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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

GROUP FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2012	2011	**Decrease**
			%
Key financial performance			
Turnover *(HK$ million)*	**157.37**	190.43	17.4
Gross profit *(HK$ million)*	**43.62**	62.55	30.3
Profit from operations *(HK$ million)*	**3.69**	25.20	85.4
Profit attributable to Shareholders *(HK$ million)*	**1.06**	20.42	94.8
Basic and diluted earnings per Share *(HK$)*	**0.003**	0.05	94.0
Total dividends per Share *(HK cents)*	**2**	2.5	
Profitability ratios			
Gross profit margin	**27.7%**	32.8%	
Operating profit margin	**2.3%**	13.2%	
Margin of profit attributable to Shareholders	**0.7%**	10.7%	
Return on equity	**0.3%**	6.7%	

DIVIDEND

The Board recommends the payment of a final dividend of HK2 cents per Share (2011: HK1.25 cents) in respect of the year 2012 to the Shareholders.

Upon approval at the annual general meeting on 24 May 2013, the proposed final dividend will be paid on or about Monday, 17 June 2013 to Shareholders whose names appear on the register of members of the Company on Friday, 31 May 2013.

ANNUAL RESULTS

The Board is pleased to announce the consolidated financial results of the Group for the year ended 31 December 2012, together with the comparative figures for the year ended 31 December 2011. These results have been reviewed by the Company's audit committee, comprising solely the independent non-executive Directors, one of whom chairs the committee.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012
(Expressed in Hong Kong dollars)

	Note	**2012** **\$'000**	2011 *\$'000*
Turnover	*3*	**157,373**	190,433
Cost of sales		**(113,755)**	(127,888)
Gross profit		**43,618**	62,545
Other revenue	*4*	**3,629**	7,204
Other net loss		**(1,600)**	(373)
Distribution costs		**(13,630)**	(12,788)
Administrative expenses		**(28,330)**	(31,389)
Profit from operations		**3,687**	25,199
Finance costs	*5(a)*	**–**	(261)
Profit before taxation	*5*	**3,687**	24,938
Income tax	*6*	**(2,859)**	(4,516)
Profit for the year		**828**	20,422
Attributable to:			
Equity shareholders of the Company		**1,055**	20,422
Non-controlling interests		**(227)**	–
Profit for the year		**828**	20,422
Basic and diluted earnings per share (\$)	*7*	**0.003**	0.05

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

(Expressed in Hong Kong dollars)

	Note	**2012** **\$'000**	2011 *\$'000*
Profit for the year		**828**	20,422
Other comprehensive income for the year			
Exchange differences on translation of financial statements of subsidiaries		**59**	12,736
Total comprehensive income for the year		**887**	33,158
Attributable to:			
Equity shareholders of the Company		**1,020**	33,158
Non-controlling interests		**(133)**	–
Total comprehensive income for the year		**887**	33,158

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

(Expressed in Hong Kong dollars)

	Note	2012 $’000	2011 $’000
Non-current assets			
Fixed assets			
– Property, plant and equipment		**122,651**	107,540
– Lease prepayments		**33,543**	4,395
		156,194	111,935
Intangible assets		**6,668**	7,463
Prepayments for fixed assets		**212**	21,551
Deferred tax assets		**2,015**	1,534
		165,089	142,483
Current assets			
Inventories	9	**16,464**	22,995
Trade and other receivables	10	**48,169**	40,793
Current tax recoverable		**1,354**	2,297
Deposits with banks		**42,320**	43,549
Cash and cash equivalents		**79,383**	76,928
		187,690	186,562
Current liabilities			
Trade and other payables	11	**33,494**	20,172
Current tax payable		**2,494**	2,004
		35,988	22,176
Net current assets		**151,702**	164,386
Total assets less current liabilities		**316,791**	306,869
Non-current liabilities			
Deferred tax liabilities		**1,111**	–
Net assets		**315,680**	306,869
Capital and reserves	12		
Share capital		**4,150**	4,150
Reserves		**299,636**	302,719
Total equity attributable to equity shareholders of the company		**303,786**	306,869
Non-controlling interests		**11,894**	–
Total equity		**315,680**	306,869

NOTES

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 December 2012 but are extracted from those consolidated financial statements.

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("The Hong Kong Stock Exchange").

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2012 comprise KEE Holdings Company Limited ("the Company") and its subsidiaries (together referred to as "the Group").

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

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

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

2 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to HKFRS 7, *Financial instruments: Disclosures – Transfers of financial assets*

- Amendments to HKAS12, *Income taxes – Deferred tax: Recovery of underlying assets*

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

The developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

Amendments to HKFRS 7, Financial instruments: Disclosures

The amendments to HKFRS 7 require certain disclosures to be included in the financial statements in respect of transferred financial assets that are not derecognised in their entirety and for any continuing involvement in transferred financial assets that are derecognised in their entirety, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

Amendments to HKAS 12, Income taxes

Under HKAS 12 deferred tax is required to be measured with reference to the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of the asset(s) in question. In this regard, the amendments to HKAS 12 introduced a rebuttable presumption that the carrying amount of investment property carried at fair value under HKAS 40, Investment property, will be recovered through sale. This presumption is rebutted on a property-by-property basis if the investment property in question is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendments to HKAS 12 do not impact the Group because the Group does not hold any investment property.

3 TURNOVER

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

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

	2012	2011
	$'000	*$'000*
Metal zippers	**73,738**	78,816
Nylon zippers	**49,103**	71,689
Plastic zippers	**21,064**	24,384
Sliders	**7,073**	4,867
Premium items	**210**	3,713
Others	**6,185**	6,964
	157,373	190,433

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

4 OTHER REVENUE

	2012	2011
	$'000	*$'000*
Government grants	**707**	5,335
Interest income	**2,922**	1,869
	3,629	7,204

During 2011, the Group received various government grants in form of cash subsidies from local government, including subsidies of HK$4,998,000 for the Company's successful listing on The Hong Kong Stock Exchange. During 2012, the Group was awarded unconditional government grants of HK$707,000 as recognition of the Group's contribution to the development of the local economy.

5 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2012	2011
	$'000	*$'000*
Interest on bank borrowings wholly repayable within five years	**–**	261

(b) Staff costs*

	2012	2011
	$'000	*$'000*
Salaries, wages and other benefits	**50,794**	47,058
Contributions to defined contribution retirement plans	**3,978**	3,268
Equity-settled share-based payment expenses (note 13)	**875**	814
	55,647	51,140

(c) Other items

	2012	2011
	$'000	*$'000*
Depreciation and amortisation*		
– lease prepayments	**339**	100
– property, plant and equipment	**12,620**	11,672
– intangible assets	**830**	664
Subtotal	**13,789**	12,436
Auditors' remuneration		
– audit services	**1,057**	1,223
– tax services	**28**	17
– other services	**639**	301
Subtotal	**1,724**	1,541
Impairment losses (written back)/charged on trade and other receivables	**(151)**	1,075
Operating lease charges*		
– hire of plant and machinery	**4,881**	4,169
Net foreign exchange loss	**186**	108
Net loss on disposal of fixed assets	**686**	237
Interest income	**(2,922)**	(1,869)
Listing expenses	**–**	1,000
Research and development expenses on new products	**1,638**	3,242
Cost of inventories*	**113,755**	127,888

* Cost of inventories includes HK$47,464,000 (2011: HK$46,571,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amounts are also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Income tax in the consolidated income statement represents:

	2012	2011
	$'000	*$'000*
Current tax – PRC corporate income tax		
Provision for the year	**1,465**	5,297
Current tax – Hong Kong Profits Tax		
Provision for the year	**764**	169
Deferred tax		
Origination and reversal of temporary differences	**887**	(982)
Effect on deferred tax balances at 1 January resulting from change in tax rate	**(257)**	32
	630	(950)
	2,859	4,516

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

	2012	2011
	$'000	*$'000*
Profit before taxation	**3,687**	24,938
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdiction concerned (note i)	**1,059**	6,548
Effect of non-deductible expenses	**1,352**	1,089
Effect of non-taxable income	**(4)**	–
Effect of unused tax losses not recognised	**498**	105
Effect of tax concessions (note ii)	**(962)**	(3,258)
Effect on deferred tax balances at 1 January resulting from a change in tax rate	**(257)**	32
Tax effect of withholding tax (note iii)	**1,111**	–
Others	**62**	–
Actual tax expense	**2,859**	4,516

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

KEE Zippers is subject to Hong Kong Profits Tax at 16.5% in 2012 and 2011. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

The PRC statutory income tax rate applicable to the Company's subsidiaries is 25% effective from 1 January 2008.

(ii) KEE (Zhejiang) Garment Accessories Limited ("KEE Zhejiang"), being production-oriented FIEs with operating periods of 10 years or more, was entitled to two-year exemption from income tax followed by three-year 50% reduction in income tax rate commencing from the first profit-making year from PRC income tax perspective ("2+3 tax holiday"). KEE Zhejiang commenced its 2+3 tax holiday in 2008 and was subject to income tax rate at 12.5% in 2012 (2011:12.5%).

KEE (Guangdong) Garment Accessories Limited ("KEE Guangdong") was recognised as an enterprise of new and high technology and obtained the approval in June 2011 from local tax authority to enjoy a preferential income tax rate of 15% for the two financial years ended 31 December 2012 according to relevant regulations for enterprise of new and high technology in the PRC.

(iii) Pursuant to the Corporate Income Tax Law of the PRC and its relevant regulations, PRC-resident enterprises are levied withholding income tax at 10% on dividends to their non-PRC-resident corporate investors for earnings accumulated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. Under the Sino-Hong Kong Double Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% or more of the equity interest of a PRC-resident enterprise is entitled to a reduced withholding tax rate of 5%. As at 31 December 2012, deferred tax liability recognised in this regard was HK$1,111,000 (2011: Nil).

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$1,055,000 (2011: HK$20,422,000) and the weighted average of 415,000,000 ordinary shares (2011: 410,562,000) in issue during the year.

Weighted average number of ordinary shares

	2012	2011
	'000	*'000*
Issued ordinary shares at 1 January	**415,000**	–
Effect of capitalisation issue	**–**	410,562
Weighted average number of ordinary shares at 31 December	**415,000**	410,562

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$1,055,000 (2011: HK$20,422,000) and the weighted average number of ordinary shares of 415,023,000 shares (2011: 410,562,000), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2012	2011
	'000	*'000*
Weighted average number of ordinary shares at 31 December	**415,000**	410,562
Effect of deemed issue of shares under the Company's share option scheme	**23**	–
Weighted average number of ordinary shares (diluted) at 31 December	**415,023**	410,562

8 SEGMENT REPORTING

The Group manages its businesses by geographical areas. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Southern China and overseas: this segment manufactures zipper products and mainly sells the products to customers in Southern China and overseas market. Currently its activities are mainly carried out in Guangdong province and Hong Kong.

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

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

(a) Segment results and segment assets

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

Segment assets include all assets with the exception of investments in financial assets, deferred tax assets and other corporate assets.

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

The measure used for reporting segment profit is "adjusted profit before taxation" i.e. "turnover less cost of sales, distribution costs, administrative expenses and finance costs". Items not specifically attributed to individual segment are excluded from the calculation of segment profit. The Group's 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.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2012 and 2011 respectively is set out below:

Year ended 31 December 2012

	Southern China and overseas *$'000*	**Eastern China** *$'000*	**Central China** *$'000*	**Total** *$'000*
Revenue from external customers	**97,251**	**60,122**	**–**	**157,373**
Inter-segment revenue	**13,710**	**7,591**	**–**	**21,301**
Reportable segment revenue	**110,961**	**67,713**	**–**	**178,674**
Reportable segment profit/(loss)	**1,102**	**7,844**	**(1,521)**	**7,425**
Interest income from bank deposits	**2,079**	**675**	**168**	**2,922**
Depreciation and amortisation for the year	**(8,268)**	**(5,182)**	**(339)**	**(13,789)**
Reportable segment assets at year end	**158,481**	**123,192**	**71,393**	**353,066**
Additions to non-current segment assets during the year	**17,095**	**1,429**	**19,575**	**38,099**

Year ended 31 December 2011

	Southern China and overseas *$'000*	Eastern China *$'000*	Central China *$'000*	Total *$'000*
Revenue from external customers	119,939	70,494	–	190,433
Inter-segment revenue	18,532	11,907	–	30,439
Reportable segment revenue	138,471	82,401	–	220,872
Reportable segment profit/(loss)	13,094	11,350	(351)	24,093
Interest income from bank deposits	1,468	120	26	1,614
Interest expense	–	(261)	–	(261)
Depreciation and amortisation for the year	(7,705)	(4,731)	–	(12,436)
Reportable segment assets at year end	203,326	114,313	12,240	329,879
Additions to non-current segment assets during the year	13,209	6,383	21,648	41,240

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

	2012	2011
	$'000	*$'000*
Revenue		
Reportable segment revenue	**178,674**	220,872
Elimination of inter-segment revenue	**(21,301)**	(30,439)
Consolidated turnover (note 3)	**157,373**	190,433

	2012	2011
	$'000	*$'000*
Profit		
Reportable segment profit	**7,425**	24,093
Elimination of unrealised profit of inter-segment purchase of inventories and fixed assets	**398**	571
Reportable segment profit derived from the Group's external customers	**7,823**	24,664
Other revenue and other net loss	**2,029**	6,576
Unallocated head office and corporate expenses	**(6,165)**	(6,557)
Unallocated head office interest income from bank deposits	**–**	255
Consolidated profit before taxation	**3,687**	24,938

	2012	2011
	$'000	*$'000*
Assets		
Reportable segment assets	**353,066**	329,879
Elimination of unrealised profit of inter-segment purchase of inventories	**(1,632)**	(1,884)
Elimination of unrealised profit of inter-segment purchase of fixed assets	**(1,011)**	(1,156)
	350,423	326,839
Deferred tax assets	**2,015**	1,534
Unallocated head office and corporate assets	**341**	672
Consolidated total assets	**352,779**	329,045

9 INVENTORIES

	The Group	
	2012	2011
	$'000	*$'000*
Raw materials	**3,918**	4,249
Work in progress	**10,426**	15,740
Finished goods	**2,120**	3,006
	16,464	22,995

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

	The Group	
	2012	2011
	$'000	*$'000*
Carrying amount of inventories sold	**112,853**	126,401
Write down of inventories	**902**	1,487
	113,755	127,888

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

10 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	*$'000*	***$'000***	*$'000*
Trade debtors	**35,366**	36,764	**–**	–
Less: allowance for doubtful debts	**(164)**	(715)	**–**	–
	35,202	36,049	**–**	–
Other prepayments	**2,832**	2,668	**–**	–
Advance to a third party	**8,571**	–	**–**	–
Deposits and other debtors	**1,564**	2,269	**328**	270
Less: allowance for doubtful debts of other debtors	**–**	(193)	**–**	–
	48,169	40,793	**328**	270

All of the trade and other receivables (including amounts due from subsidiaries) are expected to be recovered or recognised as expense within one year.

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors based on the invoice date and net of allowance for doubtful debts, is as follows:

	The Group	
	2012	2011
	$'000	*$'000*
Within 1 month	**11,624**	14,531
1 to 2 months	**12,192**	10,534
2 to 3 months	**4,762**	6,880
Over 3 months	**6,624**	4,104
	35,202	36,049

Trade debtors are in general due within 30-90 days from the date of billing.

(b) Trade debtors that are not impaired

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

	The Group	
	2012	2011
	$'000	*$'000*
Neither past due nor impaired	**18,202**	21,869
Less than 3 months past due	**15,985**	12,313
More than 3 months but less than 12 months past due	**988**	1,867
More than 12 months past due	**27**	–
Amount past due	**17,000**	14,180
	35,202	36,049

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

11 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	*$'000*	***$'000***	*$'000*
Trade creditors	**7,506**	7,444	**–**	–
Payroll and staff benefits payable	**7,433**	6,133	**–**	–
Accrued expenses	**3,454**	3,492	**639**	625
Payables for fixed assets	**4,823**	1,318	**–**	–
Other taxes payable	**954**	1,644	**–**	–
Advance from a third party	**8,633**	–	**–**	–
Other payables	**691**	141	**–**	–
	33,494	20,172	**639**	625

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

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

	The Group	
	2012	2011
	$'000	*$'000*
Within 1 month	**5,772**	6,517
Over 1 month but within 3 months	**1,337**	471
Over 3 months but within 6 months	**351**	367
Over 6 months but within 1 year	**46**	89
	7,506	7,444

12 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

(i) Authorised and issued share capital

	2012		2011	
	No. of shares ***’000***	**Share capital** ***$’000***	No. of shares ’000	Share capital *$’000*
Authorised,				
Ordinary shares of HK$0.01 each	**2,000,000**	**20,000**	2,000,000	20,000
Ordinary shares, issued and fully paid:				
At 1 January	**415,000**	**4,150**	–	–
Shares issued by share offer	**–**	**–**	415,000	4,150
At 31 December	**415,000**	**4,150**	415,000	4,150

The shares of the Company were listed on the Main Board of The Hong Kong Stock Exchange on 12 January 2011, with a total number of 400,000,000 shares, among which 100,000,000 shares (25% of the total number of shares of the Company) were issued to the public. The gross proceeds received from the offering were approximately HK$133,000,000. The Company subsequently over-allotted and issued 15,000,000 shares to the public on 28 January 2011 and gross proceeds received were approximately HK$19,950,000.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Group’s residual assets.

(ii) Shares issued under share option scheme

No options were exercised during the years ended 31 December 2012 and 2011. Further details of these options are set out in note 13 to financial statements.

(b) Share premium

The excess of the issued price of HK$152,950,000 (HK$1.33 per share) net of any issuance expenses of HK$10,704,000 over the par value of the shares issued has been credited to the share premium account of the Company.

Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

According to the Company’s Memorandum and Articles of Association, dividends may be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose with the sanction of an ordinary resolution.

(c) Dividends

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

	2012	2011
	$'000	*$'000*
Interim dividend declared and paid of HK1.25 cents per ordinary share attributable to the year 2011	**–**	5,188
Final dividend proposed after the end of the reporting period of HK2 cents per ordinary share (2011: HK1.25 cents)	**8,300**	5,188
	8,300	10,376

The final dividend proposed after 31 December 2012 has not been recognised as a liability as at the end of reporting period.

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

	2012	2011
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK1.25 cents per share (2011: nil)	**5,188**	–

13 EQUITY SETTLED SHARE-BASED TRANSACTIONS

(a) The 2011 share option plan

On 27 May 2011, the Company granted 24,880,000 share options under its share option scheme to one executive director and eighty three eligible employees of the Group (including four key management personnel) for subscribing shares of the Company at an exercise price of HK$1.39 per share. The exercise of these share options would entitle the director to subscribe for an aggregate of 2,120,000 shares of the Company while the eligible employees for an aggregate of 22,760,000 shares. Each option granted under the share option scheme has a vesting period of one to five years, commencing from the day of announcement of the 2011 annual results. The options are exercisable until 2017.

(i) *The terms and conditions of the grants are as follows:*

Date granted	Vesting date	Expiry date	Number of share options granted Director	Employees	Total	Contractual life
27-May-11	Tranche 1: the day the 2011 annual results being announced	the day the 2016 annual results being announced	318,000	3,414,000	3,732,000	6 years
27-May-11	Tranche 2: the day the 2012 annual results being announced	the day the 2016 annual results being announced	318,000	3,414,000	3,732,000	6 years
27-May-11	Tranche 3: the day the 2013 annual results being announced	the day the 2016 annual results being announced	424,000	4,552,000	4,976,000	6 years
27-May-11	Tranche 4: the day the 2014 annual results being announced	the day the 2016 annual results being announced	424,000	4,552,000	4,976,000	6 years
27-May-11	Tranche 5: the day the 2015 annual results being announced	the day the 2016 annual results being announced	636,000	6,828,000	7,464,000	6 years
			2,120,000	22,760,000	24,880,000	

(ii) *The number and weighted average exercise prices of share options are as follows:*

	2012 Exercise price	**2012** Number of options ’000	2011 Exercise price	2011 Number of options ’000
Outstanding at the beginning of the year	**$1.39**	**18,360**	–	–
Granted during the year	**–**	**–**	$1.39	24,880
Lapsed during the year (note 1)	**$1.39**	**(5,040)**	$1.39	(6,520)
Outstanding at the end of the year (note 2)	**$1.39**	**13,320**	$1.39	18,360
Exercisable at the end of the year	**$1.39**	**1,998**	$1.39	–

Notes:

1 For the year ended 31 December 2012, 5,040,000 share options were lapsed as certain directors and employees ceased to be directors and employees of the Group.

2 The options outstanding at 31 December 2012 had an exercise price of HK$1.39 and a weighted average remaining contractual life of 4.3 years (2011: 5.3 years).

(iii) Fair value of share options and assumptions:

The fair value of services received in return for the share options granted is measured by reference to the fair value of share options granted. The estimated fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share options is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

Fair value (weighted average) per share option at measurement date	HK$0.46
Share price	HK$1.28
Exercise price per option	HK$1.39
Expected volatility rate	50% per annum
Expected dividend yield	2% per annum
In-service early exercise behaviour	Option holder will exercise his/her options when the share price is at least 250% of the exercise price.
Option life (expressed as weighted average life used in the modelling under binomial lattice model)	4.91 years
Risk-free rate of interest	
Tranche 1:	1.00% per annum
Tranche 2:	1.22% per annum
Tranche 3:	1.40% per annum
Tranche 4:	1.54% per annum
Tranche 5:	1.65% per annum

The expected volatility is based on the Company's own volatility since its listing and comparable companies' volatility in recent years.

Taking into account the probability of early exercise behaviour stated above, the expected term of the grant was determined to be around 5 years.

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

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

(b) The 2012 share option plan

On 7 December 2012, the Company granted 24,600,000 share options under its share option scheme to five directors and sixty six eligible employees of the Group (including four key management personnel) for subscribing shares of the Company at an exercise price of HK$0.60 per share. The exercise of these share options would entitle the directors to subscribe for an aggregate of 1,900,000 shares of the Company while the eligible employees for an aggregate of 22,700,000 shares. Each option granted under the share option scheme has a vesting period of one to five years, commencing from the day of announcement of the 2012 annual results. The options are exercisable until 2018.

(i) The terms and conditions of the grants are as follows:

Date granted	Vesting date	Expiry date	Number of share options granted Director	Employees	Total	Contractual life
7-Dec-12	Tranche 1: the day the 2012 annual results being announced	the day the 2017 annual results being announced	1,900,000	3,405,000	5,305,000	6 years
7-Dec-12	Tranche 2: the day the 2013 annual results being announced	the day the 2017 annual results being announced	–	3,405,000	3,405,000	6 years
7-Dec-12	Tranche 3: the day the 2014 annual results being announced	the day the 2017 annual results being announced	–	4,540,000	4,540,000	6 years
7-Dec-12	Tranche 4: the day the 2015 annual results being announced	the day the 2017 annual results being announced	–	4,540,000	4,540,000	6 years
7-Dec-12	Tranche 5: the day the 2016 annual results being announced	the day the 2017 annual results being announced	–	6,810,000	6,810,000	6 years
			1,900,000	22,700,000	24,600,000	

(ii) The number and weighted average exercise prices of share options are as follows:

	Exercise price	Number of options '000
Outstanding at the beginning of the year	–	–
Granted during the year	$0.60	24,600
Outstanding at the end of the year	$0.60	24,600
Exercisable at the end of the year	$0.60	–

The options outstanding at 31 December 2012 had an exercise price of HK$0.60 and a weighted average remaining contractual life of 5.2 years.

(iii) Fair value of share options and assumptions:

The fair value of services received in return for the share options granted is measured by reference to the fair value of share options granted. The estimated fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share options is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

Fair value (weighted average) per share option at measurement date	
– Directors	HK$0.226
– Employees	HK$0.212
Share price	HK$0.60
Exercise price per option	HK$0.60
Expected volatility rate	50% per annum
Expected dividend yield	2% per annum
In-service early exercise behaviour	Option holder will exercise his/her options when the share price is at least 250% of the exercise price.
Option life (expressed as weighted average life used in the modelling under binomial lattice model)	4.37 years
Risk-free rate of interest	
– Directors	0.25% per annum
– Employees	
Tranche 1:	0.16% per annum
Tranche 2:	0.20% per annum
Tranche 3:	0.23% per annum
Tranche 4:	0.26% per annum
Tranche 5:	0.27% per annum

The expected volatility is based on the Company's own volatility since its listing and comparable companies' volatility in recent years.

Taking into account the probability of early exercise behaviour stated above, the expected term of the grant was determined to be around 4 years.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

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

For the year 2012, the Group recorded a decrease in the sales of finished zipper products. The turnover of the Group decreased by approximately 17.4% from approximately HK$190.43 million to HK$157.37 million on a year-on-year basis, primarily due to (i) the global financial crisis and the euro debt crisis which continued for several years; (ii) the slow-down of China's economy in 2012; and (iii) a de-stocking policy adopted by the apparel industry in China. Notwithstanding the above, we recorded satisfactory results in respect of sales channels expansion and market development etc. Compared to 2011, turnover from overseas markets of approximately HK$30.65 million, representing 19.5% of the Group's turnover, increased by approximately HK$11.85 million. In mid-2012, we set up a branch in Switzerland and recruited competent and experienced product development and market development personnel to strengthen our capability in developing the European market and developing, designing and manufacturing products for the high-end brand "X3". Efforts in developing the U.S. market also gradually began to bear fruit. In 2012, we successfully commenced cooperation with 25 new brand owners, nine being domestic brands and 16 being international brands. As at the end of 2012, we cooperated with 92 brand owners, out of which 38 are domestic brands and 54 are international brands.

The gross profit margin for the year 2012 decreased to 27.7% from 32.8% for the year 2011, mainly attributable to an increase in the fixed cost per unit resulted from a decrease in sales orders. For the same reasons, the profit attributable to Shareholders decreased by approximately 94.8% from HK$20.42 million in 2011 to HK$1.06 million in 2012.

Nevertheless, it is worthy of recognition that we actively strengthened the management of production operations and made considerable improvements in aspects such as personnel management, wastage reduction, production automation and optimization of production processes, which helped to reduce cost of production to a certain extent. We still hold a sound capital and asset structure, which is a solid foundation for sustained and rapid business development, and we maintained a stable dividend policy.

Prospects

We will continue to place efforts in sales channels expansion, market development and product structuring, play an active role to strengthen the Swiss branch office and European and U.S. sales agents in market development. We will also reorganise and optimise the whole sales and marketing system to better develop the finished zippers and flat knit ribs market. At the same time, we will continue to develop new products to satisfy the needs of our customers in order to further increase our market share.

We intend to become a comprehensive supplier of finished zippers and other garment accessories by offering to customers one-stop garment accessory services so as to diversify product structure and expand our share in the apparel material market. It is our plan to build KEE Jingmen, our subsidiary, into a garment accessories industrial park to draw in other strategic partners in the industry.

The subsidiary KEE Jingmen is scheduled to commence operation by the end of 2013, which will increase our capability in zippers, flat knit ribs and other garment accessories. We intend to reallocate and integrate production resources to reduce costs such as salaries and energy consumption. We will also rationalise manufacturing location according to distribution of customers to reduce logistics costs and meet customers' expectations of quick response.

In addition, we will continue to improve operational efficiency and modify our techniques to enhance automation of production for better product quality, lower production cost and higher satisfaction of customers.

The China zipper industry will experience a period of consolidation. While those enterprises with less competitiveness will be eliminated by market forces, enterprises with stronger core competencies, higher qualities, larger economic scale and higher brand recognition would grow, leading to a higher market concentration. This would raise the barrier of entry for the industry. Therefore, the Group may consider to pursue suitable merger and acquisition opportunities. In addition, the Directors aim to further strengthen the Group's position in the quality zipper market and the Group will continue to strive to achieve growth of business and ensure that the Group remains competitive through (i) enhance marketing which targeted apparel brand owners; (ii) expansion and diversification of finished zipper offerings in terms of design materials, workmanship, functions and usages such as finished zippers for footwear products, camping equipments, bags and upholstery furnishings; (iii) strengthening product design, research and development capabilities in order to enhance their international exposure to the apparel industry; (iv) improving production facilities to increase automation and shorten production time; and (v) making more extensive and better use of the SAP (an enterprise resource planning system) and other automation systems which enables the Company's subsidiaries and functional departments to better communicate with one another, better control purchases and inventory levels, and better monitor deliveries.

Turnover

The Group's turnover for the year 2012 amounted to HK$157.37 million, representing a decrease of 17.4% as compared to the year 2011 primarily as a result of (i) the global financial crisis and the euro debt crisis which continued for several years; (ii) the slow-down of China's economy in 2012; and (iii) the de-stocking policy adopted by the apparel industry in China.

Turnover analysis by product category:

	Year ended 31 December			
	2012		2011	
	HK$ million	***%***	*HK$ million*	*%*
Finished zippers				
Metal zippers	**73.74**	**46.9**	78.82	41.4
Nylon zippers	**49.10**	**31.2**	71.69	37.6
Plastic zippers	**21.06**	**13.4**	24.38	12.8
	143.90	**91.5**	174.89	91.8
Sliders	**7.07**	**4.5**	4.87	2.6
Premium items	**0.21**	**0.1**	3.71	1.9
Others	**6.19**	**3.9**	6.96	3.7
Total turnover	**157.37**	**100.0**	190.43	100.0

Turnover analysis by geographic location:

	Year ended 31 December			
	2012		2011	
	HK$ million	***%***	*HK$ million*	*%*
Southern China	**66.60**	**42.3**	101.14	53.1
Eastern China	**60.12**	**38.2**	70.49	37.0
Overseas	**30.65**	**19.5**	18.80	9.9
Total turnover	**157.37**	**100.0**	190.43	100.0

Finished zippers

Revenue from sales of finished zippers decreased by approximately HK$30.99 million or 17.7% to HK$143.90 million for the year 2012 (2011: HK$174.89 million) primarily due to a decrease in sales volume. Such decrease was a result of: (i) the global financial crisis and the euro debt crisis which continued for several years; (ii) the slow-down of China's economy in 2012; and (iii) the de-stocking policy adopted by the apparel industry in China.

Sliders

Sales of sliders increased by approximately 45.2% to HK$7.07 million for the year 2012 (2011: HK$4.87 million) due to an increase in sales orders for sliders from a European zipper producer who manufactures zippers for well known fashion brands.

Premium items

Sales of premium items (such as glasses) decreased by approximately 94.3% to HK$0.21 million for the year 2012 (2011: HK$3.71 million) due to a decrease of the promotional needs for premium items brought by the de-stocking policy adopted by the apparel industry in China.

Others

Others represent items such as scrap materials, zipper components and moulds, and flat knit ribs. Sales of other items decreased by approximately 11.1% to HK$6.19 million for the year 2012 (2011: HK$6.96 million) due to a decrease in sales of scrap materials as a result of the production management improvement by the Group.

Cost of sales and gross profit

In 2012, the overall cost of sales for the Group amounted to approximately HK$113.76 million (2011: HK$127.89 million), representing a decrease of approximately 11.0%. The overall gross profit of the Group decreased by approximately 30.3% from HK$62.55 million in 2011 to HK$43.62 million in 2012. The overall gross profit margin in 2012 was 27.7% (2011: 32.8%), which was attributable to a decrease of turnover which led to an increase in fixed manufacturing costs per unit.

Gross profit analysis by product category:

	Year ended 31 December			
	2012		2011	
	HK$ million	**%**	*HK$ million*	*%*
Finished zippers	**40.17**	**92.1**	59.75	95.5
Sliders	**1.93**	**4.4**	1.49	2.4
Premium items	**0.06**	**0.1**	0.91	1.5
Others	**1.46**	**3.4**	0.40	0.6
Total gross profit	**43.62**	**100.0**	62.55	100.0

Finished zippers

Gross profit for finished zippers decreased by approximately 32.8% from HK$59.75 million in 2011 to HK$40.17 million in 2012. Gross profit margin decreased from approximately 34.2% to 27.9%, which was attributable to a decrease of turnover which led to an increase in fixed manufacturing costs per unit.

Sliders

Gross profit for sliders increased by approximately 29.5% from HK$1.49 million in 2011 to HK$1.93 million in 2012. Gross profit margin, on the other hand, decreased from approximately 30.6% to 27.3%.

Premium items

Gross profit for premium items decreased by approximately 93.4% from HK$0.91 million in 2011 to HK$0.06 million in 2012. Gross profit margin increased from approximately 24.5% to 28.6%.

Others

Gross profit for other items increased by approximately 265.0% from HK$0.40 million in 2011 to HK$1.46 million in 2012. Gross profit margin increased from approximately 5.7% to 23.6%, which was because the portion of sales of scrap materials to third parties as a percentage over total sales of the "others" category decreased, and the gross margin for such sales is significantly lower among the products within the "others" category.

Distribution costs

Distribution costs mainly represent (i) staff costs relating to sales and marketing personnel; (ii) transportation costs for delivery of the Group's products to customers; and (iii) advertising and promotion expenses. In 2012, the Group's distribution costs amounted to approximately HK$13.63 million (2011: HK$12.79 million), accounting for approximately 8.7% of the Group's turnover (2011: 6.7%). The increase in distribution costs was mainly due to salary increase of experienced and qualified sales staff.

Administrative expenses

Administrative expenses primarily consist of (i) salary and welfare expenses for management and administrative personnel; (ii) depreciation and amortisation; (iii) auditors' remuneration; (iv) product research and development expenses; and (v) other administrative expenses including professional fees. In 2012, the Group's administrative expenses amounted to approximately HK$28.33 million (2011: HK$31.39 million), which accounted for approximately 18.0% of the Group's turnover (2011: 16.5%). The decrease in administrative expenses was mainly due to more stringent control of various fees and expenses.

Finance costs

Finance costs represent interest expenses on the Group's bank borrowings. There is no finance cost in year 2012 (2011: HK$0.26 million).

Income tax

Income tax mainly represents the tax expenses incurred in relation to the operations of the Group in the PRC and Hong Kong.

Profitability

In 2012, the Group's profit attributable to Shareholders amounted to HK$1.06 million (2011: HK$20.42 million), representing a decrease of 94.8% as compared to 2011. The decrease was primarily due to a decrease of turnover which led to an increase in fixed costs per unit. The margin of profit attributable to Shareholders for the year was 0.7% (2011: 10.7%), a decrease of 10 percentage points compared to 2011.

During the year, the Group's return on equity was 0.3% (2011: 6.7%), representing a decrease of 6.4 percentage points as compared to 2011. The Group's relatively lower return on equity recorded was a result of a decrease in the Group's profit attributable to Shareholders.

Inventories

Inventories are one of the principal components of the Group's current assets. The value of inventories accounted for approximately 12.3% and 8.8% of the Group's total current assets as at 31 December 2011 and 2012 respectively.

Inventories decreased by approximately 28.4% from HK$23.00 million as at 31 December 2011 to HK$16.46 million as at 31 December 2012 as the Company has strengthened its spares production management and inventory management.

The increase in average inventory turnover days from 63 days in 2011 to 70 days in 2012 was primarily because consumption of spare zippers produced in 2011 was lower than expected as a result of the decrease of sales volume.

The write-down on inventories for the year 2012 was HK$902,000 (2011: HK$1.49 million) because of a decrease in the estimated net realisable value of certain slow-moving inventories.

Trade debtors

The Group's policy in respect of allowance for doubtful debts for 2012 was the same as that in 2011. As at 31 December 2012, the allowance for doubtful debts was HK$164,000 (31 December 2011: HK$715,000), accounting for 0.5% of the Group's total trade debtors (2011: 1.9%). The decrease in the allowance for doubtful debts was because the Company has strengthened its management of customers and trade debtors.

The Group's trade debtors (net) decreased by around 2.4% from approximately HK$36.05 million as at 31 December 2011 to HK$35.20 million as at 31 December 2012 mainly due to the decrease in sales.

The increase in average trade debtors turnover days from 77 days in 2011 to 84 days in 2012 was primarily due to the weakened demand in the apparel industry, which affected businesses of our customers and in turn led to delayed payments by customers.

Trade creditors

The Group's trade creditors primarily relate to purchases of raw materials from suppliers, with credit terms of 7 to 60 days from trade creditors.

The Group's trade creditors increased by around 0.9% from approximately HK$7.44 million as at 31 December 2011 to HK$7.51 million as at 31 December 2012. The average trade creditors turnover days increased from 38 days in 2011 to 69 days in 2012 because of the effective control of purchase and payment.

Other payables

Other payables mainly represent (i) payroll and staff benefits payable; (ii) accrued expenses; (iii) payables for taxes other than income tax; (iv) payables for fixed assets; and (v) advance from a third party. The balance of other payables increased by approximately 104.2% to HK$25.99 million as at 31 December 2012 (2011: HK$12.73 million) due to the advance from a state-owned enterprise and construction project in Jingmen, Hubei, PRC.

Liquidity and capital resources

The following table is a summary of cash flow data for the two years ended 31 December 2012:

	Year ended 31 December	
	2012	2011
	HK$ million	*HK$ million*
Net cash generated from operating activities	**23.83**	32.43
Net cash used in investing activities	**(28.42)**	(85.56)
Net cash generated in financing activities	**7.05**	111.78
Net increase in cash and cash equivalents	**2.46**	58.65
Cash and cash equivalents at 1 January	**76.93**	15.58
Effect of foreign exchange rate changes	**(0.01)**	2.70
Cash and cash equivalents at 31 December	**79.38**	76.93

The Group's net cash inflow from operating activities for the year 2012 amounted to HK$23.83 million (2011: HK$32.43 million). As at 31 December 2012, cash and cash equivalents amounted to HK$79.38 million, representing a net increase of HK$2.45 million as compared with the position as at 31 December 2011.

As at 31 December 2012 and 31 December 2011, the Group had no short-term bank loans.

As at 31 December 2012, the Group had unutilised bank facilities amounting to HK$106.06 million. During the year 2012, the Group did not hedge its exposure to interest rate risks. The gearing ratio, which was calculated by dividing total bank borrowings by total equity, was 0% as at 31 December 2012 and 31 December 2011.

Net current assets

As at 31 December 2012, the Group had net current assets of approximately HK$151.70 million. The key components of current assets as at 31 December 2012 included inventories of approximately HK$16.46 million, trade and other receivables of approximately HK$48.17 million, deposits with banks of approximately HK$42.32 million and cash and cash equivalents of approximately HK$79.38 million. The key components of current liabilities included trade and other payables of approximately HK$33.49 million.

The net current assets decreased from HK$164.39 million as at 31 December 2011 to HK$151.70 million as at 31 December 2012 primarily due to the increase in trade and other payables of approximately HK$13.32 million.

Pledge of assets

As at 31 December 2012, buildings with net book value of HK$28.85 million (31 December 2011: HK$30.59 million) and lease prepayments with net book value of HK$4.29 million (31 December 2011: HK$4.40 million) of the Group were pledged to secure certain unutilised bank facilities of the Group.

Contingent liabilities

As at 31 December 2011 and 2012, the Group did not have any material contingent liabilities.

Capital commitments

The capital commitments as at 31 December 2011 and 2012 not provided for in the financial statements were HK$11.62 million and HK$74.04 million respectively.

Foreign currency risk

The Group is exposed to currency risk primarily through sales and bank deposits and which give rise to receivables and cash balances that are denominated in United States Dollars ("US$") under KEE Zippers Corporation Limited.

As HK$ are pegged to US$, the Group considers the risk of movements in exchange rates between US$ and HK$ to be insignificant.

Employees

As at 31 December 2012, the Group had 695 full-time employees (31 December 2011: 739 full-time employees). 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 year 2012 were approximately HK$55.65 million (2011: HK$51.14 million).

Progress of the industrial park in Jingmen

On 30 November 2012, KEE Jingmen entered into a main contractor contract with 中輝建設集團有限公司 (ZhongHui Construction Group Co., Ltd) for the construction of the garment accessories industrial park, details of which are set out in the circular of the Company dated 4 January 2013. It is anticipated that the garment accessories industrial park will be made available for use by the end of 2013.

KEE Jingmen intended that the garment accessories industrial park will produce flat knit ribs, zippers, and other garment accessories as well as integrate the garment accessories business of the Group. After the completion of the construction, it is expected to provide to the Group an additional annual manufacturing capacity of approximately 40 million pieces of finished zippers and approximately 80 million pieces of sliders, which will help the Group to reach its goal by raising its market share, as well as strengthening the competitiveness of the Group.

CORPORATE GOVERNANCE

Good corporate governance is conducive to enhancing the Group's overall performance and accountability is essential in modern corporate administration. The Board, which includes three independent non-executive Directors out of a total of seven Directors, is responsible for setting strategic, management and financial objectives, continuously observing the principles of good corporate governance and devoting considerable effort to identifying and formalising best practices to ensure that the interests of Shareholders, including those of minority Shareholders, are protected.

The Corporate Governance Code contained in Appendix 14 of the Listing Rules, issued by the Hong Kong Stock Exchange in October 2011, is the new edition of the Code on Corporate Governance Practices (the "Former Code"), and is applicable to financial reports covering the financial period which ends after 1 April 2012.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code.

During the year ended 31 December 2012, the Company has complied with all the Code Provisions set out in the Corporate Governance Code during the period from 1 April 2012 to 31 December 2012 as well as the Former Code during the period from 1 January 2012 to 31 March 2012.

MODEL CODE

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors of the Company, all Directors have confirmed that they complied with the required standard set out in the Model Code and its code of conduct regarding any Directors' securities transactions throughout the year ended 31 December 2012.

AUDIT COMMITTEE

An audit committee has been established with written terms of reference in compliance with the Corporate Governance Code. The main duties of the audit committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company. The members of the audit committee are Mr. Lin Bin, Mr. Kong Hing Ki and Mr. Tam Yuk Sang, Sammy. Mr. Lin Bin is the chairman of the audit committee. For the year ended 31 December 2012, the audit committee has held three meetings to discuss the auditing, internal controls and financial reporting matters of the Company. It has also reviewed the annual results of the Group for the year ended 31 December 2012.

REMUNERATION COMMITTEE

A remuneration committee has been established with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the remuneration committee are to determine the remuneration packages of individual executive Directors and senior management, review and make recommendation to the Board on the remuneration policy and structure for all Directors and senior management, and establish transparent procedures for developing such remuneration policy to ensure that no Director or any of his associates will participate in deciding his own remuneration. The members of the remuneration committee are Mr. Xu Xipeng, Mr. Lin Bin and Mr. Tam Yuk Sang, Sammy. Mr. Xu Xipeng was the chairman of the remuneration committee for the period up to 15 March 2012. Pursuant to the amendments to the Listing Rules which became effective on 1 April 2012, Mr. Xu Xipeng ceased to be the chairman of the remuneration committee but remains as a member of the remuneration committee; and Mr. Tam Yuk Sang, Sammy, an independent non-executive Director, has been appointed as the chairman of the remuneration committee with effect from 16 March 2012.

NOMINATION COMMITTEE

A nomination committee has been established with written terms of reference in compliance with the Corporate Governance Code. The principal duties of the nomination committee are to review the Board composition, make recommendations to the Board on the appointment and succession planning of directors, and assess the independence of independent non-executive Directors. The nomination committee comprises Mr. Xu Xinan, Mr. Lin Bin and Mr. Kong Hing Ki. Mr. Xu Xinan was the chairman of the nomination committee for the period up to 15 March 2012. Pursuant to the amendments to the Corporate Governance Code, which became effective on 1 April 2012, Mr.Xu Xinan ceased to be the chairman of the nomination committee but remains as a member of the nomination committee; and Mr. Kong Hing Ki, an independent non-executive Director, has been appointed as the chairman of the nomination committee with effect from 16 March 2012.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2012.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors as at the date of this announcement, the Company maintained the prescribed public float of not less than 25% of the issued Shares as required under the Listing Rules during the year ended 31 December 2012.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK2 cents per Share (2011: HK1.25 cents) in respect of the year 2012 to the Shareholders.

Upon approval at the annual general meeting on 24 May 2013, the proposed final dividend will be paid on or about Monday, 17 June 2013 to Shareholders whose names appear on the register of members of the Company on Friday, 31 May 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 22 May 2013 to Friday, 24 May 2013 (both days inclusive) during which period no transfer of Shares will be registered. In order to qualify for attending the forthcoming annual general meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 21 May 2013.

The register of members of the Company will be closed on Thursday, 30 May 2013 and Friday, 31 May 2013 during which period no transfer of Shares will be registered. In order to qualify for the entitlement to the proposed final dividend as stated in this announcement, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at the above address not later than 4:30 p.m. on Wednesday, 29 May 2013.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held in Hong Kong on Friday, 24 May 2013. Notice of the annual general meeting will be issued and disseminated to Shareholders in due course.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.kee.com.cn). The annual report for the year ended 31 December 2012 containing all the information required by Appendix 16 to the Listing Rules will be despatched to Shareholders and 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
"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
"Corporate Governance Code"	Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules
"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
"KEE Jingmen"	開易(荊門)服裝配件有限公司(KEE (Jingmen) Garment Accessories Limited), a limited liability company established in the PRC owned as to 80% by KEE Guangdong and 20% by 上海領峰貿易有限公司 (Shanghai Lingfeng Trading Limited)
"KEE Guangdong"	開易(廣東)服裝配件有限公司(KEE (Guangdong) Garment Accessories Limited), a limited liability company established in the PRC on 21 March 2005 and an indirect wholly-owned subsidiary of the Company
"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"	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
"Shareholder(s)"	shareholder(s) of the Company

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

Hong Kong, 22 March 2013

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