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中國恒泰
CHINA APEX

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)

INSIDE INFORMATION MANAGEMENT AGREEMENT

This announcement is made by China Apex Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571).

The board (the “**Board**”) of directors (“**Directors**”) of the Company is pleased to announce that on 30 August 2023 (after trading hours), Shenzhen Jiajinlong Industrial Development Co., Ltd.* (深圳市嘉進隆實業發展有限公司) (“**Shenzhen Jiajinlong**”); Mr. Chen Huipeng (陳輝鵬) (“**Mr. Chen**”); Mr. Zhang Hongjie (張鴻杰) (“**Mr. Zhang**”); and Shenzhen Errui Investment Co., Ltd.* (深圳市爾瑞投資有限公司) (“**Shenzhen Errui**”), an indirect wholly-owned subsidiary of the Company, entered into a management agreement (the “**Management Agreement**”), pursuant to which, the parties thereto agreed the details and corresponding rights and obligations in respect of the management and operation of the land at Nanshan District of Shenzhen (the “**Land**”) and the property situated thereon (the “**Property**”). The Property is currently operated as the Jiajinlong Car City (嘉進隆汽車城) with showrooms for car sales, and offers car maintenance and after sales services, etc.

MANAGEMENT AGREEMENT

Set out below are the details of the Management Agreement:

Date: 30 August 2023

Parties: (1) Shenzhen Errui;
(2) Shenzhen Jiajinlong;
(3) Mr. Chen; and
(4) Mr. Zhang

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, each of Shenzhen Jiajinlong, Mr. Chen and Mr. Zhang is independent third party of the Company and its connected persons.

Conditions precedent: Shenzhen Errui shall manage the Property in accordance with the provisions of the Management Agreement upon the following conditions are met:

- (1) the Management Agreement has been duly executed and became effective; and
- (2) the Designated Bank Accounts (as defined below) have been set up and the transferring procedures to Shenzhen Errui has been completed.

Subject: The Land and the Property is located at the north of Bao'an Avenue, east of Shuangjie River and both sides of Nanping Expressway, Nanshan District of Shenzhen, the People's Republic of China (the "PRC"). Pursuant to the Management Agreement, the daily management and operation of the Land, the Property and the constructions located thereon shall be provided by Shenzhen Errui and/or its related companies.

Term: The management and operation period for property management services shall be one year commencing from 1 September 2023 to 31 August 2024, which can be renewed for another one year, subject to the agreement by Shenzhen Jiajinlong and Shenzhen Errui.

Summary of principal terms:

Pursuant to the Management Agreement, the business shall be operated under the name of Shenzhen Jiajinlong. The daily operation and management of the Land and the Property shall be provided by Shenzhen Errui. As the holder of the land use rights of the Land and the Property, Shenzhen Jiajinlong shall perform its obligations in accordance with the relevant land use rights documents in a timely manner.

Designated Bank Accounts

Shenzhen Jiajinlong shall set up bank accounts under Shenzhen Jiajinlong's name as stated in the Management Agreement (the "**Designated Bank Accounts**") prior to the commencement of the management and operation of the Land and Property and shall deliver the bank seal (or authorised specimen signature), online banking passcode and other authentication methods or tools in relation to the Designated Bank Accounts to Shenzhen Errui for management and control. The Designated Bank Accounts shall be managed by Shenzhen Errui and Shenzhen Errui shall have control over the Designated Bank Accounts and the management fee to be received by Shenzhen Errui shall be paid out of the Designated Bank Accounts in accordance with the terms of the Management Agreement. The management and operational expenses of the Land and the Property, including but not limited to salaries, utilities expenses, transportation fees, insurance expenses, audit fees and legal fees, shall be borne by Shenzhen Errui and paid out from the Designated Bank Accounts. If the balance of the Designated Bank Accounts is insufficient to cover the management and operational expenses of the Land and the Property, the outstanding amount shall be borne by Shenzhen Errui.

Upon the expiry of the Management Agreement (or at an earlier time as agreed between the parties to the Management Agreement), Shenzhen Errui shall handover to a designated person of Shenzhen Jiajinlong the Land and the Property as well as the documents, items and information received from Shenzhen Jiajinlong during the term of the Management Agreement.

Personnel Arrangement

Shenzhen Errui shall have the right to retain or terminate all or some of existing employees of Shenzhen Jiajinlong and the dismissal compensation shall be borne by Shenzhen Jiajinlong.

During the term of the Management Agreement, Shenzhen Errui shall have the right to employ employees to manage the Land and the Property and absolute authority over the personnel arrangement. For employees employed for purpose of the management of the Land and the Property, Shenzhen Errui shall have the right to request Shenzhen Jiajinlong to enter into the relevant labour services agreements with such employees, with costs to be borne by Shenzhen Errui. For the employees that were employed by Shenzhen Errui, Shenzhen Jiajinlong shall provide sales and administrative training for such employees and the relevant costs shall be borne by Shenzhen Errui.

Management Fee

Management fee to be paid to Shenzhen Errui under the Management Agreement (the “**Management Fee**”) shall be determined with reference to the revenue received from the Land and the Property, including but not limited to, rental income generating from leasing of floor space to car dealers/manufacturers, sales income (if any), insurance payout or other compensation and tax rebate and all interests accrued from the fund in the Designated Bank Accounts (the “**Co-operation Income**”). All operation costs and expenses shall be paid out from the Management Fee. Shenzhen Errui is entitled to transfer such Management Fee (after deducting the costs and expenses) payable to it from the Designated Bank Accounts to its own bank account.

The Management Fee shall be determined in the following manner:

- (i) if the Co-operation Income in the relevant month, being the first day of each month to the last day of each month, is less than or equal to RMB10 million, Shenzhen Errui shall be entitled to 70% of the Co-operation Income as Management Fee;
- (ii) if the Co-operation Income in the relevant month is more than RMB10 million, Shenzhen Errui shall be entitled to 80% of the Co-operation Income as Management Fee; and
- (iii) the ratio determining the Management Fee may be adjusted based on factors such as the Land and Property’s actual operating conditions and industrial development trends. The upward adjustment or downward adjustment to the ratio shall be capped at a limit of 15%.

If the fund retained in all of the Designated Bank Accounts is insufficient to settle the Management Fee after deducting all operation, management and reasonable reserve fund expenses (the “**Basic Operation Costs**”), Shenzhen Errui shall have the right to recover its Management Fee in the subsequent months from any of the Designated Bank Accounts.

Shenzhen Errui shall reserve a reasonable amount in the Designated Bank Accounts for the Basic Operation Costs and shall have the right to adjust the Management Fee accordingly.

Termination

The Management Agreement will be terminated if (i) Shenzhen Errui is not satisfied with the due diligence results on Shenzhen Jiajinlong and the Property; (ii) the terms of the land use rights documents restrict the implementation of the terms of the Management Agreement, in this case, Shenzhen Errui shall have a right to request for the adjustment of the terms of the Management Agreement or to terminate the Management Agreement; (iii) any of the land use right documents becomes invalid, void or discharged or the Land or the Properties is forfeited or expropriated; (iv) material breach of any representations, warranties, undertakings and agreements (the “**Breaches**”) and such Breaches were not rectified within 30 days upon receipt of written notice from the counterparty; and (v) mutual written agreement by parties to the Management Agreement.

Upon expiry or termination of the Management Agreement, the parties agree to (i) conduct an audit of the Designated Bank Accounts; (ii) confirm the list of documents, items and information to be provided by Shenzhen Errui to Shenzhen Jiajinlong; and (iii) arrange the personnel of Shenzhen Jiajinlong according to the instructions of Mr. Chen and Mr. Zhang.

INFORMATION RELATING TO THE COMPANY, SHENZHEN ERRUI, SHENZHEN JIAJINLONG, MR. CHEN AND MR. ZHANG

The principal activity of the Company is investment holding and the Group is principally engaged in the manufacture and sale of zippers and other related products.

Shenzhen Errui, an indirect wholly-owned subsidiary of the Company, is established in the PRC with limited liability and is principally engaged in amongst others, enterprise management advisory services, corporate headquarters management, financial advisory services and corporate image planning.

Shenzhen Jiajinlong is a company established in the PRC with limited liability and is principally engaged in, amongst others, management and leasing of property and sale of automobile and automobile accessories. Each of Mr. Chen and Mr. Zhang directly owns 50% each of the registered share capital of Shenzhen Jiajinlong. As at the date of this announcement, each of Shenzhen Jiajinlong, Mr. Chen and Mr. Zhang are each an independent third party of the Company.

REASONS FOR AND BENEFITS OF THE MANAGEMENT AGREEMENT

As disclosed in the annual report of the Company for the year ended 31 December 2022, the Board has been actively exploring new business opportunities in order to diversify its business portfolio and bring a higher return to the shareholders of the Company (the “**Shareholders**”).

The Group intends to expand its business to property and enterprise management by entering into the Management Agreement. The Board believes that the entering into of the Management Agreement and stepping into the property and enterprise management sector represents a good opportunity for the Group to diversify its existing business and broaden the income stream of the Group, which will potentially improve the Group’s business operations and financial position.

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 30 August 2023

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.

* *English translation of Chinese name is included for information only.*