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)

# 2021
## Annual Report

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# Corporate Information

## DIRECTORS

### Executive Directors

Mr. Yip Siu Lun Dave *(Chairman)*
Mr. Wu Cody Zhuo-xuan
Mr. Qiu Chuanzhi
Mr. Mak Yung Pan Andrew

### Non-executive Director

Ms. Lin Ping

### Independent Non-executive Directors

Mr. Leung Ka Tin
Mr. Cheng Hong Kei
Mr. Liew Fui Kiang

## AUDIT COMMITTEE

Mr. Cheng Hong Kei *(Committee Chairman)*
Mr. Leung Ka Tin
Mr. Liew Fui Kiang

## NOMINATION COMMITTEE

Mr. Yip Siu Lun Dave *(Committee Chairman)*
Mr. Leung Ka Tin
Mr. Cheng Hong Kei
Mr. Liew Fui Kiang

## REMUNERATION COMMITTEE

Mr. Cheng Hong Kei *(Committee Chairman)*
Mr. Leung Ka Tin
Mr. Liew Fui Kiang

## COMPANY SECRETARY

Mr. Chan Kam Fuk

## REGISTERED OFFICE

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 10A and 10B
15/F., Nine Queen's Road Central
Central
Hong Kong

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG SHARE REGISTRAR

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

## AUDITOR

BDO Limited
Certified Public Accountants

## PRINCIPAL BANKERS

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

## COMPANY WEBSITE

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

# Financial Summary

## FIVE-YEAR FINANCIAL HIGHLIGHTS

| For the year ended 31 December | **2021** | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| **Results of Continuing Operations** | | | | | |
| Gross profit margin (%) | **30.0** | 20.1 | 25.7 | 32.4 | 31.2 |
| Operating loss or profit margin (%) | **–5.5** | –29.5 | –19.1 | –14.6 | –4.5 |
| Net loss or profit margin (%) (note 1) | **–7.3** | –27.6 | –21.5 | –16.8 | –24.4 |
| Return on equity (%) | **–12.4** | –30.9 | –20.4 | –12.5 | –14.4 |
| **Financial Position** | | | | | |
| Total assets (HK$'000) | **275,779** | 290,702 | 338,348 | 330,454 | 380,180 |
| Cash and cash equivalents (HK$'000) | **59,870** | 60,930 | 91,174 | 78,587 | 95,590 |
| Total equity attributable to equity shareholders of the Company (HK$'000) | **141,668** | 151,873 | 216,657 | 264,730 | 314,083 |
| **Financial Ratios** | | | | | |
| Current ratio (times) | **1.9** | 1.9 | 3.2 | 6.0 | 5.0 |
| Quick ratio (times) | **1.5** | 1.6 | 2.7 | 5.4 | 4.5 |
| Liability to asset ratio (%) (note 2) | **40.3** | 40.5 | 29.3 | 12.9 | 11.4 |
| **Turnover Ratios** | | | | | |
| Inventory turnover (days) | **62** | 82 | 70 | 66 | 62 |
| Debtors turnover (days) | **70** | 91 | 72 | 74 | 77 |

Notes:

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

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

# Financial Summary

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

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| For the year ended 31 December | **2021 HK$'000** | 2020 HK$'000 | 2019 HK$'000 | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| Revenue | **239,717** | 170,089 | 205,796 | 197,532 | 184,732 |
| Cost of sales | **(167,804)** | (135,854) | (152,864) | (133,613) | (127,028) |
| **Gross Profit** | **71,913** | 34,235 | 52,932 | 63,919 | 57,704 |
| Other revenue and gains/(losses), net | **(3,487)** | (4,541) | (23,268) | 18,770 | (10,592) |
| Distribution costs | **(17,404)** | (11,760) | (15,528) | (15,417) | (15,197) |
| Administrative expenses | **(64,144)** | (54,247) | (53,653) | (50,639) | (40,425) |
| (Impairment losses)/reversal of impairment losses on | | | | | |
| – trade receivables and bills receivable | **8** | (91) | 262 | (505) | 177 |
| – property, plant and equipment | **(108)** | (8,215) | – | – | – |
| – right-of-use assets | **–** | (4,885) | – | – | – |
| – other receivable | **–** | – | – | (45,000) | – |
| Share of loss of a jointly controlled entity | **–** | (728) | – | – | – |
| **Loss from operations** | **(13,222)** | (50,232) | (39,255) | (28,872) | (8,333) |
| Finance costs | **(3,720)** | (3,662) | (3,745) | – | – |
| **Loss before taxation** | **(16,942)** | (53,894) | (43,000) | (28,872) | (8,333) |
| Income tax credit/(expense) | **31** | 2,685 | (1,164) | (1,074) | (5,429) |
| **Loss from continuing operations** | **(16,911)** | (51,209) | (44,164) | (29,946) | (13,762) |
| **Loss from discontinued operation** | **–** | – | – | – | (31,808) |
| **(Loss)/profit for the year** | **(16,911)** | (51,209) | (44,164) | (29,946) | (45,570) |
| Attributable to: | | | | | |
| Equity shareholders of the Company | **(17,503)** | (46,907) | (44,180) | (33,177) | (45,127) |
| Non-controlling interests | **592** | (4,302) | 16 | 3,231 | (443) |

# Financial Summary

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| As at 31 December | 2021 HK$'000 | 2020 HK$'000 | 2019 HK$'000 | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|---|---|---|
| **Non-current assets** | **133,109** | 152,018 | 142,345 | 83,397 | 168,051 |
| Property, plant and equipment | **81,931** | 86,616 | 79,243 | 71,873 | 57,805 |
| Investment in a jointly controlled entity | **–** | 5 | – | – | – |
| Intangible assets | **349** | 140 | 885 | 1,562 | 2,448 |
| Available-for-sale investment | **–** | – | – | – | 103,480 |
| Prepayments for property, plant and equipment | **48** | 89 | 3,004 | 1,439 | 292 |
| Rental deposits | **1,468** | 2,926 | 3,986 | 5,041 | 987 |
| Right-of-use assets | **43,245** | 56,408 | 52,042 | – | – |
| Deferred tax assets | **6,068** | 5,834 | 3,185 | 3,482 | 3,039 |
| **Current assets** | **142,670** | 138,684 | 196,003 | 247,057 | 212,129 |
| Inventories | **30,827** | 26,881 | 34,425 | 24,549 | 23,924 |
| Financial asset at fair value through profit or loss | **–** | – | 23,583 | 102,183 | – |
| Amount due from a jointly controlled entity | **–** | 1,791 | – | – | – |
| Trade and other receivables | **51,862** | 49,082 | 44,698 | 40,922 | 92,615 |
| Current tax recoverable | **111** | – | 2,123 | 816 | – |
| Cash and cash equivalents | **59,870** | 60,930 | 91,174 | 78,587 | 95,590 |
| **Total assets** | **275,779** | 290,702 | 338,348 | 330,454 | 380,180 |

# Financial Summary

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| As at 31 December | **2021 HK$'000** | 2020 HK$'000 | 2019 HK$'000 | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|---|---|---|
| **Current liabilities** | **76,026** | 71,247 | 60,671 | 41,396 | 42,153 |
| Trade and other payables | **57,356** | 52,245 | 44,344 | 41,396 | 40,366 |
| Tax payable | **–** | 122 | – | – | – |
| Lease liabilities | **16,432** | 18,880 | 16,327 | – | – |
| Amount due to a related party | **2,238** | – | – | – | – |
| Current tax payable | **–** | – | – | – | 1,787 |
| **Net current assets** | **66,644** | 67,437 | 135,332 | 205,661 | 169,976 |
| **Total assets less current liabilities** | **199,753** | 219,455 | 277,677 | 289,058 | 338,027 |
| **Non-current liabilities** | **34,987** | 46,414 | 38,381 | 1,124 | 1,124 |
| Lease liabilities | **33,863** | 45,290 | 37,257 | – | – |
| Deferred tax liabilities | **1,124** | 1,124 | 1,124 | 1,124 | 1,124 |
| **Net assets** | **164,766** | 173,041 | 239,296 | 287,934 | 336,903 |
| **Capital and reserves** | **141,668** | 151,873 | 216,657 | 264,730 | 314,083 |
| Share capital | **4,648** | 4,648 | 4,648 | 4,648 | 4,648 |
| Reserves | **137,020** | 147,225 | 212,009 | 260,082 | 309,435 |
| **Total equity attributable to equity shareholders of the Company** | **141,668** | 151,873 | 216,657 | 264,730 | 314,083 |
| Non-controlling interests | **23,098** | 21,168 | 22,639 | 23,204 | 22,820 |
| **Total equity** | **164,766** | 173,041 | 239,296 | 287,934 | 336,903 |

# Chairman's Statement

On behalf of the board of directors (the "Board") of China Apex Group Limited (the "Company" together with its subsidiaries, the "Group"), I am pleased to present our Company's annual report for the year ended 31 December 2021.

As we begin the process of recovery from these unprecedented times, the global COVID-19 outbreak, without a doubt is still producing many hurdles for us to overcome. Despite government travel restrictions, quarantine and epidemic prevention measures still in place, our Group's revenue has increased by 40.9% to approximately HK$239.72 million and our Group's losses attributable to equity shareholders of the Company decreased by 62.7% to approximately HK$17.50 million. With these measures still in place to control the spread of COVID-19, our Group's businesses and activities had gradually resumed its operations as the labour market also recovers.

It has to be said the impact of the COVID-19 outbreak has proven to be challenging. However, our Company has been doing and will continue to do so, its utmost best in maintaining the highest standards in its preventive hygiene measures to minimise the impact of the COVID-19 outbreak on our Group's business operations in the PRC and to provide safe working conditions for our employees. And so, our production has experienced no suspension and business operations have resumed to its normal capacity. We owe all this to our employees who have worked hard in this difficult period to maintain our Group's business operations.

In July 2019, Central Eagle Limited ("Central Eagle"), China Sun Corporation ("China Sun") and Golden Diamond Inc. ("Golden Diamond", together with Central Eagle and China Sun, collectively the "Major Shareholders") became shareholders of the Company. Since becoming shareholders of the Company, the Major Shareholders have been supportive towards the operations of the Group's principal business in manufacturing and its sale of zippers and other related products (the "Zippers Business"). Alongside these activities, the Major Shareholders and the Board have been continuously reviewing the Group's strategic directions and operations as part of its long-term corporate strategy and growth. The Major Shareholders, along with the Board, have also been exploring other businesses and investment opportunities to drive the Group's future development.

Having taken measures to tighten cost control, we have achieved stable business performances in the Zippers Business. We owe this stability to our committed team of management and employees who remain dedicated to our Group's vision and mission. As we move forward with potential business opportunities ahead, we are most excited on what the future will hold for us. We remain confident that our Group is positioned to meet any challenge and is ever a step closer to our goals of diversifying and increasing our business portfolios.

Without a doubt, the COVID-19 outbreak has impacted our Group's business operations and activities, but we will continuously strive forward to seek more business, investment and acquisition opportunities in other sectors to increase our Group's profitability and maximize shareholders' value. Upon completion of the sale and purchase agreement as disclosed in the Company's announcement dated 23 March 2022, we have welcomed new Board members into the Group. With these changes, we are optimistic that the Group will gain a new momentum and develop various business synergies to explore and expand on our various future opportunities. As we look ahead, we will also be selectively acquiring projects based on its potential.

To close my statement, I would like to take this opportunity to express my appreciation and gratitude towards our Group's management and employees who remain dedicated and devoted to our shareholders, customers, suppliers, bankers and other professional parties. We are ever grateful for their continuous support in these trying times.

**Yip Siu Lun Dave**
*Chairman*

Hong Kong, 12 May, 2022

# Management Discussion and Analysis

## OVERVIEW

The Group continued to operate the zipper business during the year ended 31 December 2021.

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 2021, represented the revenue from zipper business, increased to approximately HK$239.72 million as compared with approximately HK$170.09 million for the year ended 31 December 2020.

Loss before taxation for the year ended 31 December 2021 was approximately HK$16.94 million (2020: approximately HK$53.89 million), representing a decrease of approximately HK$36.95 million as compared to prior year. The decrease in loss before taxation was mainly due to the combined effect of:

(i) the increase in revenue from approximately HK$170.09 million for the year ended 31 December 2020 to approximately HK$239.72 million for the year ended 31 December 2021; and

(ii) the increase in gross profit of the zipper business from approximately HK$34.24 million for the year ended 31 December 2020 to approximately HK$71.91 million for the year ended 31 December 2021.

## REVENUE

The Group's revenue for the year ended 31 December 2021 amounted to approximately HK$239.72 million, representing an increase of approximately 40.9% as compared to the previous year.

Revenue analysis by product category:

| | **2021** | | 2020 | |
|---|---|---|---|---|
| | **HK$ million** | **%** | HK$ million | % |
| *Sales of goods* | | | | |
| Finished zippers and sliders | **235.07** | **98.1** | 167.42 | 98.4 |
| Others | **4.65** | **1.9** | 2.67 | 1.6 |
| **Total revenue** | **239.72** | **100.0** | 170.09 | 100.0 |

# Management Discussion and Analysis

Revenue analysis by geographic location:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | **HK$ million** | **%** | HK$ million | % |
| Mainland China | **218.27** | **91.1** | 150.18 | 88.3 |
| Overseas | **21.45** | **8.9** | 19.91 | 11.7 |
| **Total revenue** | **239.72** | **100.0** | 170.09 | 100.0 |

### Finished Zippers and Sliders

Revenue from sales of finished zippers and sliders increased by approximately HK$67.65 million or 40.4% to approximately HK$235.07 million for the year ended 31 December 2021 (2020: approximately HK$167.42 million). The increase was primarily due to the stabilising of global economy especially in China and the impact of the global outbreak of the COVID-19 has been recovering progressively, resulting in increased number of sales orders from customers 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 2021 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 increased by approximately HK$1.98 million to approximately HK$4.65 million for the year ended 31 December 2021 (2020: approximately HK$2.67 million).

## COST OF SALES AND GROSS PROFIT

In 2021, the overall cost of sales for the zipper business amounted to approximately HK$167.80 million (2020: approximately HK$135.85 million), representing an increase of approximately 23.5%. The overall gross profit of the Group increased by approximately 110.1% from approximately HK$34.24 million for the year ended 31 December 2020 to approximately HK$71.91 million for the year ended 31 December 2021. In 2021, the overall gross profit margin increased from approximately 20.1% of last year to 30.0%. The increase in gross profit was primarily due to the stabilising of global economy resulting in increase in revenue as discussed above.

Gross profit analysis by product category:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | **HK$ million** | **%** | HK$ million | % |
| Finished zippers and sliders | **69.96** | **97.3** | 33.51 | 97.9 |
| Others | **1.95** | **2.7** | 0.73 | 2.1 |
| **Total gross profit** | **71.91** | **100.0** | 34.24 | 100.0 |

### Finished Zippers and Sliders

Gross profit for finished zippers and sliders increased by approximately 108.8% from approximately HK$33.51 million for the year ended 31 December 2020 to approximately HK$69.96 million for the year ended 31 December 2021 which was primarily due to the increase in revenue as discussed above.

### Others

Gross profit of other items increased by approximately HK$1.22 million from approximately HK$0.73 million for the year ended 31 December 2020 to approximately HK$1.95 million for the year ended 31 December 2021, was mainly due to the increase in sales 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 2021, the Group's distribution costs amounted to approximately HK$17.40 million (2020: approximately HK$11.76 million), accounting for approximately 7.3% of the Group's revenue (2020: approximately 6.9%). The increase in distribution costs was mainly due to the increase in overall costs which is in line with increase in sales of finished zippers.

## 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 2021, the Group's administrative expenses amounted to approximately HK$64.14 million (2020: approximately HK$54.25 million), which accounted for approximately 26.8% of the Group's revenue (2020: approximately 31.9%). The increase in administrative expenses was mainly due to the increase in overall administrative costs following the increasing scale of the operation.

## INCOME TAX CREDIT

Income tax credit for the year ended 31 December 2020 and 2021 mainly represents deferred tax assets arising from depreciation and impairment loss.

## PROFITABILITY

In 2021, the Group's loss attributable to equity shareholders of the Company amounted to approximately HK$17.50 million (2020: approximately HK$46.91 million), representing a decrease of loss of approximately 62.7% as compared to 2020. The reduction of loss was 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 approximately 7.3% (2020: approximately 27.6%).

During the year ended 31 December 2021, the Group's return on equity attributable to the equity shareholders of the Company was approximately -12.4% (2020: approximately -30.9%).

# Management Discussion and Analysis

## INVENTORIES

Inventories are one of the principal components of the Group's current assets of zipper business. The carrying value of inventories accounted for approximately 19.4% and 21.6% of the Group's total current assets as at 31 December 2020 and 2021 respectively.

Inventories increased by approximately 14.7% from approximately HK$26.88 million as at 31 December 2020 to approximately HK$30.83 million as at 31 December 2021. The increase in inventories was mainly attributable to the increase in the number of sales orders of the Group.

The average inventory turnover days for 2021 and 2020 were approximately 62 days and 82 days respectively.

The net reversal of write-down on inventories for the year ended 31 December 2021 was approximately HK$0.22 million (2020: net write-down of approximately HK$1.24 million) which was related to the increase in the estimated net realisable value of inventories due to the sales or utilisation of inventories previously provided for.

## TRADE DEBTORS

As at 31 December 2021, the allowance for doubtful debts was approximately HK$1.47 million (31 December 2020: approximately HK$1.44 million), accounting for approximately 2.9% of the Group's total trade debtors (2020: approximately 3.2%).

The Group's trade debtors (net) slightly increased by around 12.3% from approximately HK$43.54 million of last year to approximately HK$48.91 million as at 31 December 2021.

The average trade debtors turnover days for 2021 and 2020 were approximately 70 days and 91 days respectively.

## OTHER RECEIVABLES

Other receivables mainly represent rental deposits of certain factories and office premises with remaining lease terms of less than one year. The decrease in balance of other receivables by approximately HK$2.59 million, representing a decrease in 46.7% from approximately HK$5.55 million, which was mainly due to reducing in rental deposits from termination of certain leased property.

## TRADE CREDITORS

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

The Group's trade creditors increased by 13.5% from approximately HK$9.6 million as at 31 December 2020 to approximately HK$10.9 million as at 31 December 2021. The average trade creditors turnover days for 2021 and 2020 were approximately 22 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 9.0% to approximately HK$46.50 million as at 31 December 2021 (2020: approximately HK$42.65 million).

# Management Discussion and Analysis

## RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

As at 31 December 2021, the lease liabilities and right-of-use assets amounted to approximately HK$50.29 million (2020: approximately HK$64.17 million) and approximately HK$43.24 million (2020: approximately HK$56.41 million) respectively.

## LIQUIDITY AND CAPITAL RESOURCES

The following table is a summary of cash flow data for the two years ended 31 December 2020 and 2021:

| | **2021**<br>**HK$ million** | 2020<br>HK$ million |
|---|---|---|
| Net cash generated from operating activities | **35.59** | 18.67 |
| Net cash (used in)/generated from investing activities | **(18.25)** | 3.02 |
| Net cash used in financing activities | **(20.81)** | (56.59) |
| Net decrease in cash and cash equivalents | **(3.47)** | (34.90) |
| Cash and cash equivalents at 1 January | **60.93** | 91.17 |
| Effect of foreign exchange rate changes | **2.41** | 4.66 |
| Cash and cash equivalents at 31 December | **59.87** | 60.93 |

The Group's net cash inflow from operating activities for the year 2021 amounted to approximately HK$35.59 million (2020: HK$18.67 million). As at 31 December 2021, cash and cash equivalents amounted to approximately HK$59.87 million, representing a slight decrease of approximately HK$1.06 million as compared with the position as at 31 December 2020, which was mainly due to the combined effect of the cash flows for the year ended 31 December 2021 as shown in the above table.

As at 31 December 2021, the cash and cash equivalents of approximately HK$55.87 million, HK$0.27 million and HK$3.62 million are denominated in RMB, HK$ and USD, respectively. As at 31 December 2020, the cash and cash equivalents of approximately HK$51.72 million, HK$5.22 million and HK$3.87 million are denominated in RMB, HK$ and USD, respectively.

The Group did not have borrowings other than lease liabilities and amount due to a related party as at 31 December 2020 and 2021.

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

The Group's strategy is to maintain the adjusted net debt-to-capital ratio (i.e. total lease liabilities and amount due to a related party less cash and cash equivalents over total equity) below 20%. The ratio as at 31 December 2020 was approximately 1.9%. As at 31 December 2021, as the total debt is less than cash and cash equivalent, no adjusted debt-to-capital ratio is calculated. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

# Management Discussion and Analysis

## NET CURRENT ASSETS

As at 31 December 2021, the Group had net current assets of approximately HK$66.64 million. The key components of current assets as at 31 December 2021 included cash and cash equivalents of approximately HK$59.87 million, trade and other receivables of approximately HK$51.86 million, and inventories of approximately HK$30.83 million. The current liabilities mainly represented trade and other payables of approximately HK$57.36 million, amount due to a related party of approximately HK$2.24 million and current portion of lease liabilities of approximately HK$16.43 million.

The net current assets slightly decreased from approximately HK$67.44 million as at 31 December 2020 to approximately HK$66.64 million as at 31 December 2021.

## 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 2020 and 2021 not provided for in the consolidated financial statements were approximately HK$0.29 million and approximately HK$0.31 million respectively.

## FOREIGN CURRENCY RISK

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

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

The Group had RMB denominated bank deposits amounting to approximately HK$0.31 million (2020: approximately HK$2.78 million) that was held by KEE Zippers and the Company for which HK$ is their functional currency.

In addition, the Group had HK$ denominated inter-company other receivables amounting to approximately HK$153.84 million (2020: approximately HK$145.32 million) 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 2021, 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$0.77 million (2020: decreased/increased net loss and accumulated losses by approximately HK$0.71 million).

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

## SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group had no significant investment, material acquisitions or disposals for the year ended 31 December 2021.

## EMPLOYEES

As at 31 December 2021, the Group had 690 full-time employees (2020: 694). 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 2021 were approximately HK$109.80 million (2020: approximately HK$78.70 million). The increase in staff costs is mainly due to the resumption of operations as recovering from the COVID-19 pandemic and increase in performance bonus entitled to the management and workers.

## CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 December 2020 and 2021.

## CHANGE IN EMOLUMENTS OF THREE EXECUTIVE DIRECTORS

Each of Mr. Zhuang Weidong, Mr. Qiu Chuanzhi and Mr. Mak Yung Pan Andrew has waived their emoluments as executive Directors from 1 June 2021 to 31 December 2021.

## 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.

(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 commencing 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.

(iv) 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.

On 27 August 2021, KEE Jingmen and KEE Guangdong entered into a two years lease renewal agreement (the "Jingmen Lease Renewal Agreement 2021") pursuant to which KEE Jingmen has agreed to lease the Jingmen property at a monthly rental of RMB533,000 payable before the fifth day of each month commencing from 1 September 2021 to 31 August 2023, with three months' rent of RMB1,599,000 as deposit. An independent property valuer advised that the monthly rental of RMB533,000 is fair and reasonable with reference to the market rate.

In accordance with HKFRS 16 applicable to the Company, as a result of the entering into the Second HK Lease Renewal Agreement, Second Zhejiang Lease Renewal Agreement, Guangdong Lease Renewal Agreement 2020 and Jingmen Lease Renewal Agreement 2021 (collectively known as "Second Lease Renewal Agreement"), the Group recognised an additional asset representing its right to use the property under the relevant lease agreements of approximately in total of HK$25.04 million for the Second HK Lease Renewal Agreement and Second Zhejiang Lease Renewal Agreement, HK$10.92 million for the Guangdong Lease Renewal Agreement 2020 and HK$8.58 million for the Jingmen Lease Renewal Agreement 2021, respectively. 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 relevant announcement dated 15 January 2020, 31 December 2020 and 27 August 2021.

## BUSINESS UPDATE IN RELATION TO RELOCATION OF ZHEJIANG PRODUCTION BASE

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

KEE Zhejiang has yet to receive the timeline of the relocation of Zhejiang Production Base from the JETDZ Management Committee and will discuss with the JETDZ Management Committee regarding the relocation plan.

# Management Discussion and Analysis

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

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

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

## PROSPECT

With the fact that both domestic and foreign economies are still challenging and complicated, coupled with the continuously increase in cost of raw materials, energy and human resources, higher pressure has been brought into the clothing industry. However, following to the stabilising prevention and control amid the Coronavirus Pandemic (COVID-19), the economy of PRC is gradually recovering and improving which has heated up the terminal consumption bringing into restorative improvement to the clothing industry. Looking forward to 2022, PRC is implementing the general principle of "Seeking Progress while Maintaining Stability". Though the Group is still facing both opportunities and challenges, the following measures were adopted to take advantage of the opportunities and to address the challenges:

1. To actively adapt to the new market environment and changes in demand, quickly respond to the customers' and market's needs, enhance the development of new products, and improve the Group's competitiveness and satisfactory of customer;

2. To further integrate and expand production capacity, comprehend the facilities of supply chain, increase the automation level in manufacturing, improve the production techniques and product quality, as well as shorten the manufacturing lead time and control the cost of production;

3. To accelerate digital transformation to improve operational efficiency and operational level in management;

4. To improve fund management and manage operational risks; and

5. To enhance talent management and build up organizational capabilities.

We will continue to evaluate the Group's business strategies and operations for creating a long-term plan, as well as looking for business or investment opportunities to facilitate the Group's future development.

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

The Board has committed to achieve high corporate governance standards.

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

Good corporate governance is conducive to enhancing the Group's overall performance and accountability is essential in modern corporate administration. The Board, which includes three independent non-executive Directors out of a total of eight Directors, is responsible for setting strategic, management and financial objectives, continuously observing the principles of good corporate governance and devoting considerable effort to identifying and formalising best practices to ensure that the interests of Shareholders, including those of minority Shareholders, are protected.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code.

During the year ended 31 December 2021, save as disclosed in this report, the Company has complied with all the code provisions as set out in the Corporate Governance Code.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2021.

## BOARD OF DIRECTORS

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

The biographical information of the Directors and the relationships between the members of the Board are set out in the section headed "Biographies of Directors and Senior Management" on pages 47 to 48 of this report.

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

The attendance record of each Director at the Board meetings and general meeting(s) of the Company held during the year ended 31 December 2021 is set out below:

| **The Board** | **Board Meetings** Attendance | **Annual General Meeting** Attendance |
|---|---|---|
| *Executive Directors* | | |
| Mr. Yip Siu Lun Dave *(Chairman) (Appointed on 23 March 2022)* | 0/0 | 0/0 |
| Mr. Zhuang Weidong *(Resigned on 4 March 2022)* | 4/4 | 1/1 |
| Mr. Qiu Chuanzhi | 4/4 | 1/1 |
| Mr. Wu David Hang *(Resigned on 13 January 2022)* | 4/4 | 1/1 |
| Mr. Mak Yung Pan Andrew | 4/4 | 1/1 |
| Mr. Wu Cody Zhuo-xuan *(Appointed on 23 March 2022)* | 0/0 | 0/0 |
| *Non-executive Director* | | |
| Ms. Lin Ping | 4/4 | 1/1 |
| *Independent Non-executive Directors* | | |
| Mr. Leung Ka Tin | 4/4 | 1/1 |
| Mr. Cheng Hong Kei | 4/4 | 1/1 |
| Mr. Liew Fui Kiang | 4/4 | 1/1 |

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The role of the Chairman had been performed by Mr. Zhuang Weidong during the year and the duties of the chief executive officer is performed by the existing management of the Group.

Mr. Zhuang Weidong resigned as a Chairman and executive Director on 4 March 2022 and Mr. Yip Siu Lun Dave was appointed as a Chairman and executive Director on 23 March 2022. Mr. Yip Siu Lun Dave has considerable experience in business development and the Board believes that the current structure will enable the Company to make and implement decisions promptly and efficiently. The Board will meet regularly to consider that this structure will not impair the balance of power and authority between the Board and the management of the Group. The Group is looking for suitable candidate to fill the vacancy of the chief executive officer.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2021, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

## APPOINTMENTS, RE-ELECTION AND RETIREMENT OF DIRECTORS

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

Each of Mr. Yip Siu Lun Dave and Mr. Wu Cody Zhuo-xuan entered into a service contact with the Company for an initial term of one year commencing from 23 March 2022 and continue thereafter unless terminated by either party by giving at least one month written notice to the other party.

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

## RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

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

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

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

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

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

## CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

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

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

According to the records maintained by the Company, the Directors received the following training with an emphasis on but not limited to the roles, functions and duties of a director of a listed company on continuous professional development during the year ended 31 December 2021.

| Name of Directors | Reading Materials | Attending Seminars/ Trainings |
|---|---|---|
| *Executive Directors* | | |
| Mr. Yip Siu Lun Dave *(Chairman) (Appointed on 23 March 2022)* | | |
| Mr. Zhuang Weidong *(Resigned on 4 March 2022)* | ✓ | ✓ |
| Mr. Qiu Chuanzhi | ✓ | ✓ |
| Mr. Wu David Hang *(Resigned on 13 January 2022)* | ✓ | ✓ |
| Mr. Mak Yung Pan Andrew | ✓ | ✓ |
| Mr. WU Cody Zhuo-xuan *(Appointed on 23 March 2022)* | | |
| *Non-executive Director* | | |
| Ms. Lin Ping | ✓ | ✓ |
| *Independent Non-executive Directors* | | |
| Mr. Leung Ka Tin | ✓ | ✓ |
| Mr. Cheng Hong Kei | ✓ | ✓ |
| Mr. Liew Fui Kiang | ✓ | ✓ |

## BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The revised terms of reference of Audit Committee and Nomination Committee were adopted in 31 December 2021. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

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

## AUDIT COMMITTEE

An Audit Committee has been established with written terms of reference in compliance with the Corporate Governance Code. The 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 2021 and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, the effectiveness of the Company's internal audit function scope of work and appointment of external auditors, connected transactions and arrangements for employees to raise concerns about possible improprieties.

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

The consolidated financial statements of the Group for the year ended 31 December 2021 had been reviewed by the Audit Committee and audited by the external auditors.

The attendance record of each Director at the Audit Committee meetings held during the year ended 31 December 2021 is set out below:

| **Audit Committee** | Attendance |
|---|---|
| Mr. Cheng Hong Kei *(Committee Chairman)* | 3/3 |
| Mr. Leung Ka Tin | 3/3 |
| Mr. Liew Fui Kiang | 3/3 |

## REMUNERATION COMMITTEE

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

The Remuneration Committee currently consists of three independent non-executive Directors, namely, Mr. Leung Ka Tin, Mr. Cheng Hong Kei and Mr. Liew Fui Kiang. Mr. Cheng Hong Kei, an independent non-executive Director, is the chairman of the Remuneration Committee.

The Remuneration Committee held one meeting to review and make recommendation to the Board on the remuneration policy and structure of the Company, assess the performance of the executive Directors, to determine the remuneration packages of the executive Directors and senior management and other related matters during the year ended 31 December 2021.

The attendance record of each Director at the Remuneration Committee meetings held during the year ended 31 December 2021 is set out below:

| **Remuneration Committee** | Attendance |
|---|---|
| Mr. Cheng Hong Kei *(Committee Chairman)* | 1/1 |
| Mr. Leung Ka Tin | 1/1 |
| Mr. Liew Fui Kiang | 1/1 |

The remuneration of Directors and senior management of the Company by band for the year ended 31 December 2021 is set out below:

| | **Number of Persons** |
|---|---|
| HK$0 to HK$500,000 | 9 |
| HK$500,001 to HK$1,000,000 | – |
| HK$1,000,001 to HK$1,500,000 | – |
| HK$1,500,001 to HK$2,000,000 | – |
| HK$2,000,001 to HK$2,500,000 | – |
| HK$2,500,001 to HK$3,000,000 | – |
| HK$3,000,001 to HK$3,500,000 | – |
| HK$3,500,001 to HK$4,000,000 | 1 |
| HK$4,000,001 to HK$4,500,000 | 2 |

# Corporate Governance Report

## NOMINATION COMMITTEE

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

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

The Nomination Committee currently consists of three independent non-executive Directors, namely Mr. Leung Ka Tin, Mr. Cheng Hong Kei and Mr. Liew Fui Kiang and one executive Director, namely Mr. Yip Siu Lun Dave, an executive Director, is the chairman of the Nomination Committee.

The Nomination Committee held one meeting to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, and to consider the qualifications of the retiring Directors standing for election at the annual general meeting during the year ended 31 December 2021.

The attendance record of each Director at the Nomination Committee meetings held during the year ended 31 December 2021 is set out below:

| **Nomination Committee** | Attendance |
|---|---|
| Mr. Zhuang Weidong *(Resigned on 4 March 2022)* | 1/1 |
| Mr. Yip Siu Lun Dave *(Committee Chairman) (Appointed on 23 March 2022)* | 0/0 |
| Mr. Leung Ka Tin | 1/1 |
| Mr. Cheng Hong Kei | 1/1 |
| Mr. Liew Fui Kiang | 1/1 |

## BOARD DIVERSITY POLICY

The Board has adopted a revised Board Diversity Policy for the year ended 31 December 2021 to comply with the Code Provision and the Stock Exchange's recent guidelines on board diversity. The Board Diversity Policy aims to set out the approach to achieve diversity in the Board to ensure that the Board has the balance of skills, experience and diversity of perspectives, including but not limited to gender, age, cultural and educational background, professional experience, knowledge and skills. In identifying suitable candidates, the Nomination Committee will consider candidates on merit and against the objective criteria with due regard for the benefits of diversity on the Board.

### Measurable Objectives

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

### Monitoring and Reporting

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

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

## DIVIDEND POLICY

The Board adopted a dividend policy for the year ended 31 December 2021. The Board has the discretion to declare and distribute dividends to the shareholders of the Company. Any declaration of final dividends for the year will be subject to the approval of the Company's shareholders. The Board shall take into account the financial position, cashflow situation, business conditions and strategies, current and future operations and earnings, capital requirements and expenditure plans, interests of shareholders, prevailing economic environment, any restrictions on payment of dividends of the Group and any other factors or conditions that the Board may consider relevant when considering the declaration and payment of dividends.

## CORPORATE GOVERNANCE FUNCTIONS

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

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

## DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2021.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 57 to 61.

## AUDITORS' REMUNERATION

The remuneration paid to the Company's external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2021 is set out in note 9 to the consolidated financial statements of the Company.

## INTERNAL CONTROLS AND RISK MANAGEMENT

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

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

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

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

During the year, the Group has appointed an external independent consultant to conduct a review of the Group's internal control systems. It covers all material financial, operational and compliance controls. The Board has conducted an annual review on the effectiveness of the Group's risk management and internal control systems based on the reports of the external independent consultant and considers that the Group's risk management and internal control systems as at 31 December 2021 to be effective and adequate.

## COMPANY SECRETARY

Mr. Yau Chi Chiu was the company secretary of the Company (the "Company Secretary") during the year until 31 December 2021. Pursuant to rule 3.29 of the Listing Rule, the Company Secretary must take no less than 15 hours of relevant professional training in each financial year. During the year ended 31 December 2021, Mr. Yau Chi Chiu provided his training records to the Company indicating more than 15 hours of relevant professional development by means of attending seminars and reading relevant guideline materials.

Mr. Chan Kam Fuk was appointed as the Company Secretary on 31 December 2021.

Mr. Chan Kam Fuk, aged 56, has extensive experience in finance, auditing and accounting. Mr. Chan graduated from The University of Southern Queensland, Australia with a Master of Professional Accounting in 1998 and from the City University of Hong Kong with the degree of Master of Science in Finance in 1995. Mr. Chan is the sole-proprietor of Dominic K. F. Chan & Co., CPA and Centurion ZD CPA & Co., CPA, and a director of Centurion ZD CPA Limited, accounting firms in Hong Kong. He is a practising certified public accountant in Hong Kong and a certified practising accountant in Australia and therefore he meets the qualification requirements under Rule 3.28 of the Listing Rules.

## CONSTITUTIONAL DOCUMENTS

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

## SHAREHOLDERS' RIGHTS

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

## CONVENING AN EXTRAORDINARY GENERAL MEETING BY SHAREHOLDERS

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

## PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

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

## PUTTING FORWARD ENQUIRIES TO THE BOARD

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

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

## CONTACT DETAILS

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

| | |
|---|---|
| Address: | Suite 10A and 10B, 15/F., Nine Queen's Road Central, Central, Hong Kong |
| Fax: | 3422 8030 |
| Email: | dchan@apexhengtai.com |

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

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

## COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

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

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

# Environmental, Social and Governance Report

## A. GOVERNANCE STRUCTURE

The Group's sustainability vision is to strengthen capability to operate and grow profitably in a volatile economic, ecological, technological, and social environment, while developing a robust culture of sustainability throughout the organisation.

Our Board is committed to maintain high standards of governance. A sound and effective governance framework helps the Company ensure that we meet the needs of our key stakeholders while attaining long-term sustainable growth.

The Board has the responsibility for the leadership, performance, and control of China Apex Group Limited (the "Group"), and three Board Committees have been established to advise the Board and decide on matters within their ambits. The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing aspects of the Company's affairs.

## B. REPORTING PRINCIPLES AND BOUNDARIES

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

With reference to our materiality assessment on our business operations, we decide to include in this ESG Report our performances and initiatives on environmental protection, employment policies and benefits, operation management, community involvement and other aspects of our business operation of manufacture and sale of zippers in Guangdong Province, Zhejiang Province and Hubei Province, the PRC, as well as our Hong Kong headquarters for the year from 1 January 2021 to 31 December 2021 (the "Reporting Period"). All information and data are from official documents and relevant records of the Group.

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

## C. REPORTING ON ENVIRONMENTAL ASPECTS

### C.1. Policy and Governance on Environmental Aspects:

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

## C.2. EMISSION MANAGEMENT

The Group strictly complies with the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》) and the Standard for Pollution Control on Hazardous Waste Storage (《危險廢物儲存污染控制標準》).

The Group conducted environment impact assessment on the production facilities and result indicated that emissions of air pollutants, greenhouse gases, water, sewage and non-hazardous wastes comply with the PRC regulations. During the year ended 31 December 2021, the Group was not aware of any non-compliance of the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste and other relevant law and regulations.

### a. *Hazardous waste and non-hazardous waste management*

Industrial waste from our production processes mainly includes:

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

The Group stringently follows relevant requirements to pack, store and send its hazardous waste to authorised professional waste handling institutions for recycling and disposal, so as to avoid secondary pollution.

Dyeing sludge is dewatered to reduce its water content and volume to ease the burden on landfills; whilst non-hazardous waste such as domestic refuse and kitchen waste are collected and disposed of by relevant municipal government departments.

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

### b. *Exhaust gas and greenhouse gas, dust emission*

We have the Pollutant Discharge Permit (《污染物排放許可證》) issued by the Ministry of Environmental Protection and ensure emission level is in compliance with the prescribed standards of the state on the basis of obtainment of pollutant emission permit from the governmental regulatory authority.

We also continue to improve exhaust gas emission system to reduce environmental impact. Local ministry of environmental protection performed random checks on sulphur dioxide, carbon monoxide and other exhaust gas during the Period. Inspection results showed that our emission was lower than the permissible density limit of air pollutants for oil-fired boilers stipulated by the Emission Limit of Air Pollutants for Industrial Boilers (《鍋爐大氣污染物排放限值》).

***c. Sewage treatment***

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

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

**Table 1: Table of emission:**

| **Type of Emission** | **Unit** | **Emission** | **Intensity (per HK$1M revenue)** |
|---|---|---|---|
| Greenhouse gas | | | |
| Scope 1 | Tonnes $CO_2e$ | 1,814 | 7.57 |
| Scope 2 | Tonnes $CO_2e$ | 13,861 | 57.83 |
| Scope 3 | Tonnes $CO_2e$ | 302 | 1.26 |
| Total (Scope 1,2 & 3) | Tonnes $CO_2e$ | 15,977 | 66.66 |
| Exhaust gas | | | |
| Nitrogen Oxides | g | 599 | 2.50 |
| Sulphur Oxides | g | – | – |
| Particulate matter | g | 21.46 | 0.08 |
| Sewage | Tonne | 190,782 | 795.92 |
| Hazardous waste | Tonne | 124 | 0.52 |
| Non-hazardous waste | Tonne | 20 | 0.08 |

### C.3. EFFICIENT USE OF RESOURCES

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

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

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

**Table 2: Table of Resource Consumption Data**

| Resource Utilisation | Unit | Usage | Intensity (Unit per HK$1M Revenue) |
|---|---|---|---|
| Electricity | | | |
| – Office | kWh | 4,00,599 | 1671.25 |
| – Factory | kWh | 13,613,094 | 56,792.22 |
| Steam | Tonne | 5,716 | 23.85 |
| Water | Tonne | 301,159 | 1256.40 |
| Paper | Kg | 2,856 | 11.92 |
| Diesel Oil | L | 495,732 | 2,068.15 |
| LPG | Kg | 50,677 | 211.42 |
| Natural Gas | $m^3$ | 196,136 | 818.26 |

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

**Table 3: Table of packing material:**

| Packing Material | Unit | Consumption | Consumption Intensity (Per HK$1M revenue) |
|---|---|---|---|
| Carton Box | Kg | 77,400 | 322.91 |
| Plastic Bags | Kg | 22,219 | 92.70 |

### C.4. ENVIRONMENT AND NATURAL RESOURCES

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

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

### C.5. CLIMATE CHANGE

The impacts of climate change are already being observed globally, with organisations and communities experiencing increased intensity and frequency of extreme weather events, prolonged droughts, and rising temperatures and sea levels. In tandem, global, and regional efforts are being made to steady and reduce the volume of greenhouse gas (GHG) emissions generated from human activity, through a concerted transition to low carbon.

To combat climate change, the Group has identified the emission reduction pathways and have formulated a policy to control and reduce emissions.

## D. REPORTING ON EMPLOYMENT AND OTHER SOCIAL PRACTICES

### D.1. EMPLOYMENT PRACTISES:

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

**a. *Policy and Governance Aspects:***

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

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

***b. Fair and open talent selection***

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

***c. Employees' benefits***

We offer rest periods, marital and bereavement leave, maternity leave, injury leave, annual leave, family planning leave and paternity leave.

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

We provide dormitory for our factory workers, as well as Wi-Fi, daily necessities for free. We also replace and repair air conditioners in a timely manner and gradually improve living condition at dormitory. Moreover, we also provide free meals for our staff.

Our staff canteen provides employees with balanced diet with the combination of both meat and vegetables, and healthy and safe dining environment. Employees involved in food making receive annual body check and are required to wear chef hats, masks, plastic shoes and other safety gear. We are obliged by local law to obtain Food Service Permit (《食品衛生許可證》).

Administration and Diet Committee oversees the operation of staff canteen and suppliers providing food ingredients to our staff canteen, in order to ensure that the supplies meet national hygiene standard. The committee regularly distributes survey form for satisfaction with staff canteen and follows up with improvement and tracking of opinions.

**d.** ***Workforce details and turnover rates:***

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

As at the end of the Period, we had 676 (2020: 694) full-time employees. Key indicators of different work departments, regions, age groups and gender are set forth in the table below.

**Table 4: Table of employee:**

| Particular | Nos. | % of Total Staff | Staff Turnover Rate |
|---|---|---|---|
| Employment Type | | | |
| – Full Time | 676 | 100% | 34% |
| – Part Time | 0 | 0% | 0% |
| Gender | | | |
| – Male | 393 | 58% | 34% |
| – Female | 283 | 42% | 34% |
| Age Group | | | |
| = 18–30 | 123 | 18% | 49% |
| = 31–40 | 306 | 45% | 32% |
| = 41–50 | 205 | 31% | 23% |
| = 50 or above | 42 | 6% | 18% |
| Geographical Region | | | |
| – China | 669 | 99% | 38% |
| – Hong Kong | 7 | 1% | 0% |
| Employee Categories | | | |
| – Senior Management | 6 | 1% | 0% |
| – Middle Management | 17 | 3% | 15% |
| – General Staff | 653 | 96% | 34% |
| Service Period | | | |
| – Less than 5 Years | 408 | 60% | 43% |
| – 5 to 10 Years | 136 | 20% | 14% |
| – Over 10 Years | 132 | 20% | 2% |

The Group strives to maintain employee turnover rate at an acceptable level, so as to facilitate accumulation of professional skills and experience. During the year of 2021, the overall turnover rate is about 34%. Efforts of the Group in the direction of improving employee satisfaction has resulted in reduction of turnover rate by 38% when compared to FY20 and 114% when compared with FY19.

## D.2. HEALTH AND SAFETY

**a. *Policy and Governance Aspects:***

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

**b. *Safe Work Environment:***

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

We commission a qualified professional organisation specialising in detection and evaluation of workplace occupational hazards on an annual basis to monitor the work environment and take improvement measures for occupational health safety risks at workplace.

The Group provides to the relevant staff with annual occupational health examination. In addition, the Group carries out full inspection and analysis on machineries and arranges protection measures for those with potential safety issues. For instance, safety screens have been added for all semi-automatic punching equipment to provide extra protection to workers.

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

***c. Health and Safety Trainings:***

We foster greater safety awareness amongst our employees through series of on-the-job training. We enforce three-tier training mechanism for new joiners who shall acquire knowledge of production safety and relevant regulations and system, use of safety equipment, use and maintenance of personal protective gear, preventive measures, and occupational hazards, so as to enhance their safety awareness.

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

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

Additionally, staff's awareness of fire safety is heightened through drills of pre-set escape routes, training on use of fire extinguishers and first-aid.

*d. **Covid Measures:***

Due to the COVID-19 pandemic, we have come up with a set of practices to protect the employees. We have implemented work from home for staffs in HK office according to the operational needs. In February and March during the year, production in Hubei province has been suspended and staffs were allowed to stay at home.

**Table 5: Occupational health and safety statistics:**

| Occupational health and safety statistics | 2021 | 2020 | 2019 |
|---|---|---|---|
| Number of lost days due to work injury | 172 | 466 | 282 |
| Number of work-related fatalities due to work | 0 | 0 | 0 |
| Number of work injuries due to work | 3 | 11 | 17 |

## D.3. DEVELOPMENT AND TRAINING

The Group's Training Management System regulates employee training policies and provides employees with a wide range of internal and external trainings.

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

The Human Resources Department draws up annual training plans, which are readjusted subject to actual needs, to enhance their competitiveness and professional capability.

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

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

**Table 6: Details of the training:**

| Particulars | Male | Female | Senior Mgmt. | Middle Mgmt. |
|---|---|---|---|---|
| No. of training hours attended | 2,179 | 1,834 | 6 | 37 |
| No. of staff attended training | 383 | 296 | 3 | 10 |
| Average training hours completed per trained staff | 5.69 | 6.20 | 2 | 3.73 |
| Percentage of staff attended training | 70% | 80% | 100% | 90% |

## D.4. LABOUR STANDARDS

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

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

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

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

## D.5. SUPPLY CHAIN MANAGEMENT

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

The Group has established the Chemicals Safety Control System and Control Standard of Prohibited Substances and updated the latter. During the Reporting Period to reinforce safety control of chemicals.

In 2021, all chemical suppliers of the Group held MSDS reports which listed out the main ingredients, user guide, storage and transportation in details. We printed the reports out and put up at visible spots of the warehouse. We updated the testing reports done by third-party agencies for the main raw materials in a timely manner and saved the reports in employee shared drive. Meanwhile, all procured materials are required to meet requirements of the eighth level of needle detection. We also purchased a needle detector to inspect metal materials and ensure product quality.

In order to minimise the carbon footprints produced during transportation, all the suppliers are located in Mainland China, especially the city and province nearby, such as Guangdong province, Zhejiang province and Shanghai. As at the year ended 31 December 2021, the Group has 350 suppliers. During the year, no major complaints on the quality of materials used have been received.

## D.6. PRODUCT RESPONSIBILITY

### a. *Quality assurance*

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

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

### b. *Consumer service*

The Group welcome its valued customers to express their opinions by verbal form, telephone, mail, fax, visiting or any other forms. The Group has developed Customer Complaint Handling Mechanism to investigate and handle complaints promptly, as well as revert back. Quality control department will investigate complaints concerning product quality, while sales department is responsible for customer communication. In 2021, we have not received any customer complaints (2020: 49 complaints), whilst having no product recall for health and safety problems.

### c. *Privacy policy*

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

### d. *Advertising*

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

## D.7. ANTI-CORRUPTION

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

We follow the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), the Prevention of Bribery Ordinance (《防止賄賂條例》) of Hong Kong Law and other national or regional laws and regulations relating to bribery, extortion, fraud and money laundering, and have established the Anti-corruption and Reporting System.

All employees, except general workers, shall enter into "Clean Agreement". "Clean Cooperation Commitment" is also required to be entered into with customers or suppliers before transacting with them, promising no behaviour violating the principle of good faith such as fraud and bribery in any business connection.

### a. *Whistle-blowing policy*

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

### b. *Anti-corruption training*

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

During the year of 2021, no suspicious cases associated with bribery, extortion, fraud and money laundering have been reported and discovered.

## D.8. COMMUNITY

The Group has established the "KEE Charitable Foundation" to help employees in difficult situations through raising fund from employee donations and the support from the labour union. This way the Group can enhance its corporate appeal, build up team spirit, and proactively fulfil its corporate social responsibility.

The aid covers support to employees with unaffordable education expenses for their children, incapacity of employees or their major family members as a result of severe accidents or illness, unaffordable medical expenses, damages caused to employees and their families by natural disasters.

Over the years, we have been fulfilling our corporate social responsibility with the donation to the disabled and the impoverished; whilst we have been supporting the growth of athletes and young people. We encourage our employees to actively participate in charitable events and visit the disabled during festive occasions and holidays. Every year, we organise sheltered factory visits to show our care to the disabled, collect donations to help employees in difficult situations and actively participate in community activities. During the Reporting Period, the Group has made donation of RMB4,800 to the government in response to the Coronavirus pandemic.

## HONG KONG STOCK EXCHANGE ESG REPORTING GUIDE CONTENT INDEX

| Aspects from Appendix 27 | Disclosure | Sections in ESG Report |
|---|---|---|
| **Mandatory Disclosure Requirements** | | |
| 13. Governance Structure | A statement from the board containing the following elements:<br>(i) a disclosure of the board's oversight of ESG issues.<br>(ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and<br>(iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses. | A. Governance Structure |
| 14. Reporting Principles | A description of, or an explanation on, the application of the following Reporting Principles (Materiality, Quantitative, Consistency) in the preparation of the ESG report. | B. Reporting principles and boundaries |
| 15. Reporting Boundary | A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change. | B. Reporting principles and boundaries |
| **Environmental** | | |
| **Aspect A1: Emissions** | | |
| A1 General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer; relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | C.1. Policy and Governance on Environmental Aspects |
| KPI A1.1 | The types of emissions and respective emissions data. | C.2. Emission Management |
| KPI A1.2 | Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Table 1: Table of emission: |
| KPI A1.3 | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Table 1: Table of emission: |
| KPI A1.4 | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Table 1: Table of emission: |

| Aspects from Appendix 27 | Disclosure | Sections in ESG Report |
|---|---|---|
| KPI A1.5 | Description of emission target(s) set and steps taken to achieve them. | C.2.b. Exhaust gas and greenhouse gas, dust emission |
| KPI A1.6 | Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them. | C.2.a. Hazardous waste and non-hazardous waste management |
| **A2. Use of Resources** | | |
| A2 General Disclosure | Policies on the efficient use of resources, including energy, water and other raw materials. | C.1. Policy and Governance on Environmental Aspects |
| KPI A2.1 | Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility). | Table 2: Table of Resource Consumption Data |
| KPI A2.2 | Water consumption in total and intensity (e.g. per unit of production volume, per facility). | Table 2: Table of Resource Consumption Data |
| KPI A2.3 | Description of energy use efficiency target(s) set and steps taken to achieve them. | C.3. Efficient Use of Resources |
| KPI A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set, and steps taken to achieve them | C.3. Efficient Use of Resources |
| KPI A2.5 | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | Table 3: Table of Packing Material |
| **A3. The Environment and Natural Resources** | | |
| A3 General Disclosure | Policies on minimising the issuer's significant impacts on the environment and natural resources. | C.1. Policy and Governance on Environmental Aspects |
| KPI A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | C.4. Environment and Natural Resources |

| Aspects from Appendix 27 | Disclosure | Sections in ESG Report |
|---|---|---|
| **A4. Climate Change** | | |
| General Disclosure A4 | Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer. | C.1. Policy and Governance on Environmental Aspects |
| KPI A4.1 | Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them. | C.5. Climate change |
| **Social** | | |
| **B1. Employment** | | |
| B1 General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer; relating to compensation and dismissal, recruitment, and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare. | D.1. Employment Practises |
| KPI B1.1 | Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region. | Table 4: Table of employee |
| KPI B1.2 | Employee turnover rate by gender, age group and geographical region. | Table 4: Table of employee |
| **B2. Health and Safety** | | |
| B2 General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer; relating to providing a safe working environment and protecting employees from occupational hazards. | D.2. Health and Safety |
| KPI B2.1 | Number and rate of work-related fatalities occurred in each of the past three years including the reporting year. | Table 5: Occupational health and safety statistics |
| KPI B2.2 | Lost days due to work injury. | Table 5: Occupational health and safety statistics |
| KPI B2.3 | Description of occupational health and safety measures adopted, and how they are implemented and monitored. | D.2. Health and Safety |

| Aspects from Appendix 27 | Disclosure | Sections in ESG Report |
|---|---|---|
| **B3. Development and Training** | | |
| B3 General Disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | D.3. Development and Training |
| KPI B3.1 | The percentage of employees trained by gender and employee category (e.g. senior management, middle management). | Table 6: Details of the training |
| KPI B3.2 | The average training hours completed per employee by gender and employee category | Table 6: Details of the training |
| **B4. Labour Standards** | | |
| B4 General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer; relating to preventing child and forced labour | D.4. Labour Standards |
| KPI B4.1 | Description of measures to review employment practices to avoid child and forced labour. | D.4. Labour Standards |
| KPI B4.2 | Description of steps taken to eliminate such practices when discovered. | D.4. Labour Standards |
| **B5. Supply Chain Management** | | |
| B5 General Disclosure | Policies on managing environmental and social risks of the supply chain. | D.5. Supply Chain Management |
| KPI B5.1 | Number of suppliers by geographical region. | D.5. Supply Chain Management |
| KPI B5.2 | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored. | D.5. Supply Chain Management |
| KPI B5.3 | Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored. | D.5. Supply Chain Management |
| KPI B5.4 | Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored. | D.5. Supply Chain Management |

| Aspects from Appendix 27 | Disclosure | Sections in ESG Report |
|---|---|---|
| **B6. Product Responsibility** | | |
| B6 General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer; relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | D.6. Product Responsibility |
| KPI B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons | D.6.b. Consumer service |
| KPI B6.2 | Number of products and service-related complaints received and how they are dealt with. | D.6.b. Consumer service |
| KPI B6.3 | Description of practices relating to observing and protecting intellectual property rights. | D.6.c. Privacy policy |
| KPI B6.4 | Description of quality assurance process and recall procedures | D.6.a. Quality Assurance |
| KPI B6.5 | Description of consumer data protection and privacy policies, and how they are implemented and monitored. | D.6.c. Privacy policy |
| **B7. Anti-corruption** | | |
| General Disclosure B7 | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer; relating to bribery, extortion, fraud and money laundering. | D.7. Anti-Corruption |
| KPI B7.1 | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases. | D.7. Anti-Corruption |
| KPI B7.2 | Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored. | D.7.a. Whistle-blowing policy |
| KPI B7.3 | Description of anti-corruption training provided to directors and staff. | D.7.b. Anti-corruption training |

| Aspects from Appendix 27 | Disclosure | Sections in ESG Report |
|---|---|---|
| **B8. Community Investment** | | |
| General Disclosure B8 | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. | D.8 Community |
| KPI B8.1 | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport) | D.8 Community |
| KPI B8.2 | Resources contributed (e.g. money or time) to the focus area. | D.8 Community |

# Biographies of Directors and Senior Management

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

## EXECUTIVE DIRECTORS

**Mr. Yip Siu Lun Dave**, aged 61, was appointed as an executive Director and chairman of the Board with effect from 23 March 2022. Mr. Yip is experienced in the finance industry. Mr. Yip has been the chief financial officer of Maple International Group (China) Company Limited, a company incorporated in Hong Kong focusing on property development since 2014, in which he is responsible for the company's project management and financing.

**Mr. Wu Cody Zhuo-xuan**, aged 25, was appointed as an executive Director with effect from 23 March 2022. Mr. Wu has been the administrative manager of Maple International Group (China) Company Limited since 2021 after completing his undergraduate studies. Mr. Wu is the nephew of Mr. Wu Jingming, who is a substantial shareholder of the Company and be interested in, through Central Eagle, approximately 28.16% of the issued share capital of the Company.

**Mr. Qiu Chuanzhi**, aged 51, was appointed as an executive Director and president of the Company with effect from 19 November 2019. Mr. Qiu is also the president of 深圳市合泰地產集團有限公司 (Shenzhen City Hetai Real Estate Group Company Limited*), a company established in the PRC with limited liability, which is principally engaged in property development, investment, business operation and hotel management.

**Mr. Mak Yung Pan Andrew**, aged 32, was appointed as an executive Director and authorized representative of the Company with effect from 19 November 2019. Mr. Mak is the Co-Founder and Chief Corporate Development Officer of Rockpool Capital Limited ("Rockpool") which he started in 2017. Rockpool is an integrated wealth management platform holding licenses to engage in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. Prior to joining Rockpool, he was a Management Associate at the Standard Chartered Bank from July 2010 to March 2011. Mr. Mak then worked at JPMorgan Chase Bank, N.A. as an Associate from March 2011 to June 2016. Mr. Mak has been a director of Apex Insurance (Holdings) Limited, an insurance broker in Hong Kong since August 2016, being primarily responsible for overall management and investment strategy. Mr. Mak obtained a Bachelor of Business Administration (double major in Marketing and Management) at Hong Kong University of Science and Technology in 2010. Mr. Mak is a representative of Rockpool licensed under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities.

## NON-EXECUTIVE DIRECTOR

**Ms. Lin Ping**, aged 63, was appointed as an non-executive Director with effect from 19 November 2019. Ms. Ling has joined 深圳市卓永實業發展有限公司 (Shenzhen Zhuoyong Industrial Development Company Limited*) as its director and general manager in 1995, a company established in the PRC with limited liability, which is principally engaged in real estate development and investment.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Cheng Hong Kei**, aged 67, was appointed as an independent non-executive Director with effect from 19 November 2019. Mr. Cheng is a co-founding director of Cheng & Cheng Limited. Mr. Cheng has over 35 years of experience in accounting and taxation and has extensive knowledge in auditing, tax planning and tax investigation. Prior to incorporating Cheng & Cheng Limited in 1991, Mr. Cheng has worked in PricewaterhouseCoopers in Hong Kong. Mr. Cheng was an assessor in the Inland Revenue Department (the "IRD") and has worked in the Profits Tax and Investigation divisions in the IRD for 12 years. After Mr. Cheng left the IRD in 1988, Mr. Cheng then served as a Manager and an Associate at Messrs. S. H. Leung & Company and Ho Tak Sang and Company for three years. Mr. Cheng is an independent non-executive Director of Great China Properties Holdings Limited (stock code: 21) and GET Holdings Limited (stock code: 8100). Mr. Cheng obtained a high diploma at The Hong Kong Polytechnic in 1975 and is a certified tax adviser. Mr. Cheng is also a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Taxation Institute of Hong Kong.

# Biographies of Directors and Senior Management

**Mr. Liew Fui Kiang ("Mr. Liew")**, aged 55, has been appointed as an independent non-executive director of the Company since November 2019. He is a fellow of the Hong Kong Institute of Directors, a solicitor of England and Wales, and a solicitor of Hong Kong. Mr. Liew obtained a Bachelor of Laws (Tetley & Lupton scholar) from the University of Leeds in the United Kingdom and a Master of Business Administration from the Hull University Business School in the United Kingdom. Mr. Liew is currently an independent non-executive director of Shandong Gold Mining Company Limited (stock code: 1787 and Shanghai Stock Exchange stock code: 600547), Zhengye International Holdings Limited (stock code: 3363) and Zhongchang International Holdings Group Limited (stock code: 859) respectively. Mr. Liew was the chairman of the board of directors and executive director of PacRay International Holdings Limited (stock code: 1010) from 2017 to 2019. He was a non-executive director of Amber Hill Financial Holdings Limited (stock code: 33) in December 2019. Mr. Liew previously served as an independent director of Baoshan Iron & Steel Company Limited (寶山鋼鐵股份有限公司, Shanghai Stock Exchange stock code: 600019), a Fortune Global 500 company.

**Mr. Leung Ka Tin**, aged 68, was appointed as an independent non-executive Director with effect from 17 February 2016. Mr. Leung holds a Diploma in Management Studies. Mr. Leung has over 35 years of management experience in banking, treasury operation, project finance, logistics and human resource management. He was a senior management team member of various financial institutions including First Pacific Group, Nedcor Asia (previously known as Nedfinance), BfG Germany and Delta Asia Financial Group as well as companies in the logistics and telecommunication sectors including EAS Da Tong Group and Trident Telecom Ventures Limited. Mr. Leung also has extensive experience in the corporate finance field. He served as director for the following companies listed on the Stock Exchange, namely China Kingstone Mining Holdings Limited (stock code: 1380) and National Agricultural Holdings Limited (stock code: 1236) as an executive director, China International Development Corporation Limited (stock code: 264), Narnia (Hong Kong) Group Company Limited (stock code: 8607), Wealth Glory Holdings Limited (stock code: 8269), Rentian Technology Holdings Limited (stock code: 885) and Evershine Group Holdings Limited (stock code: 8022) as an independent non-executive director. Mr. Leung is currently serving as an independent non-executive director for PanAsialum Holdings Company Limited (stock code: 2078) which is listed on the Stock Exchange.

## SENIOR MANAGEMENT

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

**Mr. Xu Xipeng**, aged 56, is one of the founders of the zipper business of the Group and the elder brother of Mr. Xu Xinan. Mr. Xu holds directorship in various subsidiaries of the Company and Mr. Xu is responsible for the formulation of development strategies and production management of zipper business. Mr. Xu has over 30 years of experience in the zipper industry, especially on the overall management and production supervision.

**Mr. Xu Xinan**, aged 51, is one of the founders of the zipper business of the Group and the younger brother of Mr. Xu Xipeng. Mr. Xu holds directorship in various subsidiaries of the Company and Mr. Xu is responsible for sales and marketing and non-production management work of zipper business. Mr. Xu has over 30 years of experience in the zipper industry especially on the overall management and sales and marketing.

**Ms. Liang Qing**, aged 34, joined the Group in May 2011, is currently responsible for the financial management of the zipper business. Ms. Liang graduated from Hunan University with a bachelor's degree in management in 2010, major in accounting.

# Report of the Directors

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2021.

## PRINCIPAL ACTIVITIES

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

## SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2021 are set out in note 28 to the consolidated financial statements.

## BUSINESS REVIEW

The business review of the Group during the year, the description of the future business development, and the risks and uncertainties that the Group faces are set out in the Chairman's statement and Management Discussion and Analysis in this annual report. The particulars of financial risk management of the Group are set out in note 34 to the consolidated financial statements. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Group's financial summary on page 3 of this annual report.

## FINANCIAL STATEMENTS

The loss of the Group for the year ended 31 December 2021 and the financial position of the Group as at 31 December 2021 are set out in the consolidated financial statements on 63 to 65 of this annual report.

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

## DIVIDENDS

The Board does not recommend the payment of final dividend (2020: Nil) in respect of the year 2021 to the Shareholders.

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 3 to 6 of this annual report.

## RESERVES

As at 31 December 2021, distributable reserves of the Company amounted to approximately HK$6.06 million (2020: approximately HK$28.26 million). Details of movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity shown in the consolidated financial statements on page 66 of this annual report.

## RELATIONSHIP OF STAKEHOLDERS

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

## ENVIRONMENTAL POLICY AND PERFORMANCE

The Group paid high attention to environmental protection and energy conservation to enhance the capacity of sustainable development and undertake relative social responsibility. Details of the environmental policy and performance of the Group are set out in the environmental, social and governance report of this annual report. For the year ended 31 December 2021, the Group did not receive any environmental penalty.

## COMPLIANCE WITH RELATED LAW AND REGULATIONS

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

## MAJOR CUSTOMERS AND SUPPLIERS

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

| | **Year ended 31 December** | |
|---|---|---|
| | **2021** | 2020 |
| | **% of total turnover** | % of total turnover |
| The largest customer | **7.1** | 4.4 |
| Five largest customers | **21.8** | 14.3 |

The information required in paragraph 31(5) of Appendix 16 to the Listing Rules is omitted pursuant to paragraph 31(7) of Appendix 16 to the Listing Rules since the percentage of total turnover attributable to the five largest customers combined for the year ended 31 December 2021 was approximately 21.8%, i.e. less than 30%.

| | **Year ended 31 December** | |
|---|---|---|
| | **2021** | 2020 |
| | **% of total purchase** | % of total purchase |
| The largest supplier | **18.3** | 10.0 |
| Five largest suppliers | **44.2** | 29.1 |

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

# Report of the Directors

## BANK BORROWING

As at 31 December 2021 and 31 December 2020, the Group do not have any bank borrowings.

## PROPERTY, PLANT, EQUIPMENT

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

## SHARE CAPITAL

Details of share capital of the Company are set out in note 26(c) to the consolidated financial statements.

## TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to shareholders by reason of their holding of the Company's securities.

## PRE-EMPTIVE RIGHTS

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

## PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

## DIRECTORS

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

*Executive Directors*
Mr. Yip Siu Lun Dave *(Chairman) (Appointed on 23 March 2022)*
Mr. Zhuang Weidong *(Resigned on 4 March 2022)*
Mr. Qiu Chuanzhi
Mr. Wu David Hang *(Vice Chairman) (Resigned on 13 January 2022)*
Mr. Wu Cody Zhuo-xuan *(Appointed on 23 March 2022)*
Mr. Mak Yung Pan Andrew

*Non-executive Director*
Ms. Lin Ping

*Independent Non-executive Directors*
Mr. Leung Ka Tin
Mr. Cheng Hong Kei
Mr. Liew Fui Kiang

In accordance with articles 87(1) and (2) of the Company's articles of association, one-third of the existing Directors shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. Three executive Directors, namely Mr. Qiu Chuanzhi, Mr. Yip Siu Lun Dave, Mr. Wu Cody Zhuo-xuan, and two independent non-executive Director, namely Mr. Cheng Hong Kei and Mr. Liew Fui Kiang will retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

# Report of the Directors

## BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographies of Directors and senior management of the Group are set out on pages 47 to 48 of this annual report.

## PERMITTED INDEMNITY PROVISION

The Company has arranged appropriate insurance cover for directors' and officers' liabilities. The permitted indemnity provision is currently in force and was in force throughout the year ended 31 December 2021 in accordance with the definition in section 469 of the Companies Ordinance.

## DIRECTORS' SERVICE CONTRACTS

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

## DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangement or contracts of significance in relation to the Company's business to which the Company, its holding companies or its subsidiaries was a party and in which a Director or a connected entity of the Director had a material interest, whether directly or indirectly, subsisted as at the end of the year or any time during the year ended 31 December 2021.

## CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, there were no contract of significance in relation to the Group's business in which the Company, or any of its subsidiaries or fellow subsidiaries or a controlling shareholder of the Company was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year ended 31 December 2021 or at any time during the financial year ended 31 December 2021.

## DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group's business, which competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2021 and up to and including the date of this annual report.

## REMUNERATION POLICY

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

## PENSION SCHEME

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

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

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2021.

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

As at 31 December 2021, the interests and short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

### Long positions in the shares and underlying shares of the Company

| Name of Director | Type of Interest | Number of Shares | Approximate Percentage of Interest |
|---|---|---|---|
| Qiu Chuanzhi (note 1) | Interest in controlled corporation | 133,706,331 | 28.77% |
| Zhuang Weidong (note 2) | Interest in controlled corporation | 130,897,663 | 28.16% |
| Lin Ping (note 3) | Interest in controlled corporation | 82,342,606 | 17.72% |
| Mak Yung Pan Andrew (note 3) | Interest in controlled corporation | 82,342,606 | 17.72% |

Notes:

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

2. As at 31 December 2021, Central Eagle Limited ("Central Eagle") is owned as to 90% by Mr. Zhuang Weidong and holds long position in 130,897,633 shares of the Company. Accordingly, Mr. Zhuang Weidong is deemed to be interested in the 130,897,633 shares of the Company.

3. Golden Diamond Inc. ("Golden Diamond") is owned as to 60% by Ms. Lin Ping and 25% by Mr. Mak Yung Pan Andrew and holds long position in 82,342,606 shares of the Company. Accordingly, each of Ms. Lin Ping and Mr. Mak Yung Pan Andrew is deemed to be interested in the 82,342,606 shares of the Company.

4. The percentage is calculated on the basis of 464,804,000 shares of the Company in issue as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, so far as is known to any Directors or chief executive of the Company, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at 31 December 2021, the register maintained under section 336 of the SFO shows that the Company had been notified of the following substantial Shareholders' and other persons' interests and short positions, representing 5% or more of the Company's issued share capital, were as follows:

### LONG POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY

| Name of Shareholder | Capacity | Number of Shares | Approximate Percentage of Interest |
|---|---|---|---|
| China Sun (note 1) | Beneficial owner | 133,706,331 | 28.77% |
| Central Eagle (note 2) | Beneficial owner | 130,897,663 | 28.16% |
| Golden Diamond (note 3) | Beneficial owner | 82,342,606 | 17.72% |
| Noble Wisdom Ever Limited ("Noble Wisdom") (note 4) | Security interest | 326,089,600 | 70.16% |
| China Huarong Overseas Investment Holdings Co., Limited ("Huarong Overseas") (note 5) | Interest of controlled corporation | 326,089,600 | 70.16% |
| 華融華僑資產管理股份有限公司 Huarong Overseas Chinese Assets Management Corporation Limited* ("Huarong Overseas Chinese") (note 6) | Interest of controlled corporation | 326,089,600 | 70.16% |
| Huarong Zhiyuan Investment & Management Company Limited* ("Huarong Zhiyuan") (note 7) | Interest of controlled corporation | 326,089,600 | 70.16% |
| China Huarong Asset Management Co., Ltd. ("China Huarong Asset Management") (note 7) | Interest of controlled corporation | 326,089,600 | 70.16% |
| Chan Ho Yin (note 8) | Joint and several receivers | 341,446,600 | 73.46% |
| Li Kin Long Kenny (note 8) | Joint and several receivers | 341,446,600 | 73.46% |

Notes:

1. China Sun is wholly-owned by Mr. Qiu Chuanzhi.

2. As at 31 December 2021, Central Eagle is 90%-owned by Mr. Zhuang Weidong.

3. Golden Diamond is owned as to 60% by Ms. Lin Ping and 25% by Mr. Mak Yung Pan Andrew.

4. Noble Wisdom is wholly-owned by Huarong Overseas.

5. Huarong Overseas is wholly owned by Huarong Overseas Chinese.

6. Huarong Overseas Chinese is 91%-owned by Huarong Zhiyuan.

7. Huarong Zhiyuan is wholly owned by China Huarong Asset Management.

8. Chan Ho Yin and Li Kin Long Kenny have been appointed Joint and Several Receivers over the Charged Assets (as defined in the share charges executed by China Sun Corporation, Central Eagle Limited and Golden Diamond Inc. (as chargors) over shares of the Company in favour of Noble Wisdom Ever Limited ("Chargee") dated 2 July 2019) on 7 October 2021 pursuant to 3 Deeds of Appointment of Receivers signed by the Chargee dated 7 October 2021.

9. The percentage is calculated on the basis of 464,804,000 shares of the Company in issue as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, the Directors were not aware of any other person (other than the Directors or chief executive of the Company) that had registered an interest or a short position in the Shares, underlying shares or debentures of the Company which was required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which was required to be recorded in the register of the Company required to be kept under Section 336 of Part XV of the SFO.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2021 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective associates nor was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective associates to acquire such rights in any other body corporate.

## CONNECTED TRANSACTIONS

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

## OTHER RELATED-PARTY TRANSACTIONS

Details of other related-party transactions entered into by the Group during the year ended 31 December 2021, which did not constitute connected transactions under Chapter 14A of the Listing Rules are set out in note 32(b) to the consolidated financial statements.

# Report of the Directors

## SHARE OPTION SCHEME

The Company's share option scheme (the "Share Option Scheme") was conditionally adopted by the written resolutions of the sole Shareholder of the Company passed on 14 December 2010 which was expired on 13 December 2020. After the expiry of the Share Option Scheme on 13 December 2020, the Company has not adopted any share option scheme.

## EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2021, the Company has not entered into the equity-linked agreements, and there did not subsist any equity-linked agreement entered into by the Company as at 31 December 2021.

## SUFFICIENCY OF PUBLIC FLOAT

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 year ended 31 December 2021.

## AUDITOR

The consolidated financial statements for the year ended 31 December 2021 have been audited by BDO Limited. BDO Limited will retire as auditor of the Company and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of BDO Limited as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

**Yip Siu Lun Dave**
*Chairman*
Hong Kong, 12 May 2022

# Independent Auditor's Report

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永安中心25樓

**TO THE SHAREHOLDERS OF CHINA APEX GROUP LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

## Opinion

We have audited the consolidated financial statements of China Apex Group Limited ("the Company") and its subsidiaries ("the Group") set out on pages 62 to 129, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## Basis for opinion

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

## Key audit matters

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

### Valuation of inventories

*Refer to note 17 to the consolidated financial statements and the accounting policies on page 81.*

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| Inventories are carried at the lower of cost and net realisable value in the consolidated financial statements. The net carrying value of inventories at 31 December 2021 was approximately HK$30,827,000.<br><br>The Group's inventories comprise zippers and other related products which are to be sold to original equipment manufacturers ("OEM") of clothing brands. The future saleability of inventories is subject to changing consumer preferences and fashion trends.<br><br>Management judgement is required to assess the appropriate level of provisioning for items of inventory which may be ultimately destroyed or sold below cost as a result of a reduction in demand arising from unfavourable changes in consumer preferences. Consequently, there is a risk that the carrying value of inventories exceeds its net realisable value.<br><br>We identified assessing the valuation of inventories as a key audit matter because of its significance to the consolidated financial statements and because of the significant judgement and estimates involved in determining the level of any provisions required at the end of the reporting period. | Our audit procedures to assess the valuation of inventories included the following:<br><br>• enquiring of management about the assumptions and bases adopted for assessing inventory provisions for finished goods, work-in-progress and raw materials with reference to their aging and usage;<br><br>• assessing, on a sample basis, whether the selected items on the inventory ageing report and their usage were classified within the appropriate ageing and usage bracket calculated by comparing individual items with the dates on the respective production records and goods receipt notes;<br><br>• Identifying slow-moving and damaged inventories during the course of the year end inventory count through inspection and enquiry of the warehouse staff;<br><br>• recalculating the inventory provision with reference to the policies and parameters in the Group's inventory provisioning policy, considering the consistency of application of the inventory provisioning policy and the rationale for any material changes in this policy;<br><br>• comparing, on a sample basis, the carrying amounts of selected items on the inventory list as at the end of reporting period with selling prices achieved subsequent to that date; and<br><br>• considering the historical accuracy of provisions for inventories made by management at the end of the previous financial year by comparing the actual usage or sales during the current year with the provisions for inventories as at 31 December 2020 and assessing whether there were indications of management bias in making provisions for inventories. |

**Impairment assessment on non-financial assets**

*Refer to notes 14, 15 and 23(b) to the consolidated financial statements and the accounting policies on page 80–81.*

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| The non-financial assets of the Group as at 31 December 2021 comprised property, plant and equipment of HK$81,931,000, right-of-use assets of HK$43,245,000, intangible assets of HK$349,000 and prepayment for property, plant and equipment of HK$48,000, after recognition of impairment losses of HK$108,000 during the year ended 31 December 2021.<br><br>During the year ended 31 December 2021, the zipper business of the Group has achieved an increase in revenue and gross profit margin compared with budget and those of the year ended 31 December 2020 which had suffered from deterioration of gross profit margin and segment loss. Accordingly, as at 31 December 2021 the directors have conducted impairment assessment on these non-financial assets in order to determine whether any previously impairment loss recognised should be reversed or additional impairment loss should be recognised. An impairment assessment requires significant judgements in estimating the recoverable amount after taking into consideration of the assumptions used in preparation of future cash flows arising from these assets of zipper business. These assumptions included growth rates of sales revenue, gross profit margins and discount rate applied to bring the future cash flows to their present value.<br><br>We identified impairment assessment on the non-financial assets as a key audit matter because of their significance of carrying amount to the consolidated financial statements and the significant judgements and estimates involved in determining the recoverable amount. | Our audit procedures to assess the impairment assessment on non-financial assets included the following:<br><br>• Assessing the appropriateness of the methodologies used in preparation of the cash flow projections;<br><br>• Assessing the reasonableness of key assumptions and inputs used in preparation of the cash flow projections including the discount rate, growth rates, gross profit margins and other assumptions with reference to available internal and external information; and<br><br>• Assessing the adequacy of disclosures related to the impairment assessment. |

# Independent Auditor's Report

## Other Information in the annual report

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

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

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

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

## Directors' responsibilities for the consolidated financial statements

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

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

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

## Auditor's responsibility for the audit of the consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Hong Kong, 12 May, 2022

# Consolidated Statement of Profit or Loss

*For the year ended 31 December 2021*

| | Notes | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|---|
| **Revenue** | 7 | **239,717** | 170,089 |
| Cost of sales | | **(167,804)** | (135,854) |
| **Gross profit** | | **71,913** | 34,235 |
| Other revenue and gains/(losses), net | 8 | **(3,487)** | (4,541) |
| Distribution costs | | **(17,404)** | (11,760) |
| Administrative expenses | | **(64,144)** | (54,247) |
| Reversal of impairment losses/(impairment losses) on | | | |
| – trade receivables and bills receivable | 34(a) | **8** | (91) |
| – property, plant and equipment | 14 | **(108)** | (8,215) |
| – right-of-use assets | 23(b) | **–** | (4,885) |
| Share of loss of a jointly controlled entity | 16 | **–** | (728) |
| Interests on lease liabilities | 23(b) | **(3,720)** | (3,662) |
| **Loss before taxation** | 9 | **(16,942)** | (53,894) |
| Income tax | 10 | **31** | 2,685 |
| **Loss for the year** | | **(16,911)** | (51,209) |
| **(Loss)/profit for the year attributable to:** | | | |
| Equity shareholders of the Company | | **(17,503)** | (46,907) |
| Non-controlling interests | | **592** | (4,302) |
| **Loss for the year** | | **(16,911)** | (51,209) |
| **Loss per share attributable to the equity shareholders of the Company (HK cents)** | 13 | | |
| Basic and diluted | | **(3.8)** | (10.1) |

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

*For the year ended 31 December 2021*

| | Notes | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|---|
| Loss for the year | | **(16,911)** | (51,209) |
| **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 | | **8,636** | 19,814 |
| **Total comprehensive income for the year** | | **(8,275)** | (31,395) |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **(10,205)** | (29,924) |
| Non-controlling interests | | **1,930** | (1,471) |
| **Total comprehensive income for the year** | | **(8,275)** | (31,395) |

# Consolidated Statement of Financial Position

*As at 31 December 2021*

| | Notes | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | **81,931** | 86,616 |
| Right-of-use assets | 23(b) | **43,245** | 56,408 |
| Intangible assets | 15 | **349** | 140 |
| Investment in a jointly controlled entity | 16 | **–** | 5 |
| Prepayments for property, plant and equipment | | **48** | 89 |
| Rental deposits | | **1,468** | 2,926 |
| Deferred tax assets | 19(c) | **6,068** | 5,834 |
| | | **133,109** | 152,018 |
| **Current assets** | | | |
| Inventories | 17 | **30,827** | 26,881 |
| Amount due from a jointly controlled entity | 16 | **–** | 1,791 |
| Trade and other receivables | 18 | **51,862** | 49,082 |
| Current tax recoverable | 19(a) | **111** | – |
| Cash and cash equivalents | 20 | **59,870** | 60,930 |
| | | **142,670** | 138,684 |
| **Current liabilities** | | | |
| Trade and other payables | 21 | **57,356** | 52,245 |
| Tax payable | 19(a) | **–** | 122 |
| Amount due to a related party | 22 | **2,238** | – |
| Lease liabilities | 23(a) | **16,432** | 18,880 |
| | | **76,026** | 71,247 |
| **Net current assets** | | **66,644** | 67,437 |
| **Total assets less current liabilities** | | **199,753** | 219,455 |
| **Non-current liabilities** | | | |
| Lease liabilities | 23(a) | **33,863** | 45,290 |
| Deferred tax liabilities | 19(c) | **1,124** | 1,124 |
| | | **34,987** | 46,414 |
| **Net assets** | | **164,766** | 173,041 |

# Consolidated Statement of Financial Position

*As at 31 December 2021*

| | Notes | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|---|
| **Capital and reserves** | | | |
| Share capital | 26(c)(i) | **4,648** | 4,648 |
| Reserves | | **137,020** | 147,225 |
| **Total equity attributable to the equity shareholders of the Company** | | **141,668** | 151,873 |
| **Non-controlling interests** | | **23,098** | 21,168 |
| **Total equity** | | **164,766** | 173,041 |

On behalf of the Board

**Yip Siu Lun Dave**
*Director*

**Wu Cody Zhuo-xuan**
*Director*

# Consolidated Statement of Changes in Equity

*For the year ended 31 December 2021*

| | Attributable to equity shareholders of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Capital reserve HK$'000 | Statutory reserve HK$'000 | Exchange reserve HK$'000 | Accumulated losses HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total equity HK$'000 |
| Balance at 1 January 2020 | 4,648 | 180,690 | 18,324 | 25,856 | (1,254) | (11,607) | 216,657 | 22,639 | 239,296 |
| Changes in equity for 2020 | | | | | | | | | |
| Loss for the year | – | – | – | – | – | (46,907) | (46,907) | (4,302) | (51,209) |
| Other comprehensive income | – | – | – | – | 16,983 | – | 16,983 | 2,831 | 19,814 |
| Total comprehensive income | – | – | – | – | 16,983 | (46,907) | (29,924) | (1,471) | (31,395) |
| Special dividend (Note 26 (b)) | – | (34,860) | – | – | – | – | (34,860) | – | (34,860) |
| Balance at 31 December 2020 | 4,648 | 145,830 | 18,324 | 25,856 | 15,729 | (58,514) | 151,873 | 21,168 | 173,041 |
| Balance at 1 January 2021 | **4,648** | **145,830** | **18,324** | **25,856** | **15,729** | **(58,514)** | **151,873** | **21,168** | **173,041** |
| Changes in equity for 2021 | | | | | | | | | |
| (Loss)/profit for the year | **-** | **-** | **-** | **-** | **-** | **(17,503)** | **(17,503)** | **592** | **(16,911)** |
| Other comprehensive income | **-** | **-** | **-** | **-** | **7,298** | **-** | **7,298** | **1,338** | **8,636** |
| Total comprehensive income | **-** | **-** | **-** | **-** | **7,298** | **(17,503)** | **(10,205)** | **1,930** | **(8,275)** |
| Balance at 31 December 2021 | **4,648** | **145,830** | **18,324** | **25,856** | **23,027** | **(76,017)** | **141,668** | **23,098** | **164,766** |

# Consolidated Statement of Cash Flows

*For the year ended 31 December 2021*

| | Notes | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Loss before income tax** | | **(16,942)** | (53,894) |
| Adjustments for: | | | |
| Depreciation and amortisation | 9(b) | **33,324** | 32,766 |
| (Reversal of impairment losses)/impairment losses on | | | |
| – trade receivables and bills receivable | 34(a) | **(8)** | 91 |
| – property, plant and equipment | 14 | **108** | 8,215 |
| – right-of-use assets | 23(b) | **–** | 4,885 |
| Fair value gains on financial asset at fair value through profit or loss | 8 | **–** | (1,525) |
| (Reversal of impairment losses)/impairment losses on inventories, net | 17 | **(223)** | 1,235 |
| Interest income | 8 | **(573)** | (435) |
| Interest expenses on lease liabilities | 23(b) | **3,720** | 3,662 |
| Loss on disposal of property, plant and equipment | 8 | **130** | 63 |
| Loss on disposal of intangible assets | | **36** | – |
| Loss on disposal of subsidiaries | 8 | **1,702** | – |
| Gain on lease modification | 8 | **(424)** | – |
| Net foreign exchange losses | 8 | **4,397** | 10,131 |
| Share of loss of a jointly controlled entity | 16 | **–** | 728 |
| **Operating profit before working capital changes** | | **25,247** | 5,922 |
| (Increase)/decrease in inventories | | **(3,890)** | 6,040 |
| Increase in trade and other receivables | | **(2,897)** | (4,564) |
| Decrease in rental deposits | | **1,458** | 1,060 |
| Increase in trade and other payables | | **15,932** | 7,576 |
| **Cash generated from operations** | | **35,850** | 16,034 |
| Income tax (paid)/refunded | 19(a) | **(265)** | 2,634 |
| **Net cash generated from operating activities** | | **35,585** | 18,668 |
| **Investing activities** | | | |
| Payment for the purchase of property, plant and equipment | | **(19,465)** | (20,684) |
| Payment for the purchase of intangible assets | | **(401)** | – |
| Proceeds from disposal of property, plant and equipment | | **1,313** | 552 |
| Interest received | | **573** | 435 |
| Proceeds from disposal of subsidiaries, net of cash disposed of | 30 | **(271)** | – |
| Redemption of an investment fund | | **–** | 25,108 |
| Acquisition of a subsidiary, net of cash acquired | 29 | **–** | (2,396) |
| **Net cash (used in)/generated from investing activities** | | **(18,251)** | 3,015 |

# Consolidated Statement of Cash Flows

*For the year ended 31 December 2021*

| | Notes | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|---|
| **Financing activities** | | | |
| Advance from a related party | 22 | **2,238** | – |
| Capital element of lease rental paid | 33 | **(19,328)** | (18,065) |
| Interest element of lease rental paid | 33 | **(3,720)** | (3,662) |
| Special dividend paid to owners of the Company | 26(b) | **–** | (34,860) |
| **Net cash used in financing activities** | | **(20,810)** | (56,587) |
| **Net decrease in cash and cash equivalents** | | **(3,476)** | (34,904) |
| **Cash and cash equivalents at 1 January** | | **60,930** | 91,174 |
| **Effect of foreign exchange rate changes** | | **2,416** | 4,660 |
| **Cash and cash equivalents at 31 December** | 20 | **59,870** | 60,930 |

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

The Company was informed by Mr. Chan Ho Yan (also known as Michael Chan) and Mr. Li Kin Long Kenny of D&P China (HK) Limited (trading as Kroll) (the "Receivers") on 7 October 2021 that the Receivers were appointed by Noble Wisdom Ever Limited (the "Creditor"), a subsidiary of China Huarong Asset Management Co., Ltd. (Stock code: 2799) ("Huarong") by three Deeds of Appointment of the Receivers dated 7 October 2021 signed by the Creditor as the joint and several receivers of 341,446,600 shares of the Company (the "Relevant Shares"), of which 125,397,663 shares are beneficially owned by Central Eagle Limited ("Central Eagle"), representing approximately 26.98% of the issued share capital of the Company, 133,706,331 shares are beneficially owned by China Sun Corporation ("China Sun"), representing approximately 28.77% of the issued share capital of the Company and 82,342,606 shares are beneficially owned by Golden Diamond Inc. ("Golden Diamond"), representing approximately 17.71% of the issued share capital of the Company. The Relevant Shares represent approximately 73.46% of the issued share capital of the Company as at 31 December 2021.

The directors of the Company (the "Directors") considered that Huarong is the controlling shareholder of the Company as at 31 December 2021.

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

The Directors considered that Huarong remains to be the controlling shareholder of the Company as at the date of approval of these consolidated financial statements.

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

### (a) Adoption of new/revised HKFRSs – effective 1 January 2021

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 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | Interest Rate Benchmark Reform – IBOR 'phase 2' |
| Amendment to HKFRS 16 | Covid-19-Related Rent Concessions |

In addition, the Group has early applied the Amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021.

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 |
|---|---|
| Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract | 1 January 2022 |
| Amendments to HKAS 16, Property, Plant and Equipment: Proceeds before Intended Use | 1 January 2022 |
| Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41, Annual Improvements to HKFRSs 2018–2020 | 1 January 2022 |
| Amendments to HKFRS 3, References to Conceptual Framework | 1 January 2022 |
| Amendment 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 | 1 January 2023 |
| Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies | 1 January 2023 |
| Amendments to HKAS 8, Definition of Accounting Estimates | 1 January 2023 |
| Amendments to HKAS 12, Deferred Tax Related to Assets and Liabilities arising from a Single Transaction | 1 January 2023 |

The Group does not expect adoption of the above new/revised HKFRSs will have a material 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 disposed of in prior year is stated at fair value.

### (c) Functional currency

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

## 4. SIGNIFICANT ACCOUNTING POLICIES

### (a) Business combination and basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive processes and whether the acquired set has the ability to produce outputs.

The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Business combination and basis of consolidation (Continued)

Changes in the Group's interests in a subsidiary that do not result in a loss of control of the subsidiary are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for on the same basis as would be required if the relevant assets or liabilities were disposed of.

### (b) Subsidiaries

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

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

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

### (c) Joint arrangements

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

- *Joint ventures:* where the Group has rights to only the net assets of the joint arrangement; or

- *Joint operations:* where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Joint arrangements (Continued)

In assessing the classification of interests in joint arrangements, the Group considers:

- the structure of the joint arrangement;
- the legal form of joint arrangements structured through a separate vehicle;
- the contractual terms of the joint arrangement agreement; and
- any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its investment in a joint venture (i.e. jointly controlled entity) under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment. The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses exceeds its interest in the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the joint venture after applying the ECL model to such other long-term interests where applicable. Unrealised profits and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Property, plant and equipment

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

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

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

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

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

– Machinery 10 years

– Vehicles and other equipment 4 – 5 years

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

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

### (e) Intangible assets

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

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

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

Both the period and method of amortisation are reviewed annually.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Leasing

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

***Right-of-use asset***

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

***Lease liability***

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) Financial instruments

#### *(i) Financial assets*

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

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

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

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

Amortised cost:

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

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) Financial instruments (Continued)

#### *(ii) Impairment loss on financial assets*

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

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

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

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

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

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

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

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) Financial instruments (Continued)

#### *(ii) Impairment loss on financial assets (Continued)*

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

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

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

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

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

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) Financial instruments (Continued)

#### *(iii) Financial liabilities*

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

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

#### *(iv) Effective interest method*

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

#### *(v) Derecognition*

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

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

### (h) Impairment of non-financial assets

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

- property, plant and equipment;
- right-of-use assets;
- intangible assets;
- prepayments for property, plant and equipment;
- Investment in a jointly controlled entity; and
- investments in subsidiaries in the Company's statement of financial position.

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Impairment of non-financial assets (Continued)

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

### (i) Inventories and other contract costs

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

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

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (j) Employee benefits

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

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

Contributions to defined contribution retirement schemes are recognised as an expense in profit or loss as follows:

*(a) Employees of the Group in the People's Republic of China (the "PRC")*

Pursuant to the relevant labour rules and regulations in the PRC, employees of the Group in the PRC participated in the central pension scheme, which is a defined contribution plan administered by the PRC government, whereby the Group is required to make contributions to the central pension scheme based on certain percentages of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees. Contributions made to the central pension scheme vest immediately.

*(b) Employees of the Group in Hong Kong*

In compliance with the Hong Kong Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), employees of the Group in Hong Kong are required to participate in the Mandatory Provident Fund scheme of the Group ("MPF Scheme"). The MPF Scheme is a defined contribution plan administered by an independent corporate trustee. Under the MPF Scheme, each of the Group and the employees are required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the MPF Scheme vest immediately.

#### *(ii) Share-based payments*

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Income tax

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

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

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

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

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

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

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

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

– the same taxable entity; or

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (l) Provisions and contingent liabilities

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

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

### (m) Revenue recognition

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

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

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (m) Revenue recognition (Continued)

#### *(i) Sale of zippers and related products*

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

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

#### *(ii) Interest income*

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

#### *(iii) Government grants*

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

### (n) Translation of foreign currencies

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

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

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (o) Borrowing costs

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

### (p) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

### (a) Impairment

#### *(i) Non-financial assets*

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

#### *(ii) Receivables*

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

### (b) Depreciation and amortisation

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

### (c) Inventories

The Group estimates the write-down for obsolescence of inventories based on various circumstances which include the current market condition, historical usage rate and the experience in selling goods of similar nature. It could change significantly as a result of change in market condition. Management's estimates of write-down for obsolescence of inventories involve significant judgment in determining the level of any provision required at the end of reporting period.

## 5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### (d) Income taxes

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

### (e) Estimation of the incremental borrowing rate for leasing

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

### (f) Determination of lease term of contracts with renewal options

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

## 6. SEGMENT REPORTING

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

| | **2021**<br>**HK$'000** | 2020<br>HK$'000 |
|---|---|---|
| Mainland China | **218,271** | 150,182 |
| Overseas | **21,446** | 19,907 |
| | **239,717** | 170,089 |

### (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 current tax recoverable, deferred tax assets, unallocated head office and corporate assets and cash and cash equivalents of head office. Segment liabilities include lease liabilities and trade and other payables managed directly by the segments.

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

## 6. SEGMENT REPORTING (CONTINUED)

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

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

Information regarding the Group's reportable segments as provided to the Group's senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2021 and 2020 respectively is set out below:

| | Zippers – Mainland China HK$'000 | Zippers – Overseas HK$'000 | Total HK$'000 |
|---|---|---|---|
| **Year ended 31 December 2021** | | | |
| Revenue from external customers | **218,271** | **21,446** | **239,717** |
| Inter-segment revenue | **14,191** | **–** | **14,191** |
| **Reportable segment revenue** | **232,462** | **21,446** | **253,908** |
| **Reportable segment profit/(loss)** | **15,749** | **(6,108)** | **9,641** |
| Impairment loss on property, plant and equipment | **108** | **–** | **108** |
| Depreciation and amortisation for the year | **27,622** | **946** | **28,568** |
| **Reportable segment assets at year end** | **260,632** | **8,194** | **268,826** |
| Additions to non-current segment assets during the year | **17,818** | **–** | **17,818** |
| **Reportable segment liabilities at year end** | **95,825** | **7,544** | **103,369** |

## 6. SEGMENT REPORTING (CONTINUED)

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

| | Zippers – Mainland China HK$'000 | Zippers – Overseas HK$'000 | Total 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 |

## 6. SEGMENT REPORTING (CONTINUED)

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

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| **Revenue** | | |
| Reportable segment revenue | **253,908** | 183,067 |
| Elimination of inter-segment revenue | **(14,191)** | (12,978) |
| **Consolidated revenue** (note 7) | **239,717** | 170,089 |
| **Profit/(loss)** | | |
| Reportable segment profit/(loss) | **9,641** | (20,757) |
| Elimination of unrealised profit or loss of inter-segment purchase of inventories, other assets and property, plant and equipment | **(419)** | 14 |
| **Reportable segment profit/(loss) derived from the Group's external customers** | **9,222** | (20,743) |
| Other revenue and gains/(losses), net | **(3,487)** | (4,541) |
| Interests on lease liabilities | **(3,720)** | (3,662) |
| Share of loss of a jointly controlled entity | **–** | (728) |
| Unallocated head office and corporate expenses (note) | **(18,957)** | (24,220) |
| **Consolidated loss before taxation** | **(16,942)** | (53,894) |

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.

## 6. SEGMENT REPORTING (CONTINUED)

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

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| **Assets** | | |
| Reportable segment assets | **268,826** | 262,662 |
| Elimination of unrealised profit of inter-segment purchase of inventories | **(824)** | (405) |
| | **268,002** | 262,257 |
| Current tax recoverable | **111** | – |
| Deferred tax assets | **6,068** | 5,834 |
| Interest in a jointly controlled entity | **–** | 1,796 |
| Unallocated head office and corporate assets | **688** | 9,067 |
| Cash and cash equivalents | **910** | 11,748 |
| **Consolidated total assets** | **275,779** | 290,702 |
| **Liabilities** | | |
| Reportable segment liabilities | **103,369** | 109,971 |
| Deferred tax liabilities | **1,124** | 1,124 |
| Unallocated head office and corporate liabilities | **6,520** | 6,566 |
| **Consolidated total liabilities** | **111,013** | 117,661 |

### (d) Geographic information

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

The Group's non-current assets excluding financial assets (i.e. rental deposits) and deferred tax assets (the "Specified Non-current Assets) comprise property, plant and equipment, right-of-use assets, intangible assets and prepayments for property, plant and equipment. The geographical location of 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 2021, the Group's Specified Non-current Assets were located in Mainland China and Hong Kong with carrying amounts of HK$124,640,000 (2020: HK$135,841,000) and HK$933,000 (2020: HK$7,412,000) respectively.

## 7. 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:

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| *Sales of goods* | | |
| Finished zippers and sliders | **235,065** | 167,421 |
| Others | **4,652** | 2,668 |
| | **239,717** | 170,089 |

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:

| | 31 December<br>2021<br>HK$'000 | 31 December<br>2020<br>HK$'000 |
|---|---|---|
| Trade debtors and bills receivable (note 18) | **48,907** | 43,536 |
| Contract liabilities (note 21) | **996** | 841 |

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.

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| **Movements in contract liabilities** | | |
| Balance as at 1 January | **841** | 592 |
| 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 | **(737)** | (528) |
| Increase in contract liabilities as a result of receipts in advance from customers during the year | **883** | 753 |
| Exchange adjustments | **9** | 24 |
| Balance as at 31 December | **996** | 841 |

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

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

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Revenue from other sources | | |
| Interest income | **573** | 435 |
| Government grants (Note) | **656** | 3,111 |
| | **1,229** | 3,546 |
| Other gains/(losses), nets | | |
| Fair value gain on financial asset at fair value through profit or loss | **–** | 1,525 |
| Net foreign exchange losses | **(4,397)** | (10,131) |
| Loss on disposal of subsidiaries (note 30) | **(1,702)** | – |
| Loss on disposal of property, plant and equipment | **(130)** | (63) |
| Gain on lease modification | **424** | – |
| Others | **1,089** | 582 |
| | **(4,716)** | (8,087) |
| | **(3,487)** | (4,541) |

Note: Government grants of HK$425,000 (2020: HK$1,475,000) were granted to certain subsidiaries for their product innovation and development. There were no unfulfilled conditions for these government grants.

Included in profit or loss is HK$Nil (2020: HK$1,195,000) 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.

## 9. LOSS BEFORE TAXATION

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

### (a) Staff costs*

| | **2021** **HK$'000** | 2020 HK$'000 |
|---|---|---|
| Salaries, wages and other benefits | **98,599** | 75,594 |
| Contributions to defined contribution retirement plans | **11,199** | 3,099 |
| | **109,798** | 78,693 |

### (b) Other items

| | **2021** **HK$'000** | 2020 HK$'000 |
|---|---|---|
| Depreciation and amortisation* | | |
| Plant and equipment (note 14) | **14,333** | 13,062 |
| Intangible assets (note 15) | **163** | 754 |
| Right-of-use assets (note 23(b)) | **18,828** | 18,950 |
| | **33,324** | 32,766 |
| Auditors' remuneration | | |
| Audit services | **950** | 950 |
| Other services | **150** | 152 |
| | **1,100** | 1,102 |
| Research and development expenses | **9,653** | 3,791 |
| Cost of inventories*(note 17) | **167,804** | 135,854 |

* Cost of inventories includes HK$82,633,000 (2020: HK$70,241,000) 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 9(a) for each of these types of expenses.

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

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

| | **2021** **HK$'000** | 2020 HK$'000 |
|---|---|---|
| **Current tax** | | |
| ***PRC corporate income tax*** | | |
| Provision for the year | **–** | – |
| Under/(over)-provision in respect of prior years | **32** | (385) |
| | **32** | (385) |
| ***Hong Kong Profits Tax*** | **–** | – |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | **(63)** | (2,300) |
| Income tax credit | **(31)** | (2,685) |

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

| | **2021** **HK$'000** | 2020 HK$'000 |
|---|---|---|
| Loss before taxation | **(16,942)** | (53,894) |
| Notional tax credit on loss before taxation calculated at the rates applicable to the respective jurisdictions | **(1,902)** | (11,575) |
| Effect of non-deductible expenses | **4,781** | 6,026 |
| Effect of non-taxable income | **(1,068)** | (598) |
| Utilisation of tax loss previously not recognised | **(2,338)** | (162) |
| Effect of tax losses not recognised | **970** | 1,740 |
| Effect of prevailing tax rate | **(537)** | 2,229 |
| Under/(over)-provision in prior years | **32** | (385) |
| Others | **31** | 40 |
| | **(31)** | (2,685) |

## 10. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

### (b) Reconciliation between tax credit/(expense) and accounting loss at applicable tax rates: (Continued)

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

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

(ii) 開易（廣東）服裝配件有限公司(KEE (Guangdong) Garment Accessories Limited*) ("KEE Guangdong") was recognised as a High and New Technology Enterprise and is entitled to a preferential income tax rate of 15% up to 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 2021, deferred tax liability recognised in this regard was HK$1,124,000 (2020: HK$1,124,000) (note 19(b)).

## 11. DIRECTORS' EMOLUMENTS

| | Directors' fees HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Retirement scheme contribution HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **For the year ended 31 December 2021** | | | | |
| **Executive directors** | | | | |
| Zhuang Weidong *(Chairman)* *(Resigned on 4 March 2022)* | 50 | – | 3 | 53 |
| Qiu Chuanzhi | 50 | – | 3 | 53 |
| Wu David Hang *(Resigned on 13 January 2022)* | – | 3,669 | 55 | 3,724 |
| Mak Yung Pan Andrew | 50 | – | 3 | 53 |
| **Non-executive director** | | | | |
| Lin Ping | – | – | – | – |
| **Independent non-executive directors** | | | | |
| Leung Ka Tin | 144 | – | – | 144 |
| Cheng Hong Kei | 144 | – | – | 144 |
| Liew Fui Kiang | 144 | – | – | 144 |
| | 582 | 3,669 | 64 | 4,315 |

## 11. DIRECTORS' EMOLUMENTS (CONTINUED)

| | Directors' fees HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Retirement scheme contribution HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **For the year ended 31 December 2020** | | | | |
| **Executive directors** | | | | |
| Zhuang Weidong *(Chairman)* | 670 | – | 8 | 678 |
| Qiu Chuanzhi | 670 | – | 8 | 678 |
| Wu David Hang | – | 2,628 | 94 | 2,722 |
| Mak Yung Pan Andrew | 1,800 | – | 18 | 1,818 |
| **Non-executive director** | | | | |
| Lin Ping | – | – | – | – |
| **Independent non-executive directors** | | | | |
| Leung Ka Tin | 144 | – | – | 144 |
| Cheng Hong Kei | 144 | – | – | 144 |
| Liew Fui Kiang | 144 | – | – | 144 |
| | 3,572 | 2,628 | 128 | 6,328 |

There were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in note 12 below as an inducement to join or upon joining the Group or as a compensation for loss of office. Each of Mr. Zhuang Weidong, Mr. Qin Chuanzhi and Mr. Mak Yung Pan Andrew has waived their emoluments as executive Directors from 1 June 2021 to 31 December 2021.

## 12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2020: two) are directors. The aggregate of the emoluments in respect of the other four (2020: three) individuals are as follows:

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Salaries and other emoluments | **5,447** | 4,340 |
| Discretionary bonuses | **5,960** | 594 |
| Retirement scheme contributions | **98** | 51 |
| | **11,505** | 4,985 |

The emoluments of the four (2020: three) individuals with the highest emoluments are within the following bands:

| | Number of individuals | |
|---|---|---|
| | **2021** | 2020 |
| HK$1,000,001 to HK$1,500,000 | **1** | 2 |
| HK$1,500,001 to HK$2,000,000 | **–** | – |
| HK$2,000,001 to HK$2,500,000 | **1** | 1 |
| HK$4,000,001 to HK$4,500,000 | **2** | – |
| | **4** | 3 |

## 13. LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share is based on loss attributable to the equity shareholders of the Company of HK$17,503,000 (2020: HK$46,907,000) and the weighted average number of 464,804,000 ordinary shares (2020: 464,804,000 ordinary shares) in issue during both years ended 31 December 2020 and 2021.

### (b) Diluted loss per share

The diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary shares in issue during both years ended 31 December 2020 and 2021.

## 14. PROPERTY, PLANT AND EQUIPMENT

| | Machinery HK$'000 | Vehicles and other equipment HK$'000 | Leasehold improvement HK$'000 | Construction in progress HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| 1 January 2020 | 130,374 | 13,327 | 15,381 | 6,539 | 165,621 |
| Exchange adjustments | 9,753 | 742 | 1,315 | 333 | 12,143 |
| Acquisition of a subsidiary (Note 29) | – | 14 | – | – | 14 |
| Additions | 318 | 1,008 | 4,880 | 17,713 | 23,919 |
| Disposals | (1,431) | (170) | – | (415) | (2,016) |
| Reclassification | 19,606 | 346 | – | (19,952) | – |
| At 31 December 2020 and 1 January 2021 | **158,620** | **15,267** | **21,576** | **4,218** | **199,681** |
| Exchange adjustments | **4,664** | **358** | **656** | **149** | **5,827** |
| Additions | **–** | **689** | **1,862** | **6,254** | **8,805** |
| Disposals | **(2,529)** | **(1,956)** | **(161)** | **(208)** | **(4,854)** |
| Disposal of subsidiaries (Note 30) | **–** | **(16)** | **–** | **–** | **(16)** |
| Reclassification | **5,666** | **412** | **–** | **(6,078)** | **–** |
| At 31 December 2021 | **166,421** | **14,754** | **23,933** | **4,335** | **209,443** |
| **Accumulated depreciation and impairment loss** | | | | | |
| 1 January 2020 | 64,174 | 9,476 | 12,728 | – | 86,378 |
| Exchange adjustments | 5,201 | 592 | 991 | 27 | 6,811 |
| Charge for the year | 9,810 | 1,261 | 1,991 | – | 13,062 |
| Written back on disposals | (1,246) | (155) | – | – | (1,401) |
| Impairment loss | 7,027 | 231 | 510 | 447 | 8,215 |
| At 31 December 2020 and 1 January 2021 | **84,966** | **11,405** | **16,220** | **474** | **113,065** |
| Exchange adjustments | **2,607** | **282** | **519** | **9** | **3,417** |
| Charge for the year | **10,178** | **1,113** | **3,042** | **–** | **14,333** |
| Written back on disposals | **(2,035)** | **(1,267)** | **(42)** | **(67)** | **(3,411)** |
| Impairment loss | **108** | **–** | **–** | **–** | **108** |
| Reclassification | **230** | **6** | **–** | **(236)** | **–** |
| At 31 December 2021 | **96,054** | **11,539** | **19,739** | **180** | **127,512** |
| **Carrying amount** | | | | | |
| At 31 December 2021 | **70,367** | **3,215** | **4,194** | **4,155** | **81,931** |
| At 31 December 2020 | 73,654 | 3,862 | 5,356 | 3,744 | 86,616 |

## 14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Note:

During the year ended 31 December 2021, the zipper business of the Group has achieved a considerably increase in revenue and gross profit margin compared with budget and those of the year ended 31 December 2020 which had suffered from deterioration of gross profit margin and segment loss. Accordingly, as at 31 December 2021 and 2020 management conducted impairment assessment on the non-financial assets of this business in accordance with the accounting policy shown in note 4 (h) in order to determine whether any impairment loss recognised should be reversed or impairment loss should be recognised respectively. These assets comprised property, plant and equipment including construction in progress, prepayments for property, plant and equipment (note 14), intangible assets with finite lives (note 15) and the right-of-use assets (note 23) (collectively the "Relevant Assets") for the purpose of impairment assessment.

The recoverable amount of the Relevant Assets has been determined by management with reference to value in use calculation, using cash flow projection from the latest financial budget formally approved by management covering a five-year period (2020: 5-year period) with the growth rate of 8% in the first year and gradually decrease to 2% in the fifth year (2020: 12% in the first year and gradually decrease to 5% in the fifth year), gross profit margins ranging from 27% to 28% (2020: 24% to 28%) and at a discount rate of 10% (2020: 11%). Cash flows beyond the five-year period are extrapolated using a growth rate of 2%, which does not exceed the long-term growth rate for the zipper industry in the PRC and overseas.

Except for impairment loss of HK$108,000 recognised during the year related to some property, plant and equipment identified to be idle, the recoverable amount of the Relevant Assets as at 31 December 2021 approximated the carrying amount, no additional impairment loss nor reversal of impairment loss had been recognised for the year ended 31 December 2021.

The carrying amount of the Relevant Assets as at 31 December 2020 is higher than the recoverable amount, impairment losses in respect of property, plant and equipment, and right-of-use assets of approximately HK$8,215,000 and HK$4,885,000 (note 23(b)), respectively, had been recognised in the consolidated statement of profit or loss for the year ended 31 December 2020.

## 15. INTANGIBLE ASSETS

| | Software<br>HK$'000 |
|---|---|
| **Cost** | |
| At 1 January 2020 | 7,929 |
| Exchange adjustments | 524 |
| At 31 December 2020 and 1 January 2021 | **8,453** |
| Exchange adjustments | **252** |
| Addition | **401** |
| Disposal | **(100)** |
| At 31 December 2021 | **9,006** |
| **Accumulated amortisation** | |
| At 1 January 2020 | 7,044 |
| Exchange adjustments | 515 |
| Amortisation for the year | 754 |
| At 31 December 2020 and 1 January 2021 | **8,313** |
| Exchange adjustments | **245** |
| Amortisation for the year | **163** |
| Disposal | **(64)** |
| At 31 December 2021 | **8,657** |
| **Carrying amount** | |
| At 31 December 2021 | **349** |
| At 31 December 2020 | 140 |

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

## 16. INTEREST IN A JOINTLY CONTROLLED ENTITY

| | **2021** **HK$'000** | 2020 HK$'000 |
|---|---|---|
| Share of net assets less impairment loss of HK$733,000 | – | 5 |
| Amount due from the jointly controlled entity | – | 1,791 |
| | – | 1,796 |

Through the acquisition of a wholly-owned subsidiary set out in note 29 during the year ended 31 December 2020, the Group holds a 50% interest in a partnership, 珠海華融白衣騎士股權投資管理合夥企業 (Zhuhai Huarong White Knight Equity Investment Management Partnership (Limited Partnership)), a separate structured vehicle established and operating in the PRC for a term of ten years. The principal activities of the partnership is provision of asset management services.

As agreed with the another partner which is a limited partner, the partially paid-up capital of the partnership previously solely contributed by the acquired subsidiary which is a general partner is to be returned to the subsidiary. The timing of re-contribution of the total registered capital of RMB10,000,000 is yet to be agreed and equally made by both the partners.

In accordance with the partnership agreement, profit or loss of the partnership should be shared based on the proportion of the amount of capital actually contributed by the partners. As only the subsidiary used to contribute capital to the partnership, the Group is entitled to share 100% of the profit and net assets of the partnership. Resolutions on the general matters and specific matters on the partnership require simple majority vote and unanimous vote of the partners respectively.

The partnership is classified as a jointly controlled entity and accounted for in the consolidated financial statements using the equity method.

Amount due from the jointly controlled entity is unsecured, interest free and repayable on demand.

Impairment loss of HK$733,000 has been recognised on the interest in the jointly controlled entity during the year ended 31 December 2020 as there is no definitive plan as to when the partnership will commence business and generate revenue.

## 16. INTEREST IN A JOINTLY CONTROLLED ENTITY (CONTINUED)

Summarised financial information of the partnership, adjusted for any differences in accounting policies, is presented below:

| | HK$'000 |
|---|---|
| As at 31 December 2020 | |
| Current asset (representing cash and cash equivalents) | **1,796** |
| Current liability (representing amount due to the Group) | **(1,791)** |
| Net assets | **5** |
| From date of acquisition to 31 December 2020 | |
| Bank interest income | **5** |
| Profit and total comprehensive income for the period | **5** |
| Impairment loss on investment in the jointly controlled entity | **(733)** |
| Share of loss of the jointly-controlled entity for the period | **(728)** |

The jointly controlled entity was disposed of during the year ended 31 December 2021 through disposal of the subsidiaries as mentioned in note 30. The financial position of the jointly controlled entity at the date of disposal and the financial performance from 1 January 2021 to date of disposal have not be disclosed as the amount involved is insignificant.

## 17. INVENTORIES

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Raw materials | **9,860** | 8,174 |
| Work in progress | **18,260** | 16,445 |
| Finished goods | **2,707** | 2,262 |
| | **30,827** | 26,881 |

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

| | For the year ended 31 December | |
|---|---|---|
| | **2021 HK$'000** | 2020 HK$'000 |
| Carrying amount of inventories sold | **170,003** | 134,350 |
| Write down of inventories | **1,486** | 2,770 |
| Reversal of write-down of inventories | **(1,709)** | (1,535) |
| Exchange adjustments | **167** | 269 |
| | **169,947** | 135,854 |

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 increase in the estimated net realisable value of certain inventories previously provided for.

## 18. TRADE AND OTHER RECEIVABLES

| | Note | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|---|
| Trade debtors and bills receivable | | **50,376** | 44,971 |
| Less: Loss allowance | 34(a) | **(1,469)** | (1,435) |
| | | **48,907** | 43,536 |
| Rental deposits | | **1,697** | 2,665 |
| Other prepayments | | **861** | 1,155 |
| Other debtors | | **397** | 1,726 |
| | | **51,862** | 49,082 |

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

## 18. TRADE AND OTHER RECEIVABLES (CONTINUED)

### Ageing analysis

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

| | **2021**<br>**HK$'000** | 2020<br>HK$'000 |
|---|---|---|
| Within 1 month | **18,741** | 18,049 |
| Over 1 month but within 2 months | **17,916** | 13,065 |
| Over 2 months but within 3 months | **6,503** | 6,144 |
| Over 3 months | **5,747** | 6,278 |
| | **48,907** | 43,536 |

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

Further details on the Group's credit policy and credit risk arising from trade debtors and bills receivable are set out in note 34(a). Trade debtors and bills receivable are in general due within 30–90 days from the date of billing.

## 19. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

| | **2021**<br>**HK$'000** | 2020<br>HK$'000 |
|---|---|---|
| At 1 January | **122** | (2,123) |
| Exchange adjustments | **–** | (4) |
| Under/(over)-provision in respect of prior years (note 10(a)) | **32** | (385) |
| Income tax (paid)/refunded | **(265)** | 2,634 |
| At 31 December | **(111)** | 122 |
| Represented by: | | |
| Current tax payable | **–** | 122 |
| Current tax recoverable | **(111)** | – |
| | **(111)** | 122 |

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

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

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

| | Depreciation and impairment losses on non-current assets HK$'000 | Unrealised profit or loss arising from intra-group transactions HK$'000 | Provisions HK$'000 | PRC dividend withholding tax HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **Deferred tax arising from:** | | | | | |
| At 1 January 2020 | 343 | 62 | 2,780 | (1,124) | 2,061 |
| Credited to consolidated statement of profit or loss | 2,300 | – | – | – | 2,300 |
| Exchange adjustments | 163 | – | 186 | – | 349 |
| At 31 December 2020 and 1 January 2021 | **2,806** | **62** | **2,966** | **(1,124)** | **4,710** |
| (Charged)/credited to consolidated statement of profit or loss | **(194)** | **63** | **194** | **–** | **63** |
| Exchange adjustments | **87** | **–** | **84** | **–** | **171** |
| At 31 December 2021 | **2,699** | **125** | **3,244** | **(1,124)** | **4,944** |

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

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| Deferred tax asset recognised in the consolidated statement of financial position | **6,068** | 5,834 |
| Deferred tax liability recognised in the consolidated statement of financial position | **(1,124)** | (1,124) |
| | **4,944** | 4,710 |

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

### (d) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 4(k), the Group has not recognised deferred tax assets in respect of the amount of cumulative tax losses of HK$15,580,000 (2020: HK$26,723,000) as it may not be probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The unused tax loss of approximately HK$14,157,000 (2020: HK$7,607,000) are subject to agreement by the Inland Revenue Department and can be carried forward indefinitely, while the remaining unused tax loss of approximately HK$768,000 (2020: HK$513,000) and HK$655,000 (2020: HK$18,603,000) will expire in five years and ten years from respective dates of incurrence.

### (e) Deferred tax liabilities not recognised

At 31 December 2021, temporary differences relating to the undistributed profits of the Group's PRC subsidiaries amounted to HK$48,287,000 (2020: HK$39,228,000). Deferred tax liabilities relating to a portion of these temporary differences amounting to HK$1,569,000 (2020: HK$1,275,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

## 20. CASH AND CASH EQUIVALENTS

| | **2021**<br>**HK$'000** | 2020<br>HK$'000 |
|---|---|---|
| Cash at banks and in hand | **59,870** | 60,930 |

As at 31 December 2021, cash and cash equivalents in the amount of HK$55,556,000 (2020: HK$48,936,000) were denominated in RMB and were deposited in the PRC in the ordinary course of business. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

## 21. TRADE AND OTHER PAYABLES

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Trade creditors | **10,857** | 9,597 |
| Payroll and staff benefits payable | **31,926** | 17,004 |
| Accrued expenses | **5,301** | 5,582 |
| Payables for purchase of property, plant and equipment | **8,022** | 18,723 |
| Contract liabilities (Note 7) | **996** | 841 |
| Other payables | **254** | 498 |
| | **57,356** | 52,245 |

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:

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Within 1 month | **10,243** | 8,072 |
| Over 1 month but within 3 months | **428** | 1,362 |
| Over 3 months but within 6 months | **5** | 1 |
| Over 6 months | **181** | 162 |
| | **10,857** | 9,597 |

## 22. AMOUNT DUE TO A RELATED PARTY

The balance represents advance made by an individual which is vice president of the Company and son-in-law of a director of the Company. It is unsecured, interest free and repayable on demand.

## 23. LEASES

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

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

***(a)*** Future lease payments as at 31 December 2021 and 2020 are due as follows:

| | **Minimum lease payments 2021 HK$'000** | **Interest 2021 HK$'000** | **Present value 2021 HK$'000** |
|---|---|---|---|
| Not later than one year | **19,390** | **2,958** | **16,432** |
| Later than one year and not later than two years | **18,793** | **1,797** | **16,996** |
| Later than two years and not later than five years | **17,744** | **877** | **16,867** |
| | **55,927** | **5,632** | **50,295** |

| | Minimum lease payments 2020 HK$'000 | Interest 2020 HK$'000 | Present value 2020 HK$'000 |
|---|---|---|---|
| Not later than one year | 22,415 | 3,535 | 18,880 |
| Later than one year and not later than two years | 17,554 | 2,471 | 15,083 |
| Later than two years and not later than five years | 32,073 | 1,866 | 30,207 |
| | 72,042 | 7,872 | 64,170 |

The present value of future lease payments are analysed as:

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| Current liabilities | **16,432** | 18,880 |
| Non-current liabilities | **33,863** | 45,290 |
| | **50,295** | 64,170 |

## 23. LEASES (CONTINUED)

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

***(b)*** Measurements of amounts recognised in the consolidated statement of financial position and profit or loss during the years ended 31 December 2020 and 2021:

| | **Right-of-use assets (note)** HK$'000 | **Lease liabilities** HK$'000 |
|---|---|---|
| 1 January 2020 | 52,042 | 53,584 |
| Inception of new leases | 2,886 | 2,886 |
| Depreciation | (18,950) | – |
| Interest expense | – | 3,662 |
| Modification of leases arising from early renewal of leases | 22,163 | 22,163 |
| Payments of lease liabilities (note 33) | – | (21,727) |
| Impairment loss | (4,885) | – |
| Exchange adjustments | 3,152 | 3,602 |
| As at 31 December 2020 and 1 January 2021 | **56,408** | **64,170** |
| Depreciation | **(18,828)** | **–** |
| Interest expense | **–** | **3,720** |
| Modification of leases arising from early renewal of leases | **8,612** | **8,612** |
| Adjustment on reduction of lease term | **(4,292)** | **(4,716)** |
| Payments of lease liabilities (note 33) | **–** | **(23,048)** |
| Exchange adjustments | **1,345** | **1,557** |
| As at 31 December 2021 | **43,245** | **50,295** |

Note:

The right-of-use assets represented land and buildings leased for own use carried at depreciated costs.

As mentioned in note 14, impairment loss has been recognised on the right-of-use assets which amounted to approximately HK$4,885,000 for the year ended 31 December 2020.

In September 2021, a subsidiary of the Company has been informed by the management committee of Jiashan Economic and Technology Development Zone (嘉善經 濟技術開發區管理委員會) (the "JETDZ Management Committee") that its production base is included in the implementation area of the organic renewal project of the Economic Development Zone and required to be vacated. The subsidiary is yet to receive the timeline of the relocation of the production base from the JETDZ Management Committee and will discuss with the JETDZ Management Committee regarding the relocation plan. As a consequence, management has re-assessed the lease term of the production base and considers it is no longer reasonably certain to exercise the option to renew the lease of the production base. As such, the right-of-use assets and lease liabilities were remeasured accordingly.

## 24. EMPLOYEES RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employee's relevant income, subject to a cap of monthly relevant income of HK$30,000 (2020: HK$30,000).

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

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

## 25. EQUITY SETTLED SHARE-BASED TRANSACTIONS

Pursuant to the shareholders' resolutions passed on 14 December 2010 which expired on 13 December 2020, the Company adopted a share options scheme ("the Scheme") whereby the directors of the Company were authorised to grant options to selected eligible persons as incentives or rewards for their contribution or potential contribution to the Group and/or to recruit and retain high caliber eligible persons and attract human resources that are valuable to the Group.

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

The share option scheme had already expired on 13 December 2020 and no options were granted, exercised or lapsed during the year ended 31 December 2020.

## 26. CAPITAL, RESERVES AND DIVIDENDS

### (a) Movements in components of equity

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

***The Company***

| | Share capital HK$'000 | Share premium HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Balance at 1 January 2020** | 4,648 | 180,690 | (96,138) | 89,200 |
| **Change in equity for 2020:** | | | | |
| Special dividend (note 26 (b)) | – | (34,860) | – | (34,860) |
| Loss and total comprehensive income for the year | – | – | (21,429) | (21,429) |
| **Balance at 31 December 2020 and 1 January 2021** | **4,648** | **145,830** | **(117,567)** | **32,911** |
| **Change in equity for 2021:** | | | | |
| Loss and total comprehensive income for the year | **–** | **–** | **(22,200)** | **(22,200)** |
| **Balance at 31 December 2021** | **4,648** | **145,830** | **(139,767)** | **10,711** |

### (b) 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 of the Company held on 11 February 2020 and was paid out to the shareholders on 3 March 2020.

No interim and final dividend were declared and proposed respectively in respect of the years ended 31 December 2021 and 2020.

## 26. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

### (c) Share capital

#### *(i) Authorised and issued share capital*

| | At 31 December 2021 | | At 31 December 2020 | |
|---|---|---|---|---|
| | Number of shares '000 | Share capital HK$'000 | Number of shares '000 | Share capital HK$'000 |
| **Authorised,** | | | | |
| Ordinary shares of HK$0.01 each | **2,000,000** | **20,000** | 2,000,000 | 20,000 |
| **Ordinary shares, issued and fully paid:** | | | | |
| At 1 January and 31 December | **464,804** | **4,648** | 464,804 | 4,648 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

### (d) Share premium

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

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

### (e) Statutory reserve

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

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

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

## 26. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

### (f) Capital reserve

Capital reserve comprises the following:

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

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

### (g) Exchange reserve

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

### (h) Distributability of reserves

At 31 December 2021, the aggregate amount of reserves available for distribution to the equity shareholders of the Company was HK$6,063,000 (2020: HK$28,263,000).

### (i) Capital management

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

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

The Group's strategy, is to maintain the adjusted net debt-to-capital ratio (i.e. total debts less cash and cash equivalents over total equity) below 20%. The ratio as at 31 December 2020 was approximately 1.9%. As at 31 December 2021, as the total debt is less than cash and cash equivalents, no adjusted debt-to-capital ratio is calculated. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

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

## 27. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | Note | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **–** | 929 |
| Intangible assets | | **–** | 61 |
| Investments in subsidiaries | | **–** | – |
| Right-of-use assets | | **555** | 5,082 |
| | | **555** | 6,072 |
| **Current assets** | | | |
| Amount due from a subsidiary | | **16,442** | 22,658 |
| Other receivables and deposit | | **128** | 2,963 |
| Cash and cash equivalents | | **92** | 7,725 |
| | | **16,662** | 33,346 |
| **Current liabilities** | | | |
| Other payables | | **3,705** | 1,324 |
| Amount due to a related party | | **2,238** | – |
| Lease liabilities | | **563** | 4,620 |
| | | **6,506** | 5,944 |
| **Net current assets** | | **10,156** | 27,402 |
| **Total assets less current liabilities** | | **10,711** | 33,474 |
| **Non-current liabilities** | | | |
| Lease liabilities | | **–** | 563 |
| **Net assets** | | **10,711** | 32,911 |
| **Capital and reserves** | | | |
| Share capital | 26(c)(i) | **4,648** | 4,648 |
| Reserves | | **6,063** | 28,263 |
| **Total equity** | 26(a) | **10,711** | 32,911 |

Approved and authorised for issue by the board of directors on 12 May, 2022.

**Yip Siu Lun Dave**
*Director*

**Wu Cody Zhuo-xuan**
*Director*

## 28. INVESTMENTS IN SUBSIDIARIES

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

| Name of company | Place of incorporation/ establishment and business operation | Issued and fully paid up capital | Attributable equity interest | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| KEE International BVI Limited | BVI | 2 shares of US$ 1 each | 85% | – | Investment holding |
| KEE Zippers | Hong Kong | 1,000,000 shares | – | 85% | Trading of zipper products |
| KEE Guangdong* | The PRC | HK$137,500,000 | – | 85% | Manufacture and sale of zipper products |
| KEE Zhejiang Garment Accessories* | The PRC | USD8,760,000 | – | 85% | Manufacture and sale of zipper products |
| Foshan UNA Cultural Gifts Co., Limited** | The PRC | RMB3,000,000 | – | 85% | Design and sale of garment accessories |

* These are wholly foreign-owned enterprises in the PRC.

** These are companies with limited liability in the PRC.

## 28. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following table listed out the information relating to a subsidiary, KEE International BVI Limited ("KEE International BVI"), which has material non-controlling interest ("NCI") as at 31 December 2021. The summarised financial information presented below represents the amounts before any inter-company elimination.

| | **2021** **HK$'000** | 2020 HK$'000 |
|---|---|---|
| NCI percentage | **15%** | 15% |
| Current assets | **142,450** | 133,421 |
| Non-current assets | **132,553** | 145,928 |
| Current liabilities | **(86,033)** | (92,380) |
| Non-current liabilities | **(34,987)** | (45,852) |
| Net assets | **153,983** | 141,117 |
| Carrying amount of NCI | **23,098** | 21,168 |
| Revenue | **239,717** | 170,089 |
| Profit/(loss) for the year | **3,946** | (28,678) |
| Total comprehensive income | **12,866** | (9,810) |
| Profit/(loss) allocated to NCI | **592** | (4,302) |
| Cash flows from operating activities | **45,165** | 31,396 |
| Cash outflows from investing activities | **(18,713)** | (18,887) |

## 29. ACQUISITION OF A SUBSIDIARY

### Acquisition of entire equity interest of Shenzhen White Knight Consulting Co., Ltd. (深圳白衣騎士諮詢有限公司) ("Shenzhen White Knight")

On 11 August 2020, the Company through a wholly-owned subsidiary, acquired the 100% equity in and shareholders' loans made to Shenzhen White Knight Consulting Co., Ltd. (深圳白衣騎士諮詢有限公司) which merely holds a 50% equity interest in a jointly controlled entity as mentioned in note 16. The subsidiary has been established to be principally engaged in provision of consultancy services and investment holding while the jointly controlled entity is principally engaged in provision of asset management services and investment holding.

Both the subsidiary and the jointly controlled entity had not yet commenced their principal activities as at the date of acquisition and as at 31 December 2020 nor had staff or organised workforce employed upon completion of the acquisition. Accordingly, the acquisition is accounted as purchase of assets and liabilities instead of a business. The purchase consideration of RMB2,177,001 (approximately HK$2,400,000 equivalent) is allocated to the relevant assets and liabilities of the subsidiary based on their relative fair values. The details of assets and liabilities acquired are set out below.

| | HK$'000 |
|---|---|
| Property, plant and equipment | 14 |
| Interest in a jointly controlled entity | 2,384 |
| Other receivables | 1 |
| Cash and cash equivalents | 4 |
| Other payables | (3) |
| Total net assets acquired/purchase consideration | 2,400 |
| Net cash outflow arising on acquisition: | |
| – Cash consideration | 2,400 |
| – Less: Cash and cash equivalents acquired | (4) |
| | 2,396 |

The transaction cost of the acquisition is immaterial.

## 30. DISPOSAL OF SUBSIDIARIES

In December 2021, the Group disposed of all of its 100% equity interests of Oriental Choice Holdings Limited and Baiyu Ventures Limited to a third party at a total cash consideration of US$2. This disposal resulted in a net loss of approximately HK$1,702,000.

| | HK$'000 |
|---|---|
| Total cash consideration received (US$2) | – |
| Carrying amount of the net liabilities disposed of | 2,200 |
| Waiver of amount due from a subsidiary | (4,343) |
| Reclassification of exchange reserve upon disposal | 441 |
| Loss on disposal of subsidiaries | (1,702) |

The carrying amount of assets and liabilities as at the date of disposal of 20 December 2021 are as follows:

| | 20 December 2021 HK$'000 |
|---|---|
| Property, plant and equipment | 16 |
| Investment in a jointly controlled entity | 5 |
| Other receivables | 125 |
| Amount due from a jointly controlled entity | 1,844 |
| Cash and cash equivalents | 271 |
| Total assets | 2,261 |
| Other payables | (118) |
| Amount due to the Group | (4,343) |
| Total liabilities | (4,461) |
| Net liabilities | (2,200) |
| Net cash outflow arising from disposal: | |
| – Cash consideration (US$2) | – |
| – Less: Cash and cash equivalents disposed of | (271) |
| | (271) |

The transaction cost of the acquisition is immaterial.

## 31. COMMITMENTS

Capital commitments outstanding at 31 December 2021 and 2020 not provided for in the consolidated financial statements were as follows:

| | **2021** **HK$'000** | 2020 HK$'000 |
|---|---|---|
| Contracted for | **313** | 288 |

## 32. MATERIAL RELATED PARTY TRANSACTIONS

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

As at 31 December 2021, the directors considered that Huarong is the controlling shareholder of the Company. As at 31 December 2020, the directors considered the Company has no ultimate holding company nor controlling shareholder.

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

### (a) Transactions

***Relating to continuing connected transactions or connected transactions***

(i) The Group renewed a lease agreement which expired on 31 December 2020 for a term of two years ending 31 December 2022 in respect of certain leasehold and buildings entered into with Mr Xu Xipeng and Mr Xu Xinan, the senior management of the Group. During the year ended 31 December 2021, the rentals paid (VAT included) by the Group under this lease agreement amounted to HK$5,695,000 (RMB4,728,000 equivalent) (2020: HK$4,836,000 (RMB4,320,000 equivalent)).

(ii) Since the disposals of certain leasehold land and buildings during the year ended 31 December 2016, the Group has agreed to leaseback those assets from Classic Winner Limited ("Classic Winner") and Foshan City Nanhai Jinheming Investment Company Limited ("Nanhai Jinheming") which are owned by Mr Xu Xipeng and Mr Xu Xinan. These two lease agreements were renewed again for a term of two years commencing from 16 January 2020. The rentals paid (VAT included, if any) by the Group to Classic Winner and Nanhai Jinheming for the year ended 31 December 2021 amounted to HK$720,000 (2020: HK$716,000) and HK$6,032,000 (RMB5,008,000 equivalent) (2020: HK$5,606,000 (RMB5,008,000 equivalent)) respectively. As at 31 December 2021, the rental deposit paid by the Group to Nanhai Jinheming amounted to HK$1,531,000 (RMB1,252,000 equivalent) (2020: HK$1,487,000 (RMB1,252,000 equivalent)).

## 32. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

### (a) Transactions (Continued)

(iii) KEE Guangdong renewed a lease agreement which expired on 31 August 2021 for a term of two years ending 31 August 2023 with KEE (Jingmen) Garment Accessories Limited which are owned by Mr Xu Xipeng and Mr Xu Xinan in respect of certain leasehold land and buildings. During the year ended 31 December 2021, the rentals paid (VAT included) by the Group under this lease agreement amounted to HK$6,423,000 (RMB5,332,000 equivalent)(2020:HK$5,374,000 (RMB4,800,000 equivalent).

(iv) In December 2020, the Group also purchased certain plant and equipment from KEE (Jingmen) Garment Accessories Limited for cash consideration of approximately RMB6,718,000 (among which RMB773,000 is the VAT) which is equivalent to approximately HK$7,913,000.

The above related party transactions constituted connected transactions as defined in Chapter 14A of the Listing Rules and have already been recognised as right-of-use assets or property, plant and equipment in the financial statements. The disclosures required by Chapter 14A of the Listing Rules are provided in section headed “Connected Transactions” of the report of the directors.

### (b) Key management personnel compensation

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

| | **2021** | 2020 |
|---|---|---|
| | **HK$’000** | HK$’000 |
| Short-term employee benefits | **13,059** | 11,377 |
| Retirement scheme contribution | **129** | 258 |
| | **13,188** | 11,635 |

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

## 33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

| | **2021 Advance from a related party HK$'000** | **2021 Lease liabilities HK$'000** | 2019 Lease liabilities HK$'000 |
|---|---|---|---|
| Cash flows arising from financing activities | | | |
| As at 1 January | **–** | **64,170** | 53,584 |
| Cash flow from financing activities (note 23(b)) | | | |
| Payment of lease liabilities (including interests) | **–** | **(23,048)** | (21,727) |
| Advance received | **2,238** | **–** | – |
| Other changes (note 23(b)): | | | |
| Interest expense | **–** | **3,720** | 3,662 |
| Inception of new leases during the year | **–** | **–** | 2,886 |
| Modification of leases | **–** | **8,612** | 22,163 |
| Adjustment on reduction of lease term | **–** | **(4,716)** | – |
| Exchange adjustments | **–** | **1,557** | 3,602 |
| As at 31 December | **2,238** | **50,295** | 64,170 |

## 34. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

### (a) Credit risk

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

***Trade debtors and bills receivable***

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore certain concentration of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 27% (2020: 17%) of the total trade receivables were due from the Group's five largest customers.

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

## 34. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

### (a) Credit risk (Continued)

***Trade debtors and bills receivable (Continued)***

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

The following tables provide information about the Group's exposure to credit risk and ECLs for trade debtors and bills receivable as at 31 December 2020 and 2021:

| **2021** | **Expected loss rate (%)** | **Gross carrying amount HK$'000** | **Loss allowance HK$'000** |
|---|---|---|---|
| Current (not past due) | **0.052** | **32,820** | **17** |
| 1–30 days past due | **0.220** | **9,234** | **21** |
| 31–60 days past due | **0.375** | **3,592** | **14** |
| 61–90 days past due | **0.578** | **1,466** | **8** |
| 91–360 days past due | **12.451** | **2,119** | **264** |
| More than 360 days past due | **100** | **1,145** | **1,145** |
| | | **50,376** | **1,469** |

| 2020 | Expected loss rate (%) | Gross carrying amount HK$'000 | Loss allowance HK$'000 |
|---|---|---|---|
| Current (not past due) | 0.022 | 27,758 | 6 |
| 1–30 days past due | 0.082 | 8,587 | 7 |
| 31–60 days past due | 0.088 | 3,401 | 3 |
| 61–90 days past due | 0.528 | 2,463 | 13 |
| 91–360 days past due | 8.440 | 1,481 | 125 |
| More than 360 days past due | 100 | 1,281 | 1,281 |
| | | 44,971 | 1,435 |

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

## 34. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

### (a) Credit risk (Continued)

***Trade debtors and bills receivable (Continued)***

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

| | **2021**<br>**HK$'000** | 2020<br>HK$'000 |
|---|---|---|
| Balance at 1 January | **1,435** | 1,254 |
| Reversal of impairment losses | **(131)** | (473) |
| Impairment losses recognised during the year | **123** | 564 |
| Exchange adjustments | **42** | 90 |
| Balance at 31 December | **1,469** | 1,435 |

The net decrease in impairment loss during the year ended 31 December 2021 is mainly due to decrease in total balances of trade receivables past due between 61 and 90 days and those over 360 days.

The net increase in impairment loss during the year ended 31 December 2020 is mainly due to increase in total balances of trade receivables past due for over 360 days.

***Other financial assets at amortised cost***

As at 31 December 2021 and 2020, in addition to the cash and cash equivalents which are considered to have low credit risk, other financial assets at amortised cost of the Group mainly include rental deposits and other debtors. The ECLs on other financial assets which did not have significant increase in credit risk during the reporting period were considered by management to be insignificant.

### (b) Interest rate risk

As at 31 December 2021 and 2020, the Group had no interest bearing borrowings other than lease liabilities which are carried at average fixed interest rate of 7% (2020:6%) as shown in note 23 and all its interest bearing financial assets are mainly bank deposits with maturity no more than one year. Accordingly, the Group's cash flow interest rate risk is considered insignificant.

### (c) Liquidity risk

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

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

## 34. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

### (c) Liquidity risk (Continued)

The maturity of the financial liabilities is set below:

**Year ended 31 December 2021**

| | Carrying amount HK$'000 | Total contractual undiscounted cash flow HK$'000 | Within 1 year or on demand HK$'000 | More than 1 year but less than 2 years HK$'000 | More than 2 years but less than 5 years HK$'000 |
|---|---|---|---|---|---|
| Trade and other payables | **56,360** | **56,360** | **56,360** | **–** | **–** |
| Amount due to a related party | **2,238** | **2,238** | **2,238** | **–** | **–** |
| Lease liabilities | **50,295** | **55,927** | **19,390** | **18,793** | **17,744** |
| | **108,893** | **114,525** | **77,988** | **18,793** | **17,744** |

Year ended 31 December 2020

| | Carrying amount HK$'000 | Total contractual undiscounted cash flow HK$'000 | Within 1 year or on demand HK$'000 | More than 1 year but less than 2 years HK$'000 | More than 2 years but less than 5 years HK$'000 |
|---|---|---|---|---|---|
| Trade and other payables | 51,404 | 51,404 | 51,404 | – | – |
| Lease liabilities | 64,170 | 72,042 | 22,415 | 17,554 | 32,073 |
| | 115,574 | 123,446 | 73,819 | 17,554 | 32,073 |

## 34. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

### (d) Currency risk

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

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

The Group had RMB denominated bank deposits amounting to HK$309,000 (2020: HK$2,783,000) that was held by KEE Zippers and KEE Holdings for which HK$ is their functional currency. In addition, the Group had HK$ denominated inter-company other receivables amounting to HK$153,837,000 (2020: HK$145,318,000) that were held by KEE Guangdong and KEE Zhejiang for which RMB is their functional currency.

***Sensitivity analysis***

At 31 December 2021, it is estimated that a general appreciation/depreciation of 0.5% in HK$ against RMB, with all other variables held constant, would have decreased/increased the Group's net loss for the year and decreased/increased accumulated losses by approximately HK$768,000 (2020: decreased/increased net loss and increased/decreased accumulated losses by HK$713,000).

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

### (e) Equity price risk

The Group has no such risk during the year.

## 34. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

### (f) Financial instruments and fair values

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

| Financial assets | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Financial assets at amortised costs | | |
| Amount due from a jointly controlled entity | – | 1,791 |
| Trade and other receivables | 51,001 | 47,927 |
| Cash and cash equivalents | 59,870 | 60,930 |
| Rental deposits | 1,468 | 2,926 |
| | 112,339 | 113,574 |
| **Financial liabilities** | | |
| Financial liabilities at amortised costs | | |
| Amount due to a related party | 2,238 | – |
| Trade and other payables | 56,360 | 51,404 |
| | 58,598 | 51,404 |
| **Lease liabilities** | 50,295 | 64,170 |

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

## 35. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 15 January 2022, the Group renewed the two lease agreements with Classic Winner at a monthly rental of HK$54,000 and Nanhai Jinheming at a monthly rent of RMB625,958 which are owned by the connected parties as disclosed in note 32(a)(ii) for a term of two years commencing from 16 January 2022.

## 36. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board on 12 May, 2022.

# Glossary

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

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

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