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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)

**DISCLOSEABLE AND
EXEMPTED CONNECTED TRANSACTION
LEASE AGREEMENT**

LEASE AGREEMENT

On 31 August 2023 (after trading hours of the Stock Exchange), KEE Jingmen as lessor and KEE Hubei as lessee entered into the Lease Agreement for the PRC Property for a term of 6 years from 1 September 2023 to 31 August 2029.

LISTING RULES IMPLICATIONS

As at the date of this announcement, KEE Jingmen is indirectly owned as to 50% by Mr. Xu Xipeng and as to 50% by Mr. Xu Xinan. Given that (i) Mr. Xu Xipeng and Mr. Xu Xinan are interested in 15% equity interest in KEE International BVI through Keen New; and (ii) each of Mr. Xu Xipeng and Mr. Xu Xinan is a director of certain subsidiaries of the Company, each of Mr. Xu Xipeng and Mr. Xu Xinan is a connected person of the Company at subsidiary level under Chapter 14A of the Listing Rules. As KEE Jingmen is an associate of each of Mr. Xu Xipeng and Mr. Xu Xinan, KEE Jingmen is also a connected person of the Company at 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 Agreement, the Group shall recognise an additional right-of-use asset representing its right to use the PRC Property in the total amount of approximately HK\$57 million. As such, the transactions under the Lease Agreement will be recognised as an acquisition of right-of-use assets which will constitute a transaction under Chapter 14 of the Listing Rules and a one-off connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to the Lease Agreement are more than 5% but less than 25%, the entering into the Lease Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Given that (i) KEE Jingmen is a connected person of the Company at the subsidiary level; (ii) the Directors have approved the Lease Agreement; and (iii) the independent non-executive Directors have confirmed that the terms of the Lease Agreement are fair and reasonable and the transactions contemplated under the Lease Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole, the transactions contemplated under the Lease Agreement are subject to the reporting and announcement requirements, but are exempt from the circular, independent financial advice and independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

None of the Directors have material interest in the Lease 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.

Reference is made to the announcements of the Company (i) dated 27 August 2021 in relation to the lease of the PRC Property Phase I for a term from 1 September 2021 to 31 August 2023; (ii) dated 29 April 2022 in relation to the novation of the lease agreement of the PRC Property Phase I for a lease term from 1 May 2022 to 31 August 2023; and (iii) dated 31 May 2022 in relation to the lease of the PRC Property Phase II for a term from 1 June 2022 to 31 August 2023.

LEASE AGREEMENT

On 31 August 2023 (after trading hours of the Stock Exchange), KEE Jingmen as lessor and KEE Hubei as lessee entered into the Lease Agreement for the PRC Property for a term of 6 years from 1 September 2023 to 31 August 2029.

The principal terms of the Lease Agreement are set out below:

Date: 31 August 2023

Parties: (1) KEE Jingmen as lessor; and
(2) KEE Hubei as lessee

Premises: PRC Property

Leased area: Land with a total land use area of approximately 78,433.98 sq.m. with buildings of a gross floor area of approximately 49,459.67 sq.m. and car park of an area of approximately 835.52 sq.m.

Permitted use: For the production and processing of garment accessories such as zipper sliders, fabric tapes and finished zippers only

Term: From 1 September 2023 to 31 August 2029

Monthly rent: The monthly rent for the PRC Property (inclusive of value added tax but exclusive of the water, electricity, sewage treatment, natural gas and steam charges, sewage fee, dangerous substance disposal fee, cable television fee, telecommunication fee, cleaning fee, security fee and property management fee which shall be payable by KEE Hubei) shall be as follows for the term of the Lease:

1 September 2023 to 31 August 2025	RMB969,735 (equivalent to approximately HK\$1,057,011)
1 September 2025 to 31 August 2027	RMB1,027,919 (equivalent to approximately HK\$1,120,432)
1 September 2027 to 31 August 2029	RMB1,089,594 (equivalent to approximately HK\$1,187,657)

The monthly rent shall be payable in cash before the fifteenth day of each month commencing from 1 September 2023 based on the above amounts provided that KEE Jingmen shall pay the real estate tax and land use tax in relation to the PRC Property.

The monthly rent for the PRC Property is determined with reference to the market rent of the buildings with a gross floor area of approximately 49,459.67 sq.m. and car park with an area of approximately 835.52 sq.m. at the PRC Property and the expected rent growth rate as determined by an independent professional valuer.

Deposit: KEE Hubei shall pay to KEE Jingmen a sum equal to three months' rent for the relevant period as set out below:

- (1) RMB2,909,205 (equivalent to approximately HK\$3,171,033) within 5 days from the date of the Lease Agreement;
- (2) an additional sum of RMB174,552 (equivalent to approximately HK\$190,262) on 1 September 2025 as the difference in deposit amount due to the increase in monthly rent for the relevant period; and
- (3) an additional sum of RMB185,025 (equivalent to approximately HK\$201,677) on 1 September 2027 as the difference in deposit amount due to the increase in monthly rent for the relevant period.

Renewal: KEE Hubei may notify KEE Jingmen of its intention to renew the tenancy by giving 60 days' prior notice in writing to KEE Jingmen before the expiry of the then existing term and upon agreement by KEE Jingmen, the parties shall enter into a new lease agreement for the PRC Property. The rent for the extended term shall be determined with reference to the market rent of the PRC Property at that time and negotiated between the lessor and the lessee.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LEASE AGREEMENT

The Company is an investment holding company. The Group is principally engaged in designing, manufacturing and sale of finished zippers and other garment accessories in the PRC. The Group's major customers for its zippers business are principally OEMs who manufacture apparel products for (i) some apparel brands in the PRC; and (ii) some well-known international apparel labels in the PRC.

KEE Jingmen is principally engaged in property holdings.

The Group currently uses the PRC Property Phase I and the PRC Property Phase II as its production base in Jingmen, Hubei province, the PRC and is in the course of relocating its production base and facilities from Jiashan, Zhejiang province, the PRC to Jingmen, Hubei province, the PRC. As the lease term for the PRC Property Phase I and the PRC Property Phase II expired on 31 August 2023, the Group entered into the Lease Agreement to expand and integrate its operations at the PRC Property, which includes the production base and facilities located at the PRC Property Phase I and the PRC Property Phase II, to achieve synergistic and cost-effective effects. As the Group has established and become accustomed to its new production base and facilities and have been able to benefit from the infrastructure and resources available at Jingmen, Hubei province, the PRC since partially relocating its production base and facilities from Jiashan, Zhejiang province, the PRC to the PRC Property

Phase I and the PRC Property Phase II, by entering into the Lease Agreement for a term of 6 years, the Group will be able to continue with and expand its operations in Jingmen, Hubei province, the PRC. Furthermore, a lease term of 6 years for the PRC Property will provide the Group with operational stability and longevity which will in turn contribute to the long-term growth of the Group's operations.

Having considered the aforementioned reasons and taking into account the market rent and expected rent growth rate of the PRC Property as determined by an independent professional valuer, the Board (including the independent non-executive Directors) considers that the terms of the Lease 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, KEE Jingmen is indirectly owned as to 50% by Mr. Xu Xipeng and as to 50% by Mr. Xu Xinan. Given that (i) Mr. Xu Xipeng and Mr. Xu Xinan are interested in 15% equity interest in KEE International BVI through Keen New; and (ii) each of Mr. Xu Xipeng and Mr. Xu Xinan is director of certain subsidiaries of the Company, each of Mr. Xu Xipeng and Mr. Xu Xinan is a connected person of the Company at subsidiary level under Chapter 14A of the Listing Rules. As KEE Jingmen is an associate of each of Mr. Xu Xipeng and Mr. Xu Xinan, KEE Jingmen is also a connected person of the Company at 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 Agreement, the Group shall recognise an additional right-of-use asset representing its right to use the PRC Property in the total amount of approximately HK\$57 million. As such, the transactions under the Lease Agreement will be recognised as an acquisition of right-of-use assets which will constitute a transaction under Chapter 14 of the Listing Rules and a one-off connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to the Lease Agreement are more than 5% but less than 25%, the entering into the Lease Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Given that (i) KEE Jingmen is a connected person of the Company at the subsidiary level; (ii) the Directors have approved the Lease Agreement; and (iii) the independent non-executive Directors have confirmed that the terms of the Lease Agreement are fair and reasonable and the transactions contemplated under the Lease Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole, the transactions contemplated under the Lease Agreement are subject to the reporting and announcement requirements, but are exempt from the circular, independent financial advice and independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

None of the Directors have material interest in the Lease 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:

“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“KEE Hubei”	開易(湖北)拉鏈製造有限公司 (KEE (Hubei) Zippers Manufacturing Limited*), a company established in the PRC with limited liability and an indirect 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
“KEE Jingmen”	開易(荊門)服裝配件有限公司 (KEE (Jingmen) Garment Accessories Limited*), a company established in the PRC with limited liability and the equity interest of which is indirectly owned as to 50% by Mr. Xu Xipeng and as to 50% by Mr. Xu Xinan
“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 dated 31 August 2023 and entered into between KEE Jingmen as lessor and KEE Hubei as lessee for the PRC Property on 31 August 2023 for a term of 6 years from 1 September 2023 to 31 August 2029
“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
“PRC Property”	the land with a total land use area of approximately 78,433.98 sq.m. located at 中國荊門市龍井大道以東、福耀二路以北土地 (east of Longjing Avenue, Jingmen and north of Fuyao 2nd Road, the PRC*), inclusive of buildings with a gross floor area of approximately 49,459.67 sq.m. and car park with an area of approximately 835.52 sq.m.
“PRC Property Phase I”	the buildings of approximately 33,141.82 sq.m. on the land located at 中國荊門市龍井大道以東、福耀二路以北土地 (east of Longjing Avenue, Jingmen and north of Fuyao 2nd Road, the PRC*)
“PRC Property Phase II”	the buildings of approximately 16,280.74 sq.m. on the land located at 中國荊門市龍井大道以東、福耀二路以北土地 (east of Longjing Avenue, Jingmen and north of Fuyao 2nd Road, 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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“RMB” Renminbi, the lawful currency of the PRC

“%” 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\$1.09. 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, 31 August 2023

As at the date of this announcement, the executive Directors are Mr. Yip Siu Lun Dave (Chairman), 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.