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 2020

FINANCIAL HIGHLIGHTS

	2020	2019	**Change**
	HK$'000	*HK$'000*	**+/(-)**
Revenue	**170,089**	205,796	**(17.4%)**
Gross profit	**34,235**	52,932	**(35.3%)**
Loss for the year	**(51,209)**	(44,164)	**16.0%**
Loss attributable to equity shareholders	**(46,907)**	(44,180)	**6.2%**

	As at 31 December		
	2020	2019	**Change**
	HK$'000	*HK$'000*	**+/(-)**
Total assets	**290,702**	338,348	**(14.1%)**
Cash and cash equivalents	**60,930**	91,174	**(33.2%)**
Total equity attributable to the equity shareholders	**151,873**	216,657	**(29.9%)**

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 2020, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	**2020** *HK$'000*	2019 *HK$'000*
Revenue	5	**170,089**	205,796
Cost of sales		**(135,854)**	(152,864)
Gross profit		**34,235**	52,932
Other revenue and gains/(losses), net	6	**(4,541)**	(23,268)
Distribution costs		**(11,760)**	(15,528)
Administrative expenses		**(54,247)**	(53,653)
(Impairment losses)/reversal of impairment losses on			
– trade receivables and bills receivable		**(91)**	262
– property, plant and equipment		**(8,215)**	–
– right-of-use assets		**(4,885)**	–
Share of loss of a jointly controlled entity		**(728)**	–
Interests on lease liabilities		**(3,662)**	(3,745)
Loss before taxation	7	**(53,894)**	(43,000)
Income tax credit/(expense)	8	**2,685**	(1,164)
Loss for the year		**(51,209)**	(44,164)
(Loss)/profit for the year attributable to:			
Equity shareholders of the Company		**(46,907)**	(44,180)
Non-controlling interests		**(4,302)**	16
Loss for the year		**(51,209)**	(44,164)
Loss per share attributable to the equity shareholders of the Company *(HK cents)*	9		
Basic and diluted		**(10.1)**	(9.5)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2020

	2020	2019
	HK$'000	*HK$'000*
Loss for the year	**(51,209)**	(44,164)
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	**19,814**	(4,474)
Total comprehensive income for the year	**(31,395)**	(48,638)
Attributable to:		
Equity shareholders of the Company	**(29,924)**	(48,073)
Non-controlling interests	**(1,471)**	(565)
Total comprehensive income for the year	**(31,395)**	(48,638)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**86,616**	79,243
Right-of-use assets		**56,408**	52,042
Intangible assets		**140**	885
Investment in a jointly controlled entity		**5**	–
Prepayments for property, plant and equipment		**89**	3,004
Rental deposits		**2,926**	3,986
Deferred tax assets		**5,834**	3,185
		152,018	142,345
Current assets			
Inventories	10	**26,881**	34,425
Financial asset at fair value through profit or loss		**–**	23,583
Amount due from a jointly controlled entity		**1,791**	–
Trade and other receivables	11	**49,082**	44,698
Current tax recoverable		**–**	2,123
Cash and cash equivalents	12	**60,930**	91,174
		138,684	196,003
Current liabilities			
Trade and other payables	13	**52,245**	44,344
Tax payable		**122**	–
Lease liabilities		**18,880**	16,327
		71,247	60,671
Net current assets		**67,437**	135,332
Total assets less current liabilities		**219,455**	277,677
Non-current liabilities			
Lease liabilities		**45,290**	37,257
Deferred tax liabilities		**1,124**	1,124
		46,414	38,381
Net assets		**173,041**	239,296

	Notes	**2020**	2019
		HK$'000	*HK$'000*
Capital and reserves			
Share capital	14	**4,648**	4,648
Reserves		**147,225**	212,009
Total equity attributable to the equity shareholders of the Company		**151,873**	216,657
Non-controlling interests		**21,168**	22,639
Total equity		**173,041**	239,296

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

(Expressed in Hong Kong dollars unless otherwise indicated)

1. GENERAL

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

The Group, comprising the Company and its subsidiaries, continue to operate the zipper business.

As at 31 December 2020 and 2019, the percentage of issued shares of the Company held by China Sun Corporation, Central Eagle Limited and Golden Diamond Inc., all of them are incorporated in the British Virgin Islands, were approximately 28.77%, 28.16% and 17.72% (2019: 18.06%), respectively. The directors of the Company considered the Company has no holding company nor controlling shareholder as at 31 December 2020 and 2019.

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

(a) Adoption of new/revised HKFRSs – effective 1 January 2020

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

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform

None of these revised HKFRSs has a material impact on the Group's results and financial position for the current or prior period.

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

The following new/revised HKFRSs, potentially relevant to the Group's 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
Amendment to HKFRS 16, Covid-19-Related Rent Concessions	1 June 2020
Amendments to HKAS 1, Classification of Liabilities as Current or Non-current	1 January 2023
HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKAS 16, Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 17 – Insurance Contracts	1 January 2023
Amendments to HKFRS 3, Reference to the Conceptual Framework	Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022
Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2	1 January 2021
Annual Improvements to HKFRSs 2018–2020	1 January 2022

Amendment to HKFRS 16, Covid-19-Related Rent Concessions

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the Covid-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 pandemic and only if all of the following criteria are satisfied:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Group will elect to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group will apply the amendment retrospectively, and do not restate prior period figure.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have significant impact on the financial statements as no rent concession has occurred up to the date of approval of the financial statements.

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have significant impact on the Group's financial statements.

Amendments to HKAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The directors of the Company is currently assessing the impact of application of the amendments and anticipate it will not have material impact on the Group's financial statements as it is seldom for the Group to sell its property, plant and equipment before they are capable of intended use.

Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The directors of the Company is currently assessing the impact that the application of the amendments will have on the Group's financial statements.

HKFRS 17, Insurance Contracts

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4, Insurance Contracts. The standard outlines a 'General Model', which is modified for insurance contracts with direct participation features, described as the 'Variable Fee Approach'. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

The directors of the Company do not anticipate that the application of this standard in the future will have significant impact on the Group's financial statements.

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The directors of the Company do not anticipate that the application of the amendments in the future will have significant impact on the Group's financial statements.

Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company anticipate that the application of these amendments may have an impact on the Group's financial statements in future periods should such transaction arise.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "**Reform**"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The directors of the Company do not anticipate that the application of the amendments in the future will have significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018–2020

The annual improvements amends a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

- HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The directors of the Company do not anticipate that the application of the amendments in the future will have significant impact on the Group's financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except that the investment in an investment fund classified as financial asset at fair value through profit or loss is stated at fair value.

(c) Functional currency

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

4. SEGMENT REPORTING

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

	2020	2019
	HK$'000	*HK$'000*
Mainland China	**150,182**	182,992
Overseas	**19,907**	22,804
	170,089	205,796

(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 2020 and 2019 respectively is set out below:

	Zippers – Mainland China	**Zippers – Overseas**	**Total**
	HK$’000	*HK$’000*	*HK$’000*
Year ended 31 December 2020			
Revenue from external customers	**150,182**	**19,907**	**170,089**
Inter-segment revenue	**12,671**	**307**	**12,978**
Reportable segment revenue	**162,853**	**20,214**	**183,067**
Reportable segment loss	**(20,695)**	**(62)**	**(20,757)**
Impairment loss on property, plant and equipment and right-of-use assets	**13,100**	**–**	**13,100**
Depreciation and amortisation for the year	**26,016**	**1,021**	**27,037**
Reportable segment assets at year end	**255,163**	**7,499**	**262,662**
Additions to non-current segment assets during the year	**45,493**	**1,406**	**46,899**
Reportable segment liabilities at year end	**107,892**	**2,079**	**109,971**

	Zippers – Mainland China *HK$'000*	Zippers – Overseas *HK$'000*	Total *HK$'000*
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	23,303	940	24,243
Reportable segment assets at year end	235,873	13,975	249,848
Additions to non-current segment assets during the year	23,397	10	23,407
Reportable segment liabilities at year end	84,763	2,640	87,403

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

	2020 ***HK$'000***	2019 *HK$'000*
Revenue		
Reportable segment revenue	**183,067**	219,991
Elimination of inter-segment revenue	**(12,978)**	(14,195)
Consolidated revenue *(note 5)*	**170,089**	205,796
(Loss)/profit		
Reportable segment (loss)/profit	**(20,757)**	2,912
Elimination of unrealised profit or loss of inter-segment purchase of inventories, other assets and property, plant and equipment	**14**	1,527
Reportable segment (loss)/profit derived from the Group's external customers	**(20,743)**	4,439
Other revenue and gains/(losses), net	**(4,541)**	(23,268)
Interests on lease liabilities	**(3,662)**	(3,745)
Share of loss of a jointly controlled entity	**(728)**	–
Unallocated head office and corporate expenses *(note)*	**(24,220)**	(20,426)
Consolidated loss before taxation	**(53,894)**	(43,000)

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

	2020	2019
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**262,662**	249,848
Elimination of unrealised profit of inter-segment purchase of inventories	**(405)**	(419)
	262,257	249,429
Current tax recoverable	**–**	2,123
Deferred tax assets	**5,834**	3,185
Financial asset at fair value through profit or loss	**–**	23,583
Investment in a jointly controlled entity	**1,796**	–
Unallocated head office and corporate assets	**9,067**	12,979
Cash and cash equivalents	**11,748**	47,049
Consolidated total assets	**290,702**	338,348
Liabilities		
Reportable segment liabilities	**109,971**	87,403
Deferred tax liabilities	**1,124**	1,124
Unallocated head office and corporate liabilities	**6,566**	10,525
Consolidated total liabilities	**117,661**	99,052

(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 4(a).

The Group's non-current assets excluding financial assets (i.e. rental deposits and investment in a jointly controlled entity) 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 the Specified Non-current Assets is based on their physical location. In the case of intangible assets, it is based on the location of the operation to which they are allocated. As at 31 December 2020, the Group's Specified Non-current Assets were located in Mainland China and Hong Kong with carrying amounts of HK$135,841,000 (2019: HK$124,504,000) and HK$7,412,000 (2019: HK$10,669,000) respectively.

5. REVENUE

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

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

	2020	2019
	HK$'000	*HK$'000*
Sales of goods		
Finished zippers and sliders	**167,421**	202,223
Others	**2,668**	3,573
	170,089	205,796

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 receivables and contract liabilities from contracts with customers:

	2020	2019
	HK$'000	*HK$'000*
Trade debtors and bills receivable *(note 11)*	**43,536**	41,690
Contract liabilities	**841**	592

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

	2020	2019
	HK$'000	*HK$'000*
Balance as at 1 January	**592**	772
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	**(528)**	(632)
Increase in contract liabilities as a result of receipts in advance from customers during the year	**753**	464
Exchange adjustments	**24**	(12)
Balance as 31 December	**841**	592

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.

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

	2020	2019
	HK$'000	*HK$'000*
Revenue from other sources		
Interest income	**435**	910
Government grants *(Note)*	**3,111**	253
	3,546	1,163
Other gains/(losses), net		
Fair value gain/(losses) on financial asset at fair value through profit or loss	**1,525**	(23,600)
Net foreign exchange (losses)/gains	**(10,131)**	2,826
Loss on disposal of property, plant and equipment	**(63)**	(2,443)
Others	**582**	(1,214)
	(8,087)	(24,431)
	(4,541)	(23,268)

Note: Included in profit or loss is HK$1,195,000 (2019: Nil) of government grants obtained from Employment Support Scheme ("**ESS**") under the Anti-epidemic Fund launched by the Hong Kong SAR Government supporting the payroll of the Group's employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Group did not have other unfulfilled obligations relating to this program.

Government grants of HK$1,475,000 (2019: Nil) were granted to certain subsidiaries for their product innovation and development. There were no unfulfilled conditions for these government grants.

7. LOSS BEFORE TAXATION

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

(a) Staff costs*

	2020	2019
	HK$'000	*HK$'000*
Salaries, wages and other benefits	**75,594**	82,480
Contributions to defined contribution retirement plans	**3,099**	8,127
	78,693	90,607

(b) Other items

	2020	2019
	HK$'000	*HK$'000*
Depreciation and amortisation*		
Property, plant and equipment	**13,062**	10,909
Intangible assets	**754**	774
Right-of-use assets	**18,950**	17,847
	32,766	29,530
Auditors' remuneration		
Audit services	**950**	1,150
Other services	**152**	225
	1,102	1,375
Impairment losses/(reversal of impairment losses) on trade and bills receivable	**91**	(262)
Impairment losses on property, plant and equipment	**8,215**	–
Impairment losses on right-of-use assets	**4,885**	–
Research and development expenses	**3,791**	7,613
Cost of inventories* *(note 10)*	**135,854**	152,864

* Cost of inventories includes HK$70,241,000 (2019: HK$77,956,000) relating to staff costs and depreciation and amortisation expenses, which amounts are also included in the respective total amounts disclosed separately above or in note 7(a) for each of these types of expenses.

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

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

	2020	2019
	HK$'000	*HK$'000*
Current tax		
PRC corporate income tax		
Provision for the year	**–**	1,357
Over-provision in respect of prior years	**(385)**	(452)
	(385)	905
Hong Kong Profits Tax	**–**	–
Deferred tax		
Origination and reversal of temporary differences	**(2,300)**	259
	(2,685)	1,164

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

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

(ii) 開易(廣東)服裝配件有限公司(KEE (Guangdong) Garment Accessories Limited*) ("**KEE Guangdong**") was recognised as a High and New Technology Enterprise and is entitled to a preferential income tax rate of 15% up to 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 2020, deferred tax liability recognised in this regard was HK$1,124,000 (2019: HK$1,124,000).

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on loss attributable to the equity shareholders of the Company of HK$46,907,000 (2019: HK$44,180,000) and the weighted average number of 464,804,000 ordinary shares in issue during both years ended 31 December 2019 and 2020.

(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 2019 and 2020.

10. INVENTORIES

	2020	2019
	HK$'000	*HK$'000*
Raw materials	**8,174**	9,523
Work in progress	**16,445**	22,287
Finished goods	**2,262**	2,615
	26,881	34,425

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

	2020	2019
	HK$'000	*HK$'000*
Carrying amount of inventories sold	**134,350**	151,344
Write down of inventories	**2,770**	1,578
Reversal of write-down of inventories	**(1,535)**	(931)
Exchange adjustments	**269**	873
	135,854	152,864

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 or utilisation of inventories previously provided for.

11. TRADE AND OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade debtors and bills receivable	**44,971**	42,944
Less: Loss allowance	**(1,435)**	(1,254)
	43,536	41,690
Rental deposits	**2,665**	1,099
Other prepayments	**1,155**	1,490
Other debtors	**1,726**	419
	49,082	44,698

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

Ageing analysis

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

	2020	2019
	HK$'000	*HK$'000*
Within 1 month	**18,049**	11,379
Over 1 month but within 2 months	**13,065**	14,645
Over 2 months but within 3 months	**6,144**	6,969
Over 3 months	**6,278**	8,697
	43,536	41,690

12. CASH AND CASH EQUIVALENTS

	2020	2019
	HK$'000	*HK$'000*
Cash at banks and in hand	**60,930**	91,174

As at 31 December 2020, cash and cash equivalents in the amount of HK$48,936,000 (2019: HK$34,544,000) 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

	2020	2019
	HK$'000	*HK$'000*
Trade creditors	**9,597**	9,977
Payroll and staff benefits payable	**17,004**	19,449
Accrued expenses	**5,582**	4,302
Payables for purchase of property, plant and equipment	**18,723**	10,019
Contract liabilities	**841**	592
Other payables	**498**	5
	52,245	44,344

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:

	2020	2019
	HK$'000	*HK$'000*
Within 1 month	**8,072**	8,991
Over 1 month but within 3 months	**1,362**	555
Over 3 months but within 6 months	**1**	17
Over 6 months	**162**	414
	9,597	9,977

14. SHARE CAPITAL

Authorised and issued share capital

	At 31 December 2020		At 31 December 2019	
	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 2020.

The customers in zipper business are primarily OEMs who manufacture apparel products for (i) apparel brands in China; and (ii) some well-known international apparel labels. The Group maintains a close working relationship with apparel brand owners on the design of zippers to be applied on the apparel products. The apparel brand owners usually decide on the supplier for their OEMs and place orders with such OEMs who in turn source zippers and other garment accessories from the Group.

FINANCIAL HIGHLIGHTS

The Group's revenue for the year ended 31 December 2020, represented the revenue from zipper business, decreased to approximately HK$170.09 million as compared with approximately HK$205.80 million for the year ended 31 December 2019.

Loss before taxation for the year ended 31 December 2020 was approximately HK$53.89 million (2019: approximately HK$43.00 million), represented an increase of approximately 10.89 million as compared to prior year. The increase in loss before taxation was mainly due to the combined effect of:

(i) the decrease in gross profit of the zipper business from approximately HK$52.93 million for the year ended 31 December 2019 to approximately HK$34.24 million for the year ended 31 December 2020;

(ii) the impairment losses recognised on the property, plant and equipment and right-of-use assets of approximately HK$8.22 million and HK$4.89 million respectively for the year ended 31 December 2020 in relation to our zipper business;

(iii) the fair value gain on financial asset at fair value through profit or loss of approximately HK$1.53 million recorded during the year ended 31 December 2020 as compared to the fair value loss of approximately HK$23.60 million in 2019; and

(iv) the net foreign exchange losses of approximately HK$10.13 million for the year ended 31 December 2020 as compared to the net foreign exchange gains of approximately HK$2.83 million in 2019.

REVENUE

The Group's revenue for the year ended 31 December 2020 amounted to approximately HK$170.09 million, representing a year-on-year decrease of approximately 17.4% as compared to the last year.

Revenue analysis by product category:

	2020		2019	
	HK$ million	*%*	*HK$ million*	*%*
Sales of goods				
Finished zippers and sliders	**167.42**	**98.4**	202.22	98.3
Others	**2.67**	**1.6**	3.58	1.7
Total revenue	**170.09**	**100.0**	205.80	100.0

Revenue analysis by geographic location:

	2020		2019	
	HK$ million	*%*	*HK$ million*	*%*
Mainland China	**150.18**	**88.3**	183.00	88.9
Overseas	**19.91**	**11.7**	22.80	11.1
Total revenue	**170.09**	**100.0**	205.80	100.0

Finished Zippers and Sliders

Revenue from sales of finished zippers and sliders decreased by approximately HK$34.80 million or 17.2% to approximately HK$167.42 million for the year ended 31 December 2020 (2019: approximately HK$202.22 million). The decrease was primarily due to the impact of the global outbreak of the COVID-19 including quarantine lockdown and travel restrictions, resulting in the decreasing number of sales orders from customer of the Group who are primarily OEMs who manufacture apparel products.

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 2020 include but not limited to Hong Kong, Switzerland, Italy, India, Indonesia, Bangladesh, Germany, Korea, Vietnam, Tunisia and Jordan.

Others

Others represent items such as scrap material and zipper components. Revenue of other items reduced by approximately HK$0.91 million to approximately HK$2.67 million for the year ended 31 December 2020 (2019: approximately HK$3.58 million).

COST OF SALES AND GROSS PROFIT

In 2020, the overall cost of sales for the zipper business amounted to approximately HK$135.85 million (2019: approximately HK$152.86 million), representing an decrease of approximately 11.1%. The overall gross profit of the Group decreased by approximately 35.3% from approximately HK$52.93 million for the year ended 31 December 2019 to approximately HK$34.24 million for the year ended 31 December 2020. In 2020, the overall gross profit margin decreased from 25.7% of last year to 20.1%. The decrease in gross profit was primarily due to the decrease in revenue as discussed above.

Gross profit analysis by product category:

	2020		2019	
	HK$ million	*%*	*HK$ million*	*%*
Finished zippers and sliders	**33.51**	**97.9**	52.08	98.4
Others	**0.73**	**2.1**	0.85	1.6
Total gross profit	**34.24**	**100.0**	52.93	100.0

Finished Zippers and Sliders

Gross profit for finished zippers and sliders decreased by approximately 35.7% from approximately HK$52.08 million for the year ended 31 December 2019 to approximately HK$33.51 million for the year ended 31 December 2020 which was primarily due to the decrease in revenue as discussed above.

Others

Gross profit of other items decreased by approximately HK$0.12 million from approximately HK$0.85 million for the year ended 31 December 2019 to approximately HK$0.73 million for the year ended 31 December 2020, 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 2020, the Group's distribution costs amounted to approximately HK$11.76 million (2019: approximately HK$15.53 million), accounting for approximately 6.9% of the Group's turnover (2019: approximately 7.5%). The decrease in distribution costs was mainly due to the decrease in staff costs and transportation costs as a result of the decline in sales of finished zippers and sliders which was in line with the decrease in revenue.

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 2020, the Group's administrative expenses amounted to approximately HK$54.25 million (2019: approximately HK$53.65 million), which accounted for approximately 31.9% of the Group's turnover (2019: approximately 26.1%).

INCOME TAX CREDIT/(EXPENSE)

Income tax credit for the year ended 31 December 2020 mainly represents deferred tax assets arising from depreciation and impairment loss.

Income tax expense for the year ended 31 December 2019 mainly represents the tax expenses incurred in relation to the operations of the Group in the PRC.

PROFITABILITY

In 2020, the Group's loss attributable to equity shareholders of the Company amounted to approximately HK$46.91 million (2019: approximately HK$44.18 million), representing an increase of loss of approximately 6.2% as compared to 2019. 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 27.6% (2019: 21.5%).

During the year ended 31 December 2020, the Group's return on equity attributable to the equity shareholders of the Company was -30.9% (2019: -20.4%).

FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

The Company 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 carrying value of the Fund was approximately HK$23.58 million as at 31 December 2019 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 approximately HK$55 million received in August 2019. On 25 March 2020, the Company redeemed approximately 4,932 participating shares, being the remaining shares in the Fund at the redemption price of approximately HK$25.01 million (the "**Redemption**"). The net proceeds from the Redemption were approximately HK$24.89 million and will be used as general working capital. On 15 May 2020, the Company received the residual balance of approximately HK$0.22 million from the Fund. A fair value gain on financial asset at fair value through profit or loss of approximately HK$1.53 million was recorded during the year ended 31 December 2020.

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

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

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 17.6% and 19.4% of the Group's total current assets as at 31 December 2019 and 2020 respectively.

Inventories decreased by approximately 21.9% from approximately HK$34.43 million as at 31 December 2019 to approximately HK$26.88 million as at 31 December 2020. The decrease in inventories was mainly attributable to the decrease in the number of sales orders of the Group.

The average inventory turnover days for 2020 and 2019 were 82 days and 70 days respectively.

The net write-down on inventories for the year ended 31 December 2020 was approximately HK$1.24 million (2019: net write-down of approximately HK$0.65 million) which was due to the decrease in the estimated net realisable value of certain slow-moving inventories.

TRADE DEBTORS

As at 31 December 2020, the allowance for doubtful debts was approximately HK$1.44 million (31 December 2019: approximately HK$1.25 million), accounting for approximately 3.2% of the Group's total trade debtors (2019: approximately 2.9%).

The Group's trade debtors (net) slightly increased by around 4.4% from approximately HK$41.69 million of last year to approximately HK$43.54 million as at 31 December 2020.

The average trade debtors turnover days for 2020 and 2019 were 91 days and 72 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. The increase in balance of other receivables by approximately HK$2.54 million, representing a increase in 84.4% from approximately HK$3.01 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.

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 slightly decreased by around 3.8% from approximately HK$9.98 million as at 31 December 2019 to approximately HK$9.60 million as at 31 December 2020. The average trade creditors turnover days for 2020 and 2019 were 26 days and 21 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 24.1% to approximately HK$42.65 million as at 31 December 2020 (2019: approximately HK$34.37 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 at 31 December 2020, the lease liabilities and right-of-use assets amounted to approximately HK$64.2 million (2019: approximately HK$53.58 million) and approximately HK$56.41 million (2019: 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 2019 and 2020:

	2020	2019
	HK$ million	*HK$ million*
Net cash generated from/(used in) operating activities	**18.67**	(1.37)
Net cash generated from investing activities	**3.02**	34.61
Net cash used in financing activities	**(56.59)**	(22.09)
Net (decrease)/increase in cash and cash equivalents	**(34.90)**	11.15
Cash and cash equivalents at 1 January	**91.17**	78.59
Effect of foreign exchange rate changes	**4.66**	1.43
Cash and cash equivalents at 31 December	**60.93**	91.17

The Group's net cash inflow from operating activities for the year 2020 amounted to approximately HK$18.67 million (2019: net cash outflow of approximately HK$1.37 million). As at 31 December 2020, cash and cash equivalents amounted to approximately HK$60.93 million, representing a net decrease of approximately HK$30.24 million as compared with the position as at 31 December 2019, which was mainly due to the combined effect of the cash flows for the year ended 31 December 2020 as shown in the above table.

As at 31 December 2020, the cash and cash equivalents of approximately HK$51.72 million, HK$5.22 million and HK$3.87 million are denominated in RMB, HKD and USD, respectively. 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.

The Group did not have borrowings other than lease liabilities as at 31 December 2019 and 2020.

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

The Group's strategy, is to maintain the adjusted net debt-to-capital ratio (i.e. total lease liabilities less cash and cash equivalents over total equity) below 20%. The ratio as at 31 December 2020 and 2019 was 1.9% and nil respectively. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

NET CURRENT ASSETS

As at 31 December 2020, the Group had net current assets of approximately HK$67.44 million. The key components of current assets as at 31 December 2020 included cash and cash equivalents of approximately HK$60.93 million, trade and other receivables of approximately HK$49.08 million, amount due from a jointly controlled entity of approximately HK$1.79 million, and inventories of approximately HK$26.88 million. The current liabilities mainly represented trade and other payables of approximately HK$52.25 million and current portion of lease liabilities of approximately HK$18.88 million.

The net current assets decreased from approximately HK$135.33 million as at 31 December 2019 to approximately HK$67.44 million as at 31 December 2020, mainly attributable to the decrease in financial asset at fair value through profit or loss of approximately HK$23.58 million as the remaining shares in the Fund were redeemed in 2020 and decrease in cash and cash equivalents of approximately HK$30.24 million due to the payment of special dividend in 2020.

PLEDGE OF ASSETS

The Group did not have any assets pledged for borrowings.

CAPITAL COMMITMENTS

The capital commitments in respect of property, plant and equipment as at 31 December 2019 and 2020 not provided for in the consolidated financial statements were approximately HK$4.46 million and approximately HK$0.29 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**").

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$2,783,000 (2019: approximately HK$6,081,000) that was held by KEE Zippers and the Company for which HK$ is their functional currency.

In addition, the Group had HK$ denominated inter-company other receivables amounting to approximately HK$145,318,000 (2019: approximately HK$152,167,000) that were held by 開易(廣東)服裝配件有限公司 (KEE (Guangdong) Garment Accessories Limited*) ("**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 2020, 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$713,000 (2019: decreased/increased net loss and accumulated losses by approximately HK$730,000).

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 2020, the Group had 694 full-time employees (2019: 816). 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 2020 were approximately HK$78.70 million (2019: approximately HK$90.61 million). The decrease in staff costs is mainly due to the decrease in headcount of the workers as a result of the decline in production.

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 December 2019 and 2020.

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

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

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

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

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

CHANGE IN EMOLUMENTS OF THREE EXECUTIVE DIRECTORS

Each of Mr. Zhuang Weidong and Mr. Qiu Chuanzhi has waived part of their emoluments as executive Directors from 1 April 2020 to 31 December 2020. Since 1 June 2020, each of them has received HK$10,000 per month as their emoluments. Mr. Mak Yung Pan Andrew has also waived part of his emoluments as an executive Director since 1 February 2021. He receives HK$10,000 per month as emoluments since then.

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 Limited ("**Classic Winner**"), a company owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, as lessor and KEE Zippers, an indirect 85%-owned subsidiary of the Company, as lessee entered into a lease renewal agreement (the "**Second HK Lease Renewal Agreement**") pursuant to which Classic Winner has agreed to lease to KEE Zippers a property in Hong Kong at a monthly rental of HK$60,000 (exclusive of Government rates, Government rent, management fees and all other outgoings) payable in advance in cash without any deduction on the 16th day of each month for a term of two years commencing from 16 January 2020 to 15 January 2022. As Classic Winner is owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, who are directors of certain subsidiaries of the Company, Classic Winner is therefore a connected person of the Company at the subsidiary level.

An independent property valuer advised that the monthly rental of HK$60,000 is fair and reasonable with reference to the market value.

(ii) On 15 January 2020, 佛山市南海今和明投資有限公司 (Foshan City Nanhai jinheming Investment Company Limited*), ("**Nanhai Jinheming**"), a company owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, as lessor and KEE Zhejiang, an indirect 85%-owned subsidiary of the Company, as lessee entered into a lease renewal agreement (the "**Second Zhejiang Lease Renewal Agreement**") pursuant to which Nanhai Jinheming has agreed to lease to KEE Zhejiang the production base in Zhejiang Province at a monthly rental of RMB417,300 payable in cash within the first 10 working days of each month commencing from 16 January 2020 for a term of two years commencing on 16 January 2020 to 15 January 2022 with three months' rent of RMB1,251,900 as deposit. As Nanhai Jinheming is owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, who are directors of certain subsidiaries of the Company. Nanhai Jinheming is therefore a connected person of the Company at the subsidiary level.

An independent property valuer advised that the monthly rental of RMB417,300 is fair and reasonable with reference to the market value.

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

(iii) On 31 December 2020, 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 2020**") to renew the lease of a plant in Guangdong for a further term of two years from 1 January 2021 to 31 December 2022 for a monthly rental of RMB394,000 payable within the first 10 working days of each month commencing from 1 January 2021.

An independent property valuer advised that the monthly rental of RMB394,000 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 Guangdong Lease Renewal Agreement 2020, the Group recognised an additional asset representing its right to use the plant in Guangdong in the total amount of approximately HK$10.92 million. As such, the transactions under the Guangdong Lease Renewal Agreement 2020 was recognised as an acquisition of right-of-use assets which constituted a one-off connected transaction of the Company under Chapter 14A of the Listing Rules. Details of which had been disclosed in the Company's announcement dated 31 December 2020.

Connected Transaction in Relation to Purchase of Equipment

On 1 December 2020, 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**"), an indirect non-wholly owned subsidiary of the Company, as purchaser entered into an equipment purchase agreement (the "**Equipment Purchase Agreement**") with 開易(荊門)服裝配件有限公司 (KEE (Jingmen) Garment Accessories Limited*) ("**KEE Jingmen**"), a company owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, as vendor, pursuant to which KEE Jingmen agreed to sell and KEE Guangdong Jingmen Branch agreed to purchase the equipment (the "**Equipment**") at the consideration of RMB6,717,563.50 (among which RMB772,817.04 is the value added tax) (equivalent to approximately HK$7,913,289.80) (the "**Consideration**"). 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 Equipment Purchase Agreement.

The Company has reviewed the acquisition cost of KEE Jingmen for the Equipment and the quotations obtained from independent third parties for comparable major equipment to ensure that the Consideration is fair and reasonable.

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, 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 each of the two years ended 31 August 2020 and the year 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 ended 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 each of the two the years ended 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 ended 31 December 2020	4,320,000	4,924,800

For the year ended 31 December 2020, 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 2019 were approximately HK$10,384,000 and the Second HK Lease Renewal Agreement and the Second Zhejiang Lease Renewal Agreement were approximately HK$6,071,000.

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

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

According to the relevant regulations, being recognised as an enterprise of new and high technology, KEE Guangdong would be entitled to enjoy a preferential tax concession in the People's Republic of China and its applicable profit tax rate for 2019 to 2021 is expected to be 15%. Without this preferential tax concession, normal profit tax rate of KEE Guangdong would be 25%.

PROSPECT

Affected by the outbreak of COVID-19 pandemic worldwide, final consumptions and exports were stagnant, consumption power of garment industry reduced. In addition, amid the escalation of the trade war between the US and China, the textile and garment industry of China was challenged by the sluggish domestic demand and foreign demand. However, the domestic demand and foreign market of textile and garment industry are recovering gradually as the COVID-19 pandemic became controllable basically and effectively by each country, and they actively promulgated a series of recovery policies.

Therefore, the Group will take the following measures to respond to the short-term impact of the COVID-19 pandemic on the Company while making the pandemic prevention and control usual practice:

1. Adapt to the new market environment and the change of demand proactively, respond to the demands of customer and market quickly, ramp up efforts to expand e-commerce market, improve products quality and shorten delivery period;

2. Further integrate and improve production capacity, and improve ancillaries of industry chains;

3. Optimize production process, increase efficiency of operation, and enhance cost management;

4. Enhance capital management, and prevent and control operation risk;

5. Accelerate digital transformation, and improve the level of operation management; and

6. Enhance talent management, and improve organization ability.

Meanwhile, this pandemic will also speed up the reshuffle of zipper industry, some zipper companies which have poor operation and are lack of ancillaries will gradually exit the market, thus this will create potential space for market development to the Group.

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 2020, 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

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 and the duties of the chief executive officer is performed by the existing management of the Group. This constitutes a deviation from the Code Provision A.2.1 but 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 2020.

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 and Mr. Liew Fui Kiang. Mr. Cheng Hong Kei, an independent non-executive Director, is the chairman of the Audit Committee.

The Audit Committee held three meetings to review interim and annual financial results and reports during the year ended 31 December 2020 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 2020 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 2020.

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 (2019: Nil) in respect of the year 2020 to the Shareholders.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held in Hong Kong on Wednesday, 26 May 2021. 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, 21 May 2021 to Wednesday, 26 May 2021, 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, 20 May 2021.

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 2020 as set out in the preliminary announcement of results 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 2020 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 2021

As at the date of this announcement, the executive Directors are Mr. Zhuang Weidong, 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.