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KELFRED HOLDINGS LIMITED

恒發光學控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1134)

DISCLOSEABLE TRANSACTION LEASE AGREEMENT

LEASE AGREEMENT

The Board announces that on 14 February 2023 (after trading hours), Huaqing Glasses, an indirect wholly-owned subsidiary of the Company (as lessee) entered into the Lease Agreement with the Lessor in respect of the Lease for a term of five (5) years commencing from 1 March 2023 to 29 February 2028 for use as production facilities and dormitory of the Group.

LISTING RULES IMPLICATIONS

Pursuant to HKFRS 16, as a result of the entering into the Lease Agreement, the Group will recognise right-of-use asset in its consolidated financial statements in connection with the Lease. As such, the Lease will be regarded as acquisition of assets by the Group under the definition of transaction set out in Rule 14.04(1)(a) of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) calculated based on the value of the right-of-use asset to be recognised by the Company in connection with the Lease Agreement according to HKFRS 16 “Leases” are more than 5% but all are less than 25%, the transaction contemplated under the Lease Agreement constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements, but is exempt from shareholders’ approval requirement under Chapter 14 of the Listing Rules.

The Board announces that on 14 February 2023 (after trading hours), Huaqing Glasses, an indirect wholly-owned subsidiary of the Company (as lessee) entered into the Lease Agreement with the Lessor in respect of the Lease for a term of five (5) years commencing from 1 March 2023 to 29 February 2028 for use as production facilities and dormitory of the Group.

LEASE AGREEMENT

The principal terms of the Lease Agreement are set out below:

- Date** : 14 February 2023 (after trading hours)
- Parties** : (i) Huaqing Glasses, as lessee
- (ii) Shenzhen Longgang Industrial Investment Services Group Co., Ltd.* (深圳市龍崗區產業投資服務集團有限公司), as the Lessor

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Lessor and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

- The Premises** : Floors 1 to 5, Block C08 and floors 2 to 6, Block D14 of Dayun AI Town, Longgang, Shenzhen (深圳市龍崗區信義路大運AI小鎮), with a total floor area of 9,685.06 square metres
- Term** : Five (5) years commencing from 1 March 2023 to 29 February 2028
- Usage** : For production facilities and dormitory of the Group
- Rental Deposit** : Huaqing Glasses shall pay the Lessor a refundable rental deposit of approximately RMB0.7 million within seven (7) days after the date of the Lease Agreement.
- Rent** : Huaqing Glasses is entitled to a rent-free period of six (6) months from 1 March 2023 to 31 August 2023.

The total rent payable under the Lease Agreement is approximately RMB15.9 million (exclusive of management fee, utilities, other charges and outgoings).

The rent will be financed by the internal resources of the Group.

The rent was negotiated between Huaqing Glasses and the Lessor after arm's length negotiations and with reference to the prevailing market rental of comparable properties in the vicinity of the Premises.

Payment term : Huaqing Glasses shall pay the first monthly rent within seven (7) days after the date of the Lease Agreement.

The rent shall be payable monthly on or before the tenth (10th) day of each calendar month.

Early termination : If any party intends to terminate the Lease Agreement before the expiry of the term of the Lease, such party shall serve a three (3) months' prior notice to the other party.

Renewal : If Huaqing Glasses intends to renew the Lease upon the expiry of the term under the Lease Agreement, Huaqing Glasses shall give three (3) months' prior written notice to the Lessor. The parties may by mutual consent sign a new lease agreement in respect of the Premises. Huaqing Glasses shall enjoy a pre-emptive right for renewal of the Lease at the same terms and conditions.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LEASE AGREEMENT

The Group is principally engaged in manufacturing and sales in eyewear products.

The Premises has total floor area of approximately 9,685.06 square metres and will be used by the Group as production facilities and dormitory of the Group. The area is surrounded by mature high-end eyewear supply chains partners. This will benefit the Group to fulfil the requirement of high end eyewear market in the world.

The Premises renders a larger production capacity and develops more advance and automated production lines and such would be favourable for the Group's operation needs and facilitate the future development and growth of the businesses of the Group.

The Directors (include the independent non-executive Directors) consider that the terms of the Lease Agreement are on normal commercial terms and entered into in the ordinary and usual course of business of the Group, and the Lease is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE PARTIES

Information of the Company

The Company is a company incorporated under the laws of the Cayman Islands with limited liability and is principally engaged in investment holding. The Group is principally engaged in manufacturing and sales in eyewear products.

Information of Huaqing Glasses

Huaqing Glasses a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in manufacturing of eyewear products.

Information of the Lessor

The Lessor is a company established in the PRC with limited liability. It is principally engaged in real estate development and management and property leasing. As at the date of this announcement and according to the public search records, the Lessor is wholly-owned by the People's Government of Longgang District, Shenzhen* (深圳市龍崗區人民政府).

RIGHT-OF-USE ASSET

Pursuant to HKFRS 16 "Leases", the Group will recognise a right-of-use asset in respect of the Lease upon commencement of the lease term. The value of the right-of-use asset to be recognised by the Company in connection with the Lease Agreement is estimated to be approximately HK\$16.6 million, which is the present value of aggregated lease payments less incentives (if any) and plus initial direct costs with the lease in accordance with HKFRS 16 "Leases". The above estimated value of the right-of-use asset is subject to audit to be conducted by an independent auditor engaged by the Company and may be subject to adjustment in the future.

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DEFINITION

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Board”	the board of Directors
“Company”	Kelfred Holdings Limited (恒發光學控股有限公司) (Stock Code: 1134), an exempted company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Huaqing Glasses”	Huaqing Glasses (Shenzhen) Co., Ltd.* (華清眼鏡 (深圳) 有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Lease”	the lease in connection with the Premises pursuant to the terms and conditions of the Lease Agreement
“Lease Agreement”	the lease agreement dated 14 February 2023 entered into between Huaqing Glasses (as lessee) and the Lessor in relation to the Lease, as amended and supplemented from time to time
“Lessor”	Shenzhen Longgang Industrial Investment Services Group Co., Ltd.* (深圳市龍崗區產業投資服務集團有限公司), a company established in the PRC with limited liability

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement
“Premises”	Floors 1 to 5, Block C08 and floors 2 to 6, Block D14 of Dayun AI Town, Longgang, Shenzhen (深圳市龍崗區信義路大運AI小鎮), with a total floor area of 9,685.06 square metres
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) of the Company with nominal value of HK\$0.01 each
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By Order of the Board
Kelfred Holdings Limited
Kwok Kwan Fai
Chairman and Executive Director

Hong Kong, 14 February 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.

* *For identification purpose only*