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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 2016

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2016	2015	**Change**
	$'000	*$'000*	*%*
Revenue	**153,198**	159,016	**–3.7**
Gross profit	**41,708**	48,097	**–13.3**
Profit from operations	**31,663**	7,177	**+341.2**
Profit attributable to equity shareholders	**21,940**	4,161	**+427.3**

	As at 31 December		
	2016	2015	**Change**
	$'000	*$'000*	*%*
Total assets	**405,760**	368,931	**+10.0**
Cash and cash equivalents	**186,496**	85,894	**+117.1**
Total equity attributable to equity shareholders	**298,523**	290,857	**+2.6**

FINANCIAL RESULTS

The board of directors (the "Board") of KEE Holdings Company Limited (the "Company") is pleased to present the consolidated results of the Company and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2016, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016
(Expressed in Hong Kong dollars)

	Notes	**2016** **$'000**	2015 $'000
Revenue	*2*	**153,198**	159,016
Cost of sales		**(111,490)**	(110,919)
Gross profit		**41,708**	48,097
Other income	*3*	**7,552**	5,056
Distribution costs		**(10,989)**	(12,230)
Administrative expenses		**(42,054)**	(33,746)
Gain on disposal of a subsidiary	*14*	**17,837**	–
Gain on disposal of property, plant and equipment and leasehold land to related parties	*8*	**17,609**	–
Profit from operations		**31,663**	7,177
Finance costs	*4(a)*	**(9)**	(420)
Profit before taxation	*4*	**31,654**	6,757
Income tax	*5*	**(8,417)**	(3,517)
Profit for the year		**23,237**	3,240
Attributable to:			
Equity shareholders of the Company		**21,940**	4,161
Non-controlling interests		**1,297**	(921)
Profit for the year		**23,237**	3,240
Earnings per share (HK cents)	*6*		
Basic		**5.1**	1.0
Diluted		**5.0**	1.0

	2016	2015
	$'000	$'000
Profit for the year	**23,237**	3,240
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	**(29,924)**	(20,721)
Total comprehensive income for the year	**(6,687)**	(17,481)
Attributable to:		
Equity shareholders of the Company	**(4,717)**	(15,167)
Non-controlling interests	**(1,970)**	(2,314)
Total comprehensive income for the year	**(6,687)**	(17,481)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

(Expressed in Hong Kong dollars)

	Notes	**2016** **$'000**	2015 $'000
Non-current assets			
Property, plant and equipment	*8*	**57,323**	195,813
Interests in leasehold land held for own use under operating leases	*8*	**–**	30,453
		57,323	226,266
Intangible assets		**3,047**	6,161
Prepayments for property, plant and equipment		**93**	280
Deferred tax assets		**2,985**	1,435
		63,448	234,142
Current assets			
Inventories	*9*	**19,417**	15,874
Trade and other receivables	*10*	**135,759**	32,014
Current tax recoverable		**38**	1,007
Cash and cash equivalents	*11*	**186,496**	85,894
Assets held for sale		**602**	–
		342,312	134,789
Current liabilities			
Bank borrowing		**–**	15,000
Trade and other payables	*12*	**84,955**	39,937
Current tax payable		**1,392**	285
		86,347	55,222
Net current assets		**255,965**	79,567
Total assets less current liabilities		**319,413**	313,709
Non-current liabilities			
Deferred tax liabilities		**1,124**	682
Net assets		**318,289**	313,027
Capital and reserves			
Share capital	*13*	**4,348**	4,268
Reserves		**294,175**	286,589
Total equity attributable to equity shareholders of the Company		**298,523**	290,857
Non-controlling interests		**19,766**	22,170
Total equity		**318,289**	313,027

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. 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 2016 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.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

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 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 a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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 product, and rendering of property agency services.

The amount of each significant category of revenue is as follows:

	2016	2015
	$'000	*$'000*
Sales of goods		
Finished zippers and sliders	**139,926**	146,346
Flat knit ribs	**1,698**	7,747
Others	**3,944**	4,923
	145,568	159,016
Rendering of services		
Commission income of rendering property agency services	**7,630**	–
	153,198	159,016

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

3 OTHER INCOME

	2016	2015
	$'000	*$'000*
Interest income	**1,231**	1,879
Government grants	**275**	153
Net foreign exchange gain	**10,161**	1,675
(Loss)/gain on disposal of property, plant and equipment	**(4,147)**	26
Others	**32**	1,323
	7,552	5,056

4 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2016	2015
	$'000	*$'000*
Interest on bank borrowing	**9**	420

(b) Staff costs*

	2016	2015
	$'000	*$'000*
Salaries, wages and other benefits	**55,592**	50,749
Contributions to defined contribution retirement plans	**6,381**	5,071
Equity settled share-based payment expenses	**–**	(593)
	61,973	55,227

(c) Other items

	2016	2015
	$'000	*$'000*
Depreciation and amortisation*		
— land lease premium	**8**	700
— property, plant and equipment	**12,220**	16,322
— intangible assets	**799**	1,102
	13,027	18,124
Auditors' remuneration		
— audit services	**1,760**	1,097
— tax services	**18**	225
— other services	**840**	348
	2,618	1,670
Impairment losses charged on trade and other receivables	**1,034**	168
Impairment losses charged on equipment (note 8)	**4,513**	–
Operating lease charges: minimum lease payments		
— hire of plant and machinery*	**4,342**	4,474
— hire of other assets (including property rentals)	**172**	188
	4,514	4,662
Research and development expenses	**1,790**	2,079
Cost of inventories* (note 9)	**103,497**	110,919

* Cost of inventories includes HK$52,651,000 (2015: HK$52,097,000) 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 IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Income tax in the consolidated statement of profit or loss represents:

	2016	2015
	$'000	*$'000*
Current tax — The People's Republic of China ("PRC") corporate income tax		
Provision for the year	**8,892**	2,882
Under/(over)-provision in respect of prior years	**365**	(123)
	9,257	2,759
Current tax — Hong Kong Profits Tax and others		
Provision for the year	**268**	93
Deferred tax		
Origination and reversal of temporary differences	**(1,108)**	665
	8,417	3,517

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

	2016	2015
	$'000	*$'000*
Profit before taxation	**31,654**	6,757
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdiction concerned (note i)	**8,672**	2,719
Effect of non-deductible expenses	**3,566**	927
Effect of non-taxable income	**(1,692)**	(44)
Effect of tax losses not recognised	**158**	1,227
Effect of tax concessions (note ii)	**(3,307)**	(1,446)
PRC dividend withholding tax (note iii)	**442**	139
Under-provision/(over-provision) in prior years	**365**	(123)
Others	**213**	118
Actual tax expense	**8,417**	3,517

(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 Corporation Limited ("KEE Zippers"), Fortress Gain (HK) Limited, Wide Bright Investment Limited, and Ever Grace (China) Limited are subject to Hong Kong Profits Tax at 16.5% in 2016 and 2015.

(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 2018. 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 2016, deferred tax liability recognised in this regard was HK$1,124,000 (2015: HK$682,000).

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$21,940,000 (2015: HK$4,161,000) and the weighted average number of 434,330,000 ordinary shares (2015: 422,467,000 ordinary shares) in issue during the year, calculated as follows:

	2016	2015
	'000	*'000*
Issued ordinary shares at 1 January	**426,820**	415,000
Effect of share options exercised	**7,510**	7,467
Weighted average number of ordinary shares at 31 December	**434,330**	422,467

(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$21,940,000 (2015: HK$4,161,000) and the weighted average number of ordinary shares of 434,617,000 shares (2015: 431,003,000 shares), calculated as follows:

	2016	2015
	'000	*'000*
Weighted average number of ordinary shares at 31 December	**434,330**	422,467
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**287**	8,536
Weighted average number of ordinary shares (diluted) at 31 December	**434,617**	431,003

7 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. During 2016, the Group has set up a new segment of "Real estate agency services", which represents property agency businesses for residential properties.

Accordingly, the Group has presented the following three reportable segments in a manner consistent with the way in which information is reported internally to the Group's senior executive management for the purposes of resource allocation and performance assessment.

- Zippers (Mainland China):

  This segment manufactures zippers products and mainly sells to customers in mainland China. Its activities are mainly carried out in Guangdong province and Zhejiang province.

- Zippers (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.

- Real estate agency services:

  This segment represents property agency services businesses for residential properties. Its activities are mainly carried out in Mainland China.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management 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. Segment liabilities include trade and other payables and bank borrowings managed directly by the segments.

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 senior executive management is provided with segment information concerning segment revenue, profit and assets. Segment liabilities are not reported to the Group's senior executive management regularly.

Information regarding the Group's reportable segments as provided to the Group's senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2016 and 2015 respectively is set out below:

Year ended 31 December 2016

	Zippers — Mainland China *$'000*	**Zippers — Overseas** *$'000*	**Real estate agency services** *$'000*	**Total** *$'000*
Revenue from external customers	**122,478**	**23,090**	**7,630**	**153,198**
Inter-segment revenue	**43,896**	**607**	**–**	**44,503**
Reportable segment revenue	**166,374**	**23,697**	**7,630**	**197,701**
Reportable segment profit/(loss)	**9,040**	**(731)**	**(529)**	**7,780**
Interest expense	**–**	**(9)**	**–**	**(9)**
Depreciation and amortisation for the year	**(12,860)**	**(167)**	**–**	**(13,027)**
Impairment of equipment	**(4,513)**	**–**	**–**	**(4,513)**
Reportable segment assets at year end	**187,494**	**8,381**	**175,726**	**371,601**
Additions to non-current segment assets during the year	**9,176**	**860**	**6**	**10,042**
Reportable segment liabilities at year end	**29,192**	**602**	**53,103**	**82,897**

Year ended 31 December 2015

	Zippers — Mainland China *$'000*	Zippers — Overseas *$'000*	Real estate agency services *$'000*	Total *$'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
Reportable segment liabilities at year end	11,285	42,347	–	53,632

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

	2016	2015
	$'000	*$'000*
Revenue		
Reportable segment revenue	**197,701**	169,259
Elimination of inter-segment revenue	**(44,503)**	(10,243)
Consolidated revenue (note 2)	**153,198**	159,016

	2016	2015
	$'000	*$'000*
Profit		
Reportable segment profit	**7,780**	8,279
Elimination of unrealised profit of inter-segment purchase of inventories, other assets and property, plant and equipment	**97**	(671)
Reportable segment profit derived from the Group's external customers	**7,877**	7,608
Other income	**7,552**	5,056
Impairment losses on non-current assets	**(4,513)**	–
Unallocated head office and corporate expenses	**(14,708)**	(5,907)
Gain on disposal of a subsidiary	**17,837**	–
Gain on disposal of property, plant and equipment and leasehold land to related parties	**17,609**	–
Consolidated profit before taxation	**31,654**	6,757

	2016	2015
	$'000	*$'000*
Assets		
Reportable segment assets	**371,601**	368,941
Elimination of unrealised profit of inter-segment purchase of inventories and other assets	**(2,046)**	(1,997)
Elimination of unrealised profit of inter-segment purchase of property, plant and equipment	**(433)**	(578)
	369,122	366,366
Deferred tax assets	**2,985**	1,435
Unallocated head office and corporate assets	**33,653**	1,130
Consolidated total assets	**405,760**	368,931
Liabilities		
Reportable segment liabilities	**82,897**	53,632
Current tax liabilities	**1,392**	285
Deferred tax liabilities	**1,124**	682
Unallocated head office and corporate liabilities	**2,058**	1,305
Consolidated total liabilities	**87,471**	55,904

(c) Geographic information

The geographical location of customers is based on the location at which the goods were delivered and services were rendered. The revenue of the Group mainly derived from sales to customers and rendering of services in Mainland China except for sales of HK$23,090,000 (2015: HK$16,320,000) to overseas customers for the year ended 31 December 2016.

The geographical location of the Group's property, plant and equipment, intangible assets and prepayment for property, plant and equipment (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 2016, the Group's non-current assets were located in Mainland China and Hong Kong with carrying amount of HK$59,583,000 (2015: HK$211,818,000) and HK$880,000 (2015: HK$20,889,000) respectively.

8 PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND

(a) Items of property located in Hong Kong, plant and leasehold land located in Zhejiang province of PRC with net book values of HK$20,699,000 and HK$26,410,000 respectively were disposed of at a total consideration of HK$69,333,000 to two related parties during 2016, which resulted in a total net gain on disposal of HK$17,609,000. The two related parties are Foshan City Nanhai Jinheming Investment Company Limited ("Nanhai Jinheming") and Classic Winner Limited ("Classic Winner") which are owned by Mr. Xu Xipeng and Mr. Xu Xinan, the senior management of the Group.

(b) Impairment loss

The management is considering the disposals of certain idle equipment with the carrying amount of HK$7,214,000 as at 31 December 2016. According to the assessment of the Group, the carrying amount of the equipment as at 31 December 2016 exceeded its recoverable amount, which was calculated as its fair value less costs to sell. Therefore, an impairment loss of HK$4,513,000 has been recognised in profit or loss (note 4(c)).

9 INVENTORIES

	2016	2015
	$'000	*$'000*
Raw materials	**6,922**	5,371
Work in progress	**11,501**	9,077
Finished goods	**994**	1,426
	19,417	15,874

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

	2016	2015
	$'000	*$'000*
Carrying amount of inventories sold	**102,989**	111,101
Write down of inventories	**2,113**	1,658
Reversal of write-down of inventories	**(1,605)**	(1,840)
	103,497	110,919

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.

10 TRADE AND OTHER RECEIVABLES

	2016	2015
	$'000	*$'000*
Trade debtors and bills receivable	**37,481**	29,461
Less: allowance for doubtful debts	**(1,037)**	(145)
	36,444	29,316
Other prepayments	**2,276**	383
Salary expenses paid on behalf of a related party	**2,920**	–
Advertisement expenses paid on behalf of the Property Developer	**92,649**	–
Deposits and other debtors	**1,470**	2,315
	135,759	32,014

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

During 2016, the Group signed the advertisement agency agreements on behalf of Hainan Xinjia Tourism Development Company Limited ("the Property Developer"). Certain of these expenses amounting to HK$48,044,000 was paid by the Group to the relevant advertisement agents on behalf of the Property Developer. This amount was recorded as other receivables in the Group's consolidated financial statement for the year ended 31 December 2016. The remaining outstanding advertisement expenses payable on behalf of the Property Developer amounted to HK$44,605,000 (note 12), which is expected to be paid to the relevant advertisement agents and collected from the Property Developer in 2017.

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:

	2016	2015
	$'000	*$'000*
Within 1 month	**18,742**	11,206
1 to 2 months	**8,696**	8,998
2 to 3 months	**5,361**	4,297
Over 3 months	**3,645**	4,815
	36,444	29,316

Trade debtors and bills receivable are in general due within 20-90 days from the date of billing.

11 CASH AND CASH EQUIVALENTS

	2016	2015
	$'000	*$'000*
Deposits with banks	–	16,766
Cash at bank and in hand	**186,496**	69,128
Cash and cash equivalents	**186,496**	85,894

As at 31 December 2016, RMB200,007,000 (equivalent to HK$223,587,000) of cash balance from the Property Developer, in which Tianjin Jinhui Day Gold Company Limited ("Tianjin Jinhui"), a wholly-owned subsidiary of the company, acts as the exclusive property agent thereof, was deposited in a newly opened bank account in name of Tianjin Jinhui as the designated escrow account for the Property Developer. The above escrow account arrangement was requested by one of the banks of the Property Developer ("the Bank") which provided bank borrowings to the Property Developer. It served as guaranteed deposits to the Bank.

As the Group has no right to use the cash balance from this escrow account and does not obtain benefit of interest income earned therefrom, the Group did not recognise this cash balance from escrow account as its own assets in the Group's consolidated financial statements for the year ended 31 December 2016.

12 TRADE AND OTHER PAYABLES

	2016	2015
	$'000	*$'000*
Trade creditors	**12,978**	6,688
Payroll and staff benefits payable	**12,943**	7,924
Accrued expenses	**5,330**	3,930
Payables for purchase of property, plant and equipment	**2,831**	9,062
Other taxes payable	**983**	733
Advance from third parties	**4,024**	10,742
Advertising expenses payable (note 10)	**44,605**	–
Other payables	**1,261**	858
	84,955	39,937

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

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:

	2016	2015
	$'000	*$'000*
Within 1 month	**8,903**	4,232
Over 1 month but within 3 months	**3,364**	1,607
Over 3 months but within 6 months	**439**	686
Over 6 months	**272**	163
	12,978	6,688

13 SHARE CAPITAL

Authorised and issued share capital

	At 31 December 2016		At 31 December 2015	
	No. of shares	**Share capital**	No. of shares	Share capital
	'000	***$'000***	*'000*	*$'000*
Authorised,				
Ordinary shares of HK$0.01 each	**2,000,000**	**20,000**	2,000,000	20,000
Ordinary shares, issued and fully paid:				
At 1 January	**426,820**	**4,268**	415,000	4,150
Shares issued under share option scheme	**7,984**	**80**	11,820	118
At 31 December	**434,804**	**4,348**	426,820	4,268

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.

Shares issued under share option scheme

During the year 2016, options were exercised to subscribe for a total of 7,984,000 (2015:11,820,000) ordinary shares in the Company at a consideration of HK$9,701,000 (2015: HK$7,335,000), of which HK$80,000 (2015: HK$118,000) and HK$9,621,000 (2015: HK$7,217,000) were credited to share capital and the share premium account respectively. The amount of HK$3,087,000 (2015: HK$2,301,000) has been transferred from the capital reserve to the share premium account.

14 DISPOSAL OF A SUBSIDIARY

In January 2016, the Group disposed all of its 80% equity interests of KEE (Jingmen) Garment Accessories Limited ("KEE Jingmen") to Nanhai Jinheming at a cash consideration of HK$105,216,000. This disposal resulted in a net gain of HK$17,837,000.

	$'000
Net assets disposal of:	
Property, plant and equipment	75,999
Interests in leasehold land held for own use under operating leases	26,336
Intangible asset	2,070
Trade and other receivables	8,615
Prepayment for non-current assets	246
Cash and cash equivalents	14,950
Trade and other payables	(18,458)
Net assets disposed	109,758
Representing:	
Equity attributable to the equity shareholders of the Company	87,588
Non-controlling interests	22,170
	109,758
Net assets attributable to equity shareholder of the Company	87,588
Capital reserve realised on disposal	(209)
Net gain on disposal of a subsidiary	17,837
	105,216
Satisfied by:	
Cash consideration	105,216
Cash of subsidiary disposed	(14,950)
Net inflow of cash and cash equivalents in respect of disposal of a subsidiary	90,266

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group continued to operate the zippers business during the year ended 31 December 2016. The Group has commenced its real estate agency business since September 2016 and the results of which is presented as a new business segment in the consolidated financial statements.

The customers in zippers business 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.

The services rendered in real estate agency service business include the related sales planning, organization, promotion and sales activities of the property projects in PRC for the property developers. The Company commenced its property agency business by entering the sales framework agreement (as supplemented) on 29 September 2016 with Sanya Luhuitou Tourist Zone Development Company Limited and Hainan Xinjia Tourism Development Company Limited (the "Sanya Property Owners"), pursuant to which the Group have been appointed as exclusive agent for the sales of properties owned by Sanya Property Owners in Sanya, Hainan of PRC (the "Sanya Property").

FINANCIAL HIGHLIGHTS

The Group's revenue for the year ended 31 December 2016 decreased slightly to approximately HK$153.20 million as compared with approximately HK$159.02 million for the year ended 31 December 2015, which comprised of approximately HK$145.57 million contributed from zippers business, and approximately HK$7.63 million pertaining the Real estate agency service business.

Profit before taxation for the year ended 31 December 2016 was approximately HK$31.65 million, which was made up of approximately HK$3.89 million of profit from the zippers business, approximately HK$0.53 million of loss from real estate agency service business, approximately HK$14.71 million of unallocated head office and corporate expenses, approximately HK$35.45 million of profit from the disposal of equity interests in KEE Jingmen and the leasehold land and properties located in PRC and Hong Kong and approximately HK$7.55 million of other income mainly representing the net effect of the net foreign exchange gain and loss on disposal of other property, plant and equipment.

REVIEW OF OPERATIONS

Revenue

The Group's revenue for the year 2016 amounted to approximately HK$153.20 million, representing a decrease of 3.7% as compared to the year 2015, mainly due to the decreased sales in finished zippers and flat knit ribs.

Revenue analysis by product category:

	Year ended 31 December			
	2016		2015	
	HK$ million	*%*	*HK$ million*	*%*
Sales of goods				
Finished zippers and sliders	**139.93**	**91.3**	146.35	92.0
Flat knit ribs	**1.70**	**1.1**	7.75	4.9
Others	**3.94**	**2.6**	4.92	3.1
Rendering of services				
Commission income of rendering property agency services	**7.63**	**5.0**	–	–
Total revenue	**153.20**	**100.0**	159.02	100.0

Revenue analysis by geographic location:

	Year ended 31 December			
	2016		2015	
	HK$ million	*%*	*HK$ million*	*%*
Mainland China	**130.11**	**84.9**	142.70	89.7
Overseas	**23.09**	**15.1**	16.32	10.3
Total revenue	**153.20**	**100.0**	159.02	100.0

Finished Zippers and Sliders

Revenue from sales of finished zippers and sliders decreased by approximately HK$6.42 million or 4.4% to approximately HK$139.93 million for the year 2016 (2015: HK$146.35 million) primarily due to the substantial change of demand of products from metal zipper to nylon zipper as well as the decrease in demand of finished zippers resulted from the keen competition in the zippers manufacturing industry.

Despite the decrease in revenue, the Group achieved positive results in marketing development. During the year 2016, the Group started cooperation with 8 new brands, among of which 3 brands were domestic brands and 5 brands were overseas brands.

The Group's revenue was mainly 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, Korea, Belgium, Vietnam, South Africa and Cambodia.

Flat Knit Ribs

Revenue from flat knit ribs decreased by approximately 78.0% to approximately HK$1.70 million for the year 2016 (2015: HK$7.75 million), mainly due to the cessation of the flat knit ribs segment since July 2016.

Others

Others represent items such as scrap material, zipper components and moulds. Revenue of other items decreased by approximately HK$0.98 million to approximately HK$3.94 million (2015: HK$4.92 million). This was resulted from decrease in demand of moulds from customers and reduction on sales of scrap materials.

Rendering Property Agency Services

The Group has commenced the property agency business since September 2016, the Group has successfully sold 14 units of Sanya Properties and the commission income generated is approximately HK$7.63 million for the year ended 31 December 2016 (2015: Nil).

Cost of Sales and Gross Profit

In 2016, the overall cost of sales for the Group amounted to approximately HK$111.49 million (2015: HK$110.92 million), representing an increase of approximately 0.5%. The overall gross profit of the Group decreased by approximately 13.3% from approximately HK$48.10 million in 2015 to approximately HK$41.71 million in 2016. The overall gross profit margin in 2016 was 27.2% (2015: 30.2%), which was due to the decrease in gross profit margin of zipper business, mainly resulted from the change of demand of products and the keen competition in the zipper manufacturing industry.

Gross profit analysis by product category:

	Year ended 31 December			
	2016		2015	
	HK$ million	*%*	*HK$ million*	*%*
Sales of goods				
Finished zippers and sliders	**42.63**	**102.2**	46.18	96.0
Flat knit ribs	**(0.06)**	**-0.1**	1.29	2.7
Others	**(0.50)**	**-1.2**	0.63	1.3
Rendering of services				
Commission income of rendering property agency services	**(0.36)**	**-0.9**	–	–
Total gross profit	**41.71**	**100.0**	48.10	100.0

Finished Zippers and Sliders

Gross profit for finished zippers and sliders decreased by approximately 7.7% from approximately HK$46.18 million in 2015 to approximately HK$42.63 million in 2016. Gross profit margin decreased from approximately 31.6% to 30.5%, which was attributable to the decrease in selling price due to the keen competition of the zipper manufacturing industry.

Flat Knit Ribs

Gross profit for flat knit ribs decreased by approximately HK$1.35 million from approximately HK$1.29 million in 2015 to gross loss of approximately HK$0.06 million in 2016. Gross profit margin decreased from approximately 16.6% to -3.5%, which was mainly attributable to the reduction in sales demand of flat knit ribs as well as the cessation of flat knit ribs segment.

Others

Gross profit of other items decreased by approximately HK$1.13 million from approximately HK$0.63 million in 2015 to gross loss of approximately HK$0.50 million in 2016, mainly due to the disposal of certain slow-moving materials.

Rendering Property Agency Services

Gross loss for rendering property agency services was approximately HK$0.36 million, which was mainly due to that scale of property agency services was not sufficient to cover the related operating costs in its early stage.

DISTRIBUTION COSTS

Distribution costs mainly represent (i) staff costs relating to sales and marketing personnel; (ii) advertising and promotion expenses; and (iii) transportation costs for delivery of the Group's products to customers. In 2016, the Group's distribution costs amounted to approximately HK$10.99 million (2015: HK$12.23 million), accounting for approximately 7.2% of the Group's turnover (2015: 7.7%). The decrease in distribution costs was mainly due to the control of head count and transportation cost.

ADMINISTRATIVE EXPENSES

Administrative expenses primarily consist of (i) salary and welfare expenses for management and administrative personnel; (ii) professional fees and auditors' remuneration; (iii) impairment losses of equipment; (iv) product research and development expenses; and (v) other administrative expenses including depreciation and amortisation. In 2016, the Group's administrative expenses amounted to approximately HK$42.05 million (2015: HK$33.75 million), which accounted for approximately 27.5% of the Group's turnover (2015: 21.2%), mainly due to the increase in staff costs, professional fees and the impairment losses on certain idle equipments.

INCOME TAX

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

PROFITABILITY

In 2016, the Group's profit attributable to equity Shareholders amounted to approximately HK$21.94 million (2015: HK$4.16 million), representing an increase of 427.3% as compared to 2015. The increase was primarily due to the gain on disposal of equity interest of KEE Jingmen and the leasehold land and properties located in the PRC and Hong Kong. The margin of profit attributable to equity Shareholders for the year was 14.3% (2015: 2.6%), an increase of 11.7 percentage points as compared to 2015.

During the year, the Group's return on equity attributable to equity shareholders of the Company was 7.3% (2015: 1.4%), representing an increase of 5.9 percentage points as compared to 2015.

INVENTORIES

Inventories are one of the principal components of the Group's current assets of zipper business. The value of inventories accounted for approximately 11.8% and 5.7% of the Group's total current assets as at 31 December 2015 and 2016 respectively.

Inventories increased by approximately 22.3% from approximately HK$15.87 million as at 31 December 2015 to approximately HK$19.42 million as at 31 December 2016 was mainly due to the increase in reserve of raw materials for the production in the first quarter of 2017 in order to response to the purchase order from customers.

The average inventory turnover days for 2016 and 2015 were 69 and 64 days.

The net write-down on inventories for the year 2016 was HK$508,000 (2015: net reversal of write-down HK$182,000) due to the decrease in the estimated net realisable value of certain slow-moving inventories.

TRADE DEBTORS

The Group's policy in respect of allowance for doubtful debts for 2016 was the same as that in prior year. As at 31 December 2016, the allowance for doubtful debts was approximately HK$1,037,000 (31 December 2015: HK$145,000), accounting for 2.8% of the Group's total trade debtors (2015: 0.5%).

The Group's trade debtors (net) increased by around 24.3% from approximately HK$29.32 million of last year to approximately HK$36.44 million as at 31 December 2016, mainly resulted from the agency commission receivable derived from property agency business in December 2016.

The average trade debtors turnover days for 2016 and 2015 were 73 and 78 days.

OTHER RECEIVABLES

Other receivables mainly represent (i) the advertisement expenses paid on behalf of the Property Developer; (ii) salary expenses paid on behalf of a related party and (iii) other prepayments for purchasing raw materials. The significant increase in balance of other receivables by approximately HK$96.62 million, representing an increase in 3,581% from approximately HK$2.70 million. This is mainly due the advertisement fee obliged to pay on behalf of the Property Developer for the property agency business amounted to approximately HK$92.65 million, of which approximately HK$48.04 million was paid by the Group during the year and the remaining balance was recognized in both other payables and other receivables.

TRADE CREDITORS

The Group's trade creditors primarily relate to purchases of raw materials from suppliers and the commission payable to the contracted property agencies, with credit terms of 7 to 60 days for trade creditors.

The Group's trade creditors increased by around 94.0% from approximately HK$6.69 million as at 31 December 2015 to approximately HK$12.98 million as at 31 December 2016. The average trade creditors turnover days increased from 75 days in 2015 to 89 days in 2016.

OTHER PAYABLES

Other payables mainly represent (i) advertisement expense payable on behalf of the Property Developer; (ii) payroll and staff benefits payable; (iii) accrued expenses; and (iv) advance from third parties on behalf of the Property Developer. The balance of other payables increased by approximately 116.5% to approximately HK$71.98 million as at 31 December 2016 (2015: HK$33.25 million) mainly due to advertisement expense payable to the advertisement agents on behalf of the Property Developer.

LIQUIDITY AND CAPITAL RESOURCES

The following table is a summary of cash flow data for the two years ended 31 December 2015 and 2016:

	Year ended 31 December	
	2016	2015
	HK$ million	*HK$ million*
Net cash (used in)/generated from operating activities	**(56.97)**	21.15
Net cash generated from investing activities	**148.41**	33.35
Net cash generated from/(used in) financing activities	**18.46**	(3.61)
Net increase in cash and cash equivalents	**109.90**	50.89
Cash and cash equivalents at 1 January	**85.89**	37.98
Effect of foreign exchange rate changes	**(9.29)**	(2.98)
Cash and cash equivalents at 31 December	**186.50**	85.89

The Group's net cash outflow from operating activities for the year 2016 amounted to approximately HK$56.97 million (2015: net cash inflow HK$21.15 million). As at 31 December 2016, cash and cash equivalents amounted to approximately HK$186.50 million, representing a net increase of approximately HK$100.61 million as compared with the position as at 31 December 2015, mainly due to the proceeds received from the disposal of KEE Jingmen and the disposal of property, plant and equipment and leasehold land to related parties in 2016.

As at 31 December 2016, the cash and cash equivalents are HK$138.53 million, HK$42.42 million, HK$5.52 million, HK$5,000, HK$17,000 respectively, expressed in RMB, HKD, USD, EUR and CHF respectively. As at 31 December 2015, the cash and cash equivalents are HK$83.76 million, HK$1.23 million, HK$0.80 million, HK$6,000, and HK$0.10 million expressed in RMB, HKD, USD, EUR and CHF respectively.

As at 31 December 2016, the Group does not have any bank loan. 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 2016, the Group had unutilised bank facilities amounting to approximately HK$26.83 million. The debt to asset ratio, being the Group's total liabilities over its total assets, at 31 December 2016 was 21.6% (2015: 15.2%). 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 2016, the Group had net current assets of approximately HK$255.97 million. The key components of current assets as at 31 December 2016 included cash and cash equivalents of approximately HK$186.50 million, trade and other receivables of approximately HK$135.76 million, and inventories of approximately HK$19.42 million. The key components of current liabilities included trade and other payables of approximately HK$84.96 million.

The net current assets increased from approximately HK$79.57 million as at 31 December 2015 to approximately HK$255.97 million as at 31 December 2016, mainly attributable to the proceeds received from the disposal of KEE Jingmen and the proceeds received from the sales of property, plant and equipment a leasehold land to related parties during the year.

PLEDGE OF ASSETS

The Group did not have any assets pledged for general facilities granted by banks.

CAPITAL COMMITMENTS

The capital commitments as at 31 December 2015 and 2016 not provided for in the financial statements were approximately HK$9.39 million and approximately HK$0.19 million respectively.

FOREIGN CURRENCY RISK

The Group generally finances its operation with internally generated resources. Cash and bank deposits and the transactions of the Group are mainly denominated in Hong Kong dollars ("HK$"), US dollars ("USD") and Renminbi ("RMB"). As HKD are pegged to USD, the Group considers the risk of movements in exchange rates between USD and HKD to be insignificant.

The Group had RMB denominated bank deposits amounting to approximately HK$184,000 (2015: HK$4,948,000) that was held by a subsidiary of the Company for which HKD is its functional currency. Additionally the Group had HK$ denominated inter-company other receivables amounting to approximately HK$178,561,000 (2015: Nil) that was held by the subsidiaries of the Company for which RMB is their functional currency. At 31 December 2016, it is estimated that a general appreciation/depreciation of 0.5% in HK$, with all other variables held constant, would have increased/decreased the Group's net profit for the year and retained profits by approximately HK$745,000 (2015: decreased/increased the Group's net profit for the year and retained profits by approximately HK$21,000).The Group currently has no hedging arrangement for foreign currencies. The management will continue to monitor the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

EMPLOYEES

As at 31 December 2016, the Group had 595 full-time employees (31 December 2015: 570 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 2016 were approximately HK$61.97 million (2015: HK$55.23 million).

CONTINGENT LIABILITIES

The Group had no other contingent liabilities as at 31 December 2015 and 2016.

CONTINUING CONNECTED TRANSACTIONS

(i) Continuing Connected Transaction in relation to the operating lease in respect of certain plant and buildings

On 28 December 2015, Mr. Xu Xipeng and Mr. Xu Xinan senior management of the Group as lessors and KEE Guangdong as lessee, entered into the lease renewal agreement (the "Guangdong Lease Renewal Agreement") to renew the lease of the Guangdong Plant for a further term of three years from 1 January 2016 to 31 December 2018 for a monthly rental of RMB 310,000.

An independent valuer advised that the monthly rental of RMB310,000 is fair and reasonable with reference to the market rate. For each of three years ending 31 December 2018, the annual rental paid and payable by the Group (the "Annual Cap") under the Lease Renewal Agreement is RMB 3,720,000.

During the year, the rental paid by the Group under the Guangdong Lease Renewal Agreement is HK$4,342,000.

On 13 January 2016, Classic Winner, a company owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, as lessor and KEE Zippers, an indirect subsidiary of the Company, as lessee entered into the a lease agreement in relation to the lease of the property in Hong Kong with the rent for the first year being HK$1. On 17 February 2016, Mr. Xu Xipeng and Mr. Xu Xinan resigned as the chairman of the board and chief executive officer of the Company respectively. Mr. Xu Xipeng and Mr. Xu Xinan also resigned as executive directors of the Company, but have remained as the directors of KEE International (BVI) Limited ("KEE International BVI") and KEE Zippers, the subsidiaries of the Company since 17 February 2016. Therefore Classic Winner is a connected person of the Company as of the date of the lease agreement.

On 13 January 2016, Nanhai Jinheming, a company owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, as lessor and KEE (Zhejiang) Garment Accessories Limited ("KEE Zhejiang"), an indirect subsidiary of the Company, as lessee entered into the a lease agreement in relation to the lease of the land use rights and the buildings and facility located at Jiashan County, Zhejiang Province, PRC with the first year as the rent free period. On 17 February 2016, Mr. Xu Xipeng and Mr. Xu Xinan resigned as the chairman of the board and chief executive officer of the Company respectively. Mr. Xu Xipeng and Mr. Xu Xinan resigned also as executive directors of the Company, but have remained as the directors of KEE International BVI and KEE Zippers, the subsidiaries of the Company since 17 February 2016. Therefore Nanhai Jinheming is a connected person of the Company as of the date of the lease agreement.

(ii) Continuing Connected Transaction in Relation to the Cooperation Agreement

On 12 July 2016, Tianjin Vitality Marketing Consultancy Company Limited ("Tianjin Vitality"), an indirect wholly-owned subsidiary of the Company, and Yumafang Property Company Limited ("Yumafang Property"), entered into the cooperation agreement (the "Cooperation Agreement"), pursuant to which Yumafang Property agreed to engage Tianjin Vitality in providing promotion, marketing and planning related services for the property development projects conducted by Yumafang Property for a term of one year commencing from the date of the Cooperation Agreement. Yumafang Property agreed to engage Tianjin Vitality as an agent to provide the following services (the "Services") to the Yumafang Property: (i) the online and offline advertising and promotion activities, event organisation, planning, marketing, promotion planning, brand building and promotion of the Yumafang Property; and (ii) the online and offline advertising and promotion activities, event organisation, planning, marketing, promotion planning for the property development projects conducted by Yumafang Property. The service fee charged by Tianjin Vitality will be 6.5% of the cooperation expenses incurred by Tianjin Vitality for carrying out the Services, which will not exceed RMB325,000 (equivalent to approximately HK$380,000) based on the maximum amount of the agreed expenses of RMB5,000,000 (equivalent to approximately HK$5,850,000) for carrying out the Services incurred by Tianjing Vitality.

Zhonghong, a controlling shareholder of the Company, indirectly owns the entire equity interest in Yumafang Property. Accordingly, Yumafang Property is a connected person of the Company and the entering into of the Cooperation Agreement constituted a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. Details can be referred to the announcement of the Company dated 12 July 2016.

EVENT AFTER REPORTING PERIOD

(i) Continuing Connected Transaction in Relation to the Framework Cooperation Agreement

On 29 July 2016, Tianjin Vitality, Tianjin Jinhui and Zhonghong entered into the framework cooperation agreement (as supplemented) (the "Framework Cooperation Agreement"), pursuant to which Zhonghong has agreed to engage Tianjin Vitality as the exclusive agent for the sales of the property projects developed by Zhonghong and its subsidiaries (the "Zhonghong Group") including the related sales planning, organisation, promotion and sales activities for the period commencing from the effective date to 31 December 2017.

The Zhonghong Group shall pay to Tianjin Vitality and Tianjin Jinhui a commission (the "Commission") ranging from 5.5% to 6.5% of the sales amounts received by the Zhonghong Group for the sales of properties. If the property projects developed by the Zhonghong Group are sold at a price exceeding the price agreed by Zhonghong Group and Tianjin Vitality, Tianjian Vitality shall be entitled to receive an excess sales equal to 20% to 40% of the excess sales amount received by the Zhonghong Group.

The maximum annual aggregate amount payable by the Zhonghong Group to Tianjin Vitality and Tianjin Jinhui under the Framework Cooperation Agreement shall not exceed RMB130,000,000 (equivalent to approximately HK$149,500,000).

The Framework Cooperation Agreement has been approved by Shareholders at the extraordinary general meeting which was held on 5 January 2017.

(ii) Continuing Connected Transaction in Relation to the Operating Lease in Respect of Certain Plant and Buildings

On 16 January 2017, Classic Winner, a company owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, as lessor and KEE Zippers, an indirect subsidiary of the Company, as lessee entered into a lease renewal agreement (the "HK Lease Renewal Agreement") pursuant to which Classic Winner has agreed to lease to KEE Zippers a property in Hong Kong at a monthly rental of HK$51,000 payable within the 16th of each month for an initial term of three years commencing on 16 January 2017 to 15 January 2020. On 17 February 2016, Mr. Xu Xipeng and Mr. Xu Xinan resigned as the chairman of the board and chief executive officer of the Company respectively. Mr. Xu

Xipeng and Mr. Xu Xinan also resigned as executive directors of the Company, but have remained as the directors of KEE International BVI and KEE Zippers, the subsidiaries of the Company, since 17 February 2016. Therefore Classic Winner is a connected person of the Company as of the date of HK Lease Renewal Agreement. An independent property valuer advised that the monthly rental of HK$51,000 is fair and reasonable with reference to the market rate. For each of the three years ending 15 January 2020, the maximum annual aggregate amounts payable by the Group under the HK Lease Renewal Agreement are as follows:

	HK$
Year ending 15 January 2018	612,000
Year ending 15 January 2019	612,000
Year ending 15 January 2020	612,000

On 16 January 2017, Nanhai Jinheming, a company owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, as lessor and KEE Zhejiang, an indirect subsidiary of the Company, as lessee entered into a lease renewal agreement (the "Zhejiang Lease Renewal Agreement") pursuant to which Nanhai Jinheming has agreed to lease to KEE Zhejiang the production base in Zhejiang Province at a monthly rental of RMB275,000 payable within the first 10 working days before the 16th day of each month for an initial term of three years commencing on 16 January 2017 to 15 January 2020, with three months' rent of RMB825,000 as deposit. On 17 February 2016, Mr. Xu Xipeng and Mr. Xu Xinan resigned as the chairman of the board and chief executive officer of the Company respectively. Mr. Xu Xipeng and Mr. Xu Xinan also resigned as executive directors of the Company, but have remained as the directors of KEE International BVI and KEE Zippers, the subsidiaries of the Company since 17 February 2016. Therefore Nanhai Jinheming is a connected person of the Company as of the date of the Zhejiang Lease Renewal Agreement. An independent property valuer advised that the monthly rental of RMB275,000 is fair and reasonable with reference to the market rate. For each of the three years ending 15 January 2020, the maximum annual aggregate amounts payable by the Group under the Zhejiang Lease Renewal Agreement are as follows:

	RMB	*HK$*
Year ending 15 January 2018	4,125,000	4,620,000
Year ending 15 January 2019	4,125,000	4,620,000
Year ending 15 January 2020	4,125,000	4,620,000

PROSPECT

Looking ahead, the Group will continue the zipper business and to expand and grow the scale of its real estate agency service business.

In 2017, the global economy remains gloomy, with uncertainties increasing. China's economy is also full of challenges and steady growth is still an important mission for China's economy. Meanwhile, China Textile & Garment Industry is still facing a complicated external environment, with more uncertainties presented for the development for the industry. The gradually increasing resources and environment pressure, the fast-rising cost of production elements and more complicated international trade pattern bring pressures for the steady growth of China Textile & Garment Industry, which is harmful to driving demand for high quality zipper.

For this purpose, we actively take the following response measures:

We will continue to strive for market development, develop new products, meet market demand and continue to respond quickly to customer needs to improve customer satisfaction.

In addition, we will continue to improve production and operating efficiency, equipment and technology as well as automated production, improve product quality and control production costs.

For the real estate agency service business, with reference to the Company's announcements dated 29 July 2016, 2 September 2016, 11 November 2016 and 5 January 2017, the Group entered into a framework cooperation agreement and two supplemental agreements (together, the "Zhonghong Agency Agreements") with Zhonghong as the exclusive agent for the sales of the property projects developed by Zhonghong Group including the related sales planning, organization, promotion and sales activities for the period from 5 January 2017 to 31 December 2017. Under the Zhonghong Agency Agreements, the Group can leverage the experiences and advantages of Zhonghong as a stepping stone to achieve the business expansion plan of the Group on the sales and marketing of real estate and vacation/tourist destination projects.

Furthermore, in line with the Group's strategy in actively exploring new business opportunity with other independent third parties for the real estate agency service business, reference is made to the Company's announcements dated 30 September 2016 and 28 February 2017, the Group entered into a sales framework agreement and two supplemental agreements (together, the "Sanya Agency Agreements") with the Sanya Property Owners as the exclusive agent for the sales of properties located in Sanya, Hainan of PRC. The Sanya Agency Agreements provide us with a solid platform for an introduction of our real estate agency service business for the growth in the Group's financial and operating performance.

Other than the above, we will continuingly improve the operation efficiency, facilities and techniques, as to provide better product and service quality, lower costs and further build up the customers' satisfaction.

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 2016, the Company has complied with all the code provisions as set out in the Corporate Governance Code except the following deviations.

(i) Chairman and chief executive officer

On 17 February 2016, Mr. Xu Xipeng and Mr. Xu Xinan resigned as chairman of the Board 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.

(ii) Internal control and risk management

Under Code Provision C.2.5, the Group should have an internal audit function. The Group conducted an annual review on the need for setting up an internal audit department. Given the Group's simple operating structure, instead of setting up an internal audit department, the annual review on the risk management and internal control systems of the Group has been conducted by a professional third party and reported to the Audit Committee members. The review covered material controls, including financial, operational and compliance controls and risk management functions of the Group. Appropriate measures have been put in place to manage the risks. No major issue was raised for improvement. The improvement of the systems of risk management and internal control is an ongoing process and the Board maintains a continuing commitment to strengthen the Group's control environment and processes.

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 2016.

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 2016, 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 2016.

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 2016, the remuneration committee has held one meeting.

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 2016, 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 2016.

FINAL DIVIDEND

The Board does not recommend any payment of a final dividend (2015: Nil) in respect of the year 2016 to the Shareholders.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held in Hong Kong on Friday, 19 May, 2017. 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 2016 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 2016 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
"Zhonghong"	中弘股份有限公司 (Zhonghong Holding Company Limited, a company incorporated with limited liability under the laws of the PRC, and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000979SZ))
"Zhonghong Group"	Zhonghong and its subsidiaries

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

Hong Kong, 17 March 2017

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.