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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 2016**

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		change
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	
Revenue	77,529	86,295	-10.2%
Gross profit	26,278	27,956	-6.0%
Gross profit margin	33.9%	32.4%	4.6%
Profit from operations	46,522	8,521	446.0%
Profit before taxation	46,512	8,308	460.0%
Profit for the period attributable to equity shareholders of the Company	36,946	5,987	517.1%
Basic and diluted earnings per share (HK cents)	8.5	1.4	507.1%
	As at 30 June 2016 HK\$'000 (unaudited)	As at 31 December 2015 HK\$'000 (audited)	
Total assets	384,903	368,931	4.3%
Cash and cash equivalents	218,243	85,894	154.1%
Total equity attributable to equity shareholders of the Company	331,687	290,857	14%

INTERIM RESULTS

The Board is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 30 June 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2016 – unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
	<i>Note</i>	2016	2015
		\$'000	\$'000
Revenue	4	77,529	86,295
Cost of sales		<u>(51,251)</u>	<u>(58,339)</u>
Gross profit		26,278	27,956
Net gain on disposal of a subsidiary		17,837	–
Net gain on disposal of properties and leasehold land		17,648	12
Other income		2,900	2,118
Distribution costs		(4,775)	(6,583)
Administrative expenses		<u>(13,366)</u>	<u>(14,982)</u>
Profit from operations		46,522	8,521
Finance costs	5(a)	<u>(10)</u>	<u>(213)</u>
Profit before taxation	5	46,512	8,308
Income tax	6	<u>(7,598)</u>	<u>(2,540)</u>
Profit for the period		<u>38,914</u>	<u>5,768</u>
Attributable to:			
Equity shareholders of the Company		36,946	5,987
Non-controlling interests		<u>1,968</u>	<u>(219)</u>
Profit for the period		<u>38,914</u>	<u>5,768</u>
Earnings per share (HK cents)	7		
Basic		8.5	1.4
Diluted		<u>8.5</u>	<u>1.4</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the six months ended 30 June 2016 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2016	2015
	\$'000	\$'000
Profit for the period	38,914	5,768
Other comprehensive income for the period (after reclassification adjustments):		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of subsidiaries in the mainland China	<u>(9,555)</u>	<u>157</u>
Total comprehensive income for the period	<u>29,359</u>	<u>5,925</u>
Attributable to:		
Equity shareholders of the Company	28,447	6,135
Non-controlling interests	<u>912</u>	<u>(210)</u>
Total comprehensive income for the period	<u>29,359</u>	<u>5,925</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2016 – unaudited

(Expressed in Hong Kong dollars)

		At 30 June 2016 \$'000	At 31 December 2015 \$'000
Non-current assets			
Property, plant and equipment		72,505	195,813
Interests in leasehold land held for own use under an operating leases		–	30,453
		<u>72,505</u>	<u>226,266</u>
Intangible assets		3,589	6,161
Prepayments for property, plant and equipment		91	280
Deferred tax assets		1,378	1,435
		<u>77,563</u>	<u>234,142</u>
Current assets			
Inventories		18,173	15,874
Trade and other receivables	8	70,654	32,014
Current tax recoverable		270	1,007
Cash and cash equivalents		218,243	85,894
		<u>307,340</u>	<u>134,789</u>
Current liabilities			
Trade and other payables	9	27,783	39,937
Bank borrowing		–	15,000
Current tax payable		1,628	285
		<u>29,411</u>	<u>55,222</u>
Net current assets		<u>277,929</u>	<u>79,567</u>
Total assets less current liabilities		<u>355,492</u>	<u>313,709</u>

	At 30 June 2016 <i>\$'000</i>	At 31 December 2015 <i>\$'000</i>
Non-current liability		
Deferred tax liabilities	<u>1,157</u>	<u>682</u>
NET ASSETS	<u>354,335</u>	<u>313,027</u>
CAPITAL AND RESERVES		
Share capital	4,348	4,268
Reserves	<u>327,339</u>	<u>286,589</u>
Total equity attributable to equity shareholders of the Company	331,687	290,857
Non-controlling interests	<u>22,648</u>	<u>22,170</u>
TOTAL EQUITY	<u>354,335</u>	<u>313,027</u>

NOTES

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION

The consolidated results set out in this announcement do not constitute the Group's consolidated interim financial report for the six months ended 30 June 2016 but are extracted from the consolidated interim financial report.

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 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" issued by the HKICPA.

2 CHANGES IN ACCOUNTING POLICIES

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

- *Annual Improvements to HKFRSs 2012–2014 Cycle*
- *Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative*

These amendments do not have a material impact on the Group's interim financial report.

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

3 SEGMENT REPORTING

The Group manages its businesses by geographical areas.

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

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

(a) **Information about profit or loss and assets**

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

For the six months ended	Mainland China		Overseas		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Revenue from external customers	71,506	78,122	6,023	8,173	77,529	86,295
Inter-segment revenue	4,219	5,710	352	130	4,571	5,840
Reportable segment revenue	75,725	83,832	6,375	8,303	82,100	92,135
Reportable segment profit/(loss)	11,860	9,348	(378)	(752)	11,482	8,596
Interest expense	-	-	(10)	(213)	(10)	(213)
Depreciation and amortisation for the period	(6,148)	(8,207)	(74)	(347)	(6,222)	(8,554)
As at 30 June/ 31 December						
Reportable segment assets	316,636	340,669	5,736	28,272	322,372	368,941

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

	Six months ended 30 June	
	2016 \$'000	2015 \$'000
Revenue		
Reportable segment revenue	82,100	92,135
Elimination of inter-segment revenue	(4,571)	(5,840)
Consolidated revenue (note 4)	77,529	86,295
Profit		
Reportable segment profit	11,482	8,596
Elimination of inter-segment profits	116	123
Reportable segment profit derived from the Group's external customers	11,598	8,719
Other income and net disposal gains	38,385	2,130
Unallocated head office and corporate expenses	(3,471)	(2,541)
Consolidated profit before taxation	46,512	8,308

	At 30 June 2016 \$'000	At 31 December 2015 \$'000
Assets		
Reportable segment assets	322,372	368,941
Elimination of unrealised profit of inter-segment purchase of inventories and other assets	(1,953)	(1,997)
Elimination of unrealised profit of inter-segment purchase of property, plant and equipment	(506)	(578)
	<u>319,913</u>	<u>366,366</u>
Deferred tax assets	1,378	1,435
Unallocated head office and corporate assets	63,612	1,130
	<u>384,903</u>	<u>368,931</u>

4 REVENUE

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

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

	Six months ended 30 June	
	2016 \$'000	2015 \$'000
Finished zippers and sliders	73,882	78,418
Flat knit ribs	1,562	4,348
Others	2,085	3,529
	<u>77,529</u>	<u>86,295</u>

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

5 PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2016 \$'000	2015 \$'000
Interest on bank borrowing	<u>10</u>	<u>213</u>

(b) **Staff costs***

	Six months ended 30 June	
	2016	2015
	\$'000	\$'000
Salaries, wages and other benefits	24,434	25,663
Contributions to defined contribution retirement plans	2,740	2,274
Equity-settled share based payment expenses	–	1,410
	<u>27,174</u>	<u>29,347</u>

(c) **Other items**

	Six months ended 30 June	
	2016	2015
	\$'000	\$'000
Depreciation and amortisation*		
— land lease premium	8	355
— property, plant and equipment	5,807	7,639
— intangible assets	407	560
Operating lease charges in respect of properties	2,277	2,380
Interest income	(685)	(1,037)
Inventory write-down and losses net of reversals	(774)	(167)
Impairment loss on equipment	413	–
Cost of inventories*	<u>51,251</u>	<u>58,339</u>

* Cost of inventories includes HK\$23,608,000 for the six months ended 30 June 2016 (six months ended 30 June 2015: HK\$25,227,000) relating to staff costs, depreciation and amortisation expenses, which amounts are also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

6 INCOME TAX

	Six months ended 30 June	
	2016	2015
	\$'000	\$'000
Current tax — PRC corporate income tax	7,042	2,455
Current tax — Hong Kong Profits Tax and others	24	115
Deferred taxation	532	(30)
	<u>7,598</u>	<u>2,540</u>

(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 is subject to Hong Kong Profits Tax at the rate of 16.5% in 2016 and 2015.

- (ii) KEE (Guangdong) Garment Accessories Limited (“KEE Guangdong”) was recognised as a High and New Technology Enterprise (“HNTE”) and obtained approval from local tax authority to enjoy a preferential income tax rate of 15% up to 2015 according to relevant regulations for HNTE in the PRC Corporate Income Tax Law. 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 2016.

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

- (iii) At 30 June 2016, temporary differences relating to the undistributed profits of the Group’s PRC subsidiaries amounted to HK\$96,043,000 (31 December 2015: HK\$68,903,000). Deferred tax liabilities relating to a portion of these temporary differences amounting to HK\$3,121,000 (31 December 2015: HK\$2,239,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$36,946,000 (six months ended 30 June 2015: HK\$5,987,000) and the weighted average number of 433,810,000 ordinary shares (six months ended 30 June 2015: 418,228,000 ordinary shares) in issue during the interim period, calculated as follows:

	Six months ended 30 June	
	2016	2015
	'000	'000
Issued ordinary shares at 1 January	426,820	415,000
Effect of share options exercised	6,990	3,228
	433,810	418,228

(b) Diluted earnings per share

For the six months ended 30 June 2016, the calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$36,946,000 (six months ended 30 June 2015: HK\$5,987,000) and the weighted average number of ordinary shares of 434,331,000 (six months ended 30 June 2015: 425,471,000 shares), calculated as follows:

	Six months ended 30 June	
	2016	2015
	'000	'000
Weighted average number of ordinary shares at 30 June	433,810	418,228
Effect of deemed issue of shares under the Company’s share option scheme for nil consideration	521	7,243
	434,331	425,471

8 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 2016 \$'000	At 31 December 2015 \$'000
Within 1 month	22,223	11,206
1 to 2 months	16,926	8,998
2 to 3 months	7,002	4,297
Over 3 months	5,567	4,815
Trade debtors and bills receivables, net of allowance for doubtful debts	51,718	29,316
Prepayments	768	383
Deposits and other debtors	18,168	2,315
	<u>70,654</u>	<u>32,014</u>

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

9 TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows.

	At 30 June 2016 \$'000	At 31 December 2015 \$'000
Within 1 month	6,867	4,232
1 to 3 months	2,744	1,607
3 to 6 months	1,262	686
Over 6 months	113	163
Trade creditors	10,986	6,688
Payroll and staff benefits payable	8,828	7,924
Accrued expenses	3,591	3,930
Payables for purchase of property, plant and equipment	1,214	9,062
Other taxes payables	2,440	733
Advance from a third party	–	10,742
Other payables	724	858
	<u>27,783</u>	<u>39,937</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

The Group also supplies sliders, components of zippers (including continuous zipper chains and stops), molds fittings and flat knit ribs to customers. The Group is also looking for new investments and business opportunities in order to diversify the existing business.

Though a series of macroeconomic financial policies and reform initiatives have been launched in China in the first half of 2016, downward pressure on economy growth of China remained. In addition, economy recovery of major economies of the world is slow and political and economic situations have also changed. All of the above resulted in continual slowdown in growth of demand on textile and clothing products, which further led to sustain challenge in demand of high quality zippers and a competitive zippers market, impacting market expansion and sales performance of the Group in the first half of 2016 to some extent.

In this regard, the Group has consistently adopted sound sustainable and active coping strategies, such as launching new products continuously, exploring new clients and exploiting new market to respond to clients and markets rapidly. With respect to internal operation, the Group has also kept on promoting production automation so as to improve operation efficiency and lower costs and expenses.

The profit attributable to equity shareholders of the Company increased by 517.1% to HK\$36.946 million for the six months ended 30 June 2016 from HK\$5.99 million for the same period in 2015, which was mainly due to the disposal of equity interests in KEE (Jingmen) Garment Accessories Limited and the disposal of leasehold land and properties located in the People's Republic of China and Hong Kong by the Group in January 2016.

PROSPECTS

After Zhonghong became the controlling shareholder in February 2016, the Group strives to diversify its existing business. In July 2016, the Group entered into two agreements in relation to the provision of service on promotion, marketing and planning related services for the property development, and act as exclusive agent for the sales of the property projects owned by the controlling shareholder, Zhonghong and its subsidiaries.

With respect to existing zippers business, there is no obvious trend of deterioration in domestic and international macroeconomic market fundamentals though downward pressure on economic growth of China sustained and global economic recovery is weak. In particular, with the promotion of side-supply innovation, China's economy will remain at a growth rate within a reasonable range. Domestic demand will have a steady growth trend, which will provide market support for development of high quality zippers. By taking this opportunity, the Group will optimize resources allocation and further improve operational efficiency to push forward production automation, providing optimal products and services and improving customer satisfaction.

FINANCIAL REVIEW

For the six months ended 30 June 2016, the Group's revenue and profit attributable to equity shareholders of the Company amounted to approximately HK\$77.53 million and HK\$36.95 million respectively, representing a decrease of 10.2% and an increase of 517.1% over the corresponding period in 2015 respectively.

A comparison of the financial results for the six months ended 30 June 2016 and the corresponding period in 2015 is set out as follows:

REVENUE

The Group's revenue for the six months ended 30 June 2016 amounted to HK\$77.53 million, representing a decrease of 10.2% as compared to the corresponding period in 2015.

Revenue analysis by product category:

	For the six months ended 30 June			
	2016		2015	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Finished zippers and sliders	73,882	95.3	78,418	90.9
Flat knit ribs	1,562	2.0	4,348	5.0
Others	2,085	2.7	3,529	4.1
Total	<u>77,529</u>	<u>100.0</u>	<u>86,295</u>	<u>100.0</u>

Revenue analysis by geographic location:

	For the six months ended 30 June			
	2016		2015	
	HK\$'000	%	HK\$'000	%
Mainland China	71,506	92.2	78,122	90.5
Overseas	6,023	7.8	8,173	9.5
Total	<u>77,529</u>	<u>100.0</u>	<u>86,295</u>	<u>100.0</u>

For the six months ended 30 June 2016, revenue from sales of finished zippers and sliders decreased by approximately 5.8% to HK\$73.88 million (six months ended 30 June 2015: HK\$78.42 million), primarily due to a decrease in sales price of finished zippers and changes to product structure. Such decrease mainly resulted from downward on economic growth of China and weak recovery of global economy, which further led to sluggish demand and fiercer market competition. For the six months ended 30 June 2016, the revenue from sales of flat knit ribs decreased by 64.1% to HK\$1.56 million (six months ended 30 June 2015: HK\$4.35 million), mainly due to fierce market competition. The others represented scrap materials, zipper components and molds fittings etc. For the six months ended 30 June 2016, the revenue from sales of others decreased by 40.9% to HK\$2.09 million (six months ended 30 June 2015: HK\$3.53 million), mainly due to the decreasing demand of customers for tapes, continuous zipper chains and molds.

GROSS PROFIT AND GROSS PROFIT MARGIN

Gross profit analysis by product category:

	For the six months ended 30 June			
	2016		2015	
	HK\$'000	%	HK\$'000	%
Finished zippers and sliders	27,795	105.8	26,207	93.7
Flat knit ribs	(49)	(0.2)	525	1.9
Others	(1,468)	(5.6)	1,224	4.4
Total	<u>26,278</u>	<u>100.0</u>	<u>27,956</u>	<u>100.0</u>

The gross profit decreased by 6.0% to HK\$26.28 million for the six months ended 30 June 2016 from HK\$27.96 million for the same period in 2015. The gross profit margin increased to 33.9% for the six months ended 30 June 2016 from 32.4% for the same period in 2015, mainly due to the following reasons: firstly, the Group has actively adopted effective cost control measures; secondly, no equity-settled share based payment expenses incurred for the six months ended 30 June 2016; lastly, costs on depreciation of property, plant and equipment significantly decreased because properties owned by subsidiaries were transferred out and disposed in January 2016.

EXPENSES AND COSTS

Distribution costs, comprising mainly of staff costs, transportation costs and advertising and promotion expenses, decreased by 27.4% to HK\$4.78 million for the six months ended 30 June 2016 from HK\$6.58 million for the same period in 2015, which was mainly as a result of adopting effective spending and cost control measures.

Administrative expenses, consisting mainly of salary and welfare expenses for management and administrative personnel, depreciation and amortization, professional fees, auditors' remuneration and other administrative expenses, decreased by 10.8% to HK\$13.37 million for the six months ended 30 June 2016 from HK\$14.98 million for the same period in 2015, which was mainly due to effective spending and cost control and costs on amortization of leasehold land and depreciation of property, plant and equipment significantly decreased because leasehold land and properties owned by subsidiaries were transferred out and disposed in January 2016.

PROFITABILITY

The profit attributable to equity shareholders of the Company increased by 517.1% to HK\$36.95 million for the six months ended 30 June 2016 from HK\$5.99 million for the same period in 2015. The margin of profit attributable to equity shareholders of the Company was 47.7% for the six months ended 30 June 2016. Profit attributable to equity shareholders of the Company increased, which was mainly due to the disposals of equity interests in KEE (Jingmen) Garment Accessories Limited and the leasehold land and properties located in the People's Republic of China and Hong Kong by the Group in January 2016.

LIQUIDITY AND CASH FLOWS

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 2016 amounted to HK\$16.07 million (six months ended 30 June 2015: net cash outflow of HK\$0.45 million), mainly due to customers deferral of payment as a result of downward trend of China's economy. The Group's net cash inflow from investing activities for the six months ended 30 June 2016 amounted to HK\$132.13 million (six months ended 30 June 2015: net cash inflow of HK\$36.20 million, which was mainly due to the disposal of equity interests in KEE (Jingmen) Garment Accessories Limited and the disposal of leasehold land and properties located in the People's Republic of China and Hong Kong by the Group in January 2016. The Group's net cash inflow from financing activities for the six months ended 30 June 2016 amounted to HK\$18.60 million (six months ended 30 June 2015: net cash outflow of HK\$3.68 million), which was mainly due to the disposal of 15% equity interests in KEE International (BVI) Limited by the Company in January 2016.

As at 30 June 2016, cash and cash equivalents amounted to HK\$218.24 million, representing an increase of HK\$132.35 million as compared with the position as at 31 December 2015. Such increase was mainly due to the proceeds from the disposals of 80% equity interests in KEE (Jingmen) Garment Accessories Limited, 15% equity interests in KEE International (BVI) Limited and the transfer and disposal of leasehold land and properties located in the People's Republic of China and Hong Kong by the Group in January 2016.

As at 30 June 2016, cash and cash equivalents of the Group in the amount of approximately HK\$152,387,000, HK\$64,300,000, HK\$1,537,000, HK\$19,000 and HK\$56 were denominated in RMB, HKD, USD, CHF and EURO, respectively. As at 31 December 2015, cash and cash equivalents of the Group in the amount of approximately HK\$83,759,000, HK\$1,226,000, HK\$799,000, HK\$6,000 and HK\$104,000 were denominated in RMB, HKD, USD, EURO and CHF, respectively.

During the six months ended 30 June 2016, 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 2016 was 7.9% (31 December 2015:15.2%). 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 2016, the Group had net current assets of approximately HK\$277.93 million. The key components of current assets as at 30 June 2016 included inventories of approximately HK\$18.17 million, trade and other receivables of approximately HK\$70.65 million, cash and cash equivalents of approximately HK\$218.24 million. The key components of current liabilities included trade and other payables of approximately HK\$27.78 million.

The net current assets as at 30 June 2016 increased by HK\$198.36 million as compared with the net current assets as at 31 December 2015, which was HK\$79.57 million. Such increase was mainly due to the increase of cash and cash equivalents derived from the disposals of 80% equity interests in KEE (Jingmen) Garment Accessories Limited, 15% equity interests in KEE International (BVI) Limited and the transfer and disposal of leasehold land and properties located in the People's Republic of China and Hong Kong by the Group in January 2016.

SIGNIFICANT INVESTMENTS AND DISPOSALS

In January 2016, the Group completed i) the disposal of 15% of the issued share capital of KEE International (BVI) Limited, a then wholly-owned subsidiary of the Company; ii) dispose of the Office B on the 16th floor of YHC Tower, No.1 Sheung Yuet Road, Kowloon, Hong Kong; iii) dispose the land use right of the piece of land and certain buildings located at Jiashan County, Zhejiang Province, the PRC; and iv) 80% interest in KEE (Jingmen) Garment Accessorying Limited at an aggregate consideration of approximately HK\$199 million (the "Disposals"). The Group recognized a gain of approximately HK\$35 million arising from the Disposals.

Except to the above, the Group did not make any other significant investments nor disposals during the six months ended 30 June 2016.

PLEDGED ASSETS

As at 30 June 2016, the Group did not have pledged assets.

CONTINGENT LIABILITIES

As at 30 June 2016, 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 2016.

EVENTS AFTER THE REPORTING PERIOD

(i) Continuing Connected Transaction in Relation to the Cooperation Agreement

On 12 July 2016, Tianjin Vitality Marketing Consultancy Company Limited (the “Tianjin Vitality”), an indirect wholly-owned subsidiary of the Company, and Yumafang Property Company Limited (the “Yumafang”), entered into the cooperation agreement (the “Cooperation Agreement”), pursuant to which Yumafang Property agreed to engage Tianjin Vitality in providing promotion, marketing and planning related services for the property development projects conducted by Yumafang Property for a term of one year commencing from the date of the Cooperation Agreement.

Yumafang Property agreed to engage Tianjin Vitality as an agent to provide the following services (the “Services”) to the Yumafang Property: (i) the online and offline advertising and promotion activities, event organisation, planning, marketing, promotion planning, brand building and promotion of the Yumafang Property; and (ii) the online and offline advertising and promotion activities, event organisation, planning, marketing, promotion planning for the property development projects conducted by Yumafang Property.

The service fee charged by Tianjin Vitality will be 6.5% of the cooperation expenses incurred by Tianjin Vitality for carrying out the Services, which will not exceed RMB325,000 (equivalent to approximately HK\$380,000) based on the maximum amount of the agreed expenses of RMB5,000,000 (equivalent to approximately HK\$5,850,000) for carrying out Services incurred by Tianjing Vitality.

Zhonghong, a controlling shareholder of the Company, indirectly owns the entire equity interest in Yumafang Property. Accordingly, Yumafang Property is a connected person of the Company and the entering into of the Cooperation Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. Details can be referred to the announcement of the Company dated 12 July 2016.

(ii) Continuing Connected Transaction in Relation to the Framework Cooperation Agreement

On 29 July 2016, Tianjin Vitality and Zhonghong entered into the framework cooperation agreement (the “Framework Cooperation Agreement”), pursuant to which Zhonghong has agreed to engage Tianjin Vitality as the exclusive agent for the sales of the property projects developed by the Zhonghong and its subsidiaries (the “Zhonghong Group”) including the related sales planning, organisation, promotion and sales activities for the period commencing from the effective date to 30 June 2017.

The Zhonghong Group shall pay to Tianjin Vitality a commission (the “Commission”) ranging from 5.5% to 6.5% of the sales amounts received by the Zhonghong Group for the sales of properties. If the property projects developed by the Zhonghong Group are sold at a price exceeding the price agreed by Zhonghong Group and Tianjin Vitality, Tianjin Vitality shall be entitled to receive an excess sales equal to 20% to 40% of the excess sales amount received by the Zhonghong Group.

Zhonghong, a controlling shareholder of the Company and is a connected person of the Company. Hence, the entering into of the Framework Cooperation Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. The Framework Cooperation Agreement shall become effective from the date on the passing of the ordinary resolution by the independent Shareholders at the extraordinary general meeting which has not yet held as at the date of this announcement. Details can be referred to the announcement of the Company dated 29 July 2016.

EMPLOYEES

As at 30 June 2016, the Group had 639 employees (30 June 2015: 659), including 600 full-time employees and 39 temporary employees, representing a decrease of approximately 3% as compared with 30 June 2015 primarily due to the Group’s implementation of headcount control. The Group reviews remuneration and benefits of its employees annually according to the relevant market practice and individual performance of the employees. Save for the social insurance in China and the mandatory provident fund scheme in Hong Kong, the Group has not set aside or accrued any amount of money to provide for retirement or similar benefits for its employees. The staff costs incurred in the six months ended 30 June 2016 were approximately HK\$27.17 million (six months ended 30 June 2015: HK\$29.35 million).

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

CORPORATE GOVERNANCE

Corporate Governance Practices

The Company is committed to maintaining and upholding guidelines and procedures for stringent corporate governance. In respect of the six months ended 30 June 2016, all the provisions set out in the CG Code were met by the Company except the following:

Chairman and Chief Executive Officer

On 17 February 2016, Mr. Xu Xipeng and Mr. Xu Xinan resigned as chairman and chief executive officer of the Company respectively and Mr. Wu David Hang was appointed as chairman and chief executive officer of the Company. 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 of 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 area performed under the same individual is considered as a 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 2016 to 30 June 2016.

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 2016.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company had maintained a sufficient amount of public float for its shares as required under the Listing Rules throughout the Interim Period.

AUDIT COMMITTEE

The interim results of the Group for the six months ended 30 June 2016 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 2016 will be despatched to shareholders of the Company and made available on the same websites in due course.

DEFINITIONS

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

“Board”	the board of Directors
“CG Code”	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Company”	KEE Holdings Company Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands on 6 July 2010, the Shares of which are listed on the Main Board of the Hong Kong Stock Exchange
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$” and “HK cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange

“Main Board”	the stock market operated by the Hong Kong Stock Exchange, which excludes the Growth Enterprise Market and the options market
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“OEM”	original equipment manufacturer or manufacturing
“PRC” or “China”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Zhonghong”	中弘控股股份有限公司(Zhonghong Holding Co. Limited [#]); a joint stock company established under the laws of the PRC with limited liability, the share of which are quoted on the Shenzhen Stock Exchange (Stock code: 000979SZ)
“%”	per cent.

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

Hong Kong, 26 August 2016

As at the date of this announcement, the executive Directors are Mr. Wu David Hang and Mr. Hou Jian; and the independent non-executive Directors are Mr. Wong Yik Chung John, Mr. Tse Calvin Kai Chuen and Mr. Leung Ka Tin.

Translation for identification purpose only