KEE Holdings Company Limited
開易控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2011)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2018	2017	**Change**
	HK$'000	*HK$'000*	**%**
Revenue	**197,532**	184,732	**+6.9**
Gross profit	**63,919**	57,704	**+10.8**
Loss from continuing operations	**(29,946)**	(13,762)	**+117.6**
Loss from discontinued operation (attributable to equity shareholders)	**–**	(31,808)	**N/A**
Loss attributable to equity shareholders	**(33,177)**	(45,127)	**–26.5**

	As at 31 December		
	2018	2017	**Change**
	HK$'000	*HK$'000*	**%**
Total assets	**330,454**	380,180	**–13.1**
Cash and cash equivalents	**78,587**	95,590	**–17.8**
Total equity attributable to the equity shareholders	**264,730**	314,083	**–15.7**

FINANCIAL RESULTS

The board of directors (the "Board") of KEE Holdings Company Limited (the "Company") is pleased to present the consolidated results of the Company and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2018, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	**2018**	2017
		HK$'000	*HK$'000*
Continuing operations			
Revenue	*2*	**197,532**	184,732
Cost of sales		**(133,613)**	(127,028)
Gross profit		**63,919**	57,704
Other revenue and gains/(losses), net	*3*	**18,770**	(10,592)
Distribution costs		**(15,417)**	(15,197)
Administrative expenses		**(50,639)**	(40,425)
(Impairment losses)/reversal of impairment losses on			
— trade receivables and bills receivable		**(505)**	177
— other receivable		**(45,000)**	–
Loss before taxation	*4*	**(28,872)**	(8,333)
Income tax	*5*	**(1,074)**	(5,429)
Loss from continuing operations		**(29,946)**	(13,762)
Loss from discontinued operation	*6*	**–**	(31,808)
Loss for the year		**(29,946)**	(45,570)
Attributable to:			
Equity shareholders of the Company		**(33,177)**	(45,127)
Non-controlling interests		**3,231**	(443)
Loss for the year		**(29,946)**	(45,570)
Loss per share from continuing operations attributable to the equity shareholders of the Company (HK cents)	*7*		
Basic and diluted		**(7.1)**	(3.0)
Loss per share attributable to the equity shareholders of the Company (HK cents)	*7*		
Basic and diluted		**(7.1)**	(10.0)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Loss for the year		**(29,946)**	(45,570)
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		**(19,023)**	28,450
— Fair value gain on available-for-sales investment		**–**	3,480
— Other comprehensive income arising from discontinued operation	*6*	**–**	3,064
		(19,023)	34,994
Total comprehensive income for the year		**(48,969)**	(10,576)
Attributable to:			
Equity shareholders of the Company		**(49,353)**	(13,630)
Non-controlling interests		**384**	3,054
Total comprehensive income for the year		**(48,969)**	(10,576)
Attributable to:			
Continuing operations		**(48,969)**	18,168
Discontinued operation		**–**	(28,744)
Total comprehensive income for the year		**(48,969)**	(10,576)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**71,873**	57,805
Intangible assets		**1,562**	2,448
Available-for-sale investment	9	**–**	103,480
Prepayments for property, plant and equipment		**1,439**	292
Rental deposits		**5,041**	987
Deferred tax assets		**3,482**	3,039
		83,397	168,051
Current assets			
Inventories	10	**24,549**	23,924
Financial asset at fair value through profit or loss	9	**102,183**	–
Trade and other receivables	11	**40,922**	92,615
Current tax recoverable		**816**	–
Cash and cash equivalents	12	**78,587**	95,590
		247,057	212,129
Current liabilities			
Trade and other payables	13	**41,396**	40,366
Current tax payable		**–**	1,787
		41,396	42,153
Net current assets		**205,661**	169,976
Total assets less current liabilities		**289,058**	338,027
Non-current liabilities			
Deferred tax liabilities		**1,124**	1,124
Net assets		**287,934**	336,903
Capital and reserves			
Share capital	14	**4,648**	4,648
Reserves		**260,082**	309,435
Total equity attributable to the equity shareholders of the Company		**264,730**	314,083
Non-controlling interests		**23,204**	22,820
Total equity		**287,934**	336,903

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1. BASIS OF PREPARATION

(a) Statement of compliance

The 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. The 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").

(b) Basis of measurement

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the investment in an investment fund classified as financial asset at fair value through profit or loss (2017: available-for-sale investment) is stated at fair value.

(c) Adoption of new/revised HKFRSs — effective 1 January 2018

During the year, the Group has adopted a number of new/revised HKFRSs that are relevant to its operations and effective for the current accounting period.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

The impacts of adoption of these new/revised HKFRSs on the consolidated financial statements are set out below.

HKFRS 9 — Financial Instruments ("HKFRS 9")

HKFRS 9 replaced the standard on accounting for financial instruments, Hong Kong Accounting Standard 39 "Financial instruments: Recognition and measurement" (HKAS 39). 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.

(i) Classification and measurement of financial instruments

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). This superseded HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion").

Financial assets measured at amortised cost

The Group's financial assets are classified and measured at amortised cost as they meet both of the following conditions and they have not been designated as at FVPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

The Group has assessed that all its financial assets previously classified as loan and receivables (comprising trade and other receivables, cash and cash equivalents and rental deposits) are classified as financial assets measured at amortised cost with no change in their measurement upon the adoption of HKFRS 9.

Financial asset measured at FVPL

The Group's investment in an investment fund previously classified as available-for-sale investment under HKAS 39 as at 31 December 2017 is reclassified as debt investment at FVPL as its contractual cash flow characteristics do not meet the SPPI criterion and it does not meet the classification of equity instrument. As a result, the investment of HK$103,480,000 was reclassified from available-for-sale investment to financial asset at FVPL and the corresponding accumulated fair value gain of HK$3,480,000 was reclassified from investment revaluation reserve to retained profits on 1 January 2018 as shown in the table below. The fair value loss on the financial asset at FVPL amounting to HK$738,000 for the year ended 31 December 2018 was recognised in profit or loss instead of other comprehensive income as previously accounted for.

	Carrying amount at 31 December 2017	**Reclassification**	**Carrying amount at 1 January 2018**
	HK$'000	*HK$'000*	*HK$'000*
Assets			
Financial asset measured at FVPL under HKFRS 9 — Investment fund *(note 9)*	–	103,480	103,480
Financial asset classified as available-for-sale investment under HKAS 39 — Investment fund *(note 9)*	103,480	(103,480)	–
Equity			
Retained profits	65,204	3,480	68,684
Investment revaluation reserve	3,480	(3,480)	–

(ii) Impairment of financial assets

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit losses" ("ECLs") model. Under the ECLs 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 ECLs or a lifetime ECLs, depending on the asset and the facts and circumstances.

The Group has applied the ECLs model to the financial assets measured at amortised cost comprising trade and other receivables, rental deposits and other debtors, and cash and cash equivalents.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Trade debtors and bills receivable

The Group has elected to measure loss allowances for trade debtors and bills receivable using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

There was no material impact on the loss allowance as at 1 January 2018 which was determined in accordance with HKFRS 9 and accordingly, no opening adjustment was made as at 1 January 2018. The loss allowances further increased by HK$505,000 for trade debtors and bills receivable during the year ended 31 December 2018.

Other financial assets at amortised cost

Other financial assets at amortised cost of the Group comprise cash and cash equivalents, rental deposits, other debtors and the sale consideration receivable from the purchaser arising from disposal of the Group's subsidiary in prior year. Applying ECLs model, the ECLs as at 1 January 2018 were immaterial and therefore no opening adjustment at 1 January 2018 has been recognised. The loss allowance increased by HK$45,000,000 for the sale consideration receivable during the year ended 31 December 2018.

(iii) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments (if any) arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the consolidated statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9:

- The determination of the business model within which a financial asset is held; and

- The designation of previous designation of financial asset as measured at FVPL.

If an investment in a debt investment had low credit risk at the date of initial adoption of HKFRS 9, the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

HKFRS 15 — Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 and its amendments supersede HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method and has applied the new requirements only to contracts that were not completed before 1 January 2018 as permitted by HKFRS 15. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at as 1 January 2018, if any. As a result, the financial information presented for 2017 has not been restated.

Regarding timing of revenue recognition, previously, revenue arising from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers. Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from manufacturing and trading of finished zipper.

HKFRS 15 includes specific guidance on particular revenue related topics and also significantly enhances the qualitative and quantitative disclosures related to revenue. The application of HKFRS 15 has resulted in more disclosures. However, there was no material impact on the timing and amounts of revenue recognised in the respective reporting periods.

Amendments to HKFRS 15 — Revenue from Contracts with Customers (Clarification to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on the financial statements as the Group had not previously adopted HKFRS 15 and has taken up the clarifications in its first year of adoption of HKFRS 15.

HK(IFRIC)-Int 22 — Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of these amendments has no impact on the financial statements as the Group has not paid or received advance consideration in a foreign currency.

(d) New/revised HKFRSs that have been issued but are not yet effective

Up to the date of issue of the financial statements, the Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2018 and which have not been early adopted in the financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16, Lease	1 January 2019
Amendments to HKAS 1 and HKAS 8, Definition of Material	1 January 2020

HKFRS 16, Leases

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 consolidated statement of profit or loss over the period of the lease. As at 31 December 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to HK$40,718,000, 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 will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives.

Amendments to HKAS 1 and HKAS 8, Definition of Material

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2 REVENUE

The principal activities of the Group are manufacture and sale of zippers and other related products. In last year, the Group has ceased the rendering of property agency services which is reclassified as "discontinued operation", the details of which are set out in note 6.

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

	2018	2017
	HK$'000	*HK$'000*
Sales of goods		
Finished zippers and sliders	**192,977**	180,090
Others	**4,555**	4,642
	197,532	184,732

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

The above revenue is recognised at a point in time when the control of goods has been passed to customers.

The following table provides information about trade receivables and contract liabilities from contracts with customers:

	31 December 2018	1 January 2018
	HK$'000	*HK$'000*
Trade debtors and bills receivables *(note 11)*	**39,575**	41,358
Contract liabilities *(note 13)*	**772**	575

The contract liabilities represent advanced considerations received from customers before goods sold to customers. The contract liabilities of HK$575,000 as of 1 January 2018 previously presented as advances from third parties as at 31 December 2017 have been reclassified as contract liabilities under terminology of HKFRS 15. The movements of the contract liabilities are set out below.

	2018
	HK$'000
Movements in contract liabilities	
Balance as at 1 January	**575**
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(412)**
Increase in contract liabilities as a result of receipts in advance from customers during the year	**618**
Exchange adjustments	**(9)**
Balance at 31 December	**772**

Contract liabilities are expected to be recognized as revenue within one year from date of inception of respective contracts.

3 OTHER REVENUE AND GAINS/(LOSSES), NET

	2018	2017
	HK$'000	*HK$'000*
Revenue from other sources		
Interest income	**1,627**	1,439
Government grants	**260**	547
	1,887	1,986
Other gains/(losses), nets		
Fair value loss on financial asset at fair value through profit or loss	**(1,297)**	–
Net foreign exchange gains/(losses)	**8,989**	(11,371)
Loss on disposal of property, plant and equipment	**(209)**	(1,378)
Dividend income from an investment fund	**9,300**	–
Others	**100**	171
	16,883	(12,578)
	18,770	(10,592)

4 LOSS BEFORE TAXATION

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

(a) Staff costs*

	2018	2017
	HK$'000	*HK$'000*
Salaries, wages and other benefits	**69,276**	52,471
Contributions to defined contribution retirement plans	**8,638**	6,700
	77,914	59,171

(b) Other items

	2018	2017
	HK$'000	*HK$'000*
Depreciation and amortisation*		
property, plant and equipment	**8,193**	9,628
intangible assets	**807**	781
	9,000	10,409
Auditors' remuneration		
audit services	**1,100**	1,100
other services	**159**	–
	1,259	1,100
Impairment losses/(reversal of impairment losses) on trade and bills receivable	**505**	(177)
Impairment loss on other receivable *(note 11(ii))*	**45,000**	–
	45,505	(177)
Impairment losses on property, plant and equipment	**196**	1,867
Operating lease charges: minimum lease payments		
hire of plant and machinery*	**10,225**	7,917
hire of other assets (including property rentals)	**2,026**	1,279
	12,251	9,196
Research and development expenses	**7,501**	3,769
Cost of inventories* *(note 10)*	**133,613**	127,028

* *Cost of inventories includes HK$61,969,000 (2017: HK$53,569,000) 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(a) for each of these types of expenses.*

5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2018	2017
	HK$'000	*HK$'000*
Current tax — PRC corporate income tax		
Provision for the year	**3,194**	3,701
Over-provision in respect of prior years	**(2,182)**	–
	1,012	3,701
Current tax — Hong Kong Profits Tax and others		
Over-provision in respect of prior years	**–**	(117)
Deferred tax		
Origination and reversal of temporary differences	**62**	1,878
	1,074	5,462
Income tax expense is attributable to:		
continuing operations	**1,074**	5,429
discontinued operation	**–**	33
	1,074	5,462

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

	2018	2017
	HK$'000	*HK$'000*
Loss from continuing operations before taxation	**(28,872)**	(8,333)
Loss from discontinued operation before taxation *(note 6(i))*	**–**	(31,775)
	(28,872)	(40,108)
Notional tax credit on loss before taxation calculated at the rates applicable to profits in the respective jurisdictions	**(2,556)**	(8,602)
Effect of non-deductible expenses	**9,735**	4,424
Effect of non-taxable income	**(2,224)**	(122)
Effect of tax losses not recognised	**495**	9,059
Effect of tax concessions	**(2,284)**	(795)
Withholding tax on undistributed profits *(note (iii))*	**371**	1,756
Over-provision in prior years	**(2,182)**	(117)
Others	**(281)**	(141)
	1,074	5,462

Notes:

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

KEE Zippers Corporation Limited ("KEE Zippers") is subject to Hong Kong Profits Tax at 16.5% in 2018 and 2017.

(ii) KEE (Guangdong) Garment Accessories Limited ("KEE Guangdong") was recognised as a High and New Technology Enterprise 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 is 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 2018, deferred tax liability recognised in this regard was HK$1,124,000 (2017: HK$1,124,000).

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 were engaged in real estate agency business in the PRC, to an independent third party for a cash consideration of HK$100,000,000. This disposal resulted in a net gain of HK$1,520,000 before transaction cost. The Group had decided to cease its real estate agency 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 are classified as a discontinued operation and is no longer included in operating segment information.

(i) The financial performance for the period from 1 January 2017 to 24 August 2017 (date of disposal) is presented as follows:

	1 January 2017 to 24 August 2017 *HK$'000*
Revenue	99,796
Expenses	(132,086)
Loss before income tax of discontinued operation	(32,290)
Income tax expense	(33)
Loss after income tax of discontinued operation	(32,323)
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)
Other compressive income	
Exchange differences on translation of discontinued operation	3,064
Total comprehensive income from discontinued operation	(28,744)

	2017 *HK$*
Loss per share (HK cents)	
Basic and diluted, from the discontinued operation	(7.1)

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

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

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

7 LOSS PER SHARE

(a) Loss per share

The calculation of basic loss per share and basic loss per share from continuing operations are based on:

Loss attributable to the equity shareholders of the Company of HK$33,177,000 (2017: HK$45,127,000) is calculated as follows:

	2018	2017
	HK$'000	*HK$'000*
Loss attributable to the equity shareholders of the Company		
From continuing operations	**(33,177)**	(13,319)
From discontinued operation *(note 6(i))*	**–**	(31,808)
	(33,177)	(45,127)

Weighted average number of 464,804,000 ordinary shares (2017: 450,009,000 ordinary shares) in issue during the year is calculated as follows:

	2018	2017
	'000	*'000*
Issued ordinary shares at 1 January	**464,804**	434,804
Placement of new shares under a subscription agreement	**–**	15,205
Weighted average number of ordinary shares at 31 December	**464,804**	450,009

(b) Diluted loss per share

The diluted loss per share and diluted loss per share from continuing operations are equal to the basic loss per share and basic loss per share from continuing operations respectively as there were no potential dilutive shares in issue during both years ended 31 December 2017 and 2018.

8 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines 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 ended 31 December 2017, the Group had 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.

(a) Disaggregation of revenue from contracts with customers for sales of zippers and related products

The Group derives revenue from the transfer of goods sold at a point in time in the following geographical regions as follows:

	2018	2017
	HK$'000	*HK$'000*
Mainland China	**169,427**	160,538
Overseas	**28,105**	24,194
	197,532	184,732

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 and HKAS 11.

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

Information regarding the Group's reportable segments as provided to the Group's senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2018 and 2017 respectively is set out below:

	Zippers — Mainland China *HK$'000*	**Zippers — Overseas** *HK$'000*	**Total** *HK$'000*
Year ended 31 December 2018			
Revenue from external customers	**181,703**	**15,829**	**197,532**
Inter-segment revenue	**9,539**	**945**	**10,484**
Reportable segment revenue	**191,242**	**16,774**	**208,016**
Reportable segment profit/(loss)	**15,463**	**(3,160)**	**12,303**
Depreciation and amortisation for the year	**8,651**	**349**	**9,000**
Impairment loss on property, plant and equipment	**196**	**–**	**196**
Reportable segment assets at year end	**193,237**	**14,336**	**207,573**
Additions to non-current segment assets during the year	**28,421**	**–**	**28,421**
Reportable segment liabilities at year end	**33,973**	**4,196**	**38,169**

	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
Depreciation and amortisation for the year	10,188	199	10,387
Impairment loss on property, plant and 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

(c) Reconciliations of reportable segment revenue, profit or loss and assets

	2018	2017
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**208,016**	228,910
Elimination of inter-segment revenue	**(10,484)**	(44,178)
Consolidated revenue *(note 2)*	**197,532**	184,732
Profit/(loss)		
Reportable segment profit	**12,303**	14,635
Elimination of unrealised profit or loss of inter-segment purchase of inventories, other assets and property, plant and equipment	**(79)**	612
Reportable segment profit derived from the Group's external customers	**12,224**	15,247
Other revenue and gains/(losses), net	**18,770**	(10,592)
Impairment loss on property, plant and equipment	**(196)**	(1,867)
Unallocated head office and corporate expenses *(note)*	**(14,670)**	(11,121)
Impairment loss on other receivable	**(45,000)**	–
Consolidated loss before taxation	**(28,872)**	(8,333)

Note:

Unallocated head office and corporate expenses mainly represented head office rental expense, auditors' remuneration, staff cost of head office and legal and professional fees.

	2018	2017
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**207,573**	215,273
Elimination of unrealised profit of inter-segment purchase of inventories	**(1,651)**	(1,261)
Elimination of unrealised profit of inter-segment purchase of property, plant and equipment	**(295)**	(606)
	205,627	213,406
Current tax recoverable	**816**	–
Deferred tax assets	**3,482**	3,039
Financial asset at fair value through profit or loss/ available-for-sale investment	**102,183**	103,480
Unallocated head office and corporate assets	**3,012**	421
Cash and cash equivalents	**15,334**	9,834
Sale consideration receivable arising from disposal of a subsidiary	**–**	50,000
Consolidated total assets	**330,454**	380,180
Liabilities		
Reportable segment liabilities	**38,169**	38,926
Current tax liabilities	**–**	1,787
Deferred tax liabilities	**1,124**	1,124
Unallocated head office and corporate liabilities	**3,227**	1,440
Consolidated total liabilities	**42,520**	43,277

(d) 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$15,829,000 (2017: HK$24,194,000) to overseas customers for the year ended 31 December 2018.

The Group's non-current assets excluding financial assets (i.e. available-for-sale investment and rental deposits) and deferred tax assets (the "Specified Non-current Assets") comprise property, plant and equipment, intangible assets, prepayment for property, plant and equipment. The geographical location of property, plant and equipment and prepayment for property, plant and equipment 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 2018, the Group's Specified Non-current Assets were located in Mainland China and Hong Kong with carrying amounts of HK$73,635,000 (2017: HK$59,944,000) and HK$1,239,000 (2017: HK$1,588,000) respectively.

9 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS/AVAILABLE-FOR-SALE INVESTMENT

	2018	2017
	HK$'000	*HK$'000*
Unlisted investment fund, at fair value		
Non-current asset		
Available-for-sale investment	**–**	103,480
Current asset		
Financial asset at fair value through profit or loss	**102,183**	–
	102,183	103,480

Movement of fair value change:

	HK$'000
Subscription of the investment fund during the year ended 31 December 2017	100,000
Fair value gains recognised in other comprehensive income	3,480
As at 31 December 2017 and 1 January 2018	103,480
Fair value losses recognised in profit or loss *(note 3)*	(1,297)
As at 31 December 2018	**102,183**

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 Hong Kong Stock Exchange, 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 shareholders of the Fund may request redemption of all or some of their 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.

As mentioned in note 1(c)(i), on 1 January 2018, the Fund with carrying amount of HK$103,480,000 as at 31 December 2017 was reclassified from available-for-sale investment as financial asset at fair value through profit or loss upon adoption of HKFRS 9.

10 INVENTORIES

	2018	2017
	HK$'000	*HK$'000*
Raw materials	**6,138**	7,819
Work in progress	**16,914**	14,768
Finished goods	**1,497**	1,337
	24,549	23,924

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

	2018	2017
	HK$'000	*HK$'000*
Carrying amount of inventories sold	**134,085**	125,686
Write down of inventories	**1,166**	2,116
Reversal of write-down of inventories	**(1,416)**	(774)
Exchange adjustment	**(222)**	–
	133,613	127,028

The write-down of inventories 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 inventories previously provided for.

11 TRADE AND OTHER RECEIVABLES

		2018	2017
	Notes	***HK$'000***	*HK$'000*
Trade debtors and bills receivable		**41,105**	42,473
Less: Loss allowance		**(1,530)**	(1,115)
	(i)	**39,575**	41,358
Sales consideration receivable, net of impairment loss of HK$45,000,000 (2017: nil)	*(ii)*	**–**	50,000
Other prepayments		**981**	1,012
Other debtors		**366**	245
		40,922	92,615

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

(i) 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:

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**7,775**	10,604
Over 1 month but within 2 months	**12,314**	15,492
Over 2 months but within 3 months	**6,016**	8,524
Over 3 months	**13,470**	6,738
	39,575	41,358

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

(ii) As at 31 December 2018, the balance represented the remaining sale consideration of HK$45,000,000 (2017: 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 security for the purchaser's obligation to pay the balance of the purchase consideration.

During the year ended 31 December 2018, the purchaser failed to settle the balance on the due date and it has only settled HK$5,000,000 up to 31 December 2018 and the date of the results announcement. The remaining balance of HK$45,000,000 has therefore become past due and impaired. After performing impairment assessment on this receivable, the directors consider it is appropriate to recognise impairment loss of HK$45,000,000 on this balance.

12 CASH AND CASH EQUIVALENTS

	2018	2017
	HK$'000	*HK$'000*
Cash at banks and in hand	**78,587**	95,590

As at 31 December 2018, cash and cash equivalents in the amount of HK$53,011,000 (2017: HK$58,354,000) 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.

13 TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade creditors	**7,635**	11,209
Payroll and staff benefits payable	**20,827**	18,285
Accrued expenses	**4,016**	6,055
Payables for purchase of property, plant and equipment	**7,891**	2,344
Other taxes payable	**13**	740
Contract liabilities	**772**	575
Other payables	**242**	1,158
	41,396	40,366

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

14 SHARE CAPITAL

(i) Authorised and issued share capital

	At 31 December 2018		At 31 December 2017	
	Number of shares	**Share capital**	Number of shares	Share capital
	'000	**HK$'000**	*'000*	*HK$'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	**464,804**	**4,648**	434,804	4,348
Shares issued under a subscription agreement	**–**	**–**	30,000	300
At 31 December	**464,804**	**4,648**	464,804	4,648

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

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.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group continued to operate the zipper business during the year ended 31 December 2018 and it was presented as continuing operations in the consolidated financial statements. The Group had disposed of its real estate agency service business during the year ended 31 December 2017 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 discontinued operation of the Group related to the services rendered in real estate agency service business during the year ended 31 December 2017 which included 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.

FINANCIAL HIGHLIGHTS

The Group's revenue for the year ended 31 December 2018, which represented the revenue from zipper business, increased to approximately HK$197.53 million as compared with approximately HK$184.73 million for the year ended 31 December 2017.

Loss for the year ended 31 December 2018 was approximately HK$29.95 million, which was mainly the combined effect of approximately HK$12.30 million of profit from the zipper business, which included approximately HK$8.99 million of net foreign exchange gains, and approximately HK$45.00 million of impairment loss on other receivable. In comparison, the loss for the year ended 31 December 2017 was mainly attributable to approximately HK$31.81 million of loss from the discontinued operation and approximately HK$11.37 million of net foreign exchange losses.

REVIEW OF OPERATIONS

Revenue

The Group's revenue for the year ended 31 December 2018 amounted to approximately HK$197.53 million, representing a year-on-year increase of 6.9% 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			
	2018		2017	
	HK$ million	*%*	*HK$ million*	*%*
Sales of goods				
Finished zippers and sliders	**192.97**	**97.7**	180.09	97.5
Others	**4.56**	**2.3**	4.64	2.5
Total	**197.53**	**100.0**	184.73	100.0

Revenue analysis by geographic location:

	Year ended 31 December			
	2018		2017	
	HK$ million	*%*	*HK$ million*	*%*
Mainland China	**169.43**	**85.8**	160.54	86.9
Overseas	**28.10**	**14.2**	24.19	13.1
Total revenue	**197.53**	**100.0**	184.73	100.0

Finished Zippers and Sliders

Revenue from sales of finished zippers and sliders slightly increased by approximately HK$12.88 million or 7.2% to approximately HK$192.97 million for the year ended 31 December 2018 (2017: approximately HK$180.09 million). The increase was primarily due to the promotion of organisational activities of the Group, the strengthened marketing and product innovation, the escalation of responsiveness to customer needs and the enhancement of customer service level.

The Group achieved rewarding results in the new marketing development. During the year 2018, the Group commenced cooperation with 10 new brands, among of which 4 brands were domestic brands and 6 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 for the year ended 31 December 2018 include Hong Kong, Switzerland, Italy, USA, India, Indonesia, Bangladesh, Germany, Korea, Belgium, Vietnam, South Africa and Tunisia.

Others

Others represent items such as scrap material, zipper components and moulds. Revenue of other items slightly decreased by approximately HK$0.08 million to approximately HK$4.56 million for the year ended 31 December 2018 (2017: approximately HK$4.64 million).

Cost of Sales and Gross Profit

In 2018, the overall cost of sales for the zipper business amounted to approximately HK$133.61 million (2017: approximately HK$127.03 million), representing an increase of approximately 5.2%. The overall gross profit of the Group increased by approximately 10.8% from approximately HK$57.70 million for the year ended 31 December 2017 to approximately HK$63.92 million for the year ended 31 December 2018. In 2018, the overall gross profit margin increased from 31.2% of last year to 32.4%, which was mainly attributable to reduction of subcontracting by decrease in fees paid to subcontractors after engaging a subsidiary, KEE (Guangdong) Garment Accessories Limited (Jingmen Branch) ("KEE Jingmen Branch"), to perform on certain electroplating works for the Group's zipper and garment accessories products.

Gross profit analysis by product category:

	Year ended 31 December			
	2018		2017	
	HK$ million	*%*	*HK$ million*	*%*
Sales of goods				
Finished zippers and sliders	**62.22**	**97.3**	55.93	96.9
Others	**1.70**	**2.7**	1.77	3.1
Total gross profit	**63.92**	**100.0**	57.70	100.0

Finished Zippers and Sliders

Gross profit for finished zippers and sliders increased by approximately 11.2% from approximately HK$55.93 million for the year ended 31 December 2017 to approximately HK$62.22 million for the year ended 31 December 2018, which was attributable to the reduction in subcontracting cost after engaging KEE Jingmen Branch to perform certain electroplating work.

Others

Gross profit of other items decreased slightly by approximately HK$0.07 million from approximately HK$1.77 million for the year ended 31 December 2017 to approximately HK$1.70 million for the year ended 31 December 2018, was mainly due to the decrease in sale volume of other items.

DISTRIBUTION COSTS

Distribution costs mainly represent (i) staff costs relating to sales and marketing personnel; (ii) transportation costs for delivery of the Group's products to customers and (iii) advertising and marketing expenses. For the year ended 31 December 2018, the Group's distribution costs amounted to approximately HK$15.42 million (2017: approximately HK$15.20 million), accounting for approximately 7.8% of the Group's turnover (2017: approximately 8.2%).

ADMINISTRATIVE EXPENSES

Administrative expenses primarily consist of (i) salary and welfare expenses for management and administrative personnel; (ii) professional fees and auditors' remuneration; and (iii) other administrative expenses including depreciation and amortisation. In 2018, the Group's administrative expenses amounted to approximately HK$51.14 million (2017: approximately HK$40.25 million), which accounted for approximately 25.9% of the Group's turnover (2017: approximately 21.9%). The increase was mainly due to the increase in Directors' remuneration of the Company and staff cost of KEE Jingmen Branch.

INCOME TAX

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

PROFITABILITY

In 2018, the Group's loss attributable to equity shareholders of the Company amounted to approximately HK$33.18 million (2017: approximately HK$45.13 million), representing a decrease of loss of 26.5% as compared to 2017. The improvement was primarily due to the disposal of significant loss-making real estate agency business in 2017. The margin of loss attributable to the equity shareholders of the Company for the year was 16.8% (2017: 24.4%), a decrease of 31.1 percentage points as compared to 2017.

During the year ended 31 December 2018, the Group's return on equity attributable to the equity shareholders of the Company was –12.5% (2017: –14.4%), representing a decrease of 13.2 percentage points as compared to 2017.

FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group has invested HK$100 million into Fullgoal Strategic Growth Fund Segregated Portfolio (the "Fund") during the year ended 31 December 2017, which was reclassified from available-for-sale investment to financial asset at fair value through profit or loss for the year ended 31 December 2018. The carrying value of the Fund was approximately HK$102.18 million as at 31 December 2018 (as at 31 December 2017: approximately HK$103.48 million), the difference is attributable to the fair value losses recognised in profit or loss. Dividend income of HK$9.3 million was received and recorded during the year ended 31 December 2018.

INVENTORIES

Inventories are one of the principal components of the Group's current assets of zipper business. The carrying value of inventories accounted for approximately 11.3% and 9.9% of the Group's total current assets as at 31 December 2017 and 2018 respectively.

Inventories slightly increased by approximately 2.6% from approximately HK$23.92 million as at 31 December 2017 to approximately HK$24.55 million as at 31 December 2018.

The average inventory turnover days for 2018 and 2017 were 66 days and 62 days respectively.

The net reversal of write-down on inventories for the year ended 31 December 2018 was approximately HK$0.25 million (2017: net write-down of approximately HK$1.34 million) which was due to the decrease in the estimated net realisable value of certain slow-moving inventories.

TRADE DEBTORS

As at 31 December 2018, the allowance for doubtful debts was approximately HK$1.53 million (31 December 2017: approximately HK$1.11 million), accounting for approximately 3.8% of the Group's total trade debtors (2017: approximately 2.7%).

The Group's trade debtors (net) decreased by around 4.3% from approximately HK$41.36 million of last year to approximately HK$39.58 million as at 31 December 2018.

The average trade debtors turnover days for 2018 and 2017 were 74 days and 77 days respectively.

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 31.8% from approximately HK$11.21 million as at 31 December 2017 to approximately HK$7.64 million as at 31 December 2018. The average trade creditors turnover days for 2018 and 2017 were 26 days and 33 days respectively.

OTHER PAYABLES

Other payables mainly represent (i) payroll and staff benefits payable; (ii) payables for purchase of property, plant and equipment; and (iii) accrued expenses. The balance of other payables increased by approximately 15.8% to approximately HK$33.76 million as at 31 December 2018 (2017: approximately HK$29.16 million) was mainly due to the purchases of property, plant and equipment in last quarter of 2018.

LIQUIDITY AND CAPITAL RESOURCES

The following table is a summary of cash flow data for the two years ended 31 December 2017 and 2018:

	Year ended 31 December	
	2018	2017
	HK$ million	*HK$ million*
Net cash generated from operating activities	**6.25**	17.99
Net cash used in investing activities	**(17.08)**	(152.05)
Net cash generated from financing activities	**–**	29.19
Net decrease in cash and cash equivalents	**(10.83)**	(104.87)
Cash and cash equivalents at 1 January	**95.59**	186.50
Effect of foreign exchange rate changes	**(6.17)**	13.96
Cash and cash equivalents at 31 December	**78.59**	95.59

The Group's net cash inflow from operating activities for the year 2018 amounted to approximately HK$6.25 million (2017: approximately HK$17.99 million). As at 31 December 2018, cash and cash equivalents amounted to approximately HK$78.59 million, representing a net decrease of approximately HK$17.00 million as compared with the position as at 31 December 2017, which was mainly due to the combined effect of the cash flows for the year ended 31 December 2018 as shown in the above table.

As at 31 December 2018, the cash and cash equivalents of approximately HK$53.58 million, HK$15.02 million and HK$9.83 million are mainly denominated in RMB, HKD and USD, respectively. As at 31 December 2017, the cash and cash equivalents of approximately HK$76.52 million, HK$12.75 million and HK$6.19 million are mainly denominated in RMB, HKD and USD,respectively.

The Group did not have any bank loan as at 31 December 2017 and 2018.

As at 31 December 2018, the Group had no bank facilities. The debt to asset ratio, being the Group's total liabilities over its total assets, at 31 December 2018 was 12.9% (2017: 11.4%). 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 2018, the Group had net current assets of approximately HK$205.66 million. The key components of current assets as at 31 December 2018 included financial asset at fair value through profit or loss of approximately HK$102.18 million, cash and cash equivalents of approximately HK$78.59 million, trade and other receivables of approximately HK$40.92 million, and inventories of approximately HK$24.55 million. The current liabilities represented trade and other payables of approximately HK$41.40 million.

The net current assets increased from approximately HK$169.98 million as at 31 December 2017 to approximately HK$205.66 million as at 31 December 2018, mainly attributable to net effect the reclassification of the Fund as current asset as at 31 December 2018 and recognition of impairment loss of HK$45 million on other receivable.

PLEDGE OF ASSETS

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

CAPITAL COMMITMENTS

The capital commitments in respect of property, plant and equipment as at 31 December 2017 and 2018 not provided for in the financial statements were approximately HK$0.15 million and approximately HK$3.85 million respectively.

FOREIGN CURRENCY RISK

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

As HKD is 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$48,000 (2017: approximately HK$18,166,000) that was held by KEE Zippers and the Company for which HK$ is their functional currency. In addition, the Group had HK$ denominated inter-company other receivables amounting to approximately HK$151,379,000 (2017: approximately HK$171,204,000) that were held by KEE Guangdong and KEE (Zhejiang) Garment Accessories Limited ("KEE Zhejiang") for which RMB is their functional currency.

At 31 December 2018, it is estimated that a general appreciation/depreciation of 0.5% in HK$ against RMB, with all other variables held constant, would have decreased/increased the Group's net loss for the year and retained earnings by approximately HK$757,000 (2017: approximately HK$765,000).

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. 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 2018, the Group had 622 full-time employees (31 December 2017: 578). The Group reviews the 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 2018 were approximately HK$77.91 million (2017: approximately HK$59.17 million). The increase in staff cost is mainly due to the Directors' remuneration of the Company and KEE Jingmen Branch.

CONTINGENT LIABILITIES

The Group had no other contingent liabilities as at 31 December 2017 and 2018.

CONTINUING CONNECTED TRANSACTIONS

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

(i) 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, 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 on the 16th of each month for a 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, Mr. Xu Xipeng and Mr. Xu Xinan are connected persons at the subsidiary level of the Company. As Classic Winner is owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, Classic Winner is also 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 two years ended 15 January 2019 and the year ending 15 January 2020, the maximum annual aggregate amounts payable by the Group under the HK Lease Renewal Agreement are as follows:

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

(ii) 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, 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. As Nanhai Jinheming is owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, 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 two years ended 15 January 2019 and the year 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 ended 15 January 2018	4,125,000	4,620,000
Year ended 15 January 2019	4,125,000	4,620,000
Year ending 15 January 2020	4,125,000	4,620,000

(iii) On 24 August 2018, KEE (Jingmen) Clothing Accessories Limited ("KEE Jingmen"), a company owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, as lessor and KEE Guangdong, an indirect subsidiary of the Company, as lessee entered into a tenancy agreement (the "Jingmen Tenancy Agreement") pursuant to which KEE Jingmen has agreed to lease to KEE Guangdong a property in PRC at a monthly rental of RMB400,000 payable before the fifth day of each month commencing from 1 September 2018 to 31 August 2021, with three months' rent of RMB1,200,000 as deposit. As KEE Jingmen is owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, KEE Jingmen is a connected person at the subsidiary level of the Company as of the date of the Jingmen Tenancy Agreement. An independent property valuer advised that the monthly rental of RMB400,000 is fair and reasonable with reference to the market rate. For each of the three years ending 31 August 2021, the maximum annual aggregate amounts payable by the Group under the Jingmen Tenancy Agreement are as follows:

	RMB	*HK$*
Year ending 31 August 2019	6,000,000	6,840,000
Year ending 31 August 2020	6,000,000	6,840,000
Year ending 31 August 2021	6,000,000	6,840,000

(iv) On 31 December 2018, Mr. Xu Xipeng and Mr. Xu Xinan, connected persons at the subsidiary level of the Company, as lessors and KEE Guangdong as lessee, entered into the lease renewal agreement (the "Guangdong Lease Renewal Agreement") to renew the lease of a plant in Guangdong for a further term of two years from 1 January 2019 to 31 December 2020 for a monthly rental of RMB360,000.

An independent valuer advised that the monthly rental of RMB360,000 is fair and reasonable with reference to the market rate. For each of two years ending 31 December 2020, the maximum annual aggregate amounts payable by the Group under the Guangdong Lease Renewal Agreement are as follows:

	RMB	*HK$*
Year ending 31 December 2019	4,320,000	4,924,800
Year ending 31 December 2020	4,320,000	4,924,800

For the year ended 31 December 2018, the total rental charges under the HK Lease Renewal Agreement and the Zhejiang Lease Renewal Agreement, the Jingmen Tenancy Agreement and the Guangdong Lease Renewal Agreement was approximately HK$10,837,000.

PROSPECT

Since 2018, the global economic governance system has commenced restructuring with aggravating economic and trade frictions between major economies. In order to ensure the smooth operation of the economy, China introduced a new round of steady growth policy in 2019 on the basis of various policies such as promoting investment to fill shortcomings, optimising the business environment and promoting openness towards foreign investment. It is expected that China's economy will continue to grow steadily in 2019, and its economic growth will remain within a reasonable range.

In the recent years, demand in textile and apparel industry of China experienced slow growth with weak rebound, while retail market continued to be stable and improved. Industry demand is expected to continue to grow at a low rate in 2019. However, due to the increasing maturity and individualisation of customers as well as the flat spread of information, the textile and garment industry of China has been constantly enhancing its brand and quality awareness, and gradually returning from the commodity era to the product era. This is a valuable opportunity for development of high-quality finished zipper market.

As such, the Company will actively implement the following measures:

Further enhancing image and added value to the brand, extending the market development and the investment in product innovation, accelerating the responses to the demands from both customer and market, enhancing customer satisfaction;

Further integrating and expanding production capacity, improving the level of production automation, enhancing production process, improving product quality and shortening the delivery time;

Strengthening human resource management, improving organisational vitality and competitiveness, enhancing operational efficiency is indispensable.

We will concurrently 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

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

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

During the year ended 31 December 2018, the Company has complied with all the code provisions as set out in the Corporate Governance Code except the following deviations.

(i) Chairman and chief executive officer

As at 31 December 2018, 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. This constitutes a deviation from the Code Provision A.2.1 but the Board considers that this structure where the leadership of the Board is distinct from the executive responsibilities for running the business operations will not impair the balance of power and authority between the board and the management of the business, especially given that there is a strong and independent non-executive element on the Board and a clear division of responsibilities for running the business of the Company. The arrangement under which the roles of chairman and chief executive officer are performed under the same individual is considered as beneficial at the present stage as it helps to maintain the continuity of the Company's policies and the stability of the Company's operation as well as to enhance the management of the Company.

(ii) Internal control and risk management

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

MODEL CODE

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2018.

AUDIT COMMITTEE

An audit committee has been established with written terms of reference in compliance with the Corporate Governance Code. The main duties of the audit committee are to assist the Board in reviewing the financial information and reporting system, internal control system and risk management, the effectiveness of the Company's internal audit function and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company. The audit committee consists of three independent non-executive Directors, namely Mr. Leung Ka Tin, Mr. Yau Pak Yue and Mr. Lu Nim Joel. Mr. Yau Pak Yue, an independent non-executive Director of the Company, is the chairman of the audit committee. For the year ended 31 December 2018, the audit committee has held three meetings to discuss the auditing, internal controls and financial reporting matters of the Company. The audit committee of the Company has met with the management and external auditors of the Company and has reviewed the consolidated results of the Group for the year ended 31 December 2018.

REMUNERATION COMMITTEE

A remuneration committee has been established with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the remuneration committee are to determine the remuneration packages of individual executive Directors and senior management, review and make recommendation to the Board on the remuneration policy and structure for all Directors and senior management, and establish transparent procedures for developing such remuneration policy to ensure that no Director or any of his associates will participate in deciding his own remuneration. The remuneration committee consists of three independent non-executive Directors, namely Mr. Leung Ka Tin, Mr. Yau Pak Yue and Mr. Lu Nim Joel. Mr. Yau Pak Yue, an independent non-executive Director of the Company, is the chairman of the remuneration committee. For the year ended 31 December 2018, the remuneration committee has held three meeting.

NOMINATION COMMITTEE

A nomination committee has been established with written terms of reference in compliance with the Corporate Governance Code. The principal duties of the nomination committee are to review the Board composition, make recommendations to the Board on the appointment and succession planning of Directors, and assess the independence of independent non-executive Directors. The nomination committee consists of three independent non-executive Directors, namely Mr. Leung Ka Tin, Mr. Yau Pak Yue and Mr. Lu Nim Joel and one executive Director, namely Mr. Wu David Hang. Mr. Wu David Hang, an executive Director of the Company, is the chairman of the nomination committee. For the year ended 31 December 2018, the nomination committee has held three meeting.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

FINAL DIVIDEND

The Board does not recommend any payment of a final dividend (2017: Nil) in respect of the year 2018 to the Shareholders.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held in Hong Kong on Wednesday, 29 May 2019. Notice of the annual general meeting will be issued and disseminated to Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlements of the Shareholders to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from Friday, 24 May 2019 to Wednesday, 29 May 2019, both days inclusive, during which period no transfer of shares will be registered. All transfers documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 23 May 2019.

SCOPE OF WORK OF BDO LIMITED

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been compared by the Group's auditor, BDO Limited, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by BDO Limited in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.kee.com.cn). The annual report for the year ended 31 December 2018 containing all the information required by Appendix 16 to the Listing Rules will be despatched to Shareholders and available on the same websites in due course.

DEFINITIONS

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

"Board"	the board of Directors
"Company"	KEE Holdings Company Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands on 6 July 2010, the Shares of which are listed on the Main Board of the Hong Kong Stock Exchange
"Corporate Governance Code"	Corporate Governance Code as set out in Appendix 14 to the Listing Rules

"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"HK$" and "HK cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Main Board"	the stock market operated by the Hong Kong Stock Exchange, which excludes the GEM and the options market
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"OEM"	original equipment manufacturer or manufacturing
"PRC" or "China"	the People's Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Share(s)"	share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of issued Share(s)

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

Hong Kong, 28 March 2019

As at the date of this announcement, the executive Directors are Mr. Wu David Hang and Mr. Yau Chi Chiu; and the independent non-executive Directors are Mr. Yau Pak Yue, Mr. Nu Lim Joel and Mr. Leung Ka Tin.