

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 2024**

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 2024, together with comparative figures for the year ended 31 December 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	<i>Notes</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue	3	453,581	393,284
Cost of sales		<u>(408,916)</u>	<u>(336,305)</u>
Gross profit		44,665	56,979
Interest revenue		17	25
Other incomes, gains and losses	4	12,801	24,102
(Impairment losses)/reversal of impairment losses of trade receivables, net		(113)	110
Selling and distribution expenses		(14,839)	(17,115)
Administrative and other operating expenses		<u>(61,988)</u>	<u>(60,245)</u>
(Loss)/profit from operations		(19,457)	3,856
Finance costs		(1,980)	(1,678)
Gain on disposal of associates		–	–*
Share of losses of associates		–	–*
(Loss)/profit before tax		(21,437)	2,178
Income tax expense	5	<u>(195)</u>	<u>(790)</u>
(Loss)/profit for the year attributable to owners of the Company	6	<u>(21,632)</u>	<u>1,388</u>

	<i>Note</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Other comprehensive loss after tax:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		(5,125)	(4,769)
Share of associates' exchange differences on translating foreign operations		–	–*
Exchange differences reclassified to profit or loss on disposal of associates		–	–*
		<hr/>	<hr/>
Other comprehensive loss for the year, net of tax		(5,125)	(4,769)
		<hr/>	<hr/>
Total comprehensive loss for the year attributable to owners of the Company		(26,757)	(3,381)
		<hr/> <hr/>	<hr/> <hr/>
(Loss)/earnings per share	8		
– Basic and diluted (HK cents)		(4.33)	0.28
		<hr/> <hr/>	<hr/> <hr/>

* Represent amount less than HK\$1,000.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	<i>Notes</i>	2024 HK\$'000	2023 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		30,629	34,650
Right-of-use assets		11,801	14,951
Deposits paid for property, plant and equipment		721	1,228
Deferred tax assets		599	507
		43,750	51,336
Current assets			
Inventories		85,807	74,764
Trade receivables	9	116,775	109,067
Prepayments, deposits and other receivables		8,147	8,503
Current tax assets		636	–
Bank and cash balances		27,813	20,334
		239,178	212,668
Current liabilities			
Trade payables	10	91,173	44,175
Other payables and accruals		21,546	19,618
Contract liabilities		1,214	1,309
Lease liabilities		3,376	2,747
Current tax liabilities		–	294
		117,309	68,143
Net current assets		121,869	144,525
Total assets less current liabilities		165,619	195,861

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	<i>Note</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Non-current liabilities			
Lease liabilities		9,185	12,472
Deferred tax liabilities		<u>–</u>	<u>198</u>
		9,185	12,670
NET ASSETS			
		<u>156,434</u>	<u>183,191</u>
Capital and reserves			
Share capital	<i>11</i>	5,000	5,000
Reserves		<u>151,434</u>	<u>178,191</u>
TOTAL EQUITY			
		<u>156,434</u>	<u>183,191</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2024. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable from sales of eyewear products. An analysis of the Group's revenue is as follow:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Sales of eyewear products	<u>453,581</u>	<u>393,284</u>

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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Italy	175,833	138,222
United Kingdom	124,391	103,622
Hong Kong	108,417	81,051
Netherlands	12	21,213
United States	19,245	17,144
France	4,970	8,008
Japan	4,893	7,444
Australia	7,705	7,162
Others	8,115	9,418
	<u>453,581</u>	<u>393,284</u>

An analysis of the Group's non-current assets (excluding deposits paid and deferred tax assets) by their physical geographical location is as follows:

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	2,580	3,258
The People's Republic of China ("PRC")	39,850	46,343
	42,430	49,601

Timing of revenue recognition

All timing of revenue recognition is recognised at a point in time during the years ended 31 December 2023 and 2024.

Information about major customers

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

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	124,987	102,432
Customer B	40,808*	50,763
Customer C	64,509	45,541
Customer D	57,704	41,700

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

Sales of eyewear products

The Group manufactures and sells eyewear products to the customers. Revenue from the sales of eyewear products is recognised at a point in time when control of the goods has transferred to customer upon delivery of eyewear products.

4. OTHER INCOMES, GAINS AND LOSSES

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Income from sales of scrap and rework services	229	535
Material costs charged to customers	2,517	1,120
Government grants*	3,018	3,230
Product services fee income	1,316	1,163
Product design fee income	251	59
Sample and mould income	395	634
Demolition compensation income [#]	–	10,932
Net foreign exchange gains	4,025	6,213
Net gain/(loss) on disposals of property, plant and equipment	219	(323)
Sundry income	831	539
	<u>12,801</u>	<u>24,102</u>

* Government grants mainly relate to various subsidies supported from the government in the PRC.

[#] It represents an one-off financial compensation received by Huaqing Glasses (Shenzhen) Company Limited (“**Shenzhen Huaqing**”) whose leased factory premises are being demolished.

5. INCOME TAX EXPENSE

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current tax — Hong Kong Profits Tax		
– Provision for the year	–	37
– Over-provision in prior years	<u>(37)</u>	<u>–</u>
	<u>(37)</u>	<u>37</u>
Current tax — PRC Enterprise Income Tax (“ PRC EIT ”)		
– Provision for the year	298	1,427
– Under/(over)-provision in prior years	<u>244</u>	<u>(165)</u>
	<u>542</u>	<u>1,262</u>
Deferred tax	<u>(310)</u>	<u>(509)</u>
	<u>195</u>	<u>790</u>

Under the two-tiered Profits Tax rates 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 rates 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.

Yingtan Euro-Asia Enterprise Limited (“**Yingtan Euro-Asia**”) was qualified as a Small and Low-profit Enterprise for the years ended 31 December 2023 and 2024 and was subject to income tax at a preferential tax rate of 20%. Besides, pursuant to Caishui [2023] No. 6, Yingtan Euro-Asia was also entitled to a further deduction of 25% of the tax income for the years ended 31 December 2023 and 2024.

Pursuant to Caishui [2023] No. 7, Jiangxi Huaqing Glasses Co., Limited (“**Jiangxi Huaqing**”)’s research and development activities are entitled to claim 200% (2023: 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 2023 and 2024.

Shenzhen Huaqing was qualified as a High and New Technology Enterprise and was subject to income tax at a preferential tax rate of 15% for the years ended 31 December 2023 and 2024. Besides, Shenzhen Huaqing’s research and development activities are entitled to claim 200% (2023: 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 2023 and 2024.

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.

The reconciliation between the income tax expense and the product of (loss)/profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2024	2023
	HK\$’000	HK\$’000
(Loss)/profit before taxation	(21,437)	2,178
Tax at Hong Kong Profits Tax rates of 16.5% (2023: 16.5%)	(3,537)	359
Tax effect of income that is not taxable	(42)	(56)
Tax effect of expenses that are not deductible	539	614
Tax effect of tax incentives for research and development expenses	(1,978)	(1,662)
Tax effect of temporary differences not recognised	(146)	457
Tax effect of utilisation of tax losses not previously recognised	(139)	(103)
Tax effect of tax losses not recognised	4,579	896
Tax concession	–	(26)
Tax effect of two-tiered profits tax rates regime	–	(37)
Over-provision in current year	–	28
Under/(over)-provision in prior years	207	(165)
Effect of different tax rates of subsidiaries	712	485
Income tax expense	195	790

6. (LOSS)/PROFIT FOR THE YEAR

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Auditor's remuneration		
Audit services	790	840
Non-audit services	—	10
	<u>790</u>	<u>850</u>
Cost of inventories sold*	405,583	331,349
Allowance for inventories, net (included in cost of sales)	3,333	4,956
Impairment losses/(reversal of impairment losses) for trade receivables, net	113	(110)
Amounts due from former associates written off	—	64
Depreciation of property, plant and equipment	8,538	6,643
Depreciation of right-of-use assets	3,624	3,745
Net foreign exchange gains	(4,025)	(6,213)
Net (gain)/loss on disposals of property, plant and equipment	(219)	323
Staff costs including directors' emoluments		
Salaries and allowances	111,696	105,323
Discretionary bonus	1,447	1,698
Retirement benefit schemes contributions	11,909	13,185
Other employee benefit expenses	4,203	2,912
Total staff costs	<u>129,255</u>	<u>123,118</u>
Short-term lease charges	<u>647</u>	<u>780</u>

* Cost of inventories sold includes staff costs and depreciation of approximately HK\$89,691,000 (2023: HK\$83,672,000) which are included in the amounts disclosed separately above.

7. DIVIDENDS

No dividend was proposed for the years ended 31 December 2024 and 2023.

8. (LOSS)/EARNINGS PER SHARE

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

(Loss)/earnings

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
(Loss)/earnings for the purpose of calculating basic and diluted (loss)/earnings per share	<u>(21,632)</u>	<u>1,388</u>

Number of shares

	2024 '000	2023 '000
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss)/earnings per share	<u>500,000</u>	<u>500,000</u>

9. TRADE RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables	117,374	109,558
Less: impairment losses	<u>(599)</u>	<u>(491)</u>
	<u>116,775</u>	<u>109,067</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 2024, trade receivables factored to the banks aggregated to HK\$39,377,000 (2023: HK\$54,276,000) 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 aging analysis of trade receivables, based on the date of relevant invoice (delivery date), and net of impairment loss, is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0–60 days	77,263	68,312
61–120 days	32,268	31,752
121–180 days	1,739	5,340
Over 180 days	5,505	3,663
	<u>116,775</u>	<u>109,067</u>

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
HKD	1,888	811
EUR	3,578	2,168
RMB	16,666	21,334
USD	94,643	84,754
	<u>116,775</u>	<u>109,067</u>

10. TRADE PAYABLES

The credit period granted to the Group by suppliers is 30 to 90 days. The following is an aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0–60 days	63,283	39,485
61–90 days	15,579	3,007
91–180 days	11,480	1,352
Over 180 days	831	331
	91,173	44,175

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
HKD	70	107
USD	105	273
RMB	90,269	43,216
EUR	729	579
	91,173	44,175

11. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	<u>500,000,000</u>	<u>5,000</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 2024 was 8.0% (2023: 8.3%). 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 2024.

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 2024, 45.8% of the shares were in public hands.

12. CAPITAL COMMITMENTS

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Property, plant and equipment	<u>1,033</u>	<u>312</u>

13. EVENT AFTER THE REPORTING PERIOD

On 8 January 2025 and 10 January 2025, the Group obtained new bank loans of RMB10,000,000 and RMB4,950,000 which are repayable on 25 November 2025 and 25 November 2027 respectively. These borrowings are secured by certain leasehold land and buildings of the Group with a carrying value of HK\$10,445,000 as at 31 December 2024 and guaranteed by the corporate guarantee of a PRC subsidiary. The bank loans were used to provide the working capital of the Group.

On 8 January 2025, the Group also obtained a new bank loan of RMB9,000,000 which is repayable on 8 July 2025. This borrowing is guaranteed by the corporate guarantees of two PRC subsidiaries. The bank loan was used to provide the working capital of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

For the year ended 31 December 2024, the Group recorded a revenue of approximately HK\$453.6 million, representing an increase of approximately 15.3% as compared to the year ended 31 December 2023, generated from sales of 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.

In 2024, the Group encountered significant challenges in the European market. The economic pressures in Europe had shifted from high inflationary pressures to low economic growth. Such challenges and pressures resulted in 21.6% decrease in the Group’s gross profit and a turnaround from net profit to net loss.

Looking ahead to 2025, the Group anticipates conservatively a sluggish economic growth in Europe. Uncertainties related to global trade frictions, macroeconomic fragmentation, geopolitical tensions and fiscal policy continue to cast a shadow of uncertainty over the market. However, the Group is committed to overcoming these obstacles and positioning ourselves for a gradual recovery in 2025.

Moving forward, the Group remains vigilant in monitoring market trends, consumer behavior and regulatory developments. The Group will adapt the business strategies accordingly to seize emerging opportunities and mitigate potential risks. The Group recognizes the importance of sustainability and will continue to integrate this principle into the business practices. Besides, the Group will continue to implement cost saving measures, streamline our operations and optimize our supply chain to improve our financial performance.

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 2024, the Group's revenue increased to approximately HK\$453.6 million by approximately HK\$60.3 million or 15.3% as compared to approximately HK\$393.3 million for the year ended 31 December 2023. The increase was mainly attributable to the overall increase in the exported sales volume of spectacle frames and sunglasses, driven by higher sales orders, offset by the decline in average selling price of eyewear products.

Cost of sales

The cost of sales of the Group increased by approximately HK\$72.6 million or 21.6%, from approximately HK\$336.3 million for the year ended 31 December 2023 to approximately HK\$408.9 million for the year ended 31 December 2024. Such increase was basically in line with the increase in sales volume.

Gross profit and gross profit margin

Gross profit reduced to approximately HK\$44.7 million for the year ended 31 December 2024, by approximately HK\$12.3 million, or 21.6%, from approximately HK\$57.0 million for the year ended 31 December 2023. The overall gross profit margin weakened from approximately 14.5% for the year ended 31 December 2023 to 9.8% for the year ended 31 December 2024. The significant decrease in gross profit and gross profit margin was primarily attributable to the decline in average selling price of eyewear products resulting from competitive market condition during the year ended 31 December 2024.

Other incomes, gains and losses

Other incomes, gains and losses decreased by approximately HK\$11.3 million from approximately HK\$24.1 million for the year ended 31 December 2023 to approximately HK\$12.8 million for the year ended 31 December 2024. The decrease was mainly attributable to no demolition compensation received by a subsidiary of the Group in the PRC during the year ended 31 December 2024 while approximately HK\$10.9 million was available in the previous year and decrease in exchange gains resulting from a more gentle depreciation of Renminbi (“RMB”) against Hong Kong dollars (“HKD”) during the year ended 31 December 2024.

(Impairment loss)/reversal of impairment losses of trade receivables, net

The Group has recorded an impairment loss for trade receivables of approximately HK\$0.1 million for the year ended 31 December 2024, based on the expected credit loss as at 31 December 2024 calculated using simplified approach, by reference to the expected credit loss rates which took into account the historical credit loss experience, current economic conditions and forward-looking information. The Group recognised reversal of impairment loss for the year ended 31 December 2023 of approximately HK\$0.1 million.

Selling and distribution expenses

Selling and distribution expenses decreased from approximately HK\$17.1 million for the year ended 31 December 2023 to approximately HK\$14.8 million for the year ended 31 December 2024, by approximately HK\$2.3 million or 13.5%. Such decrease was primarily attributable to the decrease in advertising and promotion expenses of approximately HK\$2.2 million.

Administrative and other operating expenses

Administrative and other operating expenses increased by approximately HK\$1.8 million or 3.0%, from approximately HK\$60.2 million for the year ended 31 December 2023 to approximately HK\$62.0 million for the year ended 31 December 2024, mainly due to the increase in staff costs of approximately HK\$2.0 million.

Finance costs

The Group’s finance costs increased by approximately HK\$0.3 million or 17.6%, to approximately HK\$2.0 million for the year ended 31 December 2024 as compared to approximately HK\$1.7 million for the year ended 31 December 2023. The increase was mainly due to interest on bank borrowings in order to enhance the liquidity of the Group as a whole.

Income tax expense

The Group's income tax expense decreased from approximately HK\$0.8 million for the year ended 31 December 2023 to approximately HK\$0.2 million for the year ended 31 December 2024, mainly due to the decrease in assessable profits of certain entities within the Group.

(Loss)/profit for the year

As a result of the foregoing, there was a turnaround from the profit of the Group of approximately HK\$1.4 million to a loss of approximately HK\$21.6 million for the year ended 31 December 2024, mainly due to lower profit margin of the sale of eyewear products, no demolition compensation income received during the year ended 31 December 2024 and decrease in exchange gains.

FINANCIAL POSITION

As at 31 December 2024, the Group's total assets amounted to approximately HK\$282.9 million (2023: HK\$264.0 million) with net assets amounting to approximately HK\$156.4 million (2023: HK\$183.2 million). As at 31 December 2024, gearing ratio (total debts divided by the total equity) of the Group was approximately 8.0% (2023: 8.3%). 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 2024 and 2023. As at 31 December 2024, current ratio of the Group was approximately 2.0 times, representing a decrease of approximately 35.5% as compared to that of approximately 3.1 times as at the end of 2023. As at 31 December 2024, quick ratio of the Group was approximately 1.3 times, representing a decrease of approximately 35.0% as compared to that of approximately 2.0 times as at the end of 2023.

During the year ended 31 December 2024, the net assets and all of the above financial ratios declined, mainly due to the Group's operating loss.

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 at 31 December 2024, the Group had bank and cash balances of approximately HK\$27.8 million, an increase of approximately HK\$7.5 million as compared to approximately HK\$20.3 million as at 31 December 2023, mainly attributable to the net cash generated from operating activities, offset by the purchase of property, plant and equipment and lease payments.

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 2024, the Group's indebtedness comprised lease liabilities of approximately HK\$12.6 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 2024 is as follows:

	Lease liabilities <i>HK\$'000</i>
Within one year	3,376
More than one year, but not exceeding two years	3,993
More than two years, but not more than five years	5,192
	<hr/>
	12,561
	<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, EUR 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 2024 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 2024, the Group did not have any pledge of assets.

CAPITAL COMMITMENT

As at 31 December 2024, the Group had capital commitments of approximately HK\$1.0 million (2023: HK\$0.3 million) relating to property, plant and equipment which are contracted but not provided for.

CONTINGENT LIABILITIES

As at 31 December 2024, 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 2024, the Group had a total of 1,025 employees of which 1,008 were in the PRC and 17 were in Hong Kong. Share options may also be granted to eligible employees as incentivization for the long-term growth and development of the Group. 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 2024 and 2023 were approximately HK\$129.3 million and HK\$123.1 million, respectively.

SIGNIFICANT INVESTMENTS HELD

The Group had not held any significant investments during the year ended 31 December 2024.

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 2024.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have other plan for material investments or acquisition of material capital assets as at 31 December 2024.

EVENTS AFTER THE REPORTING PERIOD

On 8 January 2025 and 10 January 2025, the Group obtained new bank loans of RMB10,000,000 and RMB4,950,000 which are repayable on 25 November 2025 and 25 November 2027 respectively. These borrowings are secured by certain leasehold land and buildings of the Group with a carrying value of HK\$10,445,000 as at 31 December 2024 and guaranteed by the corporate guarantee of a PRC subsidiary. The bank loans were used to provide the working capital of the Group.

On 8 January 2025, the Group also obtained a new bank loan of RMB9,000,000 which is repayable on 8 July 2025. This borrowing is guaranteed by the corporate guarantees of two PRC subsidiaries. The bank loan was used to provide the working capital of the Group.

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 C1 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 2024.

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 C3 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 2024.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2024 (2023: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 23 May 2025 to Thursday, 29 May 2025, both days inclusive, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the forthcoming annual general meeting ("AGM") to be held on Thursday, 29 May 2025. 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 Thursday, 22 May 2025.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2024, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares).

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in this preliminary announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by ZHONGHUI ANDA CPA Limited on this preliminary announcement.

AUDIT COMMITTEE

The Company established an audit committee (the “**Audit Committee**”), comprising three independent non-executive directors of the Company, namely Mr. Chu Kin Ming, Mr. Hong Sze Lung and Mr. Leung Ka Tin. 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 2024, 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, 27 March 2025

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. Chu Kin Ming, Mr. Hong Sze Lung and Mr. Leung Ka Tin.