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KELFRED HOLDINGS LIMITED

恒發光學控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1134)

DISCLOSEABLE AND CONNECTED TRANSACTION

ACQUISITION OF 50% SHAREHOLDING INTEREST OF A SUBSIDIARY

THE ACQUISITION

On 9 April 2020, the Vendor and the Purchaser (a direct wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares (representing 50% of the total number of issued shares in the Target Company) at the Consideration of HK\$6,100,000.

As at the date of this announcement, the Target Company is an indirect non-wholly owned subsidiary of the Company. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (namely, the profits ratio) calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 5% but is below 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, as the Vendor owns 50% of the total number of issued shares in the Target Company, which in turn is a subsidiary of Company, the Vendor is a substantial shareholder of the Target Company, and is a connected person of the Company at subsidiary level. As such, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As (i) all the percentage ratios (other than the profits ratio) calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition is less than 5%; and (ii) the Board has approved the Acquisition and the Directors (including the independent non-executive Directors) have also confirmed that the terms of the Acquisition are fair and reasonable, the Acquisition is on normal commercial terms and is in the interests of the Company and the Shareholders as a whole, by virtue of Rules 14A.76(2)(a) and 14A.101 of the Listing Rules, the Acquisition is subject to the reporting and announcement requirements applicable to connected transactions, but is exempt from the circular, independent financial advice and Shareholders' approval requirements.

THE ACQUISITION

On 9 April 2020, the Vendor and the Purchaser (a direct wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement in respect of the Acquisition.

The Sale and Purchase Agreement

Date

9 April 2020

Parties

- (i) The Vendor (as vendor)
- (ii) The Purchaser (as purchaser)

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares (representing 50% of the total number of issued shares in the Target Company) free from any encumbrance and together with all rights now or hereafter attaching thereto, including all rights to any dividend or other distribution declared, made or paid, on or after the date of Completion.

Consideration

The Consideration shall be HK\$6,100,000.

The Consideration was determined based on arm's length negotiations between the Vendor and the Purchaser on normal commercial terms taking into account of, among other things, (i) the valuation prepared by an independent professional valuer in relation to the fair value of approximately HK\$12.2 million, representing the market value of the entire shareholding interest in the Target Company as at 31 March 2020; (ii) the historical financial performance of the Target Company and its contributions to the Group; and (iii) the future business prospects of the Target Company.

The Consideration shall be payable by the Purchaser (or its nominee(s)) to the Vendor upon Completion by way of cheque or cashier order (or such other method as agreed by the Parties in writing).

Conditions precedent

Completion is conditional in all respects upon fulfilment (or waiver in accordance with the terms of the Sale and Purchase Agreement) of the following matters:

- (a) all necessary governmental and regulatory approvals, consents, waivers, authorisation, registrations, filings and compliance with all the requirements under the Listing Rules and other applicable laws and regulations in connection with the transactions contemplated under the Sale and Purchase Agreement having been obtained and not revoked prior to Completion;
- (b) all necessary consents, waivers and/or authorisations from any relevant third parties (where applicable) in connection with the transactions contemplated under the Sale and Purchase Agreement having been obtained and not revoked prior to Completion; and
- (c) the representations, warranties and undertakings given or made by the Vendor pursuant to the Sale and Purchase Agreement remaining true and accurate and not misleading in any material respect as if repeated at Completion and at all times between the date of the Sale and Purchase Agreement and the Completion Date.

The condition under paragraph (c) can be waived by the Purchaser. Conditions under paragraphs (a) and (b) cannot be waived by any Party.

If any of the Conditions has not been satisfied or waived by the Purchaser (as the case may be) on or before 5:00 p.m. on the Long Stop Date:

- (a) the Sale and Purchase Agreement will terminate immediately, and thereafter the Sale and Purchase Agreement shall be of no further effect;
- (b) all the rights, obligations and liabilities of the Parties under the Sale and Purchase Agreement will cease and determine (save for any antecedent rights and obligations of the Parties already accrued before the termination); and
- (c) no Party shall have any claim against any of the other Parties, except in respect of claims arising out of any antecedent breach of any of the provisions of the Sale and Purchase Agreement.

As at the date of this announcement, none of the Conditions has been fulfilled or, where applicable, waived.

Completion

Subject to the fulfillment of the Conditions (or waiver where applicable), Completion shall take place on the Completion Date or such other time as shall be mutually agreed by the Vendor and the Purchaser in writing.

As at the date of the announcement, the Target Company is an indirect non-wholly owned subsidiary of the Company. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

INFORMATION ON THE TARGET COMPANY

The Target Company is incorporated in Hong Kong with limited liability, and an indirect non wholly-owned subsidiary of the Company as at the date of this announcement.

The principal business activity of the Target Company is trading of eyewear products.

Set out below is a summary of the audited financial statements of the Target Company for the two years ended 31 December 2018 and 31 December 2019 respectively:

	For the year ended 31 December 2019 <i>HK\$'000</i> <i>(audited)</i>	For the year ended 31 December 2018 <i>HK\$'000</i> <i>(audited)</i>
Revenue	12,134	9,374
Net profit before taxation	1,709	1,449
Net profit after taxation	1,452	1,210

The Sale Shares were issued and allotted to the Vendor by the Target Company in November 2014 at the aggregate subscription price of approximately HK\$120,000.

INFORMATION ON THE COMPANY, THE GROUP, THE PURCHASER AND THE VENDOR

The Company and the Group

The Company is incorporated in the Cayman Islands with limited liability and an investment holding company, the shares of which are listed on the main board of the Stock Exchange. The Group is principally engaged in manufacturing and sales of eyewear products in the PRC and Hong Kong.

The Purchaser

The Purchaser is incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company.

The principal business activity of the Purchaser is investment holding.

The Vendor

The Vendor is an individual and a consultant, owning 50% of the total number of issued shares in the Target Company as at the date of this announcement.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Company, an indirect non wholly-owned subsidiary of the Company, is engaged in trading of eyewear products and the businesses of the Group and the Target Company are largely complementary. Given the revenue and profit of the Target Company for the year ended 31 December 2019 increased by approximately 29.4% and 20.0% compared with that of the year ended 31 December 2018, the Board believes that acquiring the remaining shares in the Target Company from the Vendor would allow the Group to further consolidate its control over the Target Company, bring additional revenue to the Group and is conducive to the financial position of the Group.

The Directors are of the view that the terms of the Sale and Purchase Agreement, including the Consideration, and the transactions contemplated thereunder, are on normal commercial terms, fair and reasonable and the entering into of the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (namely, the profits ratio) calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 5% but is below 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Further, as at the date of this announcement, as the Vendor owns 50% of the total number of issued shares in the Target Company, which in turn is a subsidiary of Company, the Vendor is a substantial shareholder of the Target Company, and is a connected person of the Company at subsidiary level. As such, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As (i) all the percentage ratios (other than the profits ratio) calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition is less than 5%; and (ii) the Board has approved the Acquisition and the Directors (including the independent non-executive Directors) have also confirmed that the terms of the Acquisition are fair and reasonable, the Acquisition is on normal commercial terms and is in the interests of the Company and the Shareholders as a whole, by virtue of Rules 14A.76(2)(a) and 14A.101 of the Listing Rules, the Acquisition is subject to the reporting and announcement requirements applicable to connected transactions, but is exempt from the circular, independent financial advice and Shareholders' approval requirements.

None of the Directors has any material interest in the Sale and Purchase Agreement and is required to abstain from voting on the Board resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the Sale and Purchase Agreement;
“Board”	the board of Directors;
“Company”	Kelfred Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 1134);
“Completion”	completion of the Acquisition pursuant to the terms and conditions of the Sale and Purchase Agreement;
“Completion Date”	17 April 2020, being the date on which Completion takes place;

“Conditions”	the conditions precedent to completion of the Acquisition as set out in the Sale and Purchase Agreement, which are required to be satisfied or waived (where applicable) on or before the Long Stop Date;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	the consideration payable by the Purchaser to the Vendor for the Acquisition, being HK\$6,100,000;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	30 June 2020 or such other date as may be agreed between the Vendor and the Purchaser in writing;
“Parties”	the parties to the Sale and Purchase Agreement, being the Vendor and the Purchaser, and a “Party” means any of them;
“percentage ratio(s)”	percentage ratio(s) as set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction;
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region and Taiwan;
“Purchaser”	Fame Investment Limited, a company incorporated in the British Virgin Islands with limited liability, and a direct wholly-owned subsidiary of the Company;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 9 April 2020 entered into between the Purchaser and the Vendor in relation to the Acquisition;

“Sale Shares”	120,000 shares in the Target Company legally and beneficially owned by the Vendor, representing 50% of the total number of issued shares in the Target Company as at the date of the Sale and Purchase Agreement and as at Completion;
“Shareholders”	the holder(s) of the ordinary share(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“Target Company”	Central Designs (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, owned as to 50% by each of the Purchaser and the Vendor and an indirect non-wholly owned subsidiary of the Company as at the date of this announcement;
“Vendor”	Mr. Russell Dobney, who owns 50% of the total number of issued shares in the Target Company as at the date of this announcement, and a connected person of the Company at subsidiary level; and
“%”	per cent.

By order of the Board
Kelfred Holdings Limited
Kwok Kwan Fai
Chairman and executive Director

Hong Kong, 9 April 2020

As at the date of this announcement, the executive Directors are Mr. Kwok Kwan Fai and Mr. Kwok Kwan Yu, the non-executive Directors are Mr. Kwok Mau Kwan and Ms. Chan Yin Wah, and the independent non-executive Directors are Mr. Lee Wai Ming, Mr. Chu Kin Ming and Mr. Chan Hon Wah.