開易控股有限公司
KEE Holdings Company Limited

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

KEE
JUST FOR YOU

2018
INTERIM REPORT

CONTENTS

KEE JUST FOR YOU

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Wu David Hang
(Chairman, Chief Executive Officer)
Mr. Yau Chi Chiu
(Appointed on 12 April 2018)
Ms. Feng Xiaoying
(Resigned on 9 February 2018)

Independent Non-executive Directors

Mr. Leung Ka Tin
Mr. Lu Nim Joel
Mr. Yau Pak Yue

AUDIT COMMITTEE

Mr. Yau Pak Yue *(Committee Chairman)*
Mr. Leung Ka Tin
Mr. Lu Nim Joel

NOMINATION COMMITTEE

Mr. Wu David Hang
(Committee Chairman)
Mr. Leung Ka Tin
Mr. Lu Nim Joel
Mr. Yau Pak Yue
Ms. Feng Xiaoying
(Resigned on 9 February 2018)

REMUNERATION COMMITTEE

Mr. Yau Pak Yue *(Committee Chairman)*
Mr. Leung Ka Tin
Mr. Lu Nim Joel
Ms. Feng Xiaoying
(Resigned on 9 February 2018)

COMPANY SECRETARY

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

REGISTERED OFFICE

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

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 510, Chater House
8 Connaught Road
Central
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

AUDITOR

BDO Limited
Certified Public Accountants

PRINCIPAL BANKERS

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

COMPANY WEBSITE

www.kee.com.cn

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June 2018 HK$'000 (unaudited)	2017 HK$'000 (Restated) (note) (unaudited)	change
Continuing operations			
Revenue	**111,556**	82,774	35%
Gross profit	**41,207**	25,328	63%
Gross profit margin	**37%**	31%	19%
Profit/(loss) from continuing operations	**15,819**	(2,053)	N/A
Discontinued operation			
Loss from discontinued operation	**–**	(40,729)	N/A
Attributable to equity shareholders of the Company			
Profit/(loss) for the period	**13,137**	(43,332)	N/A
Basic and diluted earnings/(loss) per share (HK cents)	**2.8**	(10.0)	N/A

	As at 30 June 2018 HK$'000 (unaudited)	As at 31 December 2017 HK$'000 (audited)	change
Total assets	**397,204**	380,180	4%
Cash and cash equivalents	**74,756**	95,590	(22%)
Total equity attributable to equity shareholders of the Company	**324,491**	314,083	3%

Note:

The Group had ceased the real estate agency services and completed the disposal of this business on 24 August 2017. The comparative amounts of the financial information of this operating segment in respect of the six months ended 30 June 2017 were restated to be presented as discontinued operation accordingly.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group continued to engage in manufacturing finished zippers in China. The Group's customers for zippers business 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 and other garment accessories from the Group.

The Group is continuously looking for new investments and business opportunities in order to diversify the existing business.

In the first half of 2018, China's overall economy has continued to develop in a more stable manner while the global economy accelerated its recovery. Under such situation, the favorable conditions for supporting the economy towards high quality development have increased, creating a better environment for market demand. In general, China's textile and clothing export and domestic market have achieved great growth, providing fundamental support for the national textile industry to maintain a stable operation. In addition, China's textile industry has deepened the implementation of the side-supply innovation and the characteristics of high quality development become more obvious, achieving a solid foundation for the growth of demand for high quality zippers.

The Group continued to attach great importance to clients and markets through launching new products continuously, exploring new clients and exploiting new markets to respond to clients and markets promptly. Besides, the Group has also kept on promoting production automation so as to improve operation efficiency and lower costs and expenses.

The Group recorded profit attributable to equity shareholders of the Company of approximately HK$13.14 million for the six months ended 30 June 2018, as compared with a loss of approximately HK$43.33 million for the same period in 2017, which was mainly due to the disposal of the loss making property agency business of the Group in August 2017, the improvement in gross profit of the zipper business and the fair value gain of an investment fund.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

For the second half of 2018, there will be more difficulties and challenges against China with certain risks of economic growth. The export is also affected by various potential adverse factors, such as the non-stop deteriorated Sino-US trade conflict and the rising of global trade protectionism. It is expected that growth of investment will be affected under the overall tightened currency and credit environment in the Country with a weaker growth for domestic demand, resulting in certain level of effect against the development of China's textile industry, which in turn affects the demand for high quality zippers.

Nevertheless, the Group will continue to be responsive to clients and markets via optimizing resources allocation and enhancing operational efficiency to meet the needs of clients and markets for higher customer satisfaction and larger market share of quality zipper products. The Group will also continuingly improve the operation efficiency, facilities and techniques, as to provide better product and service quality, lower costs and further build up the customers' satisfaction.

The Group will continue to look for suitable investment opportunities, with a view to further expanding the Group's source of revenue, enhancing the Group's profit and maximizing the shareholders' return.

FINANCIAL REVIEW

The Group's revenue amounted to approximately HK$111.56 million for the six months ended 30 June 2018, representing an increase of 34.8% over the corresponding period in 2017. The Group recorded profit attributable to equity shareholders of the Company of approximately HK$13.14 million, as compared with a loss of approximately HK$43.33 million.

A comparison of the financial results for the six months ended 30 June 2018 and the corresponding period in 2017 is set out as follows:

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

The Group's revenue for the six months ended 30 June 2018 amounted to HK$111.56 million, representing an increase of 34.8% as compared to the corresponding period in 2017.

Revenue analysis by product category:

	For the six months ended 30 June			
	2018		2017	
	HK$'000	**%**	HK$'000 (Restated)	%
Sales of goods				
Finished zippers and sliders	**108,941**	**97.7**	80,511	97.3
Others	**2,615**	**2.3**	2,263	2.7
Total	**111,556**	**100.0**	82,774	100.0

Revenue analysis by geographic location:

	For the six months ended 30 June			
	2018		2017	
	HK$'000	**%**	HK$'000 (Restated)	%
Mainland China	**98,544**	**88.3**	76,280	92.2
Overseas	**13,012**	**11.7**	6,494	7.8
Total	**111,556**	**100.0**	82,774	100.0

The increase in revenue from zipper business was primarily attributable to the optimized sale strategy, active promotion of new products, larger marketing efforts and enhanced customer services.

MANAGEMENT DISCUSSION AND ANALYSIS

GROSS PROFIT

Gross profit analysis by product category:

	For the six months ended 30 June			
	2018		2017	
	HK$'000	**%**	HK$'000 (Restated)	%
Finished zippers and sliders	**40,156**	**97.4**	24,372	96.2
Others	**1,051**	**2.6**	956	3.8
Total	**41,207**	**100.0**	25,328	100.0

The increase in the gross profit was primarily due to the fact that:

1. The optimized sales strategy, enhanced efforts in market development, and improved customer service standard of the Group resulted in the increase in sales volume of zippers, and the production volumes of finished zippers are increased accordingly, which furtherly leads to the decrease in unit labour and fixed manufacturing cost.

2. The Group enhanced efforts in cost control, improved the level of automation and improved the production effectiveness as well as staff efficiency.

EXPENSES AND COSTS

Distribution costs, comprising mainly of staff costs, transportation costs and advertising and promotion expenses, increased by 29.6% to HK$7.13 million for the six months ended 30 June 2018 from HK$5.50 million for the same period in 2017, which was mainly due to the increase in staff costs and transportation costs as a result of the growth in sales of finished zippers and sliders.

Administrative expenses, consisting primarily of salary and welfare expenses for management and administrative personnel, depreciation and amortization, professional fees, auditors' remuneration and other administrative expenses, increased by 35.2% to HK$21.29 million for the six months ended 30 June 2018 from HK$15.75 million for the same period in 2017, which was mainly due to the increase in staff costs and professional fees.

MANAGEMENT DISCUSSION AND ANALYSIS

PROFITABILITY

The Group recorded profit attributable to equity shareholders of the Company of approximately HK$13.14 million for the six months ended 30 June 2018, as compared with a loss of approximately HK$43.33 million for the same period in 2017. The margin of profit attributable to equity shareholders of the Company was 11.78% for the six months ended 30 June 2018. Profit attributable to equity shareholders of the Company improved, which was mainly due to the cessation of property agency business which was loss making for the 6 months ended 30 June 2017, the improvement in gross profit of the zipper business and the fair value gain of an investment fund.

FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group has invested HK$100 million into Fullgoal Strategic Growth Fund Segregated Portfolio (the "Investment Fund") during the year ended 31 December 2017, which was reclassified from available-for-sale investment to financial asset at fair value through profit or loss during the six months ended 30 June 2018. The carrying value of the Investment Fund was approximately HK$108.04 million as at 30 June 2018 (as at 31 December 2017: approximately HK$103.48 million), and a gain arising from changes in the fair value of financial asset of approximately HK$4.56 million was recorded during the six months ended 30 June 2018.

CONTINUING CONNECTED TRANSACTIONS

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

On 28 December 2015, Mr. Xu Xipeng and Mr. Xu Xinan, senior management and previous shareholders of the Group, as lessors and KEE (Guangdong) Garment Accessories Limited, an indirect 85%-owned subsidiary of the Company, as lessee, entered into the lease renewal agreement (the "Guangdong Lease Renewal Agreement") to renew the lease of the Guangdong Plant for a further term of three years from 1 January 2016 to 31 December 2018 for a monthly rental of RMB310,000.

An independent valuer advised that the monthly rental of RMB310,000 is fair and reasonable with reference to the market rate. For each of two years ended 31 December 2017 and the year ending 31 December 2018, the annual rental paid and payable by the Group under the Guangdong Lease Renewal Agreement is RMB3,720,000.

MANAGEMENT DISCUSSION AND ANALYSIS

On 16 January 2017, Classic Winner Limited ("Classic Winner"), a company owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, as lessor and KEE Zippers Corporation Limited ("KEE Zippers"), an indirect 85%-owned subsidiary of the Company, as lessee entered into a lease renewal agreement (the "HK Lease Renewal Agreement") pursuant to which Classic Winner has agreed to lease to KEE Zippers a property in Hong Kong at a monthly rental of HK$51,000 payable within the 16th day of each calendar month for an initial term of three years commencing on 16 January 2017 to 15 January 2020. On 17 February 2016, Mr. Xu Xipeng and Mr. Xu Xinan resigned as the chairman of the board and chief executive officer of the Company respectively. Mr. Xu Xipeng and Mr. Xu Xinan also resigned as executive directors of the Company, but have remained as the directors of KEE International (BVI) Limited ("KEE International BVI") and KEE Zippers, the subsidiaries of the Company, since 17 February 2016. Therefore Classic Winner is a connected person at the subsidiary level of the Company as of the date of HK Lease Renewal Agreement. An independent property valuer advised that the monthly rental of HK$51,000 was fair and reasonable with reference to the market rate. For the year ended 15 January 2018 and each of the two years ending 15 January 2020, the maximum annual aggregate amounts paid and payable by the Group under the HK Lease Renewal Agreement are as follows:

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

On 16 January 2017, Nanhai Jinheming Investment Company Limited ("Nanhai Jinheming"), a company owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, as lessor and KEE (Zhejiang) Garment Accessories Limited ("KEE Zhejiang"), an indirect 85%-owned subsidiary of the Company, as lessee entered into a lease renewal agreement (the "Zhejiang Lease Renewal Agreement") pursuant to which Nanhai Jinheming has agreed to lease to KEE Zhejiang the production base in Zhejiang Province at a monthly rental of RMB275,000 payable within the first 10 working days before the 16th day of each month for an initial term of three years commencing on 16 January 2017 to 15 January 2020, with three months' rent of RMB825,000 as deposit. On 17 February 2016, Mr. Xu Xipeng and Mr. Xu Xinan resigned as the chairman of the board and chief executive officer of the Company respectively. Mr. Xu Xipeng and Mr. Xu Xinan also resigned as executive directors of the Company, but have remained as the directors of KEE International BVI and KEE Zippers, the subsidiaries of the Company since 17 February 2016. Therefore Nanhai

MANAGEMENT DISCUSSION AND ANALYSIS

Jinheming is a connected person at the subsidiary level of the Company as of the date of the Zhejiang Lease Renewal Agreement. An independent property valuer advised that the monthly rental of RMB275,000 was fair and reasonable with reference to the market rate. For the year ended 15 January 2018 and each of the two years ending 15 January 2020, the maximum annual aggregate amounts paid and payable by the Group under the Zhejiang Lease Renewal Agreement are as follows:

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

For the six months ended 30 June 2018, the total rental charges under the Guangdong Lease Renewal Agreement, the HK Lease Renewal Agreement and the Zhejiang Lease Renewal Agreement were HK$4,620,000.

LIQUIDITY AND CAPITAL RESOURCES

The Group's funding policy aims at ensuring sufficient capital to meet the working capital requirements, increase capital efficiency and capital gains. The Group will apply the appropriate debt instrument in financing to achieve those objectives.

The Group's net cash outflow from operating activities for the six months ended 30 June 2018 amounted to HK$11.03 million (six months ended 30 June 2017: net cash inflow of HK$30.19 million). Such decreases was mainly due to the advance receipts from property buyers on behalf of the property developers during the six months ended 30 June 2017. The Group's net cash outflow from investing activities for the six months ended 30 June 2018 amounted to HK$10.02 million (six months ended 30 June 2017: net cash outflow of HK$3.76 million). The increase in net cash outflow was mainly attributable to the net effect of the increase prepayments for the purchase of property, plant and equipment, the decrease in payment for the purchase of property, plant and equipment and the decrease in proceeds from disposal of property, plant and equipment. The Group did not have any net cash flow from financing activities for the six months ended 30 June 2017 and 2018.

As at 30 June 2018, cash and cash equivalents amounted to HK$74.76 million, representing decrease of HK$20.83 million as compared with the position as at 31 December 2017. Such decrease was mainly due to increase in trade and other receivables during the six months ended 30 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2018, cash and cash equivalents of the Group in the amount of approximately HK$57.14 million, HK$8.91 million, HK$6.23 million, HK$96,000 and HK$26,000 were denominated in RMB, HKD, USD, CHF and EUR, respectively. As at 31 December 2017, cash and cash equivalents of the Group in the amount of approximately HK$76.52 million, HK$12.75 million, HK$6.19 million, HK$26,000 and HK$97,000 were denominated in RMB, HKD, USD, EUR and CHF, respectively.

During the six months ended 30 June 2018, the Group did not hedge its exposure to interest rate risks. The debt to asset ratio being the Group's total liabilities over its total assets at 30 June 2018 was 12.0% (31 December 2017: 11.4%). The debt to asset ratio is considered healthy and suitable for the continuous growth of the Group's business.

On 30 June 2017, the Company has allotted 30,000,000 new shares to an independent third party at a subscription price of HK$1 per share under the general mandate granted to the directors of the Company at the annual general meeting of the Company held on 19 May 2017. The net proceeds of approximately HK$29.50 million were intended to be used for financing potential investment opportunities of the Group that may arise from time to time. Up to the date of this report, the proceeds has been completely utilised by the Company to subscribe the Investment Fund.

NET CURRENT ASSETS

As at 30 June 2018, the Group had current assets of approximately HK$219.19 million. The key components of current assets as at 30 June 2018 included inventories of approximately HK$26.03 million, trade and other receivables of approximately HK$118.41 million, cash and cash equivalents of approximately HK$74.76 million. The key components of current liabilities included trade and other payables of approximately HK$42.53 million.

The net current assets as at 30 June 2018 remained stable as compared with the net current assets as at 31 December 2017 was HK$172.62 million.

PLEDGED ASSETS

As at 30 June 2018, the Group did not have pledged assets.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

As at 30 June 2018, 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 2018.

EMPLOYEES

As at 30 June 2018, the Group had 715 employees (30 June 2017 (restated): 634), including 674 full-time employees and 41 temporary employees, representing a reduction of approximately 12.8% as compared with 30 June 2017. 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 2018 were approximately HK$42.26 million (six months ended 30 June 2017 (restated): HK$31.23 million). The increase was mainly due to the increase in headcount of the factory workers.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2018, none of the Directors or chief executive of the Company had any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2018, so far as the Directors were aware, the interest or short positions owned by the following parties (other than the Directors or chief executive of the Company) in the Shares, underlying Shares or debentures of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

Long Position in Shares and Underlying Shares of the Company

Name of shareholder	Capacity	Number of Shares	Approximate percentage of interest
Glory Emperor Trading Limited ("Glory Emperor")	Beneficial owner	326,089,600	70.16%
Li Zhen Hong Kong Trading Co., Limited ("Li Zhen") (note 1)	Interest in controlled corporation	326,089,600	70.16%
Shanghai Yongwen Investment Company Limited# ("Shanghai Yongwen") (note 2)	Interest in controlled corporation	326,089,600	70.16%

DISCLOSURE OF INTERESTS

Name of shareholder	Capacity	Number of Shares	Approximate percentage of interest
Beijing Zhonghong Hongyi Investment Company Limited# ("Beijing Zhonghong Hongyi") (note 3)	Interest in controlled corporation	326,089,600	70.16%
Zhonghong Holding Co., Ltd ("Zhonghong") (note 4)	Interest in controlled corporation	326,089,600	70.16%
Zhonghong Zhuoye Group Company Limited# ("Zhonghong Zhuoye") (note 5)	Interest in controlled corporation	326,089,600	70.16%
Mr. Wang Yonghong (note 6)	Interest in controlled corporation	326,089,600	70.16%
Noble Wisdom Ever Limited ("Noble Wisdom") (note 7)	Person having a security interest in shares	326,089,600	70.16%
Huarong Overseas Investment Holdings Co., Ltd ("Huarong Overseas") (note 8)	Interested in controlled corporation	326,089,600	70.16%
華融華僑資產管理股份有限公司 (「華融華僑」) (note 9)	Interested in controlled corporation	326,089,600	70.16%
華融致遠投資管理有限責任公司 (「華融致遠」) (note 10)	Interested in controlled corporation	326,089,600	70.16%
China Huarong Asset Management Co., Ltd ("China Huarong Asset Management") (note 12)	Interested in controlled corporation	326,089,600	70.16%
廣東錦峰集團有限公司 (「廣東錦峰」) (note 11)	Interested in controlled corporation	326,089,600	70.16%

DISCLOSURE OF INTERESTS

Name of shareholder	Capacity	Number of Shares	Approximate percentage of interest
Hong Kong Kam Fung Group Company Limited ("Hong Kong Kam Fung") (note 13)	Interested in controlled corporation	326,089,600	70.16%
Ministry of Finance of People's Republic of China (note 12)	Interested in controlled corporation	326,089,600	70.16%
Sun Siu Kit (note 13)	Interested in controlled corporation	326,089,600	70.16%
Farco Holdings Limited (note 14)	Beneficial owner	39,130,000	8.42%
Qi Wei (note 14)	Interested in controlled corporation	39,130,000	8.42%
CM SPC (note 15)	Beneficial owner	30,000,000	6.45%
CM Capital Management (Cayman) Limited (note 16)	Interested in controlled corporation	30,000,000	6.45%
CM Asset Management Holdings Limited (note 17)	Interested in controlled corporation	30,000,000	6.45%
China Minsheng Financial Holding Corporation Limited (note 18)	Interested in controlled corporation	30,000,000	6.45%
CMI Financial Holding Company Limited (note 19)	Interested in controlled corporation	30,000,000	6.45%
Minsheng (Shanghai) Assets Management Company Limited (note 20)	Interested in controlled corporation	30,000,000	6.45%
China Minsheng Investment Corporation Limited (note 20)	Interested in controlled corporation	30,000,000	6.45%

DISCLOSURE OF INTERESTS

Notes:

1. Li Zhen wholly owns Glory Emperor.

2. Shanghai Yongwen wholly owns Li Zhen.

3. Beijing Zhonghong Hongyi wholly owns Shanghai Yongwen.

4. Zhonghong wholly owns Beijing Zhonghong Hongyi.

5. Zhonghong Zhuoye holds approximately 26.55% equity interest in Zhonghong.

6. Mr. Wang Yonghong wholly owns Zhonghong Zhuoye.

7. Noble Wisdom is wholly owned by Huarong Overseas.

8. Huarong Overseas is wholly owned by 華融華僑.

9. 華融華僑 is 51%-owned by 華融致遠 and 40%-owned by 廣東錦峰.

10. 華融致遠 is wholly owned by China Huarong Asset Management.

11. 廣東錦峰 is wholly owned by Hong Kong Kam Fung.

12. China Huarong Asset Management is 67.76%-owned by Ministry of Finance of People's Republic of China.

13. Hong Kong Kam Fung is 99%-owned by Sun Siu Kit.

14. Farco Holdings Limited is wholly owned by Qi Wei.

15. CM SPC is wholly owned by CM Capital Management (Cayman) Limited.

16. CM Capital Management (Cayman) Limited is wholly owned by CM Asset Management Holdings Limited.

17. CM Asset Management Holdings Limited is wholly owned by China Minsheng Financial Holding Corporation Limited.

18. China Minsheng Financial Holding Corporation Limited is 49.84%-owned by CMI Financial Holding Company Limited.

19. CMI Financial Holding Company Limited is wholly owned by Minsheng (Shanghai) Assets Management Company Limited.

20. Minsheng (Shanghai) Assets Management Company Limited is wholly owned by China Minsheng Investment Corporation Limited.

DISCLOSURE OF INTERESTS

Save as disclosed above, as at 30 June 2018, the Directors were not aware of any other person (other than the Directors or chief executive of the Company) had registered an interest or a short position in the Shares, underlying shares or debentures of the Company which was required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which was required to be recorded in the register of the Company required to be kept under Section 336 of Part XV of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group's business, which competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the six months ended 30 June 2018 and up to and including the date of this interim report.

SHARE OPTION SCHEME

The Company's share option scheme (the "Share Option Scheme") was conditionally adopted by the written resolutions of the sole shareholder of the Company passed on 14 December 2010 to provide incentives or rewards to any employee(s) of any member of the Group.

Under the Share Option Scheme, the Board is authorized, at any time during a period as the Board may determine but in any event shall not exceed 10 years from the date of adoption of the Share Option Scheme, to grant options to any employee(s) of any member of the Group at the exercise price for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme. The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 40,000,000 Shares which represents approximately 8.6% of the Shares in issue as at 30 June 2018. The maximum number of Shares issued and to be issued upon exercise of options granted and to be granted under the Share Option Scheme and any other share option schemes of the Company to any employee(s) (including cancelled, exercised and outstanding options), in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue from time to time.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine but in any event shall not exceed 10 years from the date of grant. Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no minimum holding period before an option is exercisable. The amount payable to our Company on acceptance of the offer for the grant of an option is HK$1.00.

DISCLOSURE OF INTERESTS

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

There was no any outstanding share option of the Company under the Share Option Scheme and no share option of the Company being granted, exercised, lapsed or cancelled during the six months ended 30 June 2018.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 2018, all the provisions set out in the CG Code were met by the Company except the following:

Chairman and Chief Executive Officer

As at 30 June 2018, the positions of Chairman and Chief Executive Officer were held by Mr. Wu David Hang. The Chairman provides leadership and is responsible for chairing the meetings, managing the operations of the Board, and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner. The Chief Executive Officer is also responsible for running the Company's businesses and implementing the Group's strategic plans and business goals. This constitutes a deviation from the Code Provision A.2.1 but the Board considers that this structure where the leadership of the Board is distinct from the executive responsibilities for running the business operations will not impair the balance of power and authority between the board and the management of the business, especially given that there is a strong and independent non-executive element on the Board and a clear division of responsibilities for running the business of the Company. The arrangement under which the roles of chairman and chief executive officer are performed under the same individual is considered as beneficial at the present stage as it helps to maintain the continuity of the Company's policies and the stability of the Company's operation as well as to enhance the management of the Company.

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 AND RELEVANT EMPLOYEES

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the 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 2018 to 30 June 2018.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Company has also adopted a code of conduct regarding securities transactions by relevant employees on terms no less exacting than the required standard set out in the Model Code. All the relevant employees who, because of office or employment, are likely to be in possession of inside information in relation to the Company's securities has been requested to follow such code when dealing in the securities of the Company.

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 2018.

AUDIT COMMITTEE

The interim results of the Group for the six months ended 30 June 2018 have been reviewed by the audit committee of the Board.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018 – unaudited
(Expressed in Hong Kong dollars)

	Notes	Six months ended 30 June 2018 $'000	2017 $'000 (Restated, see note 14)
Continuing operations			
Revenue	4	**111,556**	82,774
Cost of sales		**(70,349)**	(57,446)
Gross profit		**41,207**	25,328
Other gains/(losses), net	5(b)	**7,115**	(4,750)
Distribution costs		**(7,128)**	(5,501)
Administrative expenses		**(21,286)**	(15,748)
Profit/(loss) before taxation	5	**19,908**	(671)
Income tax	6	**(4,089)**	(1,382)
Profit/(loss) from continuing operations		**15,819**	(2,053)
Loss from discontinued operation	14	**–**	(40,729)
Profit/(loss) for the period		**15,819**	(42,782)
Attributable to:			
Equity shareholders of the Company		**13,137**	(43,332)
Non-controlling interests		**2,682**	550
Profit/(loss) for the period		**15,819**	(42,782)
Earnings/(loss) per share from continuing operations attributable to the equity shareholders of the Company (HK cents)	7		
Basic and diluted		**2.8**	(0.6)
Earnings/(loss) per share attributable to the equity shareholders of the Company (HK cents)	7		
Basic and diluted		**2.8**	(10.0)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

At 30 June 2018 – unaudited
(Expressed in Hong Kong dollars)

	Notes	Six months ended 30 June 2018 $'000	2017 $'000 (Restated, see note 14)
Profit/(loss) for the period		**15,819**	(42,782)
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 in the Mainland China		**(3,209)**	10,096
— Other comprehensive income arising from discontinued operation	14	**–**	3,101
Other comprehensive income for the period		**(3,209)**	13,197
Total comprehensive income for the period		**12,610**	(29,585)
Attributable to:			
Equity shareholders of the Company		**10,408**	(31,649)
Non-controlling interests		**2,202**	2,064
Total comprehensive income for the period		**12,610**	(29,585)
Attributable to:			
Continuing operations		**12,610**	8,043
Discontinued operation	14	**–**	(37,628)
Total comprehensive income for the period		**12,610**	(29,585)

The notes on pages 29 to 52 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018 – unaudited
(Expressed in Hong Kong dollars)

	Notes	At 30 June 2018 $'000	At 31 December 2017 $'000
Non-current assets			
Property, plant and equipment	8	**57,047**	57,805
Intangible assets		**2,025**	2,448
Available-for-sale investment	9	**–**	103,480
Financial asset at fair value through profit or loss	9	**108,037**	–
Prepayments for property, plant and equipment		**6,962**	292
Rental deposit		**979**	987
Deferred tax assets		**2,966**	3,039
		178,016	168,051
Current assets			
Inventories		**26,025**	23,924
Trade and other receivables	10	**118,407**	92,615
Cash and cash equivalents	11	**74,756**	95,590
		219,188	212,129
Current liabilities			
Trade and other payables	12	**42,527**	40,366
Current tax payable		**4,040**	1,787
		46,567	42,153
Net current assets		**172,621**	169,976
Total assets less current liabilities		**350,637**	338,027
Non-current liabilities			
Deferred tax liabilities		**1,124**	1,124
NET ASSETS		**349,513**	336,903

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018 – unaudited
(Expressed in Hong Kong dollars)

	Notes	**At 30 June 2018 $'000**	At 31 December 2017 $'000
CAPITAL AND RESERVES			
Share capital	13(b)	**4,648**	4,648
Reserves		**319,843**	309,435
Total equity attributable to equity shareholders of the Company		**324,491**	314,083
Non-controlling interests		**25,022**	22,820
TOTAL EQUITY		**349,513**	336,903

The notes on pages 29 to 52 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018 – 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 earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2017		4,348	151,800	18,324	22,361	(9,202)	110,892	298,523	19,766	318,289
Change in equity for the six months ended 30 June 2017:										
Loss for the period		–	–	–	–	–	(43,332)	(43,332)	550	(42,782)
Other comprehensive income		–	–	–	–	11,683	–	11,683	1,514	13,197
Total comprehensive income		–	–	–	–	11,683	(43,332)	(31,649)	2,064	(29,585)
Shares issued, net of issuance costs	13 (b) & (c)	300	29,200	–	–	–	–	29,500	–	29,500
Balance at 30 June 2017		4,648	181,000	18,324	22,361	2,481	67,560	296,374	21,830	318,204

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018 – 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	Investment revaluation reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2018		4,648	180,690	18,324	22,922	18,815	3,480	65,204	314,083	22,820	336,903
Impact on initial application of HKFRS9	2(b)(i)	–	–	–	–	–	(3,480)	3,480	–	–	–
Balance at 1 January 2018 (Restated)		4,648	180,690	18,324	22,922	18,815	–	68,684	314,083	22,820	336,903
Change in equity for the six months ended 30 June 2018:											
Profit for the period		–	–	–	–	–	–	13,137	13,137	2,682	15,819
Other comprehensive income		–	–	–	–	(2,729)	–	–	(2,729)	(480)	(3,209)
Total comprehensive income		–	–	–	–	(2,729)	–	13,137	10,408	2,202	12,610
Appropriation to statutory reserve		–	–	–	1,747	–	–	(1,747)	–	–	–
Balance at 30 June 2018		4,648	180,690	18,324	24,669	16,086	–	80,074	324,491	25,022	349,513

The notes on pages 29 to 52 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018 – unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2018 $'000	2017 $'000
Operating activities			
Cash (used in)/generated from operations		**(9,339)**	30,504
Tax paid		**(1,695)**	(317)
Net cash (used in)/generated from operating activities		**(11,034)**	30,187
Investing activities			
Prepayments for the purchase of property, plant and equipment		**(6,915)**	–
Payment for the purchase of property, plant and equipment		**(4,176)**	(7,216)
Proceeds from disposal of property, plant and equipment		**167**	2,617
Other net cash flows arising from investing activities		**901**	844
Net cash used in investing activities		**(10,023)**	(3,755)
Net (decrease)/increase in cash and cash equivalents		**(21,057)**	26,432
Cash and cash equivalents at 1 January		**95,590**	186,496
Effect of foreign exchange rate changes		**223**	4,758
Cash and cash equivalents at 30 June	11	**74,756**	217,686

The notes on pages 29 to 52 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

1 BASIS OF PREPARATION

The 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 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 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 unaudited condensed consolidated interim 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 (collectively the "Group") since the 2017 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").

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

2 CHANGES IN ACCOUNTING POLICIES

(a) Overview

The HKICPA has issued a number of new Hong Kong Financial Reporting Standards ("HKFRSs") and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, Financial instruments
- HKFRS 15, Revenue from contracts with customers

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The impacts resulting from adoption of HKFRS 9 and HKFRS 15 together with the details of the changes in accounting policies are discussed in note 2(b) and note 2(c) respectively.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 and HKFRS 15, if any, by an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated.

(b) HKFRS 9, Financial instruments

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9, Financial instruments (continued)

(i) Classification and measurement

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

The Group has elected to designate the investment fund as FVPL previously classified as available-for-sale investment under HKAS 39. As a result, the investment of approximately HK$103,480,000 was reclassified from available-for-sale investment to financial asset at FVPL as shown in the table below and the corresponding accumulated fair value gain of approximately HK$3,480,000 was reclassified from investment revaluation reserve to retained profits on 1 January 2018. The fair value gain on the financial asset at FVPL amounting to HK$4,557,000 for the six months ended 30 June 2018 was recognised in profit or loss instead of other comprehensive income as previously accounted for.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9, Financial instruments (continued)

(i) Classification and measurement (continued)

The following shows the impact resulting from reclassification of the investment on 1 January 2018:

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

(ii) Credit losses

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model ("ECLs"). Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group has applied ECLs on financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables). There was no material impact on the loss allowance determined in accordance with HKFRS 9 and accordingly, no opening adjustment was made as at 1 January 2018.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) HKFRS 15, Revenue from contracts with customers

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

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

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

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 senior executive management for the purposes of resource allocation and performance assessment.

- Mainland China:

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

- 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.

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

Restatements due to discontinued operation

The Group had ceased the real estate agency services and completed the disposal of this business on 24 August 2017. The comparative amounts of the segment information in respect of the six months ended 30 June 2017 as shown below were restated in order to separately present this operating segment as discontinued operation in note 14 accordingly.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

3 SEGMENT REPORTING (CONTINUED)

(a) Information about profit or loss, assets and liabilities

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

For the six months ended 30 June 2018

	Mainland China $'000	Overseas $'000	Total $'000
Revenue from external customers	98,544	13,012	111,556
Inter-segment revenue	28,862	658	29,520
Reportable segment revenue	127,406	13,670	141,076
Reportable segment profit/(loss)	26,772	(2,269)	24,503
Depreciation and amortisation for the period	(4,652)	(29)	(4,681)
As at 30 June 2018			
Reportable segment assets	217,357	9,650	227,007
Reportable segment liabilities	38,369	3,336	41,705

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

3 SEGMENT REPORTING (CONTINUED)

(a) Information about profit or loss, assets and liabilities (continued)

For the six months ended 30 June 2017

	Mainland China $'000	Overseas $'000	Total $'000 (Restated)
Revenue from external customers	76,280	6,494	82,774
Inter-segment revenue	21,544	–	21,544
Reportable segment revenue	97,824	6,494	104,318
Reportable segment profit/(loss)	10,183	(301)	9,882
Depreciation and amortisation for the period	(5,120)	(93)	(5,213)
Impairment of equipment	(7)	–	(7)
As at 30 June 2017			
Reportable segment assets	205,859	3,430	209,289
Reportable segment liabilities	37,353	517	37,870

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

3 SEGMENT REPORTING (CONTINUED)

(b) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2018	2017
	$'000	$'000
		(Restated)
Reportable segment profit	**24,503**	9,882
Elimination of inter-segment losses	**127**	240
Reportable segment profit derived from the Group's external customers	**24,630**	10,122
Other gains/(losses), net	**2,064**	(4,750)
Unallocated head office and corporate expenses	**(6,786)**	(6,043)
Consolidated profit/(loss) before taxation	**19,908**	(671)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

4 REVENUE

The principal activities of the Group are manufacture and sale of zippers and other related products.

Revenue represents the sales value of goods supplied to customers. Revenue by product type from continuing operations is as follows:

	Six months ended 30 June	
	2018	2017
	$'000	$'000
		(Restated)
Finished zippers and sliders	**108,941**	80,511
Others	**2,615**	2,263
	111,556	82,774

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

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

5 PROFIT/(LOSS) BEFORE TAXATION

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

(a) Staff costs*

	Six months ended 30 June	
	2018	2017
	$'000	$'000
		(Restated)
Salaries, wages and other benefits	**38,876**	28,523
Contributions to defined contribution retirement plans	**3,384**	2,702
	42,260	31,225

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

5 PROFIT/(LOSS) BEFORE TAXATION (CONTINUED)

(b) Other gains/(losses), net

	Six months ended 30 June	
	2018	2017
	$'000	$'000
		(Restated)
Fair value gain on financial asset at FVPL	**4,557**	–
Interest income	**901**	638
Net gain/(loss) on disposal of property, plant and equipment	**119**	(241)
Others	**1,538**	(5,147)
	7,115	(4,750)

(c) Other items

	Six months ended 30 June	
	2018	2017
	$'000	$'000
		(Restated)
Depreciation and amortisation*		
— property, plant and equipment	**4,264**	4,827
— intangible assets	**417**	386
	4,681	5,213
Operating lease charges in respect of properties	**4,708**	4,313
Inventory write-down and losses net of reversals	**(244)**	490
Impairment loss on equipment	**–**	7
Cost of inventories*	**70,349**	57,446

* Cost of inventories includes HK$29,795,000 for the six months ended 30 June 2018 (six months ended 30 June 2017: HK$24,041,000) 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(a) for each of these types of expenses.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

6 INCOME TAX

	Six months ended 30 June	
	2018	2017
	$'000	$'000
Current tax — PRC corporate income tax	**4,016**	936
Deferred taxation	**73**	446
	4,089	1,382

(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 2018 and 2017.

(ii) KEE (Guangdong) Garment Accessories Limited ("KEE Guangdong") was recognised as a High and New Technology Enterprise ("HNTE") and is entitled to a preferential income tax rate of 15% up to 2018. Except for KEE Guangdong, the statutory income tax rate applicable to the Company's other subsidiaries in Mainland China was 25%.

(iii) Pursuant to the Corporate Income Tax Law of the PRC and its relevant regulations, PRC-resident enterprises are levied withholding income tax at 10% on dividends to their non-PRC-resident corporate investors for earnings accumulated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. Under the Sino-Hong Kong Double Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% or more of the equity interest of a PRC-resident enterprise is entitled to a reduced withholding tax rate of 5%. As at 30 June 2018, deferred tax liability recognised in this regard was HK$1,124,000 (31 December 2017: HK$1,124,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

7 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

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

Profit attributable to the equity shareholders of the Company of HK$13,137,000 (six moths ended 30 June 2017: loss of HK$43,332,000), is calculated as follows:

	Six months ended 30 June	
	2018	2017
	$'000	$'000
Profit/(loss) attributable to the equity shareholders of the Company		
From continuing operations	**13,137**	(2,603)
From discontinued operation (note 14(i))	**–**	(40,729)
	13,137	(43,332)

Weighted average number of 464,804,000 ordinary shares (six months ended 30 June 2017: 434,970,000 ordinary shares) in issue during the interim period is calculated as follows:

	Six months ended 30 June	
	2018	2017
	'000	'000
Issued ordinary shares at 1 January	**464,804**	434,804
Placement of new shares under a subscription agreement	**–**	166
Weighted average number of ordinary shares for the six months ended 30 June	**464,804**	434,970

(b) Diluted earnings/(loss) per share

For the six months ended 30 June 2018 and 2017, basic and diluted earnings/(loss) per share are equal as there are no potential dilutive ordinary shares in issue for the both periods.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

8 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired items of property, plant and machinery (including payments for construction in progress) with a cost of HK$6,072,000 (six months ended 30 June 2017: HK$10,990,000).

9 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2018 $'000	At 31 December 2017 $'000
Unlisted investment fund, at fair value	**108,037**	–

The fund, as detailed in the Group's financial statements for the year ended 31 December 2017, has a maturity of three years from the end of the initial offering period of 17 July 2017 and a shareholder of the fund may request redemption of all or some of its shares in the fund.

The fair value of the fund is based on its net asset value as at 30 June 2018 reported by the fund's manager. A firm of professional valuers has been appointed by the Company to assist management to assess whether any adjustment to the reported net asset of the fund is required for the purpose of estimation of the fair value of the fund as at 30 June 2018. Management considered the net asset value reported by the fund's manager was an appropriate approximation of fair value of the fund and therefore, no adjustment is considered necessary.

On 1 January 2018, this fund with carrying amount of HK$103,480,000 as at 31 December 2017 was reclassified from available-for-sale investment as financial asset at fair value through profit or loss, note 2(b)(i).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

9 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

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

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

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

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

Recurring fair value measurements

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
As at 30 June 2018				
Financial asset at fair value through profit or loss				
— investment fund	–	–	108,037	108,037

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

9 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Recurring fair value measurements (continued)

During the six months ended 30 June 2018, there were no transfer between levels 1 and 2 for recurring fair value measurements. There were also no transfers in and out of level 3 measurements during the period.

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

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 2018 $'000	At 31 December 2017 $'000
Within 1 month	**31,266**	10,604
Over 1 month but within 2 months	**19,338**	15,492
Over 2 months but within 3 months	**10,838**	8,524
Over 3 months	**4,330**	6,738
Trade debtors and bills receivable, net of allowance for doubtful debts	**65,772**	41,358
Other prepayments	**2,376**	1,012
Sale consideration receivables (note)	**50,000**	50,000
Deposits and other debtors	**259**	245
	118,407	92,615

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

10 TRADE AND OTHER RECEIVABLES (CONTINUED)

Note:

It represented the balance of the sale consideration of HK$50,000,000 receivable from the purchaser arising from disposal of the Company's subsidiary as detailed in note 14. Pursuant to the sale and purchase agreement, the balance is repayable within one year from the completion date of disposal of 24 August 2017. In addition, upon completion of the disposal, the share of the subsidiary together with the Group's shareholder's loan made to the subsidiary disposed of to the purchaser are pledged to the Company as security for the purchaser's obligation to pay the balance of the purchase consideration.

11 CASH AND CASH EQUIVALENTS

	At 30 June 2018 $'000	At 31 December 2017 $'000
Cash at bank and in hand	**74,756**	95,590
Cash and cash equivalents in the condensed consolidated statement of cash flows	**74,756**	95,590

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

12 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 2018 $'000	At 31 December 2017 $'000
Within 1 month	**10,126**	8,727
Over 1 month but within 3 months	**6,128**	2,059
Over 3 months but within 6 months	**270**	396
Over 6 months	**1,469**	27
Trade creditors	**17,993**	11,209
Payroll and staff benefits payable	**15,680**	18,285
Accrued expenses	**2,926**	6,055
Payables for purchase of property, plant and equipment	**–**	2,344
Other taxes payables	**3,896**	740
Advances from third parties	**837**	575
Other payables	**1,195**	1,158
	42,527	40,366

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

13 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

No interim dividend was declared.

(b) Share capital

Authorised and issued share capital

	At 30 June 2018		At 31 December 2017	
	Number of shares '000	Share capital $'000	Number of shares '000	Share capital $'000
Authorised:				
Ordinary shares of HK$0.01 each	**2,000,000**	**20,000**	2,000,000	20,000
Ordinary shares, issued and fully paid:				
At 1 January	**464,804**	**4,648**	434,804	4,348
Shares issued under a subscription agreement	**–**	**–**	30,000	300
At 30 June/31 December	**464,804**	**4,648**	464,804	4,648

(c) Shares issued

A total of 30,000,000 shares ("Subscription Shares") at a subscription price of HK$1.00 per each of Subscription Shares were allotted and issued by the Company during the six months ended 30 June 2017.

The issuance of Subscription Shares resulted in an increase in share premium (net of issuance costs of HK$500,000) amounting to HK$29,200,000 during the six months ended 30 June 2017.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

14 DISCONTINUED OPERATION

On 24 August 2017, the Company completed the disposal of its 100% equity interests in and shareholder's loan made to Neo Ocean Ventures Limited and its subsidiaries ("Neo Ocean Group"), which engages in real estate agency business in the PRC, to an independent third party of the Company.

Following the decision and completion of disposal of Neo Ocean Group, the related income and expenses were re-classified as discontinued operation. The presentation of comparative information in respect of the consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2017 has been restated in order to present the discontinued operation separately from continuing operations.

(i) The financial performance for the period from 1 January 2017 to 30 June 2017 is presented as follows:

	$'000
Revenue	81,638
Expenses	(122,367)
Loss before income tax of discontinued operation	(40,729)
Income tax expense	–
Loss from discontinued operation	(40,729)
Other comprehensive income of discontinued operation	3,101
Total comprehensive income from discontinued operation	(37,628)

(ii) Loss per share (HK cents)

	Six months ended 30 June	
	2018	2017
Basic and diluted from discontinued operation	**N/A**	(9.4)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

15 COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

(a) Capital commitments outstanding not provided for in the interim financial report were as follows:

	At 30 June 2018 $'000	At 31 December 2017 $'000
Contracted for	**15,985**	149

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

	At 30 June 2018 $'000	At 31 December 2017 $'000
Within 1 year	**6,892**	9,359
After 1 year but within 5 years	**2,446**	3,758
	9,338	13,117

16 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions disclosed elsewhere in this interim financial report, the Group entered into the following material related party transactions:

(i) The Group has an operating lease with a term of three years ending 31 December 2018 in respect of certain plant and buildings entered into with Mr. Xu Xipeng and Mr. Xu Xinan, the senior management of the Group. During the six months ended 30 June 2018, the rentals paid by the Group under this lease agreement amounted to HK$2,286,000 (2017: HK$2,109,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

16 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(ii) After disposals of property, plant and leasehold land during the year ended 31 December 2016, the Group agreed to leaseback those assets from Classic Winner Limited ("Classic Winner") and Foshan City Nanhai Jinheming Investment Company Limited ("Nanhai Jinheming"). Both lease agreements in respect of the property, plant and leasehold land covered a duration of one year only. The Group was required to pay rental expenses of HK$1 and HK$ nil to Classic Winner and Nanhai Jinheming respectively under both lease agreements. These lease agreements in respect of property and plant, and building were renewed on 16 January 2017 for a term of three years commencing from 16 January 2017. The rentals paid by the Group to Classic Winner and Nanhai Jinheming for the six months ended 30 June 2018 amounted to HK$306,000 and RMB1,650,000 (six months ended 30 June 2017: HK$306,000 and RMB1,650,000) respectively.

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

	Six months ended 30 June	
	2018	2017
	$'000	$'000
Short-term employee benefits	**1,427**	2,288
Retirement scheme contribution	**30**	90
	1,457	2,378

Total remuneration is included in "staff costs" (Note 5(a)).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

17 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2018

A number of amendments and new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted any new or amended standards in preparing this interim financial report.

The Group has the following updates to the information provided in the last annual financial statements about the possible impacts of the new standards issued but not yet effective which may have a significant impact on the Group's consolidated financial statements.

HKFRS 16, Leases

Currently the Group classifies leases into operating leases, and account for the lease arrangements, according to the nature of the lease. The Group enters into leases as the lessee.

Once HKFRS 16 is adopted, subject to practical expedients, at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

17 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2018 (CONTINUED)

HKFRS 16, Leases (continued)

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for property, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 15(b), at 30 June 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to HK$9,338,000, part of which is payable either between 1 and 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group has decided not to early adopt HKFRS 16 in its 2018 consolidated financial statements.

GLOSSARY

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

"Board"	the Board of Directors
"CG Code"	Code on corporate governance practices 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

GLOSSARY

"Main Board"	the stock market operated by the Hong Kong Stock Exchange, which excludes GEM 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 report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Share(s)"	share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	shareholder(s) of the Company