

KELFRED

HOLDINGS LIMITED

恒發光學控股有限公司

Incorporated in the Cayman Islands with limited liability

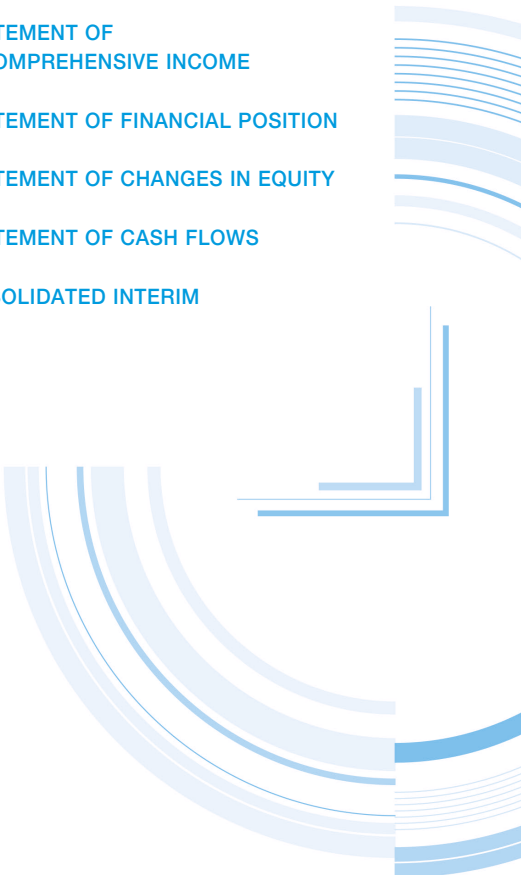
Stock code: 1134

2023
Interim Report





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CORPORATE INFORMATION

Executive Directors

Mr. Kwok Kwan Fai
Mr. Kwok Kwan Yu

Non-Executive Directors

Mr. Kwok Mau Kwan
Ms. Chan Yin Wah

Independent Non-Executive Directors

Mr. Hong Sze Lung
Mr. Chu Kin Ming
Mr. Chan Hon Wah

Company Secretary

Ms. Leong Kai Weng Subrina

Authorised Representatives

Mr. Kwok Kwan Fai
Ms. Leong Kai Weng Subrina

Audit Committee

Mr. Chu Kin Ming (*Chairman*)
Mr. Hong Sze Lung
Mr. Chan Hon Wah

Remuneration Committee

Mr. Chan Hon Wah (*Chairman*)
Mr. Chu Kin Ming
Mr. Hong Sze Lung
Mr. Kwok Kwan Fai

Nomination Committee

Mr. Kwok Kwan Fai (*Chairman*)
Mr. Chan Hon Wah
Mr. Chu Kin Ming
Mr. Hong Sze Lung

Risk Management Committee

Mr. Hong Sze Lung (*Chairman*)
Mr. Chu Kin Ming
Mr. Chan Hon Wah

Registered Office

Windward 3, Regatta Office Park,
P.O. Box 1350, Grand Cayman KY1-1108,
Cayman Islands

Headquarters and Principal Place of Business in Hong Kong

Workshops 1605–1606, 16/F., Block B
New Trade Plaza
6 On Ping Street
Sha Tin, New Territories
Hong Kong

Cayman Islands Principal Share Registrar and Transfer Office

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park,
P.O. Box 1350, Grand Cayman KY1-1108,
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Legal Advisers

As to Hong Kong law:
Jeffrey Mak Law Firm

Principal Banks

DBS Bank (Hong Kong) Limited
Standard Chartered Bank (Hong Kong)
Limited

Company Website

www.kelfred.com.hk

Stock Code

1134



MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “**Board**”) of directors (“**Director(s)**”) of Kelfred Holdings Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**” or “**We**”) for the six months ended 30 June 2023, together with the comparative figures for the corresponding period in 2022.

BUSINESS REVIEW AND OUTLOOK

During the six months ended 30 June 2023, the Group continued to be engaged in the manufacture and sale of eyewear products. We have two major production bases established in Shenzhen and Jiangxi, the People’s Republic of China (the “**PRC**”), which have made the Group capable of manufacturing eyewear products of various dimensions and specifications as required by its customers. The Group produces and sells a wide range of spectacle frames and sunglasses mainly through original design manufacturing (“**ODM**”) and original equipment manufacturing (“**OEM**”) business models. It offers integrated and customised services which include product design and development, raw materials procurement, production, quality control, packaging and delivery. In addition to the traditional OEM and ODM business models, the Group also offers its original brand manufacturing (“**OBM**”) products under the brand “Miga”. Leveraging on over 30 years of experience in the eyewear industry, the Group prides itself on its broad network of renowned and trusted customers worldwide (who are primarily international eyewear retailers, trading companies and licensed brand owners). It has produced quality eyewear products under its customers’ designated brand names and sold the same to over 35 countries in the past few years, among which Europe accounted for the largest market of the Group.

For the six months ended 30 June 2023, the Group recorded a revenue of approximately HK\$195.1 million, representing a decrease of approximately 22.1% as compared to the six months ended 30 June 2022, generated from sales from eyewear products.

Since 2022, the aggressive interest rate hikes by major central banks worldwide have sparked widespread concerns about an economic downturn. The overall inflation in Eurozone caused by the disruption to food and energy supplies due to Russia’s invasion of Ukraine has remained high, despite the European Union’s ongoing efforts to diversify its energy sources since the fourth quarter of 2022 and the adequate natural gas reserves that have alleviated concerns about the energy crisis. While energy prices have significantly dropped to pre-Russia-Ukraine conflict levels, food and service prices remain high, leading to inflation levels higher than expected. In May of this year, the European Commission revised its economic growth forecast for the Eurozone in 2023, increasing it by 0.2 percentage points to 1.1% and revising the projected inflation rate for Europe from the previous forecast of 5.6% to 5.8%. The inflation rate in Europe remains elevated, reducing people’s purchasing power as overall price levels rise.

The eyewear industry perceived a moderate growth in the following five years. According to a new report “Global Eyewear Market Report and Forecast 2023–2028” published by Expert Market Research, the global eyewear market size was approximately US\$149.3 billion in 2022. The industry is further expected to grow at a CAGR of approximately 6.9% between 2023 and 2028 to attain a value of US\$222.1 billion by 2028.

The Group maintains a relatively conservative stance towards the global economic outlook in particularly the Eurozone, and will continue to adjust marketing strategies timely to maintain the networks with the target and potential customers. The Group aims to preserve and strengthen the attractiveness, reputation, and customer loyalty of its products, thereby further enhancing the company’s profitability in the future.

The Group remains to be committed to the development and optimisation of its eyewear business, being the core business of the Group. Other than the eyewear business, the Group is also researching and developing new opportunities, in order to achieve diversification in the business and income streams of the Group.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2023, the Group’s revenue decreased to approximately HK\$195.1 million by approximately HK\$55.2 million or 22.1% as compared to approximately HK\$250.3 million for the six months ended 30 June 2022. The decrease was mainly attributable to the decrease in the exported sales volume of spectacle frame and sunglasses, resulting from the decrease in sales orders and average selling price of eyewear products.

Cost of sales

The cost of sales of the Group also decreased by approximately HK\$46.7 million or 22.4%, from approximately HK\$208.5 million for the six months ended 30 June 2022 to approximately HK\$161.8 million for the six months ended 30 June 2023. Such decrease was basically in line with the decrease in sales volume.

Gross profit and gross profit margin

Gross profit reduced to approximately HK\$33.3 million for the six months ended 30 June 2023, by approximately HK\$8.6 million, or 20.5%, from approximately HK\$41.8 million for the six months ended 30 June 2022. Such decrease in gross profit was mainly due to the decrease in the revenue of approximately 22.1%. However, the overall gross profit margin slightly improved which were approximately 16.7% for the six months ended 30 June 2022 and 17.0% for the six months ended 30 June 2023, mainly due to more advance and automated production lines deployed.



Other income

Other income slightly decreased by approximately HK\$0.5 million from approximately HK\$4.2 million for the six months ended 30 June 2022 to approximately HK\$3.6 million for the six months ended 30 June 2023. Such decrease was mainly attributable to reduction of product services fee.

Other gains and losses

Other gains and losses increased by approximately HK\$2.3 million from approximately HK\$4.1 million for the six months ended 30 June 2022 to approximately HK\$6.4 million for the six months ended 30 June 2023. Such increase was mainly due to higher net exchange gains, resulting from increase in depreciation of Renminbi (“**RMB**”) against the Hong Kong dollars (“**HKD**”).

Selling and distribution expenses

Selling and distribution expenses increased slightly from approximately HK\$7.2 million for the six months ended 30 June 2022 to approximately HK\$7.3 million for the six months ended 30 June 2023, by approximately HK\$0.1 million or 2.7%. The increase despite of reduction in sales was mainly due to higher traveling cost incurred for different exhibitions.

Administrative and other operating expenses

Administrative and other operating expenses reduced by approximately HK\$1.6 million or 5.3%, from approximately HK\$29.8 million for the six months ended 30 June 2022 to approximately HK\$28.2 million for the six months ended 30 June 2023, mainly due to the effective cost control measures applied.

Finance costs, net

The Group’s finance cost increased by approximately HK\$0.8 million, from approximately HK\$0.3 million for the six months ended 30 June 2022 to approximately HK\$1.1 million for the six months ended 30 June 2023, mainly due to increase in utilisation of factoring of trade receivables in order to further enhance the liquidity of the Group as a whole.

Income tax (expense)/credit

The Group recorded income tax expense of approximately HK\$1.2 million for the six months ended 2023, compared to income tax credit of HK\$0.1 million for the six months ended 30 June 2022, mainly due to the increase in the Group’s assessable profit for the six months ended 30 June 2023.

Profit for the period

As a result of the foregoing, the profit of the Group decreased from approximately HK\$12.9 million for the six months ended 30 June 2022 to a profit of approximately HK\$5.4 million for the six months ended 30 June 2023, mainly due to lower turnover on eyewear products.

FINANCIAL POSITION

As at 30 June 2023, the Group's total assets amounted to approximately HK\$254.2 million (31 December 2022: HK\$251.9 million) with net assets amounting to approximately HK\$184.3 million (31 December 2022: HK\$186.6 million). As at 30 June 2023, gearing ratio (total debts divided by the total equity) of the Group was approximately 8.7%, increase from that of approximately 1.1% as at 31 December 2022. Net debt to equity ratio (net debt, being its total debts net of bank and cash balances, divided by total equity) of the Group was not applicable due to a net cash position of the Group as at 30 June 2023 and 31 December 2022. As at 30 June 2023, current ratio of the Group was approximately 3.7 times, representing an increase of approximately 8.8% as compared to that of approximately 3.4 times as at the end of 2022. As at 30 June 2023, quick ratio of the Group was approximately 2.5 times, an increase of approximately 8.7% as compared to that of approximately 2.3 times as at the end of 2022.

During the six months ended 30 June 2023, the slightly decrease of net assets, and the increase of gearing ratio were mainly due to the Group's new lease agreement for the use of factory and dormitory in PRC for five years entered into during the six months ended 30 June 2023.

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a balanced approach to cash and financial management to ensure proper risk control, the lowering of costs of funds and to maintain an optimal level of liquidity that can meet its working capital needs and sustain the business at a healthy level, and implementing various growth strategies. The Group finances its operations and growth primarily through cash generated from operations, bank loans and finance lease arrangements.

As at 30 June 2023, the Group had bank and cash balances totalling approximately HK\$51.5 million, representing an increase of approximately HK\$5.1 million as compared to approximately HK\$46.4 million as at 31 December 2022, mainly attributable to the net cash generated from operations.



TREASURY POLICIES

The primary objective of the Group's capital management is to safeguard its ability to continue as a going concern so that the Group can constantly provide returns for shareholders of the Company (the "Shareholders") and benefits for other stakeholders by securing access to financing at reasonable costs. The Group actively and regularly reviews and manages its capital structure and makes adjustment by taking into consideration the changes in economic conditions, its future capital requirements, prevailing and projected profitability and operating cash flows, projected capital expenditures and projected strategic investment opportunities.

INDEBTEDNESS

As at 30 June 2023, the Group's indebtedness mainly represented lease liabilities of approximately HK\$16.0 million, and which are denominated in HKD and RMB. Interest rates for all leases are fixed on the contract dates and thus expose the Group to fair value interest rate risk.

The maturity of lease liabilities as at 30 June 2023 is as follows:

	Lease liabilities
	HK\$'000
Within one year	2,323
More than one year, but not exceeding two years	2,864
More than two years, but not more than five years	10,795
	<hr/>
	15,982

PRINCIPAL RISK AND UNCERTAINTY

The Group's operation, financial conditions, operational results or growth prospects are affected by a number of risks and uncertainties as outlined below. These factors are not exhaustive and there may be other principal risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could become material in the future.

Foreign currency risks

The Group has a certain exposure to foreign currency risk as a number of its business transactions, assets and liabilities are denominated in currencies other than the functional currency of respective Group entities such as HKD, USD and RMB. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Financial risk

Financial risk factors include foreign currency risk, credit risk, liquidity risk and interest rate risk. Details of the aforesaid financial risk factors and the respective risk management measures are elaborated in note 6 to the consolidated financial statements “Financial risk management” of the 2022 annual report.

Operational risk

The stable relationship with major customers enables the business to achieve stable revenue and profitability level. If the major customers significantly decrease its purchase quantity from the Group and we cannot identify new customers, the business and financial position may be adversely affected. Also, we operate the manufacturing process at the two production bases in Shenzhen and Jiangxi, the PRC, respectively. Any unexpected disruption to the production bases due to power or water supply failure, machinery breakdown or other factors may cause delay or temporary suspension of the production and may make us unable to deliver the products to customers on time, leading to potential loss of customer confidence and reputation.

Market risk

As we rely on marketing and sales of products overseas, we are exposed to market risks including (i) global economic downturn in overseas markets which affect general consumer confidence; (ii) exchange rate fluctuation in foreign currencies; (iii) trade barriers; (iv) increased costs associated with understanding the overseas market trend and maintaining overseas marketing and sales activities; and (v) exposure to local economic, political, social and labour conditions in the overseas markets.

PLEDGE OF ASSETS

As at 30 June 2023, the carrying amount of motor vehicles held as right-of-use assets by the Group under lease arrangements amounted to approximately HK\$0.8 million (31 December 2022: HK\$2.2 million).

CAPITAL COMMITMENT

As at 30 June 2023, the Group had capital commitments of approximately HK\$2.7 million relating to property, plant and equipment which are contracted but not provided for.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any significant contingent liabilities.





EMPLOYEE AND REMUNERATION POLICY

The Group values its employees and recognises the importance of a good relationship with them. The Group recruits its employees based on their work experience, education background and qualifications. To maintain and ensure the quality of its employees, the Group provide its personnel with formal and on-the-job training to enhance their technical skills as well as knowledge of the industry quality standards and work place safety standards. As at 30 June 2023, the Group had a total of 1,094 employees of which 1,076 were in the PRC and 18 were in Hong Kong. The remuneration to employees includes salaries and allowances. Employees are remunerated according to their qualifications, experiences, job nature, performance and with reference to market conditions.

The Group's total employee benefit expenses (including Directors' emoluments) for the six months ended 30 June 2023 and 2022 were approximately HK\$57.2 million and HK\$61.9 million, respectively.

SIGNIFICANT INVESTMENTS HELD

The Group had not held any significant investments during the six months ended 30 June 2023.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES OR JOINT VENTURES

There was no material acquisition or disposal of subsidiaries, associates and joint ventures by the Group during the six months ended 30 June 2023.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have other plan for material investments or acquisition of material capital assets as at 30 June 2023.

DISCLOSABLE TRANSACTION IN RELATION TO A LEASE AGREEMENT

On 14 February 2023, Huaqing Glasses (Shenzhen) Co., Ltd., an indirect wholly-owned subsidiary of the Company (as lessee) entered into a lease agreement with Shenzhen Longgang Industrial Investment Services Group Co., Ltd. (深圳市龍崗區產業投資服務集團有限公司) (as lessor) in respect of the lease for a term of five years commencing from 1 March 2023 to 29 February 2028 for use as production facilities and dormitory of the Group. The Group recognised the right-of-use assets and lease liabilities of approximately HK\$16.6 million and approximately HK\$16.6 million respectively on 14 February 2023. Details are set out in announcement of the Company dated on 14 February 2023.

CORPORATE GOVERNANCE

Compliance with the Corporate Governance Code

The Company is committed to maintaining a high standard of corporate governance to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as its own code of corporate governance. The Board is of the view that the Company has complied with all the applicable code provisions of the CG Code during the six months ended 30 June 2023.

Compliance with the Model Code for Securities Transactions By Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by Directors. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code during the six months ended 30 June 2023.

OTHER INFORMATION

Interests and Short Positions of Directors and Chief Executive in the Shares, Underlying Shares or Debentures of the Company and its Associated Corporations

As at 30 June 2023, the interests or short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”) which will be required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or (b) to be entered into the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in Appendix 10 to the Listing Rules, are set out as follows:

(a) Long position in Shares

Name of Director	Capacity/nature of interest	Number of Shares (Note 4)	Approximate percentage of shareholding interests of the Company (Note 5)
Mr. Kwok Kwan Fai (“Mr. Joe Kwok”)	Interest in a controlled corporation (Note 1)	275,952,000 (L)	55.19%
Mr. Kwok Kwan Yu (“Mr. Ken Kwok”)	Interest in a controlled corporation (Note 1)	275,952,000 (L)	55.19%
Ms. Chan Yin Wah (“Mrs. Kwok”)	Interest in a controlled corporation; interest held jointly with another person (Note 2)	275,952,000 (L)	55.19%
Mr. Kwok Mau Kwan (“Mr. Kwok”)	Interest of spouse (Note 3)	275,952,000 (L)	55.19%

Notes:

1. Conquer Holding Limited (“**Conquer**”), being the registered and beneficial owner of these shares, is owned as to 2% by Mrs. Kwok, 49% by Mr. Joe Kwok and 49% by Mr. Ken Kwok. As each of Mr. Joe Kwok and Mr. Ken Kwok holds 49% shareholding interest in Conquer, each of Mr. Joe Kwok and Mr. Ken Kwok is deemed to be interested in the Shares held by Conquer under the SFO. Each of Mr. Joe Kwok and Mr. Ken Kwok is a director of Conquer.
2. On 3 January 2019, Mr. Kwok, Mrs. Kwok, Mr. Joe Kwok and Mr. Ken Kwok entered into the confirmatory deed to acknowledge and confirm, among other things, that they are parties acting in concert in respect of each of the members of our Group since their respective dates of incorporation and shall continue to do so after the date of the confirmatory deed. Details of the confirmatory deed are set out in the paragraph headed “History, Reorganisation and Group Structure – Parties acting in concert” in the Prospectus. Accordingly, Mrs. Kwok, Mr. Joe Kwok, Mr. Ken Kwok and Conquer are considered as a group of Controlling Shareholders and Mrs. Kwok is deemed to be interested in the Shares held by Conquer under the SFO.
3. Mr. Kwok is the spouse of Mrs. Kwok and is deemed to be interested in all the Shares in which Mrs. Kwok is interested for the purposes of the SFO.
4. The Letter “L” denotes the entity/person’s long interest in our Shares.
5. As at 30 June 2023, the total number of issued shares of the Company was 500,000,000.

(b) Long position in Conquer, an associated corporation of the Company

Name of Director	Capacity/nature of interest	Percentage of the issued share capital of Conquer
Mr. Joe Kwok	Beneficial owner	49%
Mr. Ken Kwok	Beneficial owner	49%
Mrs. Kwok	Beneficial owner	2%

Save as disclosed above, as at 30 June 2023, none of the Directors or chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be maintained pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2023, so far as our Directors are aware, the persons (other than the Directors and chief executive of the Company) who will have or be deemed or taken to have interests and/or short positions in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or who were recorded in the register of the Company required to be kept pursuant to Section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the Company's issued share capital are as follows:

Name of Substantial Shareholders	Capacity/Nature of Interest	Number of Shares (Note 1)	Approximate percentage of shareholding interests of the Company (Note 5)
Conquer (Note 2)	Beneficial owner	275,952,000 (L)	55.19%
Ms. Lee Man Yee Joanna (" Ms. Lee ") (Notes 2 and 3)	Interest of spouse	275,952,000 (L)	55.19%
Ms. Siu Fong Ting Tammy (" Ms. Siu ") (Notes 2 and 4)	Interest of spouse	275,952,000 (L)	55.19%

Notes:

- The Letter "L" denotes the entity/person's long interest in our Shares.
- Conquer, being the registered and beneficial owner of these shares, is owned as to 2% by Mrs. Kwok, 49% by Mr. Joe Kwok and 49% by Mr. Ken Kwok. As each of Mr. Joe Kwok and Mr. Ken Kwok hold 49% shareholding interest in Conquer, each of Mr. Joe Kwok and Mr. Ken Kwok is deemed to be interested in the Shares held by Conquer under the SFO. Each of Mr. Joe Kwok and Mr. Ken Kwok is a director of Conquer.
- Ms. Lee is the spouse of Mr. Joe Kwok and is deemed to be interested in all the Shares interested by Mr. Joe Kwok (via his 49% shareholding interest in Conquer) for the purposes of the SFO.
- Ms. Siu is the spouse of Mr. Ken Kwok and is deemed to be interested in all the Shares interested by Mr. Ken Kwok (via his 49% shareholding interest in Conquer) for the purposes of the SFO.
- As at 30 June 2023, the total number of issued shares of the Company was 500,000,000.

Save as disclosed herein, as at 30 June 2023, the Directors are not aware of any person (other than the Directors and the chief executive of the Company) who has, as at the date of this report (without taking into account any options which may be granted under the share option scheme), an interest or short position in the Shares or underlying Shares, which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 5% of the issued voting shares of any other member of the Group.

Share Option Scheme

The Company has conditionally adopted a share option scheme on 22 June 2019 and became effective on the Listing Date (the “**Scheme**”). The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules and other rules and regulations. Under the Scheme, the eligible participants of the Scheme, including Directors, full-time employees of and advisers and consultants to the Company or its subsidiaries may be granted options which entitle them to subscribe for the Shares, when aggregated with options granted under any other scheme, representing initially not more than 10% of the Shares in issue on the Listing Date (the “**Scheme Mandate**”).

No share option was granted, vested, exercised, expired, cancelled or lapsed since the adoption of the Scheme and during the six months ended 30 June 2023, and there is no outstanding share option under the Scheme as at 1 January 2023 and 30 June 2023. As at 1 January 2023 and 30 June 2023, 50,000,000 share options were available for grant under the Scheme Mandate, representing 10% of the issued Shares of the Company as at 30 June 2023.

Other than the Scheme, the Company had no other share scheme (as defined under Chapter 17 of the Listing Rules) in place during the six months ended 30 June 2023.

Purchases, Sale and Redemption of Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the six months ended 30 June 2023.

Interim Dividend

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2023.



Competing Interests

As at 30 June 2023, Mr. Ken Kwok, an executive Director, is the controlling shareholder of a customer of the Group (the “**Customer**”). The Customer is principally engaged in assembling parts of optical frames and sunglasses with suppliers from Italy and sale of processed end-products to its own customers. While the Group’s suppliers are mainly from the PRC and has a largely differentiable customer base with the Customer, the Company considers that the operations of the Customer and the Group are complementary and there is no material impact on the operations or financial conditions of the Group. For the six months ended 30 June 2023, the transaction amount between the Group and the Customer was approximately HK\$2,559,000.

Save as disclosed above, the Directors are not aware of any business or interest of the Directors or the controlling shareholders (as defined in the Listing Rules) of the Company nor any of their respective associates (as defined in the Listing Rules) that competed or might compete, either directly or indirectly, with the business of the Group and any other conflicts of interest which any such person had or might have with the Group during the six months ended 30 June 2023.

Audit Committee

The Company established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee comprises three independent non-executive Directors of the Company, namely Mr. Hong Sze Lung, Mr. Chu Kin Ming and Mr. Chan Hon Wah. Mr. Chu Kin Ming is the chairman of the Audit Committee.

The interim results for the six months ended 30 June 2023 is unaudited, but the Audit Committee has reviewed the Company’s unaudited condensed consolidated interim results for the six months ended 30 June 2023, and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made.

Change in Information of Director

Name of Director	Details of changes
Mr. Hong Sze Lung	Appointed as an independent non-executive director of Sincere Watch (Hong Kong) Limited, a company listed on the Main Board of the Stock Exchange (stock code: 444) with effect from 12 July 2023

Saved as disclosed above, there was no change to any information in relation to any Director required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules during the six months ended 30 June 2023 and up to the date of this report.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Six months ended 30 June	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Revenue	4	195,082	250,299
Cost of sales		(161,826)	(208,476)
Gross profit		33,256	41,823
Other income		3,637	4,186
Other gains and losses		6,420	4,075
Selling and distribution expenses		(7,346)	(7,153)
Administrative and other operating expenses		(28,245)	(29,817)
Profit from operations		7,722	13,114
Finance costs, net	5	(1,137)	(309)
Profit before tax		6,585	12,805
Income tax (expense)/credit	6	(1,216)	111
Profit for the period	7	5,369	12,916
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		(7,622)	(5,633)
Other comprehensive income for the period, net of tax		(7,622)	(5,633)
Total comprehensive income for the period attributable to owner of the Company		(2,253)	7,283
Profit per share			
— Basic and diluted	9	HK 1.07 cents	HK 2.58 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	29,089	24,495
Investment in an associate		–	114
Right-of-use assets	11	17,240	4,885
Deposits paid for property, plant and equipment		941	556
		47,270	30,050
Current assets			
Inventories	12	67,631	71,183
Trade receivables	13	79,237	95,772
Prepayments, deposits and other receivables		8,352	8,320
Current tax assets		168	168
Bank and cash balances		51,494	46,403
		206,882	221,846
Current liabilities			
Trade payables	14	34,108	39,983
Other payables and accruals		17,840	21,301
Contract liabilities		937	1,517
Lease liabilities		2,323	1,223
Current tax liabilities		768	317
		55,976	64,341
Net current assets		150,906	157,505
Total assets less current liabilities		198,176	187,555

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Non-current liabilities			
Lease liabilities		13,659	785
Deferred tax liabilities		198	198
		13,857	983
NET ASSETS			
		184,319	186,572
Capital and reserves			
Share capital	15	5,000	5,000
Reserves		179,319	181,572
TOTAL EQUITY			
		184,319	186,572

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Statutory surplus reserve	Foreign currency translation reserve	Other reserve	Share premium	Retained earnings	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2022	5,000	3,143	6,192	70,658	88,511	12,828	186,332
Profit and total comprehensive income for the period	-	-	(5,633)	-	-	12,916	7,283
At 30 June 2022 (unaudited)	5,000	3,143	559	70,658	88,511	25,744	193,615
At 1 January 2023	5,000	4,261	(2,751)	70,658	88,511	20,893	186,572
Profit and total comprehensive income for the period	-	-	(7,622)	-	-	5,369	(2,253)
At 30 June 2023 (unaudited)	5,000	4,261	(10,373)	70,658	88,511	26,262	184,319

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	15,936	(3,373)
CASH FLOW FROM INVESTING ACTIVITIES		
Deposits paid	(779)	(682)
Purchases of property, plant and equipment	(7,278)	(2,984)
Proceeds from disposals of property, plant and equipment	89	68
Net cash outflow on disposal of subsidiaries	-	(51)
Interest received	11	11
NET CASH USED IN INVESTING ACTIVITIES	(7,957)	(3,638)
CASH FLOW FROM FINANCING ACTIVITIES		
Finance expenses paid	(1,148)	(320)
Principal elements of lease payments	(1,468)	(1,457)
NET CASH USED IN FINANCING ACTIVITIES	(2,616)	(1,777)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(272)	(153)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	5,091	(8,941)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	46,403	36,930
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	51,494	27,989
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	51,494	27,989

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. General Information

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is Room 1605–1606, 16/F., Block B, New Trade Plaza, 6 On Ping Street, Sha Tin, New Territories, Hong Kong. The Company's shares were listed on the Main Board of the Stock Exchange.

The Company is an investment holding company. The Group is principally engaged in manufacturing and sales in eyewear products.

In the opinion of the directors of the Company, as at the date of this report, Conquer Holding Limited, a company incorporated in the British Virgin Islands ("**BVI**"), is the immediate and ultimate parent, and Mr. Joe Kwok, Mr. Ken Kwok and Mrs. Kwok are the ultimate controlling parties of the Company.

2. Basis of Preparation

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2023 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

The unaudited condensed consolidated interim financial information have been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in note 3. The preparation of the unaudited condensed consolidated interim financial information 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 unaudited condensed consolidated interim financial information contains selected explanatory notes which include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the consolidated financial statements for the year ended 31 December 2022. The unaudited condensed consolidated interim financial information 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**").

2. Basis of Preparation (Continued)

The unaudited condensed consolidated interim financial information have been prepared under the historical cost convention. The unaudited condensed consolidated interim financial information are unaudited but has been reviewed by the Company's audit committee.

This unaudited condensed consolidated interim financial information is 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 New and Revised HKFRSs

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The accounting policies applied in these financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2022. A number of new or amended standards are effective from 1 January 2023 but they do not have a material effect on the Group's condensed consolidated interim financial information.

4. Revenue and Segment Information

Revenue represents the amounts received and receivable from sales of eyewear products recognised at a point in time during the period.

Segment information

The executive directors of the Company, being the chief operating decision maker, regularly review revenue analysis by customers and by locations. The executive directors of the Company considered the operating activities of designing, manufacturing and sales of eyewear products as a single operating segment. The operating segment has been identified on the basis of internal management reports prepared and is regularly reviewed by the executive directors of the Company. The executive directors of the Company review the overall results, assets and liabilities of the Group as a whole to make decisions about resources allocation. Accordingly, no analysis of this single operating segment is presented.



4. Revenue and Segment Information (Continued)

Geographical information

Revenue from external customers, based on location of delivery to customers is as follows:

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Revenue		
Italy	59,788	81,831
United Kingdom	53,079	59,800
Hong Kong	34,757	31,807
Netherlands	20,048	43,558
United States	10,510	9,541
France	4,437	4,255
Japan	4,345	5,513
Others	8,118	13,994
	195,082	250,299

An analysis of the Group's non-current assets by their physical geographical location is as follows:

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Hong Kong	4,125	4,523
PRC	42,204	24,857
	46,329	29,380

4. Revenue and Segment Information (Continued)

Information about major customers

Revenue from a customer contributing over 10% of the total revenue of the Group is as follows:

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Customer a	52,394	60,097
Customer b	27,693	44,701
Customer c	24,312	36,336
Customer d	21,090	34,873

5. Finance Costs, Net

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Bank interest income	11	11
Finance expenses:		
Interest on factoring of trade receivables	(903)	(218)
Interest expense on lease liabilities	(245)	(98)
Others	-	(4)
	(1,148)	(320)
Finance costs, net	(1,137)	(309)

6. Income Tax (Expense)/Credit

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Current tax	(1,216)	111

The Company was incorporated in the Cayman Islands and Fame Investment Limited, a direct wholly-owned subsidiary, was incorporated in the BVI that are tax exempted as no business was carried in the Cayman Islands and the BVI under the tax laws of the Cayman Islands and the BVI.

Under the two-tiered profits tax regime, profits tax rate for the first HK\$2 million of assessable profits of qualifying corporations established in Hong Kong will be lowered to 8.25%, and profits above that amount will be subject to the tax rate of 16.5%.

Pursuant to the PRC Enterprises Income Tax Law and the respective regulations, the subsidiaries which operate in the Mainland China are subject to corporate income tax at a rate of 25% on the taxable income. Preferential tax treatment is available to the Group's PRC subsidiaries Yingtan Euro-Asia Enterprise Limited ("**Yingtan Euro-Asia**") was qualified as a Small and Low-profit Enterprise for the period ended 30 June 2023 and 2022 and was subject to income tax at a preferential tax rate of 20%. Besides, pursuant to Caishui [2021] No. 12, Yingtan Euro-Asia was also entitled to a further deduction of 50% of the tax income for the period ended 30 June 2023 and 2022.

Jiangxi Huaqing Glasses Co., Limited ("**Jiangxi Huaqing**") was qualified as an Advanced Technology Service Enterprise and was subject to income tax at a preferential tax rate of 15% for the period ended 30 June 2022. Besides, Jiangxi Huaqing was also qualified as a High and New Technology Enterprise and their research and development activities are entitled to claim 200% (2022: 200%) of their qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the period ended 30 June 2023 and 2022.

Huaqing Glasses (Shenzhen) Company Limited ("**Shenzhen Huaqing**") was qualified as an Advanced Technology Service Enterprise and was subject to income tax at a preferential tax rate of 15% for the for the period ended 30 June 2023 and 2022. Besides, Shenzhen Huaqing was also qualified as a High and New Technology Enterprise and their research and development activities are entitled to claim 200% (2022: 200%) of their qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the period ended 30 June 2023 and 2022.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

7. Profit for the Period

The Group's profit for the period is stated after charging/(crediting) the following:

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Auditor's remuneration	504	459
Cost of inventories sold (*)	161,826	208,476
Depreciation		
– Property, plant and equipment	2,868	3,862
– Right-of-use assets	1,816	1,469
Exchange gain, net	(6,566)	(4,084)
Net gain on disposal of subsidiaries	–	(58)
Net losses on disposal of property, plant and equipment	146	68
Staff costs including directors' emoluments		
– Salaries, bonus and allowances	51,813	56,229
– Retirement benefit scheme contributions	5,435	5,653

(*) Cost of inventories sold includes approximately HK\$39,856,000 and HK\$38,037,000 of staff costs and depreciation which are also included in the respective total amounts disclosed above for each of these types of expenses for the six months ended 30 June 2022 and 2023 respectively.

8. Dividends

There was no dividend declared or paid during the six months ended 30 June 2022 and 2023.

9. Profit Per Share

Basic profit per share

The calculation of basic profit per share is based on the profit attributable to owners of the Company for the period of approximately HK\$5,369,000 (2022: HK\$12,916,000) and the weighted average of 500,000,000 ordinary shares (2022: 500,000,000 ordinary shares) in issue during the period.

Diluted profit per share

There were no potential dilutive ordinary shares outstanding during the current and prior periods, and hence the diluted profit per share is the same as basic profit per share.

10. Property, Plant and Equipment

During the period, the Group acquired plant and equipment at a total cost of HK\$7,633,000 (2022: HK\$3,755,000).

11. Right-of-Use Assets

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Motor vehicles	759	2,239
Leased land	1,758	1,867
Leased properties	14,723	779
	17,240	4,885

12. Inventories

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Raw materials	18,357	12,842
Work in progress	35,667	32,800
Finished goods	5,371	18,464
Goods-in-transit	8,236	7,077
	67,631	71,183

13. Trade Receivables

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Trade receivables	79,838	96,373
Less: Impairment loss	(601)	(601)
	79,237	95,772

The Group's credit terms generally range from 30 to 120 days. Each customer has a maximum credit limit. For new customers, payment in advance or cash on delivery is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The Group has entered into receivable purchase agreements with banks for the factoring of trade receivables with certain designated customers. As at 30 June 2023 and 31 December 2022, trade receivables factored to the banks aggregated to approximately HK\$44,527,000 and HK\$108,984,000 respectively, and all of which were derecognised from the consolidated statements of financial position because, in the opinion of the directors, the Group has transferred substantially all the risks and rewards of ownership in respect of the relevant factored receivables to the banks.

The aging analysis of trade receivables, based on the date of relevant invoice (delivery date), and net of allowance for doubtful debts, is as follows:

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Up to 60 days	50,284	60,729
61 to 120 days	22,959	30,682
121 to 180 days	1,568	1,547
Over 180 days	4,426	2,814
	79,237	95,772

14. Trade Payables

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Trade payables	34,108	39,983

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Up to 60 days	27,599	33,862
61 to 90 days	4,319	4,022
91 to 180 days	1,423	1,864
Over 180 days	767	235
	34,108	39,983

The credit period ranges from 30 to 90 days.

15. Share Capital

The Company's share capital as at 30 June 2023 was as follows:

	No of shares	HK\$'000
Ordinary shares of HK\$0.01 each		
<i>Authorised:</i>		
At 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023 (unaudited)	2,000,000,000	20,000
<i>Issued and fully paid:</i>		
At 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023 (unaudited)	500,000,000	5,000

16. Capital Commitments

As at 30 June 2023 and 31 December 2022, capital commitments contracted for but not yet incurred are as follows:

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Property, plant and equipment	2,696	271
Capital contribution to an associate	-	2,369
	2,696	2,640

17. Related Party Transactions

- (a) In addition to the related party transactions information disclosed elsewhere in this report, the Group entered into the following material related party transactions.

	Note	Six months ended 30 June	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Office's rental paid for short-term lease to Ms. Lee	(i)	248	253
Employee benefit expenses to Ms. Lee	(i)	434	387
Sales of goods to DEM S.r.l	(ii)	2,559	362

Notes:

- (i) Ms. Lee is the spouse of Mr. Joe Kwok
- (ii) Mr. Ken Kwok has a 51% equity interest in DEM S.r.l.
- (b) The remuneration of directors and other members of key management was as follows:

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Short-term benefits	4,071	3,932

18. Operating Lease Arrangement

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Within one year	248	253

During the period, the Group entered a short-term lease for an office and the outstanding lease commitments relating to this office was HK\$248,000.

19. Event after the Reporting Period

There were no significant events after the reporting period up to the date of this report.

