

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



KELFRED HOLDINGS LIMITED

恒發光學控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1134)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The board of directors (the “**Board**”) of Kelfred Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2022, together with comparative figures for the year ended 31 December 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	4	465,430	434,732
Cost of sales		<u>(389,413)</u>	<u>(366,290)</u>
Gross profit		76,017	68,442
Other income	5	9,256	8,510
Other gains and (losses)	6	3,880	(3,182)
Reversal of impairment loss/(impairment loss) for trade receivables		433	(189)
Gain on partial disposal of subsidiaries		58	–
Share of losses of associates		(3)	–
Selling and distribution expenses		(14,615)	(13,762)
Administrative and other operating expenses		<u>(63,630)</u>	<u>(60,924)</u>
Profit/(loss) from operations		11,396	(1,105)
Finance costs, net	7	<u>(715)</u>	<u>(482)</u>
Profit/(loss) before tax		10,681	(1,587)
Income tax expense	8	<u>(1,498)</u>	<u>(553)</u>
Profit/(loss) for the year attributable to owner of the Company	9	<u>9,183</u>	<u>(2,140)</u>

	2022	2021
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(8,943)	3,249
Share of other comprehensive income of associates	— ⁽ⁱ⁾	—
Exchange differences reclassified to profit or loss on partial disposal of foreign operations	— ⁽ⁱ⁾	—
	<hr/>	<hr/>
Other comprehensive income for the year, net of tax	(8,943)	3,249
	<hr/>	<hr/>
Total comprehensive income for the year attributable to owner of the Company	240	1,109
	<hr/> <hr/>	<hr/> <hr/>
Profit/(loss) per share		
— Basic and diluted	<i>10</i> HK1.84 cents	(HK0.43 cents)
	<hr/> <hr/>	<hr/> <hr/>

⁽ⁱ⁾ Represent amount less than HK\$1,000.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		24,495	28,014
Right-of-use assets		4,885	6,982
Interests in associates		114	–
Deposits paid for property, plant and equipment		556	783
		30,050	35,779
Current assets			
Inventories		71,183	80,737
Trade receivables	<i>11</i>	95,772	101,350
Prepayments, deposits and other receivables		8,320	13,336
Current tax assets		168	–
Bank and cash balances		46,403	36,930
		221,846	232,353
Current liabilities			
Trade payables	<i>12</i>	39,983	52,665
Other payables and accruals	<i>12</i>	21,301	22,391
Contract liabilities	<i>12</i>	1,517	2,290
Lease liabilities		1,223	2,551
Current tax liabilities		317	252
		64,341	80,149
Net current assets		157,505	152,204
Total assets less current liabilities		187,555	187,983

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current liabilities			
Lease liabilities		785	1,453
Deferred tax liabilities		198	198
		<u>983</u>	<u>1,651</u>
NET ASSETS		<u>186,572</u>	<u>186,332</u>
Capital and reserves			
Share capital	<i>13</i>	5,000	5,000
Reserves		181,572	181,332
		<u>186,572</u>	<u>186,332</u>
TOTAL EQUITY		<u>186,572</u>	<u>186,332</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

Kelfred Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands with limited liability. The address of its registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is Room 1606, 16/F., Block B, New Trade Plaza, 6 On Ping Street, Sha Tin, New Territories, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Company is an investment holding company. The Company and its subsidiaries (collectively the “**Group**”) are principally engaged in manufacturing and sales in eyewear products.

In the opinion of the directors of the Company, Conquer Holding Limited, a company incorporated in the British Virgin Islands (“**BVI**”), are the immediate and ultimate parents, and Mr. Kwok Kwan Fai, Mr. Kwok Kwan Yu and Ms. Chan Yin Wah are the ultimate controlling parties of the Company.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and with the disclosure requirements of the Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16 (March 2021)	Covid-19 Related Rent Concessions beyond 30 June 2021
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018–2020
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards or annual improvements.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not applied any new standard, amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning 1 January 2022. The new standard, amendments to standards and interpretation include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 — Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 — Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2 — Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 — Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 — Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKFRS 16 — Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

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 year ended 31 December 2022.

Segment information

The executive directors of the Company, being the chief operating decision makers, 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.

Geographical information

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue		
Italy	158,383	112,217
United Kingdom	92,048	95,735
Hong Kong	88,354	61,203
Netherlands	60,941	76,582
United States	23,173	29,293
Japan	11,411	11,955
France	8,328	3,600
Australia	7,129	5,470
Others	15,663	38,677
	465,430	434,732

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	4,523	5,041
The People's Republic of China ("PRC")	24,857	29,955
	<u>29,380</u>	<u>34,996</u>

Information about major customers

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer a	102,153	117,680
Customer b	73,398	57,226
Customer c	72,179	63,754
Customer d	61,978	78,418
	<u>61,978</u>	<u>78,418</u>

5. OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Income from sales of scrap and rework services	328	312
Material costs charged to customers	3,058	2,310
Government grants	2,538	2,306
Product services fee income	1,163	1,163
Sample and mould income	1,862	916
Insurance claim for bad debt	–	646
Others	307	857
	<u>9,256</u>	<u>8,510</u>

6. OTHER GAINS AND (LOSSES)

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Net foreign exchange gains/(losses)	3,951	(2,759)
Net losses on disposal of property, plant and equipment	<u>(71)</u>	<u>(423)</u>
	<u>3,880</u>	<u>(3,182)</u>

7. FINANCE COSTS, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Finance income:		
Bank interest income	<u>25</u>	<u>26</u>
Finance expenses:		
Interest on bank borrowings	–	(9)
Interest on lease liabilities	(165)	(269)
Interest on factoring of trade receivables	(569)	(224)
Others	<u>(6)</u>	<u>(6)</u>
	<u>(740)</u>	<u>(508)</u>
	<u>(715)</u>	<u>(482)</u>

8. INCOME TAX EXPENSE

Income tax expense have been recognised in profit or loss as following:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax		
– Provision for the year	–	320
– (Over)/under provision in prior years	<u>(36)</u>	<u>62</u>
	<u>(36)</u>	<u>382</u>
PRC Enterprise Income Tax (“PRC EIT”)		
– Provision for the year	411	80
– (Under)/over provision in current year	(81)	186
– Under/(over) provision in prior years	<u>1,204</u>	<u>(95)</u>
	<u>1,534</u>	<u>171</u>
	<u><u>1,498</u></u>	<u><u>553</u></u>

Under the two-tiered Profits Tax regime, the first HK\$2 million of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25%, and profits above that amount will be subject to the tax rate of 16.5%. The profits of the group entities not qualifying for the two-tiered Profit Tax rate regime will continue to be taxed at a rate of 16.5%.

Pursuant to the PRC EIT 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.

Yingtian Euro-Asia Enterprise Limited (“**Yingtian Euro-Asia**”) was qualified as a Small and Low-profit Enterprise for the years ended 31 December 2021 and 2022 and was subject to income tax at a preferential tax rate of 20%. Besides, pursuant to Caishui [2021] No. 12, Yingtian Euro-Asia was also entitled to a further deduction of 50% of the tax income for the years ended 31 December 2021 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 years ended 31 December 2021. Besides, Jiangxi Huaqing was also qualified as a High and New Technology Enterprise and their research and development activities are entitled to claim 200% (2021: 200%) of their qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the years ended 31 December 2021 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 year ended 31 December 2021 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% (2021: 200%) of their qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the year ended 31 December 2021 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.

9. PROFIT/(LOSS) FOR THE YEAR

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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditor's remuneration	1,000	907
Cost of inventories sold (*)	389,413	366,290
Allowance for inventories (included in cost of inventories sold), net	5,285	2,486
(Reversal of impairment loss)/impairment loss for trade receivables	(433)	189
Write off of other receivables	–	112
Depreciation on right-of-use assets	2,848	3,046
Depreciation on property, plant and equipment	6,838	11,138
Gain on partial disposal of subsidiaries	(58)	–
Net foreign exchange (gains)/losses	(3,951)	2,759
Net losses on disposal of property, plant and equipment	71	423
Short-term lease charges in respect of:		
– Office premises	<u>505</u>	<u>–</u>

(*) Cost of inventories sold includes HK\$76,992,000 and HK\$85,358,000 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 years ended 31 December 2021 and 2022 respectively.

10. PROFIT/(LOSS) PER SHARE

The calculation of basic and diluted profit/(loss) per share attributable to owners of the Company is based on the following data:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit/(loss)		
Profit/(loss) attributable to owners of the Company	<u>9,183</u>	<u>(2,140)</u>
Number of shares	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of calculation basis profit/(loss) per share	<u>500,000</u>	<u>500,000</u>

The diluted profit/(loss) per share is equal to the basic profit/(loss) per share as there were no dilutive potential ordinary share in issue during the years ended 31 December 2022 and 2021.

11. TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	96,373	102,384
Less: Impairment loss	<u>(601)</u>	<u>(1,034)</u>
	<u>95,772</u>	<u>101,350</u>

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 arrangements with banks for the factoring of trade receivables with certain designated customers. As at 31 December 2022, trade receivables factored to the banks aggregated to HK\$108,984,000 (2021: HK\$125,164,000) and all of which were derecognised from the consolidated statement 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 ageing analysis of trade receivables, based on the date of relevant invoice (delivery date), and net of impairment loss, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Up to 60 days	60,729	63,184
61 to 120 days	30,682	25,470
121 to 180 days	1,547	5,064
Over 180 days	2,814	7,632
	<u>95,772</u>	<u>101,350</u>

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
HKD	424	112
EUR	3,106	1,616
RMB	20,491	31,651
USD	71,751	67,971
	<u>95,772</u>	<u>101,350</u>

12. TRADE AND OTHER PAYABLES, ACCRUALS AND CONTRACT LIABILITIES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	<u>39,983</u>	<u>52,665</u>
Other payables and accruals		
Accrued staff costs	9,184	10,251
Accrued administrative and operating expenses	3,411	3,329
Purchases of property, plant and equipment	761	2,546
Accrued sales rebate to customers	6,310	3,160
Accrued various tax expenses	1,360	2,067
VAT payables	–	895
Others	<u>275</u>	<u>143</u>
	<u>21,301</u>	<u>22,391</u>
Contract liabilities	<u>1,517</u>	<u>2,290</u>
	<u>62,801</u>	<u>77,346</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Up to 60 days	33,862	44,403
61 to 90 days	4,022	6,766
91 to 180 days	1,864	1,162
Over 180 days	<u>235</u>	<u>334</u>
	<u>39,983</u>	<u>52,665</u>

The credit period ranges from 30 to 90 days.

Contract liabilities represent receipt in advance from customers and the significant changes in the contract liabilities balance during the reporting period are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Balance at 1 January	2,290	4,108
Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the period	(2,053)	(4,095)
Increase in contract liabilities as a result of billing in advance of sales of goods	1,280	2,277
Balance at 31 December	<u>1,517</u>	<u>2,290</u>

The carrying amounts of the Group's trade and other payables, accruals and contracts liabilities are denominated in the following currencies:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
HKD	4,486	5,188
RMB	51,044	67,134
USD	5,798	3,548
Others	1,473	1,476
	<u>62,801</u>	<u>77,346</u>

13. SHARE CAPITAL

	Number of shares	Amount HK\$
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	<u>2,000,000,000</u>	<u>20,000,000</u>

	Number of shares	Amount HK\$
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	<u>500,000,000</u>	<u>5,000,000</u>

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital using a gearing ratio, which is the Group's total debts (comprising lease liabilities and borrowings) over its total equity. The Group's policy is to keep the gearing ratio at a reasonable level. The Group's gearing ratios as at 31 December 2022 was 1.1% (2021: 2.1%). The decrease in the gearing ratio of the Group is primarily due to the decrease in the balance of lease liabilities as at 31 December 2022.

The only externally imposed capital requirement for the Group is in order to maintain its listing on the Stock Exchange, it has to have a public float of at least 25% of the shares. Based on the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained sufficient public float as required by the Listing Rules. As at 31 December 2022, 44.8% of the shares were in public hands.

14. DIVIDEND

There was no dividend declared or paid during the year ended 31 December 2021 and 2022.

15. CAPITAL COMMITMENTS

Capital commitments contracted for at the end of the reporting period but not yet incurred are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Property, plant and equipment	271	340
Capital contribution to a subsidiary	–	8,572
Capital contribution to an associate	2,369	–
	<u>2,640</u>	<u>8,912</u>

16. OPERATING LEASE ARRANGEMENT

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within one year	<u>496</u>	<u>505</u>

Note: During the year ended 31 December 2022, the Group entered into a short-term lease for an office premise in Hong Kong and the outstanding lease commitments relating to the office premise is approximately HK\$496,000 (2021: 505,000).

17. DISPOSAL OF TOKYO UNIVERSE GROUP

On 8 April 2022, the Company, has disposed 70% equity interests in Tokyo Universe and its subsidiaries (collectively, the “Tokyo Universe Group”) to an independent third party at a cash consideration of HK\$1,000. The completion of the disposal of the Tokyo Universe Group took place on the same date.

Net liabilities at the date of disposal were as follows:

	<i>HK\$'000</i>
Bank and cash balances	52
Amounts due to fellow subsidiaries	<u>(109)</u>
Net liabilities disposed of	(57)
Release of foreign currency translation reserve	— ⁽ⁱ⁾
Gain on disposal of the Tokyo Universe Group	58
Total consideration satisfied by cash	<u><u>1</u></u>
Net cash outflow arising on disposal:	
Cash consideration received	1
Cash and cash equivalents disposed of	<u>(52)</u>
	<u><u>(51)</u></u>

⁽ⁱ⁾ Represent amount less than HK\$1,000.

18. EVENT AFTER THE REPORTING PERIOD

Subsequent to the reporting period, the Group entered into a new lease agreement for the use of factory and dormitory in PRC for five years. Upon the lease commencement, the Group recognised the right-of-use assets and lease liabilities of HK\$16,600,000 and HK\$16,600,000 respectively. Details are set out in announcement of the Company dated on 14 February 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

For the year ended 31 December 2022, the Group recorded a revenue of approximately HK\$465.4 million, representing an increase of approximately 7.1% as compared to the year ended 31 December 2021, generated from sales from eyewear products.

The Group is an established eyewear manufacturer in the PRC and Hong Kong that 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 name “Miga”.

Leveraging 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.

The first major production base of the Group was established in Shenzhen, the PRC in 2013 and the second and self-owned production base in Jiangxi, the PRC was set up in 2016, which have made the Group capable of manufacturing eyewear products of various dimensions and specifications as required by its customers.

The COVID-19 pandemic outbreak has ravaged the world for over three years, while still leaving behind a lasting negative impact. The global pandemic has caused many countries to experience a standstill or even a recession in their economic development. Despite the ever-changing economic landscape in the face of an unprecedented pandemic, the retail industry worldwide strived to steadfast in the presence of difficulties and pressures. The European consumers have begun to trim discretionary spending in the second half of 2022 due to rising energy bills and interest rates that push up their cost of living, causing the economy further strained. The Euro area’s economic growth slowed significantly during the second half of 2022, eventually stagnated in the fourth quarter of 2022. As for the “Eyewear Market: Global Industry Trends, Share, Size, Growth, Opportunity and Forecast 2023–2028” report published by IMARC Group, the global eyewear market reached a value of US\$149.3 billion in 2022, with a year-on-year increase of 6.6%, or US\$9.3 billion compared to 2021. Amid the challenging economic environment, the Group achieved a growth rate of 7.1% in revenue in 2022, creating value for shareholders and stakeholders with its best effort.

Nevertheless, the European Commission has stated that the European Union's economic growth in 2023 is likely to be stronger than expected. The European Commission expects an economic growth of 0.8% in 2023, up from the 0.3% predicted in November 2022, due to a significant declining in energy prices owing to more secure energy supplies, supportive government policies and resilient household spending. Recent statistic indicates the overall amount spent by consumers has continued to rise in recent months.

Although the overall confidence improved, consumer activities have been picked up and global supply bottlenecks have largely been resolved in short-term, the Euro-zone economy is still beset with challenges and the uncertainty surrounding the forecast remains complex, according to the European Commission.

Core inflation increased at the beginning of 2023, and the interest rates are expected to keep rising. The declines in gas prices could also be reversed depending on the situation in Ukraine. Furthermore, China's reopening following COVID-19 restrictions could prove more robust than expected, which could fuel inflation. Along with recent emergence of financial market tensions, the Euro economy and even the global market is expected to continue rebalancing in 2023, implying additional uncertainty for the outlook for inflation and economic growth.

Focusing on competitiveness is one of the key factors that facilitates the Group's sustained growth in eyewear sector and fosters connections in the post-pandemic era. As such, the Group has moved its Shenzhen plant to a new facility with a larger production capacity. The new plant could facilitate the Group to develop more advanced and automated production lines, which would be favourable for the overall growth of the Group's businesses. Please refer to the announcement of the Company dated 14 February 2023 for more details on the new plant.

While the eyewear business will continue to remain as the Group's core business, the management is continuously exploring potential opportunities to achieve diversification in the business and income streams of the Group and mitigate the impact of any potential risks and uncertainties.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2022, the Group's revenue increased to approximately HK\$465.4 million by approximately HK\$30.7 million or 7.1% as compared to approximately HK\$434.7 million for the year ended 31 December 2021. The increase was mainly attributable to the increase in the sales volume of spectacle frame and sunglasses, which is mainly attributable to recovery of the outbreak of COVID-19 globally which has adversely affected the export sales of the Group and resulted in a restore in the sales volume and market catch up in the sales orders.

Cost of sales

The cost of sales of the Group increased by approximately HK\$23.1 million or 6.3%, from approximately HK\$366.3 million for the year ended 31 December 2021 to approximately HK\$389.4 million for the year ended 31 December 2022. Such increase was basically in line with an increase in revenue.

Gross profit and gross profit margin

Gross profit increased to approximately HK\$76.0 million for the year ended 31 December 2022, by approximately HK\$7.6 million, or 11.1%, from approximately HK\$68.4 million for the year ended 31 December 2021. Such increase in gross profit was mainly due to an increase in the revenue of approximately 7.1%. The overall gross profit margin increased slightly from approximately 15.7% for the year ended 31 December 2021 to 16.3% for the year ended 31 December 2022, resulted from the higher production efficiency achieved by the increase in sales orders.

Other income

Other income increased by approximately HK\$0.8 million from approximately HK\$8.5 million for the year ended 31 December 2021 to approximately HK\$9.3 million for the year ended 31 December 2022. The increase was mainly attributable to the increase in sample and mould income.

Other gains and (losses)

The Group recorded net other gains of approximately HK\$3.9 million and net other losses of approximately HK\$3.2 million for the year ended 31 December 2022 and the year ended 31 December 2021 respectively. The Company recorded net exchange gains resulting from the depreciation of Renminbi (“**RMB**”) against the United States Dollars (“**USD**”) or Hong Kong Dollars (“**HKD**”) for the year ended 31 December 2022, in contrast with the exchange losses resulting from the appreciation of RMB against USD or HKD for the year ended 31 December 2021.

Reversal of impairment loss/(impairment loss) for trade receivables

The Group has a reversal of impairment loss for trade receivables of approximately HK\$0.4 million for the year ended 31 December 2022, based on the expected credit loss as at 31 December 2022 calculated using simplified approach, by reference to the expected credit loss rates which took into account the actual loss over the past seven years, current economic conditions and forward-looking information such as the impact of COVID-19. The Group recognised impairment loss for the year ended 31 December 2021 of approximately HK\$0.2 million.

Selling and distribution expenses

Selling and distribution expenses decreased from approximately HK\$13.8 million for the year ended 31 December 2021 to approximately HK\$14.6 million for the year ended 31 December 2022, by approximately HK\$0.8 million or 6.2%. Such increase was primarily attributable to the increase in advertising and promotion expenses resulted from the recovery from COVID-19 pandemic situation during the year ended 31 December 2022.

Administrative and other operating expenses

Administrative and other operating expenses increased by approximately HK\$2.7 million or 4.4%, from approximately HK\$60.9 million for the year ended 31 December 2021 to approximately HK\$63.6 million for the year ended 31 December 2022, mainly due to the increase in staff costs of approximately HK\$5.0 million.

Finance costs, net

The Group's net of finance costs increased by approximately HK\$0.2 million or 48.3%, to approximately HK\$0.7 million for the year ended 31 December 2022 as compared to approximately HK\$0.5 million for the year ended 31 December 2021. The increase was mainly due to the interest on factoring of trade receivables during the year.

Income tax expense

The Group's income tax expense increased significantly from approximately HK\$0.6 million for the year ended 31 December 2021 to approximately HK\$1.5 million for the year ended 31 December 2022, mainly due to the under-provision in prior years.

Profit/(loss) for the year

As a result of the foregoing, the Group recorded a profit of approximately HK\$9.2 million for the year ended 31 December 2022, representing a substantial turnover from a loss of approximately HK\$2.1 million as compared to the year ended 31 December 2021, mainly due to increase in revenue attributable to the increase of export sales volume, which reflected the gradual recovery from the outbreak of COVID-19 pandemic globally.

FINANCIAL POSITION

As at 31 December 2022, the Group's total assets amounted to approximately HK\$251.9 million (2021: HK\$268.1 million) with net assets amounting to approximately HK\$186.6 million (2021: HK\$186.3 million). As at 31 December 2022, gearing ratio (total debts divided by the total equity) of the Group was approximately 1.1%, representing a decrease of approximately 47.6% as compared to that of approximately 2.1% as at the end of 2021. Net debt to equity ratio (net debt, being its total debts net of bank and cash balances and pledged bank deposits, divided by total equity) of the Group was not applicable due to a net cash position of the Group as at 31 December 2022 and 2021. As at 31 December 2022, current ratio of the Group was approximately 3.4 times, representing an increase of approximately 17.2% as compared to that of approximately 2.9 times as at the end of 2021. As at 31 December 2022, quick ratio of the Group was approximately 2.3 times, representing an increase of approximately 21.1% as compared to that of approximately 1.9 times as at the end of 2021.

During the year ended 31 December 2022, the total assets, net assets and all of the above financial ratios remained stable or slightly enhanced, mainly due to the improvement of the Group's operating income.

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 implement various growth strategies. The Group finances its operations and growth primarily through cash generated from operations, finance lease arrangement, as well as the net proceeds from the Share Offer (as defined in the prospectus of the Company dated 29 June 2019 (the "**Prospectus**")).

As at 31 December 2022, the Group had bank and cash balances of approximately HK\$46.4 million, an increase of approximately HK\$9.5 million as compared to approximately HK\$36.9 million as at 31 December 2021, mainly attributable to increase in 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 31 December 2022, the Group's indebtedness comprised lease liabilities of approximately HK\$2.0 million, respectively. Its lease liabilities 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 31 December 2022 is as follows:

	Lease liabilities <i>HK\$'000</i>
Within one year	1,223
More than one year, but not exceeding two years	393
More than two years, but not more than five years	392
	<hr/>
	2,008
	<hr/> <hr/>

PRINCIPAL RISKS AND UNCERTAINTIES

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 the 2022 annual report to be published in due course in accordance with the requirements in the Listing Rules.

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 31 December 2022, the carrying amount of motor vehicles held as right-of-use assets by the Group under lease arrangements amounted to approximately HK\$2.2 million (2021: HK\$2.9 million).

CAPITAL COMMITMENT

As at 31 December 2022, the Group had capital commitments of approximately HK\$0.3 million and HK\$2.4 million relating to property, plant and equipment and capital contribution to an associate, respectively, which are contracted but not provided for.

CONTINGENT LIABILITIES

As at 31 December 2022, 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 31 December 2022, the Group had a total of 1,007 employees of which 986 were in the PRC and 21 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 years ended 31 December 2022 and 2021 were approximately HK\$128.3 million and HK\$111.5 million, respectively.

SIGNIFICANT INVESTMENTS HELD

The Group had not held any significant investments during the year ended 31 December 2022.

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 year ended 31 December 2022.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the Prospectus and the change in the use of proceeds, in particular, to continue to put on hold the expansion of the Group's production capacity by the construction of the new building in the Group's factory in Jiangxi, the PRC, the Group did not have other plan for material investments or acquisition of material capital assets as at 31 December 2022. Please refer to the sectioned headed "Use of Proceeds from the Share Offer" in the 2022 annual report for further details.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting period, the Group entered into a new lease agreement for the use of factory and dormitory in PRC for five years. Upon the lease commencement, the Group recognised the right-of-use assets and lease liabilities of approximately HK\$16.6 million and approximately HK\$16.6 million respectively. Details are set out in announcement of the Company dated on 14 February 2023.

USE OF PROCEEDS FROM THE SHARE OFFER

With the Shares listed on the Stock Exchange on 16 July 2019 (the “**Listing Date**”), the net proceeds from the Share Offer, after deducting the listing expenses of approximately HK\$45.0 million, was approximately HK\$80.0 million (the “**Net Proceeds**”).

As set out in the Company’s announcement dated 19 November 2020, the remaining balance of the Net Proceeds was approximately HK\$56.0 million (the “**2020 Unutilised Net Proceeds**”) and the Board resolved to raise the proposed use and allocation of the 2020 unutilised Net Proceeds on 19 November 2020.

As set out in the Company’s announcements dated 8 December 2021 and 21 December 2021, the Board resolved to further change the proposed use and allocation of the remaining balance of the unutilised Net Proceeds as at 31 October 2021 (the “**2021 Unutilised Net Proceeds**”) amounted to approximately HK\$17.8 million.

The original proposed allocation of the Net Proceeds in accordance with the Prospectus (the “**Planned Use of Net Proceeds**”), the reallocation of the unutilised Net Proceeds and the actual usage of the unutilised Net Proceeds up to 31 December 2022 are set out below:

	Original allocation of the Net Proceeds as stated in the Prospectus <i>HK\$' million</i>	Revised allocation of the 2020 Unutilised Net Proceeds <i>HK\$' million</i>	Actual usage of the 2021 Unutilised Net Proceeds for the period from 1 January 2021 to 31 October 2021 <i>HK\$' million</i>	Unutilised Net Proceeds as at 31 October 2021 <i>HK\$' million</i>	Further Revised allocation of the Net Proceeds <i>HK\$' million</i>	Actual usage of the 2021 Unutilised Net Proceeds for the period from 1 November 2021 to 31 December 2021 <i>HK\$' million</i>	Unutilised Net Proceeds as at 1 January 2022 <i>HK\$' million</i>	Actual usage of the 2022 Unutilised Net Proceeds for the year ended 31 December 2022 <i>HK\$' million</i>	Unutilised Net Proceeds as at 31 December 2022 <i>HK\$' million</i>	
Strengthen the Group’s production capacity	43.2	22.4	18.1	5.2	12.9	-	-	-	-	
Repay the Group’s bank borrowings	12.4	-	-	-	-	-	-	-	-	
Promote corporate image and brand building	8.8	4.5	3.5	2.4	1.1	-	-	-	-	
Enhance design and development capabilities	7.2	5.3	3.4	0.6	2.8	-	-	-	-	
Enhance quality assurance capabilities	3.6	1.4	0.7	0.7	-	-	-	-	-	
General working capital	4.8	22.4	20.0	19.0	1.0	17.8	0.5	17.3	17.3	
	<u>80.0</u>	<u>56.0</u>	<u>45.7</u>	<u>27.9</u>	<u>17.8</u>	<u>17.8</u>	<u>0.5</u>	<u>17.3</u>	<u>17.3</u>	<u>-</u>

The actual usage of the Net Proceeds for the year ended 31 December 2022 was approximately HK\$17.3 million for the purpose of general working capital and the Net Proceeds have been fully utilized as at 31 December 2022.

SHARE OPTION SCHEME

On 22 June 2019, the then sole Shareholder of the Company approved and conditionally adopted a share option scheme (the “**Share Option Scheme**”) to enable the Company to grant options to eligible participants as incentives and rewards for their contribution to the Group. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for 10 years from that date. No option has been granted up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintain 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 year ended 31 December 2022.

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 the Directors.

All Directors have confirmed, following specific enquiry by the Company that they have complied with the Model Code during the year ended 31 December 2022.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 23 May 2023 to Friday, 26 May 2023, both days inclusive, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the forthcoming AGM to be held on Friday, 26 May 2023. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Monday, 22 May 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

SCOPE OF WORK OF RSM HONG KONG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Group's auditors, RSM Hong Kong, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by RSM Hong Kong 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 RSM Hong Kong on this announcement.

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**"), comprising 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 Audit Committee has reviewed the Group's consolidated results for the year ended 31 December 2022, and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.kelfred.com.hk). The annual report will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 30 March 2023

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