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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)

EXEMPTED CONNECTED TRANSACTION LEASE AGREEMENT

LEASE AGREEMENT

On 27 August 2021 (after trading hours of the Stock Exchange), KEE Jingmen as lessor and KEE Guangdong Jingmen Branch as lessee, entered into the Lease Agreement in relation to the lease of the PRC Property for a term of two years from 1 September 2021 to 31 August 2023.

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 at subsidiary level under Chapter 14A of the Listing Rules.

In accordance with HKFRS 16 applicable to the Company, as a result of the entering into the Lease Agreement, the Group shall recognise an additional asset representing its right to use the PRC Property in the total amount of approximately HK\$8.58 million. As such, the transactions under the Lease Agreement will be recognised as an acquisition of right-of-use assets which will constitute a one-off connected transaction of the Company under Chapter 14A of the Listing Rules.

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

None of the Directors has material interest in the Lease Agreement and the transactions contemplated thereunder and hence no Director is required to abstain from voting on the relevant resolutions of the Board approving the same.

RENEWAL OF LEASE AGREEMENT

Reference is made to the announcement of the Company dated 24 August 2018 in relation to, among other matters, the lease of part of the PRC Property for three years commenced on 1 September 2018 and ending on 31 August 2021.

On 27 August 2021 (after trading hours of the Stock Exchange), KEE Jingmen as lessor and KEE Guangdong Jingmen Branch as lessee, entered into the Lease Agreement in relation to the lease of the PRC Property for a term of two years from 1 September 2021 to 31 August 2023.

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

Date:	27 August 2021
Parties	(1) KEE Jingmen, a company indirect owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, as lessor; and (2) KEE Guangdong Jingmen Branch, the branch company set up by KEE Guangdong, an indirect 85%-owned subsidiary of the Company, as lessee
Premises:	the PRC Property
Leased area:	Approximately 33,141.82 sq.m.

Permitted use:	For production and processing of garment accessories such as zipper sliders, fabric tapes and finished zippers only
Term:	two years commencing from 1 September 2021
Monthly rent:	RMB533,000 per calendar month (equivalent to approximately HK\$639,600) (inclusive of value added tax but exclusive of the water, electricity and gas charges, sewage fee, dangerous substance disposal fee, cable television fee, telecommunication fee, cleaning fee, security fee and property management fee which shall be payable by KEE Guangdong Jingmen Branch) payable before the fifteenth day of each month commencing from 1 September 2021 provided that KEE Jingmen shall pay all other applicable tax (including real estate tax and land use tax), environmental impact assessment fee and security evaluation fee in relation to the PRC Property. The amount of the monthly rent was determined by arm's length negotiation between the KEE Jingmen and KEE Guangdong Jingmen Branch based on the estimated market rent of the PRC Property of RMB533,220 per month (equivalent to approximately HK\$639,864) as at 15 July 2021 as determined by an independent valuer.
Deposit:	RMB1,599,000 (equivalent to approximately HK\$1,918,800), representing three months' rent under the Lease Agreement.
Other licensing and facility requirements:	Pursuant to the term of the Lease Agreement, KEE Jingmen shall have the legal and valid qualification for electroplating sewage treatment (including necessary licences like pollutants discharge permit and electroplating processing permit). KEE Jingmen shall arrange for the annual examination procedures with the relevant environmental protection authority.
Renewal:	Upon expiry of the term of the tenancy, KEE Guangdong Jingmen Branch has the priority right to renew the tenancy by giving a 60 days' prior notice in writing to KEE Jingmen before the expiry of the then existing term. The rent for the extended term shall be determined according to the market rent of the PRC Property at that time.

REASONS FOR AND BENEFITS OF THE ENTERING INTO THE LEASE 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.

Having considered the reasons as mentioned below and taking into account the market rent of the PRC Property as determined by the independent valuer, the Board (including the independent non-executive Directors) considers that the terms of the Lease Agreement are fair and reasonable and the transactions contemplated thereunder are on normal commercial terms and are in the interests of the Company and its Shareholders as a whole.

The reasons for entering into the Lease Agreement are as follows:

- (a) the PRC Factory has been used by the Group for performing electroplating works for its zipper and garment accessories products since 1 September 2018;
- (b) the Lease Agreement will allow the Group to continue to use the PRC Property for performing electroplating works for its zipper and garment accessories products and the Board is of the view that this will integrate the production line vertically and enhance the competitiveness of the Group; and
- (c) given the electroplating works for the zippers will be performed in the PRC Property, the Board considers that using the PRC Property for the production of zipper slides, fabric tapes finished zippers etc. will have cost advantage and reduce the production lead time to satisfy the customers' demand for fast delivery time in the long run.

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 at subsidiary level under Chapter 14A of the Listing Rules.

In accordance with HKFRS 16 applicable to the Company, as a result of the entering into the Lease Agreement, the Group shall recognise an additional asset representing its right to use the PRC Property in the total amount of approximately HK\$8.58 million. As such, the transactions under the Lease Agreement will be recognised as an acquisition of right-of-use assets which will constitute a one-off connected transaction of the Company under Chapter 14A of the Listing Rules.

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

None of the Directors has material interest in the Lease Agreement and the transactions contemplated thereunder and hence no Director is required to abstain from voting on the relevant resolutions of the Board approving the same.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“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
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“KEE Guangdong”	開易(廣東)服裝配件有限公司 (KEE (Guangdong) Garment Accessories Limited*), a limited liability company established in the PRC and an indirect 85%-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
“Lease Agreement”	the lease agreement entered into between KEE Jingmen as lessor and KEE Guangdong Jingmen Branch as lessee on 27 August 2021 in relation to the lease of the PRC Property for a term of two years from 1 September 2021 to 31 August 2023
“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 only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“PRC Property”	the buildings on the land located at 中國荊門市龍井大道以東、福耀二路以北土地 (east of Longjing Avenue, Jingmen and north of Fuyao 2nd Road, the PRC*)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of issued Share(s)
“sq.m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

For ease of reference and unless otherwise specified in this announcement, sums in HK\$ and RMB in this announcement have been translated at the rate RMB1.0 = HK\$1.20. This does not mean that HK\$ could be converted into RMB, or vice versa, based on such exchange rate.

The English translation or transliteration of the Chinese name(s) in this announcement, where indicated, is included for information purposes only, and should not be regarded as the official English name(s) of such Chinese name(s).

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

Hong Kong, 27 August 2021

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.