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China Apex Group Limited
中國恒泰集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2011)

VOLUNTARY ANNOUNCEMENT
FULLY EXEMPTED CONNECTED TRANSACTION –
RENEWAL OF THE LEASE AGREEMENT

RENEWAL OF THE LEASE AGREEMENT

At the request of KEE Guangdong, on 30 December 2022 (after trading hours of the Stock Exchange), Mr. Xu Xipeng and Mr. Xu Xinan as lessors and KEE Guangdong as lessee entered into the Lease Renewal Agreement to renew the lease of the Guangdong Plant for a further term of 2 years from 1 January 2023 to 31 December 2024.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Xu Xipeng and Mr. Xu Xinan are interested in 15% equity interests in KEE International BVI through Keen New and each of Mr. Xu Xipeng and Mr. Xu Xinan is director of certain subsidiaries of the Company, therefore each of Mr. Xu Xipeng and Mr. Xu Xinan is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules.

In accordance with HKFRS 16 applicable to the Company, as a result of the entering into the Lease Renewal Agreement, the Group shall recognise an additional asset representing its right to use the Guangdong Plant in the total amount of approximately HK\$0.2 million. As such, the transactions under the Lease Renewal Agreement will be recognised as an acquisition of right-of-use assets which will constitute a one-off connected transaction of the Company under Chapter 14A of the Listing Rules.

Given that (i) each of Mr. Xu Xipeng and Mr. Xu Xinan is a connected person of the Company at the subsidiary level; and (ii) the applicable percentage ratios under the Listing Rules in respect of the transactions contemplated under the Lease Renewal Agreement are less than 1% and the transaction is a connected transaction only because it involves connected persons at the subsidiary level, the transactions contemplated under the Lease Renewal Agreement are fully exempt from the announcement, the circular, independent financial advice and independent Shareholders' approval requirements pursuant to Chapter 14A.76 of the Listing Rules.

None of the Directors have a material interest in the Lease Renewal Agreement and the transactions contemplated thereunder and hence no Director is required to abstain from voting on the relevant resolutions of the Board approving the same.

RENEWAL OF THE LEASE AGREEMENT

This is a voluntary announcement made by the Company to keep Shareholders and the potential investors informed of the latest development of the Group.

Reference is made to the announcements of the Company dated 7 December 2012, 28 December 2015, 31 December 2018 and 31 December 2020 respectively, in relation to, among other matters, the renewal of the Lease Agreement.

On 7 December 2012, Mr. Xu Xipeng and Mr. Xu Xinan as lessors and KEE Guangdong as lessee entered into a lease renewal agreement for the Guangdong Plant to renew the lease of the Guangdong Plant for a term of three years from 1 January 2013 to 31 December 2015. Subsequently, the Lease Agreement for the Guangdong Plant was renewed on each of 28 December 2015, 31 December 2018 and 31 December 2020 by the same parties to 31 December 2018, 31 December 2020 and 31 December 2022, respectively.

As the lease renewal agreement for the Guangdong Plant dated 31 December 2020 will expire on 31 December 2022, at the request of KEE Guangdong, on 30 December 2022 (after trading hours of the Stock Exchange), Mr. Xu Xipeng and Mr. Xu Xinan as lessors and KEE Guangdong as lessee entered into the Lease Renewal Agreement to renew the lease of the Guangdong Plant for a further term of 2 years from 1 January 2023 to 31 December 2024.

A summary of the principal terms of the Lease Renewal Agreement are set out below:

Date: 30 December 2022

Parties: (1) Mr. Xu Xipeng and Mr. Xu Xinan, as lessors; and
(2) KEE Guangdong, as lessee

Property: Guangdong Plant

Term:	From 1 January 2023 to 31 December 2024
Rent:	RMB428,980 (equivalent to approximately HK\$476,000) per month payable in cash within the first 10 working days of each month commencing from 1 January 2023
Renewal:	As set out in the Lease Agreement, the aggregate term of the lease (as renewed at the request of KEE Guangdong) of the Guangdong Plant must not exceed 15 years, and thus KEE Guangdong shall only have the right to request for renewal of the term of the Lease Agreement up to 31 December 2024. Further renewal of the term of the Lease Agreement shall be subject to further negotiations between Mr. Xu Xipeng and Mr. Xu Xinan on the one part and KEE Guangdong on the other part.

All other material terms of the Lease Agreement shall remain unchanged.

REASONS FOR AND BENEFITS OF THE ENTERING INTO THE LEASE RENEWAL AGREEMENT

The Group is principally engaged in manufacturing finished zippers in the PRC. The Group's customers for zippers business are principally OEMs who manufacture apparel products for (i) some apparel brands in the PRC; and (ii) some well-known international apparel brands.

The Guangdong Plant is currently the major production base and headquarters of the Group. It comprises a parcel of industrial land with a total area of 26,976.6 sq.m. and 8 major industrial/carpark/dormitory/ancillary office buildings with a total gross floor area of 17,217.18 sq.m. which are jointly owned by Mr. Xu Xipeng and Mr. Xu Xinan.

The Board is of the view that the entering into the Lease Renewal Agreement will (i) maintain the stability of the operations of the Group; (ii) avoid any unnecessary disruption to the operations of the Group; and (iii) minimize any unnecessary relocation costs.

The terms of the Lease Renewal Agreement (including the monthly rent) were determined after arm's length negotiations between the Company and Mr. Xu Xipeng and Mr. Xu Xinan with reference to the estimated monthly market rent of RMB428,980.00 as at 15 November 2022 as determined by an independent valuer. Having considered the reasons as mentioned above and taking into account the market rent of the Guangdong Plant as determined by an independent valuer, the Board (including the independent non-executive Directors) considers that (i) the Lease Renewal Agreement was entered into in the ordinary and usual course of business of the Group on normal commercial terms; and (ii) the terms of the Lease Renewal Agreement are fair and reasonable and the transactions contemplated thereunder are on normal commercial terms and are in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Xu Xipeng and Mr. Xu Xinan are interested in 15% equity interests in KEE International BVI through Keen New and each of Mr. Xu Xipeng and Mr. Xu Xinan is director of certain subsidiaries of the Company, therefore each of Mr. Xu Xipeng and Mr. Xu Xinan is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules.

In accordance with HKFRS 16 applicable to the Company, as a result of the entering into the Lease Renewal Agreement, the Group shall recognise an additional asset representing its right to use the Guangdong Plant in the total amount of approximately HK\$0.2 million. As such, the transactions under the Lease Renewal Agreement will be recognised as an acquisition of right-of-use assets which will constitute a one-off connected transaction of the Company under Chapter 14A of the Listing Rules.

Given that (i) each of Mr. Xu Xipeng and Mr. Xu Xinan is a connected person of the Company at the subsidiary level; and (ii) the applicable percentage ratios under the Listing Rules in respect of the transactions contemplated under the Lease Renewal Agreement are less than 1% and the transaction is a connected transaction only because it involves connected persons at the subsidiary level, the transactions contemplated under the Lease Renewal Agreement are fully exempt from the announcement, the circular, independent financial advice and independent Shareholders' approval requirements pursuant to Chapter 14A.76 of the Listing Rules.

None of the Directors has material interest in the Lease Renewal Agreement and the transactions contemplated thereunder and hence no Director is required to abstain from voting on the relevant resolutions of the Board approving the same.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Board”	the board of Directors
“Company”	China Apex Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries

“Guangdong Plant”	the production base in Foshan City of Guangdong Province of KEE Guangdong
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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 and an indirect 85%-owned subsidiary of the Company
“KEE International BVI”	KEE International (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and the issued shares of which is owned as to 85% by the Company and as to 15% by Keen New
“Keen New”	Keen New Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is owned as to 50% by Mr. Xu Xipeng and as to 50% by Mr. Xu Xinan
“Lease Agreement”	the lease agreement for the Guangdong Plant entered into between Mr. Xu Xipeng and Mr. Xu Xinan as lessors and KEE Guangdong as lessee on 12 August 2010 (supplemented on 14 September 2010 and 5 November 2010) for an initial term of three years from 1 January 2010 to 31 December 2012 (which was renewed on 7 December 2012 for a term of three years from 1 January 2013 to 31 December 2015, further renewed on 28 December 2015 for a term of three years from 1 January 2016 to 31 December 2018, further renewed on 31 December 2018 for a term of two years from 1 January 2019 to 31 December 2020, and further renewed on 31 December 2020 for a term of two years from 1 January 2021 to 31 December 2022)
“Lease Renewal Agreement”	the lease renewal agreement entered into between Mr. Xu Xipeng and Mr. Xu Xinan as lessors and KEE Guangdong as lessee on 30 December 2022 to renew the term of the Lease Agreement for a further term of two years from 1 January 2023 to 31 December 2024
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Mr. Xu Xinan”	許錫南 (Xu Xinan*)
“Mr. Xu Xipeng”	許錫鵬 (Xu Xipeng*)
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of issued Share(s)
“sq.m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

For ease of reference and unless otherwise specified in this announcement, sums in HK\$ and RMB in this announcement have been translated at the rate RMB1.0 = HK\$1.11. This does not mean that HK\$ could be converted into RMB, or vice versa, based on such exchange rate.

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

By Order of the Board
China Apex Group Limited
Yip Siu Lun Dave
Chairman and executive Director

Hong Kong, 30 December 2022

As at the date of this announcement, the executive Directors are Mr. Yip Siu Lun Dave, Mr. Mak Yung Pan Andrew, Mr. Wu Cody Zhuo-xuan and Ms. Cheung Ka Yuen; the non-executive Director is Ms. Lin Ping; and the independent non-executive Directors are Mr. Leung Ka Tin, Mr. Cheng Hong Kei, Mr. Liew Fui Kiang and Mr. Ko Kwok Shu.