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KEE Holdings Company Limited

開易控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2011)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

FINANCIAL HIGHLIGHTS	Year ended 31 December		
	2015	2014	Change
	\$'000	\$'000	%
Revenue	159,016	165,359	-3.8
Gross profit	48,097	49,849	-3.5
Profit from operations	7,177	6,553	+9.5
Profit attributable to equity Shareholders	4,161	3,661	+13.7
	As at 31 December		
	2015	2014	Change
	\$'000	\$'000	%
Total assets	368,931	395,154	-6.6
Deposits with banks	–	41,158	-100.0
Cash and cash equivalents	85,894	37,975	+126.2
Total equity attributable to equity Shareholders	290,857	307,804	-5.5

CONSOLIDATED STATEMENT OF PROFIT OR LOSS*for the year ended 31 December 2015**(Expressed in Hong Kong dollars)*

	<i>Note</i>	2015 \$'000	2014 \$'000
Revenue	2	159,016	165,359
Cost of sales		(110,919)	(115,510)
Gross profit		48,097	49,849
Other income	3	5,056	2,332
Distribution costs		(12,230)	(15,936)
Administrative expenses		(33,746)	(29,692)
Profit from operations		7,177	6,553
Finance costs	4(a)	(420)	(417)
Profit before taxation	4	6,757	6,136
Income tax	5	(3,517)	(2,742)
Profit for the year		3,240	3,394
Attributable to:			
Equity shareholders of the Company		4,161	3,661
Non-controlling interests		(921)	(267)
Profit for the year		3,240	3,394
Earnings per share (HK cents)	6		
Basic		1.0	0.9
Diluted		1.0	0.9

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2015

(Expressed in Hong Kong dollars)

	2015	2014
	\$'000	\$'000
Profit for the year	3,240	3,394
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of the financial statements of subsidiaries in the mainland China	<u>(20,721)</u>	<u>(1,108)</u>
Total comprehensive income for the year	<u>(17,481)</u>	<u>2,286</u>
Attributable to:		
Equity shareholders of the Company	(15,167)	2,637
Non-controlling interests	<u>(2,314)</u>	<u>(351)</u>
Total comprehensive income for the year	<u>(17,481)</u>	<u>2,286</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*at 31 December 2015**(Expressed in Hong Kong dollars)*

	<i>Note</i>	2015 \$'000	2014 <i>\$'000</i>
Non-current assets			
Property, plant and equipment		195,813	211,874
Interests in leasehold land held for own use under operating leases		30,453	33,052
		226,266	244,926
Intangible assets		6,161	7,666
Prepayments for property, plant and equipment		280	391
Deferred tax assets		1,435	1,961
		234,142	254,944
Current assets			
Inventories	8	15,874	18,369
Trade and other receivables	9	32,014	41,535
Current tax recoverable		1,007	1,173
Deposits with banks		–	41,158
Cash and cash equivalents		85,894	37,975
		134,789	140,210
Current liabilities			
Bank borrowing		15,000	17,000
Trade and other payables	10	39,937	45,290
Current tax payable		285	33
		55,222	62,323
Net current assets		79,567	77,887
Total assets less current liabilities		313,709	332,831

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*at 31 December 2015 (continued)**(Expressed in Hong Kong dollars)*

	<i>Note</i>	2015 \$'000	2014 \$'000
Non-current liabilities			
Deferred tax liabilities		<u>682</u>	<u>543</u>
Net assets		<u>313,027</u>	<u>332,288</u>
Capital and reserves	<i>11</i>		
Share capital		4,268	4,150
Reserves		<u>286,589</u>	<u>303,654</u>
Total equity attributable to equity shareholders of the company		290,857	307,804
Non-controlling interests		<u>22,170</u>	<u>24,484</u>
Total equity		<u>313,027</u>	<u>332,288</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“The Hong Kong Stock Exchange”). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2015 comprise KEE Holdings Company Limited (“the Company”) and its subsidiaries (together referred to as “the Group”).

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) New and revised HKFRSs that are first effective for the current accounting period

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company:

- Amendments to HKAS 19, Employee benefits: Defined benefit plans: Employee contributions
- Annual Improvements to HKFRSs 2010-2012 Cycle
- Annual Improvements to HKFRSs 2011-2013 Cycle

These amendments do not have an impact on these financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 REVENUE

The principal activities of the Group are manufacture and sale of zippers and other related products such as flat knit ribs and other products.

Revenue represents the sales value of goods supplied to customers. Revenue by product type is as follows:

	2015 \$'000	2014 \$'000
Finished zippers and sliders	146,346	145,924
Flat knit ribs	7,747	13,159
Others	4,923	6,276
	<u>159,016</u>	<u>165,359</u>

No individual customer had transactions exceeding 10% of the Group's revenue.

3 OTHER INCOME

	2015 \$'000	2014 \$'000
Interest income	1,879	2,015
Government grants	153	480
Net foreign exchange gain/(loss)	1,675	(154)
Net gain/(loss) on disposal of property, plant and equipment	26	(171)
Others	1,323	162
	<u>5,056</u>	<u>2,332</u>

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2015 \$'000	2014 \$'000
Interest on bank borrowing	<u>420</u>	<u>417</u>

(b) Staff costs*

	2015 \$'000	2014 \$'000
Salaries, wages and other benefits	50,749	51,232
Contributions to defined contribution retirement plans	5,071	5,102
Equity settled share-based payment expenses	(593)	2,055
	<u>55,227</u>	<u>58,389</u>

(c) Other items

	2015 \$'000	2014 \$'000
Depreciation and amortisation*		
– land lease premium	700	709
– property, plant and equipment	16,322	14,803
– intangible assets	1,102	947
	<u>18,124</u>	<u>16,459</u>
Auditors' remuneration		
– audit services	1,097	1,111
– tax services	225	182
– other services	348	354
	<u>1,670</u>	<u>1,647</u>
	2015 \$'000	2014 \$'000
Impairment losses charged on trade and other receivables	168	327
Operating lease charges: minimum lease payments		
– hire of plant and machinery*	4,474	4,886
– hire of other assets (including property rentals)	188	306
	<u>4,662</u>	<u>5,192</u>
Research and development expenses on new products	2,079	1,926
Cost of inventories*	<u>110,919</u>	<u>115,510</u>

* Cost of inventories includes HK\$52,097,000 (2014: HK\$53,760,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amounts are also included in the respective total amounts disclosed separately above or in note 4(b) for each of these types of expenses.

5 INCOME TAX

(a) Income tax represents:

	2015 \$'000	2014 \$'000
Current tax – PRC corporate income tax		
Provision for the year	2,882	2,524
Over-provision in respect of prior years	(123)	(104)
	<u>2,759</u>	<u>2,420</u>
Current tax – Hong Kong Profits Tax and others		
Provision for the year	93	33
	<u>665</u>	<u>289</u>
Deferred tax		
Origination and reversal of temporary differences	665	289
	<u>3,517</u>	<u>2,742</u>

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2015 \$'000	2014 \$'000
Profit before taxation	<u>6,757</u>	<u>6,136</u>
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdiction concerned (note i)	2,719	2,318
Effect of non-deductible expenses	927	890
Effect of non-taxable income	(44)	(73)
Effect of tax losses not recognised	1,227	389
Effect of tax concessions (note ii)	(1,446)	(836)
PRC dividend withholding tax (note iii)	139	145
Over-provision in prior years	(123)	(104)
Others	118	13
Actual tax expense	<u>3,517</u>	<u>2,742</u>

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands or the BVI.

KEE Zippers is subject to Hong Kong Profits Tax at 16.5% in 2015 and 2014.

- (ii) KEE (Guangdong) Garment Accessories Limited (“KEE Guangdong”) was recognised as a High and New Technology Enterprise (“HNTE”) and was entitled to a preferential income tax rate of 15% up to 2015. Except for KEE Guangdong, the statutory income tax rate applicable to the Company’s other subsidiaries in mainland China was 25%.
- (iii) Pursuant to the Corporate Income Tax Law of the PRC and its relevant regulations, PRC-resident enterprises are levied withholding income tax at 10% on dividends to their non-PRC-resident corporate investors for earnings accumulated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. Under the Sino-Hong Kong Double Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident which is the “beneficial owner” and holds 25% or more of the equity interest of a PRC-resident enterprise is entitled to a reduced withholding tax rate of 5%. As at 31 December 2015, deferred tax liability recognised in this regard was HK\$682,000 (2014: HK\$543,000).

6 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$4,161,000 (2014: HK\$3,661,000) and the weighted average number of 422,467,000 ordinary shares (2014: 415,000,000 ordinary shares) in issue during the year, calculated as follows:

	2015 '000	2014 '000
Issued ordinary shares at 1 January	415,000	415,000
Effect of share options exercised	7,467	—
	<u>422,467</u>	<u>415,000</u>

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$4,161,000 (2014: HK\$3,661,000) and the weighted average number of ordinary shares of 431,003,000 shares (2014: 415,000,000 shares), calculated as follows:

	2015 '000	2014 '000
Weighted average number of ordinary shares at 31 December	422,467	415,000
Effect of deemed issue of shares under the Company’s share option scheme for nil consideration	8,536	—
	<u>431,003</u>	<u>415,000</u>

The effect of the Company's share options was anti-dilutive for the year ended 31 December 2014. Therefore, diluted earnings per share are the same as the basic earnings per share.

7 SEGMENT REPORTING

The Group manages its businesses by geographical areas. Accordingly, the Group has presented the following two reportable segments in a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker ("CODM") for the purposes of resource allocation and performance assessment.

- Mainland China: this segment manufactures zippers products and mainly sells to customers in mainland China. Its activities are mainly carried out in Guangdong, Zhejiang and Hubei provinces.
- Overseas: this segment purchases zipper products from segment of Mainland China and sells to overseas customers. Its activities are mainly carried out in Hong Kong.

(a) Segment results and segment assets

For the purposes of assessing segment performance and allocating resources between segments, the Group's CODM monitors the results and assets attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of investments in financial assets and deferred tax assets.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "adjusted profit before taxation" i.e. "revenue less cost of sales, distribution costs and administrative expenses". Items not specifically attributed to individual segment are excluded from the calculation of segment profit. The Group's CODM is provided with segment information concerning segment revenue, profit and assets. Segment liabilities are not reported to the Group's CODM regularly.

Information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2015 and 2014 respectively is set out below:

Year ended 31 December 2015

	Mainland China \$'000	Overseas \$'000	Total \$'000
Revenue from external customers	142,696	16,320	159,016
Inter-segment revenue	9,890	353	10,243
Reportable segment revenue	152,586	16,673	169,259
Reportable segment profit/(loss)	9,609	(1,330)	8,279
Interest expense	–	(420)	(420)
Depreciation and amortisation for the year	(17,430)	(694)	(18,124)
Reportable segment assets at year end	340,669	28,272	368,941
Additions to non-current segment assets during the year	11,649	26	11,675

Year ended 31 December 2014

	Mainland China \$'000	Overseas \$'000	Total \$'000
Revenue from external customers	142,531	22,828	165,359
Inter-segment revenue	15,967	80	16,047
Reportable segment revenue	158,498	22,908	181,406
Reportable segment profit/(loss)	9,534	(578)	8,956
Interest expense	–	(417)	(417)
Depreciation and amortisation for the year	(15,998)	(461)	(16,459)
Reportable segment assets at year end	350,729	44,083	394,812
Additions to non-current segment assets during the year	20,953	21,989	42,942

(b) Reconciliations of reportable segment revenues, profit or loss and assets

	2015 \$'000	2014 \$'000
Revenue		
Reportable segment revenue	169,259	181,406
Elimination of inter-segment revenue	(10,243)	(16,047)
	<u>169,259</u>	<u>181,406</u>
Consolidated revenue (note 2)	<u>159,016</u>	<u>165,359</u>
	2015 \$'000	2014 \$'000
Profit		
Reportable segment profit	8,279	8,956
Elimination of unrealised profit of inter-segment purchase of inventories, other assets and property, plant and equipments	(671)	198
	<u>8,279</u>	<u>8,956</u>
Reportable segment profit derived from the Group's external customers	7,608	9,154
Other income	5,056	2,332
Unallocated head office and corporate expenses	(5,907)	(5,350)
	<u>5,056</u>	<u>2,332</u>
Consolidated profit before taxation	<u>6,757</u>	<u>6,136</u>
	2015 \$'000	2014 \$'000
Assets		
Reportable segment assets	368,941	394,812
Elimination of unrealised profit of inter-segment purchase of inventories and other assets	(1,997)	(1,182)
Elimination of unrealised profit of inter-segment purchase of property, plant and equipments	(578)	(722)
	<u>368,941</u>	<u>394,812</u>
	366,366	392,908
Deferred tax assets	1,435	1,961
Unallocated head office and corporate assets	1,130	285
	<u>1,435</u>	<u>1,961</u>
Consolidated total assets	<u>368,931</u>	<u>395,154</u>

(c) Geographic information

The geographical location of customers is based on the location at which the goods were delivered. The revenue of the Group mainly derived from sales to customers in Mainland China except for sales of HK\$16,320,000 (2014: HK\$22,828,000) to overseas customers for the year ended 31 December 2015 (note 7(a)).

The geographical location of the Group's property, plant and equipment, intangible assets and prepayment for property, plant and equipments (the "Specified Non-current Assets") is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets. As at 31 December 2015, the Group's non-current assets were located in Mainland China and Hong Kong with carrying amount of HK\$211,818,000 (2014: HK\$231,427,000) and HK\$20,889,000 (2014: HK\$21,556,000) respectively.

8 INVENTORIES

	2015 \$'000	2014 \$'000
Raw materials	5,371	5,633
Work in progress	9,077	11,209
Finished goods	1,426	1,527
	<u>15,874</u>	<u>18,369</u>

An analysis of the amount of inventories recognised as an expense and included in the consolidated statement of profit or loss is as follows:

	2015 \$'000	2014 \$'000
Carrying amount of inventories sold	111,101	115,395
Write down of inventories	1,658	1,182
Reversal of write-down of inventories	(1,840)	(1,067)
	<u>110,919</u>	<u>115,510</u>

The write-down of inventories was related to decrease in the estimated net realisable value of certain slow-moving inventories.

The reversal of write-down of inventories made in prior years was due to an increase in the net realisable value of certain finished goods with reference to the latest selling price.

9 TRADE AND OTHER RECEIVABLES

	2015 \$'000	2014 \$'000
Trade debtors and bills receivable	29,461	37,622
Less: allowance for doubtful debts	<u>(145)</u>	<u>(160)</u>
	29,316	37,462
Other prepayments	383	669
Deposits and other debtors	<u>2,315</u>	<u>3,404</u>
	<u><u>32,014</u></u>	<u><u>41,535</u></u>

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables) based on the invoice date and net of allowance for doubtful debts, is as follows:

	2015 \$'000	2014 \$'000
Within 1 month	11,206	11,619
1 to 2 months	8,998	9,985
2 to 3 months	4,297	6,342
Over 3 months	<u>4,815</u>	<u>9,516</u>
	<u><u>29,316</u></u>	<u><u>37,462</u></u>

Trade debtors and bills receivable are in general due within 30-90 days from the date of billing.

(b) Trade debtors and bills receivable that are not impaired

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	2015 \$'000	2014 \$'000
Neither past due nor impaired	17,838	20,805
Less than 3 months past due	9,617	13,569
More than 3 months but less than 12 months past due	1,535	3,065
More than 12 months past due	326	23
Amount past due	11,478	16,657
	29,316	37,462

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

10 TRADE AND OTHER PAYABLES

	2015 \$'000	2014 \$'000
Trade creditors	6,688	7,229
Payroll and staff benefits payable	7,924	9,133
Accrued expenses	3,930	4,376
Payables for purchase of property, plant and equipments	9,062	10,272
Other taxes payable	733	226
Advance from a third party	10,742	8,873
Deposits received	–	4,437
Other payables	858	744
	39,937	45,290

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

Advance from a third party represents that interest-free advance of RMB9,000,000 (equivalent to HK\$10,742,000) received from a state-owned enterprise responsible for investment projects on behalf of Jingmen local government during 2012 and 2015.

As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	2015 \$'000	2014 \$'000
Within 1 month	4,232	6,968
Over 1 month but within 3 months	1,607	260
Over 3 months but within 6 months	686	1
Over 6 months	163	–
	<u>6,688</u>	<u>7,229</u>

11 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

(i) Authorised and issued share capital

	At 31 December 2015		At 31 December 2014	
	No. of shares '000	Share capital \$'000	No. of shares '000	Share capital \$'000
Authorised,				
Ordinary shares of HK\$0.01 each	<u>2,000,000</u>	<u>20,000</u>	<u>2,000,000</u>	<u>20,000</u>
Ordinary shares, issued and fully paid:				
At 1 January	415,000	4,150	415,000	4,150
Shares issued under share option scheme	<u>11,820</u>	<u>118</u>	<u>–</u>	<u>–</u>
At 31 December	<u>426,820</u>	<u>4,268</u>	<u>415,000</u>	<u>4,150</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Shares issued under share option scheme

During the year 2015, options were exercised to subscribe for a total of 11,820,000 ordinary shares in the Company at a consideration of HK\$7,335,000, of which HK\$118,000 and HK\$7,217,000 were credited to share capital and the share premium account respectively. The amount of HK\$2,301,000 has been transferred from the capital reserve to the share premium account.

(b) Dividends

Dividends payable to equity shareholders of the Company attributable to the year

	2015	2014
	<i>\$'000</i>	<i>\$'000</i>
Nil final dividend per ordinary share proposed after the end of reporting period (2014: HK2 cents per ordinary share)	–	8,300

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2015	2014
	<i>\$'000</i>	<i>\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK2 cents per share (2014: HK2 cents per share)	8,522	8,300

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group is principally engaged in manufacturing finished zippers and other garment accessories in China. The Group's customers are primarily OEMs who manufacture apparel products for (i) apparel brands in China; and (ii) some well known international apparel labels. The Group maintains a close working relationship with apparel brand owners on the design of zippers to be applied on the apparel products. The apparel brand owners usually decide on the supplier for their OEMs and place orders with such OEMs who in turn source zippers and other garment accessories from the Group.

During the year 2015, approximately 89.7% of the Group's revenue was derived from sales in Mainland China. Other countries or regions to which the Group sold its products include Hong Kong, Switzerland, Italy, USA, India, Bangladesh, Germany, South Africa and Cambodia.

Furthermore, the Group is looking for new investments and business opportunities in order to expand into the e-commerce and online finance business to diversify its existing business.

BUSINESS REVIEW

For the year 2015, affected by the global economic slowdown (including China), the revenue of the Group slightly decreased to HK\$159.02 million from HK\$165.36 million in 2014, representing a year-on-year decrease of 3.8%. Nevertheless, the Group achieved encouraging results in market development which laid a solid foundation for stable development in the future. During the year 2015, the Group started cooperation with 25 new brands, among which, 5 brands were domestic brands, and 20 brands were overseas brands. As at the end of 2015, we had cooperation with 132 brands, among which, 41 brands were domestic brands, and 91 brands were overseas brands.

In addition, we have continually been strengthening the production management and cost control, and making improvements in production efficiency, optimization of production processes and quality improvement of the products. Therefore, profit attributable to equity Shareholders in 2015 increased by 13.7% to HK\$4.16 million from HK\$3.66 million in 2014.

OUTLOOK

In 2016, the global economic recovery will remain weak. The Chinese economy is stepping towards transition to "New Normal", and the apparel industry in China will still face tough challenges. However, the apparel industry in the PRC is undergoing a period of upgrade and transformation and developing branding concept, which will be beneficial to increasing demands for high quality zippers.

Thus, we will proactively cope with this situation by implementing the following measures:

We will increase investment in brand construction and market development, improve product quality and develop new products to satisfy the needs of the market and continue to promptly respond to customers' demand, in order to further strengthen our market share.

Other than the above, we will continually improve production and operation efficiency, facilities and techniques, as well as automation of production, so as to provide better product quality, lower production costs and higher customers' satisfaction, and further consolidate the Group's position in high quality zippers market.

Apart from the existing zipper business, we are looking for new investment and business opportunities in order to diversify our current business as to formulate a suitable business strategy to expand its business scope and broaden its income stream. In view of the significant growth potentials in China's internet e-commerce industry, the expansion into the e-commerce and online finance industries will have great potential and will provide good future development opportunities for the Company.

Revenue

The Group's revenue for the year 2015 amounted to HK\$159.02 million, representing a decrease of 3.8% as compared to the year 2014, mainly due to the decreased sales in flat knit ribs.

Revenue analysis by product category:

	Year ended 31 December			
	2015		2014	
	<i>HK\$ million</i>	%	<i>HK\$ million</i>	%
Finished zippers and sliders	146.35	92.0	145.92	88.2
Flat knit ribs	7.75	4.9	13.16	8.0
Others	4.92	3.1	6.28	3.8
Total revenue	159.02	100.0	165.36	100.0

Revenue analysis by geographic location:

	Year ended 31 December			
	2015		2014	
	<i>HK\$ million</i>	%	<i>HK\$ million</i>	%
Mainland China	142.70	89.7	142.53	86.2
Overseas	16.32	10.3	22.83	13.8
Total revenue	159.02	100.0	165.36	100.0

Finished zippers and sliders

Revenue from sales of finished zippers and sliders increased by approximately HK\$430,000 or 0.3% to HK\$146.35 million for the year 2015 (2014: HK\$145.92 million) primarily due to active development of markets and new customers.

Flat Knit Ribs

Revenue from flat knit ribs decreased by approximately 41.1% to HK\$7.75 million for the year 2015 (2014: HK\$13.16 million) due to screening of high quality customers and sales of high quality products.

Others

Others represent items such as scrap materials, zipper components and moulds. Sales of other items decreased by approximately 21.7% to HK\$4.92 million for the year 2015 (2014: HK\$6.28 million), mainly due to the decreased demand of zipper components.

Cost of Sales and Gross Profit

In 2015, the overall cost of sales for the Group amounted to approximately HK\$110.92 million (2014: HK\$115.51 million), representing a decrease of approximately 4.0%. The overall gross profit of the Group decreased by approximately 3.5% from HK\$49.85 million in 2014 to HK\$48.10 million in 2015. The overall gross profit margin in 2015 was 30.2% (2014: 30.1%), which was substantially the same as the overall gross profit margin in 2014.

Gross profit analysis by product category:

	Year ended 31 December			
	2015		2014	
	<i>HK\$ million</i>	%	<i>HK\$ million</i>	%
Finished zippers and sliders	46.18	96.0	48.66	97.7
Flat knit ribs	1.29	2.7	(0.34)	-0.7
Others	0.63	1.3	1.53	3.0
Total gross profit	48.10	100.0	49.85	100.0

Finished zippers and sliders

Gross profit for finished zippers and sliders decreased by approximately 5.1% from HK\$48.66 million in 2014 to HK\$46.18 million in 2015. Gross profit margin decreased from approximately 33.3% to 31.6%, which was attributable to the decrease of the selling price due to the keen competition.

Flat Knit Ribs

Gross profit for flat knit ribs increased by approximately HK\$1.63 million from HK\$-0.34 million in 2014 to HK\$1.29 million in 2015. Gross profit margin increased from approximately -2.6% to 16.6%, which was attributable to the better control of production cost and improvement of product quality.

Others

Gross profit for other items decreased by approximately 58.8% from HK\$1.53 million in 2014 to HK\$0.63 million in 2015. Gross profit margin decreased from approximately 24.4% to 12.8%, which was mainly due to the decrease in turnover.

Distribution Costs

Distribution costs mainly represent (i) staff costs relating to sales and marketing personnel; (ii) transportation costs for delivery of the Group's products to customers; and (iii) advertising and promotion expenses. In 2015, the Group's distribution costs amounted to approximately HK\$12.23 million (2014: HK\$15.94 million), accounting for approximately 7.7% of the Group's turnover (2014: 9.6%). The decrease in distribution costs was mainly due to the control of head count, transportation cost, and advertising and promotion expenses.

Administrative Expenses

Administrative expenses primarily consist of (i) salary and welfare expenses for management and administrative personnel; (ii) depreciation and amortisation; (iii) auditors' remuneration; (iv) product research and development expenses; and (v) other administrative expenses including professional fees. In 2015, the Group's administrative expenses amounted to approximately HK\$33.75 million (2014: HK\$29.69 million), which accounted for approximately 21.2% of the Group's turnover (2014: 18.0%), mainly due to the increase in professional fees.

Income Tax

Income tax mainly represents the tax expenses incurred in relation to the operations of the Group in the PRC, Hong Kong and other regions.

Profitability

In 2015, the Group's profit attributable to equity Shareholders amounted to HK\$4.16 million (2014: HK\$3.66 million), representing an increase of 13.7% as compared to 2014. The increase was primarily due to stricter production management and cost control. The margin of profit attributable to equity Shareholders for the year was 2.6% (2014: 2.2%), an increase of 0.4 percentage points as compared to 2014.

During the year, the Group's return on equity was 1.4% (2014: 1.2%), representing an increase of 0.2% as compared to 2014.

Inventories

Inventories are one of the principal components of the Group's current assets. The value of inventories accounted for approximately 13.1% and 11.8% of the Group's total current assets as at 31 December 2014 and 2015 respectively.

Inventories decreased by approximately 13.6% from HK\$18.37 million as at 31 December 2014 to HK\$15.87 million as at 31 December 2015, mainly due to the reinforcement on inventory management.

The average inventory turnover days for 2015 and 2014 were 64 and 63 days.

The reversal of write-down on inventories for the year 2015 was HK\$182,000 (2014: write-down HK\$115,000) due to the decrease in the net realisable value of certain finished goods with reference to the latest selling price.

Trade Debtors

The Group's policy in respect of allowance for doubtful debts for 2015 was the same as that in 2014. As at 31 December 2015, the allowance for doubtful debts was HK\$145,000 (31 December 2014: HK\$160,000), accounting for 0.5% of the Group's total trade debtors (2014: 0.4%).

The Group's trade debtors (net) decreased by around 21.7% from approximately HK\$37.46 million as at 31 December 2014 to HK\$29.32 million as at 31 December 2015.

The average trade debtors turnover days for 2015 and 2014 were 78 and 82 days.

Trade Creditors

The Group's trade creditors primarily relate to purchases of raw materials from suppliers, with credit terms of 7 to 60 days from trade creditors.

The Group's trade creditors decreased by around 7.5% from approximately HK\$7.23 million as at 31 December 2014 to HK\$6.69 million as at 31 December 2015. The average trade creditors turnover days increased from 65 days in 2014 to 75 days in 2015.

Other Payables

Other payables mainly represent (i) payroll and staff benefits payable; (ii) accrued expenses; (iii) deposit received; (iv) payables for property, plant and equipments; and (v) advance from a third party. The balance of other payables decreased by approximately 12.6% to HK\$33.25 million as at 31 December 2015 (2014: HK\$38.06 million) mainly due to the return of deposit of construction payment for garment accessories industrial park located at Jingmen, Hubei, the PRC.

Liquidity and Capital Resources

The following table is a summary of cash flow data for the two years ended 31 December 2014 and 2015:

	Year ended 31 December	
	2015	2014
	<i>HK\$ million</i>	<i>HK\$ million</i>
Net cash generated from operating activities	21.15	15.83
Net cash generated from/(used in) investing activities	33.35	(67.64)
Net cash (used in)/generated from financing activities	(3.61)	8.29
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	50.89	(43.52)
Cash and cash equivalents at 1 January	37.98	81.67
Effect of foreign exchange rate changes	(2.98)	(0.17)
	<hr/>	<hr/>
Cash and cash equivalents at 31 December	85.89	37.98
	<hr/> <hr/>	<hr/> <hr/>

The Group's net cash inflow from operating activities for the year 2015 amounted to HK\$21.15 million (2014: HK\$15.83 million). As at 31 December 2015, cash and cash equivalents amounted to HK\$85.89 million, representing a net increase of HK\$47.91 million as compared with the position as at 31 December 2014, mainly due to the enhancement of the Group's cash management.

As at 31 December 2015, the Group had short-term bank loans of HK\$15 million, which has been repaid on 14 January 2016. As at 31 December 2014, the Group had short term bank loans of HK\$17 million, mainly for the purpose of purchasing the office premise located at Unit B on 16th Floor, Nos. 1, 1A & 1B Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong.

As at 31 December 2015, the Group had unutilised bank facilities amounting to approximately HK\$34.03 million. The debt to asset ratio, being the Group's total liabilities over its total assets, at 31 December 2015 was 15.2% (2014: 15.9%). The debt to asset ratio is considered to be healthy and suitable for the continuous development of the Group's business.

Net Current Assets

As at 31 December 2015, the Group had net current assets of approximately HK\$79.57 million. The key components of current assets as at 31 December 2015 included inventories of approximately HK\$15.87 million, trade and other receivables of approximately HK\$32.01 million and cash and cash equivalents of approximately HK\$85.89 million. The key components of current liabilities included trade and other payables of approximately HK\$39.94 million and short term bank loans of HK\$15 million.

The net current assets increased from HK\$77.89 million as at 31 December 2014 to HK\$79.57 million as at 31 December 2015.

Pledge of Assets

As at 31 December 2015, certain lease prepayments and buildings with book value of HK\$27.05 million (31 December 2014: HK\$30.56 million) of the Group were pledged to secure unutilized bank loans limit granted by a commercial bank in an amount of RMB26 million (equivalent to HK\$31.03 million) (as at 31 December 2014: RMB26 million (equivalent to HK\$32.96 million)) to the Group.

Moreover, the office building in Hong Kong with net book value as at 31 December 2015 amounting to HK\$20.75 million (31 December 2014: HK\$21.41 million) of the Group was pledged as security of the credit limit granted by a commercial bank in an amount of HK\$18 million, in which HK\$15 million has been utilized as bank borrowing.

Capital Commitments

The capital commitments as at 31 December 2014 and 2015 not provided for in the financial statements were HK\$17.73 million and HK\$9.39 million respectively.

Foreign Currency Risk

Individual companies within the Group has limited exchange rate risk as most of the transactions are denominated in the same currency as the functional currency of the operations in which they relate. The Group did not hedge its exposure to risks arising from fluctuations in exchange rates during the year ended 31 December 2015.

Employees

As at 31 December 2015, the Group had 570 full-time employees (31 December 2014: 560 full-time employees). The Group reviews remuneration and benefits of its employees annually according to the relevant market practice and individual performance of the employees. Save for the social insurance in China and the mandatory provident fund scheme in Hong Kong, the Group has not set aside or accrued any amount of money to provide for retirement or similar benefits for its employees. The staff costs incurred in the year 2015 were approximately HK\$55.23 million (2014: HK\$58.39 million).

Post balance sheet events

On 19 August 2015, Nicco Worldwide Inc. (“Nicco Worldwide”) as Vendor and Glory Emperor Trading Limited (“Glory Emperor”) as purchaser entered into a conditional sale and purchase agreement (the “Agreement”) pursuant to which Nicco Worldwide conditionally agreed to sell and Glory Emperor conditionally agreed to purchase 310,490,000 shares in total, amounted to approximately 72.789% of the then issued shares of the Company, for an aggregate consideration of HK\$707,575,661 (equivalent to HK\$2.2789 per share). Subject to the completion of the Agreement, Glory Emperor would make mandatory unconditional cash offers to the remaining Shareholders of the Company. On the same day, the Group entered into various agreements (the “Disposal Agreements”) to i) dispose 15% of the issued share capital of KEE International (BVI) Limited; ii) dispose of the property in Hong Kong; and iii) dispose the land use right and certain buildings in the PRC, at an aggregate consideration of approximately HK\$199 million. The Agreement and the Disposal Agreements are inter-conditional.

On 8 January 2016, all the resolutions concerning the Disposal Agreements were duly passed by the independent shareholders of the Company by way of poll at the extraordinary general meeting. The Agreement and the Disposal Agreements were completed concurrently on 13 January 2016. The mandatory cash offer (the “Offers”) was closed on 17 February 2016 and Glory Emperor held approximately 90.06% of the total issued share capital of the Company. As a result, the Company failed to meet the minimum public float requirement under the Listing Rules and further announcement(s) will be made by the Company regarding the restoration of public float as and when appropriate.

For the above mentioned events, please refer to the announcements of the Company.

CORPORATE GOVERNANCE

Good corporate governance is conducive to enhancing the Group’s overall performance and accountability is essential in modern corporate administration. The Board, which includes three independent non-executive Directors out of a total of five Directors, is responsible for setting strategic, management and financial objectives, continuously observing the principles of good corporate governance and devoting considerable effort to identifying and formalising best practices to ensure that the interests of Shareholders, including those of minority Shareholders, are protected.

The Company’s corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code.

During the year ended 31 December 2015, the Company has complied with all the code provisions as set out in the Corporate Governance Code.

On 17 February 2016, Mr. Xu Xipeng and Mr. Xu Xinan resigned as chairman and chief executive officer of the Company respectively and Mr. Wu David Hang was appointed as chairman and chief executive officer of the Company. This constitutes a deviation from the Code Provision A.2.1 but the Board considers that this structure where the leadership of the Board is distinct from the executive responsibilities for running the business operations will not impair the balance of power and authority between the board and the management of the business, especially given that there is a strong and independent non-executive element on the Board and a clear division of responsibilities for running the business of the Company. The arrangement under which the roles of chairman and chief executive officer are performed under the same individual is considered as beneficial at the present stage as it helps to maintain the continuity of the Company’s policies and the stability of the Company’s operation as well as to enhance the management of the Company.

MODEL CODE

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2015 except that Mr. Chow Hoi Kwang, Albert inadvertently failed to comply with Rules 1 and 8 of the Model Code to first notify the Chairman or a director designated by the Board and receive a dated written acknowledgement before disposal of 380,000 shares in total on 6 May 2015 and 7 May 2015. The Company had reminded Mr.

Chow Hoi Kwang, Albert of the requirements of the Model Code and Mr. Chow Hoi Kwang, Albert has confirmed that he will strictly comply with the requirements of the Model Code for all of his dealings of the Company's securities.

AUDIT COMMITTEE

An audit committee has been established with written terms of reference in compliance with the Corporate Governance Code. The main duties of the audit committee are to assist the Board in reviewing the financial information and reporting system, internal control system and risk management, the effectiveness of the Company's internal audit function and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company. The audit committee consists of three independent non-executive Directors, namely Mr. Wong Yik Chung, John, Mr. Tse Calvin Kai Chuen and Mr. Leung Ka Tin (all appointed on 17 February 2016). Mr. Wong Yik Chung, John, an independent non-executive Director of the Company, is the chairman of the audit committee. Mr. Lin Bin, Mr. Kong Hing Ki and Mr. Tam Yuk Sang, Sammy ceased to be members of the audit committee after their resignations as independent non-executive Directors on 17 February 2016. For the year ended 31 December 2015, the audit committee has held three meetings to discuss the auditing, internal controls and financial reporting matters of the Company. The audit committee of the Company has met with the management and external auditors of the Company and has reviewed the consolidated results of the Group for the year ended 31 December 2015.

REMUNERATION COMMITTEE

A remuneration committee has been established with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the remuneration committee are to determine the remuneration packages of individual executive Directors and senior management, review and make recommendation to the Board on the remuneration policy and structure for all Directors and senior management, and establish transparent procedures for developing such remuneration policy to ensure that no Director or any of his associates will participate in deciding his own remuneration. The remuneration committee consists of three independent non-executive Directors, namely Mr. Leung Ka Tin, Mr. Wong Yik Chung, John and Mr. Tse Calvin Kai Chuen (all appointed on 17 February 2016). Mr. Leung Ka Tin, an independent non-executive Director of the Company, is the chairman of the remuneration committee. Mr. Tam Yuk Sang, Sammy, Mr. Xu Xipeng and Mr. Lin Bin ceased to be members of the remuneration committee after their resignations as independent non-executive Directors or executive Director on 17 February 2016. For the year ended 31 December 2015, the remuneration committee has held two meetings.

NOMINATION COMMITTEE

A nomination committee has been established with written terms of reference in compliance with the Corporate Governance Code. The principal duties of the nomination committee are to review the Board composition, make recommendations to the Board on the appointment and succession planning of Directors, and assess the independence of independent non-executive Directors. The nomination committee consists of three independent non-executive Directors, namely Mr. Wong Yik Chung, John,

Mr. Tse Calvin Kai Chuen and Mr. Leung Ka Tin and one executive Director, namely Mr. Wu David Hang. Mr. Wu David Hang, an executive Director of the Company, is the chairman of the nomination committee. After the resignation of Mr. Kong Hing Ki as executive director and Mr. Xu Xinan and Mr. Lin Bin as independent non-executive directors on 17 February 2016, they are no longer the members of the nomination committee. For the year ended 31 December 2015, the nomination committee has held one meeting.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2015.

SUFFICIENCY OF PUBLIC FLOAT

Upon the close of the Offers, on 17 February 2016, there were 43,214,000 Shares in the hands of the public, representing approximately 9.94% of the entire issued share capital of the Company. The Company therefore cannot fulfill the minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules. The Stock Exchange has granted a waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules for a period from 17 February 2016 to 30 May 2016.

The Company is considering various plans to restore its public float and the Company will make further announcement when the proposal to restore its public float has been finalized.

FINAL DIVIDEND

The Board does not recommend any payment of a final dividend (2014: HK2 cents) in respect of the year 2015 to the Shareholders.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held in Hong Kong on Tuesday, 31 May, 2016. Notice of the annual general meeting will be issued and disseminated to Shareholders in due course.

SCOPE OF WORK OF KPMG

The financial 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 2015 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.kee.com.cn). The annual report for the year ended 31 December 2015 containing all the information required by Appendix 16 to the Listing Rules will be despatched to Shareholders and available on the same websites in due course.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	KEE Holdings Company Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands on 6 July 2010, the Shares of which are listed on the Main Board of the Hong Kong Stock Exchange
“Corporate Governance Code”	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$” and “HK cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Main Board”	the stock market operated by the Hong Kong Stock Exchange, which excludes the Growth Enterprise Market and the options market
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“OEM”	original equipment manufacturer or manufacturing

“PRC” or “China”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company

By Order of the Board
KEE Holdings Company Limited
Wu David Hang
Chairman

Hong Kong, 29 March 2016

As at the date of this announcement, the executive Directors are Mr. Wu David Hang, and Mr. Hou Jian; and the independent non-executive Directors are Mr. Wong Yik Chung, John, Mr. Tse Calvin Kai Chuen and Mr. Leung Ka Tin.