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中國恒泰
CHINA APEX

China Apex Group Limited
中國恒泰集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2011)

**CONNECTED TRANSACTION
IN RELATION TO
PURCHASE OF EQUIPMENT**

THE EQUIPMENT PURCHASE AGREEMENT

The Board is pleased to announce that on 1 December 2020 (after trading hours), KEE Guangdong Jingmen Branch, an indirect non-wholly owned subsidiary of the Company, as purchaser entered into the Equipment Purchase Agreement with KEE Jingmen as vendor, pursuant to which KEE Jingmen agreed to sell and KEE Guangdong Jingmen Branch agreed to purchase the Equipment at the consideration of RMB6,717,563.50 (among which RMB772,817.04 is the value added tax) (equivalent to approximately HK\$7,913,289.80).

LISTING RULES IMPLICATIONS

As at the date of this announcement, KEE Jingmen is indirectly owned as to 50% by Mr. Xu Xipeng and as to 50% by Mr. Xu Xinan. Given that (i) Mr. Xu Xipeng and Mr. Xu Xinan are interested in 15% equity interest in KEE International BVI through Keen New; and (ii) each of Mr. Xu Xipeng and Mr. Xu Xinan is director of certain subsidiaries of the Company, each of Mr. Xu Xipeng and Mr. Xu Xinan is a connected person of the Company at subsidiary level under Chapter 14A of the Listing Rules. As KEE Jingmen is an associate of each of Mr. Xu Xipeng and Mr. Xu Xinan, the transaction contemplated under the Equipment Purchase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Given that (i) KEE Jingmen is a connected person at the subsidiary level; (ii) the Directors have approved the Equipment Purchase Agreement; and (iii) the independent non-executive Directors have confirmed that the terms of the Equipment Purchase Agreement are fair and reasonable and the transaction contemplated under the Equipment Purchase Agreement is on normal commercial terms and in the interests of the Company and its shareholders as a whole, the transaction contemplated under the Equipment Purchase Agreement is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

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The principal terms of the Equipment Purchase Agreement are set out below.

Date : 1 December 2020

Parties : KEE Guangdong Jingmen Branch as purchaser; and
KEE Jingmen as vendor

KEE Jingmen is a company established in the PRC with limited liability. Based on the information provided by KEE Jingmen, KEE Jingmen is expected to be principally engaged in the business of manufacturing and sales of the ancillary products for zippers, clothing, hats and shoes, components and moulds for zippers, electroplating products, and packaging materials, which is not yet commenced as at the date of this announcement.

Subject matter

Pursuant to the Equipment Purchase Agreement, KEE Jingmen agreed to sell and KEE Guangdong Jingmen Branch agreed to purchase the Equipment.

The Equipment has not been used by KEE Jingmen. Some of the Equipment have been tried and tested by KEE Guangdong Jingmen Branch. The original acquisition cost of KEE Jingmen for the Equipment is in the amount of RMB6,869,419.06 (among which RMB892,086.39 is the value added tax). As at 30 November 2020, the book value of the Equipment was in the amount of RMB5,944,746.46 which did not include the value added tax.

Consideration

The Consideration for the sale and purchase of the Equipment is in the sum of RMB6,717,563.50 (among which RMB772,817.04 is the value added tax) (equivalent to approximately HK\$7,913,289.80) and shall be satisfied in the following manner:

- (a) as to RMB2,015,269.05 shall be paid by KEE Guangdong Jingmen Branch to KEE Jingmen upon the signing of the Equipment Purchase Agreement; and
- (b) as to the remaining balance of RMB4,702,294.45 shall be paid by KEE Guangdong Jingmen Branch to KEE Jingmen within one month after (i) the Equipment is accepted by KEE Guangdong Jingmen Branch; and (ii) the receipt by KEE Guangdong Jingmen Branch of the value added tax invoice issued by KEE Jingmen.

The Consideration was determined after arm's length negotiation between KEE Guangdong Jingmen Branch and KEE Jingmen with reference to the acquisition cost of KEE Jingmen for the Equipment and the amount of the value added tax applicable, and the quotations obtained from Independent Third Parties for comparable major equipment.

The Company has reviewed the acquisition cost of KEE Jingmen for the Equipment and the quotations obtained from Independent Third Parties for comparable major equipment to ensure that the Consideration is fair and reasonable.

Delivery

Pursuant to the Equipment Purchase Agreement, KEE Jingmen shall deliver the Equipment to KEE Guangdong Jingmen Branch within three (3) days from the date of the Equipment Purchase Agreement and KEE Guangdong Jingmen Branch shall inspect and accept the Equipment within one month from the date of delivery. In the event that KEE Guangdong Jingmen Branch is not satisfied with the quality of the Equipment, KEE Guangdong Jingmen Branch is entitled not to accept the Equipment and terminate the Equipment Purchase Agreement. In such event, KEE Jingmen shall return all the amount paid by KEE Guangdong Jingmen Branch and compensate KEE Guangdong Jingmen Branch for all direct and indirect loss.

Warranty

KEE Jingmen shall provide a warranty period of twelve month commencing from the date on which the Equipment is accepted by KEE Guangdong Jingmen Branch.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE EQUIPMENT PURCHASE AGREEMENT

The Group is principally engaged in manufacturing finished zippers in the PRC. The Group's customers for zippers business are principally OEMs who manufacture apparel products for (i) some apparel brands in the PRC; and (ii) some well-known international apparel brands.

Given that certain existing colour dyeing equipment of the Group have been used for over ten years, their production efficiency, energy consumption and consistency in product quality are not comparable to the new generation of the equipment. In the circumstances, the Group intends to upgrade part of the equipment used in its colour dyeing process in order to improve its production capacity, overall production lead time, and product quality in order to meet the demand of its customers. Through incorporating the Equipment into the colour dyeing process of the Group, the Group could further improve its competitiveness in the market.

Having taken into account the above reasons and benefits, the Directors (including the independent non-executive Directors) consider that the Equipment Purchase Agreement is entered into on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole, and the terms of the Equipment Purchase Agreement are fair and reasonable.

As none of the Directors has a material interest in the Equipment Purchase Agreement and the transaction contemplated thereunder, no Director is required to abstain from voting on the relevant Board resolution(s) to approve the Equipment Purchase Agreement and the transaction contemplated thereunder.

LISTING RULES IMPLICATIONS

As at the date of this announcement, KEE Jingmen is indirectly owned as to 50% by Mr. Xu Xipeng and as to 50% by Mr. Xu Xinan. Given that (i) Mr. Xu Xipeng and Mr. Xu Xinan are interested in 15% equity interest in KEE International BVI through Keen New; and (ii) each of Mr. Xu Xipeng and Mr. Xu Xinan is director of certain subsidiaries of the Company, each of Mr. Xu Xipeng and Mr. Xu Xinan is a connected person of the Company at subsidiary level under Chapter 14A of the Listing Rules. As KEE Jingmen is an associate of each of Mr. Xu Xipeng and Mr. Xu Xinan, KEE Jingmen is also a connected person of the Company and the transaction contemplated under the Equipment Purchase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Given that (i) KEE Jingmen is a connected person at the subsidiary level; (ii) the Directors have approved the Equipment Purchase Agreement; and (iii) the independent non-executive Directors have confirmed that the terms of the Equipment Purchase Agreement are fair and reasonable and the transaction contemplated under the Equipment Purchase Agreement is on normal commercial terms and in the interests of the Company and its shareholders as a whole, the transaction contemplated under the Equipment Purchase Agreement is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Company”	China Apex Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2011)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the consideration for the purchase of the Equipment in the amount of RMB6,717,563.50 (among which RMB772,817.04 is the value added tax) (equivalent to approximately HK\$7,913,289.80)
“Director(s)”	the director(s) of the Company
“Equipment”	the equipment to be purchased by KEE Guangdong Jingmen Branch under the Equipment Purchase Agreement, including but not limited to dyeing machine, winder, automated steam boiler, Datacolor 800 Horizontal Spectrophotometer, Datacolor AUTOLAB TF Laboratory Dispenser, and water softening apparatus
“Equipment Purchase Agreement”	the equipment purchase agreement dated 1 December 2020 and entered into between KEE Guangdong Jingmen Branch as purchaser and KEE Jingmen as vendor in relation to the sale and purchase of the Equipment
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a person(s) or company(ies) who or which is/are independent of and not connected with the Company and its connected persons

“KEE Guangdong”	開易(廣東)服裝配件有限公司 (KEE (Guangdong) Garment Accessories Limited*), an indirect non-wholly owned subsidiary of the Company
“KEE Guangdong Jingmen Branch”	開易(廣東)服裝配件有限公司荊門分公司 (KEE (Guangdong) Garment Accessories Limited Jingmen Branch*), the branch company set up by KEE Guangdong in Jingmen, the PRC
“KEE International BVI”	KEE International (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and the issued shares of which is owned as to 85% by the Company and as to 15% by Keen New
“KEE Jingmen”	開易(荊門)服裝配件有限公司 (KEE (Jingmen) Garment Accessories Limited*), a company established in the PRC and the equity interest of which is indirectly owned as to 50% by Mr. Xu Xipeng and as to 50% by Mr. Xu Xinan
“Keen New”	Keen New Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is owned as to 50% by Mr. Xu Xipeng and as to 50% by Mr. Xu Xinan
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Xu Xinan”	許錫南 (Xu Xinan*)
“Mr. Xu Xipeng”	許錫鵬 (Xu Xipeng*)
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

per cent.

By Order of the Board
China Apex Group Limited
Zhuang Weidong
Chairman

Hong Kong, 1 December 2020

In this announcement, amounts in RMB are converted into HK\$ on the basis of RMB1 = HK\$1.1780. The conversion rate above is for illustration purpose only and should not be taken as a representation that the above currencies could actually be converted at such rate or at all.

* *the English translation of Chinese names or words in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

As at the date of this announcement, the executive directors of the Company are Mr. Zhuang Weidong, Mr. Qiu Chuanzhi, Mr. Wu David Hang and Mr. Mak Yung Pan Andrew; the non-executive director of the Company is Ms. Lin Ping; and the independent non-executive directors of the Company are Mr. Leung Ka Tin, Mr. Cheng Hong Kei and Mr. Liew Fui Kiang.