開易控股有限公司
KEE Holdings Company Limited

(Incorporated in Cayman Islands with limited liability)
Stock Code : 2011

KEE
JUST FOR YOU

2017
ANNUAL REPORT

CONTENTS

KEE JUST FOR YOU

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Wu David Hang *(Chairman, Chief Executive Officer)*
Ms. Feng Xiaoying (Appointed on 11 July 2017 and resigned on 9 February 2018)
Mr. Hou Jian (Resigned on 17 July 2017)

Independent Non-Executive Directors

Mr. Leung Ka Tin
Mr. Yau Pak Yue (Appointed on 28 July 2017)
Mr. Lu Nim Joel (Appointed on 4 August 2017)
Mr. Wong Yik Chung, John (Resigned on 28 July 2017)
Mr. Tse Calvin Kai Chuen (Resigned on 4 August 2017)

AUDIT COMMITTEE

Mr. Yau Pak Yue *(Committee Chairman)* (Appointed on 28 July 2017)
Mr. Leung Ka Tin
Mr. Lu Nim Joel (Appointed on 4 August 2017)
Mr. Wong Yik Chung, John *(Committee Chairman)* (Resigned on 28 July 2017)
Mr. Tse Calvin Kai Chuen (Resigned on 4 August 2017)

NOMINATION COMMITTEE

Mr. Wu David Hang *(Committee Chairman)*
Mr. Leung Ka Tin
Mr. Yau Pak Yue (Appointed on 28 July 2017)
Mr. Lu Nim Joel (Appointed on 4 August 2017)
Ms. Feng Xiaoying (Appointed on 11 July 2017 and resigned on 9 February 2018)
Mr. Wong Yik Chung, John (Resigned on 28 July 2017)
Mr. Tse Calvin Kai Chuen (Resigned on 4 August 2017)

REMUNERATION COMMITTEE

Mr. Yau Pak Yue (*Committee Chairman)* (Appointed on 28 July 2017)
Mr. Leung Ka Tin
Mr. Lu Nim Joel (Appointed on 4 August 2017)
Ms. Feng Xiaoying (Appointed on 11 July 2017 and resigned on 9 February 2018)
Mr. Wong Yik Chung, John (Resigned on 28 July 2017)
Mr. Tse Calvin Kai Chuen (Resigned on 4 August 2017)

COMPANY SECRETARY

Mr. Yau Chi Chiu (Appointed on 28 February 2018)
Mr. Chu Kin Ming (Resigned on 28 February 2018)

REGISTERED OFFICE

3rd Floor, Queensgate House
113 South Church Street
P. O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 510, Chater House
8 Connaught Road
Central
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Harneys Fiduciary (Cayman) Limited
3rd Floor, Queensgate House
113 South Church Street
P. O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

BDO Limited
Certified Public Accountants

PRINCIPAL BANKERS

The Bank of East Asia Limited
The Hong Kong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China
Agricultural Bank of China
China Construction Bank
Bank of China
Bank of Guangzhou
Industrial Bank Corporation Limited

COMPANY WEBSITE

www.kee.com.cn

FINANCIAL SUMMARY

FIVE-YEAR FINANCIAL HIGHLIGHTS

For the year ended 31 December	**2017**	2016 (Restated) (note 3)	2015	2014	2013
Results of Continuing Operations					
Gross profit margin (%)	**31.2**	28.9	30.2	30.1	30.4
Operating profit margin (%)	**–4.5**	27.2	4.5	4.0	3.1
Net profit margin (%) (note 1)	**–24.4**	15.1	2.6	2.2	1.9
Return on equity (%)	**–14.4**	7.3	1.4	1.2	1.0
Financial Position					
Total assets (HK$'000)	**380,180**	405,760	368,931	395,154	390,719
Cash and cash equivalents (HK$'000)	**95,590**	186,496	85,894	37,975	81,666
Total bank borrowing (HK$'000)	**–**	–	15,000	17,000	–
Total equity attributable to equity shareholders of the Company (HK$'000)	**314,083**	298,523	290,857	307,804	311,412
Financial Ratios					
Current ratio (times)	**5.0**	4.0	2.4	2.2	2.8
Quick ratio (times)	**4.5**	3.7	2.2	2.0	2.5
Debt to asset ratio (%) (note 2)	**11.4**	21.6	15.2	15.9	13.9
Turnover Ratios					
Inventory turnover (days)	**62**	58	64	63	63
Debtors turnover (days)	**77**	78	78	82	82

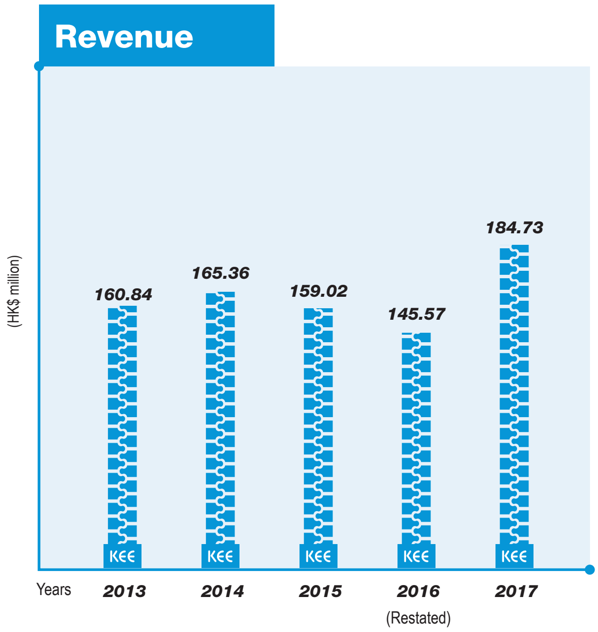
Notes:

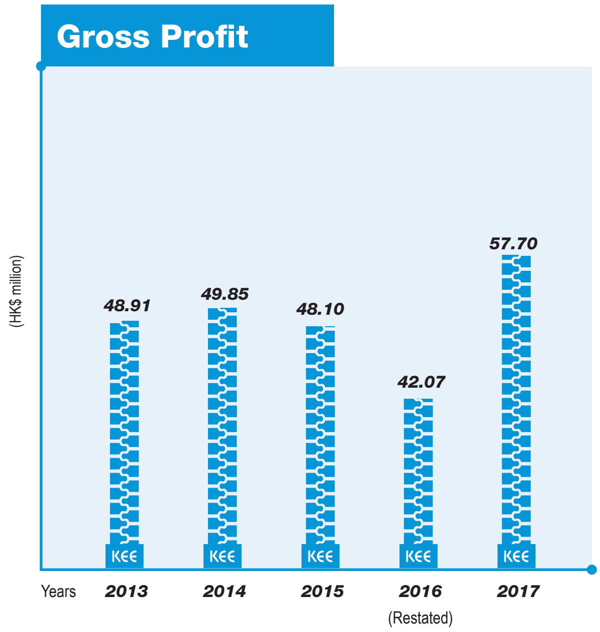
(1) Net profit represents loss or profit attributable to equity shareholders of the Company.

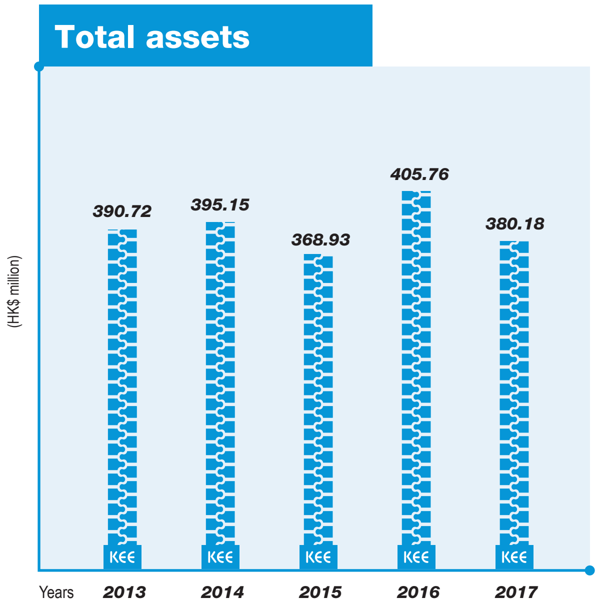
(2) Debt to asset ratio is calculated as the Group's total liabilities over total assets as shown in the consolidated statement of financial position.

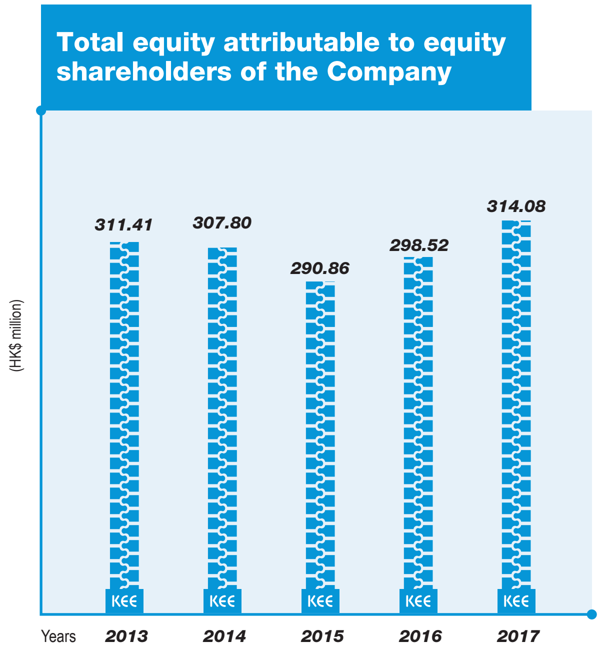
(3) During the year 2017, the Group has decided to cease the real estate agency services and completed the disposal of this business on 24 August 2017. The financial information of this operating segment for year ended 31 December 2017 is presented as discontinued operation as set out in note 6 to the consolidated financial statements. The comparative amounts of the financial information of this operating segment in respect of the year ended 31 December 2016 were also restated to be presented as discontinued operation accordingly.

FINANCIAL SUMMARY









FINANCIAL SUMMARY

The following is a summary of the consolidated statement of profit or loss and consolidated statement of financial position of the Group:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December	**2017 HK$'000**	2016 HK$'000 (Restated) (note 1)	2015 HK$'000	2014 HK$'000	2013 HK$'000
Continuing operations					
Revenue	**184,732**	145,568	159,016	165,359	160,841
Cost of sales	**(127,028)**	(103,497)	(110,919)	(115,510)	(111,927)
Gross Profit	**57,704**	42,071	48,097	49,849	48,914
Other (losses)/gains, net	**(10,592)**	7,339	5,056	2,332	1,526
Distribution costs	**(15,197)**	(10,989)	(12,230)	(15,936)	(16,921)
Administrative expenses	**(40,248)**	(34,318)	(33,746)	(29,692)	(28,542)
Gain on disposal of a subsidiary	**–**	17,837	–	–	–
Gain on disposal of property, plant and equipment and leasehold land to related parties	**–**	17,609	–	–	–
(Loss)/profit from operations	**(8,333)**	39,549	7,177	6,553	4,977
Finance costs	**–**	(9)	(420)	(417)	–
(Loss)/profit before taxation	**(8,333)**	39,540	6,757	6,136	4,977
Income tax	**(5,429)**	(8,415)	(3,517)	(2,742)	(2,064)
(Loss)/profit from continuing operations	**(13,762)**	31,125	3,240	3,394	2,913
Loss from discontinued operation	**(31,808)**	(7,888)	–	–	–
(Loss)/profit for the year	**(45,570)**	23,237	3,240	3,394	2,913
Attributable to:					
Equity shareholders of the Company	**(45,127)**	21,940	4,161	3,661	3,061
Non-controlling interests	**(443)**	1,297	(921)	(267)	(148)

Note:

(1) During the year 2017, the Group has decided to cease the real estate agency services and completed the disposal of this business on 24 August 2017. The financial information of this operating segment for year ended 31 December 2017 is presented as discontinued operation as set out in note 6 to the consolidated financial statements. The comparative amounts of the financial information of this operating segment in respect of the year ended 31 December 2016 were also restated to be presented as discontinued operation accordingly.

FINANCIAL SUMMARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December	**2017 HK$'000**	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000
Non-current assets	**168,051**	63,448	234,142	254,944	237,499
Property, plant and equipment	**57,805**	57,323	195,813	211,874	189,179
Interest in leasehold land held for own use under operating leases	**–**	–	30,453	33,052	33,878
Intangible assets	**2,448**	3,047	6,161	7,666	6,018
Available-for-sale investment	**103,480**	–	–	–	–
Prepayments for fixed and intangible assets	**292**	93	280	391	6,319
Rental deposit	**987**	–	–	–	–
Deferred tax assets	**3,039**	2,985	1,435	1,961	2,105
Current assets	**212,129**	342,312	134,789	140,210	153,220
Inventories	**23,924**	19,417	15,874	18,369	17,101
Trade and other receivables	**92,615**	135,759	32,014	41,535	40,036
Current tax recoverable	**–**	38	1,007	1,173	204
Cash and cash equivalents	**95,590**	186,496	85,894	37,975	81,666
Assets held for sale	**–**	602	–	–	–
Deposits with banks	**–**	–	–	41,158	14,213
Total assets	**380,180**	405,760	368,931	395,154	390,719

FINANCIAL SUMMARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December	**2017 HK$'000**	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000
Current liabilities	**42,153**	86,347	55,222	62,323	54,074
Trade and other payables	**40,366**	84,955	39,937	45,290	53,996
Bank borrowing	**–**	–	15,000	17,000	–
Current tax payable	**1,787**	1,392	285	33	78
Net current assets	**169,976**	255,965	79,567	77,887	99,146
Total assets less current liabilities	**338,027**	319,413	313,709	332,831	336,645

FINANCIAL SUMMARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December	**2017** **HK$'000**	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000
Non-current liabilities	**1,124**	1,124	682	543	398
Deferred tax liabilities	**1,124**	1,124	682	543	398
Net assets	**336,903**	318,289	313,027	332,288	336,247
Capital and reserves	**314,083**	298,523	290,857	307,804	311,412
Share capital	**4,648**	4,348	4,268	4,150	4,150
Reserves	**309,435**	294,175	286,589	303,654	307,262
Total equity attributable to equity shareholders of the Company	**314,083**	298,523	290,857	307,804	311,412
Non-controlling interests	**22,820**	19,766	22,170	24,484	24,835
Total equity	**336,903**	318,289	313,027	332,288	336,247

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of KEE Holdings Company Limited (the "Company", together with its subsidiaries, the "Group"), I am pleased to present the annual report of the Company for the year ended 31 December 2017.

In 2017, the global economy experienced a moderate recovery, while the international environment remained complicated and ever-changing. The trend of protectionism and deglobalization continued to present a threat to the global economic growth, with uncertainties in the prospect of economic growth.

The Group intends to sustain its customer base of its zipper business. Based on the Group's mature technology as core strength and its long-established reputation in the market, the Group maintained a stable revenue from zipper and the related products in 2017. Revenue of approximately HK$184.73 million attributable to zipper business for the year ended 31 December 2017 was achieved.

We took measures to tighten cost control and achieved a generally stable business performance in zipper business through the dedicated efforts of our management team and employees.

Having conducted a thorough business assessment and with concerted management effort, the Group has successfully ceased the real estate agency service business during the year.

Moving forward, the Group will continue to seek attractive investment and acquisition opportunities in the other sectors, so as to enhance profitability and maximize our shareholders' value. We keep an open mind when exploring new opportunities, but will only acquire high potential projects on a selective and prudent basis, without compromising the financial stability of the Group.

We remain excited about the prospect and the opportunities that lie ahead and are confident that the Group is well positioned to meet futures challenges and move closer to its vision to be a profitable and well diversified company.

I would like to take this opportunity to express my sincere thanks and gratitude to our Group's management and staff who dedicated their endless efforts and devoted services, and to our shareholders, customers, suppliers, bankers and other professional parties for their continuous support.

Wu David Hang
Chairman

Hong Kong, 28 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group continued to operate the zipper business during the year ended 31 December 2017 and it was presented as continuing operations in the consolidated financial statements. The Group has disposed of its real estate agency service business during the year and the results of which were presented as discontinued operation 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 the People's Republic of China (the "PRC") for the property developers.

The real estate agency service business faced severe challenges over last year. The performance of the real estate agency service business was not satisfactory. The scale of the business was fundamentally hindered after the government of the PRC has imposed the home purchase restrictions on the residential real estate market in various cities in the PRC.

The Company has disposed of the entire equity interest of Neo Ocean Ventures Limited, a wholly owned subsidiary of the Group and the parent company of all subsidiaries (the "Neo Ocean Group") in real estate agency service business segment within the Group, as well as the shareholder's loan from the Company, at an aggregate consideration of HK$100 million during the year ended 31 December 2017. Following the completion of disposal of the Neo Ocean Group, the real estate agency service business was re-classified as discontinued operation.

FINANCIAL HIGHLIGHTS

The Group's revenue for the year ended 31 December 2017, which solely represented the revenue from zipper business, increased to approximately HK$184.73 million as compared with approximately HK$145.57 million for the year ended 31 December 2016.

Loss for the year ended 31 December 2017 was HK$45.57 million, which mainly attributable to HK$31.81 million of loss from the discontinued operation and HK$11.37 million of net foreign exchange losses. In comparison, the profit for the year ended 31 December 2016 was HK$23.24 million, including HK$17.84 million of gain on disposal of a subsidiary, HK$17.61 million of gain on disposal of property, plant and equipment and leasehold land to related parties, HK$7.13 million of head office and corporate expenses and HK$10.16 million of net foreign exchange gains.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

Revenue

The Group's revenue for the year ended 31 December 2017 amounted to approximately HK$184.73 million, representing a year-on-year increase of 26.90% as compared to the last year, mainly relating to the increase in sales of finished zippers.

Revenue analysis by product category:

	Year ended 31 December			
	2017		2016	
	HK$ million	**%**	HK$ million (Restated)	%
Sales of goods				
Finished zippers and sliders	**180.09**	**97.5**	139.93	96.1
Flat knit ribs	**–**	**–**	1.70	1.2
Others	**4.64**	**2.5**	3.94	2.7
Total	**184.73**	**100.0**	145.57	100.0

Revenue analysis by geographic location:

	Year ended 31 December			
	2017		2016	
	HK$ million	**%**	HK$ million (Restated)	%
Mainland China	**160.54**	**86.9**	122.48	84.1
Overseas	**24.19**	**13.1**	23.09	15.9
Total revenue	**184.73**	**100.0**	145.57	100.0

Finished Zippers and Sliders

Revenue from sales of finished zippers and sliders increased by approximately HK$40.16 million or 28.7% to approximately HK$180.09 million for the year ended 31 December 2017 (2016: HK$139.93 million) was primarily due to (i) the fact that development of the garment industry in China remained stable and growing as a result of the rising international demands as well as the new trend of stable and growing development of the domestic economy; and (ii) the effective incentive measures, enhanced efforts in market development and improvement of customer service standard by the marketing team of the Company.

The Group achieved positive results in new marketing development. During the year 2017, the Group started cooperation with 11 new brands, among of which 1 brand was domestic brand and 10 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 Tunisia.

MANAGEMENT DISCUSSION AND ANALYSIS

Flat Knit Ribs

Due to the cessation of the flat knit ribs segment during the year 2016, there was no revenue from sales of flat knit ribs for the year ended 31 December 2017 (2016: HK$1.7 million).

Others

Others represent items such as scrap material, zipper components and moulds. Revenue of other items increased by approximately HK$0.7 million to approximately HK$4.64 million for the year ended 31 December 2017 (2016: HK$3.94 million). This was resulted from increase in sales of scrap materials.

Cost of Sales and Gross Profit

In 2017, the overall cost of sales for the Group's continuing operations amounted to approximately HK$127.03 million (2016: HK$103.50 million), representing an increase of approximately 22.7%. The overall gross profit of the Group increased by approximately 37.2% from approximately HK$42.07 million in 2016 to approximately HK$57.70 million in 2017. The overall gross profit margin increased from 28.9% of last year to 31.2%, which was attributable to decrease in unit manufacturing costs due to the increase in sales volume of zipper business.

Gross profit analysis by product category:

	Year ended 31 December			
	2017		2016	
	HK$ million	**%**	HK$ million (Restated)	%
Sales of goods				
Finished zippers and sliders	**55.93**	**96.9**	42.63	101.3
Flat knit ribs	**–**	**–**	(0.06)	-0.1
Others	**1.77**	**3.1**	(0.50)	-1.2
Total gross profit	**57.70**	**100.0**	42.07	100.0

Finished Zippers and Sliders

Gross profit for finished zippers and sliders increased by approximately 31.2% from approximately HK$42.63 million in 2016 to approximately HK$55.93 million in 2017, which was attributable to the increase in sales volume of zipper business.

Flat Knit Ribs

There is no sales of flat knit ribs for the year ended 31 December 2017 since the cessation of segment in 2016. The gross loss of flat ribs for the year ended 31 December 2016 was approximately HK$0.06 million.

Others

Gross profit of other items increased by approximately HK$2.27 million from loss of approximately HK$0.50 million in 2016 to gross profit of approximately HK$1.77 million in 2017, was mainly due to the disposal of certain slow-moving materials.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2017, the Group's distribution costs amounted to approximately HK$15.20 million (2016: HK$10.99 million), accounting for approximately 8.2% of the Group's turnover (2016: 7.5%). The increase in distribution costs was mainly due to the increase in staff costs relating to sales and marketing personnel 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; and (iv) other administrative expenses including depreciation and amortisation. In 2017, the Group's administrative expenses amounted to approximately HK$40.25 million (2016: HK$34.32 million), which accounted for approximately 21.8% of the Group's turnover (2016: 23.6%), was mainly due to the increase in rental expenses and staff costs.

INCOME TAX

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

LOSS FROM DISCONTINUED OPERATION

Given the disposal of the equity interest of Neo Ocean Group which engages in real estate agency service business on 24 August 2017, the real estate agency service business was re-classified as discontinued operation for the years ended 31 December 2017 and 2016.

The discontinued operation recorded a revenue of HK$99.80 million for the period ended 24 August 2017. This represented an about 1,208% increase comparing with the revenue of HK$7.63 million for the year ended 31 December 2016 (i.e. 4 months of operation as the real estate agency service business was launched in September 2016).

The relevant expenses for real estate agency service business for the period ended 24 August 2017 amounted to HK$132.09 million. The amount comprised of (i) salary and welfare expenses; and (ii) advertising and promotion expenses. The increase in expenses as compared with prior year's HK$15.52 million was primarily due to the expansion of the business during the year together with the full year effect of real estate agency service business.

The Group recorded a gain on disposal of Neo Ocean Group of HK$0.52 million as a result of the disposal after deduction of the relevant professional fees incurred for the transaction.

PROFITABILITY

In 2017, the Group's loss attributable to equity shareholders of the Company amounted to approximately HK$45.13 million (2016: profit of HK$21.94 million), representing a decrease of 305.7% as compared to 2016. The decrease was primarily due to increase in distribution costs, administrative expenses and loss from discontinued operation. The margin of loss attributable to equity shareholders of the Company for the year was 24.4% (2016: margin of profit 15.1%), a decrease of 39.5 percentage points as compared to 2016.

During the year, the Group's return on equity attributable to equity shareholders of the Company was -14.4% (2016: 7.3%), representing a decrease of 21.7 percentage points as compared to 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

AVAILABLE-FOR-SALE INVESTMENT

During the year, the Group has invested HK$100 million into Fullgoal Strategic Growth Fund Segregated Portfolio (the "Fund") and was recognised as available-for-sale investment with fair value of approximately HK$103.48 million as at 31 December 2017, resulted in an unrealised fair value gain of approximately HK$3.48 million which was recognised in other comprehensive income for the year ended 31 December 2017.

INVENTORIES

Inventories are one of the principal components of the Group's current assets of zipper business. The value of inventories accounted for approximately 5.7% and 11.3% of the Group's total current assets as at 31 December 2016 and 2017 respectively.

Inventories increased by approximately 23.2% from approximately HK$19.42 million as at 31 December 2016 to approximately HK$23.92 million as at 31 December 2017 was mainly due to the increase in reserve of raw materials and semi-finished goods for the production in the first quarter of 2018 in order to respond to the purchase order from customers.

The average inventory turnover days for 2017 and 2016 were 62 days and 58 days respectively.

The net write-down on inventories for the year 2017 was HK$1.34 million (2016: HK$0.51 million) was 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 2017 was the same as that in prior year. As at 31 December 2017, the allowance for doubtful debts was approximately HK$1.11 million (31 December 2016: HK$1.04 million), accounting for 2.7% of the Group's total trade debtors (2016: 2.8%).

The Group's trade debtors (net) increased by around 13.48% from approximately HK$36.44 million of last year to approximately HK$41.36 million as at 31 December 2017.

The average trade debtors turnover days for 2017 and 2016 were 77 days and 78 days respectively.

OTHER RECEIVABLES

Other receivables mainly represent (i) sale consideration receivable arising from the disposal of the Company's subsidiary; and (ii) other prepayments for purchasing raw materials. The significant decrease in balance of other receivables by approximately HK$48.06 million, representing a decrease in 48.4% from approximately HK$99.32 million was mainly due to the net effect of the sale consideration of HK$50 million receivable from the purchaser arising from disposal of the Company's subsidiary as at 31 December 2017 and decrease in the salary expenses paid on behalf of a related party and the advertisement expenses paid on behalf of a property developer by Neo Ocean Group.

MANAGEMENT DISCUSSION AND ANALYSIS

TRADE CREDITORS

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

The Group's trade creditors decreased by around 13.6% from approximately HK$12.98 million as at 31 December 2016 to approximately HK$11.21 million as at 31 December 2017. The average trade creditors turnover days for 2017 and 2016 were 33 days and 35 days respectively.

OTHER PAYABLES

Other payables mainly represent (i) payroll and staff benefits payable; (ii) accrued expenses; and (iii) payables for purchase of property, plant and equipment. The balance of other payables decreased by approximately 59.5% to approximately HK$29.16 million as at 31 December 2017 (2016: HK$71.98 million) was mainly due to reduction of advertising expenses payable in the book of the Neo Ocean Group which was disposed of during the year ended 31 December 2017.

LIQUIDITY AND CAPITAL RESOURCES

The following table is a summary of cash flow data for the two years ended 31 December 2016 and 2017:

	Year ended 31 December	
	2017 **HK$ million**	2016 HK$ million
Net cash generated from/(used in) operating activities	**17.99**	(56.97)
Net cash (used in)/generated from investing activities	**(152.05)**	148.41
Net cash generated from financing activities	**29.19**	18.46
Net (decrease)/increase in cash and cash equivalents	**(104.87)**	109.90
Cash and cash equivalents at 1 January	**186.50**	85.89
Effect of foreign exchange rate changes	**13.96**	(9.29)
Cash and cash equivalents at 31 December	**95.59**	186.50

The Group's net cash inflow from operating activities for the year 2017 amounted to approximately HK$17.99 million (2016: net cash outflow of HK$56.97 million). As at 31 December 2017, cash and cash equivalents amounted to approximately HK$95.59 million, representing a net decrease of approximately HK$90.91 million as compared with the position as at 31 December 2016, was mainly due to the combined effect of the payment for available-for-sale investment, the net cash outflow from disposal of a subsidiary and the proceeds received from issue of shares during 2017.

As at 31 December 2017, the cash and cash equivalents are HK$76.52 million, HK$12.75 million, HK$6.19 million, HK$26,000 and HK$97,000, expressed in RMB, HKD, USD, EUR and CHF respectively. 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, and HK$17,000 expressed in RMB, HKD, USD, EUR and CHF respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group does not have any bank loan as at 31 December 2017 and 31 December 2016.

As at 31 December 2017, the Group has no bank facilities. The debt to asset ratio, being the Group's total liabilities over its total assets, at 31 December 2017 was 11.4% (2016: 21.6%). 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 2017, the Group had net current assets of approximately HK$169.98 million. The key components of current assets as at 31 December 2017 included cash and cash equivalents of approximately HK$95.59 million, trade and other receivables of approximately HK$92.62 million, and inventories of approximately HK$23.92 million. The key components of current liabilities were trade and other payables of approximately HK$40.37 million.

The net current assets decreased from approximately HK$255.97 million as at 31 December 2016 to approximately HK$169.98 million as at 31 December 2017, mainly attributable to the payment for purchasing an available-for-sale investment of HK$100 million during the year ended 31 December 2017.

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 2016 and 2017 not provided for in the financial statements were approximately HK$0.19 million and approximately HK$0.15 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$18,166,000 (2016: HK$184,000) that was held by a subsidiary of the Company for which HKD is its functional currency. Additionally the Group had HK$ denominated inter-company other receivables amounting to approximately HK$171,204,000 (2016: HK$178,561,000) that were held by the subsidiaries of the Company for which RMB is their functional currency. At 31 December 2017, it is estimated that a general appreciation/depreciation of 0.5% in HK$, with all other variables held constant, would have increased/decreased the Group's net loss for the year and retained profits by approximately HK$765,000 (2016: decreased/increased the Group's net profit for the year and retained profits by approximately HK$745,000).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 2017, the Group had 578 full-time employees (31 December 2016: 595 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 2017 were approximately HK$59.17 million (2016: HK$54.58 million).

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

The Group had no other contingent liabilities as at 31 December 2016 and 2017.

CONTINUING CONNECTED TRANSACTIONS

(i) 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 Tianjin 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 constitutes 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.

The agreement expired on 11 July 2017. There was no commission income generated from rendering of property agency services in accordance with the agreement during the year ended 31 December 2017.

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

On 29 July 2016, Tianjin Vitality and Zhonghong entered into the framework cooperation agreement (the "Framework Cooperation Agreement") (as amended and supplemented by a supplemental agreement dated 2 September 2016 and a second supplemental agreement dated 10 November 2016), pursuant to which Zhonghong has agreed to engage Tainjin Vitality and Tianjin Jinhui Tianjin Company Limited ("Tainjin Jinhui") as the joint exclusive agent for the sales of the property projects developed by the 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 each of 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, Tianjin Vitality shall be entitled to receive an excess sales equal to 20% to 40% of the excess sales amount received by the Zhonghong Group.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

During the year ended 31 December 2017, the Group generated the commission income of approximately RMB39,866,000 (equivalent to approximately HK$45,200,000) under the Framework Cooperation Agreement.

(iii) 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 and previous shareholders 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 RMB310,000.

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 under the Lease Renewal Agreement is RMB3,720,000.

On 16 January 2017, Classic Winner Limited ("Classic Winner"), a company owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, as lessor and KEE Zippers Corporation Limited ("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 at the subsidiary level 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

MANAGEMENT DISCUSSION AND ANALYSIS

On 16 January 2017, Nanhai Jinheming Investment Company Limited ("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 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 at the subsidiary level 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

For the year ended 31 December 2017, the total rental charges under the Guangdong Lease Renewal Agreement, the HK Lease Renewal Agreement and the Zhejiang Lease Renewal Agreement was approximately HK$8,505,000.

PROSPECT

In 2018, global trade has showed obvious recovery, with an expectation of exports of China garments to remain its steady growth. However, due to "de-globalization" and trade protectionism, the garment industry of China will suffer from pressure of returning manufacturing operations to homeland in developed countries and the emerging economies, and thus facing relatively more uncertainties, which in turn increases the pressure on export business. In addition, the Chinese economy will continue to maintain its strong growth in 2018. The domestic economy is stable and growing, driving the household incomes to grow steadily and accelerating the pace of upgrading consumption structures, which is conducive to the continued rapid growth of domestic consumption. These factors not only bring challenges to the high quality zipper market segment, but also create business opportunities.

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.

We will continue to review the business strategic directions and operations of the Group in order to chart its long term corporate strategy and growth and to explore other business or investment opportunities with a view to enhance the Group's future development.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board has committed to achieve high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders and to enhance corporate value and accountability.

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 2017, the Company has complied with all the code provisions as set out in the Corporate Governance Code except the deviations mentioned in this report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

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 2017.

BOARD OF DIRECTORS

The Board currently comprises four members, consisting of one executive Director and three independent non-executive Directors.

The biographical information of the Directors and the relationships between the members of the Board are set out in the section headed "Biographies of Directors and Senior Management" on pages 43 to 44 of the annual report for the year ended 31 December 2017.

Apart from regular Board meetings, the Chairman also held meetings with the independent non-executive Directors without the presence of executive Directors during the year.

CORPORATE GOVERNANCE REPORT

The attendance record of each Director at the Board meetings and general meetings of the Company held during the year ended 31 December 2017 is set out below:

The Board	**Board Meetings** *Attendance*	**Annual General Meeting** *Attendance*
Executive Directors		
Mr. Wu David Hang (Chairman)	9/9	1/1
Ms. Feng Xiaoying (appointed on 11 July 2017 and resigned on 9 February 2018)	5/5	0/0
Mr. Hou Jian (resigned on 17 July 2017)	4/4	1/1
Independent Non-executive Directors		
Mr. Leung Ka Tin	8/9	1/1
Mr. Yau Pak Yue (appointed on 28 July 2017)	2/3	0/0
Mr. Lu Nim Joel (appointed on 4 August 2017)	2/3	0/0
Mr. Wong Yik Chung, John (resigned on 28 July 2017)	5/5	1/1
Mr. Tse Calvin Kai Chuen (resigned on 4 August 2017)	5/5	1/1

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

As at 31 December 2017, the positions of Chairman and Chief Executive Officer were held by Mr. Wu David Hang. The Chairman provides leadership and is responsible for chairing the meetings, managing the operations of the Board, and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner. The Chief Executive Officer is also responsible for running the Company's businesses and implementing the Group's strategic plans and business goals.

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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2017, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent.

CORPORATE GOVERNANCE REPORT

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors and independent non-executive Directors has entered into a service contract or letter of appointment with the Company for a specific term. Such term is subject to his reappointment by the Company at an annual general meeting upon such Director's retirement by rotation at least once every three years and offering himself for re-election. Pursuant to the Company's Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office until the following general meeting of the Company and shall then be eligible for re-election and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election. Also, pursuant to the Company's Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

All Directors, including non-executive Director and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors keep abreast of responsibilities as a Director and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

CORPORATE GOVERNANCE REPORT

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors will be arranged and reading materials on relevant topics will be issued to Directors where appropriate.

According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company on continuous professional development during the year ended 31 December 2017.

Name of Directors	**Reading Materials**	**Attending Seminars**
Executive Directors		
Mr. Wu David Hang (Chairman)	✓	✓
Ms. Feng Xiaoying (appointed on 11 July 2017 and resigned on 9 February 2018)	✓	✓
Mr. Hou Jian (resigned on 17 July 2017)	✓	✓
Independent Non-executive Directors		
Mr. Leung Ka Tin	✓	✓
Mr. Yau Pak Yue (appointed on 28 July 2017)	✓	✓
Mr. Lu Nim Joel (appointed on 4 August 2017)	✓	✓
Mr. Wong Yik Chung, John (resigned on 28 July 2017)	✓	✓
Mr. Tse Calvin Kai Chuen (resigned on 4 August 2017)	✓	✓

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Hong Kong Stock Exchange's website and are available to Shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, 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 currently consists of three independent non-executive Directors, namely, Mr. Leung Ka Tin, Mr. Yau Pak Yue (appointed on 28 July 2017) and Mr. Lu Nim Joel (appointed on 4 August 2017). Mr. Yau Pak Yue, an independent non-executive Director, is the chairman of the Audit Committee. Mr. Wong Yik Chung, John and Mr. Tse Calvin Kai Chuen ceased to be members of the Audit Committee after their resignations as independent non-executive Directors on 28 July 2017 and 4 August 2017 respectively.

The Audit Committee held three meetings to review interim and annual financial results and reports during of the year ended 31 December 2017 and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, the effectiveness of the Company's internal audit function scope of work and appointment of external auditors, connected transactions and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also had three meetings with the external auditors without the presence of the executive Directors.

The consolidated financial statements of the Group for the year ended 31 December 2017 had been reviewed by the audit committee and audited by the external auditors.

The attendance record of each Director at the Audit Committee meetings held during the year ended 31 December 2017 is set out below:

Audit Committee	*Attendance*
Mr. Yau Pak Yue (Chairman) (appointed on 28 July 2017)	2/2
Mr. Leung Ka Tin	3/3
Mr. Lu Nim Joel (appointed on 4 August 2017)	2/2
Mr. Wong Yik Chung, John (resigned on 28 July 2017)	1/1
Mr. Tse Calvin Kai Chuen (resigned on 4 August 2017)	1/1

REMUNERATION COMMITTEE

The primary functions of the Remuneration Committee include determining the remuneration packages of individual executive Directors and senior management; reviewing and making recommendation to the Board on the remuneration policy and structure for all Directors and senior management; establishing 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 currently consists of three independent non-executive Directors, namely, Mr. Leung Ka Tin, Mr. Yau Pak Yue (appointed on 28 July 2017), and Mr. Lu Nim Joel (appointed on 4 August 2017). Mr. Yau Pak Yue, an independent non-executive Director, is the chairman of the Remuneration Committee. Mr. Wong Yik Chung, John, Mr. Tse Calvin Kai Chuen and Ms. Feng Xiaoying (appointed on 11 July 2017) ceased to be members of the Remuneration Committee after their resignations as independent non-executive Directors or executive Director on 28 July 2017, 4 August 2017 and 9 February 2018 respectively.

CORPORATE GOVERNANCE REPORT

The Remuneration Committee met twice to review and make recommendation to the Board on the remuneration policy and structure of the Company, and to determine the remuneration packages of the executive Directors and senior management and other related matters during the year ended 31 December 2017.

The attendance record of each Director at the Remuneration Committee meetings held during the year ended 31 December 2017 is set out below:

Remuneration Committee	*Attendance*
Mr. Yau Pak Yue (Chairman) (appointed on 28 July 2017)	0/0
Mr. Leung Ka Tin	2/2
Mr. Lu Nim Joel (appointed on 4 August 2017)	0/0
Ms. Feng Xiaoying (appointed on 11 July 2017 and resigned on 9 February 2018)	1/1
Mr. Wong Yik Chung, John (resigned on 28 July 2017)	1/1
Mr. Tse Calvin Kai Chuen (resigned on 4 August 2017)	1/1

The remuneration of senior executives by band for the year ended 31 December 2017 is set out below:

	Number of Persons
HKD0 to HKD200,000	7
HKD800,000 to HKD1,000,000	3
HKD2,200,000 to HKD2,400,000	2

NOMINATION COMMITTEE

The Nomination Committee currently consists of three independent non-executive Directors, namely, Mr. Leung Ka Tin, Mr. Yau Pak Yue (appointed on 28 July 2017) and Mr. Lu Nim Joel (appointed on 4 August 2017), and one executive Director, namely, Mr. Wu David Hang. Mr. Wu David Hang, an executive Director, is the chairman of the Nomination Committee. Mr. Wong Yik Chung, John, Mr. Tse Calvin Kai Chuen and Ms. Feng Xiaoying (appointed on 11 July 2017) ceased to be members of the Nomination Committee after their resignations as independent non-executive Directors or executive Director on 28 July 2017, 4 August 2017 and 9 February 2018 respectively.

The principal duties of the Nomination Committee include reviewing the Board composition, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

The Nomination Committee has adopted a set of nomination procedures for selection of candidates for directorship of the Company by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations. External recruitment professionals might be engaged to carry out selection process when necessary.

CORPORATE GOVERNANCE REPORT

The Nomination Committee met twice to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, and to consider the qualifications of the retiring Directors standing for election at the annual general meeting during the year ended 31 December 2017.

The attendance record of each Director at the Nomination Committee meetings held during the year ended 31 December 2017 is set out below:

Nomination Committee	*Attendance*
Mr. Wu David Hang (Chairman)	2/2
Mr. Leung Ka Tin	2/2
Ms. Feng Xiaoying (appointed on 11 July 2017 and resigned on 9 February 2018)	1/1
Mr. Yau Pak Yue (appointed on 28 July 2017)	0/0
Mr. Lu Nim Joel (appointed on 4 August 2017)	0/0
Mr. Wong Yik Chung, John (resigned on 28 July 2017)	1/1
Mr. Tse Calvin Kai Chuen (resigned on 4 August 2017)	1/1

BOARD DIVERSIFY POLICY

The Board has adopted a Board Diversify Policy to comply with the Code Provision on board diversity. The Policy aims to set out the approach to achieve diversity in the Board to ensure that the Board has the balance of skills, experience and diversity of perspectives, including but not limited to gender, age, cultural and educational background, professional experience, knowledge and skills. In identifying suitable candidates, the Nomination Committee will consider candidates on merit and against the objective criteria with due regard for the benefits of diversity on the Board.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2017.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 58 to 63.

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

The remuneration paid to the Company's external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2017 is set out under note 4(c) to the Financial Statements on page 85.

The details of other services are set out as follows:

	2017 **HK$'000**	2016 HK$'000
— review services	–	840
— tax services	–	18

INTERNAL CONTROLS AND RISK MANAGEMENT

Our Board of Directors has the overall responsibility to ensure that sound and effective internal controls and risk management are maintained. The internal control system, which is overseen by the executive directors and the management, is designed to provide reasonable assurance on the effectiveness and efficiency of operations to safeguard assets against unauthorized use or disposition and to maintain proper accounting records for producing reliable financial information.

Under Code Provision C2.5 of the CG Code, the Group should have an internal audit function. The Group has reviewed the need for an internal audit department annually. Due to the present company structure, the Board is of the opinion that instead of setting up an internal audit department, it would be more cost effective to engage an independent professional third party to review the Group's internal control measures and report to the Audit Committee members. The review covered the adequacy of resources, staff qualifications and experience, training programs, budget, internal audit, financial reporting functions and Listing Rules compliance. Major risk factors and recommendations were presented to the Audit Committee members for their consideration.

In additions, the Board has the overall responsibility for evaluating and determining the nature and extent of the risks that the Group is willing to take in achieving its strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management system. The Audit Committee supports the Board in monitoring the Group's risk exposures and the design and operating effectiveness of the underlying risk management system. The external auditors reported on any control issues identified in the course of their work and presented to the Audit Committee members.

While the Board strives to implement an effective and sound internal control and risk management system to safeguard the interest of Shareholders and the Group's assets, the Board also acknowledges that a sound system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide reasonable but not absolute assurance. The effectiveness of the internal control and risk control systems will be reviewed on an annual basis.

During the year, the Group has appointed an external independent consultant to conduct a review of the Group's internal control systems. It covers all material financial, operational and compliance controls. The Board has conducted an annual review on the effectiveness of the Group's risk management and internal control systems based on the reports of the external independent consultant and considers that the Group's risk management and internal control systems as at 31 December 2017 to be effective and adequate.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Mr. Chu Kin Ming resigned as the company secretary of the Company (the "Company Secretary") and Mr. Yau Chi Chiu was appointed as the Company Secretary on 28 February 2018. Pursuant to rule 3.29 of the Listing Rule, the company secretary must take no less than 15 hours of relevant professional training in each financial year. During the year ended 31 December 2017, the Company Secretary provided his training records to the Company indicating more than 15 hours of relevant professional development by means of attending seminars and reading relevant guideline materials.

CONSTITUTIONAL DOCUMENTS

During the year, there was no significant change in the Company's constitutional documents.

SHAREHOLDERS' RIGHTS

To safeguard Shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at Shareholder meetings, including the election of individual Directors. All resolutions put forward at Shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Hong Kong Stock Exchange after each Shareholder meeting.

CONVENING AN EXTRAORDINARY GENERAL MEETING BY SHAREHOLDERS

Pursuant to article 58 of the Company's articles of association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

There is no provision allowing Shareholders to move new resolutions at general meetings under the Cayman Islands Companies Law or the articles of association of the Company. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

PUTTING FORWARD ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company.

Note: The Company will not normally deal with verbal or anonymous enquiries.

CORPORATE GOVERNANCE REPORT

CONTACT DETAILS

Shareholders may send their enquiries or requests as mentioned above to the principal place of business of the Company in Hong Kong:

Address: Room 510, 5/F, Chater House,
8 Connaught Road, Central, Hong Kong
(For the attention of the Company Secretary)

Fax: (852) 3184 0111
Email: kent.yau@zhonghongintl.com

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, apart from the registered office of the Company, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Shareholders may call the Company at (852) 3897 9800 for assistance.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. The Chairman of the Board, all other members of the Board including independent non-executive Directors, and the chairmen of all Board committees (or their delegates) will make themselves available at the annual general meetings of the Company to meet Shareholders and answer their enquiries.

During the year under review, the Company has not made any changes to its articles of association. The version of the Company's articles of association is also available on the Company's website and the Hong Kong Stock Exchange's website.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORT SCOPE, MATERIALITY AND PERIOD

This environmental, social and governance report ("ESG Report") was published in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in Appendix 27 to the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the "comply or explain" provisions contained therein.

As identified by our materiality assessment on business operations, we decide to include in this ESG Report our performances and initiatives on environmental protection, employment policies and benefits, operation management, community involvement and other aspects of our business operation of manufacture and sale of zippers in Foshan City and Zhejiang Province, the PRC, as well as our Hong Kong headquarters for the year from 1 January 2017 to 31 December 2017 (the "Period"). All information and data are from internal record and documents of the Group.

We welcome stakeholders' feedback and suggestions on the ESG Report and our sustainability performance.

For the Group's corporate governance structure and other relevant information, please refer to pages 20 to 29 of this annual report.

REPORTING ON ENVIRONMENTAL ASPECTS

The Group formulated, in accordance with the ISO14001 standard and applicable national laws and regulations, the Manual of Environmental Control System, which regulates our environmental policy covering design, manufacture, sale and other procedures. It also outlines the necessity of reducing waste and saving energy, recycling resources whenever possible, minimising environmental impact during daily operation. The designated committee reviews the Group's environmental approaches on an annual basis and updates them depending on the actual circumstances.

1. Emission Management

Waste management

Industrial waste from our production processes mainly includes hazardous waste, (such as paint slag, activated charcoal, wipes and lubricating oil) and non-hazardous waste (such as package, zippers, sludge, domestic refuse). The Group strictly complies with the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法 》), the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》) and the Standard for Pollution Control on Hazardous Waste Storage (《危險廢物儲存污染控制標準》) as we stringently follow relevant requirements to pack, store and send our hazardous waste to authorised professional waste handling institutions for recycling and disposal, so as to avoid secondary pollution. Dyeing sludge is dewatered to reduce its water content and volume to ease the burden on landfills; whilst non-hazardous waste such as domestic refuse and kitchen waste are mainly collected and disposed of by relevant municipal government departments.

In 2017, the Group recycled approximately 53.8 tonnes of recyclable industrial waste, such as dyeing sludge, waste oil, dyestuff and waste lamp. 216 tonnes of domestic refuse and 33 tonnes of kitchen waste were disposed of.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Exhaust gas

We have the Pollutant Discharge Permit (《污染物排放許可證》) issued by the Ministry of Environmental Protection and ensure emission level is in compliance with the prescribed standards of the state on the basis of obtainment of pollutant emission permit from the governmental regulatory authority. We also continue to improve exhaust gas emission system to reduce environmental impact. Local ministry of environmental protection performed random checks on sulphur dioxide, carbon monoxide and other exhaust gas during the Period. Inspection results showed that our emission was lower than the permissible density limit of air pollutants for oil-fired boilers stipulated by the Emission Limit of Air Pollutants for Industrial Boilers (《鍋爐大氣污染物排放限值》).

Wastewater

Wastewater generated from the Group's operating processes mainly includes dyeing wastewater and boiler wastewater. We have installed wastewater storage and monitoring system. Wastewater enters sewage facilities and is treated by the reclaimed water recycling system. Upon treatment, it can be reused for dyeing process and effectively increase recycling volume of reclaimed water, thus reducing sewage.

In addition, we will send our discharged wastewater to certified organisations for test. Local environmental protection ministry will also perform regular check on wastewater discharged. Emissions in wastewater, such as COD, suspended solids and nitrogen, meet the Discharge Standards of Water Pollutants Source for Dyeing and Finishing Prevention (《紡織染整工業水污染源排放標準》).

During the Period, the Group received no punishment by the environmental department of local government against significant environmental issues including exhaust gas emission, wastewater discharge, and hazardous and non-hazardous waste.

KPI A1.1	Types of emissions are set forth in the Emission Management above, including industrial waste, domestic refuse, kitchen waste, exhaust gas and wastewater generated from machines used for production processes of weaving, dyeing, assembling, etc. Respective emissions data (if applicable) are also set forth the Emission Management.
KPI A1.2	Greenhouse gases generated from production processes, including SO2 and CO, were within the maximum level stipulated in the applicable laws. Indirect carbon emissions were also produced from the Group's consumption of electricity power (approximately 8.5 million kWh in 2017).
KPI A1.3, KPI A1.4 and KPI A1.6	Hazardous industrial waste included paint slag, activated charcoal, wipes and lubricating oil. Non-hazardous waste included package, zippers, sludge, domestic refuse. Total recycled industrial waste (both hazardous and non-hazardous waste) was approximately 53.8 tonnes of recyclable in 2017.
KPI A1.5	Measures to mitigate emissions and results achieved can be referred to in the Emission Management above.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. Efficient use of resources

Electricity is the major energy source of the Group's production process. We have adopted green lighting and reduced electricity consumption by replacing energy-saving lamps. In 2017, the Group consumed electricity of approximately 8.5 million kWh, representing a unit consumption 0.068kWh, a decrease of 44.95% over 2016.

To further conserve and efficiently utilise water, the Group repaired aged water pipes, fixed water leakage and reduce tap water consumption in 2017. Besides, our research and development department introduced two metal zippers cleaners, which efficiently wash away plating solution and thus lower the use of water.

In daily operation, we encourage our employees to utilise electronic ways such as corporate email for daily works, promote paperless office and encourage double-sided printing to reduce waste.

KPI A2.1	Details of electricity consumption are set forth above.
KPI A2.2	Except the production bases in Zhejiang Province and Foshan City, the Group operated in leased office premises of which both the water supply and discharge were solely controlled by the respective building management, and collection of relevant data was not feasible.
KPI A2.3	Details of energy use efficiency initiatives and results are set forth above.
KPI A2.4	There is no issue in sourcing water that is fit for purpose whereas the Group considers its water consumption level is reasonable. Water efficiency initiatives are set forth above.
KPI A2.5	No applicable data of packaging material.

REPORTING ON SOCIAL ASPECTS

Employment and Labour Practices

1. *Employment*

Employment policy

Employees are the key assets to maintaining corporate competitiveness. We introduce a fair and impartial recruitment system to enlist talent. We continuously improve work environment and build a platform for employees to develop their career.

The Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and the Employment Ordinance (《僱傭條例》) of the Hong Kong Law are stringently observed as we framed our employment policy and the Anti-discrimination Policy, which stipulates that all employees are entitled to fair employment opportunities, regardless of nationality, religious belief, gender, marital status, disability and age (except for below 16). Our Recruitment Management System regulates our recruitment procedures which engages talent based on objective criteria including work experience, job skills and academic background.

We offer reasonable and competitive remuneration and employee benefits. Salary adjustment and promotion are made according to objective factors such as job performance and professional skills, together with regular results and work assessment. The Group strictly complies with the Law of the People's Republic of China on the Protection of Disabled Persons (《中華人民共和國社會保障法》) and the Mandatory Provident Fund Schemes Ordinance (《強制性公積金計劃條例》) of Hong Kong Law, to pay for housing provident fund, social insurance, mandatory provident fund, labour insurance among others. We also offer statutory rest periods, marital and bereavement leave, maternity leave, injury leave, annual leave, family planning leave and paternity leave.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Good communication

We are always happy to communicate with our employees and listen to them. We have introduced the "Notice on Building Closer Relationship with Employees" whereby human resources department and other relevant departments participate in building reciprocal communication in various procedures, including job interview, period from probation to becoming permanent, and resignation. Employees are entitled by law to organise labour union and are allowed to discuss with their supervisors to give any suggestions and opinions. We have also set up an Employee Mailbox with complaint hotline where our staff can voice their complaints and recommendations to the management. We will protect the identity of the complainants; whilst we will listen to and reward those who bring us good recommendations.

Employees' benefits

Table-tennis tables, snooker tables, gym room and other facilities have been installed while we organise staff activities such as basketball games and birthday parties. Through gathering, movie session, travelling and other activities to enrich employees life and enhance cohesion. During the Period, we increased budget of different departments for employee activities to enhance teamwork and communication.

In addition, we provide dormitory for our factory workers, as well as Wi-Fi, daily necessities for free. We also replace and repair air-conditioners in a timely manner and gradually improve living condition at dormitory. There is staff canteen where employees involved in food making receive annual body check and are required to wear chef hats, masks, plastic shoes and other safety gear. We are obliged by local law to obtain Food Service Permit (《食品衛生許可證》). Administration Department or Diet Committee oversees the operation of staff canteen and suppliers providing food ingredients to our staff canteen, in order to ensure that the supplies meet national hygiene standard. The committee regularly distributes survey form for satisfaction with staff canteen and follows up with improvement and tracking of opinions. The staff canteen provides employees with balanced diet with the combination of both meat and vegetables, and healthy and safe dining environment.

As at the end of 2017, we had 578 employees.

Key indicators of different work departments and age groups are set forth in the table below. Executives and other workers as % of total workforce are as follows:

	Executives	Other workers	Total
18–25	2%	12%	14%
25–30	7%	15%	22%
30–40	18%	25%	43%
40–50	6%	12%	18%
>50	2%	1%	3%
Total	36%	64%	100%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Most of our employees work in the Mainland China. Proportional ratios of our workforce by geographical region are as follows:

Mainland China	98.78%
Hong Kong	1.22%

Proportional ratios of our workforce by age are as follows:

18–25	12%
25–30	21%
30–40	45%
40–50	19%
Above 50	3%

Proportional ratios of our workforce by gender are as follows

Male	59.79%
Female	40.21%

2. *Health and Safety*

With health and safety of employees as its first priority, the Group is committed to providing a safe workplace in accordance with relevant laws and regulations including the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Law of the People's Republic of China on Work Safety (《中華人民共和國安全生產法》) and the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》).

We implement 5S workplace management at our factories, namely sort, set in order, sweep, clean and manner. We provide employees with protective gear and tools, such as gloves, masks, earwear and safety boots. Labour gear wearing supervision mechanism is in place as regular checks and monitoring employees' wearing of protective gear. For employees of some special categories, such as electricians, are required to obtain licences recognised by the national government and pass the necessary exams prior to work. Our employees are required to:

- replace damaged electricity wires
- carry our maintenance and repair of electronic appliances and wire safety
- ensure double insulation of electricity wires

We enforce three-tier training mechanism for new joiners who shall acquire knowledge of production safety and relevant regulations and system, use of safety equipment, use and maintenance of personal protective gear, preventive measures and occupational hazards, so as to enhance their safety awareness.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Education categories	Abstract
First level (Corporate education)	• The company's production safety circumstance and basic knowledge of production safety; • The company safety rules and regulations and labor discipline; • The employees' rights and obligations in production safety; • Emergency rescue plan and self-help knowledge; • The accident case study; • Other safety-related training
Second level (workplace education)	• Working environment and risk factors; • Occupational hazards and casualties that may be suffered; • Work safety responsibilities, operational skills and mandatory standards; • Rescue and first aid methods, evacuation and on-site emergency treatment; • Use and maintenance of safety equipment and personal protective equipment; • Safety production conditions in workplace and related rules and regulations; • Measures to prevent accidents and occupational hazards and safety matters that should be paid attention to; • The accident case study; • Other training content
Third level (position education)	• Safety operating procedures for related position; • The safety and occupational health matters relating to interconnection between different positions; • The accident case study; • Other training content.

We commission a qualified professional organisation specialising in detection and evaluation of workplace occupational hazards on an annual basis to monitor the work environment and take improvement measures for occupational health safety risks at workplace. The Group provides to the relevant staff with annual occupational health examination. In addition, the Group carries out full inspection and analysis on machineries, and arranges protection measures for those with potential safety issues. For instance, safety screens have been added for all semi-automatic punching equipment to provide extra protection to workers.

We have installed interactive fire alarm system in our factories. Designated staff is responsible for the monthly inspection, maintenance and repair for fire equipment, which is also checked by licensed professional institution on a yearly basis. All safety exits are equipped with safety lights and emergency lights and without obstruction by goods. We have also set up a production safety taskforce to formulate emergency plans; whilst actively cooperating with local fire departments to organise fire drills in springs and autumns for all employees. Staff's awareness of fire safety is heightened through drills of pre-set escape routes, training on use of fire extinguishers and first-aid.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We send workplace representatives to participate in first aid knowledge training provided by the Red Cross, announce the list of first-aiders and set up emergency first aid kits. Each year, the Group also invites local authoritative medical rescue units to conduct on-site first aid knowledge training for all front-line employees.

During the Period, there were 5 minor accidents of work-related injuries, mainly attributable to improper use of machineries and equipment malfunction. No severe industrial accidents were recorded by the Group. We will continue to foster greater safety awareness amongst our employees through series of on-the-job training.

	Production base of the Group	
Item	**Foshan**	**Zhejiang**
Days lost due to work injury	65	49

3. *Development and Training*

We provide employees with a wide range of internal and external trainings to enhance their competitiveness and professional capability. Our Training Management System regulates the training content as the human resources department draws up annual training plans, which are readjusted subject to actual needs.

New joiners will receive induction training covering corporate culture, regulations and system, safety training, environmental health and safety training, job skills and work procedures. That helps employees to better understand their work and devote themselves into work.

In addition, we provide external trainings. For instance, we have forged long-term cooperation with external training institutions to invite renowned teachers from relevant background to lecture our employees on human resources management, finance, production management, personal attributes, research and development, and marketing. The Group organises finance and taxation training for financial officers every year to enhance their accounting skills.

We provide trainings such as "Minimising Ethical Trade Risks of Supply Chain" (《降低供應鏈道德貿易風險》) to enhance junior managers' awareness and capability. For senior management and other crucial talent, master's degree program of business administration and professional English training are subsidised by the Group to enhance our management competitiveness.

During the Period, the Group had 1,188 participants of our trainings. Statistics of trainings by gender, position are as follows:

Positions	**Gender**	**Trained employees**	**Trained ratios**	**Average training hours**
Senior management	Male	1	0.08%	16.00
(Directors and department heads)	Female	2	0.17%	128.1
Executives	Male	136	11.45%	3.21
(back-office executives and officers)	Female	201	16.92%	3.34
Others	Male	473	39.81%	3.27
	Female	375	31.57%	2.05

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. *Labour Standards*

The Group strictly complies with national laws and regulations, and prohibits use of child labour and forced labour. Human resources officers will verify candidates' identity during recruitment process to avoid engaging child labour. We have built the Code of Social Responsibility to prohibit any forced labour and child labour.

Employee Manual ensures reasonable working hours which shall not exceed the limit stipulated by local laws and employees are entitled to one day-off per week, with no forced overtime work. We offer night shift allowance and overtime compensation.

We have formulated the Complaint Management Procedures, whereby employees under forced labour can make written complaints to factory supervisors through opinion boxes or voice out through labour union, or make verbal complaints to the management of the factories.

During the Period, there was no child labour and forced labour within the Group.

Operating Practices

5. *Supply Chain Management*

Our Supply Chain Management System regulates our procurement management system and procedures. We have adopted a fair and just recruitment system and forged long-term and positive partnership with suppliers based on fair, just and open principles by entering "Clean Cooperation Commitment" with suppliers.

Suppliers are assessed based on quality, reliability, pricing in supply, delivery time, quality assurance system, company scale and other factors. The Group will also take into account the suppliers' measures to fulfil their commitment to environmental protection for sorting and regular evaluation of suppliers, with a view to striking a fine balance between source control and economic benefits of recruitment.

Besides, the Group has established the Chemicals Safety Control System and Control Standard of Prohibited Substances, and updated the latter during the Period to reinforce safety control of chemicals. In 2017, all chemical suppliers of the Group held MSDS reports. Meanwhile, all procured materials are required to meet requirements of the eighth level of needle detection. We also purchased a needle detector to inspect metal materials and ensure product quality.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Suppliers by region and type:

Type \ Region	Anhui	Fujian	Guangdong	Hubei	Jiangsu	Shanghai	Hong Kong	Zhejiang	Total
Packaging materials	–	–	3	–	–	–	–	2	5
Chemical materials	–	2	28	–	2	3	–	5	40
Zippers materials	2	2	24	–	1	2	1	4	36
Zippers processing factories	–	–	8	–	–	1	–	–	9
Sliders materials	–	1	7	–	3	–	–	3	14
Sliders processing factories	–	–	3	–	–	–	–	1	4
Equipment factories	–	4	12	1	3	2	–	2	24
Equipment parts factories	1	2	35	–	3	9	–	8	58
Logistics	–	–	1	1	–	2	–	2	6
Total	3	11	121	2	12	19	1	27	196

6. *Product Responsibility*

Quality assurance

Product quality is essential to the reputation of an enterprise. We have established a comprehensive quality assurance system and our production bases have passed the certification of ISO9001 quality control system, the STANDARD 100 by OEKO-TEX® (OEKO-TEX 100) textile product certification system and Trim Qualification Program (TQP) quality control system. The Group has set up a competent comprehensive quality control department, which implements product quality standards in strict compliance with customers' requirements.

The Group has developed Customer Complaint Handling Mechanism to analyse customers' complaints within a specific period of time and send to quality control department for verification. In 2017, we received 90 complaints, representing a decrease of 11.76% over 2016; whilst having no product recall for health and safety problems.

Consumer service

We are pleased to listen to consumers' opinions. Customers can express their opinions by verbal form, telephone, mail, fax, visiting or other form to the Group. The Group has developed Customer Complaint Handling Mechanism to investigate and handle complaints promptly, as well as revert back. Quality control department will investigate complaints concerning product quality, while sales department is responsible for customer communication.

Privacy policy

The Group stresses the importance of safeguarding data of employees and customers. We strictly comply with the Personal Data (Privacy) Ordinance (《個人資料（私隱）條例》) of the Hong Kong Law and have set out relevant guidelines to ensure proper handling and storage of employee and customer data, with an aim to eliminating behaviour of unauthorised edit, use, resale or use for other purposes of customer information.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Advertising

The Group conforms the requirements of Advertisements Law of the People's Republic of China (《中華人民共和國廣告法》) and manages design and change of packaging materials used for new products. Packaging specifications, size and material requirements, labelling, user manual and other items are approved by marketing department, production department, logistics department and quality control department. During the Period, all advertising and publicity activities are in strict compliance with the advertising and promotion laws and regulations enforced in regions where we operate our businesses. We did not publish any advertisement with false statement that would bring damage to consumers.

7. *Anti-corruption*

The Group advocates honesty and trustworthiness, and is dedicated to eliminate any corruption, bribery, fraud, illegal rebates, misappropriation and theft of corporate assets.

We follows the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), the Prevention of Bribery Ordinance (《防止賄賂條例》) of Hong Kong Law and other national or regional laws and regulations, and have established the Anti-corruption and Reporting System. All employees, except general workers, shall enter into "Clean Agreement". "Clean Cooperation Commitment" is also required to be entered into with customers or suppliers before transacting with them, promising no behaviour violating the principle of good faith such as fraud and bribery in any business connection.

We have created reporting email, hotline and mailbox which are monitored and investigated by the Group's internal control department. A rewarding system for reporting is also in place. We will keep the names, addresses of whistle-blowers and departments where they work in strict confidence. Once receiving any report, we will promptly investigate and verify. Upon confirmation, we will forward the serious cases to law enforcement authorities, and reward and recognise the whistle-blowers to a certain extent.

During the Period, the Group's internal control department uncovered that an employee, who used to work in the procurement department, misled by words the signatory to procure materials at prices above market level, whilst receiving rebates from suppliers. The Group attaches great importance to this incident and has reported it to the local Administration for Industry and Commerce and the authority in where the supplier is located, to request for investigation. The supplier concerned received Civil Mediation Agreement, issued written apology to close the court case, and paid the damages for suspected business bribery and violation of Clean Cooperation Commitment. The Group will continue to fight corruption and bribery to eliminate dishonest act in business.

8. *Community Investment*

The Group proactively fulfil its corporate social responsibility, such as the establishment of the "KEE Charitable Foundation". Through raising fund by donations and support from labour union, we help employees in difficult circumstances. The aid covers support to employees with unaffordable medical expenses or education expenses for their children, incapacity of employees or their major family members as a result of severe accidents or illness, damages caused to employees and their families by natural disasters. In 2017, we utilised foundation fund of approximately RMB40,000.

Over the years, we have been fulfilling our corporate social responsibility with the donation to the disabled and the impoverished; whilst we have been supporting the growth of athletes and young people. We encourage our employees to actively participate in charitable events and visit the disabled during festive occasions and holidays. During the Period, we donated to YMCA, and subsidised sports events for impoverished young athletes in China, Bangladesh and Myanmar.

ESG Reporting Guide of The Stock Exchange of Hong Kong Limited:

Subject Areas	Content	Section in This ESG Report
A. Environmental Aspect		
A1 Emissions		
General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Protection — Emissions Management
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental Protection — Efficient Use of Resources
A3 Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environmental Protection — Efficient Use of Resources

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas	Content	Section in This ESG Report
B. Social Aspect		
Employment and Labour Practices		
B1 Employment		
General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment and Labour Practices — Employment
B1.1		
KPI	Total workforce by gender, employment type, age group and geographical location.	Data Highlights
B1.2		
KPI	Employee turnover rate by gender, age group and geographical location.	N/A
B2 Health and Safety		
General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Employment and Labour Practices — Health and Safety
B2.2		
KPI	Lost working days due to work injury.	N/A
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Employment and Labour Practices — Development and Training

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas	Content	Section in This ESG Report
B4 Labour Standard		
General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Employment and Labour Practices — Labour Standards
Operating Practices		
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Operating Practices — Supply Chain Management
B6 Product Responsibility		
General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Operating Practices — Product Responsibility
B7 Anti-corruption		
General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Operating Practices — Anti-corruption
Community		
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

As at the date of this annual report, the Board consists of four Directors, including one executive Director and three independent non-executive Directors.

EXECUTIVE DIRECTOR

Mr. Wu David Hang ("Mr. Wu"), aged 55, has been appointed as an executive Director, chairman of the Board, chief executive officer and authorized representative of the Company with effect from 17 February 2016. He is a vice president of overseas business development of 中弘卓業集團有限公司 (Zhonghong Zhuoye Group Company Limited*), which is the controlling shareholder of 中弘控股股份有限公司 ("Zhonghong Holding Co. Ltd*, "Zhonghong") and holds approximately 34.51% of the issued shares of Zhonghong. Prior to this, he was an investment banker, with a focus on cross-border transactions in Asia markets, especially in China market for many years. From 1996 to 2004, Mr. Wu served as a vice president of the Corporate Finance and Investment Banking group at Citigroup. From 2004 to 2007, Mr. Wu worked as a principal at Marco Polo Partners in New York. From 2007 to 2009, he worked at China Power Development Corp. New York, a renewable energy development firm, as one of the founding members. From 2009 to 2015, Mr. Wu served as a managing director of Herakles Capital International, a New York based investment banking firm. Mr. Wu obtained his MBA degree from University of District of Columbia, USA and his Bachelor of Science degree from University of Electronic Science and Technology of China.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yau Pak Yue ("Mr. Yau"), aged 49, has been appointed as an independent non-executive Director with effect from 28 July 2017. He also served as the Chief Knowledge Officer of Guangzhou Chengfa Capital Company Limited from May 2015 to January 2017. Mr. Yau served as the Chief Executive Officer of Taiyang International Cold Chain (Group) Limited from March 2014 to July 2014 and a Partner at Deloitte & Touche Financial Advisory Services Limited from June 2005 to November 2012. He has over 20 years of experience in mergers and acquisitions transaction supports and financial due diligence. He has been an Independent Non-Executive Director of Ascent International Holdings Limited ("Ascent") since 18 September 2017. Ascent and the Company are 60.09% and 70.16% owned by Zhonghong respectively. Mr. Yau obtained his Bachelor of Commerce (majoring in Accountancy) from the University of Wollongong in Australia. Mr. Yau is also a fellow member of the Hong Kong Institute of Certified Public Accountants and CPA Australia.

Mr. Lu Nim Joel ("Mr. Lu"), aged 60, has been appointed as an independent non-executive Director with effect from 4 August 2017. He obtained his Bachelor of Science and Master of Business Administration from the University of Toronto in Canada. Mr. Lu has more than 30 years of financial experience in the banking industry. Mr. Lu is a chartered financial analyst, and was licensed as an Executive Officer by the Hong Kong Monetary Authority and Responsible Officer by the Securities and Futures Commission respectively in his previous employment. Mr. Lu was a managing director and the head of investments at Rothschild Wealth Management (Hong Kong) Limited from June 2012 and to July 2016. Prior to his last position, Mr. Lu served as a director in the Asset Management Division at Credit Suisse (Hong Kong) Limited and managing director at the Private Bank division of Barclays Bank PLC in Hong Kong. Mr. Lu has also served as an independent non-executive director of Link Holdings Limited, a company listed on the GEM operated by the Hong Kong Stock Exchange (stock code: 8237) from December 2015 to July 2017.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Leung Ka Tin ("Mr. Leung"), aged 64, holds a Diploma in Financial Management. Mr. Leung has 26 years of management experience in banking, treasury operation, project finance, logistics and human resource management. He was a senior management team member of various financial institutions including First Pacific Group, Nedcor Asia (previously known as Nedfinance), BfG Germany and Delta Asia Financial Group as well as companies in the logistics and telecommunication sectors including EAS Da Tong Group and Trident Telecom Ventures Limited. Mr. Leung also has extensive experience in the corporate finance field. He served as directors for the following companies listed on the Hong Kong Stock Exchange or the GEM operated by the Hong Kong Stock Exchange, namely China Kingstone Mining Holdings Limited (stock code: 1380), Wealth Glory Holdings Limited (stock code: 8269) and Ascent. He is currently serving as an independent non-executive director for PanAsialum Holdings Company Limited (stock code: 2078) which is listed on the Hong Kong Stock Exchange.

SENIOR MANAGEMENT

The senior management are responsible for the day-to-day management of the Group's business.

Mr. Xu Xipeng (許錫鵬), aged 52, is the elder brother of Mr. Xu Xinan. Mr. Xu holds directorship in various subsidiaries of the Company and Mr. Xu is responsible for the formulation of development strategies and production management of zipper business. Mr. Xu has over 25 years of experience in the zipper industry, especially on the overall management and production supervision.

Mr. Xu Xinan (許錫南), aged 47, is the younger brother of Mr. Xu Xipeng. Mr. Xu holds directorship in various subsidiaries of the Company and Mr. Xu is responsible for sales and marketing and non production management work of zipper business. Mr. Xu has over 25 years of experience in the zipper industry especially on the overall management and sales and marketing.

Mr. Xu Haizhou (徐海州), aged 42, joined the Group in May 2010, is currently responsible for financial management, human resources and administration management, information technology work of zipper business. Mr. Xu obtained a bachelor's degree in economics from Hubei University in 1999 and thereafter he was graduated from Sun Yatsen University in 2016 and obtained an MBA. Mr. Xu is also a member of the Chinese Institute of Certified Public Accountants and a certified tax agent in the PRC.

Mr. Yau Chi Chiu ("Mr. Yau"), aged 41, has been appointed as the company secretary and authorised representative of the Company with effect from 28 February 2018. Mr. Yau is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Yau holds a Bachelor of Accounting degree from The University of Hong Kong. He has extensive experience in the areas of financial accounting, auditing, taxation, company secretarial and management.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are design, manufacture and sale of finished zippers and other garment accessories etc. in China. The Group's major customers are OEMs who manufacture apparel products for (i) apparel brands in China; and (ii) some well known international apparel labels in China.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2017 are set out in note 14 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group during the year, the description of the future business development, and the risks and uncertainties that the Group faces are set out in the Chairman's statement and Management Discussion and Analysis in this report. The particulars of financial risk management of the Group are set out in note 25 to the consolidated financial statements. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Group's Financial summary on page 3 of this annual report.

FINANCIAL STATEMENTS

The loss of the Group for the year ended 31 December 2017 and the financial position of the Group as at that day are set out in the consolidated financial statements on pages 64 to 67.

A discussion and analysis of the Group's performance during the year and material factors underlying its results and financial position are set out in the Management Discussion and Analysis of this annual report.

DIVIDENDS

The Board does not recommend any payment of a final dividend (2016: Nil) in respect of the year 2017 to the Shareholders.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 3 to 8 of this annual report.

RESERVES

As at 31 December 2017, distributable reserves of the Company amounted to HK$180.2 million (2016: HK$198.2 million). Details of movements in reserves of the Group during the year are set out in consolidated statement of changes in equity shown in the consolidated financial statements.

RELATIONSHIP OF STAKEHOLDERS

The Group continues to have the concept of "Do it for you", we work for employees, shareholders, partners including customers and suppliers and society. To the best knowledge of the Group, employees, customers and partners are the key to have continuous sustainable development. We committed to be people oriented and build up good relationship with employees and partners, and work together with our partners to provide high quality products and services to achieve the goal of sustainable development and contribution to the society.

REPORT OF THE DIRECTORS

DONATIONS

Donations by the Group for charitable and other purposes during the year amounted to HK$nil (2016: HK$11,700).

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group paid high attention to environmental protection and energy conservation to enhance the capacity of sustainable development and undertake relative social responsibility. Details of the environmental policy and performance of the Group are set out in the environmental, social and governance report of this annual report. For the year ended 31 December 2017, our Group did not receive any environmental penalty.

COMPLIANCE WITH RELATED LAW AND REGULATIONS

As far as the Board and management are aware, the Group has complied all related laws and regulations in all material aspects which may have significant impact on the operation of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

Sales and purchases of the Group attributable to its major customers and suppliers respectively for the two financial years were as follows:

	Year ended 31 December	
	2017 % of total turnover	2016 % of total turnover
The largest customer	**4.4**	5.6
Five largest customers	**14.0**	18.8

The information required in paragraph 31(5) of Appendix 16 to the Listing Rules is omitted pursuant to paragraph 31(7) of Appendix 16 to the Listing Rules since the percentage of total turnover attributable to the five largest customers combined for the year ended 31 December 2017 was approximately 14.0%, i.e. less than 30%.

	Year ended 31 December	
	2017 % of total purchase	2016 % of total purchase
The largest supplier	**15.9**	12.0
Five largest suppliers	**39.9**	46.3

All of the above five largest suppliers of the Group are independent third parties. To the best knowledge of the Directors, none of the Directors, their associates or any Shareholder holding more than 5% of the issued share capital of the Company, has any interest in any of the Group's five largest suppliers as disclosed above.

REPORT OF THE DIRECTORS

BANK BORROWING

As at 31 December 2017 and 31 December 2016, the Group do not have any bank loan.

PROPERTY, PLANT, EQUIPMENT

Details of movements in the Group's property, plant and equipment during the year are set out in note 11 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in ordinary shares of the Company during the year are set out in note 23(c) to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands where the Company is incorporated.

PURCHASE, SALE OR REDEMPTION OF SHARES

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 2017.

DIRECTORS

The Directors during the year and up to the date of this report are as follows:

Executive Directors
Mr. Wu David Hang *(Chairman and Chief Executive Officer)*
Ms. Feng Xiaoying
(appointed on 11 July 2017 and resigned on 9 February 2018)
Mr. Hou Jian (resigned on 17 July 2017)

Independent Non-executive Directors
Mr. Leung Ka Tin
Mr. Yau Pak Yue (appointed on 28 July 2017)
Mr. Lu Nim Joel (appointed on 4 August 2017)
Mr. Wong Yik Chung, John (resigned on 28 July 2017)
Mr. Tse Calvin Kai Chuen (resigned on 4 August 2017)

In accordance with article 86(3) of the Company's articles of association, any Director appointed by the Board to fill a casual vacancy shall hold office until the following general meeting of the Company and shall then be eligible for re-election. Also, in accordance with articles 87(1) and (2) of the Company's articles of association, one-third of the existing directors shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. Mr. Yau Pak Yue, Mr. Leung Ka Tin and Mr. Lu Nim Joel will retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

REPORT OF THE DIRECTORS

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographies of Directors and senior management of the Group are set out on pages 43 to 44 of this annual report.

PERMITTED INDEMNITY PROVISION

The Company has arranged appropriate insurance cover for directors' and officers' liabilities. The permitted indemnity provision is currently in force and was in force throughout the year ended 31 December 2017 in accordance with the definition in section 469 of the Companies Ordinance.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has any unexpired service contract which is not determinable by the Company or its subsidiaries within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this report, no transactions, arrangement or contracts of significance in relation to the Company's business to which the Company, its holding companies or its subsidiaries was a party and in which a Director or a connected entity of the Director had a material interest, whether directly or indirectly, subsisted as at the end of the year or any time during the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group's business, which competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2017 and up to and including the date of this annual report.

REMUNERATION POLICY

The remuneration of employees (including Directors and senior management of the Group) is determined with reference to their qualification, expertise and experience in the industry, competence, duties and responsibilities within the Group, the performance and profitability of the Group as well as the market benchmark and the prevailing market conditions. Employees shall also be eligible to receive a discretionary year-end incentive bonus, which shall be determined by the Group at its absolute discretion taking into account, inter alia, the Group's operating performance, market conditions in which the Group operates and the individual's performance, payable at such time as the Group may consider appropriate, and discretionary share options.

PENSION SCHEME

In the PRC, the Group contributes to social insurance on a monthly basis for its employees. The Group has no further obligation for payment of post-retirement benefits to employees beyond the aforesaid contributions made by the Group.

The Group also participates in mandatory provident fund scheme (the "MPF Scheme") in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group and are under the control of an independent trustee. Both the Group and its employees are required to contribute 5% of the employees' monthly salaries. The mandatory contributions required to be made respectively by the Group and an employee are each capped at HK$1,500 per month. Members are entitled to 100% of the employers' mandatory contributions as soon as they are paid to the MPF Scheme but all benefits derived from the mandatory contributions must be preserved until an employee reaches the retirement age of 65 or in accordance with the rules of the MPF Scheme.

REPORT OF THE DIRECTORS

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2017.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at the date of the report, there is no interest of the Directors and chief executives in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under Section 352 of the SFO or as notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code contained in the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES OR UNDERLYING SHARES OF THE COMPANY

As at the date of the report, the register maintained under section 336 of the SFO shows that the Company had been notified of the following substantial Shareholders' and other persons' interests and short positions, representing 5% or more of the Company's issued share capital:

LONG POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of shareholder	Capacity	Number of Shares	Approximate percentage of interest
Glory Emperor Trading Limited ("Glory Emperor")	Beneficial owner	326,089,600	70.16%
Li Zhen Hong Kong Trading Co., Limited ("Li Zhen") (Note 1)	Interest in controlled corporation	326,089,600	70.16%
Shanghai Yongwen Investment Company Limited# ("Shanghai Yongwen") (Note 2)	Interest in controlled corporation	326,089,600	70.16%
Beijing Zhonghong Hongyi Investment Company Limited# ("Beijing Zhonghong Hongyi") (Note 3)	Interest in controlled corporation	326,089,600	70.16%
Zhonghong (Note 4)	Interest in controlled corporation	326,089,600	70.16%
Zhonghong Zhuoye Group Company Limited# ("Zhonghong Zhuoye") (Note 5)	Interest in controlled corporation	326,089,600	70.16%
Mr. Wang Yonghong (Note 6)	Interest in controlled corporation	326,089,600	70.16%

REPORT OF THE DIRECTORS

Name of shareholder	Capacity	Number of Shares	Approximate percentage of interest
Noble Wisdom Ever Limited ("Noble Wisdom") (Note 7)	Person having a security interest in shares	326,089,600	70.16%
Huarong Overseas Investment Holdings Co., Ltd ("Huarong Overseas") (Note 8)	Interested in controlled corporation	326,089,600	70.16%
華融華僑資產管理股份有限公司(「華融華僑」) (Note 9)	Interested in controlled corporation	326,089,600	70.16%
華融致遠投資管理有限責任公司(「華融致遠」) (Note 10)	Interested in controlled corporation	326,089,600	70.16%
China Huarong Asset Management Co., Ltd ("China Huarong Asset Management") (Note 12)	Interested in controlled corporation	326,089,600	70.16%
廣東錦峰集團有限公司(「廣東錦峰」)(Note 11)	Interested in controlled corporation	326,089,600	70.16%
Hong Kong Kam Fung Group Company Limited ("Hong Kong Kam Fung") (Note 13)	Interested in controlled corporation	326,089,600	70.16%
Ministry of Finance of People's Republic of China (Note 12)	Interested in controlled corporation	326,089,600	70.16%
Sun Siu Kit (Note 13)	Interested in controlled corporation	326,089,600	70.16%
Farco Holdings Limited (Note 14)	Beneficial owner	39,130,000	8.42%
Qi Wei (Note 14)	Interested in controlled corporation	39,130,000	8.42%
CM SPC (note 15)	Beneficial owner	30,000,000	6.45%
CM Capital Management (Cayman) Limited (note 16)	Interested in controlled corporation	30,000,000	6.45%
CM Asset Management Holdings Limited (note 17)	Interested in controlled corporation	30,000,000	6.45%
China Minsheng Financial Holding Corporation Limited (note 18)	Interested in controlled corporation	30,000,000	6.45%

REPORT OF THE DIRECTORS

Name of shareholder	Capacity	Number of Shares	Approximate percentage of interest
CMI Financial Holding Company Limited (note 19)	Interested in controlled corporation	30,000,000	6.45%
Minsheng (Shanghai) Assets Management Company Limited (note 20)	Interested in controlled corporation	30,000,000	6.45%
China Minsheng Investment Corporation Limited (note 20)	Interested in controlled corporation	30,000,000	6.45%

Notes:

1. *Li Zhen wholly owns Glory Emperor.*
2. *Shanghai Yongwen wholly owns Li Zhen.*
3. *Beijing Zhonghong Hongyi wholly owns Shanghai Yongwen.*
4. *Zhonghong wholly owns Beijing Zhonghong Hongyi.*
5. *Zhonghong Zhuoye holds approximately 26.55% interest in Zhonghong.*
6. *Mr. Wang Yonghong wholly owns Zhonghong Zhuoye.*
7. *Noble Wisdom is wholly owned by Huarong Overseas.*
8. *Huarong Overseas is wholly owned by 華融華僑.*
9. *華融華僑 is 51%-owned by 華融致遠 and 40%-owned by 廣東錦峰.*
10. *華融致遠 is wholly owned by China Huarong Asset Management.*
11. *廣東錦峰 is wholly owned by Hong Kong Kam Fung.*
12. *China Huarong Asset Management is 67.76%-owned by Ministy of Finance of People's Republic of China.*
13. *Hong Kong Kam Fung is 99%-owned by Sun Siu Kit.*
14. *Farco Holdings Limited is wholly owned by Qi Wei.*
15. *CM SPC is wholly owned by CM Capital Management (Cayman) Limited.*
16. *CM Capital Management (Cayman) Limited is wholly owned by CM Asset Management Holdings Limited.*
17. *CM Asset Management Holdings Limited is wholly owned by China Minsheng Financial Holding Corporation Limited.*
18. *China Minsheng Financial Holding Corporation Limited is 49.84%-owned by CMI Financial Holding Company Limited.*
19. *CMI Financial Holding Company Limited is wholly owned by Minsheng (Shanghai) Assets Management Company Limited.*
20. *Minsheng (Shanghai) Assets Management Company Limited is wholly owned by China Minsheng Investment Corporation Limited.*

REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 December 2017, the Directors were not aware of any other person (other than the Directors or chief executive of the Company) had registered an interest or a short position in the Shares, underlying shares or debentures of the Company which was required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which was required to be recorded in the register of the Company required to be kept under Section 336 of Part XV of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2017 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective associates nor was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective associates to acquire such rights in any other body corporate.

CONTINUING CONNECTED TRANSACTIONS

(i) 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 Tianjin 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 constitutes 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.

The agreement expired on 11 July 2017. There was no commission income generated from rendering of property agency services in accordance with the agreement during the year ended 31 December 2017.

REPORT OF THE DIRECTORS

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

On 29 July 2016, Tianjin Vitality and Zhonghong entered into the framework cooperation agreement (the "Framework Cooperation Agreement") (as amended and supplemented by a supplemental agreement dated 2 September 2016 and a second supplemental agreement dated 10 November 2016), pursuant to which Zhonghong has agreed to engage Tianjin Vitality and Tianjin Jinhui Tianjin Company Limited ("Tianjin Jinhui") as the joint exclusive agent for the sales of the property projects developed by the 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 each of 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, Tianjin 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.

During the year ended 31 December 2017, the Group generated the commission income of approximately RMB39,866,000 (equivalent to approximately HK$45,200,000) under the Framework Cooperation Agreement.

(iii) 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 and previous shareholders 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 RMB310,000.

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 under the Lease Renewal Agreement is RMB3,720,000.

On 16 January 2017, Classic Winner Limited ("Classic Winner"), a company owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, as lessor and KEE Zippers Corporation Limited ("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 at the subsidiary level 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 Investment Company Limited ("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 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 at the subsidiary level 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

For the year ended 31 December 2017, the total rental charges under the Guangdong Lease Renewal Agreement, the HK Lease Renewal Agreement and the Zhejiang Lease Renewal Agreement was approximately HK$8,505,000.

REPORT OF THE DIRECTORS

ANNUAL REVIEW

The Directors (including the independent non-executive Directors) have reviewed the above continuing connected transactions and confirmed that these transactions were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms; and

(iii) in accordance with the Cooperation Agreement, the Framework Cooperation Agreement, the Guangdong Lease Renewal Agreement, the HK Lease Renewal Agreement and the Zhejiang Lease Renewal Agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

BDO Limited, the auditor of the Company, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange. The auditor's letter confirms that, in respect of the above-mentioned continuing connected transactions:

a. nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors.

b. nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Group.

c. nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

d. nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions having exceeded the annual caps.

REPORT OF THE DIRECTORS

OTHER RELATED-PARTY TRANSACTIONS

Apart from the aforesaid continuing connected transactions, the related-party transactions set out in notes 11, 16, 23(f) and 27(b) to the consolidated financial statements also include transactions which did not constitute continuing connected transactions under Chapter 14A of the Listing Rules. Details of other related-party transactions entered into by the Group during the year ended 31 December 2017, which did not constitute connected transactions under Chapter 14A of the Listing Rules are set out in notes 11, 16, 23(f), and 27(b) to the consolidated financial statements.

SHARE OPTION SCHEME

The Company's share option scheme (the "Share Option Scheme") was conditionally adopted by the written resolutions of the sole Shareholder of the Company passed on 14 December 2010, pursuant to which the Board may, at its absolute discretion and on such terms as it may think fit, grants options to any employee(s) (whether full time or part time including any Director) of any member of the Group at the exercise price for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme. The purpose of the Share Option Scheme is to enable the Board to grant options to selected employee(s) as incentives or rewards for their contribution or potential contribution to the Group.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 40,000,000 Shares which represents approximately 9.2% of the Shares in issue on the date of this report. The maximum number of Shares issued and to be issued upon exercise of options granted and to be granted under the Share Option Scheme and any other share option schemes of the Company to any employee(s) (including cancelled, exercised and outstanding options), in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine but in any event shall not exceed 10 years from the date of grant. Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no minimum holding period before an option is exercisable.

An offer for the grant of options must be accepted within twenty- one days inclusive of the day on which such offer was made. The amount payable to our Company on acceptance of the offer for the grant of an option is HK$1.00.

The exercise price is to be determined by the Board provided always that it shall be at least the higher of (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Hong Kong Stock Exchange on the date of offer for the grant of the option, which must be a trading day; and (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Hong Kong Stock Exchange for the five business days immediately preceding the date of grant, provided that the exercise price shall in no event be less than the nominal amount of one Share.

During the year ended 31 December 2017, no share option was granted by the Company. As at 31 December 2017 and 2016, there is no outstanding share option.

REPORT OF THE DIRECTORS

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2017, save for the share option scheme previously mentioned, the Company has not entered into the equity-linked agreements, and there did not subsist any equity-linked agreement entered into by the Company as at 31 December 2017.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this Annual Report, the Company has maintained a sufficient public float of not less than 25% of the Company's issued share as required under the Listing Rules throughout the year ended 31 December 2017 and up to the date of this Annual Report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2017 has been audited by BDO Limited. BDO Limited will retire as auditor of the Company and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of BDO Limited as auditor of the Company will be proposed at the annual general meeting.

By order of the Board
Wu David Hang
Chairman
Hong Kong, 28 March 2018

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF KEE HOLDINGS COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of KEE Holdings Company Limited ("the Company") and its subsidiaries ("the Group") set out on pages 64 to 131, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

Valuation of inventories

Refer to note 15 to the consolidated financial statements and the accounting policies on inventories as shown in note 1(k) to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
Inventories are carried at the lower of cost and net realisable value in the consolidated financial statements. The net carrying value of inventories at 31 December 2017 was HK$23,924,000. The Group's inventories comprise zippers and other related products which are to be sold to original equipment manufacturers ("OEM") of clothing brands. The future saleability of inventories is subject to changing consumer preferences and fashion trends. Management judgement is required to assess the appropriate level of provisioning for items of inventory which may be ultimately destroyed or sold below cost as a result of a reduction in demand arising from unfavourable changes in consumer preferences. Consequently, there is a risk that the carrying value of inventories exceeds its net realisable value. We identified assessing the valuation of inventories as a key audit matter because of its significance to the consolidated financial statements and because of the significant management judgement involved in determining the level of any provisions required at the end of the reporting period.	Our audit procedures to assess the valuation of inventories included the following: • enquiring of management about the assumptions and bases adopted for assessing inventory provisions for finished goods, work-in-progress and raw materials and considering the consistency of the application of the Group's inventory provisioning policy and the rationale for writing off inventories; • recalculating the inventory provision with reference to the policies and parameters in the Group's inventory provisioning policy and considering the Group's inventory provisioning policy with reference to the requirements of the prevailing accounting standards; • assessing, on a sample basis, whether the selected items on the inventory ageing report were classified within the appropriate ageing bracket by comparing individual items with the dates on the respective production reports and goods receipt notes; • attending the year end inventory count, observing the relevant controls implemented by management and identifying slow-moving and damaged inventories through inspection and enquiry of the warehouse staff; • evaluating the inventory provisioning policy by comparing management's forecasts of the amounts of raw materials and finished goods which will not be consumed or sold with historical consumption rates for the past 12-month period; • comparing, on a sample basis, the carrying amounts of selected items on the inventory list as at the reporting date with selling prices achieved subsequent to the reporting date and related confirmed sale orders; and • considering the historical accuracy of provisions for inventories made by management at the end of the previous financial year by comparing the actual inventory loss during the current year with the provisions for inventories as at 31 December 2016 and assessing whether there were indications of management bias in making provisions for inventories.

INDEPENDENT AUDITOR'S REPORT

Accounting for the discontinued operation

Refer to note 6 to the consolidated financial statements and the accounting policies on discontinued operation as shown in note 1(j) to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
During the year, the Group disposed of its real estate agency business which constituted a discontinued operation. The loss from discontinued operation from the beginning of the financial year of 1 January 2017 to the date of its disposal amounted to HK$31,808,000. We identified accounting for the discontinued operation as a key audit matter because the discontinued operation was significant to the Group in term of its results, assets and liabilities and cash flows involved as well as the related specific disclosure requirements.	Our audit procedures performed on the discontinued operation included the following: • assessing whether the presentation and disclosure of discontinued operation were made in accordance with applicable Hong Kong Financial Reporting Standards; and • checking the calculation of the gain on disposal of discontinued operation.

Valuation of an available-for-sale investment

Refer to note 13 to the consolidated financial statements and the accounting policies on available-for-sale investments as shown in note 1(h) to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
The available-for-sale investment represents an unlisted investment fund (the "Fund") which was carried at fair value in the consolidated financial statements. As at 31 December 2017, the Fund was carried at fair value of HK$103,480,000. The fair value of the Fund was determined based on its net asset value reported by the Fund's manager after any adjustment considered appropriate by the directors. The valuation of the Fund requires significant judgement in determining the appropriate valuation techniques and inputs to be used in estimating the Fund's fair value. A change in the valuation techniques and adjustments to net asset value considered necessary could have a significant impact on valuation. We identified assessing the valuation of the Fund as a key audit matter because of its significance to the consolidated financial statements and because of the significant judgement involved in determining the valuation at the end of the reporting period.	Our audit procedures to assess the valuation of Fund included the following: • evaluating the objectivity, independence and expertise of the external valuers who assist the directors to determine any appropriate adjustment is required to be made on the net asset value of the Fund; • assessing the valuation techniques used and the appropriateness of the adjustments (if any) applied on the valuation based on the nature of the Fund and its underlying investments; • Obtaining confirmation from the Fund's manager in respect of the net asset value reported to the Company which is a starting point assessing whether any adjustment to the net asset value is required; and • assessing the adequacy of the disclosures as required by applicable accounting standards made in the consolidated financial statements in respect of the valuation of the Fund.

INDEPENDENT AUDITOR'S REPORT

Other Information in the Annual Report

The directors are responsible for the other information. The other information comprises all the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Wong Chi Wai
Practising Certificate Number P04945

Hong Kong, 28 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Notes	**2017 HK$'000**	2016 HK$'000 (Restated)
Continuing operations			
Revenue	2	**184,732**	145,568
Cost of sales		**(127,028)**	(103,497)
Gross profit		**57,704**	42,071
Other (losses)/gains, net	3	**(10,592)**	7,339
Distribution costs		**(15,197)**	(10,989)
Administrative expenses		**(40,248)**	(34,318)
Gain on disposal of a subsidiary	24	**–**	17,837
Gain on disposal of property, plant and equipment and leasehold land to related parties	11(a)	**–**	17,609
(Loss)/profit from operations		**(8,333)**	39,549
Finance costs	4(a)	**–**	(9)
(Loss)/profit before taxation	4	**(8,333)**	39,540
Income tax	5	**(5,429)**	(8,415)
(Loss)/profit from continuing operations		**(13,762)**	31,125
Loss from discontinued operation	6(i)	**(31,808)**	(7,888)
(Loss)/profit for the year		**(45,570)**	23,237
Attributable to:			
Equity shareholders of the Company		**(45,127)**	21,940
Non-controlling interests		**(443)**	1,297
(Loss)/profit for the year		**(45,570)**	23,237
(Loss)/earnings per share from continuing operations attributable to the equity shareholders of the Company (HK cents)	9		
Basic		**(3.0)**	6.9
Diluted		**(3.0)**	6.9
(Loss)/earnings per share attributable to the equity shareholders of the Company (HK cents)	9		
Basic		**(10.0)**	5.1
Diluted		**(10.0)**	5.0

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
(Loss)/profit for the year		**(45,570)**	23,237
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		**28,450**	(21,778)
— Fair value gain on available-for-sale investment	13	**3,480**	–
— Other comprehensive income arising from discontinued operation	6(i)	**3,064**	(8,146)
		34,994	(29,924)
Total comprehensive income for the year		**(10,576)**	(6,687)
Attributable to:			
Equity shareholders of the Company		**(13,630)**	(4,717)
Non-controlling interests		**3,054**	(1,970)
Total comprehensive income for the year		**(10,576)**	(6,687)
Attributable to:			
Continuing operations		**18,168**	9,347
Discontinued operation		**(28,744)**	(16,034)
Total comprehensive income for the year		**(10,576)**	(6,687)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	**2017** **HK$'000**	2016 HK$'000
Non-current assets			
Property, plant and equipment	11	**57,805**	57,323
Intangible assets	12	**2,448**	3,047
Available-for-sale investment	13	**103,480**	–
Prepayments for property, plant and equipment		**292**	93
Rental deposit		**987**	–
Deferred tax assets	17(c)	**3,039**	2,985
		168,051	63,448
Current assets			
Inventories	15	**23,924**	19,417
Trade and other receivables	16	**92,615**	135,759
Current tax recoverable	17(a)	**–**	38
Cash and cash equivalents	18	**95,590**	186,496
Assets held for sale	19	**–**	602
		212,129	342,312
Current liabilities			
Trade and other payables	20	**40,366**	84,955
Current tax payable	17(a)	**1,787**	1,392
		42,153	86,347
Net current assets		**169,976**	255,965
Total assets less current liabilities		**338,027**	319,413
Non-current liabilities			
Deferred tax liabilities	17(c)	**1,124**	1,124
Net assets		**336,903**	318,289

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	**2017** **HK$'000**	2016 HK$'000
Capital and reserves			
Share capital	23	**4,648**	4,348
Reserves		**309,435**	294,175
Total equity attributable to the equity shareholders of the Company		**314,083**	298,523
Non-controlling interests		**22,820**	19,766
Total equity		**336,903**	318,289

On behalf of the Board

Wu David Hang
Director

Yau Pak Yue
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

		Attributable to equity shareholders of the Company									
	Notes	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Exchange reserve HK$'000	Investment revaluation reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2016		4,268	139,092	18,972	19,554	17,455	–	91,516	290,857	22,170	313,027
Changes in equity for 2016											
Profit for the year		–	–	–	–	–	–	21,940	21,940	1,297	23,237
Other comprehensive income		–	–	–	–	(26,657)	–	–	(26,657)	(3,267)	(29,924)
Total comprehensive income		–	–	–	–	(26,657)	–	21,940	(4,717)	(1,970)	(6,687)
Appropriation to statutory reserve		–	–	–	2,807	–	–	(2,807)	–	–	–
Share options lapsed during the year	23(a)	–	–	(243)	–	–	–	243	–	–	–
Shares issued under share option scheme	23(c)(ii)	80	12,708	(3,087)	–	–	–	–	9,701	–	9,701
Disposal of a subsidiary	24	–	–	(209)	–	–	–	–	(209)	(22,170)	(22,379)
Disposal of interest in a subsidiary without loss of control	23(f)	–	–	2,891	–	–	–	–	2,891	21,736	24,627
Balance at 31 December 2016		4,348	151,800	18,324	22,361	(9,202)	–	110,892	298,523	19,766	318,289
Balance at 1 January 2017		**4,348**	**151,800**	**18,324**	**22,361**	**(9,202)**	**–**	**110,892**	**298,523**	**19,766**	**318,289**
Changes in equity for 2017											
Loss for the year		**–**	**–**	**–**	**–**	**–**	**–**	**(45,127)**	**(45,127)**	**(443)**	**(45,570)**
Other comprehensive income		**–**	**–**	**–**	**–**	**28,017**	**3,480**	**–**	**31,497**	**3,497**	**34,994**
Total comprehensive income		**–**	**–**	**–**	**–**	**28,017**	**3,480**	**(45,127)**	**(13,630)**	**3,054**	**(10,576)**
Appropriation to statutory reserve		**–**	**–**	**–**	**561**	**–**	**–**	**(561)**	**–**	**–**	**–**
Shares issued under a subscription agreement, net of expenses	23(c)(ii)	**300**	**28,890**	**–**	**–**	**–**	**–**	**–**	**29,190**	**–**	**29,190**
Balance at 31 December 2017		**4,648**	**180,690**	**18,324**	**22,922**	**18,815**	**3,480**	**65,204**	**314,083**	**22,820**	**336,903**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	**2017 HK$'000**	2016 HK$'000
Cash flows from operating activities			
(Loss)/profit before taxation			
Continuing operations		**(8,333)**	39,540
Discontinued operation	6	**(31,775)**	(7,886)
(Loss)/profit before income tax including discontinued operation		**(40,108)**	31,654
Adjustments for:			
Depreciation and amortisation	4(c)	**10,409**	13,027
Impairment losses charged on property, plant and equipment	4(c)	**1,867**	4,513
(Reversal of impairment losses)/impairment losses charged on trade and other receivables	4(c)	**(177)**	1,034
Impairment losses charged on inventories	15	**1,342**	508
Finance costs	4(a)	**–**	9
Interest income	3	**(1,612)**	(1,231)
Loss/(gain) on disposal of property, plant and equipment and leasehold land	11(a)	**1,378**	(13,462)
Gain on disposal of a subsidiary	24	**(1,520)**	(17,837)
Net foreign exchange (losses)/gains		**11,371**	(10,689)
Expense incurred for the professional fees related to investing activities		**1,005**	1,007
Expense incurred for the professional fees related to financing activities		**–**	503
Operating (loss)/profit before working capital changes		**(16,045)**	9,036
Increase in inventories		**(6,079)**	(5,375)
Increase in trade and other receivables		**(89,917)**	(120,881)
Decrease in trade and other payables		**135,896**	67,697
Cash generated from/(used in) operations		**23,855**	(49,523)
Income tax paid	17(a) & (b)	**(5,858)**	(7,450)
Net cash generated from/(used in) operating activities		**17,997**	(56,973)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Investing activities			
Payment for the purchase of property, plant and equipment		**(9,049)**	(8,533)
Payment for purchase of available-for-sale investment		**(100,000)**	–
Net cash (outflow)/inflow from disposal of a subsidiary	24	**(46,180)**	90,266
Proceeds from sale of property, plant and equipment and leasehold land		**1,967**	71,766
Proceeds from disposal of asset held for sales		**602**	–
Payment for the professional fees related to investing activities		**(1,005)**	(1,707)
Interest received		**1,612**	1,231
Payments on taxes for sale of property, plant and equipment and leasehold land		**–**	(4,615)
Net cash (used in)/generated from investing activities		**(152,053)**	148,408
Financing activities			
Proceeds from issue of shares, net of expenses of HK$810,000	23	**29,190**	–
Repayment for bank borrowing		**–**	(15,000)
Payment for the professional fees related to financing activities		**–**	(854)
Proceeds from exercise of employee share options		**–**	9,701
Proceeds from sale of interest in subsidiary without loss of control		**–**	24,627
Interest paid		**–**	(9)
Net cash generated from financing activities		**29,190**	18,465
Net (decrease)/increase in cash and cash equivalents		**(104,866)**	109,900
Cash and cash equivalents at 1 January		**186,496**	85,894
Effect of foreign exchange rate changes		**13,960**	(9,298)
Cash and cash equivalents at 31 December	18	**95,590**	186,496

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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 2017 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 except that available-for-sale investment is stated at fair value.

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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 30.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

During the year, the Group has adopted a number of amendments to the HKFRSs which did not have material impact on the Company's consolidated financial statements except that additional disclosure is required to be made in the consolidated financial statements to satisfy the new disclosure requirements introduced by the amendments to HKAS 7 — Statement of Cash Flows: Disclosure Initiative. It requires the Group to provide additional disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities. As the Group had no liabilities arising from financing activities during the year ended 31 December 2017 and the comparative information is not required in the first year of adoption, no such disclosure was made in the consolidated financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, and no gain or loss is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests (Continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset, or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and the borrowing costs.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

— Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.

— Leasehold improvement is depreciated over the shorter of the unexpired term of lease and their estimated useful lives of 3 to 10 years.

— Machinery	10 years
— Vehicles and other equipment	4 – 5 years

Construction in progress ("CIP") represents property, plant and equipment under construction and pending installation, and is stated at cost less any impairment losses.

Cost comprises direct costs of construction during the construction period. Capitalisation of these costs ceases and the CIP is transferred to property, plant and equipment when the asset is substantially ready for its intended use.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible assets

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Group's research and development activities, the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the project when the remaining development costs are immaterial. Hence both research costs and development costs are generally recognised as expenses in the period in which they are incurred.

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. Computer software is amortised from the date it is available for use and its estimated useful life is 5 to 10 years.

Both the period and method of amortisation are reviewed annually.

(g) Operating lease charges

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease terms, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(h) Available-for-sale investments

Available-for-sale investments are non-derivative financial assets which are neither classified as held for trading nor designated as at fair value through profit or loss. The financial assets are presented as non-current assets unless they mature, management intends to dispose of them within 12 months from the end of the reporting period.

At initial recognition, a financial asset is measured at its fair value plus transactions costs that are directly attributable to acquisition of the assets. After initial recognition, it is subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the investment revaluation reserve until the asset is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other gains or losses, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the investment revaluation reserve to the statement of profit or loss in other gains or losses.

Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other revenue.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of assets

(i) Impairment of current and non-current receivables

Current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For current and non-current receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of assets (Continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— intangible assets; and

— investment in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest rate method, less allowance for impairment of doubtful debts.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the People's Republic of China (the "PRC") are recognised as an expense in profit or loss as incurred.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

— the same taxable entity; or

— different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax and is after deduction of any trade discounts.

(ii) Rendering of services

Commission income of rendering property agency services is recognised when the related services are rendered and the relevant formal property selling agreements are duly reached. Revenue excludes value added tax or other sales taxes.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iv) Government grants

Unconditional discretionary government grants from the local municipal government authorities are recognised in the profit or loss as other income when the amount is received.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Translation of foreign currencies

For the purpose of presenting these financial statements, the Group adopted Hong Kong dollars ("HK$") as its presentation currency. The functional currencies of the Company, KEE International (BVI) Company Limited ("KEE International BVI"), and KEE Zippers Corporation Limited ("KEE Zippers") are HK$ and the functional currencies of the subsidiaries established in the PRC are Renminbi ("RMB").

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non- monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into HK$ at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into HK$ at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(s) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(t) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and included:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

2. REVENUE

The principal activities of the Group are manufacture and sale of zippers and other related product. During the year, the Group has ceased the rendering of property agency services. The related income and expenses including the comparative amounts are reclassified as "discontinued operation", the details of which are set out in note 6.

The amount of each significant category of revenue from continuing operations is as follows:

	2017 HK$'000	2016 HK$'000 (Restated)
Sales of goods		
Finished zippers and sliders	**180,090**	139,926
Flat knit ribs	**–**	1,698
Others	**4,642**	3,944
	184,732	145,568

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

3. OTHER (LOSSES)/GAINS, NET

	2017 HK$'000	2016 HK$'000 (Restated)
Interest income	**1,439**	1,018
Government grants	**547**	275
Net foreign exchange (losses)/gains	**(11,371)**	10,161
Loss on disposal of property, plant and equipment	**(1,378)**	(4,147)
Others	**171**	32
	(10,592)	7,339

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

4. (LOSS)/PROFIT BEFORE TAXATION

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

(a) Finance costs

	2017 **HK$'000**	2016 HK$'000
Interest on bank borrowing	**–**	9

(b) Staff costs*

	2017 **HK$'000**	2016 HK$'000 (Restated)
Salaries, wages and other benefits	**52,471**	49,521
Contributions to defined contribution retirement plans	**6,700**	5,058
	59,171	54,579

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

4. (LOSS)/PROFIT BEFORE TAXATION (CONTINUED)

(c) Other items

	2017 **HK$'000**	2016 HK$'000 (Restated)
Depreciation and amortisation*		
land lease premium (note 11)	**–**	8
property, plant and equipment (note 11)	**9,628**	12,220
intangible assets (note 12)	**781**	799
	10,409	13,027
Auditors' remuneration		
audit services	**1,100**	1,760
tax services	**–**	18
other services	**–**	840
	1,100	2,618
(Reversal of impairment losses)/impairment losses charged on trade and other receivables (note 16(b))	**(177)**	1,034
Impairment losses charged on equipment (note 11)	**1,867**	4,513
Operating lease charges: minimum lease payments		
hire of plant and machinery*	**7,917**	4,342
hire of other assets (including property rentals)	**1,279**	172
	9,196	4,514
Research and development expenses	**3,769**	1,790
Cost of inventories*(note 15)	**127,028**	103,497

* *Cost of inventories includes HK$53,569,000 (2016: HK$52,651,000) 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.*

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

5. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2017 HK$'000	2016 HK$'000 (Restated)
Current tax — PRC corporate income tax		
Provision for the year	**3,701**	8,892
Under-provision in respect of prior years	**–**	365
	3,701	9,257
Current tax — Hong Kong Profits Tax		
Provision for the year	**–**	268
Over-provision in respect of prior years	**(117)**	–
	(117)	268
Deferred tax		
Origination and reversal of temporary differences	**1,878**	(1,108)
	5,462	8,417
Income tax expense is attributable to:		
Continuing operations	**5,429**	8,415
Discontinued operation	**33**	2
	5,462	8,417

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

5. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

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

	2017 HK$'000	2016 HK$'000 (Restated)
(Loss)/profit from continuing operations before taxation	**(8,333)**	39,540
Loss from discontinued operation before taxation (note 6(i))	**(31,775)**	(7,886)
	(40,108)	31,654
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to profits in the jurisdiction concerned (note i)	**(8,602)**	8,672
Effect of non-deductible expenses	**4,424**	3,566
Effect of non-taxable income	**(122)**	(1,692)
Effect of tax losses not recognised	**9,059**	158
Effect of tax concessions (note ii)	**(795)**	(3,307)
Tax effect of temporary differences arising from withholding tax on undistributed profits (note iii)	**1,756**	442
(Over-provision)/under-provision in prior years	**(117)**	365
Others	**(141)**	213
	5,462	8,417

(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 2017 and 2016.

(ii) KEE (Guangdong) Garment Accessories Limited ("KEE Guangdong") was recognised as a High and New Technology Enterprise ("HNTE") and is 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 2017, deferred tax liability recognised in this regard was HK$1,124,000 (2016: HK$1,124,000) (see note 17(b)).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

6. DISCONTINUED OPERATION

On 24 August 2017, the Company completed the disposal of its 100% equity interest in and shareholder's loan made to Neo Ocean Ventures Limited and its subsidiaries ("Neo Ocean Group"), which engages in real estate agency service business in the PRC, to an independent third party of the Company. The Group had decided to cease its real estate agency service business because Neo Ocean Group's financial performance was not satisfactory since it had commenced the business in 2016. The scale of the property agency services was fundamentally hindered after the government of the PRC has imposed home purchase restrictions on the residential real estate market in various cities in the PRC. Following the decision and completion of disposal of Neo Ocean Group, the related income and expenses including the comparative amounts are re-classified as a discontinued operation and are no longer included in operating segment information.

(i) The financial performance and total comprehensive income for the period from 1 January 2017 to 24 August 2017 (date of disposal) and the year ended 31 December 2016 is presented as follows:

	1 January 2017 to 24 August 2017 HK$'000	Year ended 2016 HK$'000
Revenue	**99,796**	7,630
Expenses	**(132,086)**	(15,516)
Loss before income tax of discontinued operation	**(32,290)**	(7,886)
Income tax expense	**(33)**	(2)
Loss after income tax of discontinued operation	**(32,323)**	(7,888)
Gain on disposal of Neo Ocean Group after income tax and transaction costs of HK$1,005,000	**515**	–
Loss from discontinued operation	**(31,808)**	(7,888)
Other comprehensive income		
Exchange differences on translation of discontinued operation	**3,064**	(8,146)
Total comprehensive income from discontinued operation	**(28,744)**	(16,034)
Loss per share (HK cents)	**2017**	2016
Basic, from the discontinued operation	**(7.1)**	(1.8)
Diluted, from the discontinued operation	**(7.1)**	(1.8)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

6. DISCONTINUED OPERATION (CONTINUED)

(ii) The calculations of basic and diluted loss per share from the discontinued operation are based on:

	2017 **HK$'000**	2016 HK$'000
Loss attributable to the equity shareholders of the Company from discontinued operation	**(31,808)**	(7,888)

	2017 **'000**	2016 '000
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**450,009**	434,330
Weighted average number of ordinary shares in issue during the year used in the diluted loss per share calculation	**450,009**	434,617

(iii) Net cash flows for the period from 1 January 2017 to 24 August 2017 (date of disposal) and the year ended 31 December 2016 were as follows:

	1 January 2017 to 24 August 2017 HK$'000	Year ended 2016 HK$'000
Net cash inflow/(outflow) from operating activities	**20,500**	(63,574)
Net cash outflow from investing activities	**(407)**	(6)
Net cash (outflow)/inflow from financing activities	**(9,450)**	147,900
Net increase in cash	**10,643**	84,320

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6. DISCONTINUED OPERATION (CONTINUED)

(iv) Details of disposal

	2017 HK$'000
Total cash consideration received and receivable:	100,000
Carrying amount of the net liabilities sold	43,275
Shareholder's loan from the Group disposed of	(138,691)
Reclassification of exchange reserve upon disposal	(3,064)
Gain on disposal after income tax	1,520
Transaction costs incurred for the disposal transaction	(1,005)
Net gain on disposal after income tax and transaction costs	515

The carrying amounts of assets and liabilities as at the date of disposal of 24 August 2017 are as follows:

	24 August 2017 HK$'000
Property, plant and equipment	397
Trade and other receivables	181,701
Cash and bank balance	96,180
Total assets	278,278
Trade and other payables	(182,862)
Loan from the Group	(138,691)
Total liabilities	(321,553)
Net liabilities	(43,275)

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7. DIRECTORS' EMOLUMENTS

For the year ended 31 December 2017

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contribution HK$'000	Total HK$'000
Chairman				
Wu David Hang	–	936	43	979
Executive directors				
Hou Jian (Resigned on 17 July 2017)	–	–	–	–
Feng Xiaoying (Appointed on 17 July 2017 and resigned on 9 February 2018)	–	–	–	–
Independent non-executive directors				
Leung Ka Tin	138	–	–	138
Tse Calvin Kai Chuen (Resigned on 4 August 2017)	89	–	–	89
Wong Yik Chung, John (Resigned on 28 July 2017)	91	–	–	91
Yau Pak Yue (Appointed on 28 July 2017)	62	–	–	62
Lu Nim Joel (Appointed on 4 August 2017)	71	–	–	71
	451	936	43	1,430

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7. DIRECTORS' EMOLUMENTS (CONTINUED)

For the year ended 31 December 2016

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contribution HK$'000	Total HK$'000
Chairman				
Xu Xipeng (Resigned on 17 February 2016)	32	265	4	301
Wu David Hang (Appointed on 17 February 2016)	–	–	–	–
Executive directors				
Xu Xinan (Resigned on 17 February 2016)	32	254	4	290
Chow Hoi Kwang, Albert (Resigned on 17 February 2016)	48	–	–	48
Hou Jian (Appointed on 17 February 2016)	–	–	–	–
Non-executive director				
Yang Shaolin (Resigned on 17 February 2016)	19	–	–	19
Independent non-executive directors				
Lin Bin (Resigned on 17 February 2016)	22	–	–	22
Kong Hing Ki (Resigned on 17 February 2016)	19	–	–	19
Tam Yuk Sang, Sammy (Resigned on 17 February 2016)	19	–	–	19
Wong Yik Chung, John (Appointed on 17 February 2016)	125	–	–	125
Tse Calvin Kai Chuen (Appointed on 17 February 2016)	125	–	–	125
Leung Ka Tin (Appointed on 17 February 2016)	125	–	–	125
	566	519	8	1,093

There were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in note 8 below as an inducement to join or upon joining the Group or as a compensation for loss of office. There was no arrangement under which a director has waived or agreed to waive any emoluments.

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8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2016: nil) is director. The aggregate of the emoluments in respect of the other four (2016: five) individuals are as follows:

	2017 HK$'000	2016 HK$'000
Salaries and other emoluments	**3,151**	1,942
Discretionary bonuses	**2,915**	1,507
Retirement scheme contributions	**126**	109
	6,192	3,558

The emoluments of the four (2016: five) individuals with the highest emoluments are within the following band:

	Number of individuals	
	2017	2016
Nil to HK$1,000,000	**2**	3
HK$1,000,001 to HK$1,500,000	**–**	2
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**2**	–
	4	5

9. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share and basic (loss)/earnings per share from continuing operations are based on:

Loss attributable to the equity shareholders of the Company of HK$45,127,000 (2016: profit of HK$21,940,000), is calculated as follows:

	2017 HK$'000	2016 HK$'000
(Loss)/profit attributable to the equity shareholders of the Company		
From continuing operations	**(13,319)**	29,828
From discontinued operation (note 6(i))	**(31,808)**	(7,888)
	(45,127)	21,940

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9. (LOSS)/EARNINGS PER SHARE (CONTINUED)

(a) Basic (loss)/earnings per share (Continued)

Weighted average number of 450,009,000 ordinary shares (2016: 434,330,000 ordinary shares) in issue during the year, is calculated as follows:

	2017 **'000**	2016 '000
Issued ordinary shares at 1 January	**434,804**	426,820
Effect of share options exercised	**–**	7,510
Placement of new shares under a subscription agreement	**15,205**	–
Weighted average number of ordinary shares at 31 December	**450,009**	434,330

(b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share and diluted (loss)/earnings per share from continuing operations are based on:

Loss attributable to the equity shareholders of the Company of HK$45,127,000 (2016: profit of HK$21,940,000) is calculated as follows:

	2017 **HK$'000**	2016 HK$'000
(Loss)/profit attributable to the equity shareholders of the Company		
From continuing operations	**(13,319)**	29,828
From discontinued operation	**(31,808)**	(7,888)
	(45,127)	21,940

Weighted average number of ordinary shares of 450,009,000 shares (2016: 434,617,000 shares) is calculated as follows:

	2017 **'000**	2016 '000
Weighted average number of ordinary shares at 31 December	**450,009**	434,330
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**–**	287
Weighted average number of ordinary shares at 31 December	**450,009**	434,617

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10. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography.

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 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.

Inter-segment transactions are priced with reference to prices charged to external parties for similar order.

During the year, the Group has decided to cease the real estate agency services and completed the disposal of this business on 24 August 2017. The financial information of this operating segment for the year ended 31 December 2017 is presented as discontinued operation as set out in note 6. The comparative amounts of the financial information of this operating segment in respect of the year ended 31 December 2016 were also restated to be presented as discontinued operation accordingly.

(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.

NOTES TO THE FINANCIAL STATEMENTS

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10. SEGMENT REPORTING (CONTINUED)

(a) Segment results, assets and liabilities (Continued)

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 2017 and 2016 respectively is set out below:

	Zippers–Mainland China HK$'000	Zippers–Overseas HK$'000	Total HK$'000
Year ended 31 December 2017			
Revenue from external customers	**160,538**	**24,194**	**184,732**
Inter-segment revenue	**43,390**	**788**	**44,178**
Reportable segment revenue	**203,928**	**24,982**	**228,910**
Reportable segment profit/(loss)	**20,080**	**(5,445)**	**14,635**
Interest expense	**–**	**–**	**–**
Depreciation and amortisation for the year	**10,188**	**199**	**10,387**
Impairment of equipment	**1,867**	**–**	**1,867**
Reportable segment assets at year end	**185,115**	**30,158**	**215,273**
Additions to non-current segment assets during the year	**10,163**	**910**	**11,073**
Reportable segment liabilities at year end	**35,363**	**3,563**	**38,926**

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10. SEGMENT REPORTING (CONTINUED)

(a) Segment results, assets and liabilities (Continued)

	Zippers– Mainland China HK$'000	Zippers– Overseas HK$'000	Total HK$'000 (Restated)
Year ended 31 December 2016			
Revenue from external customers	122,478	23,090	145,568
Inter-segment revenue	43,896	607	44,503
Reportable segment revenue	166,374	23,697	190,071
Reportable segment profit/(loss)	9,040	(731)	8,309
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	195,875
Additions to non-current segment assets during the year	9,176	860	10,036
Reportable segment liabilities at year end	29,192	602	29,794

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10. SEGMENT REPORTING (CONTINUED)

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

	2017 HK$'000	2016 HK$'000 (Restated)
Revenue		
Reportable segment revenue	**228,910**	190,071
Elimination of inter-segment revenue	**(44,178)**	(44,503)
Consolidated revenue (note 2)	**184,732**	145,568

	2017 HK$'000	2016 HK$'000 (Restated)
Profit/(loss)		
Reportable segment profit	**14,635**	8,309
Elimination of unrealised profit of inter-segment purchase of inventories, other assets and property, plant and equipment	**612**	97
Reportable segment profit derived from the Group's external customers	**15,247**	8,406
Other (losses)/gains, net	**(10,592)**	7,339
Impairment loss on non-current assets	**(1,867)**	(4,513)
Unallocated head office and corporate expenses (Note)	**(11,121)**	(7,138)
Gain on disposal of a subsidiary	**–**	17,837
Gain on disposal of property, plant and equipment and leasehold land	**–**	17,609
Consolidated (loss)/profit before taxation from continuing operations	**(8,333)**	39,540

Note: Unallocated head office and corporate expenses mainly represented exchange losses, auditors' remuneration, staff costs of head office and legal and professional fees.

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10. SEGMENT REPORTING (CONTINUED)

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

	2017 HK$'000	2016 HK$'000 (Restated)
Assets		
Reportable segment assets	**215,273**	195,875
Elimination of unrealised profit of inter-segment purchase of inventories and other assets	**(1,261)**	(2,046)
Elimination of unrealised profit of inter-segment purchase of property, plant and equipment	**(606)**	(433)
	213,406	193,396
Deferred tax assets	**3,039**	2,985
Available-for-sale investment	**103,480**	–
Unallocated head office and corporate assets	**421**	823
Cash and cash equivalents	**9,834**	32,830
Sale consideration receivable arising from disposal of a subsidiary (note 16(i))	**50,000**	–
Discontinued operation:		
— Advertisement expenses paid on behalf of a property developer (note 16(iii))	**–**	92,649
— cash and cash equivalents	**–**	71,896
— others	**–**	11,181
Consolidated total assets	**380,180**	405,760
Liabilities		
Reportable segment liabilities	**38,926**	29,794
Current tax liabilities	**1,787**	1,392
Deferred tax liabilities	**1,124**	1,124
Unallocated head office and corporate liabilities	**1,440**	2,058
Discontinued operation:		
— Advertising expenses payable	**–**	44,605
— others	**–**	8,498
Consolidated total liabilities	**43,277**	87,471

(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$24,194,000 (2016: HK$23,090,000) to overseas customers for the year ended 31 December 2017.

The Group's non-current assets excluding available-for-sale investment and deferred tax assets (the "Specified Non-current Assets) comprise property, plant and equipment, intangible assets, prepayment for property, plant and equipment and rental deposit. The geographical location of property, plant and equipment, prepayments for property, plant and equipment and rental deposit is based on the physical location of the assets. In the case of intangible assets, it is based on the location of the operation to which they are allocated. As at 31 December 2017, the Group's Specified Non-current Assets were located in Mainland China and Hong Kong with carrying amounts of HK$59,944,000 (2016: HK$59,583,000) and HK$1,588,000 (2016: HK$880,000) respectively.

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11. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Machinery HK$'000	Vehicles and other equipment HK$'000	Leasehold improvement HK$'000	Construction in progress HK$'000	Sub-total HK$'000	Interests in leasehold land held for own use under operating leases HK$'000	Total HK$'000
Cost:								
At 1 January 2016	134,387	117,731	12,742	12,393	8,825	286,078	33,315	319,393
Exchange adjustments	(730)	(7,354)	(815)	(786)	(183)	(9,868)	(47)	(9,915)
Additions	–	284	1,300	–	8,365	9,949	–	9,949
Disposals	(56,531)	(12,100)	(911)	–	(2,864)	(72,406)	(4,729)	(77,135)
Disposal of a subsidiary	(77,126)	–	(1,265)	–	(86)	(78,477)	(28,539)	(107,016)
Transfer to assets held-for-sale	–	(2,523)	–	–	–	(2,523)	–	(2,523)
Transfer from CIP	–	8,121	–	–	(8,121)	–	–	–
At 31 December 2016 and 1 January 2017	**–**	**104,159**	**11,051**	**11,607**	**5,936**	**132,753**	**–**	**132,753**
Exchange adjustments	**–**	**6,720**	**207**	**1,647**	**341**	**8,915**	**–**	**8,915**
Additions	**–**	**134**	**1,706**	**–**	**9,646**	**11,486**	**–**	**11,486**
Disposals	**–**	**(4,840)**	**(861)**	**(127)**	**(1,771)**	**(7,599)**	**–**	**(7,599)**
Disposals of subsidiaries	**–**	**–**	**(419)**	**–**	**–**	**(419)**	**–**	**(419)**
Transfer from CIP	**–**	**10,413**	**20**	**–**	**(10,433)**	**–**	**–**	**–**
At 31 December 2017	**–**	**116,586**	**11,704**	**13,127**	**3,719**	**145,136**	**–**	**145,136**
Accumulated depreciation and impairment:								
At 1 January 2016	14,766	55,833	9,563	10,103	–	90,265	2,862	93,127
Exchange adjustments	(360)	(3,750)	(613)	(670)	–	(5,393)	(10)	(5,403)
Charge for the year	182	10,434	937	667	–	12,220	8	12,228
Impairment loss (Note 11(b))	–	4,513	–	–	–	4,513	–	4,513
Written back on disposals	(13,233)	(8,452)	(843)	–	–	(22,528)	(918)	(23,446)
Disposal of a subsidiary	(1,355)	–	(371)	–	–	(1,726)	(1,942)	(3,668)
Transfer to assets held-for-sale	–	(1,921)	–	–	–	(1,921)	–	(1,921)
At 31 December 2016 and 1 January 2017	**–**	**56,657**	**8,673**	**10,100**	**–**	**75,430**	**–**	**75,430**
Exchange adjustments	**–**	**3,214**	**182**	**1,286**	**–**	**4,682**	**–**	**4,682**
Charge for the year	**–**	**8,202**	**764**	**662**	**–**	**9,628**	**–**	**9,628**
Impairment loss (Note 11(b))	**–**	**1,867**	**–**	**–**	**–**	**1,867**	**–**	**1,867**
Written back on disposals	**–**	**(3,302)**	**(825)**	**(127)**	**–**	**(4,254)**	**–**	**(4,254)**
Disposal of subsidiaries	**–**	**–**	**(22)**	**–**	**–**	**(22)**	**–**	**(22)**
At 31 December 2017	**–**	**66,638**	**8,772**	**11,921**	**–**	**87,331**	**–**	**87,331**
Carrying amount:								
At 31 December 2017	**–**	**49,948**	**2,932**	**1,206**	**3,719**	**57,805**	**–**	**57,805**
At 31 December 2016	–	47,502	2,378	1,507	5,936	57,323	–	57,323

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11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(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 the year ended 31 December 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", "佛山市南海今和明投資有限公司") and Classic Winner Limited ("Classic Winner") which are owned by Mr. Xu Xipeng and Mr. Xu Xinan, the senior management of the Group.

In addition, the disposal of other equipment to other third parties resulted in a net loss of HK$1,378,000 during the year ended 31 December 2017 (2016: a net loss of HK$4,147,000).

Items of properties, plant and equipment and leasehold land located in Hubei province of PRC with net book values of HK$76,751,000 and HK$26,597,000 respectively were transferred out as a result of the disposal of the equity interests in KEE (Jingmen) Garment Accessories Limited ("KEE Jingmen") by the Group during the year ended 31 December 2016.

(b) Impairment loss

Certain idle or defective machinery were considered by management to be impaired. Therefore, an impairment loss of HK$1,867,000 (2016: HK$4,513,000) had been recognised in profit or loss (note 4(c)) during the year ended 31 December 2017.

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12. INTANGIBLE ASSETS

	Software
	HK$'000
Cost	
At 1 January 2016	10,780
Exchange adjustments	(531)
Disposal of a subsidiary	(2,412)
At 31 December 2016 and 1January 2017	**7,837**
Exchange adjustments	**550**
At 31 December 2017	**8,387**
Accumulated amortisation:	
At 1 January 2016	4,619
Exchange adjustments	(306)
Amortisation for the year	799
Disposal of a subsidiary	(322)
At 31 December 2016 and 1 January 2017	**4,790**
Exchange adjustments	**368**
Amortisation for the year	**781**
At 31 December 2017	**5,939**
Carrying amount	
At 31 December 2017	**2,448**
At 31 December 2016	3,047

The amortisation charge for the year is included in "administrative expenses" in the consolidated statement of profit or loss.

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13. AVAILABLE-FOR-SALE INVESTMENT

	2017 **HK$'000**	2016 HK$'000
Unlisted investment fund, at fair value	**103,480**	–

Pursuant to the two subscription agreements dated 17 July 2017 and 21 August 2017 entered into between the Company and Fullgoal China Access RQFII Fund SPC ("Fullgoal SPC"), a segregated portfolio company incorporated under the laws of the Cayman Islands with limited liability, the Company has subscribed for 10,000 non-voting, participating and redeemable Class G shares in Fullgoal Strategic Growth Fund Segregated Portfolio (the "Fund") created by Fullgoal SPC at a total cash consideration of HK$100,000,000.

The primary investment objective of the Fund is to generate long term capital appreciation for its shareholders by investing in, amongst others, financial equities listed on the Stock Exchange of Hong Kong Limited, high yielding debt instruments traded or issued in Asian markets, investment funds with investment strategies of investing in the foregoing, interest bearing instruments and convertible bonds, high-yield, non-investment grade investments and unrated securities which might be unlisted with high yield and high risks. The Fund has a maturity of three years from the end of the initial offering period of 17 July 2017 and a shareholder of the Fund may request redemption of all or some of its shares in the Fund as of the first business day of each calendar month or at such other day as determined by the directors of Fullgoal SPC. The minimum redemption amount with respect to redemption of shares in the Fund is HK$10,000,000 or such other amount determined by the directors of Fullgoal SPC. The redemption price is equal to the net asset value per share of the Fund at the redemption day after deduction of any applicable accrued performance fees and other charges and expenses. The directors of the Fund has the absolute discretion to effect a redemption payment to any or all redeeming shareholders in kind rather than in cash.

Subject to the absolute discretion of the directors of Fullgoal SPC, a redemption fee of up to 1% of the redemption amount may be deducted from the redemption proceeds. The directors of Fullgoal SPC may waive all or part of the redemption fee. The Fund is subject to compulsory redemption by its directors without assigning any reason.

The fair value of the Fund is based on its net asset value as at 31 December 2017 reported by the Fund's manager. A firm of professional valuers has been appointed by the Company to assist management to to assess whether any adjustment to the reported net asset of the Fund is required for the purpose of estimation of the fair value of the Fund as at 31 December 2017. Management considered the net asset value reported by the Fund's manager was an appropriate approximation of fair value of the Fund and therefore, no adjustment is considered necessary.

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13. AVAILABLE-FOR-SALE INVESTMENT (CONTINUED)

Judgements and estimates are made by management in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial assets into three levels prescribed under the accounting standards below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Recurring fair value measurements

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 December 2017				
Available-for-sale financial assets				
— investment fund	–	–	**103,480**	**103,480**

There were no transfer between levels 1 and 2 for recurring fair value measurements during the year. There were also no transfers in and out of level 3 measurements during the year.

In arriving at the fair value of the Fund that the key input used by the Company is the net asset value reported by the Fund's manager. It is recognised by the Company that the net asset value of the Fund is sensitive to movements in the value of the underlying investments held by the Fund.

For the purpose of sensitivity analysis, management considers a reasonably possible adjustment to the net asset value of the Fund to be 1%. For the year ended 31 December 2017, a 1% increase/decrease in net asset value of the Fund would result in an increase/decrease in investment revaluation reserve and equity of the Group by HK$1,034,800.

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14. INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation/ establishment and business	Issued and fully paid up capital	Attributable equity interest		Principal activities
			Direct	Indirect	
KEE International BVI	BVI	2 ordinary shares of US$1 each	**85%**	–	Investment holding
KEE Zippers	Hong Kong	1,000,000 shares	**–**	85%	Trading of zipper products
KEE Guangdong*	The PRC	HK$137,500,000	**–**	85%	Manufacture and sale of zipper products
KEE (Zhejiang) Garment Accessories Limited* ("KEE Zhejiang")	The PRC	USD8,760,000	**–**	85%	Manufacture and sale of zipper products
Foshan UNA Cultural Gifts Co., Limited**	The PRC	RMB3,000,000	**–**	85%	Design and sale of garment accessories
Oriental Choice Holdings Limited	BVI	1 ordinary share of US$1	**100%**	–	Investment holding
Baiyu Ventures Limited	BVI	1 ordinary share of US$1	**100%**	–	Investment holding

* *These are wholly foreign-owned enterprises in the PRC.*

** *These are companies with limited liability in the PRC.*

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14. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following table listed out the consolidated information relating to KEE International BVI and its subsidiaries which has material non-controlling interest ("NCI") as at 31 December 2017. The summarised financial information presented below represents the amounts before any inter-company elimination.

	2017 **HK$'000**	2016 HK$'000
NCI percentage	**15%**	15%
Current assets	**152,546**	123,686
Non-current assets	**64,572**	63,442
Current liabilities	**(63,860)**	(54,231)
Non-current liabilities	**(1,124)**	(1,124)
Net assets	**152,134**	131,773
Carrying amount of NCI	**22,820**	19,766
Revenue	**184,732**	145,568
(Loss)/profit for the year	**(2,953)**	8,647
Total comprehensive income	**20,361**	(13,136)
(Loss)/profit allocated to NCI	**(443)**	1,297
Cash inflow/(outflow) from operating activities	**9,844**	(1,332)
Cash (outflow)/inflow from investing activities	**(5,161)**	368
Cash outflow from financing activities	**–**	(5,308)

15. INVENTORIES

	2017 **HK$'000**	2016 HK$'000
Raw materials	**7,819**	6,922
Work in progress	**14,768**	11,501
Finished goods	**1,337**	994
	23,924	19,417

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15. INVENTORIES (CONTINUED)

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

	2017	2016
	HK$'000	HK$'000
Carrying amount of inventories sold	**125,686**	102,989
Write down of inventories	**2,116**	2,113
Reversal of write-down of inventories	**(774)**	(1,605)
	127,028	103,497

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 was due to the sales and utilisation of certain inventories previously provided for.

16. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	HK$'000
Trade debtors and bills receivable	**42,473**	37,481
Less: Allowance for doubtful debts	**(1,115)**	(1,037)
	41,358	36,444
Other prepayments	**1,012**	2,276
Deposits and other debtors	**245**	1,470
Sale consideration receivables (note i)	**50,000**	–
Salary expenses paid on behalf of a related party (note ii)	**–**	2,920
Advertisement expenses paid on behalf of a property developer (note iii)	**–**	92,649
	92,615	135,759

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

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16. TRADE AND OTHER RECEIVABLES (CONTINUED)

Note:

(i) It represented the balance of the sale consideration of HK$50,000,000 receivable from the purchaser arising from disposal of the Company's subsidiary as detailed in note 6. Pursuant to the sale and purchase agreement, the balance is repayable within one year from the completion date of disposal of 24 August 2017. In addition, upon completion of the disposal, the share of the subsidiary together with the Group's shareholder's loan made to the subsidiary disposed of to the purchaser are pledged to the Company as securities for the purchaser's obligation to pay the balance of the purchase consideration. As at the end of the reporting period, the balance is neither past due nor impaired.

(ii) During the year ended 31 December 2016, Tianjin Jinhui Tianjin Company Limited ("Tianjin Jinhui"), a subsidiary of the Company, paid salary expenses of RMB 2,612,000 (equivalent to HK$2,920,000) on behalf of its related party — Beijing Zhonghong Network Marketing Consultant Co., Ltd. ("Zhonghong Network"), to Zhonghong Network's staff. Zhonghong Network is a subsidiary of Zhonghong Holding Company Limited ("Zhonghong"), which is an intermediate holding company of the Group. Tianjin Jinhui was disposed of on 24 August 2017.

(iii) During the year ended 31 December 2016, the Group through a subsidiary of the Company signed the advertisement agency agreements on behalf of a property developer (as mentioned in note 18). Certain of these expenses amounting to HK$48,044,000 were paid to the relevant advertisement agents on behalf of the property developer by the Group. This amount was recorded as other receivables in the Group's consolidated financial statements for the year ended 31 December 2016. The remaining outstanding advertisement expenses payable on behalf of the property developer and receivable from the property developer amounted to HK$44,605,000 for the year ended 31 December 2016 (note 20). The subsidiary was disposed of on 24 August 2017.

(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:

	2017	2016
	HK$'000	HK$'000
Within 1 month	**10,604**	18,742
Over 1 month but within 2 months	**15,492**	8,696
Over 2 months but within 3 months	**8,524**	5,361
Over 3 months	**6,738**	3,645
	41,358	36,444

Trade debtors and bills receivable are in general due within 20-90 days from the date of billing. Further details on the Group's credit policy are set out in note 25(a).

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16. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Impairment of trade debtors and bills receivable

Impairment losses in respect of trade debtors and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and bills receivable directly (see note 1(i)).

The movements in the allowance for doubtful debts during the year are as follows:

	2017 HK$'000	2016 HK$'000
At 1 January	**1,037**	145
Exchange adjustments	**258**	(48)
(Reversal of impairment losses)/impairment losses recognised	**(177)**	1,034
Uncollectible amounts written off	**(3)**	(94)
	1,115	1,037

At 31 December 2017, the Group's trade debtors and bills receivable of HK$1,115,000 (2016: HK$1,037,000) were individually determined to be impaired. The individually impaired receivables are mainly related to customers that were in financial difficulties and management assessed that the receivables are not probable to be recovered. Consequently, specific allowances for doubtful debts were recognised in full. The Group does not hold any collateral over these balances.

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

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	**27,245**	23,586
No more than 3 months past due	**13,350**	11,986
More than 3 months but no more than 12 months past due	**763**	865
More than 12 months past due	**–**	7
	14,113	12,858
	41,358	36,444

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.

NOTES TO THE FINANCIAL STATEMENTS

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17. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current tax payable/(recoverable) in the consolidated statement of financial position represents:

	2017 HK$'000	2016 HK$'000
At 1 January	**1,354**	(722)
Exchange adjustments	**984**	1
Provision for PRC corporate income tax (note 5(a))	**3,701**	8,892
(Over)/under-provision in respect of prior years (note 5(a))	**(117)**	365
Provision for Hong Kong Profits Tax (note 5(a))	**–**	268
Reversal of tax provision for discontinued operation	**(33)**	–
Income tax paid	**(4,102)**	(7,450)
At 31 December	**1,787**	1,354
Represented by:		
Current tax payable	**1,787**	1,392
Current tax recoverable	**–**	(38)
	1,787	1,354

(b) Deferred tax assets/(liabilities) recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Depreciation HK$'000	**Unrealised profit arising from intra-group transactions elimination** HK$'000	**Provisions** HK$'000	**PRC dividend withholding tax Note 5(b)(iii)** HK$'000	**Total** HK$'000
Deferred tax arising from:					
At 1 January 2016	420	225	790	(682)	753
Credited/(charged) to consolidated statement of profit or loss	(41)	239	1,352	(442)	1,108
At 31 December 2016 and 1 January 2017	379	464	2,142	(1,124)	1,861
Charged to consolidated statement of profit or loss	(41)	(81)	–	(1,756)	(1,878)
Withholding tax paid relating to remittance of dividends	–	–	–	1,756	1,756
Exchange adjustments	148	(122)	150	–	176
At 31 December 2017	**486**	**261**	**2,292**	**(1,124)**	**1,915**

NOTES TO THE FINANCIAL STATEMENTS

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17. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(c) Reconciliation to the consolidated statement of financial position:

	2017 **HK$'000**	2016 HK$'000
Deferred tax asset recognised in the consolidated statement of financial position	**3,039**	2,985
Deferred tax liability recognised in the consolidated statement of financial position	**(1,124)**	(1,124)
	1,915	1,861

(d) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(o), the Group has not recognised deferred tax assets in respect of the amount of cumulative tax losses of HK$7,245,000 (2016: HK$1,891,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The unused tax losses of approximately HK$5,863,000 (2016: HK$Nil) are subject to agreement by the Inland Revenue Department and can be carried forward indefinitely, while the remaining unused tax losses of approximately HK$1,382,000 (2016: HK$1,891,000) will expire in five years from respective dates of incurrence.

During the year, the unused tax losses of approximately HK$32,108,000 arising from the discontinued operation were eliminated after completion of its disposal.

(e) Deferred tax liabilities not recognised

At 31 December 2017, temporary differences relating to the undistributed profits of the Group's PRC subsidiaries amounted to HK$64,134,000 (2016: HK$94,169,000). Deferred tax liabilities relating to a portion of these temporary differences amounting to HK$2,083,000 (2016: HK$3,061,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

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18. CASH AND CASH EQUIVALENTS

	2017 **HK$'000**	2016 HK$'000
Cash at bank and in hand	**95,590**	186,496
Cash and cash equivalents	**95,590**	186,496

As at 31 December 2017, cash and cash equivalents in the amount of HK$58,354,000 (2016: HK$138,530,000) were denominated in RMB and were deposited in the PRC in the ordinary course of business. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

As at 31 December 2016, RMB200,007,000 (equivalent to HK$223,587,000) of cash balance from Hainan Xinjia Tourism Development Company Limited ("the Property Developer"), in which, a subsidiary of Neo Ocean Group, Tianjin Jinhui 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 Company's consolidated financial statements for the year ended 31 December 2016.

During the year ended 31 December 2017, Tianjin Jinhui, was disposed of and the Group had no such escrow account as at 31 December 2017.

19. ASSETS HELD FOR SALE

As at 31 December 2016, certain machines with net book value of HK$602,000 were classified as other assets held for sale. These machines were sold to a third party in January 2017.

NOTES TO THE FINANCIAL STATEMENTS

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20. TRADE AND OTHER PAYABLES

	2017 **HK$'000**	2016 HK$'000
Trade creditors	**11,209**	12,978
Payroll and staff benefits payable	**18,285**	12,943
Accrued expenses	**6,055**	5,330
Payables for purchase of property, plant and equipment	**2,344**	2,831
Other taxes payable	**740**	983
Advances from third parties	**575**	4,024
Advertising expenses payable (note 16(iii))	**–**	44,605
Other payables	**1,158**	1,261
	40,366	84,955

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

As at 31 December 2016, advances from third parties represented non-interest bearing amount of RMB3,600,000 (equivalent to HK$4,024,000) received on behalf of the Property Developer from its customers regarding property sales.

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:

	2017 **HK$'000**	2016 HK$'000
Within 1 month	**8,727**	8,903
Over 1 month but within 3 months	**2,059**	3,364
Over 3 months but within 6 months	**396**	439
Over 6 months	**27**	272
	11,209	12,978

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21. EMPLOYEES RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employee's relevant income, subject to a cap of monthly relevant income of HK$30,000 (2016: HK$30,000).

Employees in the Group's PRC subsidiaries are members of the state-managed retirement scheme. The PRC subsidiaries are required to contribute to the scheme at rate of 10%-14% of the eligible employees' basic salary. The local government authority is responsible for the entire pension obligations payable to the retired employees.

The Group has no other material obligation for payment of retirement benefits beyond the annual contributions as described above.

22. EQUITY SETTLED SHARE-BASED TRANSACTIONS

Pursuant to the shareholders' resolutions passed on 14 December 2010, the Company adopted a share options scheme ("the Scheme") whereby the directors of the Company are authorised to grant options to selected eligible persons as incentives or rewards for their contribution or potential contribution to the Group and/or to recruit and retain high caliber eligible persons and attract human resources that are valuable to the Group.

Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

(a) Details of the movements of the share options granted are as follows:

	2016 Weighted average exercise price HK$	Number of options '000
Outstanding at the beginning of the year	1.13	9,274
Lapsed during the year	–	–
Exercised during the year	1.39	(6,216)
	0.60	(1,768)
Cancelled during the year	0.60	(1,290)
Outstanding at the end of the year	–	–
Exercisable at the end of the year	–	–

There were no options granted, exercised or lapsed during the year ended 31 December 2017 and no options were outstanding as at 31 December 2017 and 2016.

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23. CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Notes	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Investment revaluation reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
Balance at 1 January 2016		4,268	139,092	3,330	–	4,781	151,471
Change in equity for 2016:							
Total comprehensive income for the year		–	–	–	–	41,380	41,380
Shares issued under share option scheme	23(c)(ii)	80	12,708	(3,087)	–	–	9,701
Share options lapsed during the year		–	–	(243)	–	243	–
Balance at 31 December 2016	28	4,348	151,800	–	–	46,404	202,552
Change in equity for 2017:							
Total comprehensive income for the year		**–**	**–**	**–**	**3,480**	**(50,353)**	**(46,873)**
Shares issued under a subscription agreement, net of expenses	23(c)(ii)	**300**	**28,890**	**–**	**–**	**–**	**29,190**
Balance at 31 December 2017	28	**4,648**	**180,690**	**–**	**3,480**	**(3,949)**	**184,869**

(b) Dividends

No final dividend was proposed in respect of the years ended 31 December 2017 and 2016.

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23. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital

(i) Authorised and issued share capital

	At 31 December 2017		At 31 December 2016	
	No. of shares '000	**Share capital HK$'000**	No. of shares '000	Share capital HK$'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	**434,804**	**4,348**	426,820	4,268
Shares issued under a subscription agreement or share option scheme	**30,000**	**300**	7,984	80
At 31 December	**464,804**	**4,648**	434,804	4,348

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 a subscription agreement or share option scheme

During the year ended 31 December 2017, 30,000,000 new ordinary shares of HK$0.01 each were issued at HK$1 per share pursuant to a subscription agreement dated 26 June 2017. This resulted in a net proceeds of HK$29,190,000, of which HK$300,000 and HK$28,890,000 (net of issue expenses of HK$810,000) were credited to share capital and the share premium account respectively. The shares were issued to provide additional working capital to the Group.

During the year ended 31 December 2016, options were exercised to subscribe for a total of 7,984,000 ordinary shares in the Company at a consideration of HK$9,701,000, of which HK$80,000 and HK$9,621,000 were credited to share capital and the share premium account respectively. The amount of HK$3,087,000 had been transferred from the capital reserve to the share premium account in accordance with policy set out in note 1(n)(ii).

NOTES TO THE FINANCIAL STATEMENTS

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23. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Share premium

Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

According to the Company's Memorandum and Articles of Association, dividends may be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose with the sanction of an ordinary resolution.

(e) Statutory reserve

Statutory reserve was established in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries incorporated in the PRC. Transfers to the reserve were approved by the respective board of directors.

KEE Guangdong and KEE Zhejiang, which are wholly foreign owned enterprises incorporated in the PRC, are required to transfer at least 10% of its net profit (after offsetting prior year's losses), as determined under the PRC accounting rules and regulations, to statutory general reserve until the reserve balance reaches 50% of the registered capital under the PRC Company Law and the articles of association of these entities. The transfer to this reserve must be made before distribution of dividends to the equity shareholders.

Statutory general reserve can be used to make good prior years' losses, if any, and may be converted into paid-up capital provided that the balance after such conversion is not less than 25% of the registered capital.

(f) Capital reserve

Capital reserve comprises the following:

— reserves arising prior to and during the reorganisation of the Group during the year ended 31 December 2010;

— changes in equity attributable to the shareholders of the Company arising from contribution from non-controlling interests for acquisition of interests in a PRC subsidiary, up to 31 December 2015, and were subsequently transferred out due to disposal of the related subsidiary during the year ended 31 December 2016.

— reserves arising from the disposal of the Group's equity interests of KEE International BVI. During the year ended 31 December 2016, the Company disposed of its 15% equity interests of KEE International BVI to Nicco Worldwide Inc. ("Nicco"), a related entity owned by Mr. Xu Xipeng and Mr. Xu Xinan, at a cash consideration of HK$24,627,000. The change in the Company's interests in KEE International BVI that did not result in a loss of control was accounted for as equity transaction, whereby adjustments were made to the amounts of controlling interests — capital reserve and non-controlling interests of HK$2,891,000 and HK$21,736,000 respectively within consolidated equity to reflect the change in relative interests but no gain or loss is recognised.

23. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(g) Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of subsidiaries with functional currencies other than HK$. The reserve is dealt with in accordance with the accounting policy set out in note 1(r).

(h) Distributability of reserves

At 31 December 2017, the aggregate amount of reserves available for distribution to the equity shareholders of the Company was HK$180,221,000 (2016: HK$198,204,000).

(i) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings, and obligation under finance lease, if any), less cash and cash equivalents. Adjusted capital comprises all components of equity.

During the year ended 31 December 2017, the Group's strategy, which was unchanged from 2016 was to maintain the adjusted net debt-to-capital ratio below 20%. The Group's debt to asset ratio, being the Group's total liabilities over its total assets, at 31 December 2017 was 11% (2016: 22%). In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

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24. DISPOSAL OF SUBSIDIARIES

On 24 August 2017, the Group completed the disposal of its 100% equity interest in and shareholder's loan made to Neo Ocean Group as detailed in note 6 at a cash consideration of HK$100,000,000. This disposal resulted in a gain of HK$1,520,000 before transaction costs.

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

The assets and liabilities of the captioned subsidiaries disposed of during the years ended 31 December 2017 and 2016 are as follows:

	2017 HK$'000	2016 HK$'000
Net (liabilities)/assets disposal of:		
Property, plant and equipment	**397**	75,999
Interests in leasehold land held for own use under operating leases	**–**	26,336
Intangible asset	**–**	2,070
Trade and other receivables	**181,701**	8,615
Prepayment for non-current assets	**–**	246
Cash and cash equivalents	**96,180**	14,950
Trade and other payables	**(182,862)**	(18,458)
Shareholder's loan from the Group	**(138,691)**	–
Net (liabilities)/assets disposed	**(43,275)**	109,758
Representing:		
Equity attributable to the equity shareholders of the Company	**(43,275)**	87,588
Non-controlling interests	**–**	22,170
	(43,275)	109,758
Net (liabilities)/assets attributable to the equity shareholders of the Company	**(43,275)**	87,588
Disposal of the Group's shareholder's loan made to Neo Ocean Group	**138,691**	–
Capital reserve realised on disposal	**–**	(209)
Exchange reserve realised on disposal	**3,064**	–
Gain on disposal of a subsidiary	**1,520**	17,837
Cash consideration	**100,000**	105,216
Net (outflow)/inflow of cash and cash equivalents in respect of the disposal:		
Cash consideration	**100,000**	105,216
Less: consideration receivable (note 16(i))	**(50,000)**	–
Cash of subsidiary disposed of	**(96,180)**	(14,950)
Net (outflow)/inflow of cash and cash equivalents in respect of disposal of a subsidiary	**(46,180)**	90,266

25. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, interest rate, liquidity, currency and equity price risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 20-90 days from the date of billing. Debtors with balances that are past due are usually requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore certain concentration of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 15% (2016: 33%) of the total trade receivables were due from the Group's five largest customers.

The Group does not provide any guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 16.

(b) Interest rate risk

As at 31 December 2017 and 2016, the Group had no borrowings and all its interest bearing financial assets are mainly bank deposits with maturity no more than one year. Accordingly, the Group's interest rate risk is considered insignificant.

(c) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investments of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, if any, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

All non-interest bearing financial liabilities of the Group i.e. trade and other payables are carried at amount not materially different from their contractual undiscounted cash flow as all the financial liabilities are with maturities within one year or repayable on demand at the end of the reporting period.

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31 December 2017

25. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk

The Group is exposed to currency risk primarily through sales and bank deposits and which give rise to receivables and cash balances that are denominated in United States Dollars ("USD") under KEE Zippers and KEE Guangdong.

As HK$ is pegged to USD, the Group considers the risk of movements in exchange rates between USD and HK$ to be insignificant.

The Group had RMB denominated bank deposits amounting to HK$18,166,000 (2016: HK$184,000) that were held by KEE Zippers and KEE Holdings for which HK$ is their functional currency. In addition, the Group had HK$ denominated inter-company other receivables amounting to HK$171,204,000 (2016: HK$178,561,000) that were held by KEE Guangdong and KEE Zhejiang for which RMB is their functional currency.

Sensitivity analysis

At 31 December 2017, it is estimated that a general appreciation/depreciation of 0.5% in HK$, with all other variables held constant, would have decreased/increased the Group's net loss for the year and retained profits by approximately HK$765,000 (2016: increased/decreased the Group's net profit for the year and retained profits by approximately HK$745,000).

The sensitivity analysis assumes that the change in foreign exchange rate had been applied to re-measure the bank deposits and the inter-company other receivables which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency.

(e) Equity price risk

The equity price risk arises primarily from the fluctuation in the fair value of the available-for-sale investment held by the Group as at 31 December 2017. The details of which have been set out in note 13.

(f) Fair values

The carrying amounts of the Group's financial instruments are not materially different from their respective fair values as at 31 December 2017 and 2016.

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26. COMMITMENTS

(a) Capital commitments outstanding at 31 December 2017 and 2016 not provided for in the financial statements were as follows:

	2017 **HK$'000**	2016 HK$'000
Contracted for	**149**	193

(b) At the end of the reporting period, the total future minimum leases payments under non-cancellable operating leases are payable as follows:

	2017 **HK$'000**	2016 HK$'000
Within 1 year	**9,359**	5,038
After 1 year but within 5 years	**3,758**	4,781
	13,117	9,819

27. MATERIAL RELATED PARTY TRANSACTIONS

On 17 February 2016, Mr. Xu Xipeng resigned as the chairman of the board and chief executive officer of the Company. Mr. Xu Xipeng and Mr. Xu Xinan, former ultimate controlling parties of the Group, resigned as executive directors of the Group, but have remained as the directors of KEE International BVI and KEE Zippers, the subsidiaries of the Company, since 17 February 2016.

During the year ended 31 December 2016, the Company's ultimate holding company has changed to Zhonghong.

In addition to the transactions disclosed in other parts of the financial statements, the Group entered into the following material related party transactions:

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

27. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions

Relating to continuing operation

(i) The Group has an operating lease with a term of three years ending 31 December 2018 in respect of certain plant and buildings entered into with Mr. Xu Xipeng and Mr. Xu Xinan, the senior management of the Group. During the year ended 31 December 2017, the rentals paid by the Group under this lease agreement amounted to HK$4,277,000(2016: HK$4,342,000).

(ii) After disposals of certain property, plant and leasehold land during the year ended 31 December 2016 as mentioned in note 11(a), the Group agreed to leaseback those assets from Classic Winner and Nanhai Jinheming. Both lease agreements in respect of the property, plant and leasehold land covered a duration of one year only. The Group was required to pay rental expenses of HK$1 and HK$ nil to Classic Winner and Nanhai Jinheming respectively under both lease agreements. These lease agreements in respect of plant and leasehold land and buildings were renewed on 16 January 2017 for a term of three years and one year respectively commencing from 16 January 2017. The rentals paid by the Group to Classic Winner and Nanhai Jinheming for the year ended 31 December 2017 amounted to HK$587,000 and RMB3,167,000 (HK$3,641,000 equivalent) respectively.

Relating to discontinued operation

(iii) On 12 July 2016, Tianjin Vitality Marketing Consultancy Company Limited ("Tianjin Vitality"), an indirect wholly-owned subsidiary of Neo Ocean Group which was disposed of by the Company on 24 August 2017 as detailed in note 6, and Yumafang Property Company Limited ("Yumafang Property") which is indirectly owned by the Company's ultimate holding company, Zhonghong, 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. The agreement expired on 11 July 2017. There was no service provided nor service fee charged by Tianjin Vitality during the period from 1 January 2017 to 24 August 2017 (2016: Nil).

(iv) Pursuant to the framework cooperation agreement dated 29 July 2016, as amended and supplemented on 2 September 2016 and further supplemented on 10 November 2016, (the "Framework Cooperation Agreement"), Zhonghong has agreed to engage Tianjin Vitality and Tianjin Jinhui, indirect wholly-owned subsidiaries of Neo Ocean Group, as the joint exclusive agents 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 commission payable by Zhonghong Group ranged from 5.5% to 6.5% of the sales amounts received by Zhonghong Group for the sales of properties. If the property projects developed by Zhonghong Group are sold at a price exceeding the price agreed by the captioned contracted parties, the joint exclusive agents shall be entitled to receive an excess sales equal to 20% to 40% of the excess sales amount received by Zhonghong Group. The agency fees received by Tianjin Vitality and Tianjin Jinhui from Zhonghong Group during the period from 1 January 2017 to 24 August 2017 amounted to RMB39,866,000 (HK$45,200,000 equivalent) (2016: Nil).

The above related party transactions constituted continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section headed "Continuing Connected Transactions" of the Report of the Directors.

NOTES TO THE FINANCIAL STATEMENTS

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27. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management personnel compensation

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	2017 **HK$'000**	2016 HK$'000
Short-term employee benefits	**7,453**	4,739
Retirement scheme contribution	**169**	134
	7,622	4,873

Total remuneration is included in "staff costs" (note 4(b)).

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28. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	**2017 HK$'000**	2016 HK$'000
Non-current assets			
Investment in subsidiaries		**–**	–
Available-for-sale investment		**103,480**	–
		103,480	–
Current assets			
Amount due from a subsidiary		**23,245**	170,959
Other receivables		**50,412**	823
Cash and cash equivalents		**9,133**	32,830
		82,790	204,612
Current liability			
Other payables		**1,401**	2,060
Net current assets		**81,389**	202,552
Total assets less current liabilities		**184,869**	202,552
Capital and reserves			
Share capital		**4,648**	4,348
Reserves		**180,221**	198,204
Total equity	23(a)	**184,869**	202,552

On behalf of the Board

Wu David Hang
Director

Yau Pak Yue
Director

29. IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

The Company's immediate holding company is Glory Emperor Trading Limited, a company incorporated in the British Virgin Islands. The directors consider that the Company's ultimate holding company is Zhonghong, a company established in the PRC with its shares listed on the Shenzhen Stock Exchange (Stock code: 000979), and its ultimate controlling party is Mr. Wang Yonghong, who indirectly holds approximately 70.16% of the issued shares of Zhonghong.

30. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the financial statements. The Group bases the assumptions and estimates on experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The significant accounting policies are set forth in note 1. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

(a) Impairment

(i) Non-financial long-term assets

The Group reviews the carrying amounts of these assets at the end of each reporting period to determine whether there is objective evidence of impairment. When indication of impairment is identified, management prepares discounted future cash flows to assess the difference between the carrying amount and value in use and provides for impairment loss. Any change in the assumptions adopted in the cash flow forecasts would increase or decrease the provision of impairment loss and affect the Group's net asset value.

(ii) Receivables

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of the debtors to make the required payments. The Group bases the estimates on the ageing of the trade and other receivable balances, credit-worthiness of the debtors and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimated.

(b) Depreciation and amortisation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value, if any. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's experience with similar assets and taking into account upgrading and improvement work performed for anticipated technological changes, and legal or similar limits on the use of assets. The depreciation and amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

30. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Inventories

The Group determines the write-down for obsolescence of inventories. These estimates are based on the current market condition and the experience in selling goods of similar nature. It could change significantly as a result of change in market condition.

(d) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for unused tax losses and deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which they can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(e) Fair value of an investment fund

The fair value of the Fund as detailed in Note 13 that is not quoted in an active market is primarily valued based on the net asset value ("Reported NAV") reported by the manager of the Fund unless the directors are aware of reasons that the Reported NAV may not be the best approximation of fair value. The Reported NAV is considered as the key unobservable input in valuation of the Fund. The directors of the Company evaluates whether adjustments are required to be made on the Reported NAV after considering the following:

(i) the valuation of the Fund's underlying investments;

(ii) the value date of the Reported NAV;

(iii) the valuation performed by independent valuers appointed by the Company which assist the directors to evaluate as to whether material adjustments are required to be made on the Reported NAV.

The carrying amount of the Fund may be significantly different from the amount ultimately realised on redemption or maturity.

NOTES TO THE FINANCIAL STATEMENTS

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31. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2017 and which have not been early adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9, Financial instruments	1 January 2018
HKFRS 15, Revenue from contracts with customers	1 January 2018
Amendments to HKFRS 15, Clarifications to HKFRS 15 Revenue from contracts with customers	1 January 2018
Amendments to HKAS 2, Share-based payment: Classification and measurement of share-based payment transactions	1 January 2018
HK(IFRIC)-Int 22, Foreign currency transactions and advance consideration	1 January 2018
HK(IFRIC)-Int 23, Uncertainty over income tax treatments	1 January 2019
HKFRS 16, Lease	1 January 2019
Annual improvements to HKFRS 2015–2017 cycle	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impact are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

31. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

HKFRS 9, Financial instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, Financial instruments: Recognition and measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes in the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) *Classification and measurement*

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI):

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then interest revenue, impairment and gains/losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

The Group has assessed that its financial assets currently measured at amortised cost will continue with their respective classification and measurements upon the adoption of HKFRS 9.

With respect to the Group's financial asset currently classified as "available-for-sale", the Group will elect to designate this investment as FVTOCI. Accordingly, the Group does not expect this new standard will affect the classification and measurement of this investment. However, gains or losses realised on the sale of this asset at FVTOCI will no longer be transferred to profit or loss on sale, but instead reclassified from FVTOCI reserve to retained profits. During the year ended 31 December 2017, there was no disposal of available-for-sale financial asset.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Group on adoption of HKFRS 9.

31. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

HKFRS 9, Financial instruments (Continued)

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. However, the Group is not yet practicable to provide a reasonable estimate of the effect of adoption of HKFRS 9 until the Group has completed a detailed review.

HKFRS 15, Revenue from contracts with customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue. The directors anticipate that the application of HKFRS 15 may result in more disclosures. However, there will be no material impact on the timing and amounts of revenue recognised in the respective reporting periods.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

31. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

HKFRS 16, Leases

As disclosed in note 1(g), currently the Group classifies leases into operating leases, and account for the lease arrangements, according to the nature of the lease. The Group enters into leases as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 26(b), as at 31 December 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to HK$13,117,000, the majority of which is payable between 1 and 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

The Group does not expect to adopt HKFRS 16 before its effective date of 1 January 2019.

GLOSSARY

In this annual report, unless the context otherwise requires, the following terms shall have the following meanings.

"Board"	means	the Board of Directors
"CG Code"	means	code on corporate governance practices as set out in Appendix 14 to the Listing Rules
"Company"	means	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
"Controlling Shareholder(s)"	means	has the meaning ascribed to it under the Listing Rules and, in the context of the Company, means Glory Emperor Trading Limited and Mr. Wang Yonghong
"Director(s)"	means	the Director(s) of the Company
"Group"	means	the Company and its subsidiaries
"HK$" and "HK cents"	means	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	means	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	means	The Stock Exchange of Hong Kong Limited
"Listing Rules"	means	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Main Board"	means	the stock market operated by the Hong Kong Stock Exchange, which excludes the GEM and the options market
"OEM"	means	original equipment manufacturer or manufacturing
"PRC" or "China"	means	the People's Republic of China excluding, for the purpose of this report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"RMB"	means	Renminbi, the lawful currency of the PRC
"Share(s)"	means	share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	means	shareholder(s) of the Company