中國恒泰
CHINA APEX

China Apex Group Limited
中國恒泰集團有限公司

(formerly known as KEE Holdings Company Limited)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2011)

2019 Annual Report

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Zhuang Weidong *(Chairman)*
(Appointed on 19 November 2019)
Mr. Qiu Chuanzhi *(President)*
(Appointed on 19 November 2019)
Mr. Wu David Hang *(Vice Chairman)*
(Resigned as Chief Executive Officer and re-designated from Chairman to Vice Chairman on 19 November 2019)
Mr. Mak Yung Pan Andrew *(Vice President)*
(Appointed on 19 November 2019)
Mr. Yau Chi Chiu (Resigned on 19 November 2019)

Non-executive Director

Ms. Lin Ping (Appointed on 19 November 2019)

Independent Non-executive Directors

Mr. Leung Ka Tin
Mr. Cheng Hong Kei (Appointed on 19 November 2019)
Mr. Liew Fui Kiang (Appointed on 19 November 2019)
Mr. Yau Pak Yue (Resigned on 19 November 2019)
Mr. Lu Nim Joel (Resigned on 19 November 2019)

AUDIT COMMITTEE

Mr. Cheng Hong Kei *(Committee Chairman)*
(Appointed on 19 November 2019)
Mr. Leung Ka Tin
Mr. Liew Fui Kiang (Appointed on 19 November 2019)
Mr. Yau Pak Yue (Resigned on 19 November 2019)
Mr. Lu Nim Joel (Resigned on 19 November 2019)

NOMINATION COMMITTEE

Mr. Zhuang Weidong *(Committee Chairman)*
(Appointed on 19 November 2019)
Mr. Qiu Chuanzhi (Appointed on 19 November 2019)
Mr. Leung Ka Tin
Mr. Cheng Hong Kei (Appointed on 19 November 2019)
Mr. Liew Fui Kiang (Appointed on 19 November 2019)
Mr. Wu David Hang (Resigned on 19 November 2019)
Mr. Yau Pak Yue (Resigned on 19 November 2019)
Mr. Lu Nim Joel (Resigned on 19 November 2019)

REMUNERATION COMMITTEE

Mr. Cheng Hong Kei *(Committee Chairman)*
(Appointed on 19 November 2019)
Mr. Leung Ka Tin
Mr. Liew Fui Kiang (Appointed on 19 November 2019)
Mr. Yau Pak Yue (Resigned on 19 November 2019)
Mr. Lu Nim Joel (Resigned on 19 November 2019)

COMPANY SECRETARY

Mr. Yau Chi Chiu

REGISTERED OFFICE

4th Floor, Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 510, Chater House
8 Connaught Road
Central
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Harneys Fiduciary (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

BDO Limited
Certified Public Accountants

PRINCIPAL BANKERS

The Bank of East Asia Limited
The Hong Kong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China
Agricultural Bank of China
China Construction Bank
Bank of Guangzhou

COMPANY WEBSITE

https://www.irasia.com/listco/hk/chinaapex/index.htm

Financial Summary

FIVE-YEAR FINANCIAL HIGHLIGHTS

For the year ended 31 December	2019	2018	2017	2016 (Restated) (note 3)	2015
Results of Continuing Operations					
Gross profit margin (%)	**25.7**	32.4	31.2	28.9	30.2
Operating loss or profit margin (%)	**–19.1**	–14.6	–4.5	27.2	4.5
Net loss or profit margin (%) (note 1)	**–21.5**	–16.8	–24.4	15.1	2.6
Return on equity (%)	**–20.4**	–12.5	–14.4	7.3	1.4
Financial Position					
Total assets (HK$'000)	**338,348**	330,454	380,180	405,760	368,931
Cash and cash equivalents (HK$'000)	**91,174**	78,587	95,590	186,496	85,894
Total bank borrowing (HK$'000)	**–**	–	–	–	15,000
Total equity attributable to equity shareholders of the Company (HK$'000)	**216,657**	264,730	314,083	298,523	290,857
Financial Ratios					
Current ratio (times)	**3.2**	6.0	5.0	4.0	2.4
Quick ratio (times)	**2.7**	5.4	4.5	3.7	2.2
Liability to asset ratio (%) (note 2)	**29.3**	12.9	11.4	21.6	15.2
Turnover Ratios					
Inventory turnover (days)	**70**	66	62	58	64
Debtors turnover (days)	**72**	74	77	78	78

Notes:

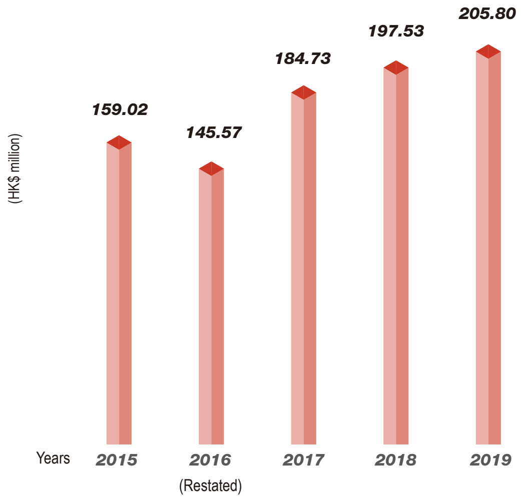
(1) Net loss or profit represents loss or profit attributable to equity shareholders of the Company.

(2) Liability to asset ratio is calculated as the Group's total liabilities over total assets as shown in the consolidated statement of financial position.

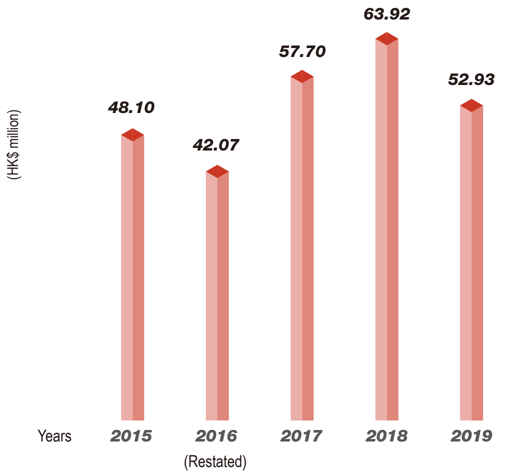
(3) During the year 2017, the Group has decided to cease the real estate agency services and completed the disposal of this business on 24 August 2017. The financial information of this operating segment for year ended 31 December 2017 is presented as discontinued operation as set out in note 11 to the consolidated financial statements. The comparative amounts of the financial information of this operating segment in respect of the year ended 31 December 2016 were also restated to be presented as discontinued operation accordingly.

Financial Summary

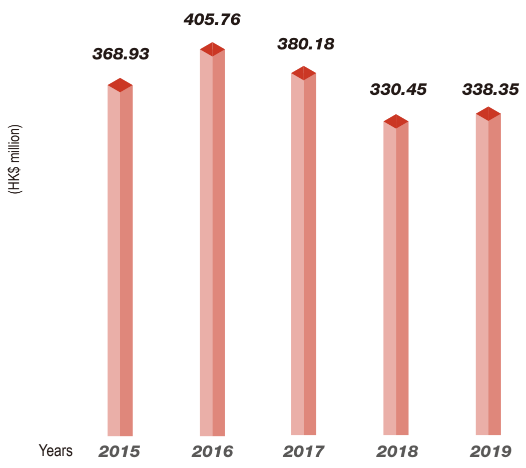
Revenue



Gross Profit



Total assets



Total equity attributable to equity shareholders of the Company

Financial Summary

The following is a summary of the consolidated statement of profit or loss and the consolidated statement of financial position of the Group:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December	**2019 HK$'000**	2018 HK$'000	2017 HK$'000	2016 HK$'000 (Restated) (note 1)	2015 HK$'000
Continuing operations					
Revenue	**205,796**	197,532	184,732	145,568	159,016
Cost of sales	**(152,864)**	(133,613)	(127,028)	(103,497)	(110,919)
Gross Profit	**52,932**	63,919	57,704	42,071	48,097
Other gains/(losses), net	**(23,268)**	18,770	(10,592)	7,339	5,056
Distribution costs	**(15,528)**	(15,417)	(15,197)	(10,989)	(12,230)
Administrative expenses	**(53,653)**	(50,639)	(40,425)	(34,318)	(33,746)
Reversal of impairment losses/ (impairment losses)					
– trade receivables and bills receivable	**262**	(505)	177	–	–
– other receivable	**–**	(45,000)	–	–	–
Gain on disposal of a subsidiary	**–**	–	–	17,837	–
Gain on disposal of property, plant and equipment and leasehold and to related parties	**–**	–	–	17,609	–
(Loss)/profit from operations	**(39,255)**	(28,872)	(8,333)	39,549	7,177
Finance costs	**(3,745)**	–	–	(9)	(420)
(Loss)/profit before taxation	**(43,000)**	(28,872)	(8,333)	39,540	6,757
Income tax	**(1,164)**	(1,074)	(5,429)	(8,415)	(3,517)
(Loss)/profit from continuing operations	**(44,164)**	(29,946)	(13,762)	31,125	3,240
Loss from discontinued operation	**–**	–	(31,808)	(7,888)	–
(Loss)/profit for the year	**(44,164)**	(29,946)	(45,570)	23,237	3,240
Attributable to:					
Equity shareholders of the Company	**(44,180)**	(33,177)	(45,127)	21,940	4,161
Non-controlling interests	**16**	3,231	(443)	1,297	(921)

Note:

(1) During the year 2017, the Group has decided to cease the real estate agency services and completed the disposal of this business on 24 August 2017. The financial information of this operating segment for year ended 31 December 2017 is presented as discontinued operation as set out in note 11 to the consolidated financial statements. The comparative amounts of the financial information of this operating segment in respect of the year ended 31 December 2016 were also restated to be presented as discontinued operation accordingly.

Financial Summary

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Non-current assets	**142,345**	83,397	168,051	63,448	234,142
Property, plant and equipment	**79,243**	71,873	57,805	57,323	195,813
Interest in leasehold land held for own use under operating leases	**–**	–	–	–	30,453
Intangible assets	**885**	1,562	2,448	3,047	6,161
Available-for-sale investment	**–**	–	103,480	–	–
Prepayments for fixed and intangible assets	**3,004**	1,439	292	93	280
Rental deposits	**3,986**	5,041	987	–	–
Right-of-use assets	**52,042**	–	–	–	–
Deferred tax assets	**3,185**	3,482	3,039	2,985	1,435
Current assets	**196,003**	247,057	212,129	342,312	134,789
Inventories	**34,425**	24,549	23,924	19,417	15,874
Financial asset at fair value through profit or loss	**23,583**	102,183	–	–	–
Trade and other receivables	**44,698**	40,922	92,615	135,759	32,014
Current tax recoverable	**2,123**	816	–	38	1,007
Cash and cash equivalents	**91,174**	78,587	95,590	186,496	85,894
Assets held for sale	**–**	–	–	602	–
Total assets	**338,348**	330,454	380,180	405,760	368,931

Financial Summary

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December	**2019** **HK$'000**	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Current liabilities	**60,671**	41,396	42,153	86,347	55,222
Trade and other payables	**44,344**	41,396	40,366	84,955	39,937
Bank borrowing	**–**	–	–	–	15,000
Lease liabilities	**16,327**	–	–	–	–
Current tax payable	**–**	–	1,787	1,392	285
Net current assets	**135,332**	205,661	169,976	255,965	79,567
Total assets less current liabilities	**277,677**	289,058	338,027	319,413	313,709
Non-current liabilities	**38,381**	1,124	1,124	1,124	682
Lease liabilities	**37,257**	–	–	–	–
Deferred tax liabilities	**1,124**	1,124	1,124	1,124	682
Net assets	**239,296**	287,934	336,903	318,289	313,027
Capital and reserves	**216,657**	264,730	314,083	298,523	290,857
Share capital	**4,648**	4,648	4,648	4,348	4,268
Reserves	**212,009**	260,082	309,435	294,175	286,589
Total equity attributable to equity shareholders of the Company	**216,657**	264,730	314,083	298,523	290,857
Non-controlling interests	**22,639**	23,204	22,820	19,766	22,170
Total equity	**239,296**	287,934	336,903	318,289	313,027

Chairman's Statement

On behalf of the board of directors (the "Board") of China Apex Group Limited (formerly known as KEE Holdings Company Limited) (the "Company" together with its subsidiaries, the "Group"), I am pleased to present the annual report of the Company for the year ended 31 December 2019.

On 2 July 2019, the Company was informed by Glory Emperor Trading Limited, the former major shareholder of the Company that it completed the transfer of 326,089,600 shares of the Company, representing approximately 70.16% of the then total issued share capital of the Company as at 10 July 2019, to Central Eagle Limited, China Sun Corporation and Golden Diamond Inc. (collectively the "Major Shareholders"). Upon completion of the mandatory unconditional cash offer on 20 September 2019 and the placing of 55,700,000 shares of the Company to independent placees on 19 December 2019, the Major Shareholders together hold 348,546,600 shares of the Company, representing approximately 74.99% of the total issued share capital of the Company as at the date of this report.

The Major Shareholders intend to continue the Group's principal business of manufacturing and sale pf the zippers and other related product (the "Zippers Business") and at the same time continue to review the strategic directions and operations of the Group to chart it's long term corporate strategy and growth and to explore other business or investment opportunities to enhance the Group's future development.

Due to the financial crash to the global markets and the continuous China-USA trade dispute, as well as, the recent worldwide outbreak of the novel coronavirus (the "COVID-19"), which inevitably caused extra pressure and cast more uncertainty to the already difficult environment in Asia.

The Group makes the best effort to further build up the customer base of its zipper business. With regards to the strengthened marketing and product innovation team, and aligning with our strategic plan, the Group achieved a steady increase in revenue from manufacturing and sales of the zipper and the related products in 2019. Revenue of approximately HK$205.80 million attributable to zipper business for the year ended 31 December 2019 was attained.

In order to minimise the impact of COVID-19 outbreak on the operation of the Group in the PRC, the Group has been paying its best effort on implementation of preventive measures in the working environment. And up to March 2020, all the Group's factories have been resumed production and majority of the labour have returned to work.

Moving forward, the Group will prospectively continue to seek attractive investment and acquisition opportunities in the other sectors, to enhance profitability and maximize our shareholders' value. We keep an open mind when exploring new opportunities, but will only acquire high potential projects on a selective and prudent basis, without compromising the financial stability of the Group.

We took measures to tighten cost control and achieved a generally stable business performance in zipper business through the dedicated efforts of our management team and employees. We remain excited about the prospect and the opportunities that lie ahead and are confident that the Group is well-positioned to meet futures challenges and move closer to its vision to be a profitable and well-diversified company.

I would like to take this opportunity to express my sincere thanks and gratitude to our Group's management and staff who dedicated their endless efforts and devoted services, and to our shareholders, customers, suppliers, bankers and other professional parties for their continuous support.

Zhuang Weidong
Chairman

Hong Kong, 31 March 2020

Management Discussion and Analysis

OVERVIEW

The Group continued to operate the zipper business during the year ended 31 December 2019.

The customers in zippers 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 2019, represented the revenue from zipper business, increased to approximately HK$205.80 million as compared with approximately HK$197.53 million for the year ended 31 December 2018.

Loss before tax for the year ended 31 December 2019 was approximately HK$43.00 million (2018: approximately HK$28.87 million), represented an increase of approximately HK$14.13 million as compared to prior year. The increase in loss before tax were mainly due to the combined effect of (i) the decrease in gross profit margin of zipper business from approximately HK$63.92 million for the year ended 31 December 2018 to approximately HK$52.93 million for the year ended 31 December 2019; (ii) the increase in fair value losses on financial asset at fair value through profit or loss of the Fund of approximately HK$ 22.30 million from approximately HK$1.30 million for the year ended 31 December 2018 to approximately HK$23.60 million for the year ended 31 December 2019; (iii) the decrease in net foreign exchange gains from approximately HK$8.99 million for the year ended 31 December 2018 to approximately HK$2.83 million for the year ended 31 December 2019; (iv) the interests on lease liabilities of approximately HK$3.75 million due to the adoption of new HKFRS 16 since 1 January 2019 (2018: nil); (v) the dividend income received from the Fund of approximately HK$9.30 million for the year ended 31 December 2018 (2019: nil) and net-off by (vi) the impairment losses on other receivables of approximately HK$45.00 million for the year ended 31 December 2018 (2019: nil).

Management Discussion and Analysis

REVIEW OF OPERATIONS

Revenue

The Group's revenue for the year ended 31 December 2019 amounted to approximately HK$205.80 million, representing a year-on-year increase of approximately 4.2% as compared to the last year, mainly relating to the increase in sales of finished zippers and sliders of the overseas market.

Revenue analysis by product category:

	2019		2018	
	HK$ million	**%**	HK$ million	%
Sales of goods				
Finished zippers and sliders	**202.22**	**98.3**	192.97	97.7
Others	**3.58**	**1.7**	4.56	2.3
Total	**205.80**	**100.0**	197.53	100.0

Revenue analysis by geographic location:

	2019		2018	
	HK$ million	**%**	HK$ million	%
Mainland China	**183.00**	**88.9**	181.70	92.0
Overseas	**22.80**	**11.1**	15.83	8.0
Total revenue	**205.80**	**100.0**	197.53	100.0

Finished Zippers and Sliders

Revenue from sales of finished zippers and sliders slightly increased by approximately HK$9.25 million or 4.8% to approximately HK$202.22 million for the year ended 31 December 2019 (2018: approximately HK$192.97 million). The increase was primarily due to the promotion of organisational intensity of the Group, the encouraging results from the strengthened marketing and product innovation, the constant escalation of responsiveness to customer needs and the continuous enhancement of customer service level.

The Group achieved satisfying results in the new marketing development in Mainland China market. During the year 2019, the Group commenced cooperation with 5 new domestic brands.

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 2019 include but not limited to Hong Kong, Switzerland, Italy, USA, India, Indonesia, Bangladesh, Germany, Korea and Vietnam.

Management Discussion and Analysis

Others

Others represent items such as scrap material and zipper components. Revenue of other items reduced by approximately HK$0.98 million to approximately HK$3.58 million for the year ended 31 December 2019 (2018: approximately HK$4.56 million).

Cost of Sales and Gross Profit

In 2019, the overall cost of sales for the zipper business amounted to approximately HK$152.86 million (2018: approximately HK$133.61 million), representing an increase of approximately 14.4%. The overall gross profit of the Group decreased by approximately 17.2% from approximately HK$63.92 million for the year ended 31 December 2018 to approximately HK$52.93 million for the year ended 31 December 2019. In 2019, the overall gross profit margin decreased from 32.4% of last year to 25.7%. The decrease in gross profit was primarily due to increase in fixed manufacturing expense and labour cost as a result of the commencement of operation of 開易(廣東)服裝配件有限公司荊門分公司 (KEE (Guangdong) Garment Accessories Limited Jingmen Branch*) (“KEE Guangdong Jingmen Branch”) since April 2019.

Gross profit analysis by product category:

	2019		2018	
	HK$ million	**%**	HK$ million	%
Sales of goods	**52.08**	**98.4**	62.22	97.3
Finished zippers and sliders				
Others	**0.85**	**1.6**	1.70	2.7
Total gross profit	**52.93**	**100.0**	63.92	100.0

Finished Zippers and Sliders

Gross profit for finished zippers and sliders decreased by approximately 16.3% from approximately HK$62.22 million for the year ended 31 December 2018 to approximately HK$52.08 million for the year ended 31 December 2019 which was primarily due to increase in fixed manufacturing expense and labour cost as a result of the commencement of operation of KEE Guangdong Jingmen Branch since April 2019.

Others

Gross profit of other items decreased by approximately HK$0.85 million from approximately HK$1.70 million for the year ended 31 December 2018 to approximately HK$0.85 million for the year ended 31 December 2019, was mainly due to the decrease 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 2019, the Group’s distribution costs amounted to approximately HK$15.53 million (2018: approximately HK$15.42 million), accounting for approximately 7.5% of the Group’s turnover (2018: approximately 7.8%).

Management Discussion and Analysis

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 2019, the Group's administrative expenses amounted to approximately HK$53.65 million (2018: approximately HK$50.64 million), which accounted for approximately 26.1% of the Group's turnover (2018: approximately 25.6%). The increase was mainly due to various costs incurred for in administrative expenses arising from the establishment of KEE Guangdong Jingmen Branch.

INCOME TAX

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

PROFITABILITY

In 2019, the Group's loss attributable to equity shareholders of the Company amounted to approximately HK$44.18 million (2018: approximately HK$33.18 million), representing an increase of loss of approximately 33.2% as compared to 2018. The increase of loss is mainly due to the combined effect of the above. The margin of loss attributable to the equity shareholders of the Company for the year was 21.5% (2018: 16.8%).

During the year ended 31 December 2019, the Group's return on equity attributable to the equity shareholders of the Company was -20.4% (2018: -12.5%).

FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group had invested HK$100 million into Fullgoal Strategic Growth Fund Segregated Portfolio (the "Fund") pursuant to two subscription agreements dated 17 July 2017 and 21 August 2017 entered into between the Company and Fullgoal China Access RQFII Fund SPC (the "Fullgoal SPC" or "Fund Manager"). On 1 August 2019, the Company redeemed approximately 5,067 participating shares in the Fund at the redemption price of approximately HK$55 million (the "First Redemption"). The net proceeds from the First Redemption were approximately HK$55 million and were used as general working capital. The carrying value of the Fund was approximately HK$23.58 million as at 31 December 2019 (31 December 2018: approximately HK$102.18 million) after the First Redemption and the loss arising from changes in the fair value of financial asset was approximately HK$23.60 million during the year ended 31 December 2019.

Subsequent to the end of the reporting period, on 25 March 2020, the Company redeemed approximately 4,932 participating shares in the Fund at the redemption price of approximately HK$25.01 million (the "Second Redemption"). The net proceeds from the Second Redemption were approximately HK$24.89 million and will be used as general working capital. The carrying value as at the redemption date was approximately HK$25.01 million. The Company recorded a loss (after deducting the expenses and charges) of approximately HK$24.44 million from the Second Redemption, being the difference between the net proceeds of the Second Redemption and the investment cost of the investment of approximately HK$49.33 million.

After the First Redemption and the Second Redemption, the Company ceased to hold any interest in the Fund.

For details, please refer to the announcement of the Company dated 20 April 2020.

Management Discussion and Analysis

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 9.9% and 17.56% of the Group's total current assets as at 31 December 2018 and 2019 respectively.

Inventories increased significantly by approximately 40.2% from approximately HK$24.55 million as at 31 December 2018 to approximately HK$34.43 million as at 31 December 2019. The increase in inventories was mainly attributable to the increase in the raw materials for 2020 sales order of the Group.

The average inventory turnover days for 2019 and 2018 were 70 days and 66 days respectively.

The net write-down on inventories for the year ended 31 December 2019 was approximately HK$0.65 million (2018: net reversal of write-down of approximately HK$0.25 million) which was due to the decrease in the estimated net realisable value of certain slow-moving inventories.

TRADE DEBTORS

As at 31 December 2019, the allowance for doubtful debts was approximately HK$1.25 million (31 December 2018: approximately HK$1.53 million), accounting for approximately 2.9% of the Group's total trade debtors (2018: approximately 3.8%).

The Group's trade debtors (net) increase by around 5.3% from approximately HK$39.58 million of last year to approximately HK$41.69 million as at 31 December 2019.

The average trade debtors turnover days for 2019 and 2018 were 72 days and 74 days respectively.

OTHER RECEIVABLES

Other receivables mainly represent (i) rental deposits of certain factories and office premises with remaining lease terms of less than one year; and (ii) other prepayments for purchasing raw materials. The increase in balance of other receivables by approximately HK$1.66 million, representing a increase in 123.3% from approximately HK$1.35 million was mainly due to reclassification of non-current rental deposits to current since the remaining lease terms of these factories and premises is less than one year.

As at 31 December 2018 and 2019, included in other receivables was the balance which represented the remaining sale consideration of HK$45 million receivable from the purchaser arising from disposal of Neo Ocean Ventures Limited, a wholly owned subsidiary of the Group (the "Neo Ocean Group") which was repayable within one year from the completion date of disposal of 24 August 2017. In addition, upon completion of the disposal, the share of the subsidiary together with the Group's shareholder's loan made to the subsidiary disposed of to the purchaser (the "Sale Loan and the Sale Share") are pledged to the Company as security for the purchaser's obligation to pay the balance of the purchase consideration.

After performing impairment assessment on this receivable, the Group had recognised impairment loss of HK$45 million on this balance as at 31 December 2018.

Management Discussion and Analysis

In March 2019, the purchaser failed to comply with the ultimatum under the second demand letter issued by the Company's legal advisor on behalf of the Company. The Company has thereafter further observed the financial conditions of the disposed subsidiary and discovered that there have been adverse changes in the business and operation of the disposed subsidiary. The Company has also approached potential candidates to be the receivers and discussed with them the terms and costs for their appointments and the possibility of finding a purchaser to exercise the right of the pledged Sale Loan and the Sale Share. Having considered the adverse business change of the disposed subsidiary and the costs for the appointment of receivers, the Directors are of the view that (i) it may be difficult for the receivers to identify a potential purchaser to acquire the Sale Loan and the Sale Share; and (ii) it may not be justified to incur further costs to appoint receivers in view of the slim chance of finding a purchaser to acquire the Sale Loan and the Sale Share.

During the year 2019, the Company commenced legal proceedings in the Court of First Instance of the High Court of Hong Kong (the "Court") against the purchaser for the sum of HK$45 million together with interest and costs. The Court issued the final judgement on 19 September 2019 and adjudged that the purchaser should settle the remaining sales consideration of HK$45 million together with interest thereon at the judgment rate from the date of final judgement and other fixed costs. The Company is still pending for professional opinion from a legal advisor as to whether further actions should be taken by the Company.

TRADE CREDITORS

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

The Group's trade creditors increased by around 30.7% from approximately HK$7.64 million as at 31 December 2018 to approximately HK$9.98 million as at 31 December 2019. The increase is mainly due to the increase in purchases of raw material in the forth quarter of 2019 as compared to same period in 2018. The average trade creditors turnover days for 2019 and 2018 were 21 days and 26 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 1.8% to approximately HK$34.37 million as at 31 December 2019 (2018: approximately HK$33.76 million).

RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group has applied HKFRS 16 for the recognition of lease liabilities and right-of-use assets as at 1 January 2019. Upon the adoption of HKFRS 16, leases are recognised as right-of-use assets and its corresponding lease liabilities are recognised in the consolidated statement of financial position. As permitted under the specific transitional provisions in the standard, comparatives for the 2018 reporting period have not been restated. As at 31 December 2019, the lease liabilities and right-of-use assets amounted to approximately HK$53.58 million and approximately HK$52.04 million respectively.

Management Discussion and Analysis

LIQUIDITY AND CAPITAL RESOURCES

The following table is a summary of cash flow data for the two years ended 31 December 2018 and 2019:

	2019 **HK$ million**	2018 HK$ million
Net cash (used in)/generated from operating activities	**(1.37)**	6.25
Net cash generated from/(used in) investing activities	**34.61**	(17.08)
Net cash used in financing activities	**(22.09)**	–
Net increase/(decrease) in cash and cash equivalents	**11.15**	(10.83)
Cash and cash equivalents at 1 January	**78.59**	95.59
Effect of foreign exchange rate changes	**1.43**	(6.17)
Cash and cash equivalents at 31 December	**91.17**	78.59

The Group's net cash outflow from operating activities for the year 2019 amounted to approximately HK$1.37 million (2018: net cash inflow of approximately HK$6.25 million). As at 31 December 2019, cash and cash equivalents amounted to approximately HK$91.17 million, representing a net increase of approximately HK$12.58 million as compared with the position as at 31 December 2018, which was mainly due to the combined effect of the cash flows for the year ended 31 December 2019 as shown in the above table.

As at 31 December 2019, the cash and cash equivalents of approximately HK$40.64 million, HK$47.03 million and HK$3.40 million are denominated in RMB, HKD and USD, respectively. As at 31 December 2018, the cash and cash equivalents of approximately HK$53.58 million, HK$15.02 million and HK$9.83 million are denominated in RMB, HKD and USD, respectively.

The Group did not have any bank borrowings as at 31 December 2018 and 2019.

As at 31 December 2019, the Group had no bank facilities. The gearing ratio, representing the Group's total interest bearing borrowings divided by its total equity, at 31 December 2019 and 2018 was nil as the Group had no interest bearing borrowings for both years.

NET CURRENT ASSETS

As at 31 December 2019, the Group had net current assets of approximately HK$135.33 million. The key components of current assets as at 31 December 2019 included cash and cash equivalents of approximately HK$91.17 million, trade and other receivables of approximately HK$44.70 million, and inventories of approximately HK$34.43 million and financial asset at fair value through profit or loss of approximately HK$23.58 million. The current liabilities represented trade and other payables of approximately HK$44.34 million and current portion of lease liabilities of approximately HK$16.33 million.

The net current assets decreased from approximately HK$205.66 million as at 31 December 2018 to approximately HK$135.33 million as at 31 December 2019, mainly attributable to net effect of the partial redemption and the fair value loss of the Fund during the year ended 31 December 2019 and the recognition of lease liabilities of approximately HK$16.33 as current liabilities, offset by the increase in cash and cash equivalents of approximately HK$12.59 million.

PLEDGE OF ASSETS

The Group did not have any assets pledged for general facilities granted by banks.

CAPITAL COMMITMENTS

The capital commitments in respect of property, plant and equipment as at 31 December 2018 and 2019 not provided for in the consolidated financial statements were approximately HK$3.85 million and approximately HK$4.46 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 United States Dollars ("USD") under KEE Zippers Corporation Limited ("KEE Zippers") and 開易(廣東)服裝配件有限公司 (KEE (Guangdong) Garment Accessories Limited*) ("KEE Guangdong").

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

The Group had RMB denominated bank deposits amounting to approximately HK$6,081,000 (2018: approximately HK$48,000) that was held by KEE Zippers and the Company for which HK$ is their functional currency. In addition, the Group had HK$ denominated inter-company other receivables amounting to approximately HK$152,167,000 (2018: approximately HK$151,379,000) that were held by KEE Guangdong 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.

At 31 December 2019, it is estimated that a general appreciation/depreciation of 0.5% in HK$ against RMB, with all other variables held constant, would have decreased/increased the Group's net loss for the year and accumulated losses by approximately HK$700,000 (2018: decreased/increased net loss and increased/decreased retained earnings by approximately HK$757,000).

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 2019, the Group had 816 full-time employees (31 December 2018: 622). 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 2019 were approximately HK$90.61 million (2018: approximately HK$77.91 million). The increase in staff costs is mainly due to the increase in headcount of the newly established KEE (Guangdong) Jingmen Branch.

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 December 2018 and 2019.

Management Discussion and Analysis

CHANGE OF COMPANY NAME, STOCK SHORT NAME, COMPANY WEBSITE AND COMPANY LOGO

The English name of the Company has been changed from "KEE Holdings Company Limited" to "China Apex Group Limited" and its dual foreign name in Chinese has been changed from "開易控股有限公司" to "中國恒泰集團有限公司", both with effect from 22 November 2019.

The stock short name of the Company for trading in the Shares on the Main Board of the Stock Exchange has been changed from "KEE" to "CHINA APEX GP" in English and the Company has adopted a new stock short name in Chinese as "中國恒泰集團", with effect from 9:00 a.m. on 9 January 2020.

The website of the Company has been changed from "www.kee.com.cn" to "https://www.irasia.com/listco/hk/chinaapex/index.htm" with effect from 2 January 2020.

The logo of the Company has been changed to 中國恒泰 CHINA APEX with effect from 2 January 2020.

CHANGE IN EMOLUMENTS OF TWO EXECUTIVE DIRECTORS

Given the uncertain environment of global markets due to the recent outbreak of the COVID-19, Mr. Zhuang Weidong and Mr. Qiu Chuanzhi have agreed to waive their emoluments as executive Directors respectively, start from 1 April 2020 until further notice. The Board would like to express their gratitude and appreciation to Mr. Zhuang and Mr. Qiu.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Details of the events after the end of the reporting period are set out in note 32 to the consolidated financial statements on page 133 of this annual report.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

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

(i) On 15 January 2020, 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 "Second 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$60,000 (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 2020 to 15 January 2022. As Classic Winner is owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, who are directors of KEE Zhejiang and KEE Zippers and 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$60,000 is fair and reasonable with reference to the market value.

(ii) On 15 January 2020, 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 "Second Zhejiang Lease Renewal Agreement") pursuant to which Nanhai Jinheming has agreed to lease to KEE Zhejiang the production base in Zhejiang Province at a monthly rental of RMB417,300 payable in cash within the first 10 working days of each month commencing from 16 January 2020 for a term of two years commencing on 16 January 2020 to 15 January 2022 with three months' rent of RMB1,251,900 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 KEE Zhejiang and KEE Zippers and 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 RMB417,300 is fair and reasonable with reference to the market value.

In accordance with HKFRS 16 applicable to the Company, as a result of the entering into the Second HK Lease Renewal Agreement and Second Zhejiang Lease Renewal Agreement (the "Second Lease Renewal Agreements"), the Group shall recognise an additional asset representing its right to use the property in HK and the production base in Zhejiang Province under the Second Lease Renewal Agreements in the total amount of approximately HK$25.04 million. As such, the transactions under the Second Lease Renewal Agreements will be recognised as acquisitions of right-of-use assets which will constitute one-off connected transactions of the Company under Chapter 14A of the Listing Rules. Details of which had been disclosed in the Company's announcement dated 15 January 2020.

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

(i) On 16 January 2017, 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 "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$51,000 (exclusive of Government rates, Government rent, management fee and all other outgoings) payable in advance in cash without any deduction on the 16th day of each month for a term of three years commencing on 16 January 2017 to 15 January 2020. On 17 February 2016, Mr. Xu Xipeng and Mr. Xu Xinan resigned as the chairman of the board and chief executive officer of the Company respectively. Mr. Xu Xipeng and Mr. Xu Xinan also resigned as executive directors of the Company, but have remained as the directors of KEE International (BVI) Limited and KEE Zippers, the subsidiaries of the Company, since 17 February 2016. Therefore, Mr. Xu Xipeng and Mr. Xu Xinan are connected persons at the subsidiary level of the Company. As Classic Winner is owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, Classic Winner is also a connected person at the subsidiary level of the Company as of the date of HK Lease Renewal Agreement.

An independent property valuer advised that the monthly rental of HK$51,000 is fair and reasonable with reference to the market rate. For each of the three years ended 15 January 2020, the maximum annual aggregate amounts payable by the Group under the HK Lease Renewal Agreement are as follows:

	HK$
Year ended 15 January 2018	612,000
Year ended 15 January 2019	612,000
Year ended 15 January 2020	612,000

(ii) On 16 January 2017, 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 "Zhejiang Lease Renewal Agreement") pursuant to which Nanhai Jinheming has agreed to lease to KEE Zhejiang the production base in Zhejiang Province at a monthly rental of RMB275,000 payable in cash within the first 10 working days before the 16th day of each month commencing from 16 January 2017 for an initial term of three years commencing on 16 January 2017 to 15 January 2020, with three months' rent of RMB825,000 as deposit. As Nanhai Jinheming is owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, Nanhai Jinheming is a connected person at the subsidiary level of the Company as of the date of the Zhejiang Lease Renewal Agreement.

An independent property valuer advised that the monthly rental of RMB275,000 is fair and reasonable with reference to the market rate. For each of the three years ended 15 January 2020, the maximum annual aggregate amounts payable by the Group under the Zhejiang Lease Renewal Agreement are as follows:

	RMB	HK$
Year ended 15 January 2018	4,125,000	4,620,000
Year ended 15 January 2019	4,125,000	4,620,000
Year ended 15 January 2020	4,125,000	4,620,000

(iii) On 24 August 2018, 開易(荊門)服裝配件有限公司 (KEE (Jingmen) Clothing Accessories Limited*) ("KEE Jingmen"), a company owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, as lessor and KEE Guangdong, an indirect 85%-owned subsidiary of the Company, as lessee entered into a tenancy agreement (the "Jingmen Tenancy Agreement") pursuant to which KEE Jingmen has agreed to lease to KEE Guangdong a property in PRC at a monthly rental of RMB400,000 payable before the fifth day of each month commencing from 1 September 2018 to 31 August 2021, with three months' rent of RMB1,200,000 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 Tenancy Agreement.

An independent property valuer advised that the monthly rental of RMB400,000 is fair and reasonable with reference to the market rate. For the year ended 31 August 2019 and each of the two years ending 31 August 2021, the maximum annual aggregate amounts payable by the Group under the Jingmen Tenancy Agreement are as follows:

	RMB	HK$
Year ended 31 August 2019	6,000,000	6,840,000
Year ending 31 August 2020	6,000,000	6,840,000
Year ending 31 August 2021	6,000,000	6,840,000

(iv) On 31 December 2018, 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 2019") to renew the lease of a plant in Guangdong for a further term of two years from 1 January 2019 to 31 December 2020 for a monthly rental of RMB360,000 payable within the first 10 working days of each month commencing from 1 January 2019.

An independent valuer advised that the monthly rental of RMB360,000 is fair and reasonable with reference to the market rate. For the year ended 31 December 2019 and the year ending 31 December 2020, the maximum annual aggregate amounts payable by the Group under the Guangdong Lease Renewal Agreement 2019 are as follows:

	RMB	HK$
Year ended 31 December 2019	4,320,000	4,924,800
Year ending 31 December 2020	4,320,000	4,924,800

For the year ended 31 December 2019, the total rental charges under the HK Lease Renewal Agreement, the Zhejiang Lease Renewal Agreement, the Jingmen Tenancy Agreement and the Guangdong Lease Renewal Agreement was approximately HK$14,745,000.

Management Discussion and Analysis

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 for 2019 to 2021 is expected to be 15%. Without this preferential tax concession, normal profit tax rate of KEE Guangdong would be 25%.

PROSPECT

Since 2019, the global business environment has become more challenging. The economic atmosphere and investment confidence was definitely adversely affected by the continuous trade war between the US and the PRC.

At the beginning of 2020, the COVID-19 swept across China. China's economy was hit hard by the epidemic in short term. As the epidemic continues to spread worldwide, global economic uncertainty continues to increase. While taking prevention and control measures against the epidemic, the Company has actively taken various steps to respond to the situation, and successively resumed work and production. As a result, the production capacity has gradually recovered. However, as the downstream industries operate under capacity, textile and clothing industry is still digesting the inventory overstocked during the Spring Festival, which leads to decrease in new orders from previous years. Moreover, the supply chain and logistics are not smooth, thus, order delivery becomes a real problem that we have to address. All these have put the Company's operating results of zipper business in the first half of 2020 under great pressure.

Be that as it may, the overall situation of Chinese economy of making progress while maintaining stability will remain unchanged, nor will the pace of recovery of global trade and economy slow down. Given that the contribution of consumption to China's economy keeps rising year by year, domestic market demand for zippers is still active, and China's strong growth in zipper export will not change. In addition, the outbreak has also sped up the reshuffle of the zipper industry, and brought potential space for market expansion for the Company.

To this end, the Company will continue to proactively take the following measures while ensuring steady operation, to lay a solid groundwork for the Company's subsequent healthy development:

(a) further enhancing image and added value to the brand, extending the market development and the investment in product innovation, accelerating the responses to the demands from both customer and market, enhancing customer satisfaction;

(b) further integrating production capacity, improving the level of production automation, enhancing production process, improving product quality, shortening the delivery time and controlling costs;

(c) strengthening human resource management, improving organisational vitality and competitiveness, enhancing operational efficiency is indispensable;

(d) Enhancing the management and control of cash flow.

We will concurrently review the business strategic directions and operations of the Group in order to chart its long term corporate strategy and growth and to explore other business or investment opportunities with a view to enhance the Group's future development.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board has committed to achieve high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders and to enhance corporate value and accountability.

Good corporate governance is conducive to enhancing the Group's overall performance and accountability is essential in modern corporate administration. The Board, which includes three independent non-executive Directors out of a total of eight 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 2019, the Company has complied with all the code provisions as set out in the Corporate Governance Code except the following deviations.

MODEL CODE FOR SECURITIES TRANSACTIONS

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 that they have complied with the Model Code throughout the year ended 31 December 2019.

BOARD OF DIRECTORS

The Board currently comprises eight members, consisting of four executive Directors, one non-executive Director and three independent non-executive Directors.

The biographical information of the Directors and the relationships between the members of the Board are set out in the section headed "Biographies of Directors and Senior Management" on pages 44 to 46 of the annual report for the year ended 31 December 2019.

Apart from regular Board meetings, the Chairman also held meetings with the independent non-executive Directors without the presence of other executive Directors during the year.

Corporate Governance Report

The attendance record of each Director at the Board meetings and general meeting(s) of the Company held during the year ended 31 December 2019 is set out below:

The Board	**Board Meetings** *Attendance*	**Annual General Meeting** *Attendance*
Executive Directors		
Mr. Zhuang Weidong (Chairman) (Appointed on 19 November 2019)	0/0	0/0
Mr. Qiu Chuanzhi (President) (Appointed on 19 November 2019)	0/0	0/0
Mr. Wu David Hang (Vice Chairman) (Resigned as Chief Executive Officer and re-designated from Chairman to Vice Chairman on 19 November 2019)	5/5	1/1
Mr. Mak Yung Pan Andrew (Vice President) (Appointed on 19 November 2019)	0/0	0/0
Mr. Yau Chi Chiu (Resigned on 19 November 2019)	5/5	1/1
Non-executive Director		
Ms. Lin Ping (Appointed on 19 November 2019)	0/0	0/0
Independent Non-executive Directors		
Mr. Leung Ka Tin	5/5	1/1
Mr. Cheng Hong Kei (Appointed on 19 November 2019)	0/0	0/0
Mr. Liew Fui Kiang (Appointed on 19 November 2019)	0/0	0/0
Mr. Yau Pak Yue (Resigned on 19 November 2019)	5/5	1/1
Mr. Lu Nim Joel (Resigned on 19 November 2019)	5/5	1/1

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

For the year 31 December 2019, the positions of Chairman and Chief Executive Officer were held by Mr. Wu David Hang from 1 January 2019 to 19 November 2019. The Chairman provides leadership and is responsible for chairing the meetings, managing the operations of the Board, and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner. The Chief Executive Officer is also responsible for running the Company's businesses and implementing the Group's strategic plans and business goals. This constitutes a deviation from the Code Provision A.2.1 but the Board considers that this structure where the leadership of the Board is distinct from the executive responsibilities for running the business operations will not impair the balance of power and authority between the board and the management of the business, especially given that there is a strong and independent non-executive element on the Board during the relevant period and a clear division of responsibilities for running the business of the Company. The arrangement under which the roles of Chairman and Chief Executive Officer are performed under the same individual is considered as beneficial at the present stage as it helps to maintain the continuity of the Company's policies and the stability of the Company's operation as well as to enhance the management of the Company.

Following Mr. Wu David Hang's resignation from the positions of Chairman and Chief Executive Officer on 19 November 2019, the role of the Chairman had been performed by Mr. Zhuang Weidong from 19 November 2019 to 31 December 2019 and the duties of the chief executive officer is performed by the existing management of the Group. The Board is of the view that given the small size of the existing management team, Mr. Zhuang Weidong 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. The Group is looking for suitable candidate to fill the vacancy of the Chief Executive Officer.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2019, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines as set out in rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent.

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors and independent non-executive Directors has entered into a service contract or letter of appointment with the Company for a specific term. Such term is subject to his reappointment by the Company at an annual general meeting upon such Director's retirement by rotation at least once every three years and offering himself for re-election. Pursuant to the Company's Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office until the following general meeting of the Company and shall then be eligible for re-election and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election. Also, pursuant to the Company's Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires.

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Currently, Ms. Lin Ping is not appointed for a specific term and is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Articles of Association. Since her appointment will be reviewed when they are due for re-election, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those set out in the CG Code.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board take decisions objectively in the interests of the Company.

All Directors, including the non-executive Director and the independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors keep abreast of responsibilities as a Director and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors will be arranged and reading materials on relevant topics will be issued to Directors where appropriate.

According to the records maintained by the Company, the Directors received the following training with an emphasis on but not limited to the roles, functions and duties of a director of a listed company on continuous professional development during the year ended 31 December 2019.

Name of Directors	**Reading Materials**	**Attending Seminars/ Trainings**
Executive Directors		
Mr. Zhuang Weidong (Chairman) (Appointed on 19 November 2019)	✓	✓
Mr. Qiu Chuanzhi (President) (Appointed on 19 November 2019)	✓	✓
Mr. Wu David Hang (Vice Chairman) (Resigned as Chief Executive Officer and re-designated from Chairman to Vice Chairman on 19 November 2019)	✓	✓
Mr. Mak Yung Pan Andrew (Vice President) (Appointed on 19 November 2019)	✓	✓
Mr. Yau Chi Chiu (Resigned on 19 November 2019)	✓	✓
Non-executive Director		
Ms. Lin Ping (Appointed on 19 November 2019)	✓	✓
Independent Non-executive Directors		
Mr. Leung Ka Tin	✓	✓
Mr. Cheng Hong Kei (Appointed on 19 November 2019)	✓	✓
Mr. Liew Fui Kiang (Appointed on 19 November 2019)	✓	✓
Mr. Yau Pak Yue (Resigned on 19 November 2019)	✓	✓
Mr. Lu Nim Joel (Resigned on 19 November 2019)	✓	✓

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The revised terms of reference of Audit Committee and Nomination Committee were adopted in 31 December 2019. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2.

AUDIT COMMITTEE

An Audit Committee has been established with written terms of reference in compliance with the Corporate Governance Code. The primary functions of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, the effectiveness of the Company's internal audit function and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee currently consists of three independent non-executive Directors, namely, Mr. Leung Ka Tin, Mr. Cheng Hong Kei (Appointed on 19 November 2019) and Mr. Liew Fui Kiang (Appointed on 19 November 2019). Mr. Cheng Hong Kei, an independent non-executive Director, is the chairman of the Audit Committee. Mr. Yau Pak Yue and Mr. Lu Nim Joel ceased to be members of the Audit Committee after their resignations as independent non-executive Directors on 19 November 2019.

The Audit Committee held three meetings to review interim and annual financial results and reports during of the year ended 31 December 2019 and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, the effectiveness of the Company's internal audit function scope of work and appointment of external auditors, connected transactions and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also had two meetings with the external auditors without the presence of the executive Directors.

The consolidated financial statements of the Group for the year ended 31 December 2019 had been reviewed by the Audit Committee and audited by the external auditors.

The attendance record of each Director at the Audit Committee meetings held during the year ended 31 December 2019 is set out below:

Audit Committee	*Attendance*
Mr. Cheng Hong Kei (Committee Chairman) (Appointed on 19 November 2019)	0/0
Mr. Leung Ka Tin	3/3
Mr. Liew Fui Kiang (Appointed on 19 November 2019)	0/0
Mr. Yau Pak Yue (Resigned on 19 November 2019)	3/3
Mr. Lu Nim Joel (Resigned on 19 November 2019)	3/3

REMUNERATION COMMITTEE

A Remuneration Committee has been established with written terms of reference in compliance with the Corporate Governance Code. The primary functions of the Remuneration Committee include determining the remuneration packages of individual executive Directors and senior management; reviewing and making recommendation to the Board on the remuneration policy and structure for all Directors and senior management; establishing transparent procedures for developing such remuneration policy to ensure that no Director or any of his associates will participate in deciding his own remuneration.

The Remuneration Committee currently consists of three independent non-executive Directors, namely, Mr. Leung Ka Tin, Mr. Cheng Hong Kei (Appointed on 19 November 2019) and Mr. Liew Fui Kiang (Appointed on 19 November 2019). Mr. Cheng Hong Kei, an independent non-executive Director, is the chairman of the Remuneration Committee. Mr. Yau Pak Yue and Mr. Lu Nim Joel ceased to be members of the Remuneration Committee after their resignations as independent non-executive Directors on 19 November 2019.

The Remuneration Committee held two meetings to review and make recommendation to the Board on the remuneration policy and structure of the Company, assess the performance of the executive Directors, to determine the remuneration packages of the executive Directors and senior management and other related matters during the year ended 31 December 2019.

The attendance record of each Director at the Remuneration Committee meetings held during the year ended 31 December 2019 is set out below:

Remuneration Committee	*Attendance*
Mr. Cheng Hong Kei (Committee Chairman) (Appointed on 19 November 2019)	0/0
Mr. Leung Ka Tin	2/2
Mr. Liew Fui Kiang (Appointed on 19 November 2019)	0/0
Mr. Yau Pak Yue (Resigned on 19 November 2019)	2/2
Mr. Lu Nim Joel (Resigned on 19 November 2019)	2/2

The remuneration of senior executives of the Company by band for the year ended 31 December 2019 is set out below:

	Number of Persons
HK$0 to HK$500,000	9
HK$500,001 to HK$1,000,000	–
HK$1,000,001 to HK$1,500,000	–
HK$1,500,001 to HK$2,000,000	1
HK$2,000,001 to HK$2,500,000	1

NOMINATION COMMITTEE

A Nomination Committee has been established with written terms of reference in compliance with the Corporate Governance Code. The primary functions of the Nomination Committee are to review the Board composition, make recommendations to the Board on the appointment and succession planning of Directors, and assess the independence of independent non-executive Directors.

The Nomination Committee has adopted a set of nomination procedures for review of the structure, size and composition (including the gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; implement and review the Board Diversity Policy; develop, review and disclose the policy for nomination of directors; assess the independence of independent non-executive Directors; and make recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors, in particular, the Chairman and the Chief Executive Officer.

The Nomination Committee currently consists of three independent non-executive Directors, namely Mr. Leung Ka Tin, Mr. Cheng Hong Kei (Appointed on 19 November 2019) and Mr. Liew Fui Kiang (Appointed on 19 November 2019) and two executive Directors, namely Mr. Zhuang Weidong and Mr. Qiu Chuanzhi. Mr. Zhuang Weidong, an executive Director of the Company, is the chairman of the Nomination Committee. Mr. Wu David Hang ceased to be member of the Nomination Committee on 19 November 2019. Mr. Yau Pak Yue and Mr. Lu Nim Joel ceased to be members of the Nomination Committee after their resignations as independent non-executive Directors on 19 November 2019.

The Nomination Committee held two meetings to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, and to consider the qualifications of the retiring Directors standing for election at the annual general meeting during the year ended 31 December 2019.

The attendance record of each Director at the Nomination Committee meetings held during the year ended 31 December 2019 is set out below:

Nomination Committee	*Attendance*
Mr. Zhuang Weidong (Committee Chairman) (Appointed on 19 November 2019)	0/0
Mr. Qiu Chuanzhi (Appointed on 19 November 2019)	0/0
Mr. Leung Ka Tin	2/2
Mr. Cheng Hong Kei (Appointed on 19 November 2019)	0/0
Mr. Liew Fui Kiang (Appointed on 19 November 2019)	0/0
Mr. Wu David Hang (Resigned on 19 November 2019)	2/2
Mr. Yau Pak Yue (Resigned on 19 November 2019)	2/2
Mr. Lu Nim Joel (Resigned on 19 November 2019)	2/2

BOARD DIVERSITY POLICY

The Board has adopted a revised Board Diversity Policy for the year ended 31 December 2019 to comply with the Code Provision and the Stock Exchange's recent guidelines on board diversity. The Policy aims to set out the approach to achieve diversity in the Board to ensure that the Board has the balance of skills, experience and diversity of perspectives, including but not limited to gender, age, cultural and educational background, professional experience, knowledge and skills. In identifying suitable candidates, the Nomination Committee will consider candidates on merit and against the objective criteria with due regard for the benefits of diversity on the Board.

Measurable Objectives

Selection of candidates for Board membership will be based on a range of diversity perspectives, including but not limited to gender, age, experience, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

Monitoring and Reporting

The Nomination Committee will disclose the composition of the Board annually in the Corporate Governance Report and monitor the implementation of the Board Diversity Policy. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure the effectiveness of this policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

As at the date of this report, the Board comprises eight Directors. Three of them are independent non-executive Directors, thereby promoting critical review and control of the management process. The Board is also characterized by significant diversity, whether considered in terms of age, experience, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

DIVIDEND POLICY

The Board adopted a dividend policy for the year ended 31 December 2019. The Board has the discretion to declare and distribute dividends to the shareholders of the Company. Any declaration of final dividends for the year will be subject to the approval of the Company's shareholders. The Board shall take into account the financial position, cashflow situation, business conditions and strategies, current and future operations and earnings, capital requirements and expenditure plans, interests of shareholders, prevailing economic environment, any restrictions on payment of dividends of the Group and any other factors or conditions that the Board may consider relevant when considering the declaration and payment of dividends.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Corporate Governance Report

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2019.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 57 to 63.

AUDITORS' REMUNERATION

The remuneration paid to the Company's external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2019 is set out in note 9 to the consolidated financial statements of the Company.

INTERNAL CONTROLS AND RISK MANAGEMENT

Our Board has the overall responsibility to ensure that sound and effective internal controls and risk management are maintained. The internal control system, which is overseen by the executive directors and the management, is designed to provide reasonable assurance on the effectiveness and efficiency of operations to safeguard assets against unauthorized use or disposition and to maintain proper accounting records for producing reliable financial information.

Under Code Provision C.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.

In addition, the Board has the overall responsibility for evaluating and determining the nature and extent of the risks that the Group is willing to take in achieving its strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management system. The Audit Committee supports the Board in monitoring the Group's risk exposures and the design and operating effectiveness of the underlying risk management system. The external independent consultant reported on any control issues identified in the course of their work and presented to the Audit Committee members.

While the Board strives to implement an effective and sound internal control and risk management system to safeguard the interest of Shareholders and the Group's assets, the Board also acknowledges that a sound system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide reasonable but not absolute assurance. The effectiveness of the internal control and risk control systems will be reviewed on an annual basis.

Corporate Governance Report

During the year, the Group has appointed an external independent consultant to conduct a review of the Group's internal control systems. It covers all material financial, operational and compliance controls. The Board has conducted an annual review on the effectiveness of the Group's risk management and internal control systems based on the reports of the external independent consultant and considers that the Group's risk management and internal control systems as at 31 December 2019 to be effective and adequate.

COMPANY SECRETARY

Mr. Yau Chi Chiu was appointed as the Company Secretary on 28 February 2018. Pursuant to rule 3.29 of the Listing Rule, the company secretary must take no less than 15 hours of relevant professional training in each financial year. During the year ended 31 December 2019, the Company Secretary provided his training records to the Company indicating more than 15 hours of relevant professional development by means of attending seminars and reading relevant guideline materials.

CONSTITUTIONAL DOCUMENTS

During the year, there was no significant change in the Company's constitutional documents.

SHAREHOLDERS' RIGHTS

To safeguard Shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at Shareholder meetings, including the election of individual Directors. All resolutions put forward at Shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each Shareholder meeting.

CONVENING AN EXTRAORDINARY GENERAL MEETING BY SHAREHOLDERS

Pursuant to article 58 of the Company's articles of association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

There is no provision allowing Shareholders to move new resolutions at general meetings under the Cayman Islands Companies Law or the articles of association of the Company. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

PUTTING FORWARD ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company.

Note: The Company will not normally deal with verbal or anonymous enquiries.

Corporate Governance Report

CONTACT DETAILS

Shareholders may send their enquiries or requests as mentioned above to the principal place of business of the Company in Hong Kong:

Address:	Room 510, 5/F, Chater House, 8 Connaught Road, Central, Hong Kong (For the attention of the Company Secretary)
Fax:	(852) 3184 0111
Email:	kent.yau@apexhengtai.com

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, apart from the registered office of the Company, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Shareholders may call the Company at (852) 3897 9800 for assistance.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an ongoing dialogue with Shareholders and in particular, through annual general meetings and other general meetings. The Chairman of the Board, all other members of the Board including independent non-executive Directors, and the chairmen of all Board committees (or their delegates) will make themselves available at the annual general meetings of the Company to meet Shareholders and answer their enquiries.

During the year under review, the Company has not made any changes to its articles of association. The version of the Company's articles of association is also available on the Company's website and the Stock Exchange's website.

Environmental, Social and Governance Report

REPORT SCOPE, MATERIALITY AND PERIOD

This environmental, social and governance report ("ESG Report") was published in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in Appendix 27 to the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the "comply or explain" provisions contained therein.

As identified by our materiality assessment on business operations, we decide to include in this ESG Report our performances and initiatives on environmental protection, employment policies and benefits, operation management, community involvement and other aspects of our business operation of manufacture and sale of zippers in Foshan City, Guangdong Province and Zhejiang Province, the PRC, as well as our Hong Kong headquarters for the year from 1 January 2019 to 31 December 2019 (the "Reporting Period"). All information and data are from official documents and relevant records of the Group.

Materiality Assessment

This ESG Report was prepared by the management and employees of the Group, and serves to review the Group's internal practices on environmental, social and operating practices, and governance. We evaluate the significance of these issues to our development and stakeholders, and report accordingly.

REPORTING ON ENVIRONMENTAL ASPECTS

We formulated, in accordance with the ISO 14001 standard and applicable national laws and regulations, the Manual of Environmental Control System, which regulates our environmental policy covering design, manufacture, sale and other procedures. It also outlines the necessity of reducing waste and saving energy and requires our employees to recycle resources whenever possible, minimising environmental impact during daily operation. The Group's designated committee reviews the Group's environmental approaches on an annual basis and updates them depending on the actual circumstances.

Environmental, Social and Governance Report

ENVIRONMENTAL

Emission Management

Hazardous waste and non-hazardous waste management

Industrial waste from our production processes mainly includes:

- hazardous waste such as waste mineral oil, dyestuff, waste coating, broken lamps, waste barrels;
- non-hazardous waste such as packages, zippers, sludge, domestic refuse.

The Group strictly complies with the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》) and the Standard for Pollution Control on Hazardous Waste Storage (《危險廢物儲存污染控制標準》) as we stringently follow relevant requirements to pack, store and send our hazardous waste to authorised professional waste handling institutions for recycling and disposal, so as to avoid secondary pollution. Dyeing sludge is dewatered to reduce its water content and volume to ease the burden on landfills; whilst non-hazardous waste such as domestic refuse and kitchen waste are collected and disposed of by relevant municipal government departments.

The Group conducted environment impact assessment on the production facilities and result indicated that emissions of air pollutants, greenhouse gases, water, sewage and non-hazardous wastes comply with the PRC regulations. During the year ended 2019, the Group does not aware of any non-compliance of the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste and other relevant law and regulations.

Non-hazardous waste is mainly attributed to the discarded packaging materials and domestic wastes of office. Metals and broken parts of machines are collected and handled by collectors. Hazardous waste produced during production is stored separately and collected by the qualified waste collector.

Exhaust gas and greenhouse gas, dust emission

We have the Pollutant Discharge Permit (《污染物排放許可證》) issued by the Ministry of Environmental Protection and ensure emission level is in compliance with the prescribed standards of the state on the basis of obtainment of pollutant emission permit from the governmental regulatory authority. We also continue to improve exhaust gas emission system to reduce environmental impact. Local ministry of environmental protection performed random checks on sulphur dioxide, carbon monoxide and other exhaust gas during the Period. Inspection results showed that our emission was lower than the permissible density limit of air pollutants for oil-fired boilers stipulated by the Emission Limit of Air Pollutants for Industrial Boilers (《鍋爐大氣污染物排放限值》). During the year, improvement works of cooling system in Guangdong Province saved about 60 tonnes of diesel.

Sewage treatment

Sewage generated from the Group's operating processes mainly includes dyeing wastewater and boiler wastewater. For sewage treatment, we have installed wastewater storage and monitoring system. Wastewater enters sewage facilities and is treated by the reclaimed water recycling system. In order to increase the recycling rate, filters are replaced more frequently. Recycled water after treatments are reused for dyeing process, cleaning, cooling and watering plants around the factory area. During the reporting period, the sewage treatment system has purified over 10,000 tonnes of sewage. Treated wastewater is safe enough for enough to discharge into the drainage system. We proactively supported green operation, introduced automation while improved our processes, reused wastewater for the dyeing process.

In addition, we will send our discharged wastewater to certified organisations for test. Local environmental protection ministry will also perform regular check on wastewater discharged. Emissions in wastewater, such as COD, suspended solids and nitrogen, meet the Discharge Standards of Water Pollutants Source for Dyeing and Finishing Prevention (《紡織染整工業水污染物排放標準》).

Type of emission	Unit	Emission	Intensity (per HK$1M revenue)
Greenhouse gas			
Scope 1	Tonnes CO_2e	70	0.3
Scope 2	Tonnes CO_2e	10,406	50.5
Scope 3	Tonnes CO_2e	273	1.3
Total (Scope 1, 2 & 3)	Tonnes CO_2e	10,749	53.1
Exhaust gas			
Nitrogen Oxides	g	16,545	80.4
Sulphur Oxides	g	386	6.5
Particulate matter	g	1,345	1.9
Sewage	Tonne	66,552	323
Hazardous waste	Tonne	7.5	0.03
Non-hazardous waste	Tonne	126	6.1

Efficient use of resources

Reducing wastage, recycling and reusing not only can make better use of the limited resources on Earth, but also help to cut cost. So numerous eco-measures have been incorporated into our daily operation and we also encourage our employees to take part in them.

Electricity is the major energy source of the Group's production process. We have adopted green lighting and reduced electricity consumption by replacing energy-saving lamps. To further conserve and efficiently utilise water, the Group repaired aged water pipes, fixed water leakage and reduce tap water consumption. Besides, our research and development department introduced two metal zippers cleaners, which efficiently wash away plating solution and thus lower the use of water.

In daily operation, we encourage our employees to utilise electronic ways such as email for daily works, promote paperless office and encourage double-sided printing, switching off lights, computers, fans and other electronic appliances that lie idle to reduce waste.

Resource Consumption Data:

Resources utilisation	Unit	Consumption	Intensity (unit per HK$1M revenue)
Electricity			
Office	kWh	16,109	63
Factory	kWh	12,421,114	50,499
Water	Tonne	339,611	1,650
Paper	Kg	1,570	8
Diesel oil	L	163,850	796
Coal oil	L	6,840	33
LPG	Kg	4,600	22

Packaging Materials

The packaging materials used by the Group are primarily plastic bags and cartons, of which the sizes are determined according to the requirements of different customers and size of the products. Despite the significance of packaging materials, the Group makes every effort to enhance the utility rate of the resources and the packaging materials are kept at a minimal level to reduce waste generation.

Packaging materials	Unit	Consumption	Consumption intensity (Per HK$ 1M revenue)
Carton box	kg	72,143	351
Plastic bags	kg	11,217	55

Environment and Natural Resources

The Group understands the importance of protecting the environment. We regularly assess if any major environmental impact incurred from operations, review our environmental practices and adopt necessary preventive or improvement measures to minimise our adverse environmental impact from the business operations and foster the sustainable development of the Group and the environment.

The Group communicates with its suppliers, business partners, and customers to better understand their environmental policies, to select qualified green raw materials, and to introduce energy efficient equipment. Meanwhile, we are committed to promote environmental awareness among employees in the workplace.

EMPLOYMENT AND LABOUR PRACTICES

Employment

Employees are important assets of the Group. A sophisticated human resources management facilitates to maintain corporate competitiveness. We are dedicated to improving our recruitment system and working environment, building a platform for employees to develop their career and caring for employees and thus ensuring that all employees are protected and respected.

The Group complies with national and regional laws and regulations of Hong Kong and Mainland China such as The Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and the Employment Ordinance (《僱傭條例》) of Hong Kong, and formulated a fair and open employment policy and the Anti-discrimination Policy, which stipulates that all employees are entitled to fair employment opportunities, regardless of nationality, religious belief, gender, marital status, disability and age (except for below 16).

The Group strictly complies with the Law of the People's Republic of China on the Protection of Disabled Persons (《中華人民共和國社會保險法》) and the Mandatory Provident Fund Schemes Ordinance (《強制性公積金計劃條例》) of Hong Kong Law, to pay for housing provident fund, social insurance, mandatory provident fund, labour insurance among others. We also offer statutory rest periods, marital and bereavement leave, maternity leave, injury leave, annual leave, family planning leave and paternity leave.

Talent Selection

As to staff recruitment, we framed the Recruitment Management System, which provides fair and open recruitment procedures. Human Resources Department selects talent based on objective criteria including work experience, job skills and academic background. In order to attract and retain talents, the Group offers reasonable and competitive remuneration and employee benefits. Salary adjustment and promotion are made according to objective factors such as job performance and professional skills, together with regular results and work assessment.

Employees' benefits

We have installed table-tennis tables, snooker tables, gym room and other facilities for employees. We organise social, recreational and sports activities including basketball games and birthday parties. Through gathering, movie session, travelling and other activities to provide after-work relaxation for employees.

We provide dormitory for our factory works, as well as Wi-Fi, daily necessities for free. We also replace and repair airconditioners in a timely manner and gradually improve living condition at dormitory. Our staff canteen provides employees with balanced diet with the combination of both meat and vegetables, and healthy and safe dining environment. Employees involved in food making receive annual body check and are required to wear chef hats, masks, plastic shoes and other safety gear. We are obliged by local law to obtain Food Service Permit (《食品衛生許可證》). Administration and Diet Committee oversees the operation of staff canteen and suppliers providing food ingredients to our staff canteen, in order to ensure that the supplies meet national hygiene standard. The committee regularly distributes survey form for satisfaction with staff canteen and follows up with improvement and tracking of opinions.

The Group welcome different people to join the Group, as long as they are keen to learn, participate and contribute.

Environmental, Social and Governance Report

As at the end of the Period, we had 816 (2018: 622) full-time employees. Key indicators of different work departments, regions, age groups and gender are set forth in the table below.

	Percentage of total staff
Gender	
Male	60
Female	40
Age Group	
18–30	25
31–40	48
41–50	22
51 or above	5
Geographical region	
China	99
Hong Kong	1
Employee categories	
Senior management	2
Middle management	4
General staff	94
Service period	
Less than 5 years	77
5 to 10 years	13
Over 10 years	10

The Group strives to maintain employee turnover rate at an acceptable level, so as to facilitate accumulation of professional skills and experience, the turnover rate is mainly due to the changes in the number of part time workers in factories, which were held for ad-hoc production projects. During the year of 2019, the overall turnover rate is about 73%. The high turnover rate is mainly due to the expansion of workforce and workers hired for ad-hoc production projects.

Health and Safety

The Group values health and safety of employees and is committed to provide a safe workplace by strictly complying with relevant laws and regulations including the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Law of the People's Republic of China on Work Safety (《中華人民共和國安全生產法》) and the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》).

We implement 5S workplace management at our factories, namely sort, set in order, sweep, clean and manner. We provide employees with protective gear and tools, such as gloves, masks, earwear and safety boots. Labour gear wearing supervision mechanism is in place as regular checks and monitoring employees' wearing of protective gear. For employees of some special categories, such as electricians, are required to obtain licences recognised by the national government and pass the necessary exams prior to work. Our employees are required to replace damaged electricity wires, carry our maintenance and repair of electronic appliances and wire safety, and ensure double insulation of electricity wires.

We commission a qualified professional organisation specialising in detection and evaluation of workplace occupational hazards on an annual basis to monitor the work environment and take improvement measures for occupational health safety risks at workplace. The Group provides to the relevant staff with annual occupational health examination. In addition, the Group carries out full inspection and analysis on machineries, and arranges protection measures for those with potential safety issues. For instance, safety screens have been added for all semi-automatic punching equipment to provide extra protection to workers.

We enforce three-tier training mechanism for new joiners who shall acquire knowledge of production safety and relevant regulations and system, use of safety equipment, use and maintenance of personal protective gear, preventive measures and occupational hazards, so as to enhance their safety awareness.

Education categories	Abstract
First level (Corporate education)	• The company's production safety circumstance and basic knowledge of production safety; • The company safety rules and regulations and labor discipline; • The employees' rights and obligations in production safety; • Emergency rescue plan and self-help knowledge; • The accident case study; • Other safety-related training.
Second level (workplace education)	• Working environment and risk factors; • Occupational hazards and casualties that may be suffered; • Work safety responsibilities, operational skills and mandatory standards; • Rescue and first aid methods, evacuation and on-site emergency treatment; • Use and maintenance of safety equipment and personal protective equipment; • Safety production conditions in workplace and related rules and regulations; • Measures to prevent accidents and occupational hazards and safety matters that should be paid attention to; • The accident case study; • Other training content.
Third level (position education)	• Safety operating procedures for related position; • The safety and occupational health matters relating to interconnection between different positions; • The accident case study; • Other training content.

We have formulated Fire Safety Control System and installed interactive fire alarm system in our factories. Designated staff is responsible for the monthly inspection, maintenance and repair for fire equipment, which is also checked by licensed professional institution on a yearly basis. All safety exits are equipped with safety lights and emergency lights and without obstruction by goods. We have also set up a production safety taskforce to formulate emergency plans; whilst actively cooperating with local fire departments to organise fire drills in springs and autumns for all employees. Staff's awareness of fire safety is heightened through drills of pre-set escape routes, training on use of fire extinguishers and first-aid.

We send workplace representatives to participate in first aid knowledge training provided by the Red Cross, announce the list of first-aiders and set up emergency first aid kits. Each year, the Group also invites local authoritative medical rescue units to conduct on-site first aid knowledge training for all employees. We will continue to foster greater safety awareness amongst our employees through series of on-the-job training.

Occupational health and safety statistics	2019
Number of lost days due to work injury	282
Number of work-related fatalities	Nil
Number of work injuries	17

Development and Training

New joiners will receive induction training covering corporate culture, regulations and system, safety training, environmental health and safety training, job skills and work procedures. That helps employees to better understand the working environment.

The Group's Training Management System regulates employee training policies and provides employees with a wide range of internal and external trainings. The human resources department draws up annual training plans, which are readjusted subject to actual needs, to enhance their competitiveness and professional capability.

In addition, we have forged long-term cooperation with external training institutions to invite renowned teachers from relevant background to lecture our employees on human resources management, finance, production management, personal attributes, research and development, and marketing. The trainings provided and arranged by the Group can be categorised as management skills, safety trainings, communications and the use of computer softwares.

We provide trainings such as "Minimising Ethical Trade Risks of Supply Chain" (《降低供應鏈道德貿易風險》) to enhance front-line managers' awareness and capability. For senior management and other crucial talent, master's degree program of business administration and professional English training are subsidised by the Group to enhance our management competitiveness.

	Male	**Female**
No. of training hours attended	855	926
No. of staff attended training	384	321
Average training hours completed per trained staff	2.2	2.9
Percentage of staff attended training	79%	98%

Labour Standards

The Group strictly complies with national laws and regulations, and prohibits use of child labour and forced labour. Human Resources Department will verify candidates' identity during recruitment process to avoid engaging child labour.

We have formulated the Code of Social Responsibility to prohibit any forced labour and child labour. Our Employee Manual ensures reasonable working hours which shall not exceed the limit stipulated by local laws and employees are entitled to one day-off per week, with no forced overtime work. We offer night shift allowance and overtime compensation.

We have formulated the Complaint Management Procedures, whereby employees under forced labour can make written complaints to factory supervisors through opinion boxes or voice out through labour union, or make verbal complaints to the management of the factories. Under the comprehensive laws and internal policy, the interests of our employees are safeguarded.

During the Reporting Period, there was no child labour and forced labour within the Group.

Supply Chain Management

Our Supply Chain Management System regulates our procurement management system and procedures. We are committed to forge long-term and positive partnership with suppliers based on fair, just and open principles by entering "Clean Cooperation Commitment" with them. We have kept the original counter-signed copy and will improve the Commitment from time to time. Suppliers are assessed based on quality, reliability, pricing in supply, delivery time, quality assurance system, company scale and other factors. The Group will also take into account the suppliers' measures to fulfil their commitment to environmental protection for sorting and regular evaluation of suppliers, with a view to striking a fine balance between source control and economic benefits of recruitment.

Monitoring at source

The Group has established the Chemicals Safety Control System and Control Standard of Prohibited Substances, and updated the latter During the Reporting Period to reinforce safety control of chemicals. In 2019, all chemical suppliers of the Group held MSDS reports which listed out the main ingredients, user guide, storage and transportation in details. We printed the reports out and put up at visible spots of the warehouse. We updated the testing reports done by third-party agencies for the main raw materials in a timely manner and saved the reports in employee shared drive. Meanwhile, all procured materials are required to meet requirements of the eighth level of needle detection. We also purchased a needle detector to inspect metal materials and ensure product quality.

In order to minimise the carbon footprints produced during transportation, all the suppliers are located in Mainland China, especially the city and province nearby, such as Guangdong province, Zhejiang province and Shanghai. As at the year ended 31 December 2019, the Group has 8 packaging suppliers, 116 qualified materials and chemicals suppliers and 126 equipment suppliers. During the year, no major complaints on the quality of materials used have been received.

Product Responsibility

Quality assurance

The Group endeavours to offer high-quality products and services. We are committed to improve our product quality, attract new customer, and strengthen our relationship with existing customers and have complied with the relevant laws and regulations relating to health and safety relating to products and services provided by the Group.

We have established a comprehensive quality assurance system and our production bases have passed the certification of ISO 9001 quality control system, the STANDARD 100 by OEKO-TEX® (OEKO-TEX 100) textile product certification system and Trim Qualification Program (TQP) quality control system. The Group has set up a competent comprehensive quality control department, which implements product quality standards in strict compliance with customers' requirements.

The Group has developed Customer Complaint Handling Mechanism to analyse customers' complaints within a specific period of time and send to quality control department for verification. In 2019, we received 41 (2018: 70) complaints, whilst having no product recall for health and safety problems.

Customer service

The Group welcome our valued customers to express their opinions by verbal form, telephone, mail, fax, visiting or any other forms. The Group has developed Customer Complaint Handling Mechanism to investigate and handle complaints promptly, as well as revert back. Quality control department will investigate complaints concerning product quality, while sales department is responsible for customer communication.

Environmental, Social and Governance Report

Privacy policy

The Group stresses the importance of safeguarding data of employees and customers. We strictly comply with the Personal Data (Privacy) Ordinance (《個人資料（私隱）條例》) of the Hong Kong Law and have set out relevant guidelines to ensure proper handling and storage of employee and customer data, with an aim to eliminating behaviour of unauthorised edit, use, resale or use for other purposes of customer information. During the year, the Group did not notice or receive any complaints regarding the misuse, unauthorized access of customer data and personal information of staff.

Advertising

The Group conforms the requirements of Advertisements Law of the People's Republic of China and manages design and change of packaging materials used for new products. Packaging specifications, size and material requirements, labelling, user manual and other items are approved by marketing department, production department, logistics department and quality control department. During the Reporting Period, all advertising and publicity activities are in strict compliance with the advertising and promotion laws and regulations enforced in regions where we operate our businesses. We did not publish any advertisement with false statement that would mislead our customers.

Anti-corruption

The Group advocates honesty and trustworthiness, and is dedicated to eliminate any corruption, bribery, fraud, illegal rebates, misappropriation and theft of corporate assets.

We follow the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), the Prevention of Bribery Ordinance (《防止賄賂條例》) of Hong Kong Law and other national or regional laws and regulations relating to bribery, extortion, fraud and money laundering, and have established the Anti-corruption and Reporting System. All employees, except general workers, shall enter into "Clean Agreement". "Clean Cooperation Commitment" is also required to be entered into with customers or suppliers before transacting with them, promising no behaviour violating the principle of good faith such as fraud and bribery in any business connection.

Whistle-blowing policy

We have created reporting email, hotline and mailbox which are monitored and investigated by the Group's internal control department. A rewarding system for reporting is also in place. We will keep the names, addresses of whistle-blowers and departments where they work in strict confidence. Once receiving any report, we will promptly investigate and verify. Upon confirmation, we will forward the serious cases to law enforcement authorities, and reward and recognise the whistle-blowers to a certain extent.

The Group arranges anti-corruption training to promote the awareness of integrity and to educate our employees about national and regional anti-corruption laws and regulations. We will continue to fight corruption and bribery to eliminate dishonest act in business.

During the year of 2019, no suspicious cases associated with bribery, extortion, fraud and money laundering have been reported and discovered.

COMMUNITY

Community investment

The Group has established the "KEE Charitable Foundation" to help employees in difficult situations through raising fund from employee donations and the support from the labour union. This way the Group can enhance its corporate appeal, build up team spirit, and proactively fulfill its corporate social responsibility. The aid covers support to employees with unaffordable education expenses for their children, incapacity of employees or their major family members as a result of severe accidents or illness, unaffordable medical expenses, damages caused to employees and their families by natural disasters. During the year, the Foundation has provided subsidy to an employee who suffered from diabetics.

Over the years, we have been fulfilling our corporate social responsibility with the donation to the disabled and the impoverished; whilst we have been supporting the growth of athletes and young people. We encourage our employees to actively participate in charitable events and visit the disabled during festive occasions and holidays. Every year, we organise sheltered factory visits to show our care to the disabled, collect donations to help employees in difficult situations and actively participate in community activities. During the Reporting Period, the Group has made donation to local education organization.

Biographies of Directors and Senior Management

As at the date of this annual report, the Board consists of eight Directors, including four executive Directors, one non-executive Director and three independent non-executive Directors.

EXECUTIVE DIRECTORS

Mr. Zhuang Weidong, aged 51, was appointed as an executive Director and chairman of the Board with effect from 19 November 2019. Mr. Zhuang has been a director of Shenzhen Maple Real Estate Development Company Limited* (深圳楓葉房地產有限公司) ("Shenzhen Maple"), a company established in the People's Republic of China (the "PRC") with limited liability since 2013. Prior to Mr. Zhuang's current role with Shenzhen Maple, he was a general manager of 深圳市威士達供應鏈服務有限公司 (Shenzhen Weishida Supply Chain Services Company Limited*), a company established in the PRC with limited liability and is principally engaged in the provision of supply chain services to its customers.

Mr. Qiu Chuanzhi, aged 49, was appointed as an executive Director and president of the Company with effect from 19 November 2019. Mr. Qiu is also the president of 深圳市合泰地產集團有限公司 (Shenzhen City Hetai Real Estate Group Company Limited*), a company established in the PRC with limited liability, which is principally engaged in property development, investment, business operation and hotel management.

Mr. Wu David Hang, aged 57, was appointed as an executive Director and chairman of the Board, chief executive officer and authorised representative of the Company with effect from 17 February 2016. Mr. Wu has resigned as the chief executive officer of the Company and re-designated from the chairman to the vice chairman of the Board with effect from 19 November 2019. Mr. Wu was a president of overseas business development of Zhonghong International Holdings Limited. Prior to this, he was a senior investment banker, with a focus on cross-border transactions in Asia markets. From 1996 to 2004, Mr. Wu served as a vice president of the Corporate Finance and Investment Banking group at Citigroup. From 2004 to 2007, Mr. Wu worked as a principal at Marco Polo Partners in New York. From 2007 to 2009, he worked at China Power Development Corp. New York, a renewable energy development firm, as one of the founding members. From 2009 to 2015, Mr. Wu served as a managing director of Herakles Capital International, a New York based investment banking firm. Mr. Wu obtained his MBA degree from University of District of Columbia, USA and his Bachelor of Science degree from University of Electronic Science and Technology of China.

Mr. Mak Yung Pan Andrew, aged 30, was appointed as an executive Director and vice president of the Company with effect from 19 November 2019. Mr. Mak is the founding partner and chief marketing officer of Rockpool Capital Limited ("Rockpool") which he joined in 2017. Rockpool is an integrated asset management company holding licenses to engage in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. Prior to joining Rockpool, he was a graduate associate at the Standard Chartered Bank from July 2010 to March 2011. Mr. Mak then worked at JPMorgan Chase Bank, N.A. as a global investment specialist from March 2011 to June 2016. Mr. Mak has been a director of Apex Insurance (Holdings) Limited, a local insurance brokers in Hong Kong since August 2016, being primarily responsible for overall management and investment strategy. Mr. Mak obtained a Bachelor of Business Administration (double major in marketing and management) at Hong Kong University of Science and Technology in 2010. Mr. Mak is a representative of Rockpool licensed under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities.

Biographies of Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Ms. Lin Ping, aged 61, was appointed as an non-executive Director with effect from 19 November 2019. Ms. Ling has joined 深圳市卓永實業發展有限公司 (Shenzhen Zhuoyong Industrial Development Company Limited*) as its director and general manager in 1995, a company established in the PRC with limited liability, which is principally engaged in real estate development and investment.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheng Hong Kei, aged 65, was appointed as an independent non-executive Director with effect from 19 November 2019. Mr. Cheng is a co-founding director of Cheng & Cheng Limited. Mr. Cheng has over 30 years of experience in accounting and taxation and has extensive knowledge in auditing, tax planning and tax investigation. Prior to incorporating Cheng & Cheng Limited in 1991, Mr. Cheng has worked in PricewaterhouseCoopers in Hong Kong. Mr. Cheng was an assessor in the Inland Revenue Department (the "IRD") and has worked in the Profits Tax and Investigation divisions in the IRD for 12 years. After Mr. Cheng left the IRD in 1988, Mr. Cheng then served as a Manager and an Associate at Messrs. S. H. Leung & Company and Ho Tak Sang and Company for three years. Mr. Cheng is an independent non-executive Director of Great China Properties Holdings Limited (stock code: 21), South China Assets Holdings Limited (stock code: 8155) and GET Holdings Limited (stock code: 8100). Mr. Cheng obtained a high diploma at The Hong Kong Polytechnic in 1975 and is a certified tax adviser. Mr. Cheng is also a fellow member of the Association of Chartered Certified Accountants, a practising member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Taxation Institute of Hong Kong.

Mr. Liew Fui Kiang, aged 53, was appointed as an independent non-executive Director with effect from 19 November 2019. Mr. Liew is a fellow of the Hong Kong Institute of Directors and a solicitor of England and Wales and Hong Kong. Mr. Liew obtained a Bachelor of Laws (Tetley & Lupton scholar) from University of Leeds in the United Kingdom in 1989 and a Master of Business Administration from the Hull University Business School in the United Kingdom in 1996. Mr. Liew is currently an independent non-executive director of Zhongchang International Holdings Group Limited (stock code: 859) and Zhengye International Holdings Limited (stock code: 3363) respectively. Mr. Liew was the chairman of the board of directors and an executive director of PacRay International Holdings Limited (stock code: 1010) from August 2017 to January 2019. Mr. Liew was a non-executive director of China Cloud Cooper Company Limited (stock code: 33) in December 2019. Mr. Liew was an independent director of 寶山鋼鐵股份有限公司 (Baoshan Iron & Steel Company Limited*), a Fortune Global 500 company (SHA: 600019) from 2000 to 2006.

Mr. Leung Ka Tin, aged 66, was appointed as an independent non-executive Director with effect from 17 February 2016. Mr. Leung holds a Diploma in Management Studies. Mr. Leung has over 35 years of management experience in banking, treasury operation, project finance, logistics and human resource management. Mr. Leung was a senior management team member of various financial institutions including First Pacific Group, Nedcor Asia (previously known as Nedfinance), BfG Germany and Delta Asia Financial Group as well as companies in the logistics and telecommunication sectors including EAS Da Tong Group and Trident Telecom Ventures Limited. Mr. Leung also has extensive experience in the corporate finance field. Mr. Leung served as director for the following companies listed on the Stock Exchange, namely China Kingstone Mining Holdings Limited (stock code: 1380) and National Agricultural Holdings Limited (stock code: 1236) as an executive director, China International Development Corporation Limited (stock code: 264), Narnia (Hong Kong) Group Company Limited (stock code: 8607), Wealth Glory Holdings Limited (stock code: 8269) and Rentian Technology Holdings Limited (stock code: 885) as an independent non-executive director. Mr. Leung is currently serving as an independent non-executive director for PanAsialum Holdings Company Limited (stock code: 2078) which is listed on the Stock Exchange.

Biographies of Directors and Senior Management

SENIOR MANAGEMENT

The senior management are responsible for the day-to-day management of the Group's business.

Mr. Yau Chi Chiu, aged 43, joined the Company on 26 February 2018 as the chief financial officer. Mr. Yau was appointed as the company secretary and authorised representative of the Company with effect from 28 February 2018 and further appointed as an executive Director with effect from 12 April 2018. Mr. Yau has resigned as an executive Director of the Company with effect from 19 November 2019. Mr. Yau is a fellow member of the Association of Chartered Certified Accountants and a practising member of the Hong Kong Institute of Certified Public Accountants. Mr. Yau holds a Bachelor of Accounting degree from The University of Hong Kong. Mr. Yau has extensive experience in the areas of financial accounting, auditing, taxation, company secretarial and management.

Mr. Xu Xipeng, aged 54, is one of the founders of the zipper business of the Group and the elder brother of Mr. Xu Xinan. Mr. Xu holds directorship in various subsidiaries of the Company and Mr. Xu is responsible for the formulation of development strategies and production management of zipper business. Mr. Xu has over 25 years of experience in the zipper industry, especially on the overall management and production supervision.

Mr. Xu Xinan, aged 49, is one of the founders of the zipper business of the Group and the younger brother of Mr. Xu Xipeng. Mr. Xu holds directorship in various subsidiaries of the Company and Mr. Xu is responsible for sales and marketing and non production management work of zipper business. Mr. Xu has over 25 years of experience in the zipper industry especially on the overall management and sales and marketing.

Mr. Xu Haizhou, aged 44, joined the Group in May 2010, is currently responsible for financial management, human resources and administration management, information technology work of zipper business. Mr. Xu obtained a bachelor's degree in economics from Hubei University in 1999 and thereafter he was graduated from Sun Yatsen University in 2016 and obtained an MBA. Mr. Xu is also a member of the Chinese Institute of Certified Public Accountants and a certified tax agent in the PRC.

Report of the Directors

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are design, manufacture and sale of finished zippers and other garment accessories etc. in China. The Group's major customers are OEMs who manufacture apparel products for (i) apparel brands in China; and (ii) some well known international apparel labels in China.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2019 are set out in note 27 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group during the year, the description of the future business development, and the risks and uncertainties that the Group faces are set out in the Chairman's statement and Management Discussion and Analysis in this annual report. The particulars of financial risk management of the Group are set out in note 31 to the consolidated financial statements. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Group's financial summary on page 3 of this annual report.

FINANCIAL STATEMENTS

The loss of the Group for the year ended 31 December 2019 and the financial position of the Group as at 31 December 2019 are set out in the consolidated financial statements on pages 64 to 67 of this annual report.

A discussion and analysis of the Group's performance during the year and material factors underlying its results and financial position are set out in the Management Discussion and Analysis of this annual report.

DIVIDENDS

A special dividend of HK$0.075 per share was paid on 3 March 2020. The Board does not recommend the payment of final dividend (2018: Nil) in respect of the year 2019 to the Shareholders.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 3 to 7 of this annual report.

RESERVES

As at 31 December 2019, distributable reserves of the Company amounted to approximately HK$84.6 million (2018: approximately HK$128.8 million). Details of movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity shown in the consolidated financial statements on page 68 of this annual report.

RELATIONSHIP OF STAKEHOLDERS

The Group continues to have the concept of "Do it for you", we work for employees, shareholders, partners including customers and suppliers and society. To the best knowledge of the Group, employees, customers and partners are the key to have continuous sustainable development. We committed to be people oriented and build up good relationship with employees and partners, and work together with our partners to provide high quality products and services to achieve the goal of sustainable development and contribution to the society.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group paid high attention to environmental protection and energy conservation to enhance the capacity of sustainable development and undertake relative social responsibility. Details of the environmental policy and performance of the Group are set out in the environmental, social and governance report of this annual report. For the year ended 31 December 2019, our Group did not receive any environmental penalty.

COMPLIANCE WITH RELATED LAW AND REGULATIONS

As far as the Board and management are aware, the Group has complied all related laws and regulations in all material aspects which may have significant impact on the operation of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

Sales and purchases of the Group attributable to its major customers and suppliers respectively for the two financial years were as follows:

	Year ended 31 December	
	2019 % of total turnover	2018 % of total turnover
The largest customer	**4.6**	4.8
Five largest customers	**16.1**	15.7

The information required in paragraph 31(5) of Appendix 16 to the Listing Rules is omitted pursuant to paragraph 31(7) of Appendix 16 to the Listing Rules since the percentage of total turnover attributable to the five largest customers combined for the year ended 31 December 2019 was approximately 16.1%, i.e. less than 30%.

	Year ended 31 December	
	2019 % of total purchase	2018 % of total purchase
The largest supplier	**12.8**	13.1
Five largest suppliers	**33.5**	31.4

All of the above five largest suppliers of the Group are independent third parties. To the best knowledge of the Directors, none of the Directors, their associates or any Shareholder holding more than 5% of the issued share capital of the Company, has any interest in any of the Group's five largest suppliers as disclosed above.

Report of the Directors

BANK BORROWING

As at 31 December 2019 and 31 December 2018, the Group do not have any bank borrowings.

PROPERTY, PLANT, EQUIPMENT

Details of movements in the Group's property, plant and equipment during the year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of share capital of the Company are set out in note 25(c) to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands where the Company is incorporated.

PURCHASE, SALE OR REDEMPTION OF SHARES

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 2019.

DIRECTORS

The Directors during the year and up to the date of this report are as follows:

Executive Directors
Mr. Zhuang Weidong *(Chairman)* (Appointed on 19 November 2019)
Mr. Qiu Chuanzhi *(President)* (Appointed on 19 November 2019)
Mr. Wu David Hang *(Vice Chairman)*
(Resigned as Chief Executive Officer and re-designated from Chairman to Vice Chairman on 19 November 2019)
Mr. Mak Yung Pan Andrew *(Vice President)* (Appointed on 19 November 2019)
Mr. Yau Chi Chiu (Resigned on 19 November 2019)

Non-executive Director
Ms. Lin Ping (Appointed on 19 November 2019)

Independent Non-executive Directors
Mr. Leung Ka Tin
Mr. Cheng Hong Kei (Appointed on 19 November 2019)
Mr. Liew Fui Kiang (Appointed on 19 November 2019)
Mr. Yau Pak Yue (Resigned on 19 November 2019)
Mr. Lu Nim Joel (Resigned on 19 November 2019)

Report of the Directors

In accordance with article 86(3) of the Company's articles of association, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Also, in accordance with articles 87(1) and (2) of the Company's articles of association, one-third of the existing directors shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. Three executive Directors namely Mr. Qiu Chuanzhi, Mr. Mak Yung Pan Andrew and Mr. Wu David Hang, one non-executive Director, namely Ms. Lin Ping and one independent non-executive Director namely Mr. Leung Ka Tin will retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographies of Directors and senior management of the Group are set out on pages 44 to 46 of this annual report.

PERMITTED INDEMNITY PROVISION

The Company has arranged appropriate insurance cover for directors' and officers' liabilities. The permitted indemnity provision is currently in force and was in force throughout the year ended 31 December 2019 in accordance with the definition in section 469 of the Companies Ordinance.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has any unexpired service contract which is not determinable by the Company or its subsidiaries within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangement or contracts of significance in relation to the Company's business to which the Company, its holding companies or its subsidiaries was a party and in which a Director or a connected entity of the Director had a material interest, whether directly or indirectly, subsisted as at the end of the year or any time during the year ended 31 December 2019.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group's business, which competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2019 and up to and including the date of this annual report.

REMUNERATION POLICY

The remuneration of employees (including Directors and senior management of the Group) is determined with reference to their qualification, expertise and experience in the industry, competence, duties and responsibilities within the Group, the performance and profitability of the Group as well as the market benchmark and the prevailing market conditions. Employees shall also be eligible to receive a discretionary year-end incentive bonus, which shall be determined by the Group at its absolute discretion taking into account, inter alia, the Group's operating performance, market conditions in which the Group operates and the individual's performance, payable at such time as the Group may consider appropriate, and discretionary share options.

PENSION SCHEME

In the PRC, the Group contributes to social insurance on a monthly basis for its employees. The Group has no further obligation for payment of post-retirement benefits to employees beyond the aforesaid contributions made by the Group.

The Group also participates in mandatory provident fund scheme (the "MPF Scheme") in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group and are under the control of an independent trustee. Both the Group and its employees are required to contribute 5% of the employees' monthly salaries. The mandatory contributions required to be made respectively by the Group and an employee are each capped at HK$1,500 per month. Members are entitled to 100% of the employers' mandatory contributions as soon as they are paid to the MPF Scheme but all benefits derived from the mandatory contributions must be preserved until an employee reaches the retirement age of 65 or in accordance with the rules of the MPF Scheme.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2019.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 31 December 2019, the interests and short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

Long positions in the shares and underlying shares of the Company

Name of Director	Type of Interest	Number of Shares	Approximate Percentage of Interest
Qiu Chuanzhi (note 1)	Interest in controlled corporation	133,706,331	28.77%
Zhuang Weidong (note 2)	Interest in controlled corporation	130,897,663	28.16%
Lin Ping (note 3)	Interest in controlled corporation	83,942,606	18.06%
Mak Yung Pan Andrew (note 3)	Interest in controlled corporation	83,942,606	18.06%

Notes:

1. China Sun Corporation ("China Sun") is wholly owned by Mr. Qiu Chuanzhi and holds long position in 133,706,331 shares of the Company. Accordingly, Mr. Qiu Chuanzhi is deemed to be interested in the 133,706,331 shares of the Company.

2. Central Eagle Limited ("Central Eagle") is owned as to 90% by Mr. Zhuang Weidong and holds long position in 130,897,633 shares of the Company. Accordingly, Mr. Zhuang Weidong is deemed to be interested in the 130,897,633 shares of the Company.

3. Golden Diamond Inc. ("Golden Diamond") is owned as to 60% by Ms. Lin Ping and 25% by Mr. Mak Yung Pan Andrew and holds long position in 83,942,606 shares of the Company. Accordingly, each of Ms. Lin Ping and Mr. Mak Yung Pan Andrew is deemed to be interested in the 83,942,606 shares of the Company.

4. The percentage is calculated on the basis of 464,804,000 shares of the Company in issue as at 31 December 2019.

Save as disclosed above, as at 31 December 2019, so far as is known to any Directors or chief executive of the Company, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES OR UNDERLYING SHARES OF THE COMPANY

As at 31 December 2019, the register maintained under section 336 of the SFO shows that the Company had been notified of the following substantial Shareholders' and other persons' interests and short positions, representing 5% or more of the Company's issued share capital, were as follows:

LONG POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of Shareholder	Capacity	Number of Shares	Approximate Percentage of Interest
China Sun (note 1)	Beneficial owner	133,706,331	28.77%
Central Eagle (note 2)	Beneficial owner	130,897,663	28.16%
Golden Diamond (note 3)	Beneficial owner	83,942,606	18.06%
Noble Wisdom Ever Limited ("Noble Wisdom") (note 4)	Security interest	326,089,600	70.16%
China Huarong Overseas Investment Holdings Co., Limited ("Huarong Overseas") (note 5)	Interest of controlled corporation	326,089,600	70.16%

Name of Shareholder	Capacity	Number of Shares	Approximate Percentage of Interest
華融華僑資產管理股份有限公司 Huarong Overseas Chinese Assets Management Corporation Limited* ("Huarong Overseas Chinese") (note 6)	Interest of controlled corporation	326,089,600	70.16%
Huarong Zhiyuan Investment & Management Company Limited* ("Huarong Zhiyuan") (note 7)	Interest of controlled corporation	326,089,600	70.16%
China Huarong Asset Management Co., Ltd. ("China Huarong Asset Management") (note 7)	Interest of controlled corporation	326,089,600	70.16%
Farco Holdings Limited ("Farco Holdings") (note 8)	Beneficial owner	39,130,000	8.42%
Qi Wei (note 8)	Interest of controlled corporation	39,130,000	8.42%

Notes:

1. China Sun is wholly-owned by Mr. Qiu Chuanzhi.
2. Central Eagle is 90%-owned by Mr. Zhuang Weidong.
3. Golden Diamond is owned as to 60% by Ms. Lin Ping and 25% by Mr. Mak Yung Pan Andrew.
4. Noble Wisdom is wholly-owned by Huarong Overseas.
5. Huarong Overseas is wholly owned by Huarong Overseas Chinese.
6. Huarong Overseas Chinese is 91%-owned by Huarong Zhiyuan.
7. Huarong Zhiyuan is wholly owned by China Huarong Asset Management.
8. Farco Holdings is wholly owned by Qi Wei.
9. The percentage is calculated on the basis of 464,804,000 shares of the Company in issue as at 31 December 2019.

Save as disclosed above, as at 31 December 2019, the Directors were not aware of any other person (other than the Directors or chief executive of the Company) had registered an interest or a short position in the Shares, underlying shares or debentures of the Company which was required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which was required to be recorded in the register of the Company required to be kept under Section 336 of Part XV of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2019 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective associates nor was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective associates to acquire such rights in any other body corporate.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The details of connected transactions and continuing connected transactions are set out in section headed "Connected Transactions and Continuing Connected Transactions" of the Management Discussion and Analysis.

ANNUAL REVIEW

The Directors (including the independent non-executive Directors) have reviewed the above continuing connected transactions and confirmed that these transactions were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms; and

(iii) in accordance with the Jingmen Tenancy Agreement, the Guangdong Lease Renewal Agreement, the HK Lease Renewal Agreement and the Zhejiang Lease Renewal Agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

BDO Limited, the auditor of the Company, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this annual report in accordance with rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange. The auditor's letter confirms that, in respect of the above-mentioned continuing connected transactions:

a. nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Company's Board;

b. nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

c. nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions having exceeded the annual caps.

OTHER RELATED-PARTY TRANSACTIONS

Apart from the aforesaid continuing connected transactions, the related-party transactions set out in note 29(a) to the consolidated financial statements also include transactions which did not constitute continuing connected transactions under Chapter 14A of the Listing Rules. Details of other related-party transactions entered into by the Group during the year ended 31 December 2019, which did not constitute connected transactions under Chapter 14A of the Listing Rules are set out in note 29(b) to the consolidated financial statements.

SHARE OPTION SCHEME

The Company's share option scheme (the "Share Option Scheme") was conditionally adopted by the written resolutions of the sole Shareholder of the Company passed on 14 December 2010, pursuant to which the Board may, at its absolute discretion and on such terms as it may think fit, grants options to any employee(s) (whether full time or part time including any Director) of any member of the Group at the exercise price for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme. The Share Option Scheme which became effective on 14 December 2010 will remain in force for 10 years until 13 December 2020, unless otherwise amended or cancelled. The purpose of the Share Option Scheme is to enable the Board to grant options to selected employee(s) as incentives or rewards for their contribution or potential contribution to the Group.

As at 31 December 2019, the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 40,000,000 Shares which represents approximately 8.6% of the Shares in issue as at 31 December 2019 and the date of this report. Subject to the Listing Rules, the overall limit on the number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30% of the relevant class of Shares in issue from time to time. Subject to the limit above, the maximum number of shares which may be issued upon exercise of all option to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue at the Listing Date (the "Scheme Mandate Limit") and at the date of approval by the shareholders of the Company in general meeting where the Scheme Mandate Limit is refreshed. The maximum number of Shares issued and to be issued upon exercise of options granted and to be granted under the Share Option Scheme and any other share option schemes of the Company to any employee(s) (including cancelled, exercised and outstanding options), in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine but in any event shall not exceed 10 years from the date of grant. Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no minimum holding period before an option is exercisable.

An offer for the grant of options must be accepted within twenty-one days inclusive of the day on which such offer was made together with the amount of HK$1.00 payable to our Company on acceptance of the offer for the grant of an option.

The exercise price is to be determined by the Board provided always that it shall be at least the higher of (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of offer for the grant of the option, which must be a trading day; and (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant, provided that the exercise price shall in no event be less than the nominal amount of one Share.

During the year ended 31 December 2019, no share option was granted by the Company. As at 31 December 2019 and 2018, there is no outstanding share option.

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2019, save for the share option scheme previously mentioned, the Company has not entered into the equity-linked agreements, and there did not subsist any equity-linked agreement entered into by the Company as at 31 December 2019.

SUFFICIENCY OF PUBLIC FLOAT

Reference is made to the Company's announcement dated 20 September 2019 in relation to the close of mandatory unconditional cash offer (the "Offer") as disclosed therein. Upon the close of the Offer, on 20 September 2019, there were 60,557,400 shares in the Company (the "Shares") in the hands of the public (as defined under the Listing Rules), representing approximately 13.03% of the then entire issued share capital of the Company. The Company therefore could not fulfill the minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules. The Stock Exchange granted a waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules for a period from 23 September 2019 up to and including 19 December 2019.

Reference is made to the Company's announcement dated 19 December 2019 in relation to the restoration of public float of the Company as disclosed therein. On 19 December 2019, the Company was informed by the placing agent that the 55,700,000 shares of the Company, representing approximately 11.98% of the issued share capital of the Company as at the date of that announcement had been placed through the placing agent to independent placees (the "Placing"). Immediately upon the completion of the Placing, a total of 116,257,400 Shares, representing approximately 25% of the issued share capital of the Company, are held by the public. As such, the public float of Company has been restored to at least 25% of the issued share capital of the Company in compliance with Rule 8.08(1)(a) of the Listing Rules with effect from completion of the Placing. Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company had maintained the required public float for its shares as required under the Listing Rules throughout the period immediately after the completion of the Placing.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Details of the events after the end of the reporting period are set out in note 32 to the consolidated financial statements on page 133 of this annual report.

AUDITOR

BDO Limited were first appointed as auditor of the Company in 2017 upon the resignation of KPMG with effect from 14 December 2017. The consolidated financial statements for the year ended 31 December 2019 has been audited by BDO Limited. BDO Limited will retire as auditor of the Company and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of BDO Limited as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Zhuang Weidong
Chairman
Hong Kong, 31 March 2020

Independent Auditor's Report

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

TO THE SHAREHOLDERS OF CHINA APEX GROUP LIMITED
(Formerly known as KEE Holdings Company Limited)
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of China Apex Group Limited (formerly known as KEE Holdings Company Limited) (the "Company") and its subsidiaries (the "Group") set out on pages 64 to 133, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of inventories

Refer to note 17 to the consolidated financial statements and the accounting policies on page 86.

The key audit matter	How the matter was addressed in our audit
Inventories are carried at the lower of cost and net realisable value in the consolidated financial statements. The net carrying value of inventories at 31 December 2019 was approximately HK$ 34,425,000. The Group's inventories comprise zippers and other related products which are to be sold to original equipment manufacturers ("OEM") of clothing brands. The future saleability of inventories is subject to changing consumer preferences and fashion trends. Management judgement is required to assess the appropriate level of provisioning for items of inventory which may be ultimately destroyed or sold below cost as a result of a reduction in demand arising from unfavourable changes in consumer preferences. Consequently, there is a risk that the carrying value of inventories exceeds its net realisable value. We identified assessing the valuation of inventories as a key audit matter because of its significance to the consolidated financial statements and the significant judgement involved in determining the level of any provisions required at the end of the reporting period.	Our audit procedures to assess the valuation of inventories included the following: • enquiring of management about the assumptions and bases adopted for assessing inventory provisions for finished goods, work-in-progress and raw materials and considering the consistency of the application of the Group's inventory provisioning policy and the rationale for writing off inventories; • recalculating the inventory provision with reference to the policies and parameters in the Group's inventory provisioning policy and considering the Group's inventory provisioning policy with reference to the requirements of the prevailing accounting standards; • assessing, on a sample basis, whether the selected items on the inventory ageing report were classified within the appropriate ageing bracket by comparing individual items with the dates on the respective production reports and goods receipt notes; • attending the year end inventory count, observing the relevant controls implemented by management and identifying slow-moving and damaged inventories through inspection and enquiry of the warehouse staff; • evaluating the inventory provisioning policy by comparing management's forecasts of the amounts of raw materials and finished goods which will not be consumed or sold with historical consumption rates for the past 12-month period; • comparing, on a sample basis, the carrying amounts of selected items on the inventory list as at the reporting date with selling prices achieved subsequent to the reporting date and related confirmed sale orders; and • considering the historical accuracy of provisions for inventories made by management at the end of the previous financial year by comparing the actual inventory loss during the current year with the provisions for inventories as at 31 December 2018 and assessing whether there were indications of management bias in making provisions for inventories.

Valuation of financial asset at fair value through profit or loss

Refer to note 16 to the consolidated financial statements and the accounting policies on page 82.

The key audit matter	How the matter was addressed in our audit
The financial asset at fair value through profit or loss represents an unlisted investment fund (the "Fund") which is carried at fair value in the consolidated financial statements. As at 31 December 2019, the Fund was carried at fair value of approximately HK$23,583,000. The fair value of the Fund was determined based on its net asset value reported by the Fund's manager after any adjustment considered appropriate by the directors. The valuation of the Fund requires significant judgement in determining the appropriate valuation techniques and inputs to be used in estimating the Fund's fair value. A change in the valuation techniques and adjustments to net asset value considered necessary could have a significant impact on valuation. We identified assessing the valuation of the Fund as a key audit matter because of its significance to the consolidated financial statements and the significant judgement involved in determining the valuation at the end of the reporting period.	Our audit procedures to assess the valuation of Fund included the following: • evaluating the objectivity, independence and expertise of the external valuers who assist the directors to determine any appropriate adjustment is required to be made on the net asset value of the Fund; • assessing the valuation techniques used and the appropriateness of the adjustments applied on the valuation based on the nature of the Fund and its underlying investment; • obtaining confirmation from the Fund's manager in respect of the net asset value reported to the Company which is a starting point with the valuers assessing whether any adjustment to the net asset value is required; and • assessing the adequacy of the disclosures as required by applicable accounting standards made in the consolidated financial statements in respect of the valuation of the Fund.

Impairment assessment on non-financial assets

Refer to notes 14, 15 and 22(b) to the consolidated financial statements and the accounting policies on pages 85 to 86.

The key audit matter	How the matter was addressed in our audit
The non-financial assets of the Group as at 31 December 2019 comprised property, plant and equipment of approximately HK$79,243,000, right-of-use assets of approximately HK$52,042,000, intangible assets of approximately HK$885,000 and prepayment for property, plant and equipment of approximately HK$3,004,000. As the Group's gross profit margin from its zipper business has deteriorated for the year ended 31 December 2019, there is an indication that the non-financial assets may have impaired. Accordingly, the directors have performed an impairment assessment which requires significant judgements in estimating the recoverable amounts after taking into consideration of the assumptions used in preparation of future cash flows of the respective cash generating units ("CGUs"). These assumptions included growth rates of sales revenue, gross profit margins and discount rate applied to bring the future cash flows to their present value. Based on the results of the impairment assessment, the directors determined that there was no impairment of the non-financial assets of the CGUs as their recoverable amounts being the value in use were higher than the respective carrying amounts of the CGUs including the allocated corporate assets. We identified impairment assessment on the non-financial assets as a key audit matter because of its significance to the consolidated financial statements and the significant judgement involved in determining the recoverable amounts.	Our audit procedures to assess the impairment loss on non-financial assets included the following: • assessing the appropriateness of the methodologies used in preparation of the cash flow projections; • assessing the reasonableness of key assumptions, used in preparation of the cash flow projections including the discount rate, growth rates, gross profit margins and other economic assumptions with reference to available internal and external information; and • performing sensitivity analysis and evaluating whether a reasonably possible change in the key assumptions could cause the recoverable amounts of the CGUs fall below their respective carrying amounts.

Other Information in the annual report

The directors are responsible for the other information. The other information comprises all the information included in the annual report, but does not include the consolidated financial statements and our auditor’s report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors’ responsibilities for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the audit committee in discharging their responsibilities for overseeing the Group’s financial reporting process.

Auditor’s responsibility for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. This report is made solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Wong Chi Wai
Practising Certificate Number P04945

Hong Kong, 31 March 2020

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	7	**205,796**	197,532
Cost of sales		**(152,864)**	(133,613)
Gross profit		**52,932**	63,919
Other revenue and gains/(losses), net	8	**(23,268)**	18,770
Distribution costs		**(15,528)**	(15,417)
Administrative expenses		**(53,653)**	(50,639)
Reversal of impairment losses/(impairment losses) on	31(a)		
– trade receivables and bills receivable		**262**	(505)
– other receivable		**–**	(45,000)
Interests on lease liabilities	22(b)	**(3,745)**	–
Loss before taxation	9	**(43,000)**	(28,872)
Income tax	10	**(1,164)**	(1,074)
Loss for the year		**(44,164)**	(29,946)
(Loss)/profit for the year attributable to:			
Equity shareholders of the Company		**(44,180)**	(33,177)
Non-controlling interests		**16**	3,231
Loss for the year		**(44,164)**	(29,946)
Loss per share attributable to the equity shareholders of the Company (HK cents)	13		
Basic and diluted		**(9.5)**	(7.1)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	2019 **HK$'000**	2018 HK$'000
Loss for the year	**(44,164)**	(29,946)
Other comprehensive income for the year		
Item that may be reclassified subsequently to profit or loss:		
– exchange differences on translation of the financial statements of subsidiaries in the Mainland China	**(4,474)**	(19,023)
Total comprehensive income for the year	**(48,638)**	(48,969)
Attributable to:		
Equity shareholders of the Company	**(48,073)**	(49,353)
Non-controlling interests	**(565)**	384
Total comprehensive income for the year	**(48,638)**	(48,969)

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	14	**79,243**	71,873
Right-of-use assets	22(b)	**52,042**	–
Intangible assets	15	**885**	1,562
Prepayments for property, plant and equipment		**3,004**	1,439
Rental deposits		**3,986**	5,041
Deferred tax assets	19(c)	**3,185**	3,482
		142,345	83,397
Current assets			
Inventories	17	**34,425**	24,549
Financial asset at fair value through profit or loss	16	**23,583**	102,183
Trade and other receivables	18	**44,698**	40,922
Current tax recoverable	19(a)	**2,123**	816
Cash and cash equivalents	20	**91,174**	78,587
		196,003	247,057
Current liabilities			
Trade and other payables	21	**44,344**	41,396
Lease liabilities	22(a)	**16,327**	–
		60,671	41,396
Net current assets		**135,332**	205,661
Total assets less current liabilities		**277,677**	289,058
Non-current liabilities			
Lease liabilities	22(a)	**37,257**	–
Deferred tax liabilities	19(c)	**1,124**	1,124
		38,381	1,124
Net assets		**239,296**	287,934

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Capital and reserves			
Share capital	25(c)	**4,648**	4,648
Reserves		**212,009**	260,082
Total equity attributable to the equity shareholders of the Company		**216,657**	264,730
Non-controlling interests		**22,639**	23,204
Total equity		**239,296**	287,934

On behalf of the Board

Zhuang Weidong
Director

Wu David Hang
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to equity shareholders of the Company								
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Exchange reserve HK$'000	Retained earnings/ (accumu- lated losses) HK$'000	Total HK$'000	Non- controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2018	4,648	180,690	18,324	22,922	18,815	68,684	314,083	22,820	336,903
Changes in equity for 2018									
Loss for the year	–	–	–	–	–	(33,177)	(33,177)	3,231	(29,946)
Other comprehensive income	–	–	–	–	(16,176)	–	(16,176)	(2,847)	(19,023)
Total comprehensive income	–	–	–	–	(16,176)	(33,177)	(49,353)	384	(48,969)
Appropriation to statutory reserve	–	–	–	2,532	–	(2,532)	–	–	–
Balance at 31 December 2018	4,648	180,690	18,324	25,454	2,639	32,975	264,730	23,204	287,934
Balance at 1 January 2019	**4,648**	**180,690**	**18,324**	**25,454**	**2,639**	**32,975**	**264,730**	**23,204**	**287,934**
Changes in equity for 2019									
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(44,180)**	**(44,180)**	**16**	**(44,164)**
Other comprehensive income	**-**	**-**	**-**	**-**	**(3,893)**	**-**	**(3,893)**	**(581)**	**(4,474)**
Total comprehensive income	**-**	**-**	**-**	**-**	**(3,893)**	**(44,180)**	**(48,073)**	**(565)**	**(48,638)**
Appropriation to statutory reserve	**-**	**-**	**-**	**402**	**-**	**(402)**	**-**	**-**	**-**
Balance at 31 December 2019	**4,648**	**180,690**	**18,324**	**25,856**	**(1,254)**	**(11,607)**	**216,657**	**22,639**	**239,296**

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Loss before income tax		**(43,000)**	(28,872)
Adjustments for:			
Depreciation and amortisation	9(b)	**29,530**	9,000
(Reversal of impairment losses)/impairment losses on			
– trade receivables and bills receivable	31(a)	**(262)**	505
– other receivable	31(a)	**–**	45,000
Fair value losses on financial asset at fair value through profit or loss	8&16	**23,600**	1,297
Impairment losses/(written back) on inventories	17	**647**	(250)
Interest income	8	**(910)**	(1,627)
Interest expenses on lease liabilities	22(b)	**3,745**	–
Loss on disposal of property, plant and equipment	8	**2,443**	209
Net foreign exchange gains	8	**(2,826)**	(8,989)
Impairment losses on property, plant and equipment	9(b)	**–**	196
Dividend income from an investment fund	8	**–**	(9,300)
Operating profit before working capital		**12,967**	7,169
Increase in inventories		**(10,464)**	(153)
(Increase)/decrease in trade and other receivables		**(3,499)**	6,276
Decrease/(increase) in rental deposits		**1,055**	(4,054)
Increase in trade and other payables		**820**	1,031
Cash generated from operations		**879**	10,269
Income tax paid	19(a)&(b)	**(2,251)**	(4,022)
Net cash (used in)/generated from operating activities		**(1,372)**	6,247
Investing activities			
Payment for the purchase of property, plant and equipment		**(23,824)**	(29,568)
Proceeds from disposal of property, plant and equipment		**2,521**	1,559
Interest received		**910**	1,627
Partial redemption of an investment fund	16	**55,000**	–
Dividend income received		**–**	9,300
Net cash generated from/(used in) investing activities		**34,607**	(17,082)

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Financing activities			
Capital element of lease rental paid	30	**(18,341)**	–
Interest element of lease rental paid	30	**(3,745)**	–
Net cash used in financing activities		**(22,086)**	–
Net increase/(decrease) in cash and cash equivalents		**11,149**	(10,835)
Cash and cash equivalents at 1 January		**78,587**	95,590
Effect of foreign exchange rate changes		**1,438**	(6,168)
Cash and cash equivalents at 31 December	20	**91,174**	78,587

1. GENERAL

China Apex Group Limited (formerly known as Kee Holdings Company 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").

Subsequent to the special resolution of the Company's shareholders passed on 18 November 2019, the Certificate of Incorporation on Change of Name was issued by the Registrar of Companies in the Cayman Islands, certifying the change of the Company's name from "Kee Holdings Company Limited" to "China Apex Group Limited" with effect from 22 November 2019. The Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 23 December 2019 confirming the registration of the new name of the Company in Hong Kong under Part 16 of the Hong Kong Companies Ordinance.

The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" to the annual report. The Group, comprising the Company and its subsidiaries, continue to operate the zipper business.

As at 31 December 2018, the Company's immediate holding company was Glory Emperor Trading Limited ("Glory Emperor"), a company incorporated in the British Virgin Islands. The directors of the Company considered the Company's ultimate holding company as at 31 December 2018 was Zhonghong Holding Co. Ltd., a company established in the People's Republic of China (The "PRC") and its ultimately controlling party was Mr. Wang Yonghong.

As disclosed in the Company's joint announcement dated on 10 July 2019, Glory Emperor had transferred approximately 28.85%, 26.74% and 14.57% of the total issued share capital of the Company to China Sun Corporation, a company incorporated in the British Virgin Islands (the "BVI"), Central Eagle Limited, a company incorporated in the BVI, and Golden Diamond Inc., a company incorporated in the BVI (hereafter collectively known as the "Joint Offerors"), respectively, on 2 July 2019. On 20 September 2019, the Joint Offerors in aggregate held approximately 86.97% of the total issued share capital of the Company since it had completed the mandatory unconditional cash offer to acquire all the issued shares of the Company as detailed in the Company's joint announcement dated 23 September 2019. As at 31 December 2019, the percentage of issued shares of the Company held by the Joint Offerors had reduced to approximately 74.99% upon completion of placement of certain of these shares on 19 December 2019. The directors of the Company considered the Company has no holding company nor controlling shareholder as at 31 December 2019.

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

(a) Adoption of new/revised HKFRSs – effective 1 January 2019

During the year, the Group has adopted a number of new/revised HKFRSs that are relevant to its operations and effective for the current accounting period.

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features and Negative Compensation
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3 and HKAS 12

The adoption of the above new/revised HKFRSs except for HKFRS 16 has no material impact on the consolidated financial statements. The impacts of adoption of HKFRS 16 are set out below.

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

(a) Adoption of new/revised HKFRSs – effective 1 January 2019 (Continued)

HKFRS 16 – Leases ("HKFRS 16")

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. The details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, are set out in sections (ii) to (iv) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16, if any, as an adjustment to the opening balance of retained earnings at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The financial impacts on the consolidated financial statements for the year ended 31 December 2019 are set out below.

Line items of the consolidated statement of financial position as at 1 January 2019:

	HK$'000
Assets	
Recognition of right-of-use assets (note 22(b))	69,204
Increase in total assets	69,204
Liabilities	
Recognition of lease liabilities (non-current) (note 22(a))	53,581
Recognition of lease liabilities (current) (note 22(a))	15,623
Increase in total liabilities	69,204

As at 31 December 2019, the right-of-use assets, the current portion and the non-current portion of lease liabilities amounted to HK$52,042,000, HK$16,327,000 and HK$37,257,000 respectively.

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

(a) Adoption of new/revised HKFRSs – effective 1 January 2019 (Continued)

HKFRS 16 – Leases ("HKFRS 16") (Continued)

(i) Impact of the adoption of HKFRS 16 (Continued)

Line items of consolidated statement of profit or loss for the year ended 31 December 2019:

	HK$'000
Decrease in operating leases charges	22,086
Increase in depreciation of right-of-use assets (note 22(b))	(17,847)
Increase in interest on lease liabilities (note 22(b))	(3,745)
Decrease in loss before taxation	494

Line items of the consolidated statement of cash flows for the year ended 31 December 2019:

	HK$'000
Increase in net cash generated from operating activities	
– Decrease in operating leases charges	22,086
Increase in net cash used in financing activities	
– Payments of capital element of lease liabilities	(18,341)
– Payments of interest element of lease liabilities	(3,745)
	(22,086)

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at 1 January 2019:

Reconciliation of operating lease commitments to lease liabilities:

	HK$'000
Operating lease commitments as of 31 December 2018	40,718
Add: lease payments for the additional periods where the Group considers it is reasonably certain that it will exercise the extension options	38,448
Less: future interest expenses	(9,962)
Total lease liabilities as of 1 January 2019	69,204

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019 is 6.0%.

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

(a) Adoption of new/revised HKFRSs – effective 1 January 2019 (Continued)

HKFRS 16 – Leases ("HKFRS 16") (Continued)

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right-to-use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases, if any, are expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

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

(a) Adoption of new/revised HKFRSs – effective 1 January 2019 (Continued)

HKFRS 16 – Leases ("HKFRS 16") (Continued)

(iii) Accounting as a lessee (Continued)

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or a rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

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

(a) Adoption of new/revised HKFRSs – effective 1 January 2019 (Continued)

HKFRS 16 – Leases ("HKFRS 16") (Continued)

(iv) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16, if any, as an adjustment to the opening balance of retained earnings at the date of initial application (i.e. 1 January 2019). The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified as operating leases under HKAS 17 at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the consolidated statement of financial position at 1 January 2019. For all these right-of-use assets, the Group has relied on the previous assessment for the provision for onerous contract as at 31 December 2018 as an alternative to performing an impairment review at 1 January 2019.

The Group has also applied the following practical expedients of using hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

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

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, Definition of Business	1 January 2020
Amendments to HKAS 1 and HKAS 8, Definition of Material	1 January 2020

Amendments to HKFRS 3 – Definition of a business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions. An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to HKAS 1 and HKAS 8, Definition of Material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. 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 except that the investment in an investment fund classified as financial asset at fair value through profit or loss is stated at fair value.

(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. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

(b) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Subsidiaries and non-controlling interests (Continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, and no gain or loss is recognised in profit or loss.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset, or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and the borrowing costs.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Leasehold improvement is depreciated over the shorter of the unexpired term of lease and their estimated useful lives of 3 to 10 years.

– Machinery	10 years
– Vehicles and other equipment	4–5 years

Construction in progress ("CIP") represents property, plant and equipment under construction and pending installation, and is stated at cost less any impairment losses.

Cost comprises direct costs of construction during the construction period. Capitalisation of these costs ceases and the CIP is transferred to property, plant and equipment when the asset is substantially ready for its intended use.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Intangible assets

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Group's research and development activities, the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the project when the remaining development costs are immaterial. Hence both research costs and development costs are generally recognised as expenses in the period in which they are incurred.

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. Computer software is amortised from the date it is available for use and its estimated useful life is 5 to 10 years.

Both the period and method of amortisation are reviewed annually.

(e) Leasing

Accounting policies applied from 1 January 2019

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term no more than 12 months, if any. The lease payments associated with those leases are expensed on straight-line basis over the lease term. The right-of-use assets are also subject to impairment. Right-of-use assets are depreciated on a straight-line basis over the lease terms including the extension option period.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. Right-of-use assets are generally depreciated over the shorter of the assets' useful life and the lease term (including the extension option period, as appropriate) on a straight-line basis. If the Group is reasonably certain to exercise a purchase option (if any), the right-of-use asset is depreciated over the underlying asset's useful life.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leasing (Continued)

Accounting policies applied from 1 January 2019 (Continued)

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

Accounting policies applied until 31 December 2018

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease terms, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not measured at FVPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group's debt instruments are classified as two measurement categories:

Amortised cost:

Financial assets including trade and other receivables and cash and cash equivalents that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through profit or loss ("FVPL"):

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(ii) Impairment loss on financial assets

The Group recognises loss allowances for ECLs on trade receivables and other financial assets measured at amortised cost (including other receivables and rental deposits). The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and bills receivable using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of an other debt financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group takes into account the following information when assessing whether credit risk has increased significantly since initial recognition and assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due irrespective of the outcome of the above assessment.

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash low obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

Depending on the nature of the financial assets, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial assets are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial assets' credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial assets measured at amortised cost with a corresponding adjustment to their carrying amount through a loss allowance account.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(iii) Financial liabilities

Financial liabilities at amortised cost including trade and other payables. They are initial measured at fair value, net of directly attributable transaction cost incurred. Subsequently, they are measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(g) Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– right-of-use assets;

– intangible assets;

– prepayments for property, plant and equipment; and

– investment in subsidiaries in the Company’s statement of financial position.

If any such indication exists, the asset’s recoverable amount is estimated.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of non-financial assets (Continued)

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(h) Inventories and other contract costs

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Other contract costs are the incremental costs of obtaining a contract with a customer. Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. The Group has applied the practical expedient to recognise these incremental costs as expenses when incurred as the amortisation period of these assets that the Group would otherwise have recognised is one year or less.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the People's Republic of China (the "PRC") are recognised as an expense in profit or loss as incurred.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(l) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Revenue recognition (Continued)

(i) Sale of zippers and related products

Revenue from sales of zippers and related products is recognised when the customers have obtained control of the goods, being when the goods are delivered to the respective customers' specific locations and have been accepted by the customers, and the corresponding trade or bills receivable are recognised as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. There is generally only one performance obligation. Invoices are usually payable within 30 to 90 days. For certain customers such as new customers, deposits paid in advance are required before goods are delivered.

The Group's contracts with customers from the sale of zippers and related products generally do not provide customers a right of return (a right to exchange another product or right to refund in cash). In addition, return of defective products seldom occurs as goods sold to customers generally meet the objective specifications required by customers. Any necessary costs incurred in replacement or rectification of defective goods sold are insignificant to the consolidated financial statements.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Government grants

Unconditional discretionary government grants from the local municipal government authorities are recognised in the profit or loss as other income when the amount is received.

(m) Translation of foreign currencies

For the purpose of presenting these consolidated financial statements, the Group adopted HK$ as its presentation currency. The functional currency of the Company and its subsidiaries other than those established in the PRC is HK$ and the functional currency of the subsidiaries established in the PRC is Renminbi ("RMB").

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non- monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into HK$ at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into HK$ at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(o) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and included:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the consolidated financial statements. The Group bases the assumptions and estimates on experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the consolidated financial statements. The significant accounting policies are set forth in note. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the consolidated financial statements.

(a) Impairment

(i) Non-financial assets

The Group reviews the carrying amounts of these assets at the end of each reporting period to determine whether there is objective evidence of impairment. When indication of impairment is identified, management prepares discounted future cash flow to assess the differences between the carrying amount and value in use and provide for impairment loss. Any change in the assumption adopted in the cash flow forecasts may result in recognition of impairment loss or increase or decrease impairment loss for the year and affect the Group's net asset value.

(ii) Receivables

The assessment of impairment losses on financial assets measured at amortised cost is performed based on expected credit losses model as detailed in the accounting policies and note 4(f)(ii). The Group uses judgements and estimates, and makes assumptions and selects inputs as considered appropriate in performing the impairment assessment. Any change in the estimates, assumptions and inputs adopted in the assessment may increase or decrease the impairment losses for the year and affect the Group's net asset value.

(b) Depreciation and amortisation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value, if any. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's experience with similar assets and taking into account upgrading and improvement work performed for anticipated technological changes, and legal or similar limits on the use of assets. The depreciation and amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

(c) Inventories

The Group estimates the write-down for obsolescence of inventories based on the current market condition and the experience in selling goods of similar nature. It could change significantly as a result of change in market condition.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(d) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for unused tax losses and deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which they can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(e) Fair value of an investment fund

The fair value of the Fund as detailed in note 16 that is not quoted in an active market is primarily valued based on the net asset value ("Reported NAV") reported by the manager of the Fund unless the directors are aware of reasons that the Reported NAV may not be the best approximation of fair value. The Reported NAV are considered as the key unobservable inputs in valuation of the Fund. The directors of the Company evaluates whether adjustments are required to be made on the Reported NAV after considering the following:

(i) the valuation of the Fund's underlying investment;

(ii) the value date of the Reported NAV; and

(iii) The key inputs used in valuation performed by independent valuers appointed by the Company which assist the directors to evaluate as to whether adjustments are required to be made on the Reported NAV.

The carrying amount of the Fund may be significantly different from the amount ultimately realised on redemption or maturity.

(f) Estimation of the incremental borrowing rate for leasing

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

(g) Determination of lease term of contracts with renewed options

As explained in note 4(e), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control (e.g. a change in business strategy). Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in subsequent financial periods.

6. SEGMENT REPORTING

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

Accordingly, the Group has presented the following two reportable segments in a manner consistent with the way in which information is reported internally to the Group's senior executive management for the purposes of resource allocation and performance assessment.

- Zippers (Mainland China):

  This segment manufactures zippers products and mainly sells to customers in Mainland China. Its activities are mainly carried out in Guangdong, Zhejiang and Jingmen.

- Zippers (Overseas):

  This segment purchases zipper products from segment of Mainland China and sells to overseas customers. Its activities are mainly carried out in Hong Kong.

  Inter-segment transactions are priced with reference to prices charged to external parties for similar order.

(a) Disaggregation of revenue from contracts with customers for sales of zippers and related products

The Group derives revenue from the transfer of goods sold at a point in time in the following geographical regions as follows:

	2019 HK$'000	2018 HK$'000
Mainland China	**182,992**	181,703
Overseas	**22,804**	15,829
	205,796	197,532

(b) Segment results, assets and liabilities

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

Segment assets include all tangible, intangible assets and current assets with the exception of investments in financial assets and deferred tax assets. Segment liabilities include lease liabilities and trade and other payables managed directly by the segments.

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

6. SEGMENT REPORTING (CONTINUED)

(b) Segment results, assets and liabilities (Continued)

The measure used for reporting segment profit or loss is "adjusted profit or loss before taxation" i.e. "revenue less cost of sales, distribution costs, administrative expenses and impairment loss on trade receivables and bills receivable". Items not specifically attributed to individual segment are excluded from the calculation of segment profit or loss. The Group's senior executive management is provided with segment information concerning segment revenue, profit or loss and assets. Segment liabilities are not reported to the Group's senior executive management regularly.

Information regarding the Group's reportable segments as provided to the Group's senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2019 and 2018 respectively is set out below:

	Zippers – Mainland China HK$'000	Zippers – Overseas HK$'000	Total HK$'000
For the year ended 31 December 2019			
Revenue from external customers	**182,992**	**22,804**	**205,796**
Inter-segment revenue	**13,656**	**539**	**14,195**
Reportable segment revenue	**196,648**	**23,343**	**219,991**
Reportable segment profit	**2,318**	**594**	**2,912**
Depreciation and amortisation for the year ended 31 December 2019	**23,303**	**940**	**24,243**
Reportable segment assets as at 31 December 2019	**235,873**	**13,975**	**249,848**
Additions to non-current segment assets during the year ended 31 December 2019	**23,397**	**10**	**23,407**
Reportable segment liabilities as at 31 December 2019	**84,763**	**2,640**	**87,403**

6. SEGMENT REPORTING (CONTINUED)

(b) Segment results, assets and liabilities (Continued)

	Zippers – Mainland China HK$'000	Zippers – Overseas HK$'000	Total HK$'000
For the year ended 31 December 2018			
Revenue from external customers	181,703	15,829	197,532
Inter-segment revenue	9,539	945	10,484
Reportable segment revenue	191,242	16,774	208,016
Reportable segment profit/(loss)	15,463	(3,356)	12,107
Depreciation and amortisation for the year ended 31 December 2018	8,651	349	9,000
Impairment loss on property, plant and equipment	196	–	196
Reportable segment assets as at 31 December 2018	193,237	14,336	207,573
Additions to non-current segment assets during the year ended 31 December 2018	28,421	–	28,421
Reportable segment liabilities as at 31 December 2018	33,973	4,196	38,169

6. SEGMENT REPORTING (CONTINUED)

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

	2019 HK$'000	2018 HK$'000
Revenue		
Reportable segment revenue	**219,991**	208,016
Elimination of inter-segment revenue	**(14,195)**	(10,484)
Consolidated revenue (note 7)	**205,796**	197,532
Profit		
Reportable segment profit	**2,912**	12,107
Elimination of unrealised profit or loss of inter-segment purchase of inventories, other assets and property, plant and equipment	**1,527**	(79)
Reportable segment profit derived from the Group's external customers	**4,439**	12,028
Other revenue and gains/(losses), net	**(23,268)**	18,770
Interests on lease liabilities	**(3,745)**	–
Unallocated head office and corporate expenses (note)	**(20,426)**	(14,670)
Impairment loss on other receivable	**–**	(45,000)
Consolidated loss before taxation	**(43,000)**	(28,872)

Note: Unallocated head office and corporate expenses mainly represented depreciation of right-of-use assets in relation to an office premises (2018: head office rental expense), auditors' remuneration, staff costs of head office and legal and professional fees.

6. SEGMENT REPORTING (CONTINUED)

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

	2019 HK$'000	2018 HK$'000
Assets		
Reportable segment assets	**249,848**	207,573
Elimination of unrealised profit of inter-segment purchase of inventories	**(419)**	(1,651)
Elimination of unrealised profit of inter-segment purchase of property, plant and equipment	**–**	(295)
	249,429	205,627
Current tax recoverable	**2,123**	816
Deferred tax assets	**3,185**	3,482
Financial asset at fair value through profit or loss	**23,583**	102,183
Unallocated head office and corporate assets	**12,979**	3,012
Cash and cash equivalents	**47,049**	15,334
Consolidated total assets	**338,348**	330,454
Liabilities		
Reportable segment liabilities	**87,403**	38,169
Deferred tax liabilities	**1,124**	1,124
Unallocated head office and corporate liabilities	**10,525**	3,227
Consolidated total liabilities	**99,052**	42,520

(d) Geographic information

The geographical location of customers is based on the location at which the goods were delivered. The revenue of the Group by geographical regions is set out in note 6(a).

The Group's non-current assets excluding financial assets (i.e. rental deposits) and deferred tax assets (the "Specified Non-current Assets") comprise property, plant and equipment, right-of-use assets, intangible assets and prepayments for property, plant and equipment. The geographical location of property, plant and equipment, right-of-use assets and prepayments for property, plant and equipment is based on the physical location of the assets. In the case of intangible assets, it is based on the location of the operation to which they are allocated. As at 31 December 2019, the Group's Specified Non-current Assets were located in Mainland China and Hong Kong with carrying amounts of HK$124,504,000 (2018: HK$73,635,000) and HK$10,669,000 (2018: HK$1,239,000) respectively.

7. REVENUE

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

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

	2019 HK$'000	2018 HK$'000
Sales of goods		
Finished zippers and sliders	**202,223**	192,977
Others	**3,573**	4,555
	205,796	197,532

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

The above revenue is recognised at a point in time when the control of goods has been passed to customers.

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

	2019 HK$'000	2018 HK$'000
Trade debtors and bills receivable (note 18)	**41,690**	39,575
Contract liabilities (note 21)	**592**	772

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

	2019 HK$'000	2018 HK$'000
Balance as at 1 January	**772**	575
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	**(632)**	(412)
Increase in contract liabilities as a result of receipts in advance from customers during the year	**464**	618
Exchange adjustments	**(12)**	(9)
Balance at 31 December	**592**	772

The Group has applied the practical expedient to its contracts with customers 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.

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

	2019 HK$'000	2018 HK$'000
Revenue from other sources		
Interest income	**910**	1,627
Government grants	**253**	260
Dividend income from an investment fund	**–**	9,300
	1,163	11,187
Other gains/(losses), nets		
Fair value losses on financial asset at fair value through profit or loss (note 16)	**(23,600)**	(1,297)
Net foreign exchange gains	**2,826**	8,989
Loss on disposal of property, plant and equipment	**(2,443)**	(209)
Others	**(1,214)**	100
	(24,431)	7,583
	(23,268)	18,770

9. LOSS BEFORE TAXATION

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

(a) Staff costs*

	2019 HK$'000	2018 HK$'000
Salaries, wages and other benefits	**82,480**	69,276
Contributions to defined contribution retirement plans	**8,127**	8,638
	90,607	77,914

9. LOSS BEFORE TAXATION (CONTINUED)

(b) Other items

	2019 HK$'000	2018 HK$'000
Depreciation and amortisation*		
Plant and equipment (note 14)	**10,909**	8,193
Intangible assets (note 15)	**774**	807
Right-of-use assets (note 22(b))	**17,847**	–
	29,530	9,000
Auditors' remuneration		
Audit services	**1,150**	1,100
Other services	**225**	159
	1,375	1,259
(Reversal of impairment losses)/impairment losses on trade and bills receivable (note 31(a))	**(262)**	505
Impairment loss on other receivable (note 31(a))	**–**	45,000
	(262)	45,505
Impairment losses on property, plant and equipment (note 14(i))	**–**	196
Operating lease charges: minimum lease payments previously classified as operating leases under HKAS 17 in respect of land and buildings*	**–**	12,251
Research and development expenses	**7,613**	7,501
Cost of inventories* (note 17)	**152,864**	133,613

* *Cost of inventories includes HK$77,956,000 (2018: HK$61,969,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amounts are also included in the respective total amounts disclosed separately above or in note 9(a) for each of these types of expenses.*

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

(a) Income tax in the consolidated statement of profit or loss represents:

	2019 HK$'000	2018 HK$'000
Current tax		
PRC corporate income tax		
Provision for the year	**1,357**	3,194
Over-provision in respect of prior years	**(452)**	(2,182)
	905	1,012
Deferred tax		
Origination and reversal of temporary differences	**259**	62
	1,164	1,074

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

	2019 HK$'000	2018 HK$'000
Loss before taxation	**(43,000)**	(28,872)
Notional tax credit on loss before taxation calculated at the rates applicable to the respective jurisdictions	**(7,118)**	(2,556)
Effect of non-deductible expenses	**7,920**	9,735
Effect of non-taxable income	**(938)**	(2,224)
Effect of tax losses not recognised	**1,091**	495
Effect of prevailing tax rate	**579**	(2,284)
Withholding tax on undistributed profits (note 19(b))	**–**	371
Over-provision in prior years	**(452)**	(2,182)
Others	**82**	(281)
	1,164	1,074

Notes:

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

KEE Zippers Corporation Limited ("KEE Zippers") is subject to Hong Kong Profits Tax at 16.5% in 2019 and 2018.

(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 2021. Except for KEE Guangdong, the statutory income tax rate applicable to the Company's other subsidiaries in Mainland China is 25%.

(iii) Pursuant to the Corporate Income Tax Law of the PRC and its relevant regulations, PRC-resident enterprises are levied withholding income tax at 10% on dividends to their non-PRC-resident corporate investors for earnings accumulated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. Under the Sino-Hong Kong Double Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% or more of the equity interest of a PRC-resident enterprise is entitled to a reduced withholding tax rate of 5%. As at 31 December 2019, deferred tax liability recognised in this regard was HK$1,124,000 (2018: HK$1,124,000) (note 19(b)).

11. DIRECTORS' EMOLUMENTS

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contribution	Total
	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 31 December 2019				
Executive directors				
Zhuang Weidong (Chairman) (Appointed on 19 November 2019)	**280**	**–**	**–**	**280**
Qiu Chuanzhi (Appointed on 19 November 2019)	**280**	**–**	**–**	**280**
Wu David Hang (Resigned as chief executive officer and re-designated from chairman to vice chairman on 19 November 2019)	**–**	**2,595**	**101**	**2,696**
Mak Yung Pan Andrew (Appointed on 19 November 2019)	**210**	**–**	**–**	**210**
Yau Chi Chiu (Resigned on 19 November 2019)	**757**	**989**	**87**	**1,833**
Non-executive director				
Lin Ping (Appointed on 19 November 2019)	**–**	**–**	**–**	**–**
Independent non-executive directors				
Leung Ka Tin	**144**	**–**	**–**	**144**
Cheng Hong Kei (Appointed on 19 November 2019)	**17**	**–**	**–**	**17**
Liew Fui Kiang (Appointed on 19 November 2019)	**17**	**–**	**–**	**17**
Yau Pak Yue (Resigned on 19 November 2019)	**127**	**–**	**–**	**127**
Lu Nim Joel (Resigned on 19 November 2019)	**127**	**–**	**–**	**127**
	1,959	**3,584**	**188**	**5,731**
For the year ended 31 December 2018				
Executive directors				
Wu David Hang (Chairman)	–	1,560	78	1,638
Yau Chi Chiu (Appointed on 12 April 2018)	561	859	61	1,481
Feng Xiaoying (Resigned on 9 February 2018)	–	–	–	–
Independent non-executive directors				
Leung Ka Tin	144	–	–	144
Yau Pak Yue	144	–	–	144
Lu Nim Joel	144	–	–	144
	993	2,419	139	3,551

There were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in note 12 below as an inducement to join or upon joining the Group or as a compensation for loss of office. There was no arrangement under which a director has waived or agreed to waive any emoluments.

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2018: two) are directors. The aggregate of the emoluments in respect of the other three (2018: three) individuals are as follows:

	2019 HK$'000	2018 HK$'000
Salaries and other emoluments	**3,146**	2,880
Discretionary bonuses	**2,019**	2,486
Retirement scheme contributions	**88**	54
	5,253	5,420

The emoluments of the three (2018: three) individuals with the highest emoluments are within the following band:

	Number of individuals	
	2019	2018
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**2**	2
	3	3

13. 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$44,180,000 (2018: HK$33,177,000) and the weighted average number of 464,804,000 ordinary shares (2018: 464,804,000 ordinary shares) in issue during the year.

(b) Diluted loss per share

The diluted loss per share is equal to the basic loss per share as there were no potential dilutive shares in issue during both years ended 31 December 2018 and 2019.

14. PROPERTY, PLANT AND EQUIPMENT

	Machinery HK$'000	Vehicles and other equipment HK$'000	Leasehold improvement HK$'000	Construction in progress HK$'000	Total HK$'000
Cost					
At 1 January 2018	116,586	11,704	13,127	3,719	145,136
Exchange adjustments	(6,647)	(583)	(802)	(1,195)	(9,227)
Additions	981	709	1,154	25,554	28,398
Disposals	(8,275)	(320)	(50)	(129)	(8,774)
Reclassification	4,608	99	–	(4,707)	–
At 31 December 2018 and 1 January 2019	**107,253**	**11,609**	**13,429**	**23,242**	**155,533**
Exchange adjustments	**(1,815)**	**(143)**	**(208)**	**43**	**(2,123)**
Additions	**691**	**1,888**	**2,283**	**19,425**	**24,287**
Disposals	**(10,144)**	**(254)**	**(123)**	**(1,555)**	**(12,076)**
Reclassification	**34,389**	**227**	**–**	**(34,616)**	**–**
At 31 December 2019	**130,374**	**13,327**	**15,381**	**6,539**	**165,621**
Accumulated depreciation and impairment:					
At 1 January 2018	66,638	8,772	11,921	–	87,331
Exchange adjustments	(3,855)	(493)	(708)	–	(5,056)
Charge for the year	6,747	767	679	–	8,193
Impairment loss (note (i))	196	–	–	–	196
Written back on disposals	(6,737)	(217)	(50)	–	(7,004)
At 31 December 2018 and 1 January 2019	**62,989**	**8,829**	**11,842**	**–**	**83,660**
Exchange adjustments	**(804)**	**(107)**	**(168)**	**–**	**(1,079)**
Charge for the year	**8,762**	**970**	**1,177**	**–**	**10,909**
Written back on disposals	**(6,773)**	**(216)**	**(123)**	**–**	**(7,112)**
At 31 December 2019	**64,174**	**9,476**	**12,728**	**–**	**86,378**
Carrying amount					
At 31 December 2019	**66,200**	**3,851**	**2,653**	**6,539**	**79,243**
At 31 December 2018	44,264	2,780	1,587	23,242	71,873

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

(i) Certain idle or defective machinery were considered by management to be impaired with insignificant recoverable amount. No impairment loss (2018: HK$196,000) had been recognised in profit or loss (note 9(b)) during the year ended 31 December 2019.

(ii) During the year ended 31 December 2019, the zipper business of the Group has suffered from deterioration of gross profit margin. As at 31 December 2019, management considered there were impairment indicators and hence conducted impairment assessment on the non-financial assets of this business. These assets comprised property, plant and equipment including construction in progress, prepayments for property, plant and equipment, intangible assets with finite lives (note 15) and the right-of-use assets (note 22) (collectively the "Relevant Assets") and were grouped together constituting the non-financial assets of the two CGUs i.e. the two operating segments shown in note 6 for the purpose of impairment assessment.

The recoverable amounts of the two CGUs after allocation of the attributable corporate assets have been determined by management with reference to value in use calculations, using cash flow projections from the latest financial budgets formally approved by management covering a 5-year period with the growth rate of ranging from 2% to 5%, gross profit margin ranging from 24% to 29% and at a discount rate of 12%. Cash flows beyond the five-year period are extrapolated using a growth rate of 2%, which does not exceed the long-term growth rate for the Zipper industry in the PRC and overseas.

A reasonably possible change in a key assumption would not cause the recoverable amount fall below the carrying amount of the respective CGUs.

15. INTANGIBLE ASSETS

	Software HK$'000
Cost	
At 1 January 2018	8,387
Additions	23
Exchange adjustments	(483)
At 31 December 2018 and 1 January 2019	**7,927**
Additions	**100**
Exchange adjustments	**(98)**
At 31 December 2019	**7,929**
Accumulated amortisation	
At 1 January 2018	5,939
Exchange adjustments	(381)
Amortisation for the year	807
At 31 December 2018 and 1 January 2019	**6,365**
Exchange adjustments	**(95)**
Amortisation for the year	**774**
At 31 December 2019	**7,044**
Carrying amount	
At 31 December 2019	**885**
At 31 December 2018	1,562

The amortisation charge for the year is included in "administrative expenses" in the consolidated statement of profit or loss.

16. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK$'000	2018 HK$'000
Unlisted investment fund, at fair value		
Financial asset at fair value through profit or loss	**23,583**	102,183

Movements in financial asset at fair value through profit or loss:

	HK$'000
As at 1 January 2018	103,480
Fair value losses recognised in profit or loss	(1,297)
As at 31 December 2018 and 1 January 2019	**102,183**
Partial redemption of shares during the year	**(55,000)**
Fair value losses recognised in profit or loss (note 8)	**(23,600)**
As at 31 December 2019	**23,583**

Pursuant to the two subscription agreements dated 17 July 2017 and 21 August 2017 entered into between the Company and Fullgoal China Access RQFII Fund SPC ("Fullgoal SPC"), a segregated portfolio company incorporated under the laws of the Cayman Islands with limited liability, the Company has subscribed for 10,000 non-voting, participating and redeemable Class G shares in Fullgoal Strategic Growth Fund Segregated Portfolio (the "Fund") created by Fullgoal SPC at a total cash consideration of HK$100,000,000.

The primary investment objective of the Fund is to generate long term capital appreciation for its shareholders by investing in, amongst others, financial equities listed on the Stock Exchange, high yielding debt instruments traded or issued in Asian markets, investment funds with investment strategies of investing in the foregoing, interest bearing instruments and convertible bonds, high-yield, non-investment grade investments and unrated securities which might be unlisted with high yield and high risks. The Fund has a maturity of three years from the end of the initial offering period of 17 July 2017 and shareholders of the Fund may request redemption of all or some of their shares in the Fund as of the first business day of each calendar month or at such other day as determined by the directors of Fullgoal SPC. The minimum redemption amount with respect to redemption of shares in the Fund is HK$10,000,000 or such other amount determined by the directors of Fullgoal SPC. The redemption price is equal to the net asset value per share of the Fund at the redemption day after deduction of any applicable accrued performance fees and other charges and expenses. The directors of the Fund has the absolute discretion to effect a redemption payment to any or all redeeming shareholders in kind rather than in cash.

16. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Subject to the absolute discretion of the directors of Fullgoal SPC, a redemption fee of up to 1% of the redemption amount may be deducted from the redemption proceeds. The directors of Fullgoal SPC may waive all or part of the redemption fee. The Fund is subject to compulsory redemption by its directors without assigning any reason.

The fair value of the remaining shares of the Fund is based on its net asset value as at 31 December 2019 reported by the Fund's manager. A firm of professional valuers has been appointed by the Company to assist management to assess whether any adjustment to the reported net asset of the Fund is required for the purpose of estimation of the fair value of the Fund as at 31 December 2019. The chief financial officer of the Company has discussion with the valuer on the valuation assumptions and valuation results when the valuation was performed at the end of the reporting period.

Judgements and estimates are made by management in determining the fair values of the financial instruments that are recognised and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial assets into three levels prescribed under the accounting standards below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Recurring fair value measurements

	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
As at 31 December 2019				
Financial asset at fair value through profit or loss				
– investment fund	**–**	**–**	**23,583**	**23,583**
As at 31 December 2018				
Financial asset at fair value through profit or loss				
– investment fund	–	–	102,183	102,183

There were no transfer between levels 1 and 2 for recurring fair value measurements during both years. There were also no transfers in and out of level 3 measurements during both years.

In arriving at the fair value of the Fund, the key unobservable inputs used by the Company is the net asset value reported by the Fund's manager and the expected recovery rate or the discount rate as applicable used to estimate the fair value of the underlying investment of the Fund.

16. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Sensitivity analysis

A reasonably possible 1% increase/decrease in net asset value of the Fund would result in a decrease/increase in loss for the year and increase/decrease in equity of the Group by HK$236,000 (2018: HK$1,022,000).

For the purpose of valuation of the underlying debt investment of the Fund, discounted cash flows method has been adopted. As at 31 December 2019, the key unobservable input used was the expected recovery rate of the underlying debt investment which had matured and due for repayment during the year. The expected recovery rate adopted is 38.15%. A reasonably possible 5% decrease/increase in the expected recovery rate would result in increase/decrease in loss for the year ended 31 December 2019 and decrease/increase in equity of the Group by HK$2,420,000 as at 31 December 2019.

As at 31 December 2018, the key unobservable input used was the discount rate used to calculate the present value of the underlying debt investment of the Fund. A discount rate adopted is 11%. A reasonably possible 1% increase/decrease in the discount rate would result in increase/decrease in loss for the year ended 31 December 2018 and decrease/increase in equity of the Group by HK$567,000 as at 31 December 2018.

The Group made the second redemption of the Fund with a net proceeds of approximately HK$24,890,000 on 25 March 2020.

17. INVENTORIES

	2019 **HK$'000**	2018 HK$'000
Raw materials	**9,523**	6,138
Work in progress	**22,287**	16,914
Finished goods	**2,615**	1,497
	34,425	24,549

17. INVENTORIES (CONTINUED)

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

	2019 **HK$'000**	2018 HK$'000
Carrying amount of inventories sold	**151,344**	134,085
Write-down of inventories	**1,578**	1,166
Reversal of write-down of inventories	**(931)**	(1,416)
Exchange adjustments	**873**	(222)
	152,864	133,613

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

The reversal of write-down of inventories was due to the sales and utilisation of inventories previously provided for.

18. TRADE AND OTHER RECEIVABLES

	Notes	**2019** **HK$'000**	2018 HK$'000
Trade debtors and bills receivable		**42,944**	41,105
Less: Loss allowance	31(a)	**(1,254)**	(1,530)
	(i)	**41,690**	39,575
Rental deposits		**1,099**	33
Sales consideration receivable, net of impairment loss of HK$45,000,000	(ii)	**–**	–
Other prepayments		**1,490**	981
Other debtors		**419**	333
		44,698	40,922

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

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes:

(i) 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 doubtful debts, is as follows:

	2019 **HK$'000**	2018 HK$'000
Within 1 month	**11,379**	7,775
Over 1 month but within 2 months	**14,645**	12,314
Over 2 months but within 3 months	**6,969**	6,016
Over 3 months	**8,697**	13,470
	41,690	39,575

The Group recognised impairment loss based on the accounting policy stated in note 4(f)(ii).

Further details on the Group's credit policy and credit risk arising from trade debtors and bills receivable are set out in note 31(a). Trade debtors and bills receivable are in general due within 30–90 days from the date of billing.

(ii) As at 31 December 2018 and 2019, the balance represented the remaining sale consideration of HK$45,000,000 receivable from the purchaser arising from disposal of the Company's subsidiary which was repayable within one year from the completion date of disposal of 24 August 2017. In addition, upon completion of the disposal, the share of the subsidiary together with the Group's shareholder's loan made to the subsidiary disposed of to the purchaser (the "Sale Loan and the Sale Share") are pledged to the Company as security for the purchaser's obligation to pay the balance of the purchase consideration. After performing impairment assessment on this receivable as mentioned in note 31(a), the Group had recognised impairment loss of HK$45,000,000 on this balance as at 31 December 2018.

In March 2019, the purchaser failed to comply with the ultimatum under the second demand letter issued by the Company's legal advisor on behalf of the Company. The Company has thereafter further observed the financial conditions of the disposed subsidiary and discovered that there have been adverse changes in the business and operation of the disposed subsidiary. The Company has also approached potential candidates to be the receivers and discussed with them the terms and costs for their appointments and the possibility of finding a purchaser to exercise the right of the pledged Sale Loan and the Sale Share. Having considered the adverse business change of the disposed subsidiary and the costs for the appointment of receivers, the directors are of the view that (i) it may be difficult for the receivers to identify a potential purchaser to acquire the Sale Loan and the Sale Share; and (ii) it may not be justified to incur further costs to appoint receivers in view of the slim chance of finding a purchaser to acquire the Sale Loan and the Sale Share.

During the year, the Company commenced legal proceedings in the Court of First Instance of the High Court of Hong Kong (the "Court") against the purchaser for the sum of HK$45,000,000 together with interest and costs. The Court issued the final judgement on 19 September 2019 and adjudged that the purchaser should settle the remaining sales consideration of HK$45,000,000 together with interest thereon at the judgment rate from the date of final judgement and other fixed costs. The Company is still pending for professional opinion from a legal advisor as to whether further actions should be taken by the Company.

19. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current tax (recoverable)/payable in the consolidated statement of financial position represents:

	2019 **HK$'000**	2018 HK$'000
At 1 January	**(816)**	1,787
Exchange adjustments	**39**	36
Provision for PRC corporate income tax (note 10(a))	**1,357**	3,194
Over-provision in respect of prior years (note 10(a))	**(452)**	(2,182)
Income tax paid	**(2,251)**	(3,651)
At 31 December	**(2,123)**	(816)
Represented by:		
Current tax recoverable	**(2,123)**	(816)

(b) Deferred tax assets/(liabilities) recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Depreciation HK$'000	**Unrealised profit arising from intra-group transactions** HK$'000	**Provisions** HK$'000	**PRC dividend withholding tax** HK$'000	**Total** HK$'000
Deferred tax arising from:					
At 1 January 2018	486	261	2,292	(1,124)	1,915
(Charged)/credited to consolidated statement of profit or loss	(42)	(78)	429	(371)	(62)
Withholding tax paid relating to remittance of dividends	–	–	–	371	371
Exchange adjustments	(59)	100	93	–	134
At 31 December 2018 and 1 January 2019	**385**	**283**	**2,814**	**(1,124)**	**2,358**
Charged to consolidated statement of profit or loss	**(38)**	**(221)**	**–**	**–**	**(259)**
Exchange adjustments	**(4)**	**–**	**(34)**	**–**	**(38)**
At 31 December 2019	**343**	**62**	**2,780**	**(1,124)**	**2,061**

19. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(c) Reconciliation to the consolidated statement of financial position:

	2019 **HK$'000**	2018 HK$'000
Deferred tax asset recognised in the consolidated statement of financial position	**3,185**	3,482
Deferred tax liability recognised in the consolidated statement of financial position	**(1,124)**	(1,124)
	2,061	2,358

(d) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 4(j), the Group has not recognised deferred tax assets in respect of the amount of cumulative tax losses of HK$17,033,000 (2018: HK$10,553,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The unused tax loss of approximately HK$8,964,000 (2018: HK$9,441,000) are subject to agreement by the Inland Revenue Department and can be carried forward indefinitely, while the remaining unused tax loss of approximately HK$797,000 (2018: HK$1,112,000) and HK$7,272,000 (2018: Nil) will expire in five years and 10 years from respective dates of incurrence.

(e) Deferred tax liabilities not recognised

At 31 December 2019, temporary differences relating to the undistributed profits of the Group's PRC subsidiaries amounted to HK$68,854,000 (2018: HK$70,526,000). Deferred tax liabilities relating to a portion of these temporary differences amounting to HK$2,267,000 (2018: HK$2,402,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

20. CASH AND CASH EQUIVALENTS

	2019 **HK$'000**	2018 HK$'000
Cash at banks and in hand	**91,174**	78,587

As at 31 December 2019, cash and cash equivalents in the amount of HK$34,554,000 (2018: HK$53,011,000) 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.

21. TRADE AND OTHER PAYABLES

	2019 **HK$'000**	2018 HK$'000
Trade creditors	**9,977**	7,635
Payroll and staff benefits payable	**19,449**	20,827
Accrued expenses	**4,302**	4,016
Payables for purchase of property, plant and equipment	**10,019**	7,891
Contract liabilities (note 7)	**592**	772
Other taxes payable	**–**	13
Other payables	**5**	242
	44,344	41,396

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:

	2019 **HK$'000**	2018 HK$'000
Within 1 month	**8,991**	6,314
Over 1 month but within 3 months	**555**	880
Over 3 months but within 6 months	**17**	–
Over 6 months	**414**	441
	9,977	7,635

22. LEASES

HKFRS 16 was adopted on 1 January 2019 without restatement of comparative figures as detailed in note 2(a). The accounting policies applied subsequent to the date of initial application, 1 January 2019, are disclosed in note 4(e).

Nature of leasing activities (in the capacity as lessee)

The Group leases certain properties in the jurisdictions from which it operates. All of the property leases' periodic rents are fixed over the lease term.

(a) Future lease payments as at 31 December 2019 and as at 1 January 2019 are due as follows:

	Minimum lease payments 31 December 2019 HK$'000	**Interest 31 December 2019 HK$'000**	**Present value 31 December 2019 HK$'000**
Not later than one year	**19,130**	**2,803**	**16,327**
Later than one year and not later than two years	**17,753**	**1,894**	**15,859**
Later than two years and not later than five years	**22,893**	**1,495**	**21,398**
	59,776	**6,192**	**53,584**

	Minimum lease payments 1 January 2019 (note) HK$'000	Interest 1 January 2019 (note) HK$'000	Present value 1 January 2019 (note) HK$'000
Not later than one year	19,323	3,700	15,623
Later than one year and not later than two years	18,737	2,832	15,905
Later than two years and not later than five years	37,499	3,357	34,142
Later than five years	3,607	73	3,534
	79,166	9,962	69,204

Note: The Group has initially applied HKFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 January 2019 by recognition of lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. See note 2(a) for further details about transition.

22. LEASES (CONTINUED)

Nature of leasing activities (in the capacity as lessee) (Continued)

(a) (Continued)

The present value of future lease payments are analysed as:

	31 December 2019 HK$'000	1 January 2019 HK$'000
Current liabilities	**16,327**	15,623
Non-current liabilities	**37,257**	53,581
	53,584	69,204

(b) Measurements of amounts recognised in the consolidated statement of financial position and profit or loss during the year ended 31 December 2019:

	Right-of-use assets (Note) HK$'000	Lease liabilities HK$'000
Amount recognised upon adoption of HKFRS 16 on 1 January 2019 (note 2(a)(i))	**69,204**	69,204
Inception of new leases	**1,116**	1,116
Depreciation	**(17,847)**	–
Interest expense	**–**	3,745
Payments of lease liabilities (note 30)	**–**	(22,086)
Exchange adjustments	**(431)**	1,605
As at 31 December 2019	**52,042**	53,584

Note: As at 31 December 2019, the right-of-use assets represented land and buildings leased for own use carried at depreciated costs.

22. LEASES (CONTINUED)

Nature of leasing activities (in the capacity as lessee) (Continued)

(c) Operating leases

The total future minimum lease payments as at 31 December 2018 are due as follows:

	31 December 2018 HK$
Within one year	20,162
After one year but within five years	20,556
	40,718

The Group is the lessee in respect of a number of leasehold land and buildings held under leases which were previously classified as operating leases under HKAS 17.

23. EMPLOYEES RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme (the “MPF scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employee’s relevant income, subject to a cap of monthly relevant income of HK$30,000 for the year ended 31 December 2019 (2018: HK$30,000).

Employees in the Group’s PRC subsidiaries are members of the state-managed retirement scheme. The PRC subsidiaries are required to contribute to the scheme at rate of 10%–14% of the eligible employees’ basic salary. The local government authority is responsible for the entire pension obligations payable to the retired employees.

The Group has no other material obligation for payment of retirement benefits beyond the annual contributions as described above.

24. EQUITY SETTLED SHARE-BASED TRANSACTIONS

Pursuant to the shareholders’ resolutions passed on 14 December 2010, the Company adopted a share options scheme (“the Scheme”) whereby the directors of the Company are authorised to grant options to selected eligible persons as incentives or rewards for their contribution or potential contribution to the Group and/or to recruit and retain high caliber eligible persons and attract human resources that are valuable to the Group.

Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

There were no options granted, exercised or lapsed during the years ended 31 December 2019 and 2018 and no options were outstanding as at 31 December 2019 and 2018.

25. CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital HK$'000	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2018	4,648	180,690	(469)	184,869
Change in equity for 2018:				
Loss and total comprehensive income for the year	–	–	(51,414)	(51,414)
Balance at 31 December 2018	4,648	180,690	(51,883)	133,455
Change in equity for 2019:				
Loss and total comprehensive income for the year	**–**	**–**	**(44,255)**	**(44,255)**
Balance at 31 December 2019	**4,648**	**180,690**	**(96,138)**	**89,200**

(b) Dividends

No dividend was declared or proposed in respect of the years ended 31 December 2019 and 2018.

(c) Share capital

Authorised and issued share capital

	At 31 December 2019		At 31 December 2018	
	Number of shares '000	**Share capital HK$'000**	Number of shares '000	Share capital HK$'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 and 31 December	**464,804**	**4,648**	464,804	4,648

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.

25. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Share premium

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

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

(e) Statutory reserve

Statutory reserve was established in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries incorporated in the PRC. Transfers to the reserve were approved by the respective board of directors.

KEE Guangdong and KEE (Zhejiang) Garment Accessories Limited, which are wholly foreign owned enterprises incorporated in the PRC, are required to transfer at least 10% of its net profit (after offsetting prior year's losses), as determined under the PRC accounting rules and regulations, to statutory general reserve until the reserve balance reaches 50% of the registered capital under the PRC Company Law and the articles of association of these entities. The transfer to this reserve must be made before distribution of dividends to the equity shareholders.

Statutory general reserve can be used to make good prior years' losses, if any, and may be converted into paid-up capital provided that the balance after such conversion is not less than 25% of the registered capital.

(f) Capital reserve

Capital reserve comprises the following:

– reserves arising prior to and during the reorganisation of the Group during the year ended 31 December 2010;

– reserves arising from the disposal of the Group's 15% equity interests in a subsidiary during the year ended 31 December 2016, to a related entity without losing control in the subsidiary whereby adjustments were made to the amounts of controlling interests – capital reserve and non-controlling interests.

25. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(g) Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of subsidiaries with functional currencies other than HK$. The reserve is dealt with in accordance with the accounting policy set out in note 4(m).

(h) Distributability of reserves

At 31 December 2019, the aggregate amount of reserves available for distribution to the equity shareholders of the Company was HK$84,552,000 (2018: HK$128,807,000).

(i) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

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 debts less cash and cash equivalents over total equity) below 20%. The ratio as at 31 December 2019 and 2018 was nil as the Group had no adjusted net debts for both years. 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.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

26. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant & equipment		**747**	–
Intangible assets		**94**	–
Investments in subsidiaries		**–**	–
Right-of-use assets		**8,889**	–
Rental deposit		**2,650**	2,758
		12,380	2,758
Current assets			
Amount due from a subsidiary		**16,789**	16,769
Financial asset at fair value through profit or loss		**23,583**	102,183
Other receivables		**593**	247
Cash and cash equivalents		**46,378**	14,717
		87,343	133,916
Current liability			
Other payables		**1,523**	3,219
Lease liabilities		**5,116**	–
		6,639	3,219
Net current assets		**80,704**	130,697
Total assets less current liabilities		**93,084**	133,455
Non-current liabilities			
Lease liabilities		**3,884**	–
Net assets		**89,200**	133,455
Capital and reserves			
Share capital	25(c)(i)	**4,648**	4,648
Reserves		**84,552**	128,807
Total equity	25(a)	**89,200**	133,455

On behalf of the Board

Zhuang Weidong
Director

Wu David Hang
Director

27. INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation/ establishment and business	Issued and fully paid up capital	Attributable equity interest		Principal activities
			Direct	Indirect	
KEE International BVI Limited ("KEE International BVI")	BVI	2 ordinary shares of US$ 1 each	**85%**	–	Investment holding
KEE Zippers	Hong Kong	1,000,000 shares	**–**	85%	Trading of zipper products
KEE Guangdong (note i)	The PRC	HK$137,500,000	**–**	85%	Manufacture and sale of zipper products
開易(浙江)服裝配件有限公司 KEE Zhejiang Garment Accessories* (note i)	The PRC	USD8,760,000	**–**	85%	Manufacture and sale of zipper products
佛山市優納服裝配件有限公司 Foshan UNA Cultural Gifts Co., Limited* (note ii)	The PRC	RMB3,000,000	**–**	85%	Design and sale of garment accessories
Oriental Choice Holdings Limited	BVI	1 ordinary share of US$ 1 each	**100%**	–	Investment holding
Baiyu Ventures Limited	BVI	1 ordinary share of US$ 1 each	**100%**	–	Investment holding

Notes:

(i) The company is a wholly foreign-owned enterprise in the PRC.

(ii) The company is with limited liability in the PRC.

27. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following table listed out the information relating to KEE International BVI, the only subsidiary directly held by the Company which has material non-controlling interest ("NCI") as at 31 December 2019. The summarised financial information presented below represents the amounts before any inter-company elimination.

	2019 HK$'000	2018 HK$'000
NCI percentage	**15%**	15%
Current assets	**125,344**	129,805
Non-current assets	**129,965**	80,639
Current liabilities	**(69,882)**	(54,626)
Non-current liabilities	**(34,497)**	(1,124)
Net assets	**150,930**	154,694
Carrying amount of NCI	**22,639**	23,204
Revenue	**205,796**	197,532
Profit for the year	**109**	21,538
Total comprehensive income	**(3,764)**	2,559
Profit allocated to NCI	**16**	3,231
Cash flows from operating activities	**15,412**	17,421
Cash outflows from investing activities	**(19,808)**	(33,952)

28. COMMITMENTS

Capital commitments outstanding at 31 December 2019 and 2018 not provided for in the consolidated financial statements were as follows:

	2019 HK$'000	2018 HK$'000
Contracted for	**4,464**	3,850

29. MATERIAL RELATED PARTY TRANSACTIONS

On 17 February 2016, Mr Xu Xipeng resigned as the chairman of the board and chief executive officer of the Company. Mr Xu Xipeng and Mr Xu Xinan, former ultimate controlling parties of the Group, resigned as executive directors of the Company, but have remained as the directors of KEE International BVI and KEE Zippers, the subsidiaries of the Company, since 17 February 2016.

As at 31 December 2018, the Company's ultimate holding company was considered by the directors to be Zhonghong and ultimately controlled by Mr. Wang Yonghong.

As at 31 December 2019, the Company has no ultimate holding company nor controlling shareholder.

In addition to the transactions disclosed in other parts of these consolidated financial statements, the Group entered into the following material related party transactions:

(a) Transactions

(i) The Group renewed a lease agreement which expired on 31 December 2018 for a term of two years ending 31 December 2020 in respect of certain leasehold and buildings entered into with Mr Xu Xipeng and Mr Xu Xinan, the senior management of the Group. During the year ended 31 December 2019, the rentals paid by the Group under this lease agreement amounted to HK$4,916,000 (RMB4,320,000 equivalent) (2018: HK$4,413,000 (RMB3,720,000 equivalent)).

(ii) Since the disposals of certain leasehold land and buildings during the year ended 31 December 2016, the Group has agreed to leaseback those assets from Classic Winner Limited ("Classic Winner") and Foshan City Nanhai Jinheming Investment Company Limited ("Nanhai Jinheming") which are owned by Mr Xu Xipeng and Mr Xu Xinan. These two lease agreements were renewed on 16 January 2017 for a term of three years commencing from 16 January 2017. The rentals paid by the Group to Classic Winner and Nanhai Jinheming for the year ended 31 December 2019 amounted to HK$612,000 (2018: HK$612,000) and HK$3,755,000 (RMB3,300,000 equivalent) (2018: HK$3,914,000 (RMB3,300,000 equivalent)) respectively. The Group renewed these lease agreements on 15 January 2020 for a term of two years commencing from 16 January 2020. As at 31 December 2019, the rental deposit paid by the Group to Nanhai Jinheming amounted to HK$919,000 (RMB825,000 equivalent) (2018: HK$930,000 (RMB825,000 equivalent)).

(iii) KEE Guangdong entered into a lease agreement on 24 August 2018 with a term of three years ending 31 August 2021 with KEE (Jingmen) Clothing Accessories Limited which are owned by Mr Xu Xipeng and Mr Xu Xinan in respect of certain leasehold land and buildings. During the year ended 31 December 2019, the rentals paid by the Group under this lease agreement amounted to HK$5,462,000 (RMB4,800,000 equivalent) (2018:HK$1,898,000 (RMB1,600,000 equivalent)). As at 31 December 2019, the rental deposit paid by the Group amounted to HK$1,336,000 (RMB1,200,000 equivalent) (2018: HK$1,353,000 (RMB1,200,000 equivalent)).

The above related party transactions constituted connected transactions and continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section headed "Connected Transactions and Continuing Connected Transactions" of the report of the directors.

29. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management personnel compensation

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 11 and certain of the highest paid employees as disclosed in note 12, is as follows:

	2019 **HK$'000**	2018 HK$'000
Short-term employee benefits	**10,635**	8,708
Retirement scheme contribution	**268**	202
	10,903	8,910

Total remuneration is included in "staff costs" (note 9(a)).

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

	Lease liabilities HK$'000
At 1 January 2018 and 31 December 2018	–
Recognition of lease liabilities upon adoption of HKFRS 16 on 1 January 2019 (note 2(a)(i))	69,204
At 1 January 2019 (Restated)	**69,204**
Cash flow from financing activities (note 22(b))	
Payment of lease liabilities (including interests)	**(22,086)**
Other changes (note 22(b)):	
Interest expense	**3,745**
Inception of new leases during the year	**1,116**
Exchange adjustments on lease liabilities	**1,605**
At 31 December 2019	**53,584**

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, interest rate, liquidity, currency and equity price risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to cash and cash equivalents, trade debtors and bills receivable, other debtors and the sale consideration receivable. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies for which the Group considers to have low credit risk.

Trade debtors and bills receivable

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore certain concentration of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 17% (2018: 18%) of the total trade receivables were due from the Group's five largest customers.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30–90 days from the date of billing. Debtors with balances that are past due are usually requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade debtors and bills receivable at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(a) Credit risk (Continued)

Trade debtors and bills receivable (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade debtors and bills receivable as at 31 December 2019:

2019	**Expected loss rate (%)**	**Gross carrying amount HK$'000**	**Loss allowance HK$'000**
Current (not past due)	**0.001**	**25,812**	**1**
1–30 days past due	**0.001**	**8,410**	**1**
31–60 days past due	**0.003**	**3,999**	**1**
61–90 days past due	**0.341**	**1,830**	**6**
91–360 days past due	**9.527**	**1,821**	**173**
More than 360 days past due	**100**	**1,072**	**1,072**
		42,944	**1,254**

The following table provides information about the Group's exposure to credit risk and ECLs for trade debtors and bills receivable as at 31 December 2018:

2018	Expected loss rate (%)	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	0.02	23,362	5
1–30 days past due	0.05	8,093	4
31–60 days past due	0.12	4,076	5
61–90 days past due	0.4	1,456	6
91–360 days past due	17.8	3,173	565
More than 360 days past due	100	945	945
		41,105	1,530

Expected loss rates are based on actual loss experience over the past one year. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(a) Credit risk (Continued)

Trade debtors and bills receivable (Continued)

Movement in the loss allowance account in respect of trade debtors and bills receivable during the year is as follows:

	2019 **HK$'000**	2018 HK$'000
Balance at 1 January	**1,530**	1,115
Reversal of impairment losses	**(608)**	(325)
Impairment losses recognised during the year	**346**	830
Written off	**–**	(1)
Exchange adjustments	**(14)**	(89)
Balance at 31 December	**1,254**	1,530

The decrease in impairment loss during the year ended 31 December 2019 is mainly due to decrease in balances of trade receivables past due for between 91 days and 360 days.

Other financial assets at amortised cost

As at 31 December 2019, in addition to the cash and cash equivalents which are considered to have low credit risk, other financial assets at amortised cost of the Group mainly include rental deposits and other debtors. The ECLs on other financial assets which did have significant increase in credit risk during the reporting period were considered by management to be insignificant.

As at 31 December 2019, in addition to the cash and cash equivalents which are considered to have low credit risk, other financial assets at amortised cost of the Group mainly include rental deposits and other debtors and the balance of the sale consideration of HK$45,000,000 (2018: HK$45,000,000) receivable (the "Receivable") from the purchaser arising from disposal of a former subsidiary of the Company on 24 August 2017. The Receivable is secured on the sale loan and sale share as mentioned in note 18 (ii).

During the year ended 31 December 2018 and 2019, the Receivable has not been settled by the purchaser since the due date of 24 August 2018 and therefore is considered to be credit-impaired as at 31 December 2018 and 2019. Accordingly, expected credit loss is measured based on lifetime ECLs. A full impairment loss of HK$45,000,000 has been recognised on the Receivable for the year ended 31 December 2018 and no reversal of impairment loss during the year ended 31 December 2019 has been recognised after taking into account the current and expected financial position of the purchaser as detailed in note 18 (ii).

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Interest rate risk

As at 31 December 2019 and 2018, the Group had no borrowings other than lease liabilities which are carried at average fixed interest rate of 6% (2018:Nil) as shown in note 22 and all its interest bearing financial assets are mainly bank deposits with maturity no more than one year. Accordingly, the Group's cash flow interest rate risk is considered insignificant.

(c) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investments of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, if any, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The maturity of the financial liabilities is set below:

Year ended 31 December 2019

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
Trade and other payables	43,752	43,752	43,752	–	–
Lease liabilities	53,584	59,776	19,130	17,753	22,893
	97,336	103,528	62,882	17,753	22,893

Year ended 31 December 2018

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
Trade and other payables	40,611	40,611	40,611	–	–

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) 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 United States Dollars ("USD") under KEE Zippers and KEE Guangdong.

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

The Group had RMB denominated bank deposits amounting to HK$6,081,000 (2018: HK$48,000) that was held by KEE Zippers and KEE Holdings for which HK$ is their functional currency. In addition, the Group had HK$ denominated inter-company other receivables amounting to HK$152,167,000 (2018: HK$151,379,000) that were held by KEE Guangdong and KEE Zhejiang for which RMB is their functional currency.

Sensitivity analysis

At 31 December 2019, it is estimated that a general appreciation/depreciation of 0.5% in HK$ against RMB, with all other variables held constant, would have decreased/increased the Group's net loss for the year and decreased accumulated losses by approximately HK$761,000 (2018: decreased/increased net loss and increased/decreased retained earnings by HK$757,000).

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.

(e) Equity price risk

The equity price risk arises primarily from the fluctuation in the fair value of the financial asset at fair value through profit or loss by the Group as at 31 December 2018 and 2019. The details of which have been set out in note 16.

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(f) Financial instruments and fair values

The Group's financial instruments at the end of reporting period were analysed as below:

Financial assets	**2019** **HK$'000**	2018 HK$'000
Financial assets at amortised costs		
Trade and other receivables	**43,208**	39,941
Cash and cash equivalents	**91,174**	78,587
Rental deposits	**3,986**	5,041
	138,368	123,569
Financial asset fair value through profit or loss	**23,583**	102,183
Total	**161,951**	225,752
Financial liabilities		
Lease liabilities	**53,584**	–
Trade and other payables	**43,752**	40,611
Total	**97,336**	40,611

The carrying amounts of the Group's financial instruments were not materially different from their fair values as at the end of respective reporting periods.

32. EVENTS AFTER THE END OF THE REPORTING PERIOD

(i) On 15 January 2020, the Group renewed the two lease agreements with Classic Winner and Nanhai Jinheming which are owned by the connected parties as disclosed in note 29(a)(ii) for a term of two years commencing from 16 January 2020.

(ii) The payment of the special dividend of HK$0.075 per share amounting up to HK$34,860,300 out of the share premium account was approved by the Shareholders at the extraordinary general meeting held on 11 February 2020 and was paid out to the Shareholders on 3 March 2020.

(iii) The Group made the second redemption of the Fund with a net proceeds of approximately HK$24,890,000 on 25 March 2020.

(iv) The outbreak of novel coronavirus ("COVID-19") since January 2020 has affected many business and economic activities in the PRC and it continues to spread to countries across the world. The impacts of COVID-19 outbreak on the operating environment in the PRC in which the Group principally operated are still uncertain as at the date of approval of the consolidated financial statements. The Group has been paying its best effort on implementation of preventive measures in the working environment. Up to March 2020, all the Group's factories have already resumed production and most of the labour have returned to work. The Group will continue to impose appropriate measures to minimise the adverse impact on the business operation of the Group and will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position, operating results and cash flows of the Group. Given the dynamic nature of the circumstances, the related impacts on the Group's financial position, results of operations and cash flows could not be reasonably estimated at this stage and are expected to be reflected in the Group's 2020 interim and annual financial statements.

33. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board on 31 March 2020.

Glossary

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

"Board"	means	the board of Directors
"CG Code"	means	code on corporate governance practices as set out in Appendix 14 to the Listing Rules
"Company"	means	China Apex Group Limited (formerly known as KEE Holdings Company Limited), an exempted company incorporated with limited liability under the laws of the Cayman Islands on 6 July 2010 and the Shares of which are listed on the Main Board of the Stock Exchange
"Director(s)"	means	the Director(s) of the Company
"Group"	means	the Company and its subsidiaries
"HK$" and "HK cents"	means	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	means	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	means	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	means	the stock market operated by the Stock Exchange, which excludes the GEM and the options market
"Model Code"	means	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"OEM"	means	original equipment manufacturer or manufacturing
"PRC" or "China" or "Mainland China"	means	the People's Republic of China excluding, for the purpose of this report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"RMB"	means	Renminbi, the lawful currency of the PRC
"SFO"	means	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"Share(s)"	means	share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	means	holder(s) of issued Share(s)
"Stock Exchange"	means	The Stock Exchange of Hong Kong Limited

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