THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Response Document or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitors, professional accountant or other professional adviser.

If you have sold or transferred all your shares in KEE Holdings Company Limited (the "**Company**"), you should at once hand this Response Document to the purchaser or the transferee, or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

KEE

KEE HOLDINGS COMPANY LIMITED

開易控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2011)

RESPONSE DOCUMENT RELATING TO THE MANDATORY UNCONDITIONAL CASH OFFERS BY CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED ON BEHALF OF GLORY EMPEROR TRADING LIMITED FOR ALL THE ISSUED SHARES IN (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY GLORY EMPEROR TRADING LIMITED AND PARTIES ACTING IN CONCERT WITH IT) AND TO CANCEL ALL OUTSTANDING SHARE OPTIONS OF KEE HOLDINGS COMPANY LIMITED

Financial Adviser to the Company

SWS

Shenwan Hongyuan Capital (H.K.) Limited

申萬宏源融資(香港)有限公司

Independent Financial Adviser to the Code IBC and the Independent Shareholders

上銀國際有限公司

BOSC International Company Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Response Document.

A letter from the Board is set out on pages 10 to 20 of this Response Document.

A letter from the Code IBC containing its recommendation to the Independent Shareholders and the Optionholders is set out on pages 21 to 22 of this Response Document.

A letter from the Independent Financial Adviser containing its advice to the Code IBC in respect of the Offers is set out on pages 23 to 47 of this Response Document.

This Response Document will remain on the websites of the Stock Exchange at http://www.hkex.com.hk and the Company at http://www.kee.com.cn as long as the Offers remain open.

27 January 2016

CONTENTS

Page

In this Response Document, the following expressions have the meanings set out below unless the context otherwise requires:

"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"associate(s)"	has the meaning ascribed to it in the Takeovers Code
"Board"	the board of Directors
"BOSC International" or "Independent Financial Adviser"	BOSC International Company Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser to the Code IBC and the Independent Shareholders in relation to the Offers
"BVI"	the British Virgin Islands
"CICC"	China International Capital Corporation Hong Kong Securities Limited, a registered institution under the SFO, licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 3 (leveraged foreign exchange trading), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) regulated activities under the SFO and the financial adviser to the Offeror in respect of the Offers
"Circular"	the circular dated 21 December 2015 of the Company in relation to, among other things, details of the Special Deals, the Disposal Agreements, the HK Lease Agreement, the PRC Lease Agreement and the Shareholders' Agreement
"Classic Winner"	Classic Winner Limited, a company incorporated in Hong Kong with limited liability, which is owned as to 50% by Mr. Xu Xipeng and as to 50% by Mr. Xu Xinan
"Closing Date"	Wednesday, 17 February 2016, or if the Offers are revised or extended, any subsequent closing date of the Offers as may be extended and announced by the Offeror in accordance with the Takeovers Code

"Code IBC"	the independent committee of the Board, comprising all non-executive Directors, namely Mr. Yang Shaolin, Mr. Lin Bin, Mr. Kong Hing Ki and Mr. Tam Yuk Sang, Sammy, which has been established pursuant to the Takeovers Code to advise the Independent Shareholders and the Optionholder(s) on the Offers
"Company"	KEE Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
"Directors"	directors of the Company
"Disposal Agreements"	collectively the KEE BVI Disposal Agreement, HK Property Disposal Agreement and the PRC Master Disposal Agreement
"Disposals"	collectively (i) the KEE BVI Disposal pursuant to the KEE BVI Disposal Agreement; (ii) the PRC Assets Disposal pursuant to the PRC Master Disposal Agreement; and (iii) the HK Property Disposal pursuant to the HK Property Disposal Agreement
"Encumbrances"	any charge, mortgage, lien, option, equitable right, power of sale, pledge, hypothecation, retention of title, right of pre-emption, right of first refusal or other third party right or security interest of any kind or an agreement, arrangement or obligation to create any of the foregoing
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"Forms of Acceptance"	collectively, the Form of Acceptance and Transfer and the Form of Cancellation
"Form of Acceptance and Transfer"	the form of acceptance and transfer of the Offer Shares in respect of the Share Offer accompanying the Offer Document
"Form of Cancellation"	the form of acceptance and cancellation of the Share Options in respect of the Option Offer accompanying the Offer Document
"Group"	the Company and its subsidiaries

"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HK Lease Agreement"	the lease agreement dated 13 January 2016 and entered into between Classic Winner as lessor and KEE Zippers as lessee in relation to the lease of the HK Property for an initial period of one year at a nominal rent of HK$1 for the initial period, details of which are set out in the Circular
"HK Property"	the Office B on the 16th Floor of YHC Tower, No. 1, Sheung Yuet Road, Kowloon, Hong Kong
"HK Property Disposal"	the disposal of the HK Property by KEE Zippers to Classic Winner pursuant to the HK Property Disposal Agreement
"HK Property Disposal Agreement"	the disposal agreement dated 19 August 2015 (as amended and supplemented by the extension letter dated 27 November 2015) and entered into between KEE Zippers and Classic Winner, pursuant to which KEE Zippers agreed to sell and Classic Winner agreed to purchase the HK Property at a consideration of HK$24,800,000 on and subject to the terms and conditions contained therein, details of which are set out in the Circular
"Hong Kong" or "HK"	Hong Kong Special Administrative Region of the People's Republic of China
"Independent Shareholders"	Shareholders who are not involved in nor interested in the Disposal Agreements, the Lease Agreements and the Shareholders' Agreement as further described in the Joint Announcement posted on 9 November 2015
"Joint Announcement"	the joint announcement made by the Company and the Offeror dated 9 November 2015 in respect of, among other things, the Sale and Purchase Agreement and the Offers
"KEE BVI"	KEE International (BVI) Limited, a company incorporated in BVI with limited liability and is owned as to 85% by the Company and 15% by Nicco
"KEE BVI Disposal"	the disposal of 15% of the issued share capital of KEE BVI by the Company to Nicco pursuant to the KEE BVI Disposal Agreement

"KEE BVI Disposal Agreement"	the disposal agreement dated 19 August 2015 (as amended and supplemented by the extension letter dated 27 November 2015) and entered into between the Company and Nicco, pursuant to which the Company agreed to sell and Nicco agreed to purchase 15% of the issued share capital of KEE BVI at a consideration of HK$24,627,172 on and subject to the terms and conditions contained therein, details of which are set out in the Circular
"KEE Guangdong"	開易(廣東)服裝配件有限公司 (KEE (Guangdong) Garment Accessories Limited#), a limited liability company established in the PRC and a direct wholly-owned subsidiary of KEE Zippers
"KEE Jingmen"	開易(荊門)服裝配件有限公司 (KEE (Jingmen) Garment Accessories Limited#), a company established in the PRC with limited liability and is owned as to 80% by Nanhai Jinheming and as to 20% by 上海翎峰貿易有限公司 (Shanghai Lingfeng Trading Company Limited#)
"KEE Jingmen Sale Capital"	80% registered and paid up capital of KEE Jingmen
"KEE Zhejiang"	開易(浙江)服裝配件有限公司 (KEE (Zhejiang) Garment Accessories Limited#), a limited liability company established in the PRC and a direct wholly-owned subsidiary of KEE Zippers
"KEE Zippers"	KEE Zippers Corporation Limited (開易拉鏈有限公司), a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of KEE BVI
"Land"	the land use rights of the piece of land located at 中國浙江省嘉善縣魏塘鎮魏中村 (Weizhong village, Weitang Town, Jiashan County, Zhejiang Province, PRC)
"Last Trading Day"	29 June 2015, being the day on which trading in the Shares was suspended with effect from 1 p.m. pending release of the Joint Announcement
"Latest Practicable Date"	22 January 2016, being the latest practicable date prior to the printing of this Response Document for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Long Stop Date"	20 January 2016 or such other date as may be agreed between the parties to the Sale and Purchase Agreement in writing
"Main Board"	Main Board of the Stock Exchange (excludes the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market Board of the Stock Exchange
"MOU"	the memorandum of understanding dated 29 June 2015 (as amended and supplemented by the supplemental memorandum of understanding dated 8 August 2015 and the extension letters dated 28 July 2015 and 17 August 2015) and entered into between Nicco as vendor and Li Zhen which is the holding company of the Offeror as purchaser in relation to the sale and purchase of the Sale Shares
"MOU Announcement"	the announcement dated 10 July 2015 issued by the Company in relation to the MOU
"Nanhai Jinheming"	佛山市南海今和明投資有限公司 (Foshan City Nanhai Jinheming Investment Company Limited#), a limited liability company established in the PRC and is owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively
"Nicco"	Nicco Worldwide Inc., a company incorporated in BVI with limited liability and is owned as to 49.75%, 49.75% and 0.5% by Mr. Xu Xipeng, Mr. Xu Xinan and Mr. Chow Hoi Kwang, Albert, respectively
"Offer Document"	the offer document issued by the Offeror, which sets out, among others, details of the Offers in accordance with the Takeovers Code
"Offer Period"	has the meaning ascribed thereto in the Takeovers Code, being the period from 10 July 2015, i.e., the date of the MOU Announcement, to the Closing Date, or such other time or date to which the Offeror may decide to extend or revise the Offers in accordance with the Takeovers Code
"Offer Price"	the price of HK$2.2789 per Offer Share payable in cash by the Offeror on the terms of the Share Offer

"Offer Share(s)"	all the Shares in issue and to be issued (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it)
"Offeror"	Glory Emperor Trading Limited（耀帝貿易有限公司）, a company incorporated in BVI with limited liability and an indirect wholly-owned subsidiary of Zhonghong
"Offers"	collectively, the Share Offer and the Option Offer
"Optionholder(s)"	the holder(s) of the Share Options
"Option Offer"	the mandatory unconditional cash offer made by CICC on behalf of the Offeror to cancel the outstanding Share Options on the terms and conditions set out in the Offer Document
"Option Offer Price"	the price for each Option Offer payable by the Offeror to the Optionholders accepting the Option Offer
"PRC"	the People's Republic of China which, for the purpose of this Response Document, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Assets Disposal"	collectively (i) the disposal of KEE Jingmen Sale Capital by KEE Guangdong to Nanhai Jinheming and (ii) the disposal of the PRC Properties by KEE Zhejiang to Nanhai Jinheming pursuant to the PRC Master Disposal Agreement
"PRC Buildings"	the seven blocks of buildings and the facilities including greening, the laying of pipes, networks roads located at the Land
"PRC Lease Agreement"	the lease agreement dated 13 January 2016 and entered into between Nanhai Jinheming as lessor and KEE Zhejiang as lessee in relation to the lease of the PRC Properties for an initial period of one year with rent free for the whole initial period, details of which are set out in the Circular
"PRC Legal Advisers"	Hills & Co.（君道律師事務所）, the legal advisers to the Company as to the PRC law

"PRC Master Disposal Agreement"	the disposal agreement dated 19 August 2015 (as amended and supplemented by the extension letter dated 27 November 2015) and entered into between the Company and Nanhai Jinheming, pursuant to which (i) the Company agreed to procure KEE Guangdong to sell and Nanhai Jinheming agreed to purchase KEE Jingmen Sale Capital at a consideration of RMB87,417,730 (or HK$105,215,980 if paid in Hong Kong dollars); and (ii) the Company agreed to procure KEE Zhejiang to sell and Nanhai Jinheming agreed to purchase the PRC Properties at a consideration of RMB37,000,000 (or HK$44,533,200 if paid in Hong Kong dollars) on and subject to the terms and conditions contained therein, details of which are set out in the Circular
"PRC Properties"	collectively the Land and the PRC Buildings
"Relevant Period"	the period commencing on 10 January 2015 (being the date falling six months preceding 10 July 2015 which is the commencement date of the Offer Period) and ending on and including the Latest Practicable Date
"Response Document"	this offeree board circular in respect to the Offers issued by the Company in accordance with the Takeovers Code
"RMB"	Renminbi, the lawful currency in the PRC
"Sale and Purchase Agreement"	the sale and purchase agreement dated 19 August 2015 (as amended and supplemented by the extension letter dated 27 November 2015) and entered into amongst Nicco as vendor, the Offeror as purchaser, and Mr. Xu Xipeng and Mr. Xu Xinan as guarantors in relation to the sale and purchase of 310,490,000 Shares
"Sale Shares"	a total of 310,490,000 Shares acquired by the Offeror from Nicco pursuant to the terms of the Sale and Purchase Agreement, representing approximately 71.889% of the existing issued share capital of the Company as at the Latest Practicable Date
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shareholders' Agreement"	the shareholders' agreement dated 13 January 2016 and entered into amongst the Company, Nicco and KEE BVI pursuant to the KEE BVI Disposal Agreement, details of which are set out in the Circular
"Share Offer"	the mandatory unconditional cash offer made by CICC on behalf of the Offeror to acquire the Offer Shares on the terms and conditions set out in the Offer Document
"Share Offer Price"	HK$2.2789 for each Offer Share payable by the Offeror to the Shareholders accepting the Share Offer
"Share Options"	the outstanding share option(s) granted by the Company under its share option scheme adopted on 14 December 2010
"Share Transfer"	the transfer of the Sale Shares by Nicco to the Offeror pursuant to the terms of the Sale and Purchase Agreement
"Share Transfer Completion"	the completion of the Share Transfer in accordance with the terms and conditions of the Sale and Purchase Agreement
"Special Deals"	the Disposal Agreements, the HK Lease Agreement, the PRC Lease Agreement and the Shareholders' Agreement which constitute special deals for the Company under Rule 25 of the Takeovers Code
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Code on Takeovers and Mergers as in force in Hong Kong from time to time
"trading day"	a day on which the Stock Exchange is open for the business of dealings in securities
"Zhonghong Zhuoye"	中弘卓業集團有限公司 (Zhonghong Zhuoye Group Company Limited#), a company established under the laws of the PRC with limited liability. As of the Latest Practicable Date, Mr. Wang Yonghong is the 100% ultimate beneficial owner of Zhonghong Zhuoye

"Zhonghong"	中弘控股股份有限公司 (Zhonghong Holding Co., Limited#), a joint stock company established under the laws of the PRC with limited liability (PRC business licence registration number: 340000000018072), the shares of which are quoted on the Shenzhen Stock Exchange (Stock code: 000979.SZ). As of the Latest Practicable Date, Mr. Wang Yonghong, through his wholly owned company Zhonghong Zhuoye, is the controlling shareholder of Zhonghong and holds 34.51% of its issued shares
"%"	per cent.

The English translation or transliteration of the Chinese names in this Response Document, where indicated, is included for information purposes only, and should not be regarded as the official English names of such Chinese names.

KEE HOLDINGS COMPANY LIMITED
開易控股有限公司

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

Executive Directors:	*Registered office:*
Mr. Xu Xipeng	3rd Floor, Queensgate House
Mr. Xu Xinan	113 South Church Street
Mr. Chow Hoi Kwang, Albert	P.O. Box 10240
	Grand Cayman
Non-executive Director:	KY1-1002
Mr. Yang Shaolin	Cayman Islands
Independent non-executive Directors:	*Principal place of business in Hong Kong:*
Mr. Lin Bin	Unit B, 16/F., YHC Tower
Mr. Kong Hing Ki	No. 1, Sheung Yuet Road
Mr. Tam Yuk Sang, Sammy	Kowloon Bay, Kowloon
	Hong Kong

27 January 2016

To the Independent Shareholders and Optionholders,

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS
BY CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED
ON BEHALF OF
GLORY EMPEROR TRADING LIMITED
FOR ALL THE ISSUED SHARES IN
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY
GLORY EMPEROR TRADING LIMITED
AND PARTIES ACTING IN CONCERT WITH IT) AND
TO CANCEL ALL OUTSTANDING SHARE OPTIONS OF
KEE HOLDINGS COMPANY LIMITED**

INTRODUCTION

Reference is made to (i) the Joint Announcement dated 9 November 2015; (ii) the announcement jointly published by the Company and the Offeror on 30 November 2015 in relation to, among other matters, the extension of the Long Stop Date; and (iii) the announcement jointly published by the Company and the Offeror on 13 January 2016 in relation to, among other matters, Share Transfer Completion.

On 9 November 2015, the Company and the Offeror jointly announced that, among other matters, that on 19 August 2015, Nicco as vendor, the Offeror as purchaser, and Mr. Xu Xipeng and Mr. Xu Xinan as vendor's guarantors entered into the Sale and Purchase Agreement pursuant to which Nicco has conditionally agreed to sell and the Offeror has conditionally agreed to purchase the Sale Shares for a consideration of HK$707,575,661 (equivalent to HK$2.2789 per Sale Share). The Sale Shares represent approximately 71.889% of the issued share capital of the Company as at the Latest Practicable Date. On 30 November 2015, the Company and the Offeror jointly announced in the Extension Announcement that, among other matters, Nicco, the Offeror, Mr. Xu Xipeng and Mr. Xu Xinan have entered into an extension letter on 27 November 2015 to extend the Long Stop Date of the Sale and Purchase Agreement from 31 December 2015 to 20 January 2016 or such later date as may be agreed between the parties to the Sale and Purchase Agreement in writing.

The Share Transfer was completed on 13 January 2016, upon which the Offeror has become the controlling Shareholder holding 310,490,000 Shares, representing approximately 71.889% of the issued share capital as at the Latest Practicable Date.

On 20 January 2016, the Offeror despatched the Offer Document containing, among other matters, details of the Offers, to the Independent Shareholders and the Optionholders.

The purpose of this Response Document is to provide you with, among other things, information relating to the Group, the Offers, the recommendation from the Code IBC to the Independent Shareholders and the Optionholders in respect of the Offers and the advice from the Independent Financial Adviser to the Code IBC in respect of the Offers.

CODE IBC

The Code IBC comprising all the non-executive Directors, namely Mr. Yang Shaolin, Mr. Lin Bin, Mr. Kong Hing Ki and Mr. Tam Yuk Sang, Sammy, has been established to advise the Independent Shareholders and the Optionholder(s) on whether the terms of the Offers (if it is made) are fair and reasonable and as to acceptance of the Offers.

As disclosed in the Joint Announcement, BOSC International has been appointed as the independent financial adviser to the Code IBC in respect of the Offers. The appointment of BOSC International by the Company has been approved by the Code IBC. The letter of advice from BOSC International addressed to the Code IBC is set out on pages 23 to 47 of this Response Document.

You are advised to read the "Letter from the Code IBC" addressed to the Independent Shareholders and the Optionholders and the additional information contained in the appendices to this Response Document carefully before taking any action in respect of the Offers.

THE OFFERS

Principal terms of the Offers

The terms of the Offers are set out in the Offer Document and the Forms of Acceptance. You are recommended to refer to the Offer Document and the Forms of Acceptance for further details. CICC, on behalf of the Offeror and pursuant to the Takeovers Code, is making the Offers to acquire all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) and to cancel all outstanding Share Options on the following terms:

The Share Offer

For each Share held . . . . HK$2.2789 in cash

The Board noted that the Share Offer Price of HK$2.2789 per Offer Share under the Share Offer is the same as the purchase price per Sale Share payable by the Offeror under the Sale and Purchase Agreement. The Offer Shares to be acquired under the Share Offer shall be fully paid and free from all Encumbrances together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made, being the date of the despatch of the Offer Document.

The Option Offer

For cancellation of each Share Option with exercise price of HK$1.39 . . . . HK$0.8889 in cash

For cancellation of each Share Option with exercise price of HK$0.60 . . . . HK$1.6789 in cash

The consideration for cancellation of each outstanding vested Share Option has been determined by deducting the exercise price payable on exercise of each Share Option from the Share Offer Price payable for each Offer Share under the Share Offer pursuant to Rule 13 of the Takeovers Code. Following acceptance of the Option Offer, the relevant Share Options together with all rights attaching thereto will be cancelled and renounced in their entirety.

As at the Latest Practicable Date, the Company had 431,901,000 Shares in issue and, save for the 4,193,000 vested Share Options which entitle the holders thereof to subscribe for 4,193,000 Shares, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

Conditions of the Offers

The Offers are unconditional in all respects and are not conditional upon acceptances being received in respect of a minimum number of Shares or Share Options or any other conditions.

Comparisons of value

The Share Offer price of HK$2.2789 per Offer Share, which is equal to the price paid by the Offeror for each of the Sale Shares under the Sale and Purchase Agreement, represents:

(a) a discount of approximately 0.05% to the closing price of HK$2.28 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(b) a premium of approximately 23.2% over the closing price of HK$1.85 per Share as quoted on the Stock Exchange on the Last Trading Date;

(c) a premium of approximately 36.5% over the average closing price of approximately HK$1.6690 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Date;

(d) a premium of approximately 29.0% over the average closing price of approximately HK$1.7667 per Share as quoted on the Stock Exchange for the last consecutive 30 trading days up to and including the Last Trading Date; and

(e) a premium of approximately 193.9% over the net asset value per Share of approximately HK$0.7754 (based on the unaudited consolidated net assets of the Group of approximately HK$338,157,000 as at 30 June 2015 and the total number of issued and outstanding shares of the Company on a fully diluted basis of 436,094,000 Shares assuming all the vested Share Options as of 30 June 2015 have been exercised).

Highest and lowest Share prices

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK$2.43 per Share on 28 December 2015 and HK$0.56 per Share on 13 February 2015 respectively.

Further details of the Offers

Further details of the Offers including, among others, the terms and procedures of acceptance of the Offers, are set out in the sections headed "Letter from CICC" and "Further terms of the Offers and procedures of acceptance" in the Offer Document and the Forms of Acceptance.

INFORMATION ON THE GROUP

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 6 July 2010 and its Shares have been listed on the Main Board since January 2011 under the Stock Code 2011.

The Group is principally engaged in manufacturing finished zippers in China. The Group's customers for zippers 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 zipper supplier for their OEMs and place orders with such OEMs who in turn source zippers from the Group. In addition, the Group also supplies flat knit ribs to customers to gradually satisfy the one-stop procurement demand for apparel components and accessories. The Group also supplies sliders, components of zippers (including continuous zipper chains and stops) and moulds and designs and supplies premium items exclusively to apparel brand owners to meet the promotional needs for their products. Following the Share Transfer Completion, the Offeror intends to continue to operate the existing businesses of the Company with the present management of the Company. The Offeror has no plans to (i) dispose of or terminate or downsize the existing business of the Company; (ii) redeploy the fixed assets of the Company; or (iii) terminate any employees or make significant changes to any existing employment of the Company.

Expansion plan of the Group

Following the Share Transfer Completion, apart from the existing business of zipper manufacture and sale, the Group is looking for new investments and business opportunities in order to diversify its existing zipper manufacture and sale business with a view to formulating a suitable business strategy to expand its business scope and broaden its income stream, achieving better growth potential and enhancing Shareholders' return. In this regard, expansion into the e-commerce and online finance industries will hold great potential and will provide good future development opportunities for the Company.

Recent industry reports show that within the PRC real estate industry, there are currently an excessive number of information sources, which vary in both quality and reliability, particularly amongst online sources. The ability to sort through large quantities of data and efficiently provide data that is relevant to the user are of vital importance to both developers and property investors. An e-commerce platform can provide such ability and can effectively identify property investment demand and match it with appropriate property supply. At the same time, an e-commerce platform can identify users' demand for financing and match such demand with other users who possess the relevant capital and investment intentions, thus facilitating both sides to realize their investment needs. Further, the recent promulgation of the "2015 Guiding Opinions on Promoting the Healthy Development of Internet Finance" demonstrates the PRC government's support for internet finance association with the online marketing and e-commerce industry.

The continually improving regulatory environment and rapid expansion of online services create a favourable climate. It is expected that consumer demand for online services will grow every day. The development of e-commerce capabilities can bring about further opportunities, drive future growth and provide excellent potential returns.

In view of the significant growth potentials in China's internet e-commerce industry, the online marketing business will hold great potential for investment and create additional value for the Company and its Shareholders. As such, following the Share Transfer Completion, the Company plans to develop an internet platform through which to conduct online marketing and e-commerce businesses involving major real estate and tourist destination projects. Specifically, following the Share Transfer Completion, the Company plans to develop an internet platform that is available to the general public which identifies individuals, including third parties, who have property purchase intentions and demands for loans required in connection with such property purchases, and refer these individual borrowers to individuals who have appropriate funds and investment plans. Through the online platform, the borrowers can be matched with the investors in an efficient manner and thus satisfying their respective needs and the Company can charge a commission fee based on the transactions conducted. This internet business model is believed to have significant demand and development potential.

In terms of the business model of the Company's new Internet business, the Company shall make use of its ability to consolidate data and resources and provide Internet users with online marketing information service (i.e. the online-to-offline model) and financial information service in relation to loans for the purchase of real property.

Our online platform will gather demand from consumers requiring, for example, purchase of real property or tourism investments, and transfer such demand to our platform participants (e.g. property developer) who can meet such demand. The income to be realized from the online platform includes the fees received through online marketing information services, earnings from an increase in the value of the real property, etc. In the online-to-offline matching process, our online platform will offer financial information services to those consumers who are in need of loans in order to purchase real property. The online platform will match appropriate lenders who have investment plans (or other well-known online financial platforms). The online platform will charge a commission for each successful transaction.

It is expected that the main income will be from fees received through offering online marketing information services, earnings from an increase in the value of the real property. In respect of the financial information services, it is expected that the income will include the commissions charged for each successful transaction.

The online platform will form an experienced team of staff to select projects and manage risks. In relation to the prospective financial information service in relation to lending, the online platform shall evaluate the risks of each and every single project with comprehensive assessments of the transaction. In addition, the online platform will expressly warn the lender (or online financial platforms in partnership with us) that in the event where the borrower defaults on his loan, the lender (or the online financial platforms in partnership with us) shall bear the credit risks. However, due to the structure of the products and the design of related contracts, a property purchaser is required to pledge the purchased property as security after obtaining a loan through the online financial platform. Where the borrower defaults on his loan, the online platform party will have the right to dispose of the pledged property. This arrangement will significantly lower the credit risk of borrowers and ensure that the proceeds from the sale of the pledged property will be sufficient to cover the principal amount of the loan.

It is expected that the target customers will consist of property developers and property buyers. Offline property developers will engage the Company to publish information on property developments on its online platform, the online platform will become both a sales channel and provide promotional services. Potential property buyers will be able to browse information on properties through the online platform to identify suitable properties and, if the potential buyer so demands, the online platform can arrange a physical visit of the properties. At the same time, if the potential buyer requires financing when making the property purchase, the online platform can also connect him with a corresponding lender, thus providing a complete online to offline service.

Following the Share Transfer Completion, the Company will look for appropriate candidates for directors and senior management who have experience and expertise in real estate, e-commerce and/or internet-financing industry to develop and monitor the new business. Besides the new hiring, the Company will also leverage the existing management team of Zhonghong, which is equipped with insight of the real estate industry and clear vision of the latest industry trends, including online marketing. It is expected that the newly appointed directors and senior level management, together with the existing management of Zhonghong, will form a strong and efficient management team to develop and monitor the new business.

Through the share transfer under the Sale and Purchase Agreement, the Company will be able to leverage the experience, network and resources of Zhonghong in the real estate industry to expand into such new business stream while still maintaining its existing zipper products business stream in parallel. Funds raised through completion of the Disposals in the approximate amount of HK$200,000,000 will primarily be used to finance the Company's efforts in implementing this new business strategy, in addition to settling the bank loan secured by the HK Property.

More specifically, these funds will primarily be used over the next two years to construct an open, collaborative online real estate information and marketing platform, build up operational and management teams, improve the marketing of the Company's business and customer service levels, consolidate working capital and explore new business opportunities. Details are set out below:

1. approximately 20% will be used to build up professional business teams, including (i) professional management staff; (ii) professional technical staff charged with constructing the online platform, including establishing the webpage, necessary applications and electronic databases; and (iii) business development professionals charged with promoting the online platform and its products within the market and conducting market research;

2. approximately 40% will be used to market the product offering and establish brand recognition. The Group plans to engage an independent marketing company to assist in establishing the brand and image of the product, and significantly invest in promotional activities through both traditional media and online media. Specific methods will include engaging a brand spokesperson, collaborating with media outlets, engaging in corporate sponsorship and other promotional and advertising activities. The goal will be to improve brand recognition and increase market share amongst online investors; and

3. approximately 40% will be used to purchase equipment and services necessary for the business, including cloud services equipment and networking channels, outsourced web and application hosting, third party payment platforms, messaging platforms, third party user identification and security systems and other systems as well as being used for working capital, including the settling of the bank loan secured by the Hong Kong Property.

The implementation of any new investment or business expansion will be done in compliance with the Listing Rules.

As advised by the PRC Legal Advisers, the proposed internet platform business may involve three categories of business: (1) utilising the internet platform to promote and sale of the real estate and tourist destination projects of the Group (the "**1st Category Business**"); (2) utilising the internet platform for promotion and sales of real estate and tourist destination projects for other property developers (the "**2nd Category Business**"); and (3) utilising the internet platform for conducting individual internet financing (the "**3rd Category Business**").

As advised by the PRC Legal Advisers, the 1st Category Business is not a restricted or prohibited business for foreign investment under the Catalogue of Industries for Guiding Foreign Investment (2015 Revision). According to "Notice of the General Office of the Ministry of Commerce on the Relevant Issues concerning the Examination, Approval and Administration of Projects of Foreign Investment in Internet and Vending Machine Sales", only recordation with the telecommunication authority is required. For the 2nd Category Business and the 3rd Category Business, they are restricted businesses for foreign investment under the Catalogue of Industries for Guiding Foreign Investment (2015 Revision) and a foreign investor cannot own more than 50% of the registered capital. In any event, the qualification of the internet platform business is subject to the approval of the relevant authority.

The Group may conduct the new internet platform business through contractual arrangements, direct investment in equity interest subject to the restriction on foreign investment, cooperation with other qualified entities and/or other arrangements permitted under the applicable laws and regulations.

If any contractual arrangements have been entered into by the Group for the new internet platform business, the Company will comply with Stock Exchange's guidance letter HKEx-GL77-14, provide the necessary legal opinion to the Stock Exchange and make an announcement to update the Shareholders and potential investors.

Shareholding structure of the Company

The following table sets out the shareholding structures of the Company (i) immediately before Share Transfer Completion; (ii) as at the Latest Practicable Date; and (iii) assuming that all of 4,193,000 vested Share Options have been exercised and converted into Shares prior to the Closing Date:

	(i) Immediately before Share Transfer Completion		(ii) As at the Latest Practicable Date		(iii) Assuming that all of 4,193,000 vested Share Options have been exercised and converted into Shares prior to the Closing Date	
	Number of Shares	*Approx. %*	*Number of Shares*	*Approx. %*	*Number of Shares*	*Approx. %*
The Offeror and parties acting in concert with it	–	–	310,490,000	71.889	310,490,000	71.198
Nicco *(Note)*	310,490,000	72.745	–	–	–	–
Directors	–	–	–	–	1,140,000	0.261
Public shareholders	116,330,000	27.255	121,411,000	28.111	124,464,000	28.541
Total	426,820,000	100.000	431,901,000	100.000	436,094,000	100.000

Note: Mr. Xu Xipeng, Mr. Xu Xinan and Mr. Chow Hoi Kwang, Albert are beneficial owners of 49.75%, 49.75% and 0.50% respectively, of the issued share capital of Nicco.

INFORMATION ON THE OFFEROR AND INTENTIONS OF THE OFFEROR REGARDING THE GROUP

Your attention is drawn to the sections headed "Information of the Offeror" and "The Intention of the Offeror regarding the Group" in the "Letter from CICC" of the Offer Document.

As set out in the Offer Document, the Offeror is an investment holding company incorporated in BVI with limited liability. Save for entering into the MOU, the Sale and Purchase Agreement with Nicco and other agreements in relation to the Sale and Purchase Agreement, the Investment Agreement (as amended) and the related Security Documents and the Offers, the Offeror did not engage in any business activities. Prior to the Share Transfer Completion, the Offeror does not have any assets other than the inter-company loan facility provided by Li Zhen under the loan agreement dated 27 August 2015 and entered into between the Offeror as borrower and Li Zhen as lender in relation to the provision of loan in the amount of HK$1,005,000,000 to the Offeror for the purpose of funding the Offers.

The Offeror is directly wholly-owned by Li Zhen, which is a company incorporated in Hong Kong and is principally engaged in investment holding activities. The Offeror, through Li Zhen and other intermediate holding companies, is indirectly wholly-owned by Zhonghong. Zhonghong is established in the PRC with its headquarters in Beijing and is primarily engaged in the business of real estate development in various cities and provinces in the PRC including Beijing, Jilin, Shandong and Hainan. As an integrated leader in the PRC property industry, Zhonghong has a diverse portfolio of property related businesses which primarily focuses on the development, sale and management of commercial properties including offices, residential properties, hotels and shopping complexes. In addition, its long term strategy includes the development and operation of travel destinations and it currently operates and manages several cultural and leisure resort destinations in Beijing, Jilin, Shadong and Hainan. In pursuit of this long term strategy, Zhonghong has entered into strategic cooperation agreements in various regions rich in tourism resources allowing it first entry into such markets to exploit the potential of such regions for developing holiday resort businesses. As such, it has already accumulated over 6 million square metres of land for further development. Zhonghong was listed on the Stock Exchange of Shenzhen with the Stock Code 000979 in 2010. As of 30 September 2015, Zhonghong's total asset value was RMB19 billion and as of 10 November 2015, its total market capitalisation was RMB21.1 billion.

As at the Latest Practicable Date, Mr. Wang Yonghong, through one of his wholly owned companies called Zhonghong Zhuoye, is the controlling shareholder of Zhonghong and holds 34.51% of the issued shares of Zhonghong.

The Group is currently principally engaged in the manufacture and sale of zipper products and other garment accessories as at the Latest Practicable Date. Following the Share Transfer Completion and taking into account a series of factors, including but not limited to the current macro economy environment and market condition, the Offeror intends to continue to operate the existing businesses of the Company with the present management of the Company. The Offeror has no plans to (i) dispose of, terminate or downsize the existing business of the Company; (ii) redeploy the fixed assets of the Company; or (iii) terminate any employees or make significant changes to any employment of the Company (except for the proposed change of Board composition as detailed in the section headed "Proposed change to the Board composition of the Company" in the Offer Document).

The Offeror has also confirmed that it does not have any plans and has not engaged in any discussion or negotiation on injection of assets or businesses into the existing business.

The Board has noted the intentions of the Offeror in respect of the Company and its employees as stated above.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends that the Company will remain listed on the Main Board of the Stock Exchange after the close of the Offers. The director of the Offeror and the new Directors (if any) to be appointed will jointly and severally undertake to the Stock Exchange to take appropriate steps as soon as possible following the closing of the Offers to ensure that the minimum public float requirement under the Listing Rules is complied with by the Company.

The Stock Exchange has stated that if, upon closing of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25%, of the Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares.

RECOMMENDATION

Your attention is drawn to the letter from the Code IBC set out on pages 21 to 22 of this Response Document and the letter from the Independent Financial Adviser set out on pages 23 to 47 of this Response Document, which contains, among other things, its advice to the Code IBC in relation to the Offers and the principal factors considered by it in arriving at its advice.

ADDITIONAL INFORMATION

You are also advised to read this Response Document together with the Offer Document and the Forms of Acceptance in respect of the acceptance and settlement procedures of the Offers. Your attention is also drawn to the additional information contained in the appendices to this Response Document.

Yours faithfully,
For and on behalf of the Board
KEE Holdings Company Limited
Xu Xipeng
Chairman

KEE HOLDINGS COMPANY LIMITED
開易控股有限公司

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

27 January 2016

To the Independent Shareholders and Optionholders

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS
BY CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED
ON BEHALF OF
GLORY EMPEROR TRADING LIMITED
FOR ALL OF THE ISSUED SHARES IN
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY
GLORY EMPEROR TRADING LIMITED
AND PARTIES ACTING IN CONCERT WITH IT) AND
TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF
KEE HOLDINGS COMPANY LIMITED**

We refer to the Response Document dated 27 January 2016 issued by the Company in response to the Offers, of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Response Document unless the context requires otherwise.

We have been appointed by the Board as members of the Code IBC to consider the terms of the Offers and to advise the Independent Shareholders and the Optionholders as to whether or not, in our opinion, the terms of the Offers are fair and reasonable so far as your interests are concerned. BOSC International has been appointed as the Independent Financial Adviser to advise us and you in this respect. Details of its advice together with the principal factors and reasons it has taken into consideration on giving its advice, are contained in its letter set out on pages 23 to 47 of the Response Document.

We also wish to draw your attention to the letter from the Board and the additional information set out in the appendices to this Response Document and the terms of the Offers as set out in the Offer Document and the Forms of Acceptance.

Taking into account the terms of the Offers, the advice from the Independent Financial Adviser and the principal factors taken into account in arriving at its recommendation, we consider that the Offers are fair and reasonable so far as the Independent Shareholders and the Optionholders are concerned and would recommend the Independent Shareholders and the Optionholders to accept the Offers.

Shareholders who would like to realise part of or all of their investments in the Shares should closely monitor the market prices of the Shares during the period of the Share Offer.

In the event that the market price of the Shares exceeds the Offer Price during the Offer Period and the net proceeds from such disposal of the Shares in the open market (after deducting all transaction costs) would exceed the net amounts receivable from accepting the Share Offer, the Independent Shareholders shall, having regard to their own circumstances, consider selling their Shares in the open market instead of accepting the Share Offer. In any event, the Optionholders are advised to exercise their Options and dispose of the Shares so converted in the open market if the market price per Share exceeds the sum of the exercise price of the Options and the Option Offer Price and the net proceeds from such actions (after deducting all transaction costs) would exceed the net amount receivable under the Option Offer (after deducting all transaction costs). The Optionholders should exercise caution in doing so and closely monitor the stock market and trading price and liquidity of the Shares during the Offer Period.

Notwithstanding our recommendation, the Independent Shareholders and Optionholders are strongly advised that the decision to realise or to hold your investment in the Shares and Options is subject to individual circumstances and investment objectives and they should consider carefully the terms of the Offers. If in doubt, the Independent Shareholders and Optionholders should consult their own professional advisers for professional advice. Furthermore, the Independent Shareholders and Optionholders who wish to accept the Offers are recommended to read carefully the procedures for accepting the Offers as detailed in the Offer Document and the Forms of Acceptance.

Yours faithfully,
For and on behalf of
The Code IBC
Mr. Yang Shaolin
Non-executive Director

Mr. Lin Bin **Mr. Kong Hing Ki** **Mr. Tam Yuk Sang, Sammy**
Independent Non-executive Directors

上銀國際有限公司
BOSC International Company Limited

34/F Citibank Tower
Citibank Plaza, 3 Garden Road
Hong Kong

27 January 2016

To the Independent Board Committee,
the Independent Shareholders and the Optionholders

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS BY
CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG
SECURITIES LIMITED
ON BEHALF OF
GLORY EMPEROR TRADING LIMITED
FOR ALL THE ISSUED SHARES IN
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE
ACQUIRED BY
GLORY EMPEROR TRADING LIMITED
AND PARTIES ACTING IN CONCERT WITH IT) AND
TO CANCEL ALL OUTSTANDING SHARE OPTIONS OF
KEE HOLDINGS COMPANY LIMITED**

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Code IBC and the Independent Shareholders in respect of the Offers, details of which are outlined in the Offer Document and in the response document issued by the Company (the "**Response Document**") dated 27 January 2016, of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as those defined in the Response Document unless the context otherwise requires.

The Code IBC, comprising all non-executive Directors, namely Mr. Yang Shaolin, Mr. Lin Bin, Mr. Kong Hing Ki and Mr. Tam Yuk Sang, Sammy, has been established pursuant to the Takeovers Code to advise as to whether the terms of the Offers are fair and reasonable and as to acceptance thereof the Independent Shareholders and the Optionholders.

We are appointed as the Independent Financial Adviser to advise the Code IBC as to (i) whether the Offers are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders and the Optionholders are concerned; and (ii) whether the Offers should be accepted. The appointment of the Independent Financial Adviser has been approved by the Code IBC.

INDEPENDENCE DECLARATION

As at the Latest Practicable Date, we are not associated or connected with the Company or the Offeror or any other parties and, accordingly, are considered eligible under the Listing Rules and the Takeovers Code to act as the independent financial adviser to the Code IBC, the Independent Shareholders and the Optionholders in respect of Offers. Before our engagement as the Independent Financial Adviser to the Company in respect of the Disposals and the Offers, we never acted in any financial advisory (including independent financial advisory) role to the Company.

BASIS OF OUR OPINION

In formulating our opinion, we have relied upon the information, facts and representations contained in the Response Document and those supplied or made available to us by the Company, the Directors and the representatives of the Company for which they are solely and wholly responsible, and to their information and knowledge, were true, accurate and complete in all respects at the time they were given or made and continue to be true, accurate and valid as at the Latest Practicable Date and can be relied upon. In case we note any material changes to the information presented in this letter from the Latest Practicable Date to the end of the offer period in respect of the Offers, we shall notify the Shareholders as soon as possible. We have assumed that all statements and information supplied, and the opinions and representations made or provided to us by the Directors and the representatives of the Company and those contained in the Response Document have been reasonably made after due and careful enquiry.

As stated in Appendix II to the Response Document, the Directors jointly and severally accept full responsibility for the accuracy of the information (other than information relating to the Offeror and parties acting in concert with it and the terms of the Offers) contained in the Response Document and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Response Document have been arrived at after due and careful consideration and there are no other facts not contained in the Response Document, the omission of which would make any statement in the Response Document misleading.

The information contained in the Response Document relating to the Offeror and parties acting in concert with it and the terms of the Offers has been extracted or derived from the Offer Document. The Directors jointly and severally accept full responsibility for the correctness and fairness of the reproduction or presentation of such information but accept no further responsibility in respect of such information.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on accuracy of the information contained in the Response Document and to provide a reasonable basis for our recommendation. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Company, the Directors and the representatives of the Company or to believe that material information has been withheld or omitted from the information provided to us or referred to in the available documents. We have not, however, conducted any independent verification of the information provided, nor have we conducted any independent investigation into the business or affairs or future prospects of the Company or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and advice in respect of the Offers, we have considered the following principal factors and reasons:

1. Background of the Offers

On 19 August 2015, the Offeror as purchaser, Nicco as vendor and Mr. Xu Xipeng and Mr. Xu Xinan as vendor's guarantors entered into the Sale and Purchase Agreement, pursuant to which Nicco conditionally agreed to sell and the Offeror conditionally agreed to purchase, the Sale Shares (being 310,490,000 Shares) for an aggregate consideration of HK$707,575,661 (equivalent to HK$2.2789 per Sale Share).

Immediately upon the Share Transfer Completion which took place on 13 January 2016, the Offeror and parties acting in concert with it owned 310,490,000 Shares, representing approximately 71.889% of the entire issued share capital of the Company as at the Latest Practicable Date. Accordingly, the Offeror is required to make the Share Offer, which will be a mandatory unconditional cash offer to acquire all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) and the Option Offer for cancellation of all outstanding Share Options pursuant to Rule 26.1 of the Takeovers Code.

Based on the Share Offer Price of HK$2.2789 per Offer Share and 431,901,000 Shares in issue as at the Latest Practicable Date (including the Sale Shares), the entire issued share capital of the Company is valued at HK$984,259,189. In the event that the Share Offer is accepted in full, the maximum amount payable by the Offeror under the Share Offer will be HK$276,683,528 (assuming no Share Option is exercised prior to the Share Offer).

Based on (i) the Option Offer Price of HK$0.8889 per Share Option with exercise price of HK$1.39 for each Offer Share in respect of outstanding vested Share Options involving 2,298,000 Offer Shares; and (ii) the Option Offer Price of HK$1.6789 with exercise price of HK$0.60 for each Offer Share in respect of outstanding vested Share Options involving 1,895,000 Offer Shares, as at the Latest Practicable Date, the maximum amount payable under the Option Offer (assuming no Share Option is exercised prior to the date of closing of the Offers and the Option Offer is accepted in full) is HK$5,224,208.

In the event all the outstanding vested Share Options are exercised in full by the Optionholders prior to the date of closing of the Offers and the Share Offer is accepted in full (including all Offer Shares issued and allotted as a result of the exercise of the vested Share Options), the maximum amount payable by the Offeror pursuant to the Share Offer will be increased to approximately HK$286,238,956 and no amount will then be payable under the Option Offer. In such case the Company should have received a subscription price of HK$4,331,220 from the exercise of the vested Share Options.

2. Information on the Group

2.1 Principal business of the Group

Prior to the Share Transfer Completion, the Group had been principally engaged in the manufacturing of finished zippers and sliders in the PRC. As stated in the letter from CICC, following the Share Transfer Completion, the Offeror intends to continue to operate the existing businesses of the Company with the present management of the Company.

2.2 Historical financial performance of the Group

Set out below are the highlights of the financial results of the Group for the three years ended 31 December 2012, 2013 and 2014, details of which are set out in the Company's annual and interim reports for the respective years:

	For the year ended 31 December			Six months ended 30 June	
	2014	**2013**	**2012**	**2015**	**2014**
	(audited)	*(audited)*	*(audited)*	*(unaudited)*	*(unaudited)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue:					
– Finished zippers and sliders	145,924	150,024	150,978	78,418	83,790
– Flat knit ribs	13,159	6,389	1,414	4,348	5,661
– Premium items and others	6,276	4,428	4,981	3,529	3,139
	165,359	160,841	157,373	86,295	92,590
Cost of sales	(115,510)	(111,927)	(113,755)	(58,339)	(61,137)
Gross profit	49,849	48,914	43,618	27,956	31,453
Other revenue	2,495	2,804	3,629	2,130	1,376
Other net losses	(163)	(1,278)	(1,600)	–	–
Distribution costs	(15,936)	(16,921)	(13,630)	(6,583)	(7,480)
Administrative expenses	(29,692)	(28,542)	(28,330)	(14,982)	(15,487)
Finance costs	(417)	–	–	(213)	(197)
Profit before taxation	6,136	4,977	3,687	8,308	9,665
Income tax	(2,742)	(2,064)	(2,859)	(2,540)	(2,743)
Net profit/(loss) for the year attributable to:					
– Equity shareholders of the Company	3,661	3,061	1,055	5,987	7,000
– Non-controlling interests	(267)	(148)	(227)	(219)	(78)
Net profit for the year	3,394	2,913	828	5,768	6,922

As shown above, revenue was mainly derived from sales of finished zippers, and it represented over 85% of the total revenue of the Group for each of the three years ended 31 December 2012, 2013 and 2014.

Comparison between the two years ended 31 December 2012 and 2013

The Group's revenue for the year ended 31 December 2013 ("**FY13**") amounted to approximately HK$160.8 million, representing an increase of approximately 2.2% as compared to the year ended 31 December 2012 ("**FY12**"). The increase was mainly due to the increased sales of flat knit ribs, which was partially offset by the small decrease in sales of finished zippers and sliders. The increase in sales of flat knit ribs during FY13 was mainly due to more marketing and promotion activities undertaken for the sale of flat knit ribs.

For FY13, the overall cost of sales for the Group amounted to approximately HK$111.9 million, representing a decrease of approximately 1.6% as compared to FY12. The overall gross profit of the Group increased by approximately 12.1% from approximately HK$43.6 million for FY12 to HK$48.9 million for FY13. The gross profit margin for FY13 was approximately 30.4% as compared to 27.7% for FY12, and such increase was mainly attributable to stricter production and cost management by the Group during FY13.

For FY13, the Group's profit attributable to equity shareholders of the Company amounted to approximately HK$3.1 million, representing an increase of approximately 188.7% as compared to FY12. The increase was primarily due to the aforesaid increase in gross profit margin during FY13. The margin of profit attributable to Shareholders for FY13 was 1.9%, representing an increase of approximately 1.2 percentage points as compared to FY12.

Comparison between the two years ended 31 December 2013 and 2014

The Group's revenue for the year ended 31 December 2014 ("**FY14**") amounted to HK$165.4 million, representing an increase of approximately 2.8% as compared to FY13. The increase was mainly due to the increased sales of flat knit ribs, which was partially offset by the decrease in sales of finished zippers and sliders. The increase in sales of flat knit ribs during FY14 was mainly due to more marketing and promotion activities undertaken for the sale of flat knit ribs. The decrease in sales of finished zippers and sliders during FY14 was mainly due to a decrease in sales volume, which was attributable to (i) the weak recovery of the Group's major trading countries; and (ii) a slow down in apparel demands in the PRC.

For FY14, the overall cost of sales for the Group amounted to approximately HK$115.5 million, representing an increase of approximately 3.2%. The overall gross profit of the Group increased by approximately 1.9% from approximately HK$48.9 million for FY13 to HK$49.9 million for FY14. The gross profit margin for FY14 was approximately 30.1%, which was close to approximately 30.4% for FY13.

For FY14, the Group's profit attributable to equity shareholders of the Company amounted to approximately HK$3.7 million, representing an increase of approximately 19.6% as compared to FY13. The increase was primarily due to lower other net losses during FY14 as compared to FY13. The margin of profit attributable to Shareholders for FY14 was approximately 2.2%, representing an increase of approximately 0.3 percentage points as compared to FY13.

Comparison between the two six months ended 30 June 2014 and 30 June 2015

The Group's revenue for the six months ended 30 June 2015 amounted to approximately HK$86.3 million, representing a decrease of approximately 6.8% as compared to the corresponding period in 2014. For the six months ended 30 June 2015, revenue from sales of finished zippers and sliders decreased by approximately 6.4% to HK$78.4 million, primarily due to a decrease in sales price of finished zippers and sale volume of sliders. Such decrease mainly resulted from the long-term decline in the growth rate of the Chinese economy, the lack of total demand and the global economic downturn. For the six months ended 30 June 2015, the revenue from sales of flat knit ribs decreased by approximately 23.2% to HK$4.35 million due to selection of quality customers and sales of quality goods. The others represented scrap materials, zipper components, molds fittings and premium items etc. For the six months ended 30 June 2015, the revenue from sales of others increased by approximately 12.4% to HK$3.53 million, mainly due to the increasing demand for molds from overseas customers.

The gross profit decreased by approximately 11.1% to HK$28.0 million for the six months ended 30 June 2015 from HK$31.5 million for the same period in 2014. The gross profit margin decreased to approximately 32.4% for the six months ended 30 June 2015 from 34.0% for the same period in 2014, mainly due to (i) the sales volume of sliders decreased due to global economic downturn; and (ii) the price of some finished zippers product decreased as a result of the low market demand and fierce competition.

The profit attributable to equity shareholders of the Company decreased by approximately 14.5% to HK$6.0 million for the six months ended 30 June 2015 from HK$7.0 million for the same period in 2014. The margin of profit attributable to equity shareholders of the Company was approximately 6.9% for the six months ended 30 June 2015. Profit attributable to equity shareholders of the Company decreased mainly due to the decrease in revenue and gross profit.

2.2.1 Financial effects of the Disposals on the consolidated statement of profit or loss of the Company

The completion of the Disposals took place on 13 January 2016. Details of the expected financial effects of the Disposals were disclosed in the circular of the Company dated 21 December 2015 (the "**Special Deals Circular**").

With regards to the KEE BVI Disposal, as KEE BVI will become an 85% owned subsidiary of the Company, the financial results of the KEE BVI Group will continue to be consolidated into the Company's consolidated financial statements. According to Hong Kong

Financial Reporting Standards, no gain or loss will be recognised to the consolidated statement of profit or loss and other comprehensive income if a company has not lost control over a subsidiary after disposal of its partial interest in the subsidiary.

With regards to the PRC Assets Disposal, as KEE Jingmen will no longer be a subsidiary of the Company upon PRC Assets Disposal Completion, the results of KEE Jingmen (which was non-revenue generating and loss-making during the two years ended 31 December 2013 and 2014) will no longer be consolidated into the Company's consolidated financial statements going forward.

Set out below is a summary of the key financial data of KEE Jingmen based on the audited financial statements of KEE Jingmen prepared in accordance with the accounting standards for business enterprises in the PRC for the years ended 31 December 2013 and 2014:

	For the year ended 31 December	
	2014	**2013**
	HK$'000	*HK$'000*
Net (loss) before taxation	(1,333)	(739)
Net (loss) after taxation	(1,333)	(739)

Moreover, as stated in the Special Deals Circular, it is estimated that the Group will record a gain of approximately HK$23,758,163 as a result of the PRC Assets Disposal (including the disposal gain of the PRC Properties of HK$15,638,969 and the disposal gain of the KEE Jingmen Sale Capital of HK$8,119,194).

With regards to the HK Property Disposal, it is estimated that the Group will record a gain of approximately HK$3,718,725, which is arrived at after taking into consideration the difference between (i) the consideration for the HK Property; and (ii) the net carrying amount of the HK Property as at the HK Property Disposal Completion.

2.3 Financial position of the Group

Set out below is the summary of the consolidated assets and liabilities of the Group as at 30 June 2015, details of which are set out in the Company's interim report for the period:

	As at 30 June 2015 *(unaudited)* *HK$'000*
Non-Current Assets	
– Fixed assets	241,269
– Intangible assets	7,107
– Prepayment for fixed assets	534
– Deferred tax assets	2,133
	251,043
Current Assets	
– Inventories	21,631
– Trade and other receivables	62,343
– Current tax recoverable	44
– Deposits with banks	3,824
– Cash and cash equivalents	70,062
	157,904
Current Liabilities	
– Bank borrowing	15,000
– Trade and other payables	53,428
– Current tax payable	1,678
	70,106
Non-Current Liabilities	
– Deferred tax liabilities	684
Net assets	338,157
Equity	
– Equity attributable to equity shareholders of the Company	313,883
– Non-controlling interests	24,274
	338,157

As at 30 June 2015, total assets amounted to approximately HK$408.9 million, total liabilities amounted to approximately HK$70.8 million and net assets amounted to approximately HK$338.2 million. Fixed assets of the Group of approximately HK$241.3 million contributed to approximately 59.0% of total assets as at 30 June 2015. Trade and other payables of approximately HK$53.4 million contributed to approximately 75.4% of total liabilities as at 30 June 2015.

2.3.1 Financial effects of the Disposals on the consolidated statement of financial position of the Company

As stated above, details of the expected financial effects of the Disposals were disclosed in the Special Deals Circular.

With regards to the KEE BVI Disposal, the Group's total assets are expected to increase by approximately HK$24,627,172, which represents the net proceeds to be received from the KEE BVI Disposal. There is expected to be no impact on the Group's liabilities.

With regards to the PRC Assets Disposal, the net asset value attributable to equity shareholders of the Company is expected to be increased by approximately HK$23,758,163 (including the disposal gain of the PRC Properties of HK$15,638,969 and the disposal gain of the KEE Jingmen Sale Capital of HK$8,119,194).

As a result of the HK Property Disposal, the total assets of the Group are expected to be increased by approximately HK$3,718,725, which represents the gain from such disposal. There is expected to be no change to the Group's total liabilities as a result of the HK Property Disposal.

3. Future prospects and outlook of the Group

As stated in the letter from CICC as set out in the Offer Document (the "**Letter from CICC**"), following the Share Transfer Completion, apart from the existing business of zipper manufacture and sale, the Group will look for new investments and business opportunities in order to diversify its existing business with a view to formulating a suitable business strategy to expand its business scope and broaden its income stream, achieving better growth potential and enhancing Shareholders' return. In this regard, expansion into the e-commerce and online finance industries will hold great potential and will provide good future development opportunities for the Company.

Following the Share Transfer Completion, the management of the Company expects the Group to be able to leverage the experience, network and resources of Zhonghong in the real estate industry to expand into such new business stream while still maintaining its existing zipper products business stream in parallel. Funds raised through completion of the Disposal Agreements in the approximate amount of HK$200,000,000 will primarily be used to finance the Company's efforts in implementing this new business strategy, in addition to settling the bank loan secured by the Hong Kong Property. More specifically, these funds will primarily be used over the next two years to construct an open, collaborative online real estate information and marketing platform, build up operational and management teams, improve the marketing of the Company's business and customer service levels, consolidate working capital and explore new business opportunities. Please refer to the Letter from CICC for further details on the expansion plan of the Group.

4. Principal terms of the Offers

CICC is making, on behalf of the Offeror and pursuant to the Takeovers Code, the Offers to acquire all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) and to cancel all outstanding Share Options on the following terms:

Share Offer:

For each Share held	HK$2.2789 in cash

The Share Offer Price of HK$2.2789 per Offer Share under the Share Offer is the same as the purchase price per Sale Share payable by the Offeror under the Sale and Purchase Agreement. The Offer Shares to be acquired under the Share Offer shall be fully paid and free from all Encumbrances together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made, being the date of the despatch of this Offer Document.

Option Offer:

i)	For cancellation of each Share Option with exercise price of HK$1.39	HK$0.8889 in cash
ii)	For cancellation of each Share Option with exercise price of HK$0.60	HK$1.6789 in cash

The consideration for cancellation of each outstanding vested Share Option has been determined by deducting the exercise price payable on exercise of each Share Option from the Share Offer Price payable for each Offer Share under the Share Offer pursuant to Rule 13 of the Takeovers Code. Following acceptance of the Option Offer, the relevant Share Options together with all rights attaching thereto will be cancelled and renounced in their entirety.

As at the Latest Practicable Date, the Company had 431,901,000 Shares in issue and, save for the 4,193,000 vested Share Options which entitle the holders thereof to subscribe for 4,193,000 Shares, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

4.1 The Offer Price

The Share Offer price of HK$2.2789 per Offer Share, which is equal to the price paid by the Offeror for each of the Sale Shares under the Sale and Purchase Agreement, represents:

(a) a discount of approximately 0.05% to the closing price of HK$2.28 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(b) a premium of approximately 23.2% over the closing price of HK$1.85 per Share as quoted on the Stock Exchange on the Last Trading Date;

(c) a premium of approximately 36.5% over the average closing price of approximately HK$1.6690 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Date;

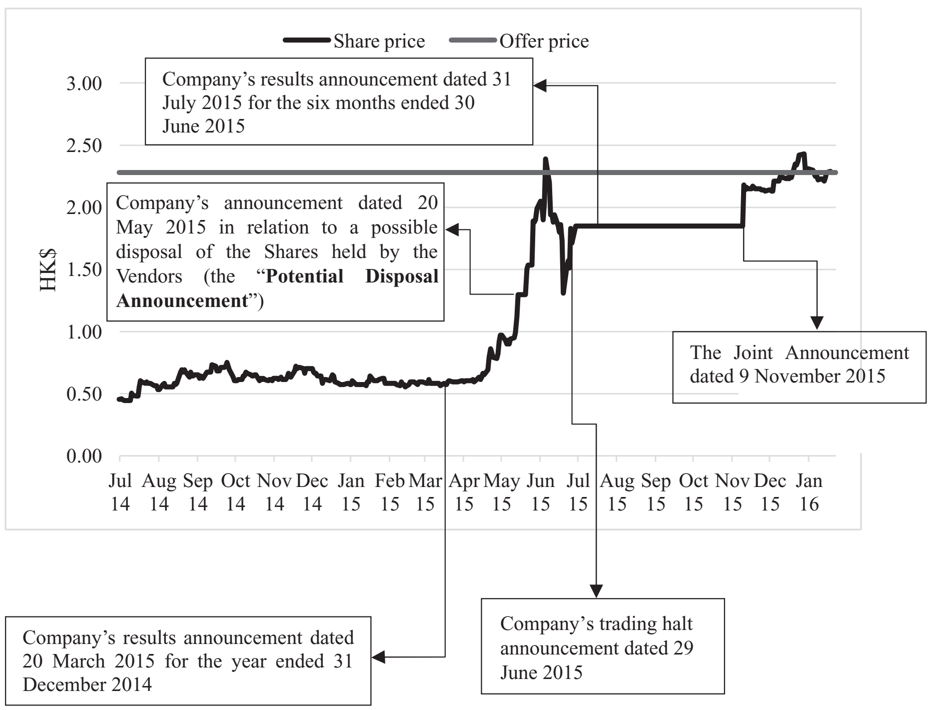
(d) a premium of approximately 29.0% over the average closing price of approximately HK$1.7667 per Share as quoted on the Stock Exchange for the last consecutive 30 trading days up to and including the Last Trading Date; and

(e) a premium of approximately 193.9% over the net asset value per Share of approximately HK$0.7754 (based on the unaudited consolidated net assets of the Group of approximately HK$338,157,000 as at 30 June 2015 and the total number of issued and outstanding shares of the Company on a fully diluted basis of 436,094,000 Shares assuming all the vested Share Options as of 30 June 2015 have been exercised).

5. Historical performance of the Shares

5.1 Share Price

The following chart sets out the historical trading price performance and trading volume of the Shares during the period from 29 June 2014 (i.e. 12 months before the last trading halt of the Shares on 29 June 2015) up to and including the Latest Practicable Date (the "**Review Period**"):



Source: website of the Stock Exchange

We consider that the length of the Review Period to be reasonably long enough to illustrate the relationship between the historical trend of the closing price of the Shares and the Offer. The chart above represents the daily movement in the closing prices of the Shares against the Offer Price during the Review Period.

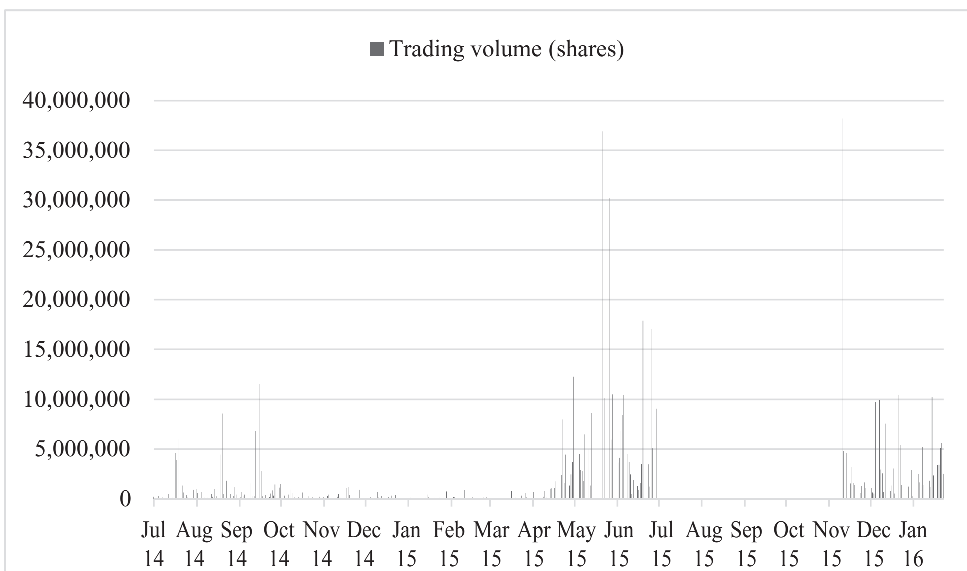
During the Review Period, we note that the historical closing prices of the Shares were at a range between HK$0.45 and HK$2.43. Prior to the Potential Disposal Announcement, the price of the Shares were generally below the Offer Price, at a range between HK$0.45 and HK$1.30.

Following the Potential Disposal Announcement, the price of the Shares rose from HK$1.30 to HK$2.39 on 5 June 2015. We consider that the significant price fluctuations following the publication of the Potential Disposal Announcement to be possibly attributable to market speculation in relation to the potential sale and purchase of the Shares which could result in a change in control of the Company under the Takeovers Code. Following the publication of the Joint Announcement and resumption of trading in the Shares, the price of the Shares rose from HK$1.85 to HK$2.28 on the Latest Practicable Date. We would like to highlight that there is no certainty that such level of Share price, being above the Offer Price, can be sustained in the future.

In view of the surge in the Share price of the Company, Independent Shareholders (and the Optionholders if they choose to exercise the Share Options) who wish to realize their investment in the Group are reminded that they should carefully and closely monitor the market price of the Group during the Offer Period and consider selling their Shares (in case of Share Options, upon exercise of the Share Options) in the open market during the Offer Period, rather than accepting the Offers, if the net proceeds from the sale of such Shares in the open market would exceed the net amount receivable under the Offers.

5.2 Liquidity of the Shares

The chart of daily trading volume of the Shares during the Review Period is as follows:



Source: website of the Stock Exchange

A table showing the average daily volume of the Shares per month and the respective percentages of the average daily trading volume as compared to the total number of issued Shares and total number of issued Shares held by public Shareholders respectively during the Review Period is as follows:

	Total monthly trading volume	**Number of trading days during the month**	**Average daily trading volume**	**Percentage of average daily trading volume to total number of shares in Issue as at the Latest Practicable Date**	**Percentage of average daily trading volume to total number of shares held by public Shareholders as at the Latest Practicable Date**
	(number of shares)	*(days)*	*(number of shares)*	*(%)* *(Note 4)*	*(%)* *(Note 5)*
2014					
June *(Note 1)*	216,000	1	216,000	0.05%	0.18%
July	26,546,000	22	1,206,636	0.28%	0.99%
August	25,964,000	21	1,236,381	0.29%	1.02%
September	32,140,000	21	1,530,476	0.35%	1.26%
October	4,570,000	21	217,619	0.05%	0.18%
November	5,600,000	20	280,000	0.06%	0.23%
December	2,864,000	21	136,381	0.03%	0.11%
2015					
January	2,428,000	21	115,619	0.03%	0.10%
February	2,290,000	18	127,222	0.03%	0.10%
March	2,714,000	22	123,364	0.03%	0.10%
April	45,796,000	19	2,410,316	0.56%	1.99%
May	145,007,000	19	7,631,947	1.77%	6.29%
June *(Note 2)*	116,374,000	21	5,541,619	1.28%	4.56%
July	–	–	–	–	–
August	–	–	–	–	–
September	–	–	–	–	–
October	–	–	–	–	–
November *(Note 3)*	69,127,000	21	3,291,762	0.76%	2.71%
December	74,675,400	22	3,394,336	0.79%	2.80%
2016					
January *(Note 3)*	49,460,400	15	3,297,360	0.76%	2.72%

Source: website of the Stock Exchange

Notes:

1. The Review Period commenced from 29 June 2014.

2. Trading in Shares was suspended from 1:00 p.m. on 29 June 2015.

3. Trading in Shares resumed on 9 November 2015, and data is up until the Latest Practicable Date.

4. Based on 431,901,000 Shares in issue as at the Latest Practicable Date.

5. Based on 121,411,000 Shares held by the public Shareholders as at the Latest Practicable Date.

The average daily trading volume of the Shares per month during the Review Period was ranging from approximately 0.03% in January 2015 to 1.77% in May 2015 of the total number of issued Shares as at the Latest Practicable Date. If only Shares held by public Shareholders, i.e. the free float, are considered in calculating the percentage of average daily trading volume of the Shares per month during the Review Period, the percentage was ranging from approximately 0.10% in January 2015 to 6.99% in May 2015.

On 21 May 2015, the first trading day after the publication of the Potential Disposal Announcement, the daily trading volume was 36,916,000 Shares, representing 30.4% of the Shares held by the public Shareholders as at the Latest Practicable Date. We have enquired with the Directors regarding the possible reasons for the increase in the trading volume after the publication of the Potential Disposal Announcement and were advised that save for the on-going negotiations between Nicco and the Offeror regarding the sale and purchase of the Shares which could result in a change in control of the Company under the Takeovers Code and the possibility of the Offers, they were not aware of any other matters which might have impacted on the trading volume of the Shares on 21 May 2015. Based on publicly available information and announcements made by the Company in May 2015, apart from the Potential Disposal Announcement, we are also not aware of any other matters which might have impacted on the trading volume of the Shares on 21 May 2015. Therefore, we believe that the surge in the trading volume of the Shares immediately after the publication of the Potential Disposal Announcement was likely attributable to the on-going market speculation on the potential sale and purchase of the Shares of the Company which could result in a change in control of the Company under the Takeovers Code as disclosed in the Potential Disposal Announcement.

Comparing with the high volume activities following the Potential Disposal Announcement in May 2015, the average daily trading volume of Shares during the Review Period was generally thin. The average daily trading volume from June 2015 onwards up to the Latest Practicable Date was approximately 0.90% of the total number of Shares in issue.

Given that the trading volume of the Shares fluctuated during the Review Period, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders (and the Optionholders if they choose to exercise the Share Options) to dispose of a significant number of the Shares in the open market without depressing the Share price. Accordingly, the market trading price of the Shares may not necessarily reflect the proceeds that the Independent Shareholders (and the Optionholders if they choose to exercise the Share Options) can receive by the disposal of their Shares in the open market. Therefore, we are of the view that the Offers represent an opportunity for the Independent Shareholders (and the Optionholders if they choose to exercise the Share Options), particularly for those who hold a large volume of the Shares, to dispose of part or all of their Shares at the Offer Price if they so wish to.

5.3 Comparable analysis

The Group is principally engaged in the manufacturing of finished zippers and sliders in the PRC. As stated in the letter from CICC, following the Share Transfer Completion, the Offeror intends to continue to operate the existing businesses of the Company with the present management of the Company. Although the Group will look for new investments and business opportunities in order to diversify its existing business, it is considered that the main income stream of the Group in the short term will continue to be from the manufacturing of finished zippers and sliders in the PRC as stated in the Letter from CICC, it is expected to take over two years to construct an open, collaborative online real estate information and marketing platform, and develop the e-commerce businesses.

In assessing the fairness and reasonableness of the Offer Price, we have therefore identified an exhaustive list of companies (the "**Comparables**") which (i) are listed on the Main Board of the Stock Exchange; (ii) are principally engaged in the manufacture and sale of clothing and accessories related products with insignificant retail operations and profit-making; and (iii) had a market capitalisation of between HK$500 million and HK$1,500 million as at the Latest Practicable Date (the range of market capitalisation is chosen with reference to the adjusted market capitalisation (adjustment for excess cash is explained below) of the Company (the "**Adjusted Market Cap**") implied by the Offer Price of approximately HK$817.0 million as at the Latest Practicable Date (after rounding up the Adjusted Market Cap to the nearest billion, the Adjusted Market Cap of HK$1,000 million represents the mid-point of the aforesaid range and therefore, we consider the market capitalisations of the Comparables to be a fair representation of the Adjusted Market Cap). Based on these criteria, we identified 6 Comparables. We consider this sample fair and representative as the Comparables are engaged in the same sector as the Company does and the market capitalisations of the Comparables are comparable to the Adjusted Market Cap as explained above. We would like to highlight that the Comparables still represent an exhaustive list of comparable companies even though we did not include Runway Global Holdings Co. Ltd. (stock code: 1520) ("**Runway**"), a comparable company which was part of our comparable companies analysis in the Special Deals Circular, in the list as according to publicly published announcements, there has been a recent change in controlling shareholders and a potential shift in business direction of Runway into the healthcare market, and therefore its valuation (and hence trading multiples) may be distorted by such events. We also did not include Co-Prosperity Holdings Ltd. ("**Co-Prosperity**"), a comparable company which was also part of our comparable companies analysis in the Special Deals Circular, in the list as Co-Prosperity's market capitalisation as at the Latest Practicable Date was out of the aforesaid range of HK$500 million to HK$1,500 million.

The following table sets out the details of the Comparables:

Company name	Stock code	Principal business	Market capitalisation *HK$'million*	Net assets *HK$'million*	Net profit *HK$'million*	P/E Ratio *(times)*	P/B Ratio *(times)*
Kingdom Holdings Ltd.	528	Manufacture and sale of linen yarns.	1,026.4	983.7	139.1	7.38	1.04
Fountain Set (Holdings) Ltd.	420	Production and sales of dyed fabrics, sewing threads, yarns and garments.	976.1	3,313.3	95.8	10.19	0.29
Eagle Nice (International) Holdings Ltd.	2368	Manufacture and trading of sportswear and garments.	979.4	1,150.3	105.2	9.31	0.85
Luen Thai Holdings Ltd.	311	Manufacturing and trading of apparels and accessories, provision of freight forwarding and logistics services and real estate development.	1,034.1	379.6	167.3	6.18	2.72
Wang Tai Holdings Ltd.	1400	Design, manufacturing and sales of fabrics and yarns in the PRC.	810.0	613.9	83.6	9.69	1.32
Yongsheng Advanced Materials Co. Ltd.	3608	Developing and manufacturing of polyester filament yarns, the provision of dyeing services of differentiated polyester filament fabric and trading of textile raw materials and products in PRC.	596.0	384.5	71.8	8.30	1.55
		Average				**8.51**	**1.30**
		Maximum				**10.19**	**2.72**
		Minimum				**6.18**	**0.29**
The Offers			**817.0** *(Note 1)*	**341.4** *(Note 2)*	**3.7** *(Note 3)*	**218.12** *(Note 4)*	**2.39** *(Note 5)*

Source: Bloomberg and website of the Stock Exchange

Notes:

1. Calculated by the Offer Price of HK$2.2789 per Offer Share multiplied by the total number of issued Shares of 431,901,000 as at the Latest Practicable Date, minus the expected net proceeds of approximately HK$167,277,792 from the Disposals (we deduct this as we consider the net proceeds from the Disposals as excess cash not generated from the Group's normal operations).

2. Based on the 2015 Adjusted NAV (as defined below).

3. Based on the 2014 Adjusted Net Profit (as defined below).

4. Calculated by dividing HK$816,981,397 by HK$3,745,550.

5. Calculated by dividing HK$816,981,397 by HK$341,359,888.

As shown above, we have taken into account the expected financial effects of the Disposals and accordingly calculated the price to earnings ratio implied by the Offer Price ("**Implied P/E Ratio**") of the Company based on the Offer Price, expected net proceeds of approximately HK$167,277,792 from the Disposals (as mentioned above, we deduct the Disposals' net proceeds from the market capitalisation implied by the Offer Price as we consider the net proceeds from the Disposal as excess cash not generated from the Group's operations. The net proceeds of approximately HK$167,277,792 is calculated by HK$24,627,172 from the KEE BVI Disposal plus HK$88,317,420 from the KEE Jingmen Disposal plus HK$44,533,200 from the disposal of the PRC Properties plus HK$24,800,000 from the HK Property Disposal minus HK$15,000,000 as part of the net proceeds from the HK Property Disposal will be used to repay the Group's bank borrowings), and the Group's net profit attributable to equity shareholders of the Company for the year ended 31 December 2014 of approximately HK$3,661,000 adjusted by (i) 15% of the unaudited net profit attributable to equity shareholders of the KEE BVI Group for the year ended 31 December 2014, which amounts to approximately HK$1,248,450 (calculated by 15% multiplied by HK$8,323,000) as 15% of KEE BVI will no longer be owned by the Group going forward; and (ii) the deconsolidation of the audited net loss of KEE Jingmen for the year ended 31 December 2014 of approximately HK$1,333,000 as the results of KEE Jingmen will no longer be consolidated into the financial statements of the Company going forward (we did not adjust for the estimated gains resulting from or professional fees arising from the Disposals as such gains and expenses are non-recurring in nature). We consider the aforesaid adjusted net profit (the "**2014 Adjusted Net Profit**") provides a good reference in relation to the profitability of the Group after completion of the Disposals.

In calculating the implied price to book ratio ("**Implied P/B Ratio**") of the Company, we have calculated the book value based on the Group's net asset value attributable to equity shareholders of the Company as at 30 June 2015 of HK$313,883,000 adjusted by the increases in net asset value of (i) approximately HK$3,718,725 from the HK Property Disposal (equivalent to the expected gain from the HK Property Disposal), and (ii) approximately HK$23,758,163 from the PRC Assets Disposal (including the disposal gain of the PRC Properties of HK$15,638,969 and the disposal gain of KEE Jingmen Sale Capital of HK$8,119,194) (the "**2015 Adjusted NAV**"). For the avoidance of doubt, we did not upward adjust the Group's net asset value attributable to equity shareholders of the Company by the consideration of HK$24,627,172 from the KEE BVI Disposal as this increase effect would be net off by the decrease in net asset value attributable to equity shareholders of the Company of the same amount.

We consider the abovementioned adjustments to be appropriate as the adjustments allow us to arrive at (i) an adjusted market capitalisation which excludes cash generated outside of the Group's normal operations; (ii) the 2014 Adjusted Net Profit which excludes the unaudited net profit of the KEE BVI Group and the audited net loss of KEE Jingmen; and (iii) the 2015 Adjusted NAV which takes into account the gains from the PRC Assets Disposal and the HK Property Disposal, which altogether provides a good illustration in relation to the profitability and financial position of the Group after completion of the Disposals. We would like to highlight that the abovementioned adjustments are done for the sole purpose of our analysis on the fairness and reasonableness of the Offer Price, and the 2014 Adjusted Net Profit and the 2015 Adjusted NAV have been calculated by us after straight forward adjustments to take into account the financial effects of the Disposals, which are mainly excluding (i) the profit/loss attributable to disposed interests as these will no longer be part of the Group going forward; and (ii) various gains from the Disposals (which, as explained below, are part of the figures opined on by the reporting accountants of the Company in the Special Deals Circular) which, consistent with accounting policies applicable to the Company, are expected to increase the net asset value of the Group.

We would also like to state that the aforesaid financial effects of the Disposals, net proceeds and expected gains from the Disposals, unaudited financial information of the KEE BVI Group, and numerical adjustments to arrive at the 2015 Adjusted NAV are all extracted from the Special Deals Circular (collectively, the "**Unaudited Figures**"). Pursuant to Rule 10 of the Takeovers Code, the relevant Unaudited Figures were opined on by the reporting accountants in the Special Deals Circular that the Unaudited Figures were presented on a basis consistent in all material respects with the accounting policies normally adopted by the Company.

The price-to-earnings ratio are commonly used multiples to perform comparable company analysis. Since the Group has been profitable since the Company's listing in 2011, we consider analysing the Implied P/E Ratio against the price-to-earnings ratios of the Comparables to be the most appropriate. As illustrated in the table set out above, based on the Offer Price of HK$2.2789 per Offer Share, the total number of issued Shares of 431,901,000 as at the Latest Practicable Date and the expected net proceeds of approximately HK$167,277,792 from the Disposals, the Company is valued at approximately HK$816,981,397. Based on the 2014 Adjusted Net Profit of approximately HK$3,745,550, the Implied P/E Ratio is approximately 218.12 times. If we do not perform any adjustments on the market capitalisation implied by the Offer Price of approximately HK$984,259,189 and on the Group's net profit attributable to equity Shareholders for the year ended 31 December 2014 of approximately HK$3,661,000, the price-to-earnings ratio would be even higher at approximately 268.85 times.

In addition to analysing the Implied P/E Ratio, we have also analysed Implied P/B Ratio against the price-to-book ratios of the Comparables. Price-to-book ratio, similar to price-to-earnings ratio, is a commonly used multiple analysis to value a business operation. Based on the 2015 Adjusted NAV of approximately HK$341,359,888, the Implied P/B Ratio is approximately 2.39 times. If we do not perform any adjustments on the market capitalisation implied by the Offer Price of approximately HK$984,259,189 and on the

Group's net asset value attributable to equity Shareholders as at 30 June 2015 of approximately HK$313,883,000, the price-to-book ratio would be even higher at approximately 3.14 times.

The P/E ratios of the Comparables ranged from approximately 6.18 times to approximately 10.19 times, with an average of approximately 8.51 times as at the Latest Practicable Date. The Implied P/E Ratio of approximately 218.12 times is therefore significantly above the maximum of the price-to-earnings ratios of the Comparables. The exceptionally high Implied P/E Ratio may be, to a certain extent, a result of the significantly low earning base of the Company as compared to the earnings of the Comparables. Therefore, in addition to analysing the Implied P/E Ratio, we have also analysed the Implied P/B Ratio against the price-to-book ratios of the Comparables as an additional benchmark for us to assess the fairness of the Offers as the 2015 Adjusted NAV is within range of the net asset values of the Comparables. The price-to-book ratios of the Comparables ranged from approximately 0.29 times to approximately 2.72 times, with an average of approximately 1.30 times as at the Latest Practicable Date. The Implied P/B Ratio of approximately 2.39 times is therefore within range and above the average of the price-to-book ratios of the Comparables.

From our analysis above, we would like to assess whether the Implied P/E Ratio and the Implied P/B Ratio are comparable to (or higher than) the trading multiples of the Comparables. Since the Implied P/E Ratio of 218.12 times is significantly above the maximum of the price-to-earnings of the Comparables and the Implied P/B Ratio of 2.39 times is within range and also above the average of the price-to-book ratios of the Comparables, we consider the Offer Price is fair and reasonable given the recent market valuations of the Comparables.

6. Background and intention of the Offeror

6.1 Background of the Offeror

As stated in the Letter from CICC, the Offeror is an investment holding company incorporated in BVI with limited liability. Save for entering into the MOU, the Sale and Purchase Agreement with Nicco and other agreements in relation to the Sale and Purchase Agreement, the Investment Agreement (as amended) and the related Security Documents and the Offers, the Offeror did not engage in any business activities. Prior to the completion of the Sale and Purchase Agreement, the Offeror does not have any assets other than the inter-company loan facility provided by Li Zhen under the Loan Agreement.

The Offeror is directly wholly-owned by Li Zhen, which is a company incorporated in Hong Kong and is principally engaged in investment holding activities. The Offeror, through Li Zhen and other intermediate holding companies, is indirectly wholly-owned by Zhonghong. Zhonghong is established in the PRC with its headquarters in Beijing and is primarily engaged in the business of real estate development in various provinces in the PRC including Beijing, Jilin, Shandong and Hainan. As an integrated leader in the PRC property industry, Zhonghong has a diverse portfolio of property related businesses which primarily focuses on the development, sale and management of commercial properties including offices, residential properties, hotels and shopping complexes. In addition, its long term strategy includes the development and operation of travel destinations and it currently operates and manages several cultural and leisure resort destinations in Beijing, Jilin, Shadong and Hainan. In pursuit of this long term strategy, Zhonghong has entered into strategic cooperation agreements in various regions rich in tourism resources allowing it first entry into such markets to exploit the potential of such regions for developing holiday resort businesses. As such, it has already accumulated over 6 million square metres of land for further development. Zhonghong was listed on the Stock Exchange of Shenzhen with the Stock Code 000979 in 2010. As of 30 September 2015, Zhonghong's total asset value was RMB19 billion and as of 14 January 2016, its total market capitalisation was RMB13.5 billion.

As at the Latest Practicable Date, Mr. Wang Yonghong, through one of his wholly owned companies called Zhonghong Zhuoye, is the controlling shareholder of Zhonghong and holds 34.51% of the issued shares of Zhonghong.

6.2 Intention of the Offeror

As stated in the Letter from CICC, following the Share Transfer Completion and taking into account a series of factors, including but not limited to the current macro economy environment and market condition, the Offeror intends to continue to operate the existing businesses of the Company with the present management of the Company. The Offeror has no plans to (i) dispose of, terminate or downsize the existing business of the Company; (ii) redeploy the fixed assets of the Company; or (iii) terminate any employees or make significant changes to any employment of the Company (except for the proposed change of Board composition as detailed in the section headed "Proposed change to the Board composition of the Company" below).

The Offeror has also confirmed that it does not have any plans and has not engaged in any discussion or negotiation on injection of assets or businesses into the existing business.

As stated in the Letter from CICC, following the Share Transfer Completion, apart from the existing business of zipper manufacture and sale, the Group will look for new investments and business opportunities in order to diversify its existing business with a view to formulating a suitable business strategy to expand its business scope and broaden its income stream, achieving better growth potential and enhancing Shareholders' return. In this regard, expansion into the e-commerce and online finance industries will hold great potential and will provide good future development opportunities for the Company.

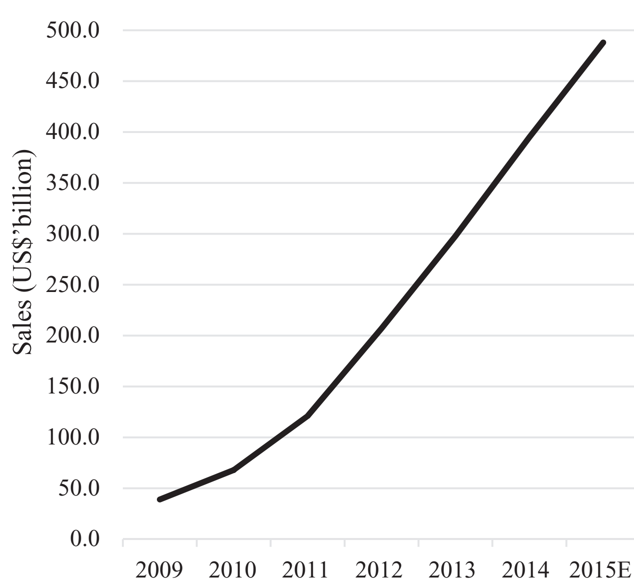
After Share Transfer Completion, the Company will be able to leverage the experience, network and resources of Zhonghong in the real estate industry to expand into such new business stream while still maintaining its existing zipper products business stream in parallel. Please refer to the Letter from CICC for further details on expansion plan of the Group.

6.2.1 Industry information on the e-commerce industry in the PRC

With regards to the e-commerce industry in the PRC, we have reviewed the recent promulgation of the "2015 Guiding Opinions on Promoting the Healthy Development of Internet Finance" issued by the State Council of the PRC on 20 June 2015 (the "**Guiding Opinions**"), and noted that the Guiding Opinions include, among others, the following measures to be undertaken by the PRC government: (i) enhancing support for domestic enterprises that use e-commerce to trade; (ii) improving the management system of e-commerce-related payment and settlement; (iii) providing active fiscal and financial support (such as enhancing supporting for corporations aiming to use e-commerce to expand businesses); (iv) standardising cross-border e-commerce business and improving credit assessment mechanisms; and (v) formulating mid and long-term plans relating to e-commerce businesses. The issue of the Guiding Opinions therefore show that the PRC government is willing to support and promote the e-commerce industry in the PRC in the foreseeable future, in particular aspects that are associated to internet financing.

In addition to the above, we have also reviewed numerical statistics in respect of the e-commerce market in the PRC, which include total sales in the e-commerce market and the internet population in the PRC, published by the China Internet Network Information Center ("**CNNIC**"), a non-profit administrative agency responsible for internet affairs under the Ministry of Information Industry of the PRC, on 22 July 2015 and note the following trends in respect of the e-commerce market in the PRC:

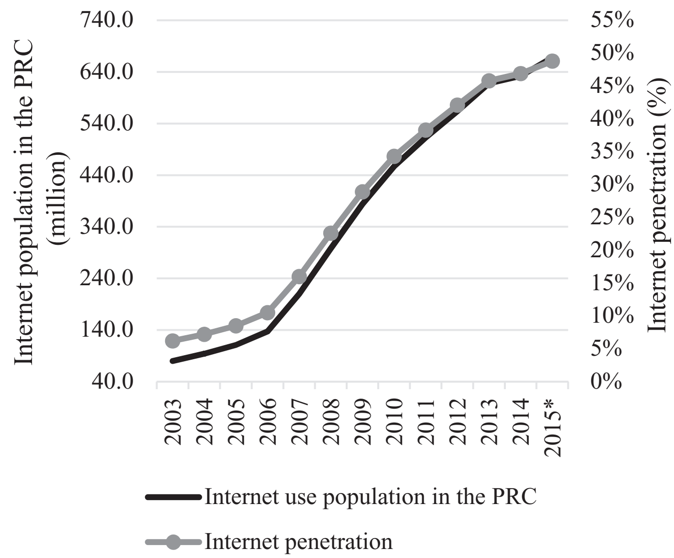
Sales in the e-commerce market in the PRC



Source: CNNIC

Note: "E" denotes expected

Internet population and penetration in the PRC



Source: CNNIC

Note: "*" data as of 30 June 2015

From the charts above, we note that sales in the e-commerce market in the PRC is expected to grow from approximately US$39 billion in 2009 to approximately US$488 billion in 2015, which represents a cumulative annual growth rate of approximately 52.4% over the period. We also note whilst the internet population in the PRC already grew by over 600% over the past ten years, internet penetration is still below 50%, which according to CNNIC represents an internet penetration percentage that is below many of the developed countries such as the United States, United Kingdom, Japan and South Korea. Based on such statistics, it can be seen that there is still significant growth potential in the e-commerce market in the PRC.

Taking into account the above, we consider that the Group's move into e-commerce related businesses is expected to be benefitted from the Guiding Opinions and the growth potential of the e-commerce market in the PRC.

6.3 Proposed change to the Board composition of the Company

The Board is currently made up of seven Directors, comprising (i) Mr. Xu Xipeng, Mr. Xu Xinan and Mr. Chow Hoi Kwang as executive Directors; (ii) Mr. Yang Shalin as non-executive Director; and (iii) Mr. Lin Bin, Mr. Kong Hing Ki and Mr. Tam Yuk Sang, Sammy as independent non-executive Directors. All the existing Directors will resign as Directors, and their resignations from the Board will take effect on the Closing Date. The Offeror will nominate new Directors to the Board on or after the date of the despatch of the Offer Document and any changes to the Board will be in full compliance with relevant regulations and Rule 26.4 of the Takeovers Code, as well as the Listing Rules.

Please refer to the Letter from CICC for details of the proposed change to the Board. We consider that it is uncertain that the proposed changes of the Board would have positive or negative impact on the existing businesses of the Group and its performance. Shareholders and Optionholders should form their own judgment as to the commercial attractiveness of the effect of the new management on the Group.

CONCLUSION AND RECOMMENDATION

Based on the above principal factors and reasons, in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

(i) the Offer Price is at a premium to the historical prices of the Shares during the Review Period, a period of which we consider more appropriately reflects the fundamentals of the Company as analysed under section 5 headed "Historical performance of the Shares";

(ii) the Offer Price represents a premium over the average closing prices per Share as quoted on the Stock Exchange for the last 10 and 30 consecutive trading days up to and including the Last Trading Date;

(iii) the Offer price represents a premium of approximately 193.9% over the net asset value per Share of approximately HK$0.7754 (based on the unaudited consolidated net assets of the Group of approximately HK$338,157,000 as at 30 June 2015 and the total number of issued and outstanding shares of the Company on a fully diluted basis of 436,094,000 Shares assuming all the vested Share Options as of 30 June 2015 have been exercised);

(iv) the Implied P/E Ratio of approximately 218.12 times is significantly higher than the maximum of the P/E Ratios of the Comparables, and the Implied P/B Ratio of 2.39 times is within range and also above the average of the price-to-book ratios of the Comparables (the rationales for adjustments and calculation of the Adjusted Market Cap, the 2014 Adjusted Net Profit and the 2015 Adjusted NAV are elaborated above in section headed "5.3 Comparable analysis");

(v) trading volume of the Shares fluctuated during the Review Period and the Share Offer provides an opportunity for the Independent Shareholders to realise their investment at the Offer Price without exerting a downward impact on the Share price;

(vi) although as mentioned above in the section headed "6.2.1 Industry information on the e-commerce industry in the PRC", we consider that the Group's future business prospects are expected to be benefitted from the Guiding Opinions and the growth potential of the e-commerce market in the PRC, the sustainability of the relatively higher price and trading volume of the Shares after the Potential Disposal Announcement is uncertain and may not continue in the absence of the Offers; and

(vii) in respect of the Option Offer, given that the sum payable for each Share Option is calculated based on the "see-through" price of the Share Options held as if the relevant Share Options were exercised in full, our analysis set out in the above for the Share Offer also apply to the Option Offer,

we are of the view that the terms of the Offers, are fair and reasonable so far as the Independent Shareholders and the Optionholders are concerned. Accordingly, we advise the Independent Board Committee to recommend to the Independent Shareholders and the Optionholders to accept the Offers.

Nevertheless, Independent Shareholders (and the Optionholders if they choose to exercise the Share Options) who wish to realise all or part of their investment in the Shares should monitor the Share price performance during the Offer Period. In the event that the market price of the Share exceeds the Offer Price and the net proceeds from the sale of Shares in the open market after deducting all related costs exceed the amount receivable from the Offers, Independent Shareholders (and the Optionholders if they choose to exercise the Share Options) should consider selling their Shares in the open market rather than accepting the Offers. In any event, Independent Shareholders and the Optionholders should note that there is no certainty that the current trading volume and/or current trading price level of the Shares will be sustainable during or after the Offer Period of the Offers.

For those Independent Shareholders (and those Optionholders if they choose to exercise the Share Options) who wish to retain part or all of their investments in the Shares are reminded to consider carefully the intentions of the Offeror in relation to the Group after the close of the Offers (with details set out in the Letter from CICC).

Independent Shareholders and Optionholders should read carefully the procedures for accepting the Offers with details set out in the Offer Document.

Yours faithfully,
For and on behalf of
BOSC International Company Limited

Heidi Cheng	**Aaron Ko**
Managing Director	*Vice President*
Investment Banking	*Investment Banking*

Note: Ms. Heidi Cheng of BOSC International Company Limited has been a responsible officer of Type 6 (advising on corporate finance) regulated activities since 2004, and Mr. Aaron Ko of BOSC International Company Limited has been a licensed representative of Type 6 (advising on corporate finance) regulated activities since 2010. Ms. Heidi Cheng and Mr. Aaron Ko of BOSC International Company Limited have over 20 and 5 years of experience in the corporate finance industry, respectively, and completed a number of independent financial advisory work in respect of connected transactions involving acquisitions, disposals and continuing connected transactions.

1. FINANCIAL INFORMATION

Financial summary for the six months ended 30 June 2015 and three years ended 31 December 2014

Set out below is a summary of the consolidated financial information of the Group for the three years ended 31 December 2012, 2013 and 2014 and for the six months ended 30 June 2015 as extracted in the annual reports of the Company for each of the years ended 31 December 2012, 2013 and 2014 and the interim report of the Company for the six months ended 30 June 2015 respectively:

	For the six months ended 30 June 2015	For the year ended 31 December 2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	*(audited)*	*(audited)*	*(audited)*
Turnover	**86,295**	**165,359**	**160,841**	**157,373**
Profit before taxation	**8,308**	**6,136**	**4,977**	**3,687**
Income tax	(2,540)	(2,742)	(2,064)	(2,859)
Profit for the period	**5,768**	**3,394**	**2,913**	**828**
Attributable to:				
Equity shareholders of the Company	5,987	3,661	3,061	1,055
Non-controlling interests	(219)	(267)	(148)	(227)
Other comprehensive income for period				
Items that may be reclassified subsequently to profit or loss:				
− Exchange differences on translation of the financial statements of subsidiaries	157	(1,108)	10,001	59
Total comprehensive income for period	**5,925**	**2,286**	**12,914**	**887**
Attributable to:				
Equity shareholders of the Company	6,135	2,637	12,503	1,020
Non-controlling interests	(210)	(351)	411	(133)
Basic and diluted earnings per Share (HK$)	0.014	0.009	0.007	0.003
Dividend per share (HK$)	–	0.02	0.02	0.02

The auditor of the Company did not issue any qualified opinion on the financial statements of the Group for each of the years ended 31 December 2012, 2013 and 2014.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following is the full text of the audited financial statements of the Group for the year ended 31 December 2014 as extracted from the annual report of the Company for the year ended 31 December 2014:

Consolidated Statement of Profit or Loss
For the year ended 31 December 2014
(Expressed in Hong Kong dollars)

	Note	2014 $'000	2013 $'000
Turnover	2	165,359	160,841
Cost of sales		(115,510)	(111,927)
Gross profit		49,849	48,914
Other revenue	3	2,495	2,804
Other net losses		(163)	(1,278)
Distribution costs		(15,936)	(16,921)
Administrative expenses		(29,692)	(28,542)
Profit from operations		6,553	4,977
Finance costs	4(a)	(417)	–
Profit before taxation	4	6,136	4,977
Income tax	5	(2,742)	(2,064)
Profit for the year		3,394	2,913
Attributable to:			
Equity shareholders of the Company	8	3,661	3,061
Non-controlling interests		(267)	(148)
Profit for the year		3,394	2,913
Basic and diluted earnings per share (HK cents)	9	0.9	0.7

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2014
(Expressed in Hong Kong dollars)

	2014	2013
	$'000	*$'000*
Profit for the year	3,394	2,913
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	(1,108)	10,001
Total comprehensive income for the year	2,286	12,914
Attributable to:		
Equity shareholders of the Company	2,637	12,503
Non-controlling interests	(351)	411
Total comprehensive income for the year	2,286	12,914

Consolidated Statement of Financial Position
At 31 December 2014
(Expressed in Hong Kong dollars)

	Note	2014 $'000	2013 $'000
Non-current assets			
Fixed assets	*11*		
– Property, plant and equipment		211,874	189,179
– Lease prepayments		33,052	33,878
		244,926	223,057
Intangible assets	*12*	7,666	6,018
Prepayments for fixed assets	*14*	391	6,319
Deferred tax assets	*17(c)*	1,961	2,105
		254,944	237,499
Current assets			
Inventories	*15*	18,369	17,101
Trade and other receivables	*16*	41,535	40,036
Current tax recoverable	*17(a)*	1,173	204
Deposits with banks	*18*	41,158	14,213
Cash and cash equivalents	*18*	37,975	81,666
		140,210	153,220
Current liabilities			
Bank borrowing	*19*	17,000	–
Trade and other payables	*20*	45,290	53,996
Current tax payable	*17(a)*	33	78
		62,323	54,074
Net current assets		77,887	99,146
Total assets less current liabilities		332,831	336,645

	Note	2014 $'000	2013 $'000
Non-current liabilities			
Deferred tax liabilities	*17(c)*	543	398
Net assets		332,288	336,247
Capital and reserves	*23*		
Share capital		4,150	4,150
Reserves		303,654	307,262
Total equity attributable to equity shareholders of the company		307,804	311,412
Non-controlling interests		24,484	24,835
Total equity		332,288	336,247

Statement of Financial Position
At 31 December 2014
(Expressed in Hong Kong dollars)

	Note	2014 $'000	2013 $'000
Non-current assets			
Interest in a subsidiary	*13*	156,868	147,571
Current assets			
Other receivables	*16*	201	430
Cash and cash equivalents	*18*	84	26
		285	456
Current liability			
Other payables	*20*	254	221
Net current assets		31	235
Net assets		156,899	147,806
Capital and reserves	*23*		
Share capital		4,150	4,150
Reserves		152,749	143,656
Total equity		156,899	147,806

Consolidated Statement of Changes in Equity
For the year ended 31 December 2014
(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company								
	Note	Share capital *$'000*	Share premium *$'000*	Capital reserve *$'000*	Statutory reserve *$'000*	Exchange reserve *$'000*	Retained earnings *$'000*	Total *$'000*	Non-controlling interests *$'000*	Total equity *$'000*
Balance at 1 January 2013		4,150	138,096	17,271	16,306	28,365	99,598	303,786	11,894	315,680
Changes in equity for 2013:										
Profit for the year		–	–	–	–	–	3,061	3,061	(148)	2,913
Other comprehensive income		–	–	–	–	9,442	–	9,442	559	10,001
Total comprehensive income		–	–	–	–	9,442	3,061	12,503	411	12,914
Appropriation to statutory reserve		–	–	–	716	–	(716)	–	–	–
Dividends declared in respect of the previous year	*23(b)*	–	–	–	–	–	(8,300)	(8,300)	–	(8,300)
Equity settled share-based transactions	*23(f)*	–	–	3,423	–	–	–	3,423	–	3,423
Contribution from non-controlling equity holders		–	–	–	–	–	–	–	12,530	12,530
Share options lapsed during the year	*22(c)*	–	–	(378)	–	–	378	–	–	–
Balance at 31 December 2013		4,150	138,096	20,316	17,022	37,807	94,021	311,412	24,835	336,247

		Attributable to equity shareholders of the Company								
	Note	Share capital $'000	Share premium $'000	Capital reserve $'000	Statutory reserve $'000	Exchange reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2014		4,150	138,096	20,316	17,022	37,807	94,021	311,412	24,835	336,247
Changes in equity for 2014:										
Profit for the year		–	–	–	–	–	3,661	3,661	(267)	3,394
Other comprehensive income		–	–	–	–	(1,024)	–	(1,024)	(84)	(1,108)
Total comprehensive income		–	–	–	–	(1,024)	3,661	2,637	(351)	2,286
Appropriation to statutory reserve		–	–	–	1,101	–	(1,101)	–	–	–
Dividends declared in respect of the previous year	*23(b)*	–	–	–	–	–	(8,300)	(8,300)	–	(8,300)
Equity settled share-based transactions	*23(f)*	–	–	2,055	–	–	–	2,055	–	2,055
Share options lapsed during the year	*22(c)*	–	–	(435)	–	–	435	–	–	–
Balance at 31 December 2014		4,150	138,096	21,936	18,123	36,783	88,716	307,804	24,484	332,288

Consolidated Cash Flow Statement
For the year ended 31 December 2014
(Expressed in Hong Kong dollars)

	Note	2014 $'000	2013 $'000
Operating activities			
Profit before taxation		6,136	4,977
Adjustments for:			
Depreciation and amortisation	4(c)	16,459	15,330
Impairment losses charged on trade and other receivables	4(c)	327	37
Impairment losses charged/ (written back) on inventories	15	115	(351)
Finance costs	4(a)	417	–
Interest income	4(c)	(2,015)	(2,379)
Net loss on disposal of fixed assets	4(c)	171	1,019
Equity-settled share-based payment expenses	4(b)	2,055	3,423
Foreign exchange (gain)/loss		(151)	1,253
		23,514	23,309
Changes in working capital			
Increase in inventories		(1,390)	(209)
(Increase)/decrease in trade and other receivables		(1,272)	7,917
(Decrease)/increase in trade and other payables		(1,564)	7,908
Cash generated from operations		19,288	38,925
Income tax paid	17(a)	(3,463)	(4,140)
Net cash generated from operating activities		15,825	34,785
Investing activities			
Payment for the purchase of property, plant and equipment		(41,161)	(70,345)
Proceeds from sale of property, plant and equipment		1,617	494
Payment for the purchase of intangible assets	12	(2,608)	–
Interest received		1,462	2,555
(Increase)/decrease in deposits with banks		(26,945)	28,107
Net cash used in investing activities		(67,635)	(39,189)

	Note	2014 $'000	2013 $'000
Financing activities			
Proceed from a new bank loan	*19*	17,000	–
Dividends paid to equity shareholders of the Company	*23(b)*	(8,300)	(8,300)
Contribution from non-controlling equity holders	*13*	–	12,530
Interest paid		(414)	–
Net cash generated from financing activities		8,286	4,230
Net decrease in cash and cash equivalents		(43,524)	(174)
Cash and cash equivalents at 1 January		81,666	79,383
Effect of foreign exchange rate changes		(167)	2,457
Cash and cash equivalents at 31 December	*18*	37,975	81,666

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance, which for the current financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("The Hong Kong Stock Exchange"). A summary of the significant accounting policies adopted by the Group is set out below.

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2014 comprise KEE Holdings Company Limited ("the Company") and its subsidiaries (together referred to as "the Group").

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

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

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

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 28.

(c) Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs and one new interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

– Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*

– Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*

– Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*

– HK (IFRIC) 21, *Levies*

These amendments and new interpretation do not have an impact on these financial statements.

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

(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 in accordance with note 1(l) depending on the nature of the liability.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(h)(ii)), 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 (note 1(h)(ii)).

Cost includes expenditures that are directly attributable to the acquisition of an asset. 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 (note 1(s)).

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 34 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

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress ("CIP") represents property, plant and equipment under construction and pending installation, and is stated at cost less any impairment losses (note 1(h)(ii)).

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.

(f) Intangible assets

Intangible assets that are acquired by the Group are stated in the statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(h)(ii)).

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. The following intangible asset with finite useful life is amortised from the date it is available for use and its estimated useful life is as follows:

– Software 5-10 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) 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.

(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;

– pre-paid interests in leasehold land classified as being held under an operating lease;

– 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 to sell 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.

(i) 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.

(j) 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 (see note 1(h)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(k) 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.

(l) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) 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.

(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).

(n) 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.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

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.

(o) Provisions and contingent liabilities

Provisions are recognised for 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.

(p) 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 or other sales taxes and is after deduction of any trade discounts.

(ii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful lives of the asset by way of reduced depreciation expense.

(iii) Interest income

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

(q) 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 People's Republic of China ("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.

(r) 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.

(s) 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).

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.

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in these financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for the financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 TURNOVER

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

Turnover represents the sales value of goods supplied to customers. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2014	**2013**
	$'000	*$'000*
Zippers and sliders	145,924	150,024
Flat knit ribs	13,159	6,389
Premium items and others	6,276	4,428
	165,359	160,841

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

3 OTHER REVENUE

	2014	2013
	$'000	*$'000*
Government grants	480	425
Interest income	2,015	2,379
	2,495	2,804

During 2014, the Group was awarded unconditional government grants of HK$480,000 (2013: HK$425,000) as recognition of the Group's contribution to the development of the local economy.

4 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2014	2013
	$'000	*$'000*
Interest on bank advances	417	–

(b) Staff costs*

	2014	2013
	$'000	*$'000*
Salaries, wages and other benefits	51,232	49,920
Contributions to defined contribution retirement plans	5,102	5,248
Equity-settled share-based payment expenses *(note 22)*	2,055	3,423
	58,389	58,591

(c) Other items

	2014	2013
	$'000	*$'000*
Depreciation and amortisation*		
– lease prepayments *(note 11)*	709	705
– property, plant and equipment *(note 11)*	14,803	13,779
– intangible assets *(note 12)*	947	846
	16,459	15,330
Auditors' remuneration		
– audit services	1,111	1,111
– tax services	182	64
– other services	354	352
	1,647	1,527
Impairment losses charged on trade and other receivables *(note 16(b))*	327	37
Operating lease charges: minimum lease payments		
– hire of plant and machinery*	4,886	4,647
– hire of other assets (including property rentals)	306	1,156
	5,192	5,803
Net foreign exchange loss	154	447
Net loss on disposal of fixed assets	171	1,019
Research and development expenses on new products	1,926	2,220
Cost of inventories*	115,510	111,927

* Cost of inventories includes HK$53,760,000 (2013: HK$52,379,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amounts are also included in the respective total amounts disclosed separately above or in note 4(b) for each of these types of expenses.

5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2014 *$'000*	2013 *$'000*
Current tax – PRC corporate income tax		
Provision for the year	2,524	3,350
Over-provision in respect of prior years	(104)	(1,278)
	2,420	2,072
Current tax – Hong Kong Profits Tax		
Provision for the year	33	795
Deferred tax		
Origination and reversal of temporary differences	289	(803)
	2,742	2,064

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

	2014 *$'000*	2013 *$'000*
Profit before taxation	6,136	4,977
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdiction concerned *(note i)*	3,087	2,683
Effect of non-deductible expenses	121	543
Effect of non-taxable income	(73)	–
Effect of tax losses not recognised	389	76
Effect of tax concessions *(note ii)*	(836)	(221)
PRC dividend withholding tax *(note iii)*	145	93
Over-provision in prior years	(104)	(1,278)
Others	13	168
Actual tax expense	2,742	2,064

(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 2014 and 2013.

(ii) KEE (Guangdong) Garment Accessories Limited ("KEE Guangdong") was recognised as a High and New Technology Enterprise ("HNTE") and was entitled to a preferential income tax rate of 15% up to 2015. Except for KEE Guangdong, the statutory income tax rate applicable to the Company's other subsidiaries in mainland China was 25%.

(iii) Pursuant to the Corporate Income Tax Law of the PRC and its relevant regulations, PRC-resident enterprises are levied withholding income tax at 10% on dividends to their non-PRC-resident corporate investors for earnings accumulated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. Under the Sino-Hong Kong Double Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% or more of the equity interest of a PRC-resident enterprise is entitled to a reduced withholding tax rate of 5%. As at 31 December 2014, deferred tax liability recognised in this regard was HK$543,000 (2013: HK$398,000) (see note 17(b)).

6 DIRECTORS' REMUNERATION

	For the year ended 31 December 2014					
	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contribution	Sub-Total	Share-based payment *(note)*	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Chairman						
Xu Xipeng	240	592	13	845	–	845
Executive directors						
Xu Xinan	240	525	13	778	–	778
Chow Hoi Kwang	360	–	–	360	–	360
Non-executive director						
Yang Shaolin	144	–	–	144	–	144
Independent non-executive directors						
Lin Bin	168	–	–	168	–	168
Kong Hing Ki	144	–	–	144	–	144
Tam Yuk Sang, Sammy	144	–	–	144	–	144
	1,440	1,117	26	2,583	–	2,583

	For the year ended 31 December 2013					
	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contribution	Sub-Total	Share-based payment *(note)*	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Chairman						
Xu Xipeng	200	400	4	604	–	604
Executive directors						
Xu Xinan	200	337	4	541	–	541
Chow Hoi Kwang	300	–	–	300	83	383
Non-executive director						
Yang Shaolin	120	–	–	120	83	203
Independent non-executive directors						
Lin Bin	140	–	–	140	83	223
Kong Hing Ki	120	–	–	120	83	203
Tam Yuk Sang, Sammy	120	–	–	120	83	203
	1,200	737	8	1,945	415	2,360

Note:

These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(n)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are set out in note 22.

There were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in note 7 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.

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2013: two) are directors, whose emoluments are disclosed in note 6. The aggregate of the emoluments in respect of the other three (2013: three) individuals are as follows:

	2014	2013
	$'000	*$'000*
Salaries and other emoluments	1,242	2,044
Discretionary bonuses	84	155
Retirement scheme contributions	117	182
Share-based payments	400	192
	1,843	2,573

The emoluments of the three (2013: three) individuals with the highest emoluments are within the following band:

	2014 Number of individuals	2013 Number of individuals
Nil to HK$1,000,000	3	2
HK$1,000,000 to HK$ 1,500,000	–	1

8 LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated result attributable to equity shareholders of the Company includes a loss of HK$4,662,000 (2013: loss of HK$5,827,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2014	2013
	$'000	*$'000*
Amount of consolidated result attributable to equity shareholders dealt with in the Company's financial statements	(4,662)	(5,827)
Dividend from a subsidiary attributable to the profits of previous financial years, approved and paid during the year	20,000	12,800
Company's profit for the year *(note 23(a))*	15,338	6,973

Details of dividends paid to equity shareholders of the Company are set out in note 23(b).

9 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK$3,661,000 (2013: HK$3,061,000) and the weighted average of 415,000,000 ordinary shares (2013: 415,000,000) in issue during the year.

(b) Diluted earnings per share

The effect of the Company's share options was anti-dilutive for the years ended 31 December 2013 and 2014. Therefore, diluted earnings per share are the same as the basic earnings per share.

10 SEGMENT REPORTING

The Group manages its businesses by geographical areas. On 23 August 2014, the Group reorganised the structure of reportable segments by merging segments of "Southern China", "Eastern China" and "Central China" to one reportable segment of "Mainland China" as they have similar economic characteristics and are similar in respect of the nature of products, the nature of production processes, the type of customers, the methods used to distribute the products, and the nature of the regulatory environment. The comparative amounts in segment reporting have been adjusted accordingly.

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

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

(a) Segment results and segment assets

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

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

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

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

Information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2014 and 2013 respectively is set out below:

	Year ended 31 December 2014		
	Mainland China	**Overseas**	**Total**
	$'000	*$'000*	*$'000*
Revenue from external customers	142,531	22,828	165,359
Inter-segment revenue	15,967	80	16,047
Reportable segment revenue	158,498	22,908	181,406
Reportable segment profit/(loss)	9,534	(578)	8,956
Interest income from bank deposits	1,968	47	2,015
Interest expense	–	(417)	(417)
Depreciation and amortisation for the year	(15,998)	(461)	(16,459)
Reportable segment assets at year end	350,729	44,083	394,812
Additions to non-current segment assets during the year	20,953	21,989	42,942

	Year ended 31 December 2013		
	Mainland China	**Overseas**	**Total**
	$'000	*$'000*	*$'000*
Revenue from external customers	126,610	34,231	160,841
Inter-segment revenue	23,106	130	23,236
Reportable segment revenue	149,716	34,361	184,077
Reportable segment profit	5,926	3,062	8,988
Interest income from bank deposits	1,243	1,136	2,379
Depreciation and amortisation for the year	(15,316)	(14)	(15,330)
Reportable segment assets at year end	378,742	11,602	390,344
Additions to non-current segment assets during the year	77,653	5,497	83,150

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

	2014	2013
	$'000	*$'000*
Revenue		
Reportable segment revenue	181,406	184,077
Elimination of inter-segment revenue	(16,047)	(23,236)
Consolidated turnover *(note 2)*	165,359	160,841

	2014	2013
	$'000	*$'000*
Profit		
Reportable segment profit	8,956	8,988
Elimination of unrealised profit of inter-segment purchase of inventories, other assets and fixed assets	198	458
Reportable segment profit derived from the Group's external customers	9,154	9,446
Other revenue and other net loss	2,332	1,526
Unallocated head office and corporate expenses	(5,350)	(5,995)
Consolidated profit before taxation	6,136	4,977

	2014	2013
	$'000	*$'000*
Assets		
Reportable segment assets	394,812	390,344
Elimination of unrealised profit of inter-segment purchase of inventories and other assets	(1,182)	(1,319)
Elimination of unrealised profit of inter-segment purchase of fixed assets	(722)	(867)
	392,908	388,158
Deferred tax assets	1,961	2,105
Unallocated head office and corporate assets	285	456
Consolidated total assets	395,154	390,719

(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$22,828,000 (2013: HK$34,231,000) to overseas customers for the year ended 31 December 2014 (note 10(a)).

The geographical location of the Group's fixed assets, intangible assets and prepayment for fixed assets (the "Specified Non-current Assets") is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets. As at 31 December 2014, the Group's non-current assets were located in Mainland China and Hong Kong with carrying amount of HK$231,427,000 (2013: HK$229,866,000) and HK$21,556,000 (2013: HK$5,528,000) respectively.

11 FIXED ASSETS

The Group

	Buildings	Machinery	Vehicles and other equipment	Leasehold improvement	Construction in progress	Sub-total	Lease prepayments	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Cost:								
At 1 January 2013	36,528	95,217	11,260	12,008	21,135	176,148	34,420	210,568
Exchange adjustments	1,141	3,146	341	387	1,813	6,828	1,079	7,907
Additions	–	2,547	970	365	72,953	76,835	–	76,835
Disposals	–	(822)	(587)	–	(747)	(2,156)	–	(2,156)
Transfer from CIP	–	6,016	–	345	(6,361)	–	–	–
At 31 December 2013 and 1 January 2014	37,669	106,104	11,984	13,105	88,793	257,655	35,499	293,154
Exchange adjustments	(127)	(322)	(32)	(44)	(307)	(832)	(120)	(952)
Additions	79	1,130	1,856	14	36,864	39,943	–	39,943
Disposals	–	(1,330)	(253)	(88)	(1,215)	(2,886)	–	(2,886)
Transfer from CIP	21,846	10,371	–	–	(32,217)	–	–	–
At 31 December 2014	59,467	115,953	13,555	12,987	91,918	293,880	35,379	329,259

	Buildings	Machinery	Vehicles and other equipment	Leasehold improvement	Construction in progress	Sub-total	Lease prepayments	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Accumulated depreciation:								
At 1 January 2013	7,679	32,185	7,544	6,089	–	53,497	877	54,374
Exchange adjustments	269	1,120	231	223	–	1,843	39	1,882
Charge for the year	1,729	8,800	1,148	2,102	–	13,779	705	14,484
Written back on disposals	–	(200)	(443)	–	–	(643)	–	(643)
At 31 December 2013 and 1 January 2014	9,677	41,905	8,480	8,414	–	68,476	1,621	70,097
Exchange adjustments	(26)	(103)	(23)	(23)	–	(175)	(3)	(178)
Charge for the year	2,148	10,059	1,046	1,550	–	14,803	709	15,512
Written back on disposals	–	(854)	(244)	–	–	(1,098)	–	(1,098)
At 31 December 2014	11,799	51,007	9,259	9,941	–	82,006	2,327	84,333
Carrying amount:								
At 31 December 2014	47,668	64,946	4,296	3,046	91,918	211,874	33,052	244,926
At 31 December 2013	27,992	64,199	3,504	4,691	88,793	189,179	33,878	223,057

(a) The lease prepayments are for land use rights held on a medium-term lease of 50 years in the PRC.

(b) Certain lease prepayments and buildings with an aggregate carrying value of HK$30,555,000 (2013: HK$32,408,000) were pledged as securities for un-utilised bank facilities of the Group amounting to RMB26,000,000 (equivalent to HK$32,957,000) as at 31 December 2014 (2013: RMB26,000,000, equivalent to HK$33,069,000).

(c) The Group acquired land use rights for the new production plant set up in Hubei Province of the PRC with cash consideration of HK$29,395,000 pursuant to the Investment Project Agreement ("the Agreement") entered into between one of the Group's subsidiary, KEE Guangdong, and Jingmen local government in 2012. Upon the full payment of the above land use right consideration, the Group will be entitled to a government grant amounting of RMB13,651,000 (equivalent to HK$17,363,000), subject to the fulfilment of the agreed conditions as set out in the Agreement. When the Group fulfils these conditions in the future, the related grant will be recognised in accordance with the Group's accounting policy set out in note 1(p)(ii).

(d) The office building in Hong Kong with the net book value as at 31 December 2014 amounting to HK$ 21,409,000 (2013: nil) is under medium-term lease.

12 INTANGIBLE ASSETS

	The Group Software *$'000*
Cost:	
At 1 January 2013	8,589
Exchange adjustments	269
At 31 December 2013 and 1 January 2014	8,858
Exchange adjustments	(18)
Addition	2,608
At 31 December 2014	11,448
Accumulated amortisation:	
At 1 January 2013	1,921
Exchange adjustments	73
Amortisation for the year	846
At 31 December 2013 and 1 January 2014	2,840
Exchange adjustments	(5)
Amortisation for the year	947
At 31 December 2014	3,782
Carrying amount:	
At 31 December 2014	7,666
At 31 December 2013	6,018

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

13 INTEREST IN A SUBSIDIARY

	The Company 2014	2013
	$'000	*$'000*
Unlisted shares, at cost	–	–
Amount due from KEE Zippers	156,868	147,571
	156,868	147,571

Details of subsidiaries of the Company at 31 December 2014 are set out below:

Name of company	Place of incorporation/ establishment and business	Issued and fully paid up capital	Attributable equity interest Direct	Indirect	Principal activities
KEE International BVI	The British Virgin Islands ("BVI")	2 ordinary shares of USD1 each	100%	–	Investment holding
KEE Zippers	Hong Kong	1,000,000 shares	–	100%	Trading of zipper products
KEE Guangdong*	The PRC	HK$137,500,000	–	100%	Manufacture and sale of zipper products
KEE Zhejiang*	The PRC	USD8,760,000	–	100%	Manufacture and sale of zipper products
Foshan UNA Cultural Gifts Co., Limited**	The PRC	RMB3,000,000	–	100%	Design and sale of garment accessories
KEE (Jingmen) Garment Accessories Limited ("KEE Jingmen")**	The PRC	RMB100,000,000	–	80% *(note i)*	Manufacture and sale of zipper products

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

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

Note (i) The paid-up capital of KEE Jingmen was increased from RMB10,000,000 to RMB50,000,000 after additional capital injection of RMB30,000,000 and RMB10,000,000 (equivalent to HK$12,237,000) by KEE Guangdong and an external party respectively in September 2012. In May 2013, the paid-up capital of KEE Jingmen was increased to RMB100,000,000 after additional capital injection of RMB40,000,000 and RMB10,000,000 (equivalent to HK$12,530,000) by KEE Guangdong and an external party respectively.

The above amount due from KEE Zippers is unsecured, interest free and has no fixed terms of repayment. The Company has no intention to request repayment from KEE Zippers within twelve months after 31 December 2014. No provisions for bad or doubtful debts have been made in respect of the above amount.

The following table listed out the information relating to KEE Jingmen, the only subsidiary of the Group which has material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2014	**2013**
	$'000	*$'000*
NCI percentage	20%	20%
Current assets	30,463	38,193
Non-current assets	115,038	105,899
Current liabilities	(23,083)	(19,916)
Net assets	122,418	124,176
Carrying amount of NCI	24,484	24,835
Loss for the year	(1,333)	(739)
Total comprehensive income	(1,758)	2,088
Loss allocated to NCI	(267)	(148)
Cash flows from operating activities	(8,099)	(13,035)
Cash flows from investing activities	(11,892)	(39,740)
Cash flows from financing activities	(532)	66,187

14 PREPAYMENTS FOR FIXED ASSETS

The balances as at 31 December 2014 mainly represented the prepayments for purchase of plant construction materials under KEE Jingmen.

The balances as at 31 December 2013 mainly represented the prepayments for purchase of office premise in Hong Kong.

15 INVENTORIES

	The Group	
	2014	**2013**
	$'000	*$'000*
Raw materials	5,633	4,560
Work in progress	11,209	10,354
Finished goods	1,527	2,187
	18,369	17,101

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

	The Group	
	2014	**2013**
	$'000	*$'000*
Carrying amount of inventories sold	115,395	112,278
Write down of inventories	1,182	400
Reversal of write-down of inventories	(1,067)	(751)
	115,510	111,927

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

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

16 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	$'000	*$'000*	*$'000*	*$'000*
Trade debtors and bills receivable	37,622	36,894	–	–
Less: allowance for doubtful debts *(note 16(b))*	(160)	(136)	–	–
	37,462	36,758	–	–
Other prepayments	669	1,482	–	204
Deposits and other debtors	3,404	1,796	201	226
	41,535	40,036	201	430

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

(a) Ageing analysis

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

	The Group	
	2014	**2013**
	$'000	*$'000*
Within 1 month	11,619	8,824
1 to 2 months	9,985	10,253
2 to 3 months	6,342	6,202
Over 3 months	9,516	11,479
	37,462	36,758

Trade debtors and bills receivable are in general due within 30-90 days from the date of billing. Further details on the Group's credit policy are set out in note 24(a).

(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(h)(i)).

The movement in the allowance for doubtful debts during the year is as follows:

	The Group	
	2014	**2013**
	$'000	*$'000*
At 1 January	136	164
Exchange adjustments	–	4
Impairment loss recognised	327	37
Uncollectible amounts written off	(303)	(69)
At 31 December	160	136

At 31 December 2014, the Group's trade debtors and bills receivable of HK$160,000 (2013: HK$136,000) respectively 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.

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

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

	The Group	
	2014	**2013**
	$'000	*$'000*
Neither past due nor impaired	20,805	17,571
Less than 3 months past due	13,569	15,246
More than 3 months but less than 12 months past due	3,065	3,909
More than 12 months past due	23	32
Amount past due	16,657	19,187
	37,462	36,758

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.

17 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	The Group	
	2014	**2013**
	$'000	*$'000*
At 1 January	(126)	1,140
Exchange adjustments	(4)	7
Provision for PRC corporate income tax *(note 5(a))*	2,524	3,350
Over-provision in respect of prior years for PRC corporate income tax *(note 5(a))*	(104)	(1,278)
Provision for Hong Kong Profits Tax *(note 5(a))*	33	795
Income tax paid	(3,463)	(4,140)
At 31 December	(1,140)	(126)

Represented by:

	The Group	
	2014	**2013**
	$'000	*$'000*
Current tax payable	33	78
Current tax recoverable	(1,173)	(204)
	(1,140)	(126)

(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	Unrealised profit arising from intra-group transactions elimination	Provisions	PRC dividend withholding tax *(note 5(b)(iii))*	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Deferred tax arising from:					
At 1 January 2013	384	661	970	(1,111)	904
Credited/(charged) to consolidated statement of profit or loss	160	(115)	45	713*	803
At 31 December 2013 and 1 January 2014	544	546	1,015	(398)	1,707
Charged to consolidated statement of profit or loss	(218)	(93)	167	(145)	(289)
At 31 December 2014	326	453	1,182	(543)	1,418

* These amounts include the provision of withholding tax on profits of the PRC subsidiaries amounting to HK$93,000 for the year ended 31 December 2013, and the reversal of deferred tax liabilities on withholding tax upon distribution of dividends amounting to HK$806,000 during the year ended 31 December 2013. Upon the distribution of dividends from PRC subsidiaries, the Group is required to pay income tax.

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

	The Group 2014	2013
	$'000	*$'000*
Deferred tax asset recognised in the consolidated statement of financial position	1,961	2,105
Deferred tax liability recognised in the consolidated statement of financial position	(543)	(398)
	1,418	1,707

(d) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(n), the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$4,271,000 (2013: HK$2,715,000) 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 tax losses expire in 5 years under current tax legislation.

(e) Deferred tax liabilities not recognised

At 31 December 2014, temporary differences relating to the undistributed profits of the Group's PRC subsidiaries amounted to HK$60,963,000 (2013: HK$52,681,000). Deferred tax liabilities relating to a portion of these temporary differences amounting to HK$1,981,000 (2013: HK$1,712,000) 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.

18 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	$'000	*$'000*	*$'000*	*$'000*
Deposits with banks	69,046	53,649	–	–
Cash at bank and in hand	10,087	42,230	84	26
	79,133	95,879	84	26
Less: Bank deposits with maturity beyond three months	(41,158)	(14,213)	–	–
Cash and cash equivalents	37,975	81,666	84	26

As at 31 December 2014, cash and cash equivalents in the amount of HK$18,336,000 (2013: HK$80,272,000) are denominated in RMB and are 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 2014, deposits with banks amounting to RMB15,000,000 (equivalent to HK$19,014,000) (2013: nil) have been pledged as security for bank borrowing (note 19). The pledged bank deposits will be released upon the settlement of relevant bank borrowing.

19 BANK BORROWING

	The Group	
	2014	**2013**
	$'000	*$'000*
Secured bank loan	17,000	–

The bank loan was secured by pledged bank deposits of the Group in the amount of RMB15,000,000 (equivalent to HK$19,014,000). As at 31 December 2014, the secured bank loan bore a floating interest rate of Hong Kong interbank offered rate with a premium of 2.25% per annum and will be repaid within one year.

20 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2014	2013	2014	2013
	$'000	*$'000*	*$'000*	*$'000*
Trade creditors	7,229	6,881	–	–
Payroll and staff benefits payable	9,133	8,975	12	–
Accrued expenses	4,376	3,555	242	221
Payables for purchase of fixed assets	10,272	17,417	–	–
Other taxes payable	226	1,157	–	–
Advance from a third party	8,873	8,903	–	–
Deposits received	4,437	6,360	–	–
Other payables	744	748	–	–
	45,290	53,996	254	221

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

Advance from a third party represents that interest-free advance of RMB7,000,000 (equivalent to HK$8,873,000) received from a state-owned enterprise responsible for investment projects on behalf of Jingmen local government during 2012.

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:

	The Group	
	2014	2013
	$'000	*$'000*
Within 1 month	6,968	5,740
Over 1 month but within 3 months	260	1,109
Over 3 months but within 6 months	1	32
	7,229	6,881

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 (HK$25,000 prior to June 2014).

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) Share options granted under the Scheme during the year ended 31 December 2014

On 22 July 2014, the Company granted 11,600,000 share options under the Scheme to twenty employees of the Group (including four key management personnel) for subscribing shares of the Company.

Fair value of share options and assumptions

The fair value of services received in return for the share options granted is measured by reference to the fair value of share options granted. Set out below are the estimate of such fair value and the related assumptions based on a binomial lattice model.

	2014
Fair value (weighted average) per share option at measurement date (HK$)	0.171
Share price (HK$)	0.60
Exercise price per option (HK$)	0.60
Expected volatility rate	55% per annum
Expected dividend yield	4% per annum
In-service early exercise behaviour:	Option holder will exercise his/her options when the share price is at least 265% of the exercise price.
Expected Option life (expressed as average life used in the modelling under binomial lattice model)	2.4 years

Fair value of share options and assumptions:

	2014
Risk-free rate of interest per annum:	Batch 12: 0.49% Batch 13: 0.62%

The contractual life of the share options is used as an input into the model. Expectations of early exercise are also incorporated into the model. The expected volatility is based on the Company's own volatility since its listing and comparable companies' volatility in recent years.

The risk-free rate of interest with expected term shown above was taken to be the linearly interpolated yields of the Hong Kong Exchange Fund Notes as at the grant date.

Changes in the subjective input assumptions could materially affect the fair value estimate.

Except for the conditions mentioned above, there were no other market conditions and service conditions associated with the share options.

(b) The terms and conditions of the share options granted under the Scheme as at 31 December 2014 are as follows:

Date of grant	Batch	Number of options granted	Vesting conditions	Exercise price *HK$*	Contractual life of options
Options granted to directors:					
27 May 2011	Batch 1	318,000	The day the 2011 annual results being announced	1.39	6 years
27 May 2011	Batch 2	318,000	The day the 2012 annual results being announced	1.39	6 years
27 May 2011	Batch 3	424,000	The day the 2013 annual results being announced	1.39	6 years
27 May 2011	Batch 4	424,000	The day the 2014 annual results being announced	1.39	6 years
27 May 2011	Batch 5	636,000	The day the 2015 annual results being announced	1.39	6 years
7 December 2012	Batch 6	1,900,000	The day the 2012 annual results being announced	0.6	6 years
Options granted to employees:					
27 May 2011	Batch 1	3,414,000	The day the 2011 annual results being announced	1.39	6 years
27 May 2011	Batch 2	3,414,000	The day the 2012 annual results being announced	1.39	6 years
27 May 2011	Batch 3	4,552,000	The day the 2013 annual results being announced	1.39	6 years
27 May 2011	Batch 4	4,552,000	The day the 2014 annual results being announced	1.39	6 years
27 May 2011	Batch 5	6,828,000	The day the 2015 annual results being announced	1.39	6 years
7 December 2012	Batch 7	3,405,000	The day the 2012 annual results being announced	0.6	6 years
7 December 2012	Batch 8	3,405,000	The day the 2013 annual results being announced	0.6	6 years

Date of grant	Batch	Number of options granted	Vesting conditions	Exercise price *HK$*	Contractual life of options
7 December 2012	Batch 9	4,540,000	The day the 2014 annual results being announced	0.6	6 years
7 December 2012	Batch 10	4,540,000	The day the 2015 annual results being announced	0.6	6 years
7 December 2012	Batch 11	6,810,000	The day the 2016 annual results being announced	0.6	6 years
22 July 2014	Batch 12	5,800,000	The day the 2014 annual results being announced	0.6	3 years
22 July 2014	Batch 13	5,800,000	The day the 2015 annual results being announced	0.6	3 years
Total		61,080,000			

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

	2014		2013	
	Weighted average exercise price *HK$*	Number of options *'000*	Weighted average exercise price *HK$*	Number of options *'000*
Outstanding at the beginning of the year	0.88	32,230	0.88	37,920
Granted during the year	0.60	11,600	-	-
Lapsed during the year	1.39	(1,840)	1.39	(1,960)
	0.60	(4,700)	0.60	(3,730)
Outstanding at the end of the year	0.80	37,290	0.88	32,230
Exercisable at the end of the year	0.95	10,765	0.94	7,831

The share options outstanding as at 31 December 2014 had an exercise price of HK$1.39 or HK$0.60 and the weighted average remaining contractual life of 2.7 years (2013: 4.0 years).

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

	Share capital	Share premium	Capital reserve	Retained profits	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Balance at 1 January 2013	4,150	138,096	1,629	1,835	145,710
Total comprehensive income for the year	–	–	–	6,973	6,973
Dividends declared and paid	–	–	–	(8,300)	(8,300)
Equity settled share-based transactions	–	–	3,423	–	3,423
Share options lapsed during the year	–	–	(378)	378	–
Balance at 31 December 2013 and 1 January 2014	4,150	138,096	4,674	886	147,806
Total comprehensive income for the year	–	–	–	15,338	15,338
Dividends declared and paid	–	–	–	(8,300)	(8,300)
Equity settled share-based transactions	–	–	2,055	–	2,055
Share options lapsed during the year	–	–	(435)	435	–
Balance at 31 December 2014	4,150	138,096	6,294	8,359	156,899

(b) Dividends

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

	2014	2013
	$'000	*$'000*
Final dividend proposed after the end of the reporting period of HK2 cents per ordinary share (2013: HK2 cents)	8,300	8,300

The final dividend proposed after 31 December 2014 has not been recognised as a liability as at the end of reporting period.

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

	2014	2013
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK2 cents per share (2013: HK2 cents)	8,300	8,300

(c) Share capital

(i) Authorised and issued share capital

	2014 and 2013	
	No. of shares	**Share capital**
	'000	*$'000*
Authorised,		
Ordinary shares of HK$0.01 each	2,000,000	20,000
Ordinary shares, issued and fully paid:		
At 1 January and 31 December	415,000	4,150

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 Group's residual assets.

(ii) Shares issued under share option scheme

No options were exercised during the years ended 31 December 2014 and 2013. Further details of these options are set out in note 22 to financial statements.

(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;

– the portion of the grant date fair value of unexercised share options granted to the directors and employees of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in note 1(m)(ii); and

– 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.

(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(q).

(h) Distributability of reserves

At 31 December 2014, the aggregate amount of reserves available for distribution to the equity shareholders of the Company was HK$152,749,000 (2013: HK$143,656,000). After the end of the reporting period the directors proposed a final dividend of HK2 cents (2013: HK2 cents) per ordinary share, amounting to HK$8,300,000 (2013: HK$8,300,000) (note 23(b)). This dividend has not been recognised as a liability at the end of the reporting period.

(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 2014, the Group's strategy, which was unchanged from 2013 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 2014 was 16% (2013: 14%). In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholder, 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.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, interest rate, liquidity and currency 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 30-90 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 concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 25% (2013: 23%) 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

The Group's interest rate risk arises primarily from bank borrowing carried at variable rates, which exposes the Group to cash flow interest rate risk. The effective interest rate of the bank borrowing of the Group as at 31 December 2014 was 2.61% (2013: Nil).

Sensitivity analysis

At 31 December 2014, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax for the year and retained profits by approximately HK$71,000 (2013: Nil). Other components of equity would not be affected by the changes in interest rates.

The sensitivity analysis above indicates the impact on the Group's profit after tax for the year and retained profits that would arise assuming that there is an annualised impact on interest income and expense by a change in interest rates. The analysis has been performed on the same basis for 2013.

(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 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.

The contractual undiscounted cash flow and carrying amount of the short-term bank borrowing as at 31 December 2014 are set out as follows:

	The Group	
	2014	**2013**
	HK$'000	*HK$'000*
Contractual undiscounted cash flow	17,036	–
Carrying amount	17,000	–

(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 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 HK$19,021,000 (2013: HK$ 2,000) that was held by KEE Zippers for which HK$ is its functional currency.

Sensitivity analysis

At 31 December 2014, it is estimated that a general appreciation/depreciation of 0.5% points in HK$, with all other variables held constant, would have decreased/increased the Group's net profit for the year and retained profits by approximately HK$794,000 (2013: HK$ 83).

The sensitivity analysis assumes that the change in foreign exchange rate had been applied to re-measure the bank deposits 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) Fair values

The carrying amounts of the Group's and the Company's financial are not materially different from their fair values as at 31 December 2014 and 2013.

25 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2014 and 2013 not provided for in the financial statements were as follows:

	The Group	
	2014	**2013**
	$'000	*$'000*
Contracted for	17,728	49,355

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

	The Group	
	2014	**2013**
	$'000	*$'000*
Within 1 year	4,694	5,119
After 1 year but within 5 years	13,638	4,506
	18,332	9,625

26 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel compensation

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 6 and certain of the highest paid employees as disclosed in note 7, is as follows:

	The Group	
	2014	**2013**
	$'000	*$'000*
Short-term employee benefits	4,518	4,237
Retirement scheme contribution	124	31
Share-based payments	657	1,084
	5,299	5,352

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

(b) Lease arrangement

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into the following material related party transaction.

On 20 December 2010, the Group entered into an operating lease in respect of certain plant and buildings with Mr. Xu Xipeng and Mr. Xu Xinan, the ultimate controlling parties and directors of the Company. During the year ended 31 December 2014, the rentals paid by the Group under this lease agreement amounted to HK$4,546,000 (2013: HK$4,506,000).

The above related party transaction constituted continuing connected transaction 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 transaction" of the Report of the Directors.

27 IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

At 31 December 2014, the directors consider the immediate controlling party of the Group to be Nicco Worldwide Inc., while the ultimate controlling parties of the Group to be Mr. Xu Xipeng and Mr. Xu Xinan. Nicco Worldwide Inc. is incorporated in BVI. This entity does not produce financial statements available for public use.

28 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 historical 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 the assets at each balance sheet date to determine whether there is objective evidence of impairment. When indication of impairment is identified, management prepares discounted future cashflow to assess the differences between the carrying amount and value in use and provide for impairment loss. Any change in the assumption adopted in the cash flow forecasts would increase or decrease in 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 receivables balance, 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

Fixed assets 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.

(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 asset to be recovered.

29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2014

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 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Annual improvements to HKFRSs 2010-2012 Cycle	1 July 2014
Annual improvements to HKFRSs 2011-2013 Cycle	1 July 2014
Annual improvements to HKFRSs 2012-2014 Cycle	1 January 2016
Amendments to HKAS 16 and HKAS 38 *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
HKFRS 15, *Revenue from contracts with customers*	1 January 2017
HKFRS 9, *Financial instruments (2014)*	1 January 2018

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 it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

In addition, the applicable disclosure requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the Company's first financial year commencing after 3 March 2014 (i.e. the Company's financial year which began on 1 January 2015). The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

3. UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The following is the full text of the unaudited financial statements of the Group for the six months ended 30 June 2015 as extracted from the interim report of the Company for the six months ended 30 June 2015:

Consolidated Statement of Profit or Loss
For the six months ended 30 June 2015 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2015	2014
	Note	*$'000*	*$'000*
Revenue	*4*	86,295	92,590
Cost of sales		(58,339)	(61,137)
Gross profit		27,956	31,453
Other income		2,130	1,376
Distribution costs		(6,583)	(7,480)
Administrative expenses		(14,982)	(15,487)
Profit from operations		8,521	9,862
Finance costs	*5(a)*	(213)	(197)
Profit before taxation	*5*	8,308	9,665
Income tax	*6*	(2,540)	(2,743)
Profit for the period		5,768	6,922
Attributable to:			
Equity shareholders of the Company		5,987	7,000
Non-controlling interests		(219)	(78)
Profit for the period		5,768	6,922
Earnings per share (HK cents)	*7*		
Basic		1.4	1.7
Diluted		1.4	1.7

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the six months ended 30 June 2015 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2015	**2014**
	Note	*$'000*	*$'000*
Profit for the period		5,768	6,922
Other comprehensive income for the period after tax:			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of financial statements of subsidiaries		157	(3,254)
Total comprehensive income for the period		5,925	3,668
Attributable to:			
Equity shareholders of the Company		6,135	3,982
Non-controlling interests		(210)	(314)
Total comprehensive income for the period		5,925	3,668

Consolidated Statement of Financial Position
At 30 June 2015 – unaudited
(Expressed in Hong Kong dollars)

	Note	**At 30 June 2015** *$'000*	**At 31 December 2014** *$'000*
Non-current assets			
Fixed assets	*8*		
– Property, plant and equipment		208,560	211,874
– Lease prepayments		32,709	33,052
		241,269	244,926
Intangible assets		7,107	7,666
Prepayments for fixed assets		534	391
Deferred tax assets		2,133	1,961
		251,043	254,944
Current assets			
Inventories	*9*	21,631	18,369
Trade and other receivables	*10*	62,343	41,535
Current tax recoverable		44	1,173
Deposits with banks	*11*	3,824	41,158
Cash and cash equivalents	*11*	70,062	37,975
		157,904	140,210
Current liabilities			
Bank borrowing	*12*	15,000	17,000
Trade and other payables	*13*	53,428	45,290
Current tax payable		1,678	33
		70,106	62,323

	Note	At 30 June 2015 $'000	At 31 December 2014 $'000
Net current assets		87,798	77,887
Total assets less current liabilities		338,841	332,831
Non-current liabilities			
Deferred tax liabilities		684	543
NET ASSETS		338,157	332,288
CAPITAL AND RESERVES			
Share capital	*14(b)*	4,266	4,150
Reserves		309,617	303,654
Total equity attributable to equity shareholders of the Company		313,883	307,804
Non-controlling interests		24,274	24,484
TOTAL EQUITY		338,157	332,288

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015 – unaudited

(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company								
	Note	Share capital *$'000*	Share premium *$'000*	Capital reserve *$'000*	Statutory reserve *$'000*	Exchange reserve *$'000*	Retained profits *$'000*	Total *$'000*	Non-controlling interests *$'000*	Total equity *$'000*
Balance at 1 January 2014		4,150	138,096	20,316	17,022	37,807	94,021	311,412	24,835	336,247
Change in equity for the six months ended 30 June 2014:										
Profit/(loss) for the period		–	–	–	–	–	7,000	7,000	(78)	6,922
Other comprehensive income		–	–	–	–	(3,018)	–	(3,018)	(236)	(3,254)
Total comprehensive income for the period		–	–	–	–	(3,018)	7,000	3,982	(314)	3,668
Dividends approved in respect of the previous years	*14(a)*	–	–	–	–	–	(8,300)	(8,300)	–	(8,300)
Equity settled share-based payment transactions		–	–	800	–	–	–	800	–	800
Share options lapsed during the period		–	–	(301)	–	–	301	–	–	–
Balance at 30 June 2014		4,150	138,096	20,815	17,022	34,789	93,022	307,894	24,521	332,415

		Attributable to equity shareholders of the Company								
	Note	Share capital *$'000*	Share premium *$'000*	Capital reserve *$'000*	Statutory reserve *$'000*	Exchange reserve *$'000*	Retained profits *$'000*	Total *$'000*	Non-controlling interests *$'000*	Total equity *$'000*
Balance at 1 January 2015		4,150	138,096	21,936	18,123	36,783	88,716	307,804	24,484	332,288
Change in equity for the six months ended 30 June 2015:										
Profit/(loss) for the period		–	–	–	–	–	5,987	5,987	(219)	5,768
Other comprehensive income		–	–	–	–	148	–	148	9	157
Total comprehensive income for the period		–	–	–	–	148	5,987	6,135	(210)	5,925
Dividends approved in respect of the previous years	*14(a)*	–	–	–	–	–	(8,522)	(8,522)	–	(8,522)
Equity settled share-based payment transactions		–	–	1,410	–	–	–	1,410	–	1,410
Share options lapsed during the period		–	–	(70)	–	–	70	–	–	–
Shares issued under share options scheme	*14(b)& 14(c)*	116	9,157	(2,217)	–	–	–	7,056	–	7,056
Balance at 30 June 2015		4,266	147,253	21,059	18,123	36,931	86,251	313,883	24,274	338,157

Condensed Consolidated Cash Flow Statement
For the six months ended 30 June 2015 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2015	**2014**
	Note	*$'000*	*$'000*
Operating activities			
Cash used in operations		(653)	(936)
Tax refund/(paid)		206	(282)
Net cash used in operating activities		(447)	(1,218)
Investing activities			
Payment for the purchase of property, plant and equipment		(3,491)	(35,936)
Decrease/(increase) in deposits with banks		37,334	(17,672)
Other net cash flows arising from investing activities		2,359	1,728
Net cash generated from/(used in) investing activities		36,202	(51,880)
Financing activities			
Dividends paid to equity shareholders of the Company		(8,522)	(8,300)
Proceeds from bank borrowing		15,000	17,000
Repayment for bank borrowing		(17,000)	–
Proceeds from exercise of employee share options		7,056	–
Interest paid		(216)	–
Net cash (used in)/generated from financing activities		(3,682)	8,700
Net increase/(decrease) in cash and cash equivalents		32,073	(44,398)
Cash and cash equivalents at 1 January		37,975	81,666
Effect of foreign exchange rate changes		14	(547)
Cash and cash equivalents at 30 June	*11*	70,062	36,721

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34 Interim financial reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of KEE Holdings Company Limited (the "Company") and its subsidiaries (the "Group") since the 2014 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on pages 60 and 61.

2 CHANGES IN ACCOUNTING POLICIES

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

- Annual Improvements to HKFRSs 2010-2012 Cycle
- Annual Improvements to HKFRSs 2011-2013 Cycle

None of these developments have had a material effect on how the Group's result and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 SEGMENT REPORTING

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

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

(a) Segment results and segment assets

Information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the period is set out below:

Reportable segment results
Six months ended 30 June 2015

	Mainland China	**Overseas**	**Total**
	$'000	*$'000*	*$'000*
Revenue from external customers	78,122	8,173	86,295
Inter-segment revenue	5,710	130	5,840
Reportable segment revenue	83,832	8,303	92,135
Reportable segment profit/(loss)	9,348	(752)	8,596
Interest expense	–	(213)	(213)
Depreciation and amortisation for the period	(8,207)	(347)	(8,554)

Six months ended 30 June 2014

	Mainland China	**Overseas**	**Total**
	$'000	*$'000*	*$'000*
Revenue from external customers	78,742	13,848	92,590
Inter-segment revenue	9,698	22	9,720
Reportable segment revenue	88,440	13,870	102,310
Reportable segment profit	11,074	166	11,240
Interest expense	–	(197)	(197)
Depreciation and amortisation for the period	(7,983)	(117)	(8,100)

Reportable segment assets

	Mainland China $'000	Overseas $'000	Total $'000
As at 30 June 2015	374,823	23,722	398,545
As at 31 December 2014	350,729	44,083	394,812

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

	Six months ended 30 June 2015 $'000	2014 $'000
Revenue		
Reportable segment revenue	92,135	102,310
Elimination of inter-segment revenue	(5,840)	(9,720)
Consolidated revenue *(note 4)*	86,295	92,590
Profit		
Reportable segment profit	8,596	11,240
Elimination of unrealised profit of inter-segment purchase of inventories, other assets and fixed assets	123	(2)
Reportable segment profit derived from the Group's external customers	8,719	11,238
Other income	2,130	1,376
Unallocated head office and corporate expenses	(2,541)	(2,949)
Consolidated profit before taxation	8,308	9,665

	At 30 June 2015 $'000	At 31 December 2014 $'000
Assets		
Reportable segment assets	398,545	394,812
Elimination of unrealised profit of inter-segment purchase of inventories and other assets	(1,130)	(1,182)
Elimination of unrealised profit of inter-segment purchase of fixed assets	(651)	(722)
	396,764	392,908
Deferred tax assets	2,133	1,961
Unallocated head office and corporate assets	10,050	285
Consolidated total assets	408,947	395,154

4 REVENUE

The principal activities of the Group are manufacture and sale of zippers and other related products such as sliders, flat knit ribs and other products. Revenue from the sale of its major products to customers is as follows:

	Six months ended 30 June	
	2015	2014
	$'000	*$'000*
Finished zippers and sliders	78,418	83,790
Flat knit ribs	4,348	5,661
Others	3,529	3,139
	86,295	92,590

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

5 PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2015	2014
	$'000	*$'000*
Interest on bank borrowing	213	197

(b) Staff costs*

	Six months ended 30 June 2015 $'000	2014 $'000
Salaries, wages and other benefits	25,663	27,123
Contributions to defined contribution retirement plans	2,274	2,640
Equity-settled share based payment expenses	1,410	800
	29,347	30,563

(c) Other items

	Six months ended 30 June 2015 $'000	2014 $'000
Depreciation and amortisation*		
– lease prepayments	355	355
– property, plant and equipment	7,639	7,315
– intangible assets	560	430
Operating lease charges in respect of properties	2,380	2,570
Interest income	(1,037)	(1,106)
Net impairment loss written back on inventories	(167)	(290)
Cost of inventories*	58,339	61,137

* Cost of inventories includes HK$25,227,000 for the six months ended 30 June 2015 (six months ended 30 June 2014:HK$25,152,000) relating to staff costs, depreciation and amortisation expenses, which amounts are also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

6 INCOME TAX

	Six months ended 30 June 2015 $'000	2014 $'000
Current tax		
PRC corporate income tax	2,455	2,629
Hong Kong Profits Tax	115	99
Deferred tax		
Origination and reversal of temporary difference	(30)	15
	2,540	2,743

(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 the rate of 16.5% in 2015 and 2014.

(ii) KEE (Guangdong) Garment Accessories Limited ("KEE Guangdong") was recognised as a High and New Technology Enterprise ("HNTE") and was entitled to a preferential income tax rate of 15% up to 2015. Except for KEE Guangdong, the statutory income tax rate applicable to the Company's other subsidiaries in mainland China was 25%.

(iii) At 30 June 2015, temporary differences relating to the undistributed profits of the Group's PRC subsidiaries amounted to HK$69,070,000 (2014:HK$60,963,000). Deferred tax liabilities relating to a portion of these temporary differences amounting to HK$2,245,000 (2014:HK$1,981,000) 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.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK$5,987,000 (six months ended 30 June 2014:HK$7,000,000) and the weighted average number of 418,228,000 ordinary shares (six months ended 30 June 2014:415,000,000 ordinary shares) in issue during the interim period, calculated as follows:

	Six months ended 30 June	
	2015	**2014**
	'000	*'000*
Issued ordinary shares at 1 January	415,000	415,000
Effect of share options exercised *(note14(c))*	3,228	–
Weighted average number of ordinary shares at 30 June	418,228	415,000

(b) Diluted earnings per share

For the six months ended 30 June 2015, the calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK$5,987,000 (six months ended 30 June 2014:HK$7,000,000) and the weighted average number of ordinary shares of 425,471,000 shares (six months ended 30 June 2014:415,000,000 shares), calculated as follows:

	Six months ended 30 June	
	2015	**2014**
	'000	*'000*
Weighted average number of ordinary shares at 30 June	418,228	415,000
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	7,243	–
Weighted average number of ordinary shares (diluted) at 30 June	425,471	415,000

The effect of the Company's share options was anti-dilutive for the six months ended 30 June 2014. Therefore, diluted earnings per share are the same as the basic earnings per share.

8 FIXED ASSETS

During the six months ended 30 June 2015, the Group acquired items of properties, plant and machinery (including payments for construction in progress) with a cost of HK$4,782,000 (six months ended 30 June 2014:HK$34,019,000).

Certain lease prepayments as well as office premises and buildings with an aggregate carrying value of HK$50,734,000 (2014:HK$30,555,000) were pledged as securities for unutilised bank facilities of the Group amounting to HK$35,971,000 (2014:HK$32,957,000) as at 30 June 2015.

9 INVENTORIES

During the six months ended 30 June 2015, HK$348,000 (six months ended 30 June 2014:HK$677,000) has been recognised as a reduction in the amount of inventories recognised as an expense in profit or loss during the period, being the amount of reversal of a write-down of inventories to estimated net realisable value. This reversal arose due to an increase net realisable value of certain finished goods with reference to the latest selling price.

10 TRADE AND OTHER RECEIVABLES

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:

	At 30 June 2015	**At 31 December 2014**
	$'000	*$'000*
Within 1 month	22,582	11,619
1 to 2 months	20,691	9,985
2 to 3 months	11,999	6,342
Over 3 months	3,574	9,516
Trade debtors and bills receivable, net of allowance for doubtful debts	58,846	37,462
Prepayments	982	669
Deposits and other debtors	2,515	3,404
	62,343	41,535

All of the trade and other receivables are expected to be recovered or recognised as expense within one year. Trade debtors and bills receivable are in general due within 30 to 90 days from the date of billing.

11 CASH AND CASH EQUIVALENTS

	At 30 June 2015	At 31 December 2014
	$'000	*$'000*
Deposits with banks	12,713	69,046
Cash at bank and in hand	61,173	10,087
	73,886	79,133
Less: Bank deposits with maturity beyond three months	(3,824)	(41,158)
Cash and cash equivalents	70,062	37,975

As at 31 December 2014, deposits with banks amounting to RMB15,000,000 (equivalent to HK$19,014,000) were pledged as security for bank borrowing (note 12). The pledged bank deposits were released upon the full settlement of relevant bank borrowing on 9 January 2015.

12 BANK BORROWING

	At 30 June 2015	At 31 December 2014
	$'000	*$'000*
Secured bank loan	15,000	17,000

As at 30 June 2015, the bank loan was secured by office premises owned by KEE Zippers Corporation Limited with carrying value of HK$21,081,000 (note 8), which bore a floating interest rate of Hong Kong interbank offered rate with a premium of 2.5% per annum and will be repaid within one year.

As at 31 December 2014, the bank loan was secured by pledged bank deposits of the Group in the amount of RMB15,000,000 (equivalent to HK$19,014,000), which bore a floating interest rate of Hong Kong interbank offered rate with a premium of 2.25% per annum. The loan was repaid during the period.

13 TRADE AND OTHER PAYABLES

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:

	At 30 June 2015	At 31 December 2014
	$'000	*$'000*
Within 1 month or on demand	13,557	6,968
Over 1 month but within 3 months	919	260
Over 3 months	94	1
Trade creditors	14,570	7,229
Payroll and staff benefits payable	9,548	9,133
Accrued expenses	3,522	4,376
Payables for fixed assets	11,706	10,272
Deposits received	–	4,437
Other tax payables	1,602	226
Advance from a third party	8,877	8,873
Other payables	3,603	744
	53,428	45,290

14 CAPITAL, RESERVE AND DIVIDENDS

(a) Dividends

Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 30 June 2015	2014
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the interim period, of HK2 cents per ordinary share (six months ended 30 June 2014:HK 2 cents)	8,522	8,300

No interim dividend was declared after the end of the reporting period.

(b) Share capital

Authorised and issued share capital

	At 30 June 2015 No. of shares *('000)*	*$'000*	At 31 December 2014 No. of shares *('000)*	*$'000*
Authorised:				
Ordinary shares of HK$0.01 each	2,000,000	20,000	2,000,000	20,000
Ordinary shares, issued and fully paid:				
At 1 January	415,000	4,150	415,000	4,150
Shares issued under share option scheme	11,560	116	–	–
At 30 June/31 December	426,560	4,266	415,000	4,150

(c) Shares issued under share options scheme

During the six months ended 30 June 2015, options were exercised to subscribe for 11,560,000 ordinary shares in the Company at a consideration of HK$7,056,000 of which HK$116,000 was credited to share capital and the balance of HK$6,940,000 was credited to the share premium account. The amount of HK$2,217,000 has been transferred from the capital reserve to the share premium account.

15 COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

(a) Capital commitments outstanding not provided for in the interim financial report

	At 30 June 2015 *$'000*	At 31 December 2014 *$'000*
Contracted for	9,942	17,728

(b) Total future minimum leases payments under non-cancellable operating leases are payable as follows:

	At 30 June 2015 *$'000*	At 31 December 2014 *$'000*
Within 1 year	4,616	4,694
After 1 year but within 5 years	15,939	13,638
	20,555	18,332

16 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

The rental charges in respect of certain leasehold properties payable to Mr. Xu Xipeng and Mr. Xu Xinan, the ultimate controlling parties and directors of the Company, amounted to HK$2,277,000 for the six months ended 30 June 2015 (six months ended 30 June 2014:HK$2,275,000).

(b) Key management personnel remuneration

Remuneration for key management personnel (including directors of the Group) is as follows:

	Six months ended 30 June	
	2015	**2014**
	$'000	*$'000*
Short-term employee benefits	2,586	2,231
Retirement scheme contribution	131	45
Share-based payments	295	166
	3,012	2,442

17 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 29 July 2015, the Board announced that with the consent of the relevant grantees, among the 15,846,000 share options which were in issue but unvested as of 30 June 2015, 13,145,000 unvested share options were cancelled with effect from 27 July 2015. No compensation was paid to and no other agreement was made with the relevant grantees in respect of the cancellation of the above unvested share options.

18 COMPARATIVE FIGURES

The requirements of Part 9, "Accounts and Audit", of the Hong Kong Companies Ordinance (Cap.622) came into operation at the start of the Company's current financial year. These changes include replacing terminology like turnover that is no longer used in the Hong Kong Companies Ordinance with terminology like revenue used in Hong Kong Financial Reporting Standards. In addition, the Group presented gross income other than turnover as "other revenue" and gains or losses as "other net income". To streamline the presentation, these two types of income are combined and presented as one line item under the caption "other income".

4. INDEBTEDNESS

At the close of business on 31 October 2015, being the latest practicable date for the purpose of the indebtedness statement prior to the printing of this Response Document, the Group had an outstanding bank borrowing of approximately HK$15,000,000, which was secured by the mortgages over HK property of the Group with the carrying value of HK$20,863,000.

Save as disclosed above or as otherwise mentioned herein, and apart from intra-group liabilities, at the close of business on 31 October 2015, the Group did not have any other outstanding borrowings, or any mortgages, charges, debentures, loan capital, bank overdrafts or loans, liabilities under acceptance (other than normal trade bills) or other similar indebtedness, hire purchase or finance lease obligations or any guarantees or other material contingent liabilities.

5. MATERIAL CHANGE

Save for (i) the decreases in the Group's revenue and profitability including gross profit and profit for the period as disclosed in the interim report of the Group for the six months ended 30 June 2015; and (ii) a total of approximately HK$4 million documentation fees estimated to be borne by the Group in connection with the transactions disclosed in the Joint Announcement, the Directors confirm that as at the Latest Practicable Date, there had been no material change in the financial or trading position or outlook of the Group subsequent to 31 December 2014, being the date to which the last published audited consolidated financial statements of the Company were made up.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information (other than information relating to the Offeror and parties acting in concert with it and the terms of the Offers) contained in this Response Document and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Response Document have been arrived at after due and careful consideration and there are no other facts not contained in this Response Document, the omission of which would make any statement in this Response Document misleading.

The information contained in this Response Document relating to the Offeror and parties acting in concert with it and the terms of the Offers has been extracted or derived from the Offer Document. The Directors jointly and severally accept full responsibility for the correctness and fairness of the reproduction or presentation of such information but accept no further responsibility in respect of such information.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at 31 December 2015 (being the end of the last financial year end of the Company) and the Latest Practicable Date were as follows:

		HK$
Authorised ordinary share capital:		
2,000,000,000	Shares of HK$0.01 each as at 31 December 2015 and the Latest Practicable Date	20,000,000
Issued and fully paid:		
426,820,000	Shares of HK$0.01 each as at 31 December 2015	4,268,200
59,000	Shares of HK$0.01 each allotted and issued pursuant to the exercise of the 59,000 Share Options on 20 January 2016	590
3,410,000	Shares of HK$0.01 each allotted and issued pursuant to the exercise of the 3,410,000 Share Options on 21 January 2016	34,100
1,612,000	Shares of HK$0.01 each allotted and issued pursuant to the exercise of the 1,612,000 Share Options on 22 January 2016	16,120
431,901,000	Shares of HK$0.01 each as at the Latest Practicable Date	4,319,010

All the existing issued Shares are fully paid up and rank pari passu with each other in all respects including all rights as to dividends, voting and capital.

As at the Latest Practicable Date, the Company has 431,901,000 Shares in issue, 4,193,000 vested Share Options which entitle the holders thereof to subscribe for 4,193,000 new Shares. Save for the 4,193,000 vested Share Options, the Company does not have any outstanding options, derivatives, warrants, or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares, and the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

(a) Director's and chief executive's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the following Directors and chief executives had or was deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) or which were otherwise required to notify the Company and the Stock Exchange pursuant to the Model Code:

(i) Long positions in the Shares and the underlying shares

Name of Directors	Nature of Interest	Number of Shares	Approximate percentage or attributable percentage of shareholding
Mr. Lin Bin	Beneficial Owner	380,000 *(Note)*	0.088%
Mr. Kong Hing Ki	Beneficial Owner	380,000 *(Note)*	0.088%
Mr. Tam Yuk Sang, Sammy	Beneficial Owner	380,000 *(Note)*	0.088%

Note: All interests in underlying Shares of the Company are interests in share options of the Company granted under the share option scheme of the Company, all of which may be exercised during the period from the day after the 2012 annual results being announced to the day the 2017 annual results being announced.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were otherwise required to notify the Company and the Stock Exchange pursuant to the Model Code.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

So far as is known to the Directors, as at the Latest Practicable Date, the following person (not being Directors or chief executive of the Company) had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of Shareholder	**Nature of Interest**	**Number of Shares** *(Note 12)*	**Approximate percentage or attributable percentage of shareholding**
Offeror	Beneficial Owner	310,490,000 (L)	71.889%
Li Zhen Hong Kong Trading Co., Limited (“**Li Zhen**”) *(Note 1)*	Interest in controlled Corporation	310,490,000 (L)	71.889%
上海永文投資有限公司 *(Note 2)*	Interest in controlled Corporation	310,490,000 (L)	71.889%
北京中弘弘毅投資有限公司 *(Note 3)*	Interest in controlled Corporation	310,490,000 (L)	71.889%
Zhonghong *(Note 4)*	Interest in controlled Corporation	310,490,000 (L)	71.889%
Zhonghong Zhuoye *(Note 5)*	Interest in controlled Corporation	310,490,000 (L)	71.889%
Mr. Wang Yong Hong *(Note 6)*	Interest in controlled Corporation	310,490,000 (L)	71.889%
China Orient Asset Management Corporation (“**COAMC**”) *(Note 7)*	Interest in controlled Corporation	310,490,000 (L)	71.889%

Name of Shareholder	**Nature of Interest**	**Number of Shares** *(Note 12)*	**Approximate percentage or attributable percentage of shareholding**
Keen Concept Enterprise Corp. ("**Keen Concept**") *(Note 8)*	Security Interest	310,490,000 (L)	71.889%
China Orient Asset Management (International) Holding Limited ("**COAMI**") *(Note 9)*	Interest in controlled Corporation	310,490,000 (L)	71.889%
Wise Leader Assets Ltd. ("**Wise Leader**") *(Note 10)*	Interest in controlled Corporation	310,490,000 (L)	71.889%
Dong Yin Development (Holdings) Limited ("**Dong Yin**") *(Note 11)*	Interest in controlled Corporation	310,490,000 (L)	71.889%

Note:

1. Li Zhen wholly owns the Offeror. Therefore, Li Zhen is deemed or taken to be interested in all the Shares held by the Offeror.

2. 上海永文投資有限公司 wholly owns Li Zhen. Therefore, 上海永文投資有限公司 is deemed or taken to be interested in all the Shares in which Li Zhen is interested.

3. 北京中弘弘毅投資有限公司 wholly owns 上海永文投資有限公司. Therefore, 北京中弘弘毅投資有限公司 is deemed or taken to be interested in all the Shares in which 上海永文投資有限公司 is interested.

4. Zhonghong wholly owns 北京中弘弘毅投資有限公司. Therefore, Zhonghong is deemed or taken to be interested in all the Shares in which 北京中弘弘毅投資有限公司 is interested.

5. Zhonghong Zhuoye holds approximately 34.51% interest in Zhonghong. Therefore, Zhonghong Zhuoye is deemed or taken to be interested in all the Shares in which Zhonghong is interested.

6. Mr. Wang Yong Hong wholly owns Zhonghong Zhuoye. Therefore, Mr. Wang Yong Hong is deemed or taken to be interested in all the Shares in which Zhonghong Zhuoye is interested.

7. COAMC holds 100% interest in Dong Yin. Therefore, COAMC is deemed or taken to be interested in all the Shares of the Company held by Keen Concept as security interest.

8. On 14 August 2015, the Offeror charged all the Shares to be acquired by the Offeror in accordance with the Sale and Purchase Agreement comprising 310,490,000 Shares representing approximately 71.889% as at the Latest Practicable Date (prior to exercise of any outstanding options) of the existing issued share capital of the Company, in favour of Keen Concept

pursuant to the share charge in connection with an investment agreement dated 14 August 2015 as amended by a deed of amendment agreement dated 5 November 2015. Therefore, Keen Concept has a security interest in 310,490,000 Shares of the Company.

9. COAMI holds 100% interest in Keen Concept. Therefore, COAMI is deemed or taken to be interested in all the Shares of the Company held by Keen Concept as security interest.

10. Wise Leader holds approximately 50% interest in COAMI. Therefore, Wise Leader is deemed or taken to be interested in all the Shares of the Company held by Keen Concept as security interest.

11. Dong Yin holds approximately 50% interest in COAMI and 100% interest in Wise Leader respectively. Therefore, Dong Yin is deemed or taken to be interested in all the Shares of the Company held by Keen Concept as security interest.

12. The letters "L" and "S" denote a long position and a short position respectively in the Shares.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

4. SHAREHOLDINGS AND DEALINGS IN THE OFFEROR

As at the Latest Practicable Date, none of the Company nor any of its Directors have any interest in the relevant securities (as defined in note 4 to Rule 22 of the Takeovers Code) (the "Relevant Securities") of the Offeror, and no such person (including the Company) had dealt in the Relevant Securities of the Offeror during the Relevant Period.

5. SHAREHOLDINGS AND DEALINGS IN SECURITIES OF THE COMPANY

Save as disclosed in the section headed "Disclosure of Interests" in this appendix, none of the Directors held any shares, convertible securities, warrants, options or other derivatives of the Company, and save for the disposal of the Sale Shares under the Sale and Purchase Agreement, none of the Directors have dealt for value in any Share or any convertible securities, warrants, option or derivatives issued by the Company during the Relevant Period.

As at the Latest Practicable Date,

(a) no Share or any convertible securities, warrants, option or derivatives issued by the Company was owned or controlled by a subsidiary of the Company or by a pension fund (if any) of any member of the Group or by an adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code or by the Independent Financial Adviser or any of its associates (as defined in the Takeovers Code), and no such person had dealt in the Shares or any convertible securities, warrants, options or derivatives issued by the Company during the Relevant Period;

(b) no Shares or any convertible securities, warrants, option or derivatives issued by the Company was managed on a discretionary basis by fund managers connected with the Company, and no such person had dealt in the Share or any convertible securities, warrants, options or derivatives issued by the Company during the Relevant Period;

(c) no person has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code.

(d) none of the Company or any of its Directors has borrowed or lent any Shares or any convertible securities, warrants, options or derivatives issued by the Company during the Relevant Period.

(e) Mr. Lin Bin, Mr. Kong Hing Ki and Mr. Tam Yuk Sang, Sammy, each of them being an independent non-executive Director and holder of 380,000 Share Options, are the only Directors who owned or controlled or was interested in any Relevant Securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

Each of Mr. Lin, Mr. Kong and Mr. Tam has expressed their intention, in respect of their own beneficial shareholdings in the Company, to accept the Option Offer.

6. ARRANGEMENTS AFFECTING AND RELATING TO DIRECTORS

As at the Latest Practicable Date,

(a) no benefit (other than statutory compensation) had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Offers;

(b) save for the Sale and Purchase Agreement, no material contracts had been entered into by the Offeror in which any Director has a material personal interest; and

(c) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers.

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries or associated companies which:

(i) (including both continuous and fixed term contracts) have been entered into or amended within six months before the commencement of the Offer Period;

(ii) are continuous contracts with a notice period of 12 months or more; and

(iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

8. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

9. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business carried on or intended to be carried on by the Group) have been entered into by members of the Group within the two years immediately preceding the date of the MOU Announcement and up to the Latest Practicable Date which are or may be material:

(a) the HK Lease Agreement;

(b) the PRC Lease Agreement;

(c) the Shareholders' Agreement;

(d) the lease renewal agreement dated 28 December 2015 and entered into between Mr. Xu Xipeng and Mr. Xu Xinan as lessors and KEE Guangdong as lessee in relation to the renewal of the lease for the production base in Foshan City of Guangdong Province for a further term of three years from 1 January 2016 to 31 December 2018 at a monthly rent of RMB310,000;

(e) the letter of agreement dated 18 December 2015 and entered into between KEE Zippers and Classic Winner, pursuant to which KEE Zippers and Classic Winner agreed that the rent to be payable by KEE Zippers throughout the extended term of the HK Lease Agreement shall be determined according to the prevailing open market rent under the valuation report to be prepared by an independent professional valuer to be engaged by KEE Zippers or its holding company;

(f) the Disposal Agreements (as supplemented by the extension letters dated 27 November 2015);

(g) the structured deposit agreement dated 4 March 2015 entered into between KEE Guangdong as the subscriber and Industrial Bank Co., Limited as the bank in relation to the subscription of principal-preservation and floating income structured deposit product of RMB12,000,000 at a subscription amount of RMB12,000,000;

(h) the master agreement dated 18 July 2014 entered into between 上海翎峰貿易有限公司 (Shanghai Lingfeng Trading Company Limited#) ("**Lingfeng Trading**") and KEE Guangdong pursuant to which Lingfeng Trading and 蘇州德峰紡織品有限公司 (Suzhou Defeng Textile Company Limited#) would (i) provide the processing services in connection with flat knit rib to KEE Guangdong; (ii) sell flat knit ribs to KEE Guangdong and/or (iii) supply equipment or spare parts to KEE Guangdong on an ongoing or continuing basis for three years ending 31 December 2016 based on the fair market value; and

(i) the agreement for sale and purchase dated 22 November 2013 entered into between KEE Zippers as the purchaser and Billion Wave Development Limited as the vendor in relation to the acquisition of Unit B on 16th Floor, No.1 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong by the purchaser for a cash consideration of HK$19,967,220.

10. EXPERTS AND CONSENT

The following is the qualification of the expert who has given an opinion or advice contained in this Response Document:

Name	**Qualification**
BOSC International Company Limited ("**BOSC International**")	Licenced Corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Hills & Co. (君道律師事務所)	PRC qualified lawyers

Each of BOSC International and Hills & Co. has given and has not withdrawn respective written consent to the issue of this Response Document with the inclusion of its letter or report and/or reference to its name (as the case may be) in the form and context in which it respectively appears.

Each of BOSC International and Hills & Co. did not have any interests, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2014, the date to which the latest published audited consolidated financial statements of the Group were made up.

Each of BOSC International and Hills & Co. did not have any shareholding in the Company or any of its subsidiaries or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

11. MISCELLANEOUS

(a) The registered office of the Company is located at 3rd Floor, Queensgate House, 113 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

(b) The principal place of business of the Company in Hong Kong is Unit B, 16/F., YHC Tower No. 1, Sheung Yuet Road Kowloon Bay, Kowloon Hong Kong.

(c) The Company's Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The joint company secretaries of the Company are Mr. Xu Haizhou and Ms. Li Yan Wing, Rita. Mr. Xu Haizhou does not possess the specified qualifications as required under Rules 3.28 and 8.17 of the Listing Rules. The Stock Exchange had granted on 22 June 2012 a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules in relation to Mr. Xu Haizhou's eligibility to act as the joint company secretary for a three-year period starting from 29 June 2012, on the condition that, among other things, Mr. Xu Haizhou had been assisted by Ms. Li Yan Wing, Rita during the waiver period. Ms. Li Yan Wing, Rita is an associate of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. The Stock Exchange had issued a letter on 24 June 2015 agreeing that Mr. Xu Haizhou was qualified to act as the Company Secretary of the Company under Rule 3.28 of the Listing Rules.

(e) The English text of this Response Document shall prevail over the Chinese text.

12. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection (i) on the website of the Company (http://kee.com.cn) and the website of the SFC (http://www.sfc.hk); and (ii) at the principal place of business of the Company in Hong Kong at Unit B, 16/F., YHC Tower Nos. 1, Sheung Yuet Road Kowloon Bay, Kowloon Hong Kong during normal business hours from 9:00 a.m. to 5:30 p.m. on any business day from the date of this Response Document up to and including the Closing Date:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for each of the two financial years ended 31 December 2014;

(c) the letter from the Board, the text of which is set out on pages 10 to 20 in this Response Document;

(d) the letter from the Code IBC, the text of which is set out on pages 21 to 22 in this Response Document;

(e) the letter from BOSC International to the Code IBC, the Independent Shareholders and the Optionholders, the text of which is set out on pages 23 to 47 in this Response Document;

(f) the material contracts referred to under the paragraph “Material contracts” in this appendix; and

(g) the written consent from the experts referred to under the paragraph headed “Experts and consent” in this appendix.