中國恒泰
CHINA APEX

China Apex Group Limited
中 國 恒 泰 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2011)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2019	2018	**Change**
	HK$'000	*HK$'000*	***%***
Revenue	**205,796**	197,532	**+4.2**
Gross profit	**52,932**	63,919	**-17.2**
Loss for the year	**(44,164)**	(29,946)	**+47.5**
Loss attributable to equity shareholders	**(44,180)**	(33,177)	**+33.2**

	As at 31 December		
	2019	2018	**Change**
	HK$'000	*HK$'000*	***%***
Total assets	**338,348**	330,454	**+2.4**
Cash and cash equivalents	**91,174**	78,587	**+16.0**
Total equity attributable to the equity shareholders	**216,657**	264,730	**-18.2**

FINANCIAL RESULTS

The board of directors (the "**Board**") of China Apex Group Limited (the "**Company**") is pleased to present the consolidated results of the Company and its subsidiaries (together referred to as the "**Group**") for the year ended 31 December 2019, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	**2019** *HK$'000*	2018 *HK$'000*
Revenue	3	**205,796**	197,532
Cost of sales		**(152,864)**	(133,613)
Gross profit		**52,932**	63,919
Other revenue and gains/(losses), net	4	**(23,268)**	18,770
Distribution costs		**(15,528)**	(15,417)
Administrative expenses		**(53,653)**	(50,639)
Reversal of impairment losses/(impairment losses) on			
– trade receivables and bills receivable		**262**	(505)
– other receivable		**–**	(45,000)
Interests on lease liabilities		**(3,745)**	–
Loss before taxation	5	**(43,000)**	(28,872)
Income tax	6	**(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)*	7		
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	2018
	HK$'000	*HK$'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		**79,243**	71,873
Right-of-use assets	2(a)(i)	**52,042**	–
Intangible assets		**885**	1,562
Prepayments for property, plant and equipment		**3,004**	1,439
Rental deposits		**3,986**	5,041
Deferred tax assets		**3,185**	3,482
		142,345	83,397
Current assets			
Inventories	10	**34,425**	24,549
Financial asset at fair value through profit or loss	9	**23,583**	102,183
Trade and other receivables	11	**44,698**	40,922
Current tax recoverable		**2,123**	816
Cash and cash equivalents	12	**91,174**	78,587
		196,003	247,057
Current liabilities			
Trade and other payables	13	**44,344**	41,396
Lease liabilities	2(a)(i)	**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	2(a)(i)	**37,257**	–
Deferred tax liabilities		**1,124**	1,124
		38,381	1,124
Net assets		**239,296**	287,934

	Notes	**2019**	2018
		HK$'000	*HK$'000*
Capital and reserves			
Share capital	14	**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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

(Expressed in Hong Kong dollars unless otherwise indicated)

1. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the 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 of Hong Kong Limited.

(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.

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 – 2018 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.

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	69,204
Increase in total assets	69,204
Liabilities	
Recognition of lease liabilities (non-current)	53,581
Recognition of lease liabilities (current)	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.

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	(17,847)
Increase in interest on lease liabilities	(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:

	HK$'000
Reconciliation of operating lease commitments to lease liabilities	
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%.

(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.

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 of 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.

(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 used 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.

(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. 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	2018
	HK$'000	*HK$'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	2018
	HK$'000	*HK$'000*
Trade debtors and bills receivable	**41,690**	39,575
Contract liabilities	**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	2018
	HK$'000	*HK$'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.

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

	2019	2018
	HK$'000	*HK$'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	**(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

5. LOSS BEFORE TAXATION

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

(a) Staff costs*

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

(b) Other items

	2019	2018
	HK$'000	*HK$'000*
Depreciation and amortisation*		
Plant and equipment	**10,909**	8,193
Intangible assets	**774**	807
Right-of-use assets	**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	**(262)**	505
Impairment loss on other receivable	**–**	45,000
	(262)	45,505
Impairment losses on property, plant and equipment	**–**	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 10)*	**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 5(a) for each of these types of expenses.

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

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

	2019	2018
	HK$'000	*HK$'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
Hong Kong Profits Tax	**–**	–
Deferred tax		
Origination and reversal of temporary differences	**259**	62
	1,164	1,074

Notes:

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

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).

7. 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.

8. 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	2018
	HK$'000	*HK$'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.

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	**Zippers – Overseas**	**Total**
	HK$'000	***HK$'000***	***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**

	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

(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	**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.

	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 8(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.

9. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	HK$'000	*HK$'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	**(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.

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 have 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	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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.

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.

In March 2020, the Group redeemed the remaining investment in the Fund with a proceeds of approximately HK$25,000,000.

10. INVENTORIES

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

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

	2019	2018
	HK$'000	HK$'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.

11. TRADE AND OTHER RECEIVABLES

		2019	2018
	Notes	***HK$'000***	*HK$'000*
Trade debtors and bills receivable		**42,944**	41,105
Less: Loss allowance		**(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.

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	2018
	HK$'000	*HK$'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

(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, 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.

12. CASH AND CASH EQUIVALENTS

	2019	2018
	HK$'000	*HK$'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$40,563,000 (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.

13. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'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	**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	2018
	HK$'000	*HK$'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

14. SHARE CAPITAL

Authorised and issued share capital

	2019		2018	
	Number of shares	**Share capital**	Number of shares	Share capital
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised,				
Ordinary shares of HK$0.01 each	**2,000,000**	**20,000**	2,000,000	20,000
Ordinary shares, issued and fully paid:				
At 1 January 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.

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 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).

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.

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				
Finished zippers and sliders	**52.08**	**98.4**	62.22	97.3
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%).

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 a 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**"). The carrying value of the Fund was approximately HK$23.58 million as at 31 December 2019 (31 December 2018: HK$102.18 million) after partial redemption of the shares and a loss arising from changes in the fair value of financial asset of approximately HK$23.60 million recognised during the year ended 31 December 2019.

The Group has made a partial redemption of its shares in the Fund during the year ended 31 December 2019 with proceeds of HK$55 million received in August 2019. Subsequent to the end of the reporting period, the Fund Manager has informed the Group that the Fund had suffered from an investment loss. In view of the unpleasant present global economic situation and financial market volatility, and to mitigate any further losses (if any) in connection with the Fund, the Group has determined to proceed the redemption of the remaining investment in the Fund in March 2020. Accordingly, proceeds of approximately HK$25 million was received by the Group in March 2020.

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.

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.

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	2018
	HK$ million	*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 loan as at 31 December 2018 and 2019.

As at 31 December 2019, the Group had no bank facilities. The adjusted net debt to capital ratio, being the Group's total debts (including interest bearing loans and borrowings, and lease liabilities) over its total equity at 31 December 2019 and 2018 was nil as the Group had no net debts for both years was the Group's strategy is to monitor the ratio below 20% which is considered to be healthy and suitable for the continuous development of the Group's business.

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 other contingent liabilities as at 31 December 2018 and 2019.

EVENTS AFTER THE END OF REPORTING PERIOD

(i) On 15 January 2020, the Group has renewed the two lease agreements with Classic Winner Limited ("**Classic Winner**") and 南海今和明投資有限公司 (Nanhai Jinheming Investment Company Limited*) ("**Nanhai Jinheming**") which are owned by the connected parties as disclosed in this section headed "Connected Transactions and Continuing Connected Transactions" 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 paid out to the Shareholders on 3 March 2020.

(iii) The Group redeemed the remaining investment in the Fund with a proceeds of approximately of HK$25 million in 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 this results announcement. 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.

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, Classic Winner is also a connected person at the subsidiary level of the Company as of the date of Second HK Lease Renewal Agreement.

    An independent property value 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 an initial 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, Nanhai Jinheming is also a connected person at the subsidiary level of the Company as of the date of Second Zhejiang Lease Renewal Agreement.

    An independent property value 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 right-of-use assets under the Second Lease Renewal Agreements. 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.

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

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.

(i) Chairman and chief executive officer

As at 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 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.

(ii) Internal control and risk management

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.

MODEL CODE

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2019.

AUDIT COMMITTEE

An Audit Committee has been established with written terms of reference in compliance with the Corporate Governance Code. The main duties of the audit committee are to assist the Board in reviewing the financial information and reporting system, internal control system and risk management, 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 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 consolidated results of the Group for the year ended 31 December 2019 have been reviewed by the Audit Committee.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

DIVIDENDS

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 paid out to the Shareholders on 3 March 2020.

The Board does not recommend any payment of a final dividend (2018: Nil) in respect of the year 2019 to the Shareholders.

CHANGE OF CONTROLLING SHAREHOLDER

With reference to the Company's joint announcement dated on 10 July 2019, Glory Emperor Trading Limited has 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 hold 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 20 September 2019. As at 31 December 2019, the percentage of issued shares of the Company held by the Joint Offerors reduced to approximately 74.99% upon completion of placement of certain of these shares on 19 December 2019.

CHANGE OF COMPANY NAME

Following to the passing of a special resolution to approve the Change of Company Name at the extraordinary general meeting of the Company held on 18 November 2019, the English name of the Company and the dual foreign name in Chinese of the Company have been changed to "China Apex Group Limited" and "中國恒泰集團有限公司" respectively with effect from 22 November 2019. 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 ("**Mr. Zhuang**") and Mr. Qiu Chuanzhi ("**Mr. Qiu**") 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.

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, 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, representing approximately 11.98% of the then issued share capital of the Company had been placed through the placing agent to independent placees on 19 December 2019 (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.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held in Hong Kong on Wednesday, 17 June 2020. Notice of the annual general meeting will be issued and disseminated to Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlements of the Shareholders to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from Friday, 12 June 2020 to Wednesday, 17 June 2020, both days inclusive, during which period no transfer of shares will be registered. All transfers documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 11 June 2020.

SCOPE OF WORK OF BDO LIMITED

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been compared by the Group's auditor, BDO Limited, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by BDO Limited in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (https://www.irasia.com/listco/hk/chinaapex/index.htm). The annual report for the year ended 31 December 2019 containing all the information required by Appendix 16 to the Listing Rules will be despatched to Shareholders and available on the same websites in due course.

DEFINITIONS

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

"Board"	the Board of Directors
"CG Code"	code on corporate governance practices as set out in Appendix 14 to the Listing Rules
"Company"	China Apex Group Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands on 6 July 2010, the Shares of which are listed on the Main Board of the Stock Exchange
"Director(s)"	the Director(s) of the Company
"Group"	the Company and its subsidiaries
"HK$" and "HK cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the stock market operated by the Stock Exchange, which excludes the GEM and the options market
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

"OEM"	original equipment manufacturer or manufacturing
"PRC" or "China" or "Mainland China"	the People's Republic of China excluding, for the purpose of this report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of issued Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

* *for identification purpose only*

By Order of the Board
China Apex Group Limited
Zhuang Weidong
Chairman

Hong Kong, 31 March 2020

As at the date of this announcement, the executive Directors are Mr. Zhuang Weidong and Mr. Qiu Chuanzhi Mr. Wu David Hang and Mr. Mak Yung Pan Andrew; the non-executive Director is Ms. Lin Ping, and the independent non-executive Directors are Mr. Cheng Hong Kei, Mr. Liew Fui Kiang and Mr. Leung Ka Tin.