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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)

SUPPLEMENTAL ANNOUNCEMENT TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the prospectus of Kelfred Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 29 June 2019 (the “**Prospectus**”) and the annual report of the Company for the year ended 31 December 2019 (the “**Annual Report**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus and the Annual Report.

As disclosed in the Annual Report, the net proceeds from the Share Offer was approximately HK\$80.0 million, and up to 31 December 2019, the unutilised net proceeds from the Share Offer (“**Remaining Proceeds**”) was approximately HK\$62.0 million. The Board would like to provide additional information pursuant to paragraph 11(8) of Appendix 16 of the Listing Rules in relation to the expected timeline for the application of the Remaining Proceeds as at 31 December 2019 as below:

	Planned use of proceeds up to 31 December 2019 (HK' million)	Actual usage up to 31 December 2019 (HK' million)	Remaining Proceeds up to 31 December 2019 (HK' million)	Expected timeline for using the Remaining Proceeds up to	
				31 December 2020 (HK' million)	31 December 2021 (HK' million)
Strengthening the Group's production capacity	6.1	2.5	40.7	10.9	29.8
Repay the Group's bank borrowings	12.4	12.4	–	–	–
Promote corporate image and brand building	2.5	0.9	7.9	3.3	4.6
Enhance design and development capabilities	3.5	0.4	6.8	4.8	2.0
Enhance quality assurance capabilities	1.2	0.6	3.0	2.0	1.0
General working capital	1.2	1.2	3.6	2.4	1.2
Total:	26.9	18.0	62.0	23.4	38.6

During the year ended 31 December 2019, the actual application of the net proceeds from the Share Offer were used according to the intentions previously disclosed in the Prospectus. However, save for the use of proceeds for the repayment of bank borrowings and as general working capital which was in line with the timeline as disclosed in the Prospectus, there was a general delay in the timeline in the use of proceeds due to the following reasons:

- (i) it took longer than expected for the Group to find a suitable location and premise to set up the laboratory and showroom, and as such, the schedule of setting up the design laboratory and showroom in Hong Kong was delayed to the first half of 2020; and
- (ii) the timeline of the construction of new building in the Jiangxi Production Base is prolonged due to a delay in the progress of the preliminary feasibility construction plan of the Jiangxi Production Base, which was caused by the challenging environment for the global market in 2019; and
- (iii) given the outbreak of COVID-19 may have considerable impact on the Group's operating results for the year ending 31 December 2020, it is financially prudent to prolong the timeline for the Group's business plans (including the expansion of the Group's production capacity), which would enhance the cash position and liquidity of the Group to respond to the challenging economic environment ahead.

The expected timeline for using the Remaining Proceeds is based on the best estimation of the present and future business market situations made by the Board. The Board will continue to assess the impact of the outbreak of COVID-19 on the Group's operation and financial performance and the plans for Remaining Proceeds as set out above in this announcement, and may revise or amend such plans where necessary, to cope with the changing market conditions and strive for better business performance for the Group, and the Company will make further announcement as and when appropriate.

The supplementary information provided in this announcement does not affect other information contained in the Annual Report and save as disclosed above, all other information in the Annual Report remains unchanged.

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

Hong Kong, 5 August 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.