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 2019

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2019	2018	
	HK$'000	*HK$'000*	*change*
	(unaudited)	*(unaudited)*	+/(-)
Revenue	**117,469**	111,556	5.3%
Gross profit	**38,957**	41,207	(5.5%)
Gross profit margin	**33.2%**	36.9%	(10.0%)
Profit for the period	**6,346**	15,819	(59.9%)
Attributable to equity shareholders of the Company			
Profit for the period	**4,913**	13,137	(62.6%)
Basic and diluted earnings per share *(HK cents)*	**1.1**	2.8	(60.7%)

	As at 30 June 2019	As at 31 December 2018	
	HK$'000	*HK$'000*	*change*
	(unaudited)	*(audited)*	+/(-)
Total assets	**411,279**	330,454	24.5%
Cash and cash equivalents	**44,287**	78,587	(43.6%)
Total equity attributable to equity shareholders of the Company	**271,385**	264,730	2.5%

INTERIM RESULTS

The Board is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*5*	**117,469**	111,556
Cost of sales		**(78,512)**	(70,349)
Gross profit		**38,957**	41,207
Other revenue and gains/(losses), net	*6(b)*	**5,543**	7,115
Distribution costs		**(7,368)**	(7,128)
Administrative expenses		**(26,311)**	(21,286)
Finance costs	*3(c)*	**(2,009)**	–
Profit before taxation	*6*	**8,812**	19,908
Income tax	*7*	**(2,466)**	(4,089)
Profit for the period		**6,346**	15,819
Attributable to:			
Equity shareholders of the Company		**4,913**	13,137
Non-controlling interests		**1,433**	2,682
Profit for the period		**6,346**	15,819
Earnings per share attributable to the equity shareholders of the Company (HK cents)	*8*		
Basic and diluted		**1.1**	2.8

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the period	**6,346**	15,819
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	**2,106**	(3,209)
Total comprehensive income for the period	**8,452**	12,610
Attributable to:		
Equity shareholders of the Company	**6,655**	10,408
Non-controlling interests	**1,797**	2,202
Total comprehensive income for the period	**8,452**	12,610

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	**At 30 June 2019** ***HK$'000*** **(unaudited)**	At 31 December 2018 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment		**77,730**	71,873
Intangible assets		**1,190**	1,562
Prepayments for property, plant and equipment		**617**	1,439
Rental deposits		**4,140**	5,041
Right-of-use assets	*3(c)*	**61,951**	–
Deferred tax assets		**3,370**	3,482
		148,998	83,397
Current assets			
Inventories		**30,710**	24,549
Financial asset at fair value through profit or loss	*9*	**107,702**	102,183
Trade and other receivables	*10*	**78,645**	40,922
Current tax recoverable		**937**	816
Cash and cash equivalents		**44,287**	78,587
		262,281	247,057
Current liabilities			
Trade and other payables	*11*	**49,221**	41,396
Lease liabilities	*3(c)*	**16,605**	–
Current tax payable		**1,704**	–
		67,530	41,396
Net current assets		**194,751**	205,661
Total assets less current liabilities		**343,749**	289,058

	Notes	At 30 June 2019 HK$'000 (unaudited)	At 31 December 2018 HK$'000 (audited)
Non-current liabilities			
Lease liabilities	*3(c)*	**46,239**	–
Deferred tax liabilities		**1,124**	1,124
		47,363	1,124
Net assets		**296,386**	287,934
Capital and reserves			
Share capital		**4,648**	4,648
Reserves		**266,737**	260,082
Total equity attributable to equity shareholders of the Company		**271,385**	264,730
Non-controlling interests		**25,001**	23,204
Total equity		**296,386**	287,934

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 GENERAL

KEE Holdings Company Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). As at 30 June 2018 and 2019, the Company's immediate holding company is Glory Emperor Trading Limited ("Glory Emperor"), a company incorporated in the British Virgin Islands. The directors of the Company considered the Company's ultimate holding company as at 30 June 2019 was Zhonghong Holdings Co. Ltd ("Zhonghong"), a company established in the People's Republic of China and its ultimate controlling party is Mr. Wang Yonghong.

As disclosed in the Company's joint announcement dated on 10 July 2019, Glory Emperor has transferred approximately 28.85%, 26.74% and 14.57% of the total issued share capital of the Company to China Sun Corporation, a company incorporated in the British Virgin Islands (the "BVI"), Central Eagle Limited, a company incorporated in the BVI, and Golden Diamond Inc., a company incorporated in the BVI (hereafter collectively known as the "Joint Offerors"), respectively, on 2 July 2019. As at the date of these unaudited condensed consolidated interim financial statements, the Joint Offerors in aggregate hold approximately 70.16% of the total issued share capital of the Company subject to completion of the mandatory unconditional cash offer to acquire all the issued shares of the Company.

2 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements 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 preparation of the condensed consolidated interim financial statements 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 condensed consolidated interim financial statements contains 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 the Company and its subsidiaries (collectively the "Group") since the consolidated financial statements for the year ended 31 December 2018 ("2018 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").

3 PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements has been prepared in accordance with the same accounting policies adopted in the 2018 Annual Financial Statements, except for the accounting policy changes that are required to be adopted in the 2019 annual financial statements. Details of these changes in accounting policies are set out below.

Overview on changes in accounting policies

The HKICPA has issued a number of new HKFRS and amendments to HKFRSs that are first effective for the current accounting period of the Group as follows:

- HKFRS 16, Leases
- HK(IFRIC)-Int 23, Uncertainty over Income Tax Treatments
- Annual Improvements 2015-2017 Cycle, Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23
- Amendments to HKFRS 9, Prepayment Features with Negative Compensation
- Amendments to HKAS 19, Plan Amendment, Curtailment or Settlement
- Amendments to HKAS 28, Long-term Interests in Associates and Joint Ventures

Other than as explained below regarding the impact of adoption of HKFRS 16, the new and amendments to HKFRSs that are relevant to the preparation of the Company's condensed consolidated interim financial statements have no material impact on the Group's financial performance and cash flows for current period and financial position.

The Group has initially applied HKFRS 16 as from 1 January 2019 and elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019, if any. Comparative information has not been restated and continues to be reported under HKAS 17, Leases.

Adoption of HKFRS 16

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rates at 1 January 2019 (i.e. date of initial adoption of HKFRS 16). The right-of-use assets were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the leases recognised in the condensed consolidated statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets and the lease liabilities separately in the condensed consolidated statement of financial position.

The Group has adopted the practical expedient to exclude initial direct costs for the measurement of right-of-use assets when applying HKFRS 16 at 1 January 2019.

(a) The impacts arising from the adoption of HKFRS 16 are as follows:

Line items of the condensed consolidated statement of financial position as at 1 January 2019

	HK$'000 (unaudited)
Assets	
Increase in right-of-use assets	69,204
Increase in total assets	69,204
Liabilities	
Increase in lease liabilities (non-current)	53,581
Increase in lease liabilities (current)	15,623
Increase in total liabilities	69,204

Line items of the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2019

	HK$'000 (unaudited)
Increase in depreciation on right-of-use assets	(8,933)
Increase in interest on lease liabilities	(2,009)
Decrease in operating lease charges	10,223
Decrease in profit for the period	(719)

Line items of the condensed consolidated statement of cash flows for the six months ended 30 June 2019

	HK$'000 (unaudited)
Increase in net cash generated from operating activities	
— Decrease in operating lease charges	10,223
Increase in net cash used in financing activities	
— Payments of capital element of lease liabilities	8,214
— Payments of interest element of lease liabilities	2,009
	10,223

(b) The lease liabilities as at 1 January 2019 reconciled to the operating leases commitments as at 31 December 2018 is as follows:

	HK$'000 (unaudited)
Operating lease commitments as at 31 December 2018	40,718
Weighted average incremental borrowing rate as at 1 January 2019	6.0%
Discounted operating lease commitments as at 1 January 2019	39,600
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	29,604
Lease liabilities as at 1 January 2019	69,204

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property, plant and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low value assets recognition exemption to leases of office equipment that are considered as low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has renewal options, under some of its leases, to lease the assets for an additional term. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option (or not to exercise) the option to renew (e.g. a change in business strategy).

(c) Amounts recognised in the condensed consolidated statement of financial position and profit or loss

	Right-of-use assets *HK$'000* **(unaudited)**	**Lease liabilities** *HK$'000* **(unaudited)**
As at 1 January 2019	**69,204**	**69,204**
Additions	**1,116**	**1,116**
Depreciation charge	**(8,933)**	**–**
Interest expense	**–**	**2,009**
Payments of lease liabilities	**–**	**(10,223)**
Exchange realignment	**564**	**738**
As at 30 June 2019	**61,951**	**62,844**

	HK$'000 **(unaudited)**
Lease liabilities as at 30 June 2019	
— Included in current liabilities	**16,605**
— Included in non-current liabilities	**46,239**
	62,844

4 SEGMENT REPORTING

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

Accordingly, the Group has presented the following two reportable segments in a manner consistent with the way in which information is reported internally to the Group's senior executive management for the purposes of resource allocation and performance assessment.

(a) Zipper (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.

(b) Zipper (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.

(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 2019

	Mainland China *HK$'000* **(unaudited)**	**Overseas** *HK$'000* **(unaudited)**	**Total** *HK$'000* **(unaudited)**
Revenue from external customers	**103,344**	**14,125**	**117,469**
Inter-segment revenue	**8,495**	**465**	**8,960**
Reportable segment revenue	**111,839**	**14,590**	**126,429**
Reportable segment profit	**10,182**	**1,002**	**11,184**
Depreciation and amortisation for the period	**10,980**	**476**	**11,456**
As at 30 June 2019			
Reportable segment assets	**263,912**	**16,667**	**280,579**
Reportable segment liabilities	**95,970**	**2,678**	**98,648**

For the six months ended 30 June 2018

	Mainland China *HK$'000* (unaudited)	Overseas *HK$'000* (unaudited)	Total *HK$'000* (unaudited)
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

(b) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Reportable segment profit	**11,184**	24,503
Elimination of inter-segment losses	**820**	127
Reportable segment profit derived from the Group's external customers	**12,004**	24,630
Other revenue and gains/(losses), net	**5,543**	2,064
Unallocated head office and corporate expenses	**(8,735)**	(6,786)
Consolidated profit before taxation	**8,812**	19,908

5 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 is as follows:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Finished zippers and sliders	**115,749**	108,941
Others	**1,720**	2,615
	117,469	111,556

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.

6 PROFIT BEFORE TAXATION

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

(a) Staff costs *(note)*

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Salaries, wages and other benefits	**43,624**	38,876
Contributions to defined contribution retirement plans	**3,238**	3,384
	46,862	42,260

(b) Other revenue and gains/(losses), net

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Fair value gain on financial asset at fair value through profit or loss	**5,519**	4,557
Interest income	**542**	901
Net (losses)/gains on disposal of property, plant and equipment	**(19)**	119
Others	**(499)**	1,538
	5,543	7,115

(c) Other items

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Depreciation and amortisation *(note)*		
— owned property, plant and equipment	**4,607**	4,264
— intangible assets	**391**	417
— right-of-use assets	**8,933**	–
	13,931	4,681
Operating lease charges in respect of property and plant	**–**	4,708
Inventory write-down net of reversals	**(90)**	(244)
Cost of inventories *(note)*	**78,512**	70,349

note: Cost of inventories includes HK$43,546,000 for the six months ended 30 June 2019 (six months ended 30 June 2018: HK$29,795,000) relating to staff costs, depreciation and amortisation expenses, which amounts are also included in the respective total amounts disclosed separately above or in note 6(a) for each of these types of expenses.

7 INCOME TAX

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax — PRC corporate income tax	**2,328**	4,016
Deferred tax	**138**	73
	2,466	4,089

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

KEE Zippers Corporation Limited is subject to Hong Kong profits tax at the rate of 16.5% in 2019 and 2018.

(b) 開易(廣東)服裝配件有限公司 (KEE (Guangdong) Garment Accessories Limited*) ("KEE Guangdong") was recognised as a High and New Technology Enterprise ("HNTE") and was entitled to a preferential income tax rate of 15% up to 2018. KEE Guangdong is preparing the application for the renewal of the recognition as a HNTE. The management consider that the recognition can be successfully renewed and will continue to enjoy a preferential income tax rate of 15% for another three years starting from the financial year commenced on 1 January 2019.

Except for KEE Guangdong, the statutory income tax rate applicable to the Company's other subsidiaries in Mainland China was 25%.

(c) 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 2019, deferred tax liabilities recognised in this regard was HK$1,124,000 (31 December 2018: HK$1,124,000).

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to the equity shareholders of the Company for the six months ended 30 June 2019 amounted to HK$4,913,000 (six months ended 30 June 2018: HK$13,137,000) and the weighted average number of 464,804,000 ordinary shares (six months ended 30 June 2018: 464,804,000) in issue during the six months ended 30 June 2019.

(b) Diluted earnings per share

For the six months ended 30 June 2019 and 2018, basic and diluted earnings per share are equal as there are no potential dilutive ordinary shares in issue for the both periods.

9 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2019 ***HK$'000*** **(unaudited)**	At 31 December 2018 *HK$'000* (audited)
Unlisted investment fund, at fair value	**107,702**	102,183

The fund, as detailed in the Group's consolidated financial statements for the year ended 31 December 2018, has a maturity of three years from 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. Subsequent to the end of reporting period, the Group has made a partial redemption of its share in the fund with proceeds of HK$55,000,000 received.

The fair value of the fund is based on its net asset value as at 30 June 2019 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 2019. The chief executive officer and the chief financial officer of the Company have discussed with the valuer on the valuation assumptions and valuation results when the valuation was performed at the end of the reporting period.

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

The financial asset at fair value through profit or losses at the end of reporting period was classified as level 3 measurement.

During the six months ended 30 June 2019, 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 was the net asset value reported by the fund's manager. It was recognised by the Company that the net asset value of the fund was sensitive to movements in the value of the underlying investments held by the fund.

10 TRADE AND OTHER RECEIVABLES

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 2019 *HK$'000* **(unaudited)**	At 31 December 2018 *HK$'000* (audited)
Within 1 month	**32,442**	7,775
Over 1 month but within 2 months	**24,822**	12,314
Over 2 months but within 3 months	**12,265**	6,016
Over 3 months	**5,992**	13,470
Trade debtors and bills receivable, net of allowance for doubtful debts	**75,521**	39,575
Other prepayments	**2,033**	981
Deposits and other debtors	**1,091**	366
	78,645	40,922

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

The Group recognised impairment loss based on the same accounting policies adopted in the 2018 Annual Financial Statements.

11 TRADE AND OTHER PAYABLES

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 2019 *HK$'000* **(unaudited)**	At 31 December 2018 *HK$'000* (audited)
Within 1 month	**16,265**	6,314
Over 1 month but within 3 months	**1,498**	880
Over 3 months but within 6 months	**40**	–
Over 6 months	**677**	441
Trade creditors	**18,480**	7,635
Payroll and staff benefits payables	**19,384**	20,827
Accrued expenses	**3,782**	4,016
Payables for purchase of property, plant and equipment	**4,393**	7,891
Other taxes payables	**1,466**	13
Contract liabilities	**511**	772
Amount due to an intermediate holding company	**902**	–
Amount due to a fellow subsidiary	**152**	–
Amount due to immediate holding company	**8**	–
Other payables	**143**	242
	49,221	41,396

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.

Since 2019, facing the slowing down of global economic growth and international trade growth, together with increased external uncertainties, the domestic economy growth has been generally stable yet with an intensifying downward pressure. Under the impact of numerous risks and uncertainties, the garment and textile industry in China has actively carried out structural adjustment and pragmatic and innovative measures, accelerated the transformation of growth momentum, and constantly enhanced brand and quality awareness. This required the zipper industry in China to speed up the transition of the driving force of corporate development and strengthen its technological innovation and fashion design, which would bring more challenges to the development of China's zipper industry.

To this end, the Group proactively enhanced its brand image and increased the added value of the brand, continuously increase investment in market development and product innovation, promptly responded to customers and market demand as to further improve customer satisfaction. At the same time, the Company has kept on integrating and expanding production capacity, promoting production automation, improving production processes and product quality, in turns enhancing operational efficiency. It is worth mentioning that the testing center of 開易(廣東)服裝配件有限公司 (KEE (Guangdong) Garment Accessories Limited*) ("KEE Guangdong") obtained a laboratory accreditation certificate authorized by the China National Accreditation Service for Conformity Assessment for a valid term of six years, with effect from 27 March 2019, which means the testing center of KEE Guangdong has reached a new level in terms of management, technology and overall strength.

The Group recorded profit attributable to equity shareholders of the Company of approximately HK$4.91 million for the six months ended 30 June 2019, as compared with a profit of approximately HK$13.14 million for the same period in 2018, the decrease was mainly due to the commenced production and operation of 開易(廣東)服裝配件有限公司荊門分公司 (KEE (Guangdong) Garment Accessories Limited Jingmen Branch*) ("KEE Guangdong Jingmen Branch").

PROSPECTS

For the second half of 2019, there will be more difficulties and challenges against PRC with certain risks of economic growth. The export is also affected by various potential adverse factors, such as the relentless 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 PRC'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 continue to 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$117.47 million for the six months ended 30 June 2019, representing an increase of 5.3% over the corresponding period in 2018. The Group recorded profit attributable to equity shareholders of the Company of approximately HK$4.91 million, as compared with a profit of approximately HK$13.14 million for the six months ended 30 June 2018.

A comparison of the financial results for the six months ended 30 June 2019 and the corresponding period in 2018 is set out as follows:

REVENUE

The Group's revenue for the six months ended 30 June 2019 amounted to approximately HK$117.47 million, representing an increase of 5.3% as compared to the corresponding period in 2018.

Revenue analysis by product category:

	For the six months ended 30 June			
	2019		2018	
	HK$'000 **(unaudited)**	*%*	*HK$'000* (unaudited)	*%*
Sales of goods				
Finished zippers and sliders	**115,749**	**98.5**	108,941	97.7
Others	**1,720**	**1.5**	2,615	2.3
Total	**117,469**	**100.0**	111,556	100.0

Revenue analysis by geographic location:

	For the six months ended 30 June			
	2019		2018	
	HK$'000	*%*	*HK$'000*	*%*
	(unaudited)		(unaudited)	
Mainland China	**103,344**	**88.0**	98,544	88.3
Overseas	**14,125**	**12.0**	13,012	11.7
Total	**117,469**	**100.0**	111,556	100.0

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

GROSS PROFIT

Gross profit analysis by product category:

	For the six months ended 30 June			
	2019		2018	
	HK$'000	*%*	*HK$'000*	*%*
	(unaudited)		(unaudited)	
Finished zippers and sliders	**38,120**	**97.9**	40,156	97.4
Others	**837**	**2.1**	1,051	2.6
Total	**38,957**	**100.0**	41,207	100.0

The decrease in the gross profit was primarily due to increase in fixed manufacturing expense and labour cost as a result of the commenced operation of KEE Guangdong Jingmen Branch since April 2019.

EXPENSES AND COSTS

Distribution costs, comprising mainly of staff costs, transportation costs and advertising and promotion expenses, increased by 3.4% to approximately HK$7.37 million for the six months ended 30 June 2019 from approximately HK$7.13 million for the same period in 2018, which was mainly due to the increase in transportation costs as a result of the growth in sales of finished zippers and sliders which was in line with the increase in revenue.

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 23.6% to approximately HK$26.31 million for the six months ended 30 June 2019 from approximately HK$21.29 million for the same period in 2018, which was mainly due to the increase in salary and welfare expenses as well as the rental expenses during the establishment period of KEE Guangdong Jingmen Branch recorded in administrative expenses.

PROFITABILITY

The Group recorded profit attributable to equity shareholders of the Company of approximately HK$4.91 million for the six months ended 30 June 2019, as compared with a profit of approximately HK$13.14 million for the same period in 2018. The margin of profit attributable to equity shareholders of the Company was 4.2% for the six months ended 30 June 2019 (six months ended 30 June 2018: 11.8%). Such decreases was mainly due to the commenced production and operation of KEE Guangdong Jingmen Branch.

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") in 2017. The carrying value of the Investment Fund was approximately HK$107.70 million as at 30 June 2019 (as at 31 December 2018: HK$102.18 million), and a gain arising from changes in the fair value of financial asset of approximately HK$5.52 million was recorded during the six months ended 30 June 2019. Subsequent to the end of the reporting period, the Group made partial redemption of the shares with net asset value of HK$55 million of the Investment Fund in August 2019.

RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group has applied HKFRS 16 of the recognition of lease liabilities and right-of-use assets as at 1 January 2019. Upon the adoption of HKFRS 16 , leases are recognised as right-of-use assets and its corresponding lease liabilities in the condensed consolidated statement of financial position at the date at which the leased asset is available for use by the Group. As permitted under the specific transitional provisions in the standard, comparatives for the 2018 reporting period has not been restated. As at 30 June 2019, the lease liabilities and right-of-use assets were amounted to approximately HK$62.84 million and approximately HK$61.95 million respectively.

CONTINUING CONNECTED TRANSACTIONS

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

(i) On 16 January 2017, Classic Winner Limited ("Classic Winner"), a company owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, as lessor and KEE Zippers Corporation Limited ("KEE Zippers"), an indirect subsidiary of the Company, as lessee entered into a lease renewal agreement (the "HK Lease Renewal Agreement") pursuant to which Classic Winner has agreed to lease to KEE Zippers a property in Hong Kong at a monthly rental of HK$51,000 payable on the 16th of each month for a term of three years commencing on 16 January 2017 to 15 January 2020. On 17 February 2016, Mr. Xu Xipeng and Mr. Xu Xinan resigned as the chairman of the board and chief executive officer of the Company respectively. Mr. Xu Xipeng and Mr. Xu Xinan also resigned as executive directors of the Company, but have remained as the directors of KEE International (BVI) Limited and KEE Zippers, the subsidiaries of the Company, since 17 February 2016. Therefore, Mr. Xu Xipeng and Mr. Xu Xinan are connected persons at the subsidiary level of the Company. As Classic Winner is owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, Classic Winner is also a connected person at the subsidiary level of the Company as of the date of HK Lease Renewal Agreement. An independent property valuer advised that the monthly rental of HK$51,000 is fair and reasonable with reference to the market rate. For each of the two years ended 15 January 2019 and the year ending 15 January 2020, the maximum annual aggregate amounts payable by the Group under the HK Lease Renewal Agreement are as follows:

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

(ii) On 16 January 2017, Nanhai Jinheming Investment Company Limited ("Nanhai Jinheming"), a company owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, as lessor and 開易(浙江)服裝配件有限公司 (KEE (Zhejiang) Garment Accessories Limited*) ("KEE Zhejiang"), an indirect subsidiary of the Company, as lessee entered into a lease renewal agreement (the "Zhejiang Lease Renewal Agreement") pursuant to which Nanhai Jinheming has agreed to lease to KEE Zhejiang the production base in Zhejiang Province at a monthly rental of RMB275,000 payable within the first 10 working days before the 16th day of each month for an initial term of three years commencing on 16 January 2017 to 15 January 2020, with three months' rent of RMB825,000 as deposit. As Nanhai Jinheming is owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, Nanhai Jinheming is a connected person at the subsidiary level of the Company as of the date of the Zhejiang Lease Renewal Agreement. An independent property valuer advised that the monthly rental of RMB275,000 is fair and reasonable with reference to the market rate. For each of the two years ended 15 January 2019 and the year ending 15 January 2020, the maximum annual aggregate amounts payable by the Group under the Zhejiang Lease Renewal Agreement are as follows:

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

(iii) On 24 August 2018, 開易(荊門)服裝配件有限公司 (KEE (Jingmen) Garment Accessories Limited*) ("KEE Jingmen"), a company owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, as lessor and KEE Guangdong, an indirect 85%-owned subsidiary of the Company, as lessee entered into a tenancy agreement (the "Jingmen Tenancy Agreement") pursuant to which KEE Jingmen has agreed to lease to KEE Guangdong a property in PRC at a monthly rental of RMB400,000 payable before the fifth day of each month commencing from 1 September 2018 to 31 August 2021, with three months' rent of RMB1,200,000 as deposit. As KEE Jingmen is owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, KEE Jingmen is a connected person at the subsidiary level of the Company as of the date of the Jingmen Tenancy Agreement. An independent property valuer advised that the monthly rental of RMB400,000 is fair and reasonable with reference to the market rate. For each of the three years ending 31 August 2021, the maximum annual aggregate amounts payable by the Group under the Jingmen Tenancy Agreement are as follows:

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

(iv) On 31 December 2018, Mr. Xu Xipeng and Mr. Xu Xinan, connected persons at the subsidiary level of the Company, as lessors and KEE Guangdong as lessee, entered into the lease renewal agreement (the "Guangdong Lease Renewal Agreement") to renew the lease of a plant in Guangdong for a further term of two years from 1 January 2019 to 31 December 2020 for a monthly rental of RMB360,000 payable within the first 10 working days of each month commencing from 1 January 2019.

An independent valuer advised that the monthly rental of RMB360,000 is fair and reasonable with reference to the market rate. For each of two years ending 31 December 2020, the maximum annual aggregate amounts payable by the Group under the Guangdong Lease Renewal Agreement 2019 are as follows:

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

For the six months ended 30 June 2019, the total rental charges under the HK Lease Renewal Agreement, the Zhejiang Lease Renewal Agreement, the Jingmen Tenancy Agreement and the Guangdong Lease Renewal Agreement was approximately HK$7,491,000.

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 2019 amounted to approximately HK$13.28 million (six months ended 30 June 2018: HK$11.03 million). Such increases was mainly attributable to a combined effect of an increase in trade and bills receivables as at 30 June 2019 due to the sales increase. The Group's net cash outflow from investing activities for the six months ended 30 June 2019 amounted to approximately HK$12.14 million (six months ended 30 June 2018: HK$10.02 million). The increase in net cash outflow was mainly attributable to the net effect of the decrease in prepayments for the purchase of property, plant and equipment and the increase in payment for the purchase of property, plant and equipment. The Group's net cash outflow from financing activities for the six months ended 30 June 2019 amounted to approximately HK$9.16 million (six months ended 30 June 2018: nil). The cash was mainly used in payments of lease liabilities under HKFRS 16, which was effective for reporting periods beginning on or after 1 January 2019.

As at 30 June 2019, cash and cash equivalents amounted to approximately HK$44.29 million, representing decrease of approximately HK$34.30 million as compared with the position as at 31 December 2018. Such decrease was mainly due to increase in trade and other receivables as at 30 June 2019.

Disclose the material component should be sufficient due to the limited foreign carrying risk. As at 30 June 2019, cash and cash equivalents of the Group in the amount of approximately HK$37.01 million, HK$4.27 million, HK$2.85 million, HK$96,000 and HK$60,000 were denominated in RMB, HKD, USD, CHF and EUR, respectively. As at 31 December 2018, cash and cash equivalents of the Group in the amount of approximately HK$53.58 million, HK$15.02 million, HK$9.83 million, HK$96,000 and HK$60,000 were denominated in RMB, HKD, USD, CHF and EUR, respectively.

During the six months ended 30 June 2019, 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 2019 was 27.9% (31 December 2018: 12.9%). The debt to asset ratio is considered healthy and suitable for the continuous growth of the Group's business.

NET CURRENT ASSETS

As at 30 June 2019, the Group had current assets of approximately HK$262.28 million. The key components of current assets as at 30 June 2019 included inventories of approximately HK$30.71 million, trade and other receivables of approximately HK$78.65 million, financial asset at fair value through profit or loss of approximately HK$107.70 million and cash and cash equivalents of approximately HK$44.29 million. The key components of current liabilities included trade and other payables of approximately HK$49.22 million and lease liabilities of approximately HK$16.61 million.

The net current assets of approximately HK$194.75 million as at 30 June 2019 remained stable as compared with the net current assets of approximately HK$205.66 million as at 31 December 2018.

PLEDGED ASSETS

As at 30 June 2019, the Group did not have pledged assets.

CONTINGENT LIABILITIES

As at 30 June 2019, 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 2019.

EMPLOYEES

As at 30 June 2019, the Group had 827 employees (30 June 2018: 715), including 801 full-time employees and 26 temporary employees, representing a increase of approximately 15.7% as compared with 30 June 2018. 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 2019 were approximately HK$46.86 million (six months ended 30 June 2018: HK$42.26 million). The increase was mainly due to the increase in headcount of the workers of the newly established KEE Guangdong Jingmen Branch.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2019 and 2018.

EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

The Company was informed by Glory Emperor Trading Limited ("Glory Emperor") that on 2 July 2019, Glory Emperor as seller, China Sun Corporation, Central Eagle Limited and Golden Diamond Inc. (collectively the "Joint Offerors") as purchasers and Noble Wisdom Ever Limited as warrantor entered into the sale and purchase agreement (the "SPA"), pursuant to which Glory Emperor agreed to sell and the Joint Offerors agreed to purchase 326,089,600 Shares (the "Sale Share(s)") representing approximately 70.16% of the total issued share capital of the Company at the aggregate consideration of HK$546,852,259.20 or HK$1.677 per Sale Share. The SPA is not subject to any conditions and the completion took place immediately upon the signing of the SPA on 2 July 2019. Pursuant to Rule 26.1 of the Code on Takeovers and Mergers (the "Takeovers Code"), the Joint Offerors are required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned or to be acquired by the Joint Offerors and the parties acting in concert with each of them) (the "Offer"). The composite offer document and response document to be jointly issued by the Joint Offerors and the Company in accordance with the Takeovers Code in respect of the Offer is expected to be despatched on or before 30 August 2019. For further information, please refer to the announcements jointly issued by the Joint Offerors and the Company dated 10 July 2019 and 31 July 2019 and the announcement of the Company dated 17 July 2019.

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 2019, 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 2019, 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 2019 to 30 June 2019.

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 2019.

AUDIT COMMITTEE

The unaudited interim results of the Group for the six months ended 30 June 2019 have been reviewed by the audit committee of the Board.

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 2019 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"	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 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
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the stock market operated by the 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" or "Mainland 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
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

* *The English translation or transliteration of the Chinese name(s), where indicated, is included for information purposes only, and should not be regarded as the official English name(s) of such Chinese name(s).*

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

Hong Kong, 23 August 2019

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