzhou District, Ningbo City, Zhejiang Province, the PRC (the “**New Yinzhou Plant**”), which has started operating since 2020. The New Yinzhou Plant has been equipped with more advanced and automated production equipment and better logistics solution. The Group further enhanced its production efficiency by implementing “Informatisation” on the supply chain and production cycle, which has been recognised by the Group's customer as the production time can be further shortened. There was a spending of approximately RMB1.9 million for the “Informatisation” project, which is considered as an investment for a long term development, bringing a better reward to the Group in long run.

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. Approximately RMB26.1 million has been spent on the research and development function during the year ended 31 December 2022. Although it has brought to the Group a short-term impact on the financial performance, management of the Group has confidence that the potentials from these research and development work will be released in the foreseeable future, and reflected in the growth on the Group's sales amount.

Moreover, 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 resumed the traditional sales channels, including arranging client visits to the Group's New Yinzhou Plant and visiting client's headquarters overseas. The Group has put efforts in penetrating into existing markets and clients during the economy recovery and achieved a steady growth on revenue for the year ended 31 December 2022.

## **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 RMB87.3 million or 13.8% to approximately RMB718.7 million for the year ended 31 December 2022 from approximately RMB631.4 million for the year ended 31 December 2021. The Group secured more purchase orders from the existing customers, resulting in revenue growth for the year ended 31 December 2022.

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

The Group's gross profit increased by approximately RMB13.3 million or 11.0% to approximately RMB134.4 million for the year ended 31 December 2022 from approximately RMB121.1 million for the year ended 31 December 2021. Such increase in gross profit was mainly because of the increase in the Group's revenue during the year ended 31 December 2022.

The Group's gross profit margin maintained at similar level for the current year, changing from approximately 19.2% for the year ended 31 December 2021 to approximately 18.7% for the year ended 31 December 2022.

### **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. There were grants from the local government in the PRC in relation to the Listing for the prior 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 RMB10.4 million or approximately 18.6% to approximately RMB66.1 million for the year ended 31 December 2022 from approximately RMB55.7 million for the year ended 31 December 2021. 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 RMB4.7 million or 23.9% to approximately RMB24.4 million for the year ended 31 December 2022 from approximately RMB19.7 million for the year ended 31 December 2021. Increase in the Group's selling and marketing expenses for the current year was mainly due to increased advertising and promotion costs spent for brand building in domestic market, from approximately RMB4.8 million for the year ended 31 December 2021 to approximately RMB10.2 million for the year ended 31 December 2022.

## **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 foreign exchange swaps and also donation expenses.

There was an increase in other net gain of approximately RMB5.8 million to approximately RMB8.0 million for the year ended 31 December 2022 from approximately RMB2.2 million for the year ended 31 December 2021.

The increase in net other gain for the year ended 31 December 2022 was mainly due to the net fair value gain on the funds invested by the Group. The Group invested its idle cash to certain funds with low risk profile in the PRC during 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 an increase in net finance costs of approximately RMB1.3 million or 661% to approximately RMB1.5 million for the year ended 31 December 2022 from approximately RMB0.2 million for the year ended 31 December 2021.

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 RMB105 million using the fund from the short-term borrowings from the local banks in the PRC. The fixed deposit is transferrable to third parties.

There is an arbitrage effect with such arrangement bringing net interest income to the Group. The interest income arising from the fixed deposits would only be paid to the Group upon maturity of the fixed deposits and is not recognised in the income statement during the year ended 31 December 2022, as the Group has intention not to hold until maturity but transfer to third parties for better liquidity to the Group's capital structure.

### **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 2022, based on the existing legislation, interpretations and practices in respect thereof. The statutory tax rate was 16.5% for the year ended 31 December 2022.

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 2022 and 2021.

Ningbo Kwung's was qualified as a "High and New Technology Enterprise" since 2008 and renewed its qualification in December 2020, and it is subject to a reduced preferential corporate income rate of 15% from 2020 to December 2023 according to the tax preference applicable to the High and New Technology Enterprise.

In addition, according to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2018, during the period from 1 January 2018 to 31 December 2023 enterprises engaging in research and development activities are entitled to claim 200% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year. Management of the Group assesses that the Group is eligible to such claim for the years ended 31 December 2022 and 2021. In addition, pursuant to the Announcement on Increasing the Pre-tax Deductions in Support of Technological Innovation (Announcement [2022] No. 28) issued by the Ministry of Finance, the State Taxation Administration and the Ministry of Science and Technology of the PRC\* (中國財政部、稅務總局、科技部關於加大支持科技創新稅前扣除力度的公告), during the period from 1 October 2022 to 31 December 2022, the cost of newly purchased equipment can be fully deducted against taxable profit in 2022, and entitled to additional pre-tax deduction at 100%.

There was a decrease in the Group's income tax expense by approximately RMB3.3 million or 47.2% to approximately RMB3.7 million for the year ended 31 December 2022 from approximately RMB7.1 million for the year ended 31 December 2021. Such decrease was mainly due to the full tax deduction for the newly purchased equipment in the PRC, and also the utilisation of tax losses for a subsidiary in the PRC, for which no deferred tax assets were recognised in the prior year.

The overall effective tax rate of the Group dropped from approximately 12.6% for the year ended 31 December 2021 to approximately 6.6% for the year ended 31 December 2022. The reasons for the decrease in the effective tax rate for the year ended 31 December 2022 was the same as the reason disclosed above for the decrease in the income tax expense.

## **Property, plant and equipment**

The Group's property plant and equipment mainly comprise net carrying amounts of the office building, production plants, machinery and the corresponding capitalised renovation costs. There was an increase in the net carrying amount of the Group's property, plant and equipment by approximately RMB2.4 million during the year ended 31 December 2022 which was mainly due to the cost incurred for machinery equipments of the new production line.

## **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.

Increase in balance during the year ended 31 December 2022 was mainly due to the costs of approximately RMB30.1 million paid for the acquisition of a piece of land in Sanshan Economic Development Zone\* (三山經濟開發區), Wuhu City, Anhui Province, the PRC, to be used for setting up of new production facilities.

## **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.

## **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. There was a decrease in the Group's inventory balance by approximately RMB23.6 million or 26.3% to approximately RMB66.1 million as at 31 December 2022 from approximately RMB89.6 million as at 31 December 2021 which was mainly due to the low unit price of raw materials such as candlestick accessories purchased according to the order demand at the end of the year. In addition, there was a decreased balance of finished goods as at 31 December 2022 as compared to 31 December 2021 because there were more finished goods pending to be delivered to the customers due to the impact of COVID-19 on the freight arrangement across countries around the end of 2021 and there was no such issue this year.

## **Trade receivables**

Trade receivables balance as at 31 December 2022 mainly represented outstanding balance from the Group's overseas customers. There was a decrease in trade receivables balance before allowance for impairment of approximately RMB26.8 million or 17.5% from approximately RMB150.9 million as at 31 December 2021 to approximately RMB124.1 million as at 31 December 2022. The Group experienced increased sales in the second half of 2021 when the product demand started resuming from the impact of COVID-19, causing an increase in the trade receivables as at 31 December 2021 and the trade receivables resumed to a normal level 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 RMB3.5 million was recorded as at 31 December 2022, 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 a decrease in the balance of approximately RMB11.1 million or 34.2% to approximately RMB21.4 million as at 31 December 2022 from approximately RMB32.5 million as at 31 December 2021. The decrease in balance was mainly due to a decrease in recoverable value-added tax as at 31 December 2022 as a result of the decrease in inventory balance.

## **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 current year. In addition, the Group arranges foreign currency forward 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 is denominated in USD.

The Group recorded unrealised liabilities arising from the foreign currency forward contracts as at 31 December 2022 as a result of a depreciation of RMB against USD throughout the current year.

## **Cash and cash in bank**

The balance of cash and cash in bank as at 31 December 2022 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 a decrease in the balance of approximately RMB56.5 million or 28.3% to approximately RMB143.2 million as at 31 December 2022 from approximately RMB199.7 million as at 31 December 2021. Such decrease in balance was mainly due to the utilisation of some idle cash for subscription of certain funds in the PRC during the current year.

## **Trade and other payables**

The balance of trade and other payables comprises mainly payables to suppliers of raw materials and payroll payables to the Group's employees.

There was an increase in the balance of approximately RMB6.1 million or 7.9% to approximately RMB84.2 million as at 31 December 2022 from approximately RMB78.1 million as at 31 December 2021. The change in balance was mainly due to increased purchase of raw materials to meet the demand of rising sales orders.

## **Lease liabilities**

The balance of lease liabilities represents the present value of future lease payments in respect of shopping mall counters leased by the Group.

There is a decrease in the balance of approximately RMB2.3 million to approximately RMB0.2 million as at 31 December 2022 from approximately RMB2.5 million as at 31 December 2021 as a result of settlement to the lessors during the year ended 31 December 2022.

## **RECENT DEVELOPMENT**

The Group has achieved a stable growth in business over the past few years with the leased production facilities and outsourced subcontracting services. There has been a business plan to set up another production base in the PRC to support the business growth as mentioned in the annual report last year.

During the year ended 31 December 2022, management of the Group has put a lot of effort to explore a good location in the PRC and finally succeeded in acquiring a piece of land located at Sanshan Economic Development Zone\* (三山經濟開發區), Wuhu City, Anhui Province, the PRC with a total site area of approximately 96,000 sq. m. (the “**Wuhu Site**”). It comes to another milestone of the Group to set up a large scale of production facilities, which 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 Group will be equipped with more advanced machineries in the new production facilities and will achieve a more efficient production cycle. It is also the plan of the Group to expand its design and production on fragrance products with such new production facilities.

The Group has entered into a construction agreement with a contractor Zhejiang Lianshangyuan Construction Co., Ltd.\* (浙江聯尚原建設有限公司) on 19 January 2023 in respect of the construction of the production facilities in the Wuhu Site, including warehouses, workshop buildings and staff quarters, at a consideration of RMB150,000,000 and subject to adjustment to be agreed by both parties from time to time. The construction of the production facilities in the Wuhu Site is estimated to be completed in mid 2024. For details in relation to the construction agreement, please refer to the Company’s announcement dated 19 January 2023 and the circular dated 3 March 2023.

## **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 some 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 has been agreed with the external auditor of the Company.

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

For the year ended 31 December 2022

		Year ended 31 December	
	Note	2022	2021
		RMB'000	RMB'000
<b>Revenue</b>	3	<b>718,675</b>	631,395
Cost of sales		<u>(584,280)</u>	<u>(510,269)</u>
<b>Gross profit</b>		<u><b>134,395</b></u>	<u>121,126</u>
Administrative expenses	4	(66,062)	(55,701)
Selling and marketing expenses	4	(24,447)	(19,683)
Net impairment losses on financial assets		(354)	(2,454)
Other income	5	6,364	10,871
Other gain – net	6	<u>8,000</u>	<u>2,156</u>
<b>Operating profit</b>		<u><b>57,896</b></u>	<u>56,315</u>
Finance income		1,925	491
Finance costs		<u>(3,447)</u>	<u>(691)</u>
Finance costs – net	7	<u>(1,522)</u>	<u>(200)</u>
<b>Profit before income tax</b>		<u><b>56,374</b></u>	<u>56,115</u>
Income tax expense	8	<u>(3,736)</u>	<u>(7,077)</u>
<b>Profit for the year</b>		<u><u><b>52,638</b></u></u>	<u><u>49,038</u></u>
Profit attributable to:			
– Owners of the Company		52,605	49,000
– Non-controlling interests		<u>33</u>	<u>38</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>122</u>	<u>(2)</u>
<b>Total comprehensive income for the year</b>		<u><u><b>52,760</b></u></u>	<u><u>49,036</u></u>
Total comprehensive income attributable to:			
– Owners of the Company		52,702	48,998
– Non-controlling interests		<u>58</u>	<u>38</u>
<b>Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)</b>			
– Basic and diluted	9	<u><u><b>13.0 cents</b></u></u>	<u><u>12.1 cents</u></u>

## Consolidated Statement of Financial Position

As at 31 December 2022

		As at 31 December	
	Notes	2022	2021
		RMB'000	RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		52,778	46,015
Investment properties		7,536	7,913
Right-of-use assets		37,097	9,812
Intangible assets		4,597	4,371
Deferred income tax assets		72	388
		<hr/>	<hr/>
Total non-current assets		102,080	68,499
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories	10	66,061	89,639
Trade receivables	11	120,661	146,729
Prepayments, deposits and other receivables	12	21,350	32,458
Financial assets at fair value through profit or loss		103,975	2,408
Other current assets		105,000	7,013
Cash and cash in bank		143,221	199,742
		<hr/>	<hr/>
Total current assets		560,268	477,989
		<hr/>	<hr/>
Total assets		<u>662,348</u>	<u>546,488</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	13	359	359
Share premium	13	249,653	249,653
Other reserves		(20,846)	(26,148)
Retained earnings		197,742	150,342
		<hr/>	<hr/>
		426,908	374,206
<b>Non-controlling interests</b>		<hr/>	<hr/>
		632	574
		<hr/>	<hr/>
Total equity		<u>427,540</u>	<u>374,780</u>

		<b>As at 31 December</b>	
	<i>Notes</i>	<b>2022</b>	2021
		<b>RMB'000</b>	<b>RMB'000</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	14	<b>84,225</b>	78,068
Borrowings		<b>135,000</b>	80,000
Contract liabilities		<b>6,219</b>	4,955
Current income tax liabilities		<b>4,055</b>	5,622
Lease liabilities		<b>201</b>	2,544
Financial liabilities at fair value through profit or loss		<b>4,972</b>	278
Deferred income tax liability		<b>136</b>	–
		<hr/>	<hr/>
Total current liabilities		<b>234,808</b>	171,467
<b>Non-current liabilities</b>			
Lease liabilities		<hr/> <b>–</b>	<hr/> 241
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>234,808</b>	171,708
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		<b>662,348</b>	546,488
		<hr/> <hr/>	<hr/> <hr/>

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 2022.

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 2022 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 2022 and 2021 is as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
<b>Revenue from customers</b>		
Candles	498,620	397,465
Home fragrance	111,940	115,799
Home accessories	108,115	118,131
	<u>718,675</u>	<u>631,395</u>

#### 4. EXPENSES BY NATURE

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Raw materials and consumables used	305,536	217,658
Subcontracting costs	231,852	248,034
Employee benefit expenses	69,608	62,853
Transportation expenses	15,217	16,690
Utilities	4,708	3,768
Depreciation of property, plant and equipment	10,936	8,897
Depreciation of investment properties	377	298
Amortisation of intangible assets	697	652
Amortisation and depreciation of right-of-use assets	2,838	3,915
Taxes and surcharges	2,848	2,096
Travelling expenses	1,131	1,010
Operating lease expenses on short-term leases	3,021	1,944
Business entertainment expenses	1,697	884
Sample inspection and express fees	3,007	2,632
Advertising and promotion expenses	10,245	4,783
Auditor's remuneration – Annual audit service	1,680	1,500
Statutory audit fees	165	101
Other service fees	4,005	3,591
Office expenses	1,994	1,291
Insurance expenses	228	194
Sales commission	1,050	976
Others	1,949	1,886
	<u>674,789</u>	<u>585,653</u>

#### 5. OTHER INCOME

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Rental income	1,529	1,379
Government grants (i)	3,662	8,319
Others	1,173	1,173
	<u>6,364</u>	<u>10,871</u>

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

## 6. OTHER GAIN

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Losses on disposal of property, plant and equipment – net	(109)	(8)
Gains on disposal of right-of-use assets – net	32	6
Net foreign exchange gains/(losses)	13,660	(4,328)
Net fair value (losses)/gains on foreign exchange forward contracts	(10,040)	7,726
Net fair value gains on funds	1,560	–
Net fair value (losses)/gains on fixed-fixed cross-currency exchange rate swap	3,708	–
Donation expenses	(150)	(780)
Others	(661)	(460)
	<u>8,000</u>	<u>2,156</u>

## 7. FINANCE COSTS

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Finance income</b>		
Interest income	<u>1,925</u>	<u>491</u>
<b>Finance costs</b>		
Interest expenses on borrowings	(3,364)	(491)
Interest expenses on lease liabilities	<u>(83)</u>	<u>(200)</u>
	<u>(3,447)</u>	<u>(691)</u>
	<u>(1,522)</u>	<u>(200)</u>

## 8. INCOME TAX EXPENSE

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
– PRC corporate income tax	2,075	4,252
– Hong Kong profits tax	1,209	2,703
Deferred income tax	<u>452</u>	<u>122</u>
Income tax expense	<u>3,736</u>	<u>7,077</u>

## 9. EARNINGS PER SHARE

### Basic earnings per share

The basic earnings per share for the years ended 31 December 2022 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	
	2022	2021
	RMB'000	RMB'000
Profit attributable to owners of the Company (RMB'000)	52,605	49,000
Weighted average number of ordinary shares in issue (expressed in thousand)	405,042	405,042
Basic earnings per share for profit attributable to the owners of the Company (expressed in RMB per share)	<u>0.13</u>	<u>0.12</u>

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

## 10. INVENTORIES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Raw materials	32,935	44,632
Work in progress	5,558	6,760
Finished goods	27,656	39,114
Provision for impairment of inventories	<u>(88)</u>	<u>(867)</u>
	<u>66,061</u>	<u>89,639</u>

## 11. TRADE RECEIVABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade receivables due from third parties	124,133	150,854
Less: allowance for impairment of trade receivables	<u>(3,472)</u>	<u>(4,125)</u>
Trade receivables – net	<u>120,661</u>	<u>146,729</u>

Trade receivables all arise from sales of goods.

As at 31 December 2022 and 2021, the gross carrying amounts of trade receivables before provision were denominated in the following currencies:

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<i>RMB'000</i>	<i>RMB'000</i>
USD	<b>102,458</b>	107,529
RMB (i)	<b>21,675</b>	43,325
	<b>124,133</b>	150,854

(i) As at 31 December 2022, RMB15,047,311 was due from overseas clients who made the payment via Cross-border Interbank Payment System.

As at 31 December 2022 and 2021, the ageing analysis of the trade receivables based on invoice date was as follows:

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 30 days	<b>37,295</b>	48,710
Over 30 days and within 180 days	<b>80,501</b>	94,201
Over 180 days and within one year	<b>1,964</b>	4,188
Over one year and within two years	<b>2,817</b>	2,397
Over two years and within three years	<b>1,556</b>	755
Over three years	–	603
	<b>124,133</b>	150,854

As at 31 December 2022 and 2021, 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 2022 and 2021, the Group did not hold any collateral as security over these debtors.

	As at 31 December	
	2022 ECL Rate	2021 ECL Rate
Within 30 days	0.08%	0.17%
Over 30 days and within 180 days	0.18%	0.36%
Over 180 days and within one year	14.33%	24.40%
Over one year and within two years	51.83%	55.17%
Over two years	100.00%	100.00%

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

	As at 31 December	
	2022 RMB'000	2021 RMB'000
At the beginning of the year	(4,125)	(1,784)
Provision for impairment	(417)	(2,341)
Written off during the year	1,070	–
	<hr/>	<hr/>
At the end of the year	<b>(3,472)</b>	<b>(4,125)</b>

## 12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Prepayments		
– Advances to suppliers	10,468	16,566
– Prepaid value-added tax	1,005	1,347
– Prepaid income tax	3,773	–
	<hr/>	<hr/>
Subtotal	<b>15,246</b>	<b>17,913</b>
Other receivables		
– Deposits	926	2,103
– Advances to employees	1,017	815
– Recoverable value-added tax	3,670	11,630
– Amounts due from related parties	462	145
– Others	246	177
	<hr/>	<hr/>
Subtotal	<b>6,321</b>	<b>14,870</b>
Total	<b>21,567</b>	<b>32,783</b>
	<hr/>	<hr/>
Less: Allowance for impairment of other receivables	(217)	(325)
	<hr/>	<hr/>
	<b>21,350</b>	<b>32,458</b>

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

	<b>Year ended 31 December</b>	
	<b>2022</b>	2021
	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	(325)	(212)
Reversal of/(provision for) impairment	63	(113)
Written off during the year	45	–
	<u>          </u>	<u>          </u>
At the end of the year	<u><u>(217)</u></u>	<u><u>(325)</u></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:

	<b>Number of ordinary shares</b>	<b>Nominal value of shares <i>HKD</i></b>	<b>Equivalent nominal value of shares <i>RMB</i></b>	<b>Share premium <i>RMB'000</i></b>
At 31 December 2022 and 31 December 2021	405,042,000	405,042	358,767	249,653
	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>

### 14. TRADE AND OTHER PAYABLES

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables due to third parties	70,001	63,276
Other payables	7,154	6,027
Staff salaries and welfare payables	5,264	6,977
Accrued taxes other than income tax	1,806	1,788
	<u>          </u>	<u>          </u>
	<u><u>84,225</u></u>	<u><u>78,068</u></u>

As at 31 December 2022 and 2021, 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 2022.

## **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 2022.

## **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 14 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 2022.

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 2022 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 2022 has been reviewed by the audit committee of the Company.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company will be held on Wednesday, 21 June 2023. 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 Friday, 16 June 2023 to Wednesday, 21 June 2023, 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 Thursday, 15 June 2023.

## **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 Wednesday, 21 June 2023
“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
“COVID-19”	The novel coronavirus disease 2019
“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”	listing of Shares on Main Board of the Stock Exchange
“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
“sq. m.”	square metre(s)
"Shareholder(s)"	the holder(s) of the ordinary share(s) of the Company
“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, 31 March 2023

*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.*