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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2014	2013	
	HK$'000	*HK$'000*	*change*
	(unaudited)	*(unaudited)*	
Turnover	**92,590**	75,008	+23.4%
Gross profit	**31,453**	23,557	+33.5%
Gross profit margin	**34.0%**	31.4%	+8.3%
Profit from operations	**9,862**	2,528	+290.1%
Profit before taxation	**9,665**	2,528	+282.3%
Profit for the period attributable to equity shareholders of the Company	**7,000**	623	+1,023.6%
Basic and diluted earnings per share *(HK$)*	**0.017**	0.002	+750.0%

	As at 30 June 2014	As at 31 December 2013	
	HK$'000	*HK$'000*	*change*
	(unaudited)	*(audited)*	
Total assets	**410,253**	390,719	+5.0%
Deposits with banks	**31,885**	14,213	+124.3%
Cash and cash equivalents	**36,721**	81,666	-55.0%
Total equity attributable to equity shareholders of the Company	**307,894**	311,412	-1.1%

INTERIM RESULTS

The Board is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 30 June 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2014 – unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2014	2013
		$'000	*$'000*
Turnover	*4*	**92,590**	75,008
Cost of sales		**(61,137)**	(51,451)
Gross profit		**31,453**	23,557
Other revenue		**1,310**	1,663
Other net income/(loss)		**66**	(438)
Distribution costs		**(7,480)**	(7,745)
Administrative expenses		**(15,487)**	(14,509)
Profit from operations		**9,862**	2,528
Finance costs	*5(a)*	**(197)**	–
Profit before taxation	*5*	**9,665**	2,528
Income tax	*6*	**(2,743)**	(1,999)
Profit for the period		**6,922**	529
Attributable to:			
Equity shareholders of the Company		**7,000**	623
Non-controlling interests		**(78)**	(94)
Profit for the period		**6,922**	529
Basic and diluted earnings per share (HK$)	*7*	**0.017**	0.002

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the six months ended 30 June 2014 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2014	2013
	$'000	*$'000*
Profit for the period	**6,922**	529
Other comprehensive income for the period		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of subsidiaries	**(3,254)**	5,619
Total comprehensive income for the period	**3,668**	6,148
Attributable to:		
Equity shareholders of the Company	**3,982**	6,006
Non-controlling interests	**(314)**	142
Total comprehensive income for the period	**3,668**	6,148

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2014

(Expressed in Hong Kong dollars)

	Note	At 30 June 2014 (Unaudited) $'000	At 31 December 2013 (Audited) $'000
Non-current assets			
Fixed assets			
– Property, plant and equipment		**213,190**	189,179
– Lease prepayments		**33,203**	33,878
		246,393	223,057
Intangible assets		**5,583**	6,018
Prepayments for fixed assets		**1,766**	6,319
Deferred tax assets		**2,254**	2,105
		255,996	237,499
Current assets			
Inventories		**20,131**	17,101
Trade and other receivables	*8*	**65,316**	40,036
Current tax recoverable		**204**	204
Deposits with banks		**31,885**	14,213
Cash and cash equivalents		**36,721**	81,666
		154,257	153,220
Current liabilities			
Bank borrowings		**17,000**	–
Trade and other payables	*9*	**57,759**	53,996
Current tax payable		**2,517**	78
		77,276	54,074
Net current assets		**76,981**	99,146
Total assets less current liabilities		**332,977**	336,645

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2014

(Expressed in Hong Kong dollars)

	Note	**At 30 June 2014**	At 31 December 2013
		(Unaudited)	*(Audited)*
		$'000	*$'000*
Non-current liabilities			
Deferred tax liabilities		**562**	398
NET ASSETS		**332,415**	336,247
CAPITAL AND RESERVES			
Share capital		**4,150**	4,150
Reserves		**303,744**	307,262
Total equity attributable to equity shareholders of the Company		**307,894**	311,412
Non-controlling interests		**24,521**	24,835
TOTAL EQUITY		**332,415**	336,247

NOTES

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION

The consolidated results set out in this announcement do not constitute the Group's consolidated interim financial report for the six months ended 30 June 2014 but are extracted from the consolidated interim financial report.

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 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of these changes in accounting policies are set out in note 2.

This interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company. It has also 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.

2 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*

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. 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, the Group has presented the following four reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Southern China: this segment manufactures zipper and flat knit ribs products and mainly sells to customers in Southern China. Its activities are mainly carried out in Guangdong province.

- Eastern China: this segment manufactures zipper products and mainly sells to customers in Eastern China. Its activities are mainly carried out in Zhejiang province.

- Central China: this segment manufactures zipper products and mainly sells to customers in Central China. Its activities are mainly carried out in Hubei province.

- Overseas: this segment purchases zipper products from segment of Southern China and Eastern 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, administrative expenses and finance costs". 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 six months ended 30 June 2014 and 2013 is set out below:

Reportable segment result

Six months ended 30 June 2014

	Southern China *$'000*	**Eastern China** *$'000*	**Central China** *$'000*	**Overseas** *$'000*	**Total** *$'000*
Revenue from external customers	**40,931**	**37,811**	**–**	**13,848**	**92,590**
Inter-segment revenue	**21,216**	**2,088**	**–**	**22**	**23,326**
Reportable segment revenue	**62,147**	**39,899**	**–**	**13,870**	**115,916**
Reportable segment profit/(loss)	**5,438**	**6,388**	**(752)**	**166**	**11,240**
Depreciation and amortisation for the period	**(5,079)**	**(2,588)**	**(316)**	**(117)**	**(8,100)**

Six months ended 30 June 2013

	Southern China *$'000*	Eastern China *$'000*	Central China *$'000*	Overseas *$'000*	Total *$'000*
Revenue from external customers	26,427	27,367	–	21,214	75,008
Inter-segment revenue	19,470	4,511	–	66	24,047
Reportable segment revenue	45,897	31,878	–	21,280	99,055
Reportable segment (loss)/profit	(2,763)	4,597	(848)	3,698	4,684
Depreciation and amortisation for the period	(4,595)	(2,644)	(308)	(8)	(7,555)

Reportable segment assets

	Southern China *$'000*	**Eastern China** *$'000*	**Central China** *$'000*	**Overseas** *$'000*	**Total** *$'000*
As at 30 June 2014	**138,263**	**107,200**	**136,676**	**27,659**	**409,798**
As at 31 December 2013	132,516	102,771	143,455	11,602	390,344

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

	Six months ended 30 June	
	2014	2013
	$'000	*$'000*
Revenue		
Reportable segment revenue	**115,916**	99,055
Elimination of inter-segment revenue	**(23,326)**	(24,047)
Consolidated turnover	**92,590**	75,008
Profit		
Reportable segment profit	**11,240**	4,684
Elimination of unrealised profits of inter-segment purchase of inventories and fixed assets	**(2)**	166
Reportable segment profit derived from the Group's external customers	**11,238**	4,850
Other revenue	**1,310**	1,663
Other net income/(loss)	**66**	(438)
Unallocated head office and corporate expenses	**(2,949)**	(3,547)
Consolidated profit before taxation	**9,665**	2,528

	At 30 June	At 31 December
	2014	2013
	$'000	*$'000*
Assets		
Reportable segment assets	**409,798**	390,344
Elimination of unrealised profit of inter-segment purchase of inventories	**(1,392)**	(1,319)
Elimination of unrealised profit of inter-segment purchase of fixed assets	**(795)**	(866)
	407,611	388,159
Deferred tax assets	**2,254**	2,105
Unallocated head office and corporate assets	**388**	455
Consolidated total assets	**410,253**	390,719

4 TURNOVER

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

Turnover represents the sales value of goods supplied to customers, net of value added taxes or other sales taxes. The amount of each significant category of revenue recognised in turnover during the period is as follows:

	Six months ended 30 June	
	2014	2013
	$'000	*$'000*
Finished zippers and sliders	**83,790**	71,982
Flat knit ribs	**5,661**	1,362
Premium items and others	**3,139**	1,664
	92,590	75,008

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

5 PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2014	2013
	$'000	*$'000*
Interest on bank borrowings	**197**	–

(b) Staff costs*

	Six months ended 30 June	
	2014	2013
	$'000	*$'000*
Salaries, wages and other benefits	**27,123**	23,542
Contributions to defined contribution retirement plans	**2,640**	2,057
Equity-settled share based payment expenses	**800**	2,323
	30,563	27,922

(c) Other items

	Six months ended 30 June	
	2014	2013
	$'000	*$'000*
Depreciation and amortisation*		
– lease prepayments	**355**	349
– property, plant and equipment	**7,315**	6,786
– intangible assets	**430**	420
Allowances for impairment losses charged/(written back) on trade and other receivables	**136**	(71)
Operating lease charges in respect of properties	**2,570**	2,728
Net foreign exchange loss	**22**	234
Net loss on disposal of fixed assets	**11**	370
Interest income	**(1,106)**	(1,266)
Net impairment loss written back on inventories	**(290)**	(10)
Research and development costs	**1,047**	1,410
Cost of inventories*	**61,137**	51,451

* Cost of inventories includes HK$25,152,000 for the six months ended 30 June 2014 (six months ended 30 June 2013: HK$21,447,000) 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	
	2014	2013
	$'000	*$'000*
Current tax		
PRC corporate income tax	**2,629**	1,456
PRC dividend withholding tax	**–**	806
Hong Kong Profits Tax	**99**	762
Deferred tax		
Origination and reversal of temporary difference	**15**	(1,025)
	2,743	1,999

(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 2014 and 2013.

The PRC statutory income tax rate applicable to the Company's PRC subsidiaries is 25% in 2014 and 2013. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

(ii) KEE (Guangdong) Garment Accessories Limited ("KEE Guangdong") was qualified as a High and New Technology Enterprise ("HNTE") in 2010, which entitled to enjoy a preferential income tax rate of 15% from the year 2010 to 2012 according to relevant regulations in the PRC Corporate Income Tax Law.

KEE Guangdong had successfully renewed its HNTE qualification in the year 2013 and obtained the formal approval on 13 May 2014 from related authorities. KEE Guangdong continued to enjoy a preferential income tax rate of 15% for another three years starting from the financial year commenced on 1 January 2013.

(iii) At 30 June 2014, temporary differences relating to the undistributed profits of the Group's PRC subsidiaries amounted to HK$62,088,000 (2013: HK$52,681,000). Deferred tax liabilities relating to a portion of these temporary differences amounting to HK$2,018,000 (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.

7 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$7,000,000 (six months ended 30 June 2013: HK$623,000) and the weighted average of 415,000,000 ordinary shares (six months ended 30 June 2013: weighted average of 415,000,000 ordinary shares) in issue during the interim period.

The effects of potential ordinary shares during the period are anti-dilutive and, therefore, diluted earnings per share are the same as the basic earnings per share.

8 TRADE AND OTHER RECEIVABLES

	At 30 June 2014	At 31 December 2013
	$'000	*$'000*
Trade debtors and bills receivable	**62,557**	36,894
Less: allowance for doubtful debts *(note 8(b))*	**(271)**	(136)
	62,286	36,758
Prepayments	**802**	1,482
Deposits and other debtors	**2,228**	1,796
	65,316	40,036

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 based on the invoice date and net of allowance for doubtful debts, is as follows:

	At 30 June 2014	At 31 December 2013
	$'000	*$'000*
Within 1 month	**22,694**	8,824
1 to 2 months	**21,407**	10,253
2 to 3 months	**13,400**	6,202
Over 3 months	**4,785**	11,479
	62,286	36,758

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

(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.

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

	At 30 June 2014	At 31 December 2013
	\$'000	*\$'000*
At 1 January	**136**	164
Exchange adjustments	**(1)**	4
Impairment loss recognised	**136**	37
Uncollectible amounts written off	**–**	(69)
At 30 June/31 December	**271**	136

At 30 June 2014, the Group's trade debtors and bills receivable of HK\$271,000 (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:

	At 30 June 2014	At 31 December 2013
	\$'000	*\$'000*
Neither past due nor impaired	**38,120**	17,571
Less than 3 months past due	**23,691**	15,246
More than 3 months but less than 12 months past due	**454**	3,909
More than 12 months past due	**21**	32
	62,286	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.

9 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 2014	At 31 December 2013
	$'000	*$'000*
Within 1 month or on demand	**12,530**	5,740
Over 1 month but within 3 months	**250**	1,109
Over 3 months but within 6 months	**372**	32
Trade creditors	**13,152**	6,881
Payroll and staff benefits payable	**10,129**	8,975
Accrued expenses	**5,311**	3,555
Payables for fixed assets	**12,898**	17,417
Deposits received	**4,409**	6,360
Other tax payables	**2,270**	1,157
Advance from a third party	**8,819**	8,903
Other payables	**771**	748
	57,759	53,996

10 DIVIDENDS

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

	Six months ended 30 June	
	2014	2013
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the interim period, of HK 2 cents per ordinary share (six months ended 30 June 2013: HK 2 cents)	**8,300**	8,300

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

BUSINESS REVIEW

The Group is principally engaged in manufacturing finished zippers in China. The Group's customers for zippers are principally OEMs who manufacture apparel products for (i) some apparel brands in China; and (ii) some well-known international apparel brands. The Group maintains a close working relationship with apparel brand owners on the design of zippers to be applied in 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.

The Group also supplies sliders, components of zippers (including continuous zipper chains and stops) and molds fittings and designs and supplies premium items exclusively to apparel brand owners to meet the promotional needs for their products.

In addition, the Group also supplies flat knit ribs to customers to gradually satisfy the one-stop procurement demand for apparel components and accessories.

During the first half of 2014, the China's economy was stable in general and its structural adjustments progressed steadily. However, it takes time for the traditional industries to adapt for the adjustments; especially the apparel industry is still operating under difficulties. The slow-down of economic growth of China and the transformation of development patterns of apparel corporations caused the consumption of apparel still maintained at low levels in China. All of these factors challenged the demand for quality zippers.

In view of this, the Group were not only dedicated to improving the customer service and enhancing the efforts in securing new clients, we also responded promptly to the requests of customers and developed new products which could satisfy the customer demands. All these measures have obtained positive effects so far.

In addition, the Group also continue to fully explore own potential in areas such as personnel management, production automization, wastage management, quality control and inventory management which in turn further reduced production costs, enhanced inventory turnover rate and improved the gross profit margin level.

PROSPECTS

The launch of "minimal stimulus" and quantitative easing policies will probably lead to a "stable economic growth" in China for the second half of the year. It is expected that China will simultaneously implement "structural adjustments" and "stable growth" policies during the second half of the year. It is unlikely that large-scale stimulus policies will be introduced to substantially enhance economic growth. The economic growth of China will mainly present a stable trend. With the stable growth policies launched in the central and local regions taking effect, it is expected that the macro-economy of China will further improve in the second half of the year. This may lead to an increase in demand for quality zippers.

The Group will continue to increase investments on sales channels, market promotion, development and sales of new products, etc, with a view to increase the Group's share of quality zipper market.

The Group is also actively promoting the development of flat knit rib business, so as to raise our share in the garment accessories market. In addition, the Group has also developed the application of integrated vamp in recreational sports shoes and leather shoes and intended to facilitate the promotion and sales of such products. This may also contribute to the further improvement in the Group's operational performance.

Moreover, the Group will continue to invest more efforts in production automization, strengthening cost control and enhancing inventory management as well as improving production and personnel efficiency and promptly responding to the customer needs.

The zipper industry in China is currently under a period of consolidation. While those enterprises with less competitiveness will be eliminated by market forces, enterprises with stronger core competencies, higher qualities, larger economic scale and higher brand recognition would grow, leading to a higher market concentration. This would raise the barrier of entry for the industry. Therefore, the Group may consider to pursue suitable merger and acquisition opportunities.

FINANCIAL REVIEW

For the six months ended 30 June 2014, the Group's turnover and profit attributable to equity shareholders of the Company amounted to approximately HK$92.59 million and HK$7.0 million respectively, representing increases of 23.4% and 1,023.6% over the corresponding period in 2013 respectively.

A comparison of the financial results for the six months ended 30 June 2014 and the corresponding period in 2013 is set out as follows:

TURNOVER

The Group's turnover for the six months ended 30 June 2014 amounted to HK$92.59 million, representing an increase of 23.4% as compared to the corresponding period in 2013.

Turnover analysis by product category:

	For the six months ended 30 June			
	2014		2013	
	HK$'000	**%**	*HK$'000*	%
Finished zippers and sliders	**83,790**	**90.5**	71,982	96.0
Flat knit ribs	**5,661**	**6.1**	1,362	1.8
Premium items and Others	**3,139**	**3.4**	1,664	2.2
Total	**92,590**	**100.0**	75,008	100.0

Turnover analysis by geographic location:

	For the six months ended 30 June			
	2014		2013	
	HK$'000	**%**	*HK$'000*	%
Eastern China	**37,811**	**40.8**	27,367	36.5
Southern China	**40,931**	**44.2**	26,427	35.2
Overseas	**13,848**	**15.0**	21,214	28.3
Total	**92,590**	**100.0**	75,008	100.0

For the six months ended 30 June 2014, turnover from sales of finished zippers and sliders increased by approximately 16.4% to HK$83.79 million (six months ended 30 June 2013: HK$71.98 million), primarily due to an increase in sales volume. Such increase mainly resulted from the improvement of customer service, and increasing investments in securing new clients and the development of new products which could satisfy the customer demands. For the six months ended 30 June 2014, the turnover from sales of flat knit ribs increased by 316.2% to HK$5.66 million (six months ended 30 June 2013: HK$1.36 million) due to the increased efforts in sales and promotion of flat knit ribs. The premium items and others represented scrap materials, zipper components, molds fittings and premium items etc. For the six months ended 30 June 2014, the sales of premium items and others increased by 89.2% to HK$3.14 million (six months ended 30 June 2013: HK$1.66 million), mainly due to the newly developed customers of zipper components and additional income from provision of dyeing services.

For the six months ended 30 June 2014, the turnovers of Eastern China and Southern China increased by approximately 38.2% and 54.9%, respectively, which were mainly due to the improvement of customer service, more new customers secured as a result of more marketing efforts, and the development of new products for China market. For the six months ended 30 June 2014, the turnover of overseas markets decreased by approximately 34.7%, mainly due to the decrease in demand of a customer. We are striving for developing the overseas market by developing our customer resources.

GROSS PROFIT AND GROSS PROFIT MARGIN

Gross profit analysis by product category:

	For the six months ended 30 June			
	2014		2013	
	HK$'000	**%**	*HK$'000*	%
Finished zippers and sliders	**31,479**	**100.1**	24,009	101.9
Flat knit ribs	**(675)**	**(2.1)**	(648)	(2.7)
Premium items and others	**649**	**2.0**	196	0.8
Total	**31,453**	**100.0**	23,557	100.0

The gross profit increased by 33.5% to HK$31.45 million for the six months ended 30 June 2014 from HK$23.56 million for the same period in 2013. The gross profit margin increased to 34.0% for the six months ended 30 June 2014 from 31.4% for the same period in 2013, mainly due to the following reasons: firstly, the Group enhanced its customer service and increased its efforts on securing new clients and the development of new products which could satisfy the customers demands. Secondly, the Group increased its efforts on cost control, strengthened the inventory management and improved the production and personnel efficiency.

EXPENSES AND COSTS

Distribution costs, comprising mainly of staff costs, transportation costs and advertising and promotion expenses, decreased by 3.5% to HK$7.48 million for the six months ended 30 June 2014 from HK$7.75 million for the same period in 2013.

Administrative expenses, consisting mainly of salary and welfare expenses for management and administrative personnel, depreciation and amortization, professional fees, auditors' remuneration and other administrative expenses, increased by 6.8% to HK$15.49 million for the six months ended 30 June 2014 from HK$14.51 million for the same period in 2013, which was mainly due to the increase in professional fees such as the application of patents and implementation of SAP project.

PROFITABILITY

The profit attributable to equity shareholders of the Company increased by approximately 10 times to HK$7.00 million for the six months ended 30 June 2014 from HK$0.62 million for the same period in 2013. The margin of profit attributable to equity shareholders of the Company was 7.6% for the six months ended 30 June 2014. Profit attributable to equity shareholders of the Company increased mainly due to the increase in turnover and gross profit.

LIQUIDITY AND CASH FLOWS

The Group's net cash outflow from operating activities for the six months ended 30 June 2014 amounted to HK$1.22 million (six months ended 30 June 2013: cash inflow of HK$6.65 million), which was mainly the combined result of less trade settlements from certain customers because of extended credit terms granted to attract more sale orders, and more purchase settlements made for suppliers, which was accompanied with the sale expansion during the six months ended 30 June 2014.

As at 30 June 2014, cash and cash equivalents amounted to HK$36.72 million, representing a decrease of HK$44.95 million as compared with the position as at 31 December 2013. Such decrease was mainly due to the increased investments in the construction work related to the Garment Accessories Industrial Park located in Jingmen, Hubei and the increase in deposits with banks.

As at 30 June 2014, the Group had a short-term bank loan of HK$17 million, which was mainly used for acquiring the offices located in Unit B, 16/F, Nos. 1, 1A and 1B Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong. The bank loan will be due on 29 January 2015. During the six months ended 30 June 2014, the Group did not hedge its exposure to interest rate risks. The gearing ratio, which was calculated by dividing total bank borrowings by total equity, was 5.1% as at 30 June 2014 (31 December 2013: 0%). The gearing ratio is considered healthy and suitable for the continuous growth of the Group's business.

As at 30 June 2014, the Group had unused bank facilities of HK$32.75 million.

NET CURRENT ASSETS

As at 30 June 2014, the Group had net current assets of approximately HK$76.98 million. The key components of current assets as at 30 June 2014 included inventories of approximately HK$20.13 million, trade and other receivables of approximately HK$65.32 million, cash and cash equivalents of approximately HK$36.72 million and deposits with banks of approximately HK$31.89 million. The key components of current liabilities included trade and other payables of approximately HK$57.76 million and bank borrowings of HK$17 million.

The net current assets as at 30 June 2014 decreased by HK$22.17 million as compared with the net current assets as at 31 December 2013, which was HK$99.15 million. Such decrease was mainly due to the increased investments in the construction work of the Garment Accessories Industrial Park located in Jingmen, Hubei and the acquirement of the offices in Hong Kong.

PLEDGED ASSETS

As at 30 June 2014, certain lease prepayments and buildings with an aggregate carrying value of HK$31.21 million (31 December 2013: HK$32.41 million) of the Group were pledged as securities for an unutilised bank facility amounting to RMB26 million (equivalent to HK$32.75 million) (31 December 2013: RMB26 million equivalent to HK$33.07 million) granted to the Group by a commercial bank. In addition, the Group also pledged bank deposits of RMB15 million (equivalent to HK$18.90 million) to secure a short-term bank loan of HK$17 million mainly for acquiring the offices in Hong Kong.

CONTINGENT LIABILITIES

As at 30 June 2014, the Group did not have any material contingent liabilities.

FOREIGN CURRENCY RISK

Individual companies within the Group has limited foreign currency risk as most of the transactions are denominated in the same currency as the functional currency of the operations in which they relate. The Group did not hedge its exposure to risks arising from fluctuations in exchange rates during the six months ended 30 June 2014.

EMPLOYEES

As at 30 June 2014, the Group had 686 employees, including 667 full-time employees and 19 temporary employees (30 June 2013: 708 full-time employees), representing a decrease of approximately 3.1% as compared with 30 June 2013 primarily due to the Group's implementation of headcount control. The Group reviews remuneration and benefits of its employees annually according to the relevant market practice and individual performance of the employees. Save for the social insurance in China and the mandatory provident fund scheme in Hong Kong, the Group has not set aside or accrued any amount of money to provide for retirement or similar benefits for its employees. The staff costs incurred in the six months ended 30 June 2014 were approximately HK$30.56 million (six months ended 30 June 2013: HK$27.92 million).

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

CORPORATE GOVERNANCE

Corporate Governance Practices

The Company is committed to maintaining and upholding guidelines and procedures for stringent corporate governance. In respect of the six months ended 30 June 2014, all the provisions set out in the CG Code were met by the Company. The Company will periodically review its corporate governance practices to ensure its continuous compliance with the CG Code.

Compliance with the Model Code by Directors

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding any Directors' securities transactions throughout the period from 1 January 2014 to 30 June 2014.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2014.

AUDIT COMMITTEE

The audit committee of the Board has reviewed the unaudited interim financial statements for the six months ended 30 June 2014.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE HONG KONG STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.kee.com.cn). The interim report for the six months ended 30 June 2014 will be despatched to shareholders of the Company and made available on the same websites in due course.

DEFINITIONS

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

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

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

By Order of the Board
KEE Holdings Company Limited
Xu Xipeng
Chairman

Hong Kong, 22 August 2014

As at the date of this announcement, the executive Directors are Mr. Xu Xipeng, Mr. Xu Xinan and Mr. Chow Hoi Kwang, Albert; the non-executive Director is Mr. Yang Shaolin; and the independent non-executive Directors are Mr. Lin Bin, Mr. Kong Hing Ki and Mr. Tam Yuk Sang, Sammy.