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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)

**DISCLOSEABLE AND
EXEMPTED CONNECTED TRANSACTION
LEASE AGREEMENT**

LEASE AGREEMENT

On 31 May 2022 (after trading hours of the Stock Exchange), KEE Jingmen as lessor and KEE Hubei as lessee entered into the Lease Agreement for the PRC Property Phase II for a term from 1 June 2022 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 right-of-use asset representing its right to use the PRC Property Phase II in the total amount of approximately HK\$8.34 million. As such, the transactions under the Lease Agreement will be recognised as an acquisition of right-of-use assets which will constitute a transaction under Chapter 14 of the Listing Rules and a one-off connected transaction of the Company under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to the Lease Agreement (when aggregated with the transactions under the Phase I Lease Agreement) is more than 5% but less than 25%, the entering into the Lease Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 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 (when aggregated with the transactions under the Phase I 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 have 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.

LEASE AGREEMENT

Reference is made to the announcements of China Apex Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 27 August 2021 in relation to the lease of PRC Property Phase I (as defined herein) for a term of two years from 1 September 2021 to 31 August 2023, and the announcement of the Company dated 29 April 2022 in relation to the novation of the lease agreement of PRC Property Phase I for a lease term from 1 May 2022 to 31 August 2023 and the announcement of the Company dated 30 September 2021 in relation to the potential relocation of the Group's production base in Jiashan, Zhejiang Province, PRC.

Given that the Group's production base in Zhejiang Province is included in the implementation area of the organic renewal project of the economic development zone and in order to maintain the efficiency of the Group's business operations, the Group will gradually relocate its production facilities in Jiashan, Zhejiang Province to Jingmen, Hubei Province.

As such, on 31 May 2022 (after trading hours of the Stock Exchange), KEE Jingmen as lessor and KEE Hubei as lessee entered into the Lease Agreement for the PRC Property Phase II for a term from 1 June 2022 to 31 August 2023.

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

Date:	31 May 2022
Parties:	(1) KEE Jingmen as lessor; and (2) KEE Hubei as lessee
Premises:	PRC Property Phase II
Leased area:	Approximately 16,280.74 sq.m.
Permitted use:	For the production and processing of garment accessories such as zipper sliders, fabric tapes and finished zippers only
Term:	From 1 June 2022 to 31 August 2023.
Monthly rent:	Save for the rent-free period from 1 June 2022 to 31 August 2022, RMB245,658 per calendar month (equivalent to approximately HK\$287,420) (inclusive of value added tax but exclusive of the water, electricity, sewage treatment, natural gas and steam 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 Hubei) payable in cash before the fifteenth day of each month commencing from 1 September 2022 provided that KEE Jingmen shall pay real estate tax and land use tax in relation to PRC Property Phase II.
Deposit:	RMB736,974 (equivalent to approximately HK\$862,260), representing three months' rent under the Lease Agreement
Renewal:	Upon expiry of the term of the tenancy, KEE Hubei 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 Phase II 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.

KEE Jingmen is principally engaged in property holdings.

Having considered the reasons as mentioned below and taking into account the market rent of the PRC Property Phase II as determined by an 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 Lease Agreement will allow the Group to gradually relocate its operations in Jiashan, Zhejiang Province to the PRC Property Phase II; and
- (b) the Group is currently using the PRC Property Phase I as its production base in Jingmen, Hubei Province and the operations at the PRC Property Phase II can be integrated with its existing operations at the PRC Property Phase I to achieve synergistic and cost-effective effects.

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 right-of-use asset representing its right to use the PRC Property Phase II in the total amount of approximately HK\$8.50 million. As such, the transactions under the Lease Agreement will be recognised as an acquisition of right-of-use assets which will constitute a transaction under Chapter 14 of the Listing Rules and a one-off connected transaction of the Company under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to the Lease Agreement (when aggregated with the transactions under the Phase I Lease Agreement) is more than 5% but less than 25%, the entering into the Lease Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 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 (when aggregated with the transactions under the Phase I 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 have 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 Hubei”	開易（湖北）拉鏈製造有限公司 (KEE (Hubei) Zippers Manufacturing Limited*), a company established in the PRC with limited liability and an indirect 85%-owned subsidiary of the Company
“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 with limited liability 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 dated 31 May 2022 and entered into between KEE Jingmen as lessor and KEE Hubei as lessees on 31 May 2022 for a term from 1 June 2022 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*)
“Phase I 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 (including the novation agreement dated 29 April 2022)
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administration Region of the PRC and Taiwan
“PRC Property Phase I”	the buildings of approximately 33,141.82 sq.m. 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*)

“PRC Property Phase II”	the buildings of approximately 16,280.74 sq.m. 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\$1.17. 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
Yip Siu Lun Dave
Chairman and executive Director

Hong Kong, 31 May 2022

As at the date of this announcement, the executive Directors are Mr. Yip Siu Lun Dave, Mr. Qiu Chuanzhi, Mr. Mak Yung Pan Andrew and Mr. Wu Cody Zhuo-xuan; the non-executive Director is Ms. Lin Ping; and the independent non-executive Directors are Mr. Leung Ka Tin, Mr. Cheng Hong Kei and Mr. Liew Fui Kiang.