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 2019

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 2019, together with comparative figures for the year ended 31 December 2018 (the "**Year Under Review**"). The information should be read in conjunction with the prospectus of the Company dated 29 June 2019 (the "**Prospectus**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Note	2019 *HK$'000*	2018 *HK$'000*
Revenue	4	**413,395**	421,094
Cost of sales		**(317,106)**	(324,412)
Gross profit		**96,289**	96,682
Other income	5	**3,091**	2,876
Other gains and losses	6	**3,658**	3,963
Selling and distribution expenses		**(21,300)**	(16,601)
Administrative and other operating expenses		**(66,095)**	(46,532)
Profit from operations		**15,643**	40,388
Finance costs, net	7	**(1,903)**	(2,022)
Profit before tax		**13,740**	38,366
Income tax expenses	8	**(4,637)**	(7,341)
Profit for the year	9	**9,103**	31,025
Attributable to:			
Owners of the Company		**8,377**	30,420
Non-controlling interests ("NCI")		**726**	605
		9,103	31,025
Earnings per share for profit attributable to owners of the Company			
– Basic and diluted	11	**HK1.94 cents**	HK8.11 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	**2018**
	HK$'000	*HK$'000*
Profit for the year	**9,103**	31,025
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(1,669)**	(4,387)
Other comprehensive income for the year, net of tax	**(1,669)**	(4,387)
Total comprehensive income for the year	**7,434**	26,638
Attributable to:		
Owners of the Company	**6,708**	26,033
NCI	**726**	605
	7,434	26,638

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	**2019**	**2018**
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**36,053**	41,378
Right-of-use assets		**8,197**	–
Deposits paid for property, plant and equipment		**529**	507
		44,779	41,885
Current assets			
Inventories		**74,059**	52,205
Trade receivables	12	**90,266**	91,038
Prepayments, deposits and other receivables		**12,473**	9,522
Pledged bank deposits		**5,000**	2,760
Bank and cash balances		**83,713**	17,872
		265,511	173,397
Current liabilities			
Trade payables	13	**55,409**	51,210
Other payables and accruals	13	**17,174**	15,862
Contract liabilities	13	**3,744**	3,009
Dividend payables		**–**	1,846
Lease liabilities		**1,958**	–
Finance lease payables		**–**	454
Bank borrowings		**15,822**	44,561
Current tax liabilities		**3,965**	682
		98,072	117,624
Net current assets		**167,439**	55,773
Total assets less current liabilities		**212,218**	97,658

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Lease liabilities		**3,711**	–
Finance lease payables		**–**	96
Deferred tax liabilities		**198**	198
		3,909	294
NET ASSETS		**208,309**	97,364
Capital and reserves			
Share capital	14	**5,000**	1
Reserves		**202,008**	96,788
		207,008	96,789
NCI		**1,301**	575
TOTAL EQUITY		**208,309**	97,364

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 20 April 2018 as an exempted company with limited liability. The address of its registered office is PO Box 1350, Clifton House, 75 Fort Street, 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.

On 16 July 2019 (the "**Listing Date**"), the Company's shares were listed (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and issued a total of 125,000,000 Shares of the Company by way of share offer at a price of HK$1 each upon Listing (the "**Share Offer**").

The Company is an investment holding company. The Group is principally engaged in manufacturing and sales in eyewear products (the "**Business**").

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. Joe Kwok**"), Mr. Kwok Kwan Yu ("**Mr. Ken Kwok**") and Ms. Chan Yin Wah ("**Mrs. Kwok**") are the ultimate controlling parties of the Company.

2. GROUP REORGANISATION AND BASIS OF PREPARATION

Prior to the incorporation of the Company and the completion of the reorganisation for the purpose of Listing (the "**Group Reorganisation**"), the Business was carried out by companies now comprising of the Group (collectively the "**Operating Companies**"). The Operating Companies were controlled by Mr. Joe Kwok, Mr. Ken Kwok and Mrs. Kwok respectively.

Upon completion of the Group Reorganisation, the Company became the holding company of the companies now comprising the Group and the Group Reorganisation has been legally and properly completed and settled on 20 June 2019.

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 Hong Kong Companies Ordinance (Cap. 622).

The HKICPA has issued a number of 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 HKFRSs

(a) Application of new and revised HKFRSs

The HKICPA has issued a new HKFRS, HKFRS 16 Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, and the related interpretations, HK(IFRIC) 4 Determining whether an Arrangement contains a Lease, HK(SIC) 15 Operating Leases-Incentives and HK(SIC) 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact or leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) *Lessee accounting and transitional impact*

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.75%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) applied a single discount rate to a portfolio of leases with similar remaining terms for similar class of underlying assets in a similar economic environment. Specifically, discount rate for certain leases of properties was determined on a portfolio basis;

(iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;

(iv) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

(v) relied on the assessment of whether leases are onerous by applying HKAS 37 as an alternative to an impairment review.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	7,386
Less: commitments relating to lease exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(191)
	7,195
Less: total future interest expenses	(889)
Present value of remaining lease payments, discounted using the incremental borrowing rate as at 1 January 2019	6,306
Add: finance lease liabilities recognised as at 31 December 2018	550
Lease liabilities recognised as at 1 January 2019	6,856
Of which are:	
Current lease liabilities	1,879
Non-current lease liabilities	4,977
	6,856

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of consolidated financial position at 31 December 2018.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "Finance leases payables", these amounts are included within "Lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

The following table summaries the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

		Effects of adoption of HKFRS 16			
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16		**Carrying amount as at 31 December 2018**	**Re-classification**	**Re-cognition of leases**	**Carrying amount as at 1 January 2019**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets					
Right-of-use assets		–	2,851	6,396	9,247
Property, plant and equipment	(i) & (ii)	41,378	(2,737)	–	38,641
Prepayments, deposits and other receivables	(iii)	9,522	(114)	–	9,408
Liabilities					
Lease liabilities		–	550	6,306	6,856
Finance lease payables	(iv)	550	(550)	–	–
Other payables and accruals	(v)	15,862	–	90	15,952

Note:

(i) In relation to assets previously under finance leases, the Group recategorises the carrying amount of the relevant assets which were still leased as at 1 January 2019 amounting to HK$638,000 as right-of-use assets.

(ii) Upfront payments for leasehold lands in the PRC own used lands were classified as land and buildings included in property, plant and equipment as at 31 December 2018. Upon application of HKFRS 16, the carrying amount of the leasehold land amounting to HK$2,099,000 was classified to right-of-use assets.

(iii) The Group reclassified the prepaid lease payments of HK$114,000 as right-of-use assets at 1 January 2019.

(iv) The Group reclassified the obligation under finance leases of HK$454,000 and HK$96,000 to lease liabilities as current and non-current liabilities respectively at 1 January 2019.

(v) Provisions for dismantling cost of HK$90,000 were recognised at 1 January 2019.

(c) Impact of the financial results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a change in presentation of cash flows within the consolidated statement of cash flows.

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				**2018**
Financial result for year ended 31 December 2019 impacted by the adoption of HKFRS 16:	**Amounts reported under HKFRS 16**	**Add back: HKFRS 16 depreciation and interest expense**	**Deduct: Estimated amounts related to operating lease as if under HKAS 17** *(note 1)*	**Hypothetical amounts for 2019 as if under HKAS 17**	**Compared to amounts reported for 2018 under HKAS 17**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit from operations	15,643	1,785	(1,959)	15,469	40,388
Finance costs, net	(1,903)	325	–	(1,578)	(2,022)
Profit before tax	13,740	2,110	(1,959)	13,891	38,366
Profit for the year	9,103	2,110	(1,959)	9,254	31,025

Line items in the consolidated cash flow statement for year ended 31 December 2019 impacted by the adoption of HKFRS 16:	2019 Amounts reported under HKFRS 16	2019 Estimated amounts related to operating leases as if under HKAS 17 *(notes 1& 2)*	2019 Hypothetical amounts for 2019 as if under HKAS 17	2018 Compared to amounts reported for 2018 under HKAS 17
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash generated from operations	9,389	(1,959)	7,430	22,308
Net cash generated from operating activities	8,047	(1,959)	6,088	12,322
Capital element of lease rentals paid	(2,093)	–	(493)	(888)
Interest element of lease rentals paid	(337)	–	(12)	(35)
Net cash generated from financing activities	66,627	–	68,552	25,098

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no difference between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

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

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2019. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8 Definition of Material	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform	1 January 2020

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 2019.

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:

	2019	2018
	HK$'000	*HK$'000*
Revenue		
Italy	**124,252**	95,748
United Kingdom	**65,349**	77,787
Netherlands	**57,818**	75,727
Hong Kong	**43,413**	41,246
France	**20,790**	20,636
Spain	**28,526**	16,156
Hungary	**15,180**	22,122
United States	**14,408**	20,577
Others	**43,659**	51,095
	413,395	421,094

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

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**2,324**	2,151
The People's Republic of China (the "**PRC**")	**41,926**	39,227
	44,250	41,378

Information about major customers

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

	2019	2018
	HK$'000	*HK$'000*
Customer a	**107,211**	120,938
Customer b	**80,724**	59,850
Customer c	**60,521**	81,541
Customer d	**48,993**	47,425

5. OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
Government grants	**246**	408
Income from sales of scrap and rework services	**875**	81
Product services fee income	**1,421**	1,886
Others	**549**	501
	3,091	2,876

The government grants were received with no condition attached by the Group's subsidiaries from the local government where they reside.

6. OTHER GAINS AND LOSSES

	2019	2018
	HK$'000	*HK$'000*
Exchange gain, net	**3,713**	4,665
Net losses on disposal of property, plant and equipment	**(55)**	(702)
	3,658	3,963

7. FINANCE COSTS, NET

	2019	2018
	HK$'000	*HK$'000*
Finance income:		
Bank interest income	**243**	36
Interest income from a related company	**–**	16
	243	52
Finance expenses:		
Interest on bank borrowings	**(1,099)**	(1,460)
Interest on lease liabilities	**(337)**	–
Finance leases charges	**–**	(35)
Interest on factoring of trade receivables	**(706)**	(579)
Others	**(4)**	–
	(2,146)	(2,074)
Finance costs, net	**(1,903)**	(2,022)

8. INCOME TAX EXPENSE

Income tax has been recognised in profit or loss as following:

	2019 *HK$'000*	2018 *HK$'000*
Current tax		
Hong Kong Profits Tax		
– Provision for the year	**2,418**	6,708
– Over provision in prior years	**–**	(28)
	2,418	6,680
PRC Enterprise Income Tax ("**PRC EIT**")		
– Provision for the year	**1,896**	1,030
– Under/(over) provision in prior years	**323**	(369)
	2,219	661
	4,637	7,341

The Company was incorporated in the Cayman Islands and Fame Investment Limited ("**Fame Investment**") was incorporated in BVI that are tax exempted as no business 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 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 subsidiary, Yingtan Euro-Asia Enterprise Limited ("**Yingtan Euro-Asia**"), since it was qualified as a Small and Low-profit Enterprise for the years ended 31 December 2018 and 2019 and was subject to income tax at a preferential tax rate of 20%. Besides, pursuant to Caishui [2017] No. 43, Yingtan Euro-Asia was entitled to a further deduction of 50% of the tax income for the years ended 31 December 2018 and 2019. The Group's another PRC subsidiary, Jiangxi Huaqing Glasses Co., Limited, was also 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 2019.

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 FOR THE YEAR

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

	2019	2018
	HK$'000	*HK$'000*
Auditor's remuneration	**1,119**	241
Cost of inventories sold (*)	**317,106**	324,412
Reversal of allowance for inventories (included in cost of inventories sold), net	**–**	(3)
Write off of trade and other receivables	**428**	–
Depreciation on right-of-use assets	**2,017**	–
Depreciation on property, plant and equipment	**9,748**	9,791
Exchange gain, net	**(3,713)**	(4,665)
Listing expenses	**13,183**	7,120
Operating lease charges		
– Factories and staff quarters	**121**	1,896
– Office premises	**210**	420
– Directors' quarter	**–**	30
Net losses on disposal of property, plant and equipment	**55**	702

(*) Cost of inventories sold includes HK$77,068,000 and HK$76,541,000 of staff costs, depreciation and operating lease charges which are also included in the respective total amounts disclosed above for each of these types of expenses for the years ended 31 December 2018 and 2019 respectively.

10. DIVIDENDS

The Company's subsidiaries made the following distributions to its then shareholders:

	2019		2018	
	Dividend per share	**Total dividends**	**Dividend per share**	**Total dividends**
	HK$	*HK$'000*	*HK$*	*HK$'000*
Dividends declared and paid/payable to its then shareholders by:				
Kelfred Optical Limited	–	–	26.67	80,000
Central Designs (Hong Kong) Limited	–	–	8.33	2,000
Hua Qing Glasses (Shenzhen) Company Limited	–	–	–	7,620
		–		89,620

A final dividend for the year ended 31 December 2019 of HK$0.02 per share, amounting to a total dividend of HK$10,000,000, is to be proposed at the forthcoming Annual General Meeting. The amount of 2019 proposed final dividend is based on 500,000,000 shares in issue as at 23 March 2020. These consolidated financial statements do not reflect this dividend payable.

11. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2019	2018
	HK$'000	*HK$'000*
Earnings		
Profit attributable to owners of the Company	**8,377**	30,420
Number of shares	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of calculation basis earning per share	**432,877**	375,000

The weighted average number of shares in issue during the year ended 31 December 2019 is based on the assumption that 375,000,000 shares of the Company were in issue, comprising 101 shares issued for the Group Reorganisation and 374,999,899 shares issued pursuant to the capitalisation issue, as if these shares were outstanding throughout the period from 1 January 2019 to the Listing Date, and 125,000,000 shares issued under the Share Offer.

The weighted average number of shares in issue during the year ended 31 December 2018 is based on the assumption that 375,000,000 shares of the Company were in issue, comprising 101 shares issued for the Group Reorganisation and 374,999,899 shares issued pursuant the capitalisation issue, and as if these shares were outstanding throughout that year.

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary share in issue during the years ended 31 December 2018 and 2019.

12. TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**90,266**	91,038

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 a bank for the factoring of trade receivables with certain designated customers. As at 31 December 2019, trade receivables factored to the bank aggregated to HK$16,487,000 (2018: HK$16,577,000) 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 bank.

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

	2019	2018
	HK$'000	*HK$'000*
Up to 60 days	**64,788**	65,000
61 to 120 days	**12,057**	16,655
121 to 180 days	**8,981**	6,526
Over 180 days	**4,440**	2,857
	90,266	91,038

The Group does not hold any collateral as security or other credit enhancements over these balances.

The Group applied simplified approach to provide the expected credit losses ("**ECL**") prescribed by HKFRS 9 (2014) "Financial Instruments".

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers because these customers consists of a large number of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. Based on the judgement of management of the Group, the exposure to credit risk and ECL for trade receivables which are assessed collectively based on provision matrix is negligible at 31 December 2019.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The directors of the Company considered that the ECL allowance is immaterial.

Movements in the loss allowance for trade receivables are as follows:

	2019	2018
	HK$'000	*HK$'000*
At the beginning of the year	**–**	421
Amounts written off	**–**	(421)
At the end of the year	**–**	–

As at 31 December 2019, trade receivables of HK$18,839,000 (2018: HK$18,590,000) were past due but not impaired. These relate to trade receivables from a number of independent customers of whom there is no recent history of default. The ageing analysis of the past due but not impaired trade receivables, based on past due dates, is as follows:

	2019	2018
	HK$'000	*HK$'000*
Up to 60 days	**9,771**	10,701
61 to 120 days	**8,250**	5,146
121 to 180 days	**206**	2,397
Over 180 days	**612**	346
	18,839	18,590

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

	2019	2018
	HK$'000	*HK$'000*
EUR	**996**	210
RMB	**19,682**	19,536
USD	**69,588**	71,292
	90,266	91,038

13. TRADE AND OTHER PAYABLES, ACCRUALS AND CONTRACT LIABILITIES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**55,409**	51,210
Other payables and accruals		
Accrued staff costs	**7,725**	7,497
Accrued administrative and operating expenses	**3,470**	3,542
Purchases of property, plant and equipment	**1,382**	1,613
Accrued sales rebate to customers	**2,559**	1,832
Accrued various tax expenses	**1,114**	474
VAT payables	**830**	904
Others	**94**	–
	17,174	15,862
Contract liabilities	**3,744**	3,009
	76,327	70,081

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

	2019	**2018**
	HK$'000	*HK$'000*
Up to 60 days	**43,841**	42,194
61 to 90 days	**8,464**	7,162
91 to 180 days	**1,484**	1,416
Over 180 days	**1,620**	438
	55,409	51,210

The credit period ranges from 30 to 90 days.

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

	2019	**2018**
	HK$'000	*HK$'000*
HKD	**1,043**	2,017
RMB	**65,728**	60,994
USD	**8,415**	6,394
Others	**1,141**	676
	76,327	70,081

14. SHARE CAPITAL

	Note	Number of shares	Amount HK$
Authorised:			
Ordinary shares of HK$0.01 each			
Upon incorporation on 20 April 2018, 31 December 2018 and 1 January 2019		39,000,000	390,000
Increase in authorised share capital	(a)	1,961,000,000	19,610,000
At 31 December 2019		2,000,000,000	20,000,000
Issued and fully paid:			
Ordinary shares of HK$0.01 each			
Upon incorporation on 20 April 2018, 31 December 2018 and 1 January 2019		1	–[i]
Shares issued upon acquisition of Fame Investment		100	1
Shares issued pursuant to the capitalisation issue	(b)	374,999,899	3,749,999
Shares issued under the Share Offer	(c)	125,000,000	1,250,000
At 31 December 2019		500,000,000	5,000,000

[i] Represent the share capital of HK$0.01.

Note:

(a) Pursuant to the written resolutions of the shareholders of the Company (the "**Shareholders**") passed on 22 June 2019, the authorised share capital of the Company increased from HK$390,000 to HK$20,000,000 by creation of an additional of 1,961,000,000 shares of HK$0.01 each.

(b) Pursuant to the written resolutions passed by the Shareholders on 22 June 2019, conditional on share premium account of the Company being credited as a result of the Share Offer, the directors were authorised to capitalise an amount of HK$3,749,999 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 374,999,899 shares for allotment and issue to the then existing Shareholders in proportion to their respective shareholdings.

(c) On the Listing Date, the Company issued 125,000,000 new shares at HK$1.00 each in relation to the Share Offer. The premium on the issue of shares, amounting to HK$102,260,806, net of listing-related expenses, was credited to the Company's share premium account. These new shares rank pari passu with the existing shares in all respects.

BUSINESS REVIEW AND OUTLOOK

Our Group is an established eyewear manufacturer in the PRC and Hong Kong that produce and sells a wide range of spectacle frames and sunglasses mainly through original design manufacturing ("**ODM**") and original equipment manufacturing ("**OEM**") business models. We offer integrated and customised services which includes product design and development, raw materials procurement, production, quality control, packaging and delivery. In addition to the traditional OEM and ODM business models, we also commenced offering our original brand manufacturing ("**OBM**") products under the brand "Miga" in 2016 to diversify our revenue streams, enlarge our customer base and solidify our competitive position.

Leveraging on over 30 years of experience in the eyewear industry, we pride ourselves on our broad network of renowned and trusted customers worldwide (who are primarily international eyewear retailers, trading companies and licensed brand owners). We have produced quality eyewear products under our customers' designated brand names and sold the same to over 35 countries in the past few years.

We established our first major production base in Shenzhen, the PRC in 2013 and set up our second and self-owned production base in Jiangxi, the PRC in 2016, which has made us capable of manufacturing eyewear products of various dimensions and specifications as required by our customers.

2019 is also an exceptional year for our Group as it has achieved a new breakthrough. On 16 July 2019 (the "**Listing Date**"), the shares of the Company (the "**Shares**") were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), making its debut in capital market (the "**Listing**"). On the same day, the Company also issued a total of 125,000,000 Shares by way of share offer at a price of HK$1.00 each upon Listing (the "**Share Offer**").

Our competitive strengths include (i) a stable and established customer base that span across multiple countries, (ii) a strong eyewear product design and development capabilities, (iii) a strong commitment on craftsmanship and quality of our eyewear products, and (iv) a competent management team with experience and knowledge in the eyewear industry.

Our Group plans to continue to capitalise on opportunities which can leverage our competitive strengths and implement our business strategies. We intend to strengthen our market position and increase our market share by pursuing the following strategies: (i) increasing the level of automation in our production process and further enhancing our production efficiency and capacity; (ii) expanding our customer base in the United States and Asia market and promotion of our brand; (iii) strengthening our design and development capability; and (iv) continue enhancing our quality control capability.

2019 was a year of volatility in the global market environment with the incidents of Sino-US trade negotiation and the withdrawal of the United Kingdom from the European Union. Since the end of 2019, the outbreak of novel coronavirus ("**COVID-19**") within the PRC and the epidemic of COVID-19 is still subsisting. This has caused temporary production halt in the Group's production bases and also our suppliers in the PRC. Thus, our production capacity was significantly reduced in February 2020, this brings challenges to the Group's business and supply chain. Management has adopted various measures to safeguard the health of employees and after fulfilling all the related regulations implemented by the local government, currently, all our production bases in the PRC have already resumed most of the production in order to satisfy the demand for goods from our customers. However, since late February 2020, the COVID-19 has a clear tendency to spread outside the PRC; on 11 March 2020, the World Health Organisation announced that COVID-19 can be characterized as a pandemic. The outbreak and large-scale spread of the COVID-19 has had significant impacts on global economy and various industries. It is still difficult to assess the impact of the COVID-19 on the PRC and the global economy. In addition to the impact of the COVID-19 on consumer sentiment, the upstream and downstream of the eyewear industry and retail operations are also affected, and traditional marketing activities such as exhibitions and promotion fairs are difficult to be carried out in the short term, along with the declining consumer spending.

Such factors may result in a substantial drop of sales volume in the first quarter of 2020. There is still great uncertainty of the spread of the COVID-19, as a result the Group cannot predict the degree of impact on eyewear markets in the future and business development prospects in 2020 at this stage.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2019, our revenue decreased to approximately HK$413.4 million by approximately HK$7.7 million or 1.8% as compared to approximately HK$421.1 million for the year ended 31 December 2018. For the Year Under Review, the decrease was mainly attributable to the decrease in the volume of spectacle frame and sunglasses, resulted from the delay of delivery schedule which is affected by the social unrest in the second half of 2019.

Cost of sales

Our cost of sales decreased by approximately HK$7.3 million or 2.3%, from approximately HK$324.4 million for the year ended 31 December 2018 to approximately HK$317.1 million for the year ended 31 December 2019. Such decrease was in line with the decrease in revenue by 1.8% for the Years Under Review.

Gross profit and gross profit margin

Our gross profit decreased to approximately HK$96.3 million for the year ended 31 December 2019, by approximately HK$0.4 million, or 0.4%, from approximately HK$96.7 million for the year ended 31 December 2018. The decrease was in line with decrease in the revenue but offset partially by improving selling price on sunglasses.

Our overall gross profit margin has slightly increased from approximately 23.0% for the year ended 31 December 2018 to 23.3% for the year ended 31 December 2019, mainly due to moderate growth of average selling price of sunglasses.

Other income

Our other income increased slightly by approximately HK$0.2 million from approximately HK$2.9 million for the year ended 31 December 2018 to approximately HK$3.1 million for the year ended 31 December 2019. Such increase was mainly attributable to the increase in income from sales of scraps and rework services of approximately HK$0.8 million which was dependent on scraps volume being sold and scope of rework; but partially offset by decrease in product services fee income of approximately HK$0.5 million for the year, whereby such services was performed on an on-demand basis and charged by the number of frames handled.

Other gains and losses

Our other net gains decreased by approximately HK$0.3 million, from approximately HK$4.0 million for the year ended 31 December 2018 to approximately HK$3.7 million for the year ended 31 December 2019, mainly due to the decrease in net exchange gain of approximately HK$1.0 million resulting from the United States Dollars ("**USD**") appreciated against Reminbi ("**RMB**") continuously during the Year Under Review, but partially offset by a decrease in net losses on disposal of property, plant and equipment by approximately HK$0.7 million.

Selling and distribution expenses

Our selling and distribution expenses increased from approximately HK$16.6 million for the year ended 31 December 2018 to approximately HK$21.3 million for the year ended 31 December 2019, by approximately HK$4.7 million or 28.3%. Such increases was primarily attributable to the increase in sampling expenses resulted from expanding our product design capability and creating more prototypes and samples.

Administrative and other operating expenses

Our administrative and other operating expenses increased by approximately HK$19.6 million from approximately HK$46.5 million for the year ended 31 December 2018 to approximately HK$66.1 million for the year ended 31 December 2019, this was mainly due to:

(i) our Group incurred the non-recurring listing expenses of approximately HK$13.2 million for the year ended 31 December 2019, while that of the year ended 31 December 2018 was approximately HK$7.1 million; and

(ii) our staff costs recorded an increase of approximately HK$12.8 million mainly due to increase in the director's remuneration and number of senior managerial staff in order to cope with our corporate development after Listing.

Finance costs, net

Our net of finance costs slightly decreased by approximately HK$0.1 million or 5.0%, to approximately HK$1.9 million for the year ended 31 December 2019 as compared to approximately HK$2.0 million for the year ended 31 December 2018. The decrease was mainly due to decrease in bank loan interests by repayment of bank loans, but partially offset by an increase in interests incurred for factoring of trade receivables and newly adopted interest expense on the lease liabilities.

Income tax expenses

Our income tax expenses decreased from approximately HK$7.3 million for the year ended 31 December 2018 to approximately HK$4.6 million for the year ended 31 December 2019, in line with the decrease in the profit that not taking into account the non-deductible listing expenses.

Profit for the year

As a result of the foregoing, our profit for the year decreased by approximately HK$21.9 million or 70.6% from approximately HK$31.0 million for the year ended 31 December 2018 to approximately HK$9.1 million for the year ended 31 December 2019, mainly due to (i) a decrease in revenue due to the delay of delivery schedule which was affected by the social unrest in the second half of 2019; (ii) an increase in the non-recurring listing expenses; and (iii) an increase in the selling and distribution expenses due to an increase in sampling expenses.

FINANCIAL POSITION

As at 31 December 2019, our Group's total assets amounted to approximately HK$310.3 million (2018: HK$215.3 million) with net assets amounting to approximately HK$208.3 million (2018: HK$97.4 million). As at 31 December 2019, gearing ratio (total debts divided by the total equity) of our Group was 10.3%, a decrease of 36.0 percentage points as compared to that of 46.3% as at the end of 2018. Net debt to equity ratio (net debt, being our total debts net of bank and cash balances and pledged bank deposits, by total equity) of our Group was not applicable as at 31 December 2019 due to net cash, while was 25.1% as at 31 December 2018. As at 31 December 2019, current ratio of our Group was 2.7 times, an increase of 80.0 percentage points as compared to that of 1.5 times as at the end of 2018. As at 31 December 2019, quick ratio of our Group was 2.0 times, an increase of 100.0 percentage points as compared to that of 1.0 as at the end of 2018.

During the year ended 31 December 2019, the total assets, net assets and all of the above financial ratio have significantly increased or improved, mainly due to the repayment of bank borrowings and increase in bank and cash balances after receiving the net proceeds of approximately HK$80 million from the Share Offer.

LIQUIDITY AND FINANCIAL RESOURCES

Our Group adopts a balanced approach to cash and financial management to ensure proper risk control, the lowering of costs of funds and seeking to maintain an optimal level of liquidity that can meet our working capital needs while sustaining the business at a healthy level whilst also implementing our various growth strategies. Our Group finances our operations and growth primarily through cash generated from operations, bank loans and finance lease arrangement, as well as the net proceeds from the Share Offer.

As at 31 December 2019, our Group had pledged bank deposits and bank and cash balances of totalling approximately HK$88.7 million, an increase of approximately HK$68.1 million as compared to approximately HK$20.6 million as at 31 December 2018, mainly attributable to the net proceeds from the Share Offer.

TREASURY POLICIES

The primary objective of our Group's capital management is to safeguard its ability to continue as a going concern so that our Group can constantly provide returns for shareholders of our Company (the "**Shareholders**") and benefits for other stakeholders by securing access to financing at reasonable costs. Our Group actively and regularly reviews and manages its capital structure and makes adjustments 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 2019, the Group's indebtedness mainly comprised bank borrowings and lease liabilities (2018: finance lease payables) of approximately HK$15.8 million and HK$5.7 million, respectively. Our bank borrowings are denominated in Hong Kong Dollars ("**HKD**"), while our lease liabilities (2018: finance lease payables) are denominated in HKD and RMB. All bank borrowings are arranged at floating rates, thus exposing our Group to cash flow interest rate risk. Interest rates for all leases are fixed on the contract dates and thus expose our Group to fair value interest rate risk.

The maturity of bank borrowings and lease liabilities (2018: finance lease payables) as at 31 December 2019 is as follows:

	Bank borrowings *(Note)*	**Lease liabilities**
	HK$'000	*HK$'000*
Within one year	15,675	1,958
More than one year, but not exceeding two years	147	3,711
	15,822	**5,669**

Note: Bank borrowings contain a repayable on demand clause, but is not reflected in the above maturity analysis.

Our bank borrowings are secured by corporate guarantee executed by the Company and the Group's bank fixed deposit of HK$5,000,000.

FOREIGN CURRENCY RISKS

Our 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. Our Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. Our Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

PLEDGE OF ASSETS

As at 31 December 2019, the carrying amount of motor vehicles held as right-of-use assets by the Group under lease arrangements amounted to approximately HK$0.5 million (2018: HK$1.5 million). As at 31 December 2019, the carrying amounts of bank deposits pledged as securities for the Group's bank facilities amounted to approximately HK$5.0 million (2018: HK$2.8 million).

CAPITAL COMMITMENT

As at 31 December 2019, our Group had capital commitments of approximately HK$0.6 million relating to property, plant and equipment, which are contracted but not provided for.

CONTINGENT LIABILITIES

As at 31 December 2019, our Group did not have any significant contingent liabilities.

EMPLOYEE AND REMUNERATION POLICY

We value our employees and recognise the importance of a good relationship with our employees. We recruit our employees based on their work experience, education background and qualifications. To maintain and ensure the quality of our employees, we provide our 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 2019, our Group had a total of 1,026 employees of which 1,009 were in the PRC and 17 were in Hong Kong. The remuneration to our employees includes salaries and allowances. Employees are remunerated according to their qualifications, experiences, job nature, performance and with reference to market conditions.

Our Group's total employee benefit expenses (including directors' emoluments) for the years ended 31 December 2019 and 2018 were approximately HK$111.0 million and HK$96.1 million, respectively.

SIGNIFICANT INVESTMENTS HELD

Our Group had not held any significant investments during the year ended 31 December 2019.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES OR JOINT VENTURES

The Company was incorporated in the Cayman Islands on 20 April 2018 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Group completed the group reorganisation on 20 June 2019 (the "**Reorganisation**") in preparation for the Listing pursuant to which the Company became the holding company of the Group. For further information in relation to the Reorganisation, please refer to the section headed "History, Reorganisation and Group Structure – Reorganisation" in the Prospectus.

Subsequent to the completion of the Reorganisation and up to 31 December 2019, there was no material acquisition or disposal of subsidiaries, associates and joint ventures by our Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the Prospectus and in this announcement, the Group did not have other plan for material investments or acquisition of material capital assets as at 31 December 2019.

USE OF PROCEEDS FROM THE SHARE OFFER

With the Shares listed on the Stock Exchange on 16 July 2019, the net proceeds from the Share Offer, after deducting the listing expenses of approximately HK$45.0 million, was approximately HK$80.0 million.

An analysis of the amount utilised up to 31 December 2019 is set out below:

	Net proceeds *(HK$' million)*		
	Available	**Utilised**	**Unutilised**
Strengthen our production capacity	43.2	2.5	40.7
Repay our bank borrowings	12.4	12.4	–
Promote corporate image and brand building	8.8	0.9	7.9
Enhance design and development capabilities	7.2	0.4	6.8
Enhance quality assurance capabilities	3.6	0.6	3.0
General working capital	4.8	1.2	3.6
	80.0	**18.0**	**62.0**

From the Listing Date to 31 December 2019, the net proceeds from the Listing were utilised in accordance with the proposed applications set out in the Prospectus under the section headed "Future Plans and Use of Proceeds", with the major delayed schedule of setting up our design laboratory and showroom in Hong Kong to the first half of 2020, and the construction of new building in Jiangxi production base is still being under the progress of preliminary feasibility construction plan.

The remaining net proceeds as at 31 December 2019 had been placed in interest-bearing deposits in banks in Hong Kong.

EVENTS AFTER THE REPORTING PERIOD

After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and operating results of the Group. Given the dynamic nature of the COVID-19 outbreak, it is not practicable to provide a reasonable estimate of its impact on the Group's financial position, cash flows and operating results at the date on which these financial statements are authorised for issue.

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. The principal terms of the Share Option Scheme were summarised in the section headed "Share Option Scheme" in Appendix V to the Prospectus. No option has been granted up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed in maintaining 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 CG Code has been applicable to the Company with effect from the Listing Date and was not applicable to the Company during the period from 1 January 2019 to 15 July 2019.

The Board is of the view that the Company has complied with all the applicable code provisions of the CG Code since the Listing Date up till 31 December 2019.

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. As the Shares were listed on the Stock Exchange on the Listing Date, the Model Code was not applicable to the Company during the period from 1 January 2019 to 15 July 2019.

All Directors have confirmed, following specific enquiry by the Company that they have complied with the Model Code throughout the period from the Listing Date to the date of this announcement.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK$0.02 per ordinary share for the year ended 31 December 2019. This proposed final dividend is subject to the approval of the Shareholders at the forthcoming annual general meeting (the "**AGM**") to be held on Friday, 22 May 2020, and will be paid on or about Monday, 22 June 2020 to those Shareholders whose names appear on the Company's register of members on Monday, 1 June 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 19 May 2020 to Friday, 22 May 2020, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the forthcoming AGM. 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 share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 18 May 2020.

The register of members of the Company will be closed from Thursday, 28 May 2020 to Monday, 1 June 2020, both days inclusive, for the purpose of ascertaining shareholders' entitlement of the proposed final dividend. In order to be qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 27 May 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2019, 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 2019 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. Lee Wai Ming, 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 2019, 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, 23 March 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.