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)

(1) ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023; (2) RESUMPTION OF TRADING

FINANCIAL HIGHLIGHTS

	2023	2022	**Change**
	HK$'000	*HK$'000*	**+/(-)**
Revenue	**266,548**	215,578	**23.6%**
Gross profit	**110,540**	69,710	**58.6%**
(Loss)/Profit for the year	**(79,869)**	658	**(12,238.1%)**
Loss attributable to equity shareholders	**(69,043)**	(1,888)	**3,556.9%**

	As at 31 December		
	2023	2022	**Change**
	HK$'000	*HK$'000*	**+/(-)**
Total assets	**278,103**	305,712	**(9.0%)**
Cash and cash equivalents	**63,332**	105,266	**(39.8%)**
Total equity attributable to the equity shareholders	**123,378**	184,913	**(33.3%)**

FINANCIAL RESULTS

The board of directors (the "**Board**") of China Apex Group Limited (the "**Company**") is pleased to present the audited consolidated results of the Company and its subsidiaries (together referred to as the "**Group**") for the year ended 31 December 2023, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	**2023** **HK$'000**	2022 *HK$'000*
Revenue	5	**266,548**	215,578
Cost of sales		**(156,008)**	(145,868)
Gross profit		**110,540**	69,710
Other revenue and (losses)/gains, net	6	**(4,465)**	14,906
Distribution costs		**(23,168)**	(13,042)
Administrative expenses		**(93,741)**	(67,354)
(Impairment loss)/reversal of impairment losses on			
– trade receivables and bills receivables		**(360)**	175
– property, plant and equipment		**(25,512)**	–
– right-of-use assets		**(28,527)**	–
– intangible assets		**(491)**	–
– prepayments for property, plant and equipment		**(1,654)**	–
Interests on lease liabilities		**(3,224)**	(3,851)
(Loss)/profit before tax		**(70,602)**	544
Income tax (expense)/credit	8	**(9,267)**	114
(Loss)/profit for the year		**(79,869)**	658
(Loss)/profit for the year attributable to:			
Equity shareholders of the Company		**(69,043)**	(1,888)
Non-controlling interests		**(10,826)**	2,546
(Loss)/profit for the year		**(79,869)**	658
Loss per share attributable to the equity shareholders of the Company *(HK cents)*	9		
Basic and diluted		**(12.4)**	(0.4)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023	2022
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(79,869)**	658
Other comprehensive income for the year		
– Exchange differences on translation of the financial statements of subsidiaries in the Mainland China	**(4,137)**	(27,684)
Total comprehensive income for the year	**(84,006)**	(27,026)
Attributable to:		
Equity shareholders of the Company	**(72,585)**	(25,430)
Non-controlling interests	**(11,421)**	(1,596)
Total comprehensive income for the year	**(84,006)**	(27,026)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment		**32,941**	73,753
Right-of-use assets		**39,859**	37,068
Intangible assets		**614**	1,272
Prepayments for property, plant and equipment		**2,067**	–
Rental deposits		**3,357**	5,382
Deferred tax assets		**4,522**	5,691
		83,360	123,166
Current assets			
Inventories	10	**27,090**	33,527
Trade and other receivables	11	**103,750**	43,753
Time deposit with original maturity over 3 months	12	**571**	–
Cash and cash equivalents	12	**63,332**	105,266
		194,743	182,546
Current liabilities			
Trade and other payables	13	**63,320**	47,577
Tax payable		**8,191**	115
Amount due to a related party		**–**	7,393
Lease liabilities		**15,556**	22,427
		87,067	77,512
Net current assets		**107,676**	105,034
Total assets less current liabilities		**191,036**	228,200

	Notes	**2023** **HK$'000**	2022 *HK$'000*
Non-current liabilities			
Lease liabilities		**56,453**	20,661
Deferred tax liabilities		**1,124**	1,124
		57,577	21,785
Net assets		**133,459**	206,415
Capital and reserves			
Share capital	14	**5,578**	5,578
Reserves		**117,800**	179,335
Total equity attributable to the equity shareholders of the Company		**123,378**	184,913
Non-controlling interests		**10,081**	21,502
Total equity		**133,459**	206,415

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

(Expressed in Hong Kong dollars unless otherwise indicated)

1. GENERAL

China Apex Group Limited (the "**Company**") was incorporated in the Cayman Islands on 6 July 2010 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Group, comprising the Company and its subsidiaries, continues to operate the zipper business. In September 2023, the Group commenced to provide property management service.

The Company was informed by Mr. Chan Ho Yan (also known as Michael Chan) and Mr. Li Kin Long Kenny of D&P China (HK) Limited (trading as Kroll) (the "**Receivers**") on 7 October 2021 that the Receivers were appointed by Noble Wisdom Ever Limited (the "**Creditor**"), a subsidiary of China Huarong Asset Management Co., Ltd. (Stock code: 2799) ("**Huarong**") by three Deeds of Appointment of the Receivers dated 7 October 2022 signed by the Creditor as the joint and several receivers of 341,446,600 shares of the Company (the "**Relevant Shares**"), of which 125,397,663 shares are beneficially owned by Central Eagle Limited ("**Central Eagle**"), representing approximately 26.98% of the then issued share capital of the Company, 133,706,331 shares are beneficially owned by China Sun Corporation ("**China Sun**"), representing approximately 28.77% of the then issued share capital of the Company and 82,342,606 shares are beneficially owned by Golden Diamond Inc. ("**Golden Diamond**"), representing approximately 17.71% of the then issued share capital of the Company.

As announced by the Company on 9 March 2022 and 23 March 2022, the shareholders of Central Eagle and the Creditor have entered into the sale and purchase agreement (the "**SP Agreement**") on 9 March 2022 and the completion of SP Agreement took place on 23 March 2022 (the "**Completion**"). Upon Completion, the Receivers remain interested in 216,048,937 Shares (the "**Adjusted Relevant Shares**"), representing approximately 46.48% of the then total issued share capital of the Company.

On 6 January 2023, one of the substantial shareholders, Golden Diamond, appointed KGI Asia Limited to procure purchasers, on a best effort basis, to purchase a total of 55,776,480 shares of the Company being held by Golden Diamond, which represented up to approximately 10% of the total number of shares in issue as at the same date. On 16 January 2023, 55,776,480 shares of the Company were transferred to the purchasers from Golden Diamond. Upon completion of the transfer, the shareholding of the Company held by Golden Diamond decreased to 4.76%.

The directors of the Company (the "**Directors**") considered that Huarong is the controlling shareholder of the Company as at 31 December 2022 and 2023 and as at the date of approval of these consolidated financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) New Standards, interpetations and amendments adopted from 1 January 2023

The following amendments are effective for the period beginning 1 January 2023:

- HKFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies (Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements);
- Definition of Accounting Estimates (Amendments to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to HKAS 12 Income Taxes); and
- International Tax Reform – Pillar Two Model Rules (Amendments to HKAS 12 Income Taxes on Pillar Two Model Rules) (effective immediately upon the issue of the amendments and retrospectively).

None of these new/amendments to various HKFRSs has a material impact on the Group's results and financial position for the current or prior period.

(b) Revised/amendments to HKFRSs that have been issued but are not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2024:

- Lease Liability in a Sale and Leaseback (Amendments to HKFRS 16 Leases)
- Classification of Liabilities as Current or Non-current (Amendment to HKAS 1 Presentation of Financial Statements)
- Non-current Liabilities with Covenants (Amendment to HKAS 1 Presentation of Financial Statements)
- Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (Amendment to HKAS 1 – Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants)
- Supplier Finance Arrangements (Amendment to HKAS 7 Statement of Cash Flows and HKFRS 7 Financial Instruments: Disclosures)

The following amendments are effective for the period beginning 1 January 2025:

- Lack of Exchangeability (Amendments to HKAS 21 The Effects of Changes in Foreign Exchange Rates)

The Group is currently assessing the impact of these amendments and does not consider that they are relevant to the Group's circumstances nor will have a significant impact on the Group's financial statements.

(c) New guidance on accounting for the MPF-LSP offsetting mechanism in Hong Kong issued by HKICPA

In June 2022, Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (“**the Amendment Ordinance**”) was enacted. The Amendment Ordinance abolishes the use of the accrued benefits derived from employers’ mandatory contributions under the mandatory provident fund (“**MPF**”) scheme to offset severance payment (“**SP**”) and long service payments (“**LSP**”) (“**the Abolition**”). Subsequently, the Government of HKSAR announced that the Abolition will take effect on 1 May 2025 (“**the Transition Date**”).

The following key changes will take effect since the Transition Date:

– Accrued benefits derived from employers’ mandatory MPF contributions cannot be used to offset the LSP/SP in respect of the employment period after the Transition Date.

– The pre-transition LSP/SP is calculated using the last month’s salary immediately preceding the Transition Date, instead of using the last month’s salary of employment termination date.

Due to the complexities of the accounting for the offsetting of accrued benefits derived from an employer’s mandatory MPF contributions and its LSP obligation and the accounting for the offsetting mechanism could become material in light of the Abolition, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” (“**the Guidance**”) in July 2023 to provide guidance to account for the offsetting mechanism and the Abolition. The HKICPA concluded that there are two acceptable accounting approaches for the offsetting mechanism, being:

– Approach 1: Account for the amount expected to be offset as a deemed employee contribution towards that employee’s LSP benefits in terms of HKAS 19.93(a)

– Approach 2: Account for the employer MPF contributions and the offsetting mechanism as a funding mechanism for the LSP obligation

For the years ended 31 December 2022 and 2023, the Group’s LSP liability before the expected offsetting under the MPF-LSP offsetting mechanism is immaterial. Application of the Guidance had no material effect on the consolidated financial statements of the Group.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated 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 HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis.

(c) Functional currency

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Company.

4. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business line and geography.

Since September 2023, the Group commenced a new business on provision of property management service in the Mainland China and it is considered as a new operating and reportable segment by the chief operating decision maker ("**CODM**"). As such, the Group reorganised its internal reporting structure which resulted in an additional reportable segment i.e. provision of property management services for the year ended 31 December 2023. Information reported to the Group's senior executive management, being the CODM, for the purposes of resource allocation and assessment, focuses on revenue from these two operating segments.

Management assess the performance of the operating segments based on the measure of segment results which represents revenue less cost of sales and services, distribution expenses and administrative expenses directly attributable to each operating segment. Central administrative costs are not allocated to the operating segments as they are not included in the measure of the segment results that are used by the chief operating decision-makers for assessment of segment performance.

Segment assets include all assets with exception of corporate assets which are not directly attributable to the business activities of operating segments as these assets are managed on a group basis. Likewise, segment liabilities exclude deferred tax liabilities and corporate liabilities which are not directly attributable to the business activities of operating segments and not allocated to segments.

(a) Business segments

Information regarding the Group's reportable segments as provided to the Group's senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2023 and 2022 is set out below:

	Manufacture and sales of zippers *HK$'000*	Provision of property management services *HK$'000*	Total *HK$'000*
For the year ended 31 December 2023			
Reportable segment revenue	**233,677**	**32,871**	**266,548**
Reportable segment (loss)/profit	**(6,912)**	**32,205**	**25,293**
Depreciation for the year	**31,148**	**–**	**31,148**
Impairment loss on right-of-use assets	**28,527**	**–**	**28,527**
Impairment loss on property, plant and equipment	**25,512**	**–**	**25,512**
Impairment loss on intangible assets	**491**	**–**	**491**
Impairment loss on prepayment for property, plant and equipment	**1,654**	**–**	**1,654**
Loss on disposal of property, plant and equipment	**8,959**	**–**	**8,959**
Amortisation for the year	**312**	**–**	**312**
Reportable segment assets at year end	**206,207**	**37,278**	**243,485**
Additions to non-current segment assets during the year	**58,995**	**2,227**	**61,122**
Reportable segment liabilities at year end	**127,201**	**6,919**	**134,120**

	Manufacture and sales of zippers
	HK$'000
For the year ended 31 December 2022	
Reportable segment revenue	**215,578**
Reportable segment profit	**5,814**
Depreciation for the year	**32,351**
Amortisation for the year	**171**
Loss on disposal of property, plant and equipment	**19**
Reportable segment assets at year end	**242,307**
Additions to non-current segment assets during the year	**15,375**
Reportable segment liabilities at year end	**87,936**

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

	2023	2022
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**266,548**	215,578
Elimination of inter-segment revenue	**–**	–
Consolidated revenue *(note 5)*	**266,548**	215,578
Loss before income tax		
Reportable segment profit derived from the Group's external customers	**25,293**	5,814
Other revenue and losses, net	**(4,465)**	14,906
Interests on lease liabilities	**(3,224)**	(3,851)
Impairment loss on non-financial assets	**(56,184)**	–
Share-based payments	**(11,050)**	–
Unallocated head office and corporate expenses *(note)*	**(20,972)**	(16,325)
Consolidated (loss)/profit before income tax	**(70,602)**	544

Note: Unallocated head office and corporate expenses mainly represented depreciation of right-of-use assets in relation to an office premises, auditor's remuneration and legal and professional fees.

	2023	2022
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**243,485**	242,307
Deferred tax assets	**4,522**	5,691
Unallocated head office and corporate assets	**4,598**	4,115
Cash and cash equivalents	**25,498**	53,599
Consolidated total assets	**278,103**	305,712
Liabilities		
Reportable segment liabilities	**134,120**	87,936
Current tax payable	**8,191**	–
Deferred tax liabilities	**1,124**	1,124
Unallocated head office and corporate liabilities	**1,209**	10,237
Consolidated total liabilities	**144,644**	99,297

(c) Geographic information

The Group's non-current assets excluding financial assets (i.e. rental deposits) and deferred tax assets (the "Specified Non-current Asset") comprise property, plant and equipment, right-of-use assets, intangible assets and prepayments for property, plant and equipment. The geographical location of the Specified Non-current Assets is based on their physical location. In the case of intangible assets and prepayments for property, plant and equipment, it is based on the location of the operation to which they are allocated. As at 31 December 2023, the Group's Specified Non-current Assets were located in Mainland China and Hong Kong with carrying amounts of HK$71,283,000 (2022: HK$108,225,000) and HK$4,198,000 (2022: HK$3,868,000) respectively.

The Group derives revenue from the transfer of goods sold and service rendered in the following geographical regions as follows:

	2023	2022
	HK$'000	*HK$'000*
Mainland China	**246,810**	188,625
Overseas	**19,738**	26,953
	266,548	215,578

(d) Information about a major customer

An individual customer has transactions exceeding 10% of the Group's revenue which included in the provision of property management services segment of HK$32,871,000 (2022: Nil) for the year ended 31 December 2023 is derived from Mainland China.

5. REVENUE

The principal activities of the Group are manufacture and sale of zippers and other related products. Since September 2023, the Group commences the provision of property management service.

The amount of each significant category of revenue is as follows:

	2023	2022
	HK$'000	*HK$'000*
Sales of goods		
Finished zippers and sliders	**232,617**	206,850
Others	**1,060**	8,728
	233,677	215,578
Services income		
Property management fee income	**32,871**	–
	266,548	215,578

The Group derives revenue from the sales of goods at a point in time while the property management fee income is recognised over time.

The following table provides information about trade debtors and bills receivables and contract liabilities from contracts with customers:

	2023	2022
	HK$'000	*HK$'000*
Trade debtors and bills receivable *(note 11)*	**98,828**	36,986
Contract liabilities *(note 13)*	**1,351**	1,832

The contract liabilities represent advanced considerations received from customers before goods sold to customers. The contract liabilities are expected to be recognised as revenue within one year from date of inception of respective contracts. The movements of the contract liabilities are set out below.

Movements in contract liabilities

	2023	2022
	HK$'000	*HK$'000*
Balance as at 1 January	**1,832**	996
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(1,587)**	(766)
Increase in contract liabilities as a result of receipts in advance from customers during the year	**1,110**	1,627
Exchange adjustments	**(4)**	(25)
Balance as 31 December	**1,351**	1,832

The Group has applied the practical expedient to its contracts with customers of both sales of zippers and property management services and therefore the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts that had an original expected duration of one year or less.

6. OTHER REVENUE AND GAINS/(LOSSES), NET

	2023	2022
	HK$'000	*HK$'000*
Revenue from other sources		
Interest income	**1,071**	503
Government grants *(note)*	**1,330**	985
	2,401	1,488
Other gains/(losses), net		
Net foreign exchange gains	**2,072**	13,250
Loss on disposal of property, plant and equipment	**(8,959)**	(19)
Others	**21**	187
	(6,866)	13,418
	(4,465)	14,906

Note: For the year ended 31 December 2023, government grants of HK$1,330,000 (2022: Nil) granted to certain subsidiaries were VAT tax incentives to enterprises recruiting key groups for employment which include handicapped people or people classified as poverty group in China.

Government grants of HK$280,000, during the year ended 31 December 2022 were obtained from Employment Support Scheme ("**ESS**") under the Anti-epidemic Fund launched by the Hong Kong SAR Government supporting the payroll of the Group's employees. Under the ESS, the Group had to commit to spending these grants on payroll expenses, and not to reduce employee head count below prescribed levels for a specified period of time. The Group did not have other unfulfilled obligations relating to this program.

The loss on disposal of property, plant and equipment for the year ended 31 December 2023 included an amount of HK$8,779,000 (2022: Nil) arising from assets written off resulting from relocation of a production base.

7. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

(a) Staff costs*

	2023	2022
	HK$'000	*HK$'000*
Salaries, wages and other benefits	**93,763**	83,066
Contributions to defined contribution retirement plans	**11,060**	10,224
Share-based compensation	**11,050**	–
	115,873	93,290

(b) Other items

	2023	2022
	HK$'000	*HK$'000*
Depreciation and amortisation*		
Property, plant and equipment	**11,973**	14,405
Intangible assets	**312**	171
Right-of-use assets	**20,633**	19,000
	32,918	33,576
Auditors' remuneration		
Audit services	**1,188**	1,033
Other services	**192**	182
	1,380	1,215
Research and development expenses	**8,825**	8,658
Cost of services provided*	**666**	–
Cost of inventories sold* *(Note 10)*	**155,342**	145,868

* Cost of services provided and cost of inventories sold included HK$15,000 (2022: Nil) and HK$81,071,000 (2022: HK$76,955,000) respectively relating to staff costs and depreciation and amortisation expenses, which amounts are also included in the respective total amounts disclosed separately above or in note 7 for each of these types of expenses.

8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Income tax expense/(credit) in the consolidated statement of profit or loss represents:

	2023	2022
	HK$'000	*HK$'000*
Current tax		
PRC corporate income tax		
Provision for the year	**8,160**	–
Under-provision in respect of prior years	**10**	12
	8,170	12
Hong Kong Profits Tax	**–**	–
Deferred tax		
Origination and reversal of temporary differences	**1,097**	(126)
	9,267	(114)

(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. Under the two tiered profits tax rates regime, KEE Zippers Corporation Limited ("**KEE Zippers**") is subject to Hong Kong Profits Tax at 8.25% for the first HK$2 million of profit whilst the remaining profit is taxed at 16.5%.

(ii) 開易（廣東）服裝配件有限公司 (KEE (Guangdong) Garment Accessories Limited*) ("**KEE Guangdong**") was recognised as a High and New Technology Enterprise and is entitled to a preferential income tax rate of 15% up to 2025. Except for KEE Guangdong, the statutory income tax rate applicable to the Company's other subsidiaries in Mainland China is 25%.

(iii) The Group is subject to PRC withholding tax of 10% on the gross interest income from its PRC subsidiaries to the Company.

(iv) 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 2023, deferred tax liability recognised in this regard was HK$1,124,000 (2022: HK$1,124,000).

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on loss attributable to the equity shareholders of the Company of HK$69,043,000 (2022: HK$1,888,000) and the weighted average number of 557,467,800 ordinary shares (2022: 508,865,000 ordinary shares) in issue during the year ended 31 December 2023.

(b) Diluted loss per share

The diluted loss per share for the year ended 31 December 2023 is equal to the basic loss per share as the dilutive potential ordinary shares in issue resulting from share options granted by the Company during the year ended 31 December 2023 are anti-dilutive or no dilutive impact.

The diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary shares in issue during both years ended 31 December 2022 and 2023.

10. INVENTORIES

	2023	2022
	HK$'000	*HK$'000*
Raw materials	**8,985**	8,282
Work in progress	**16,103**	21,842
Finished goods	**2,002**	3,403
	27,090	33,527

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

	2023	2022
	HK$'000	*HK$'000*
Carrying amount of inventories sold	**154,203**	145,796
Write-down of inventories	**1,874**	1,631
Reversal of write-down of inventories	**(662)**	(1,050)
Exchange adjustments	**(73)**	(509)
	155,342	145,868

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

The reversal of write-down of inventories is related to the increase in the estimated net realisable value of certain inventories previously provided for.

11. TRADE AND OTHER RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade debtors	**59,690**	33,497
Bills receivable	**6,049**	4,666
	65,739	38,163
Less: Loss allowance	**(1,519)**	(1,177)
	64,220	36,986
Unbilled receivable	**34,608**	–
Rental deposits	**3,011**	–
Other prepayments	**1,691**	1,233
Other tax receivables	**–**	5,080
Other debtors	**220**	454
	103,750	43,753

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

Ageing analysis

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

	2023	2022
	HK$'000	*HK$'000*
Within 1 month	**28,656**	13,723
Over 1 month but within 2 months	**17,896**	14,520
Over 2 months but within 3 months	**6,844**	5,838
Over 3 months	**10,824**	2,905
	64,220	36,986

Unbilled receivable represented property management fee income recognised not yet invoiced to a customer and the Group has a right to consideration that is unconditional.

12. CASH AND CASH EQUIVALENTS

	2023	2022
	HK$'000	*HK$'000*
Cash at banks and in hand	**63,903**	105,266
Time deposits with original maturity over three months	**(571)**	–
	63,332	105,266

As at 31 December 2023, cash and cash equivalents in the amount of HK$32,326,000 (2022: HK$41,766,000) were denominated in RMB and were deposited in the PRC in the ordinary course of business. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

13. TRADE AND OTHER PAYABLES

	2023	2022
	HK$'000	*HK$'000*
Trade creditors	**11,994**	7,630
Payroll and staff benefits payable	**29,390**	22,721
Accrued expenses	**13,553**	6,932
Payables for purchase of property, plant and equipment	**129**	2,274
Other tax payables	**4,592**	5,588
Contract liabilities	**1,351**	1,832
Compensation received	**1,418**	–
Other payables	**893**	600
	63,320	47,577

All of the trade and other payables are expected to be settled within one year or are repayable on demand.

As of the end of the reporting period, the ageing analysis of trade creditors, based on the invoice date, is as follows:

	2023	2022
	HK$'000	*HK$'000*
Within 1 month	**11,794**	7,414
Over 1 month but within 3 months	**156**	193
Over 3 months but within 6 months	**25**	–
Over 6 months	**19**	23
	11,994	7,630

14. SHARE CAPITAL

Authorised and issued share capital

	At 31 December 2023		At 31 December 2022	
	Number of shares	**Share capital**	Number of shares	Share capital
	'000	***HK$'000***	*'000*	*HK$'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	**557,765**	**5,578**	464,804	4,648
Proceeds from placing of new shares, net of expenses	**–**	**–**	92,961	930
At 31 December	**557,765**	**5,578**	557,765	5,578

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 Company's residual assets.

15. DIVIDENDS

The Board did not recommend the payment of any dividend for the year ended 31 December 2023 (2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group continued to operate the zipper business during the year ended 31 December 2023. Starting from September 2023, the Group commenced to provide property management services.

The Group commenced property management services during the year through entering into a management agreement to operate and manage a land and properties with showrooms, car sales and offices, car maintenance and after sales services, namely Jiajinlong Car City (嘉進隆汽車城) located at Nanshan District of Shenzhen. The management and operation period for property management services shall be one year commencing from September 2023 to August 2024 which can be renewed for another one year subject to the agreement by each party.

The Group continued to operate the zipper business during the year ended 31 December 2023. The customers in zipper business are primarily 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 supplier for their OEMs and place orders with such OEMs who in turn source zippers and other garment accessories from the Group.

FINANCIAL HIGHLIGHTS

The Group's revenue for the year ended 31 December 2023, comprised revenue from property management services and zipper business, increased to HK$266.55 million as compared with approximately HK$215.58 million, representing the revenue from zipper business only for the year ended 31 December 2022.

Loss before taxation for the year ended 31 December 2023 was approximately HK$70.60 million (2022: Profit before taxation HK$0.54 million), representing a reverse change of approximately HK$71.14 million as compared to prior year. The turn-around was mainly due to the recognition of impairment losses on certain assets included in the cash generating unit of zipper segment, principally including property, plant and equipment and right-of-use assets. The Company also adopted a new share option scheme during the year of which additional share option expenses incurred.

REVENUE

For the year ended 31 December 2023, the Group recorded revenue amounting to approximately HK$266.55 million, representing an increase of approximately 23.64% as compared to the previous year. The increase in revenue was primarily due to the expansion of new property management business that generated considerable income to the Group.

The following table sets forth the details of the Group's total revenue by business segment for the years indicated:

	2023		2022	
	HK$ million	*%*	*HK$ million*	*%*
Zipper business	**233.68**	**87.7**	215.58	100.0
Property management business	**32.87**	**12.3**	–	0.0
Total revenue	**266.55**	**100.0**	215.58	100.0

Zipper Business

For the year ended 31 December 2023, the Group revenue from manufacture and sales of zippers amounted to approximately HK$233.68 million, representing an increase of approximately 8.40% as compared to the previous year.

The following tables analysis the revenue from zipper business indicated by product category and geographic location, respectively:

Revenue analysis by product category:

	2023		2022	
	HK$ million	*%*	*HK$ million*	*%*
Sales of goods				
Finished zippers and sliders	**232.62**	**99.5%**	206.85	96.0
Others	**1.06**	**0.5%**	8.73	4.0
Total revenue	**233.68**	**100.0**	215.58	100.0

Revenue analysis by geographic location:

	2023		2022	
	HK$ million	*%*	*HK$ million*	*%*
Mainland China	**213.94**	**91.6%**	188.63	87.5
Overseas	**19.74**	**8.4%**	26.95	12.5
Total revenue	**233.68**	**100.0**	215.58	100.0

Finished Zippers and Sliders

Revenue from sales of finished zippers and sliders increase by approximately HK$25.77 million or 12.46% to approximately HK$232.62 million for the year ended 31 December 2023 (2022: approximately HK$206.85 million). The increase was primarily due to growth in consumer demand.

The Group's revenue was mainly derived from sales in Mainland China. Other countries or regions to which the Group sold its products for the year ended 31 December 2023 include but not limited to Hong Kong, Switzerland, Italy, India, Indonesia, Bangladesh, Germany, Korea, Vietnam, Tunisia and Jordan.

Others

Others represent items such as scrap material and zipper components. Revenue of other items decreased by approximately HK$7.67 million to approximately HK$1.06 million for the year ended 31 December 2023 (2022: approximately HK$8.73 million).

Property Management Business

The Group continued to promote its future development by diversifying its business portfolio and exploring other business and investment opportunities. Beginning from September 2023, the Group has expanded its business into new property management services that provide stable and solid income to the Group.

COST OF SALES AND GROSS PROFIT

In 2023, the overall cost of sales of the Group amounted to approximately HK$156.01 million (2022: approximately HK$145.87 million), representing an increase of approximately 6.95%. The overall gross profit of the Group increased by approximately 58.6% from approximately HK$69.71 million for the year ended 31 December 2022 to approximately HK$110.5 million for the year ended 31 December 2023. In 2023, the overall gross profit margin increased from approximately 32.3% for 2022 to 41.5% for 2023. The increase in gross profit was primarily due to the expansion of new property management services income which has relatively higher profit margin. The gross profit margin for property management services is primarily affected by its property management fee rates charges for management services and cost control capabilities. The gross profit for manufacture and sales of zippers amounting to approximately HK$78.34 million, representing an increase of approximately 12.4% as compared to the previous year and the following table sets forth the gross profit for zipper business indicated by product category:

Gross profit analysis by product category:

	2023		2022	
	HK$ million	***%***	*HK$ million*	*%*
Finished zippers and sliders	**76.34**	**97.4**	67.42	96.7
Others	**2.00**	**2.6**	2.29	3.3
Total gross profit	**78.34**	**100.0**	69.71	100.0

Finished Zippers and Sliders

Gross profit for finished zippers and sliders slightly increased by approximately 13.2% from approximately HK$67.42 million for the year ended 31 December 2022 to approximately HK$76.34 million for the year ended 31 December 2023 which was primarily due to the combined effect in revenue as discussed above.

Others

Gross profit of other items decreased by approximately HK$0.29 million from approximately HK$2.29 million for the year ended 31 December 2022 to approximately HK$2.00 million for the year ended 31 December 2023, which was mainly due to the increase in sale volume of other items.

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; and (iii) advertising and marketing expenses. For the year ended 31 December 2023, the Group's distribution costs amounted to approximately HK$23.17 million (2022: approximately HK$13.04 million), accounting for approximately 8.7% of the Group's revenue (2022: approximately 6.0%). The increase in distribution costs was in line with the increasing in turnover.

ADMINISTRATIVE EXPENSES

Administrative expenses primarily consist of (i) salary and welfare expenses for management and administrative personnel; (ii) professional fees and auditors' remuneration; and (iii) other administrative expenses including depreciation and amortisation. In 2023, the Group's administrative expenses amounted to approximately HK$93.74 million (2022: approximately HK$67.35 million), which accounted for approximately 35.2% of the Group's revenue (2022: approximately 31.2%). The increase in administrative expenses was mainly due to the increase in share option expenses recognised during the year and increase in overall costs following the diversification into new business segment.

INCOME TAX CREDIT

Income tax credit for the year ended 31 December 2022 mainly represents deferred tax assets arising from depreciation charge. Income tax expense for the year ended 31 December 2023 mainly represents Enterprise Income Tax payable for property management service business.

PROFITABILITY

In 2023, the Group's loss attributable to equity shareholders of the Company amounted to approximately HK$69.04 million (2022: loss of approximately HK$1.89 million), representing an increase of loss of approximately 3,556.9% as compared to 2022. The increase in loss was mainly due to the recognition of impairment losses on non-financial assets. The Company also adopted a new share option scheme during the year of which additional share option expenses incurred. The margin of loss attributable to the equity shareholders of the Company for the year was approximately 25.9% (2022: approximately 0.9%).

During the year ended 31 December 2023, the Group's return on equity attributable to the equity shareholders of the Company was approximately -56.0% (2022: approximately -1.0%).

INVENTORIES

Inventories are one of the principal components of the Group's current assets of zipper business. The carrying value of inventories accounted for approximately 18.4% and 13.9% of the Group's total current assets as at 31 December 2022 and 2023 respectively.

Inventories decreased by approximately 19.2% from approximately HK$33.53 million as at 31 December 2022 to approximately HK$27.09 million as at 31 December 2023. The decrease in inventories was mainly affected by the Group's inventories policy to enhance level of materials held to save cost of turnover.

The average inventory turnover days for 2023 and 2022 were approximately 71 days and 81 days respectively.

The write-down on inventories for the year ended 31 December 2023 was approximately HK$1.21 million (2022: approximately HK$0.58 million) which was related to the decrease in the estimated net realisable value of inventories.

TRADE DEBTORS

As at 31 December 2023, the allowance for impairment was approximately HK$1.52 million (31 December 2022: approximately HK$1.18 million), accounting for approximately 1.5% of the Group's total trade debtors (2022: approximately 3.1%).

From the zipper segment, the Group's trade debtors (net) increased by around 167.2% from approximately HK$36.99 million of last year to approximately HK$64.22 million as at 31 December 2023.

The average trade debtors turnover days of zipper business for 2023 and 2022 were approximately 100 days and 73 days respectively.

OTHER RECEIVABLES

Other receivables mainly represent rental deposits of certain factories and office premises with remaining lease terms of less than one year. The decrease in balance of other receivables by approximately HK$1.85 million, representing a decrease of 27.3% from approximately HK$6.77 million in 2022 to HK$4.92 million in 2023, which was mainly due to utilisation of other tax recoverable.

TRADE CREDITORS

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

The Group's trade creditors increased by 57.2% from approximately HK$7.63 million as at 31 December 2022 to approximately HK$11.99 million as at 31 December 2023. The average trade creditors turnover days for 2023 and 2022 were approximately 23 days and 23 days respectively.

OTHER PAYABLES

Other payables mainly represent (i) payroll and staff benefits payable; (ii) payables for purchase of property, plant and equipment; and (iii) accrued expenses. The balance of other payables increased by approximately 28.5% to approximately HK$51.33 million as at 31 December 2023 (2022: approximately HK$39.95 million).

RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

As at 31 December 2023, the lease liabilities and right-of-use assets amounted to approximately HK$72.01 million (2022: approximately HK$43.09 million) and approximately HK$39.86 million (2022: approximately HK$37.07 million) respectively.

LIQUIDITY AND CAPITAL RESOURCES

The following table is a summary of cash flow data for the two years ended 31 December 2022 and 2023:

	2023	2022
	HK$ million	*HK$ million*
Net cash generated from operating activities	**1.30**	15.65
Net cash used in investing activities	**(8.36)**	(13.65)
Net cash (used in)/generated from financing activities	**(33.38)**	50.53
Net (decrease)/increase in cash and cash equivalents	**(40.44)**	52.53
Cash and cash equivalents at 1 January	**105.27**	59.87
Effect of foreign exchange rate changes	**(1.50)**	(7.13)
Cash and cash equivalents at 31 December	**63.33**	105.27

The Group's net cash inflow from operating activities for the year 2023 amounted to approximately HK$1.30 million (2022: HK$15.65 million). As at 31 December 2023, cash and cash equivalents amounted to approximately HK$63.33 million, representing a decrease of approximately HK$41.94 million as compared with the position as at 31 December 2022, which was mainly due to the combined effect of the cash flows for the year ended 31 December 2023 as shown in the above table.

As at 31 December 2023, the cash and cash equivalents of approximately HK$32.42 million, HK$25.23 million and HK$5.57 million are denominated in RMB, HK$ and USD, respectively. As at 31 December 2022, the cash and cash equivalents of approximately HK$41.77 million, HK$53.0 million and HK$10.49 million are denominated in RMB, HK$ and USD, respectively.

The Group did not have borrowings other than lease liabilities and amount due to a related party as at 31 December 2022 and 2023.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debts (which includes interest-bearing loans and borrowings), less cash and cash equivalents. Adjusted capital comprises all components of equity.

The Group's strategy is to maintain the adjusted net debt-to-capital ratio (i.e. total lease liabilities and amount due to a related party less cash and cash equivalents over total equity) below 20%. As at 31 December 2023, the adjusted net debts-to-capital ratio is 7.0%. As at 31 December 2022, as the total debt is less than cash and cash equivalents, no adjusted net debt-to-capital ratio is calculated. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

NET CURRENT ASSETS

As at 31 December 2023, the Group had net current assets of approximately HK$107.68 million. The key components of current assets as at 31 December 2023 included cash and cash equivalents of approximately HK$63.33 million, trade and other receivables of approximately HK$103.75 million, and inventories of approximately HK$27.09 million. The current liabilities mainly represented trade and other payables of approximately HK$63.32 million and current portion of lease liabilities of approximately HK$15.56 million.

The net current assets increased from approximately HK$105.03 million as at 31 December 2022 to approximately HK$107.68 million as at 31 December 2023.

PLEDGE OF ASSETS

The Group did not have any assets pledged for borrowings.

CAPITAL COMMITMENTS

The capital commitments in respect of property, plant and equipment as at 31 December 2022 and 2023 not provided for in the consolidated financial statements were approximately HK$0.52 million and approximately HK$4.33 million respectively.

FOREIGN CURRENCY RISK

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

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

The Group had RMB denominated bank deposits amounting to approximately HK$0.09 million (2022: approximately HK$0.18 million) that was held by KEE Zippers and the Company for which HK$ is their functional currency.

In addition, the Group had HK$ denominated inter-company other receivables amounting to approximately HK$152.05 million (2022: approximately HK$149.25 million) that were held by 開易（廣東）服裝配件有限公司 (KEE (Guangdong) Garment Accessories Limited*) ("**KEE Guangdong**"), 開易(湖北)拉鏈製造有限公司 (KEE (Hubei) Zippers Manufacturing Limited*) ("**KEE Hubei**") and 開易（浙江）服裝配件有限公司 (KEE (Zhejiang) Garment Accessories Limited*) ("**KEE Zhejiang**") for which RMB is their functional currency.

Assuming that a general appreciation/depreciation of 0.5% in HK$ against RMB at 31 December 2023, with all other variables held constant, there would be a decrease/increase of the Group's net loss for the year and decrease/increase of accumulated losses by approximately HK$0.76 million (2022: increase/decrease in net profit and decrease/increase of accumulated losses by approximately HK$0.75 million).

The sensitivity analysis assumes that the change in foreign exchange rate had been applied to re-measure the bank deposits and the inter-company other receivables which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The Group currently has no hedging arrangement for foreign currencies. The management will continue to monitor the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

EMPLOYEES

As at 31 December 2023, the Group had 655 full-time employees (2022: 637). The Group reviews the 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 2023 were approximately HK$115.87 million (2022: approximately HK$93.29 million). The increase in staff costs is mainly due to increase in number of full time employees and average salary of employees.

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 December 2022 and 2023.

CONNECTED TRANSACTIONS

Connected Transactions in Relation to the Lease in Respect of Certain Land and Buildings

(i) On 14 January 2022, Classic Winner Limited ("**Classic Winner**"), a company owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, as lessor and KEE Zippers, an indirect 85%-owned subsidiary of the Company, as lessee entered into a lease renewal agreement (the "**Third HK Lease Renewal Agreement**") pursuant to which Classic Winner has agreed to lease to KEE Zippers a property in Hong Kong at a monthly rental of HK$54,000 (exclusive of Government rates, Government rent, management fees and all other outgoings) payable in advance in cash without any deduction on the 16th day of each month for a term of two years commencing from 16 January 2022 to 15 January 2024. As Classic Winner is owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, who are directors of certain subsidiaries of the Company, Classic Winner is therefore a connected person of the Company at the subsidiary level.

An independent property valuer advised that the monthly rental of HK$54,000 is fair and reasonable with reference to the market value.

(ii) On 14 January 2022, 佛山市南海今和明投資有限公司 (Foshan City Nanhai Jinheming Investment Company Limited*), ("**Nanhai Jinheming**"), a company owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, as lessor and KEE Zhejiang, an indirect 85%-owned subsidiary of the Company, as lessee entered into a lease renewal agreement (the "**Third PRC Lease Renewal Agreement**") pursuant to which Nanhai Jinheming has agreed to lease to KEE Zhejiang the land and the PRC buildings in Zhejiang Province at a monthly rental of RMB625,958 payable in cash within the first 10 working days of each month commencing from 16 January 2022 for a term of two years commencing on 16 January 2022 to 15 January 2024 with three months' rent of RMB1,877,874 as deposit. As Nanhai Jinheming is owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, who are directors of certain subsidiaries of the Company, Nanhai Jinheming is therefore a connected person of the Company at the subsidiary level.

An independent property valuer advised that the monthly rental of RMB625,958 is fair and reasonable with reference to the market value.

(iii) On 30 December 2022, Mr. Xu Xipeng and Mr. Xu Xinan, connected persons at the subsidiary level of the Company, as lessors and KEE Guangdong as lessee, entered into the lease renewal agreement (the "**Guangdong Lease Renewal Agreement 2022**") to renew the lease of a plant in Guangdong for a further term of two years commencing from 1 January 2023 to 31 December 2025 for a monthly rental of RMB428,980 payable within the first 10 working days of each month commencing from 1 January 2023.

An independent property valuer advised that the monthly rental of RMB428,980 is fair and reasonable with reference to the market value.

(iv) On 27 August 2021, KEE Jingmen a company owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively and KEE Guangdong an indirect 85%-owned subsidiary of the Company entered into a two years lease renewal agreement (the "**Jingmen Lease Renewal Agreement 2021**") pursuant to which KEE Jingmen has agreed to lease the Jingmen property at a monthly rental of RMB533,000 payable before the fifth day of each month commencing from 1 September 2021 to 31 August 2023, with three months' rent of RMB1,599,000 as deposit. As KEE Jingmen is owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, KEE Jingmen is a connected person at the subsidiary level of the Company as of the date of the Jingmen Lease Renewal Agreement 2021. An independent property valuer advised that the monthly rental of RMB533,000 is fair and reasonable with reference to the market rate.

On 29 April 2022, 開易(湖北)拉鏈製造有限公司 (KEE (Hubei) Zippers Manufacturing Company Limited*) ("**KEE Hubei**") replaced KEE Guangdong as a new lessee to the Jingmen Lease Renewal Agreement 2021. KEE Jingmen as lessor, KEE Guangdong as the original lessee, and KEE Hubei as the new lessee entered into a novation agreement pursuant to which KEE Hubei shall assume all the rights and obligations of KEE Guangdong under the Jingmen Lease Renewal Agreement 2021 with effect from 1 May 2022. An independent property valuer advised that the monthly rental of RMB533,000 is fair and reasonable with reference to the market rate.

(v) On 31 May 2022, KEE Jingmen and KEE Hubei entered into a lease agreement for a PRC property (the "**PRC Property Phase II**") for a term from 1 June 2022 to 31 August 2023 (the "**Phase II Lease Agreement**") pursuant to which KEE Jingmen agreed to lease to KEE Hubei the production base in Zhejiang Province at a monthly rental of RMB245,658 payable in cash before the fifteen day of each month commencing from 1 September 2022 with three months' rent of RMB736,974 as deposit. As KEE Jingmen is owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively therefore a connected person of the Company at the subsidiary level. An independent property valuer advised that the monthly rental of RMB245,658 is fair and reasonable with reference to the market rate.

(vi) On 31 August 2023, KEE Jingmen and KEE Hubei entered into a lease agreement for a PRC property (the "**PRC Property**") for a term from 1 September 2023 to 31 August 2029 (the "**Lease Agreement**") pursuant to which KEE Jingmen agreed to lease to KEE Hubei the production base in Zhejiang Province at a monthly rental of RMB969,735 payable in cash before the fifteen day of each month commencing from 1 September 2023 with three months' rent of RMB2,909,205 as deposit. As KEE Jingmen is owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively therefore a connected person of the Company at the subsidiary level. An independent property valuer advised that the monthly rental of RMB969,735 is fair and reasonable with reference to the market rate.

In accordance with HKFRS 16 applicable to the Company, as a result of the entering into the Third HK Lease Renewal Agreement, Third PRC Lease Renewal Agreement, Guangdong Lease Renewal Agreement 2022, Jingmen Lease Renewal Agreement 2021, Phase II Lease Agreement and Lease Agreement, the Group recognized an additional asset representing its right to use the property under the relevant lease agreements of a total of approximately HK$2 million for the Third HK Lease Renewal Agreement and Third PRC Lease Renewal Agreement, approximately HK$0.2 million for the Guangdong Lease Renewal Agreement 2022, approximately HK$8.58 million for the Jingmen Lease Renewal Agreement 2021, approximately HK$8.34 million for the Phase II Lease Agreement and approximately HK$48.04 million for the Lease Agreement, respectively. As such, the transactions under the above lease agreements were recognised as acquisitions of right-of-use assets which constituted one-off connected transactions of the Company under Chapter 14A of the Listing Rules. Details of which had been disclosed in the Company's relevant announcements dated 14 January 2022, 30 December 2022, 27 August 2021, 29 April 2022, 31 May 2022 and 31 August 2023.

BUSINESS UPDATE IN RELATION TO RELOCATION OF ZHEJIANG PRODUCTION BASE

KEE Zhejiang, a 85%-owned subsidiary of the Company, has been informed by the management committee of Jiashan Economic and Technology Development Zone ("**JETDZ Management Committee**") that, the production base located at 116 Jinjia Avenue, Economic Development Zone, Jiashan County, Zhejiang Province, China is included in the implementation area of the organic renewal project of the Economic Development Zone and required to be vacated.

On 11 September 2023, the subsidiary of the Company entered into a relocation compensation agreement with Jiashan Economic Development Asset Management Co., Ltd. (嘉善經開資產經營管理有限公司) ("**JEDAM Limited**"), a 53.85% owned indirect subsidiary of JETDZ Management Committee, pursuant to which the subsidiary agreed with JEDAM Limited in respect of the relocation of some immovable machineries and leasehold improvements in the production base, subject to various condition precedents, for a total compensation of RMB12,849,140, of which RMB1,284,914 (equivalent to approximately HK$1,418,000) has been received as at 31 December 2023.

BUSINESS UPDATE IN RELATION TO CONTINUOUS RECOGNITION AS AN ENTERPRISE OF NEW AND HIGH TECHNOLOGY AND PROFIT TAX CONCESSION

KEE Guangdong, a 85%-owned subsidiary of the Company, has been continuously recognised as an enterprise of new and high technology according to the recognition certificate jointly issued by the Science and Technology Department of Guangdong (廣東省科學技術廳), the Finance Department of Guangdong (廣東省財政廳), the State Tax Bureau of Guangdong (廣東省國家稅務局) and the Provincial Tax Bureau of Guangdong (廣東省地方稅務局).

According to the relevant regulations, being recognised as an enterprise of new and high technology, KEE Guangdong would be entitled to enjoy a preferential tax concession in the People's Republic of China and its applicable profit tax rate up to 2025 is expected to be 15%. Without this preferential tax concession, normal profit tax rate of KEE Guangdong would be 25%.

PROSPECTS

Despite stable yearly growth in China's domestic economy and gross domestic product (GDP) in the year 2023, difficulties have persisted due to geopolitical tensions, monetary policies, high interest rates, and a slowdown in global economic growth. The rising costs of raw materials, energy, and labor within China have continued to pose challenges. Additionally, the decline in consumerism has affected business development.

The Zipper Business

The relocation of our production base from Zhejiang to Hubei province's Jingmen in 2023 has impacted our overall production structure. Geopolitical tensions, monetary policies, and high interest rates remain influential factors. Given the rising costs and decline in consumer demand, we have taken a cautious approach towards the development in our zipper business.

Looking ahead, we will pragmatically address complex operational challenges and adapt to these changing environments. Our strategies include optimizing existing production capacity, enhancing automation, improving production processes, ensuring product quality, and cost control. We will also strengthen our financial management to mitigate risks and increase organizational efficiency.

Property Management Business

Our business strategy has always prioritized practicality, seeking stable growth while also exploring new avenues. In the year 2023, we introduced property management services characterized by short cycles, stable cash flows, and low asset intensity. This diversification is aimed towards a reduction in business risk while establishing a secure and robust operational model.

We will continue to review our business strategies, formulate long-term plans, and explore additional business opportunities or investments. Our goal is to create a healthy and secure development model that delivers stable returns for our shareholders.

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 four independent non-executive Directors out of a total of nine 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 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 2023, the Company has complied with all the code provisions as set out in the Corporate Governance Code in all material respects except the following deviations.

(i) Chairman and chief executive officer

The position of Chairman was held by Mr. Yip Siu Lun Dave and the duties of the chief executive officer is performed by the existing management of the Group. This constitutes a deviation from the Code Provision C.2.1 but the Board is of the view that given the small size of the existing management team, Mr. Yip Siu Lun Dave has considerable experience in business development and the Board believes that the current structure will enable the Company to make and implement decisions promptly and efficiently. The Board will meet regularly to consider that this structure will not impair the balance of power and authority between the Board and the management of the Group.

(ii) Internal control and risk management

Under Code Provision D.2.5, the Group should have an internal audit function. The Group conducted an annual review on the need for setting up an internal audit department. Given the Group's simple operating structure, instead of setting up an internal audit department, the annual review on the risk management and internal control systems of the Group has been conducted by a professional third party and reported to the Audit Committee members. The review covered material controls, including financial, operational and compliance controls and risk management functions of the Group. Appropriate measures have been put in place to manage the risks. No major issue was raised for improvement. The improvement of the systems of risk management and internal control is an ongoing process and the Board maintains a continuing commitment to strengthen the Group's control environment and processes.

MODEL CODE

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. Specific enquiry has been made of all the Directors and the Directors have confirmed they have complied with the Model Code throughout the year ended 31 December 2023.

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, amongst others, assist the Board in reviewing the financial information and reporting system, internal control system and risk management, 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 Audit Committee currently consists of three independent non-executive Directors, namely, Mr. Leung Ka Tin, Mr. Cheng Hong Kei and Mr. Liew Fui Kiang. Mr. Cheng Hong Kei, an independent non-executive Director, is the chairman of the Audit Committee.

The Audit Committee held three meetings to review interim and annual financial results and reports during the year ended 31 December 2023 and significant issues on, amongst others, the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors, connected transactions and arrangements for employees to raise concerns about possible improprieties. The consolidated results of the Group for the year ended 31 December 2023 have been reviewed by the Audit Committee.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

As at 31 December 2023 and date of this announcement, approximately HK$38.6 million, out of the net proceeds of approximately HK$68.6 million has been utilised as general working capital and business opportunities and investments. It is expected that the remaining portion of the net proceeds amounting to approximately HK$30.0 million will be utilised by 30 June 2024.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

On 4 January 2024, the Company and Placing Agent entered into a placing agreement. Pursuant to the placing agreement, the Company has conditionally agreed to place, through the Placing Agent on a best efforts basis, up to 16,733,000 new shares of the Company at HK$1.21 per share to not less than six Placees. The new shares were allotted and issued pursuant to the general mandate granted to the Directors pursuant to the resolutions of the shareholders of the Company passed at the annual general meeting of the Company held on 27 June 2023. On 19 January 2024, 16,733,000 new shares of the Company have been successfully allotted and issued to not less than six Placees at HK$1.21 per share. The net proceeds from the placing of approximately HK$19.89 million are intended to be used as general working capital and future business opportunities and investments of the Group. For details, please refer to the announcements of the Company dated 4 January 2024 and 19 January 2024.

Proposed change of Company name

On 21 February 2024, the Company announced its proposal on changing the English name of the Company from "China Apex Group Limited" to "Gilston Group Limited" and dual foreign name in Chinese of the Company from "中國恒泰集團有限公司" to "進騰集團有限公司" (the "**Proposed Change of Company Name**"). The Proposed Change of Company Name was subject to, amongst others, the passing of a special resolution by Shareholders at the extraordinary general meeting of the Company approving the Proposed Change of Company Name, which was held on 21 March 2024. For further details, please refer to the announcements of the Company dated 21 February 2024 and 21 March 2024, and the circular of the Company dated 27 February 2024. As at the date of this announcement, the relevant procedures concerning the Proposed Change of Company Name are still under way.

DIVIDENDS

The Board does not recommend any payment of a final dividend (2022: Nil) in respect of the year 2023 to the Shareholders.

SCOPE OF WORK OF BDO LIMITED

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2023 as set out in the results announcement have been compared by the Group's auditor, BDO Limited, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by BDO Limited in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (https://www.irasia.com/listco/hk/chinaapex/index.htm). The annual report for the year ended 31 December 2023 containing all the information required by Appendix D2 to the Listing Rules will be made available on the same websites by no later than 30 April 2024.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 2 April 2024 pending the publication of the Company's audited consolidated results for the year ended 31 December 2023. Following the publication of this results announcement, an application will be made by the Company to the Stock Exchange for resumption of trading in its shares, with effect from 9:00 a.m. on 15 April 2024.

DEFINITIONS

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

"Board"	the Board of Directors
"CG Code"	code on corporate governance practices as set out in Appendix C2 to the Listing Rules
"Company"	China Apex Group 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 Stock Exchange
"Director(s)"	the Director(s) of the Company
"Group"	the Company and its subsidiaries
"HK$" and "HK cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the stock market operated by the Stock Exchange, which excludes the GEM and the options market
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"OEM"	original equipment manufacturer or manufacturing
"PRC" or "China" or "Mainland 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
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	share(s) of HK$0.01 each in the share capital of the Company

"Shareholder(s)"	holder(s) of issued Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

* *for identification purpose only*

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

Hong Kong, 12 April 2024

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.