APEX ACE HOLDING LIMITED

光麗科技控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6036)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

RESULTS HIGHLIGHT

- Revenue decreased by 9.3% to HK$1,756.0 million (Year 2019: HK$1,936.8 million)
- Gross profit margin was 7.9% (Year 2019: 7.9%)
- Net loss attributable to the owners of the Company for Year 2020 was HK$5.1 million (Year 2019: net loss of HK$17.0 million)
- Basic loss per share for Year 2020 was 0.51 HK cent (Year 2019: loss per share 1.70 HK cents)

FINAL RESULTS

On behalf of the board of directors of Apex Ace Holding Limited (the "Company", the "Directors" and the "Board", respectively), I present the audited consolidated financial results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2020 (the "Year" or the "Year 2020") together with the comparative figures for the prior year (the "Year 2019"). These audited financial results for the Year have been reviewed by the audit committee of the Board (the "Audit Committee").

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Year 2020 HK$'000	Year 2019 HK$'000 (Restated)
Revenue	3	**1,756,038**	1,936,844
Cost of sales		**(1,617,012)**	(1,783,026)
Gross profit		**139,026**	153,818
Other income	4	**11,912**	3,840
Decrease in fair value of investment property		**(700)**	(2,300)
Impairment loss on trade receivables		**(18,781)**	(12,175)
Impairment loss on loans receivable		**(1,350)**	–
Impairment loss on purchase deposit paid		**–**	(4,325)
Distribution and selling expenses		**(62,127)**	(78,138)
Administrative expenses		**(59,574)**	(61,848)
Finance costs	5	**(6,635)**	(7,121)
Profit/(loss) before tax	6	**1,771**	(8,249)
Income tax expense	7	**(1,650)**	(863)
Profit/(loss) for the year		**121**	(9,112)
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**2,567**	(341)
Items that will not be reclassified subsequently to profit or loss:			
Surplus on revaluation of leasehold land and buildings		**2,360**	13,848
Deferred tax arising on revaluation of leasehold land and buildings		**(318)**	(2,518)
Other comprehensive income for the year, net of tax		**4,609**	10,989
Total comprehensive income for the year		**4,730**	1,877

	Note	Year 2020	Year 2019
		HK$'000	*HK$'000*
			(Restated)
(Loss)/profit for the year attributable to:			
– Owners of the Company		**(5,115)**	(16,985)
– Non-controlling interests		**5,236**	7,873
		121	(9,112)
Total comprehensive (expense)/income:			
– Owners of the Company		**(458)**	(5,994)
– Non-controlling interests		**5,188**	7,871
		4,730	1,877
Loss per share attributable to owners of the Company			
– Basic	8	**(0.51) HK cent**	(1.70) HK cents
– Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	2020 HK$'000	2019 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment	10	**63,843**	62,045
Right-of-use assets		**816**	2,915
Investment property	11	**51,000**	51,700
Intangible assets		**22,474**	–
Deposits paid for acquisition of property, plant and equipment, and intangible assets		**256**	17,458
Deposit paid for acquisition of business		**–**	11,123
Deferred tax assets		**7,743**	4,868
		146,132	150,109
Current assets			
Inventories		**229,265**	88,018
Trade receivables	12	**499,348**	485,861
Other receivables, deposits and prepayments		**57,486**	8,145
Income tax receivable		**1,259**	5,412
Bank balances and cash		**95,039**	211,809
		882,397	799,245
Current liabilities			
Trade payables	13	**188,908**	224,950
Other payables, accruals and deposit received		**33,779**	44,820
Lease liabilities – current portion		**921**	2,173
Bank borrowings, secured		**478,779**	346,092
Income tax payable		**1,639**	8,162
		704,026	626,197
Net current assets		**178,371**	173,048
Total assets less current liabilities		**324,503**	323,157

	Note	2020	2019
	Note	***HK$'000***	*HK$'000*
			(Restated)
Non-current liabilities			
Lease liabilities – non-current portion		**–**	802
Deferred tax liabilities		**3,009**	2,643
		3,009	3,445
Net assets		**321,494**	319,712
Capital and reserves			
Share capital	14	**10,000**	10,000
Reserves		**283,414**	283,872
Equity attributable to owners of the Company		**293,414**	293,872
Non-controlling interests		**28,080**	25,840
Total equity		**321,494**	319,712

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 4 July 2012 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the address of its principal place of business is Units 2–3, 1/F., Sun Cheong Industrial Building, 1 Cheung Shun Street, Kowloon, Hong Kong. The Company is an investment holding company and the principal activities of its subsidiaries are sales and integration of semiconductors, electronic components and storage systems.

The shares of the Company (the "Shares") in issue were initially listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 March 2018.

The consolidated financial statements are presented in Hong Kong dollar ("HK$") which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND CHANGE IN ACCOUNTING POLICY

(a) New and revised HKFRSs adopted as at 1 January 2020

The Group has applied the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting

The application of new and revised HKFRSs had no material impact on the financial position and the financial results of the Group.

(b) New and revised HKFRSs issued but not yet effective

Up to the date of announcement, HKICPA has issued the following new and revised HKFRSs which are not yet effective for the accounting period beginning on 1 January 2020. The Group has not early applied these new and revised HKFRSs in the consolidated financial statements.

HKFRS 17	Insurance Contracts and the related amendments[4]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[4]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use[3]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[3]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 Cycle[3]

[1] Effective for annual periods beginning on or after 1 June 2020
[2] Effective for annual periods beginning on or after 1 January 2021
[3] Effective for annual periods beginning on or after 1 January 2022
[4] Effective for annual periods beginning on or after 1 January 2023
[5] Effective for annual periods beginning on or after a date to be determined

The Directors anticipate that the application of the new and revised standards will have no material impact on the financial performance and position of the Group.

(c) Revaluation of leasehold land and buildings

The Group re-assessed its accounting for property, plant and equipment with respect to measurement of certain class of property, plant and equipment after initial recognition. The Group had previously measured all property, plant and equipment using the cost model whereby, after initial recognition of the asset classified as property, plant and equipment, the asset was carried at cost less accumulated depreciation and accumulated impairment losses, if any.

The Group elected to change the method of accounting for leasehold land and buildings classified as property, plant and equipment, as the Group believes that the revaluation model provides more relevant information to the users of its financial statements. In addition, available valuation techniques provide reliable measures of the leasehold land and buildings' revalued amounts. The Group applied the revaluation model retrospectively and the consolidated statement of financial position as at 31 December 2019 was restated. The application of revaluation model does not have any material impact on the Group's financial position as at 1 January 2019 and therefore the Group does not present the consolidated statement of financial position as at that date.

After the change in method of accounting for leasehold land and buildings, they are measured at revalued amounts at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

The effects of change in accounting policy for leasehold land and buildings on the consolidated statement of profit or loss and other comprehensive income for the years ended 31 December 2019 and 2020 are as follows:

	2020	2019
	HK$'000	*HK$'000*
Increase in depreciation included in administrative expenses	**571**	–
Decrease in profit for the year	**(571)**	–
Increase/(decrease) in other comprehensive income		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences arising on translation of foreign operations	**149**	–
Item that will not be reclassified subsequently to profit or loss:		
– Surplus on revaluation of leasehold land and buildings	**2,360**	13,848
– Deferred tax arising on revaluation of leasehold land and buildings	**(318)**	(2,518)
Increase in other comprehensive income for the year, net of tax	**2,191**	11,330
Increase in total comprehensive income for the year	**1,620**	11,330
Increase in loss for the year attributable to owners of the Company	**(571)**	–
Increase in total comprehensive income for the year attributable to owners of the Company	**2,191**	11,330
Increase in loss per share attributable to owners of the Company	**(0.06) HK cent**	–

	Previously reported	**Effect**	**As restated**
	HK$'000	*HK$'000*	*HK$'000*
Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019			
Other comprehensive income			
Item that will not be reclassified subsequently to profit or loss:			
– Surplus on revaluation of leasehold land and buildings	–	13,848	13,848
– Deferred tax arising from revaluation of leasehold land and buildings	–	(2,518)	(2,518)
Other comprehensive income for the year, net of tax	(341)	11,330	10,989
Total comprehensive income for the year	(9,453)	11,330	1,877
Total comprehensive income for the year attributable to owners of the Company	(17,324)	11,330	(5,994)

The effect of change in accounting policy for leasehold land and buildings on the consolidated statement of financial positions as at 31 December 2019 and 2020 are as follows:

	2020	2019
	HK$'000	*HK$'000*
Increase in property, plant and equipment, total non-current assets and total assets less current liabilities	**15,835**	13,848
Increase in deferred tax liabilities and total non-current liabilities	**2,885**	2,518
Increase in net assets	**12,950**	11,330
Increase in reserve	**12,950**	11,330
Increase in equity attributable to the owners of the Company and total equity	**12,950**	11,330

	Previously Reported	**Effect**	**As restated**
	HK$'000	*HK$'000*	*HK$'000*
Consolidated statement of financial position as at 31 December 2019			
Property, plant and equipment	48,197	13,848	62,045
Total non-current assets	136,261	13,848	150,109
Total assets less current liabilities	309,309	13,848	323,157
Deferred tax liabilities	125	2,518	2,643
Total non-current liabilities	927	2,518	3,445
Net assets	308,382	11,330	319,712
Reserves	272,542	11,330	283,872
Equity attributable to owners of the Company	282,542	11,330	293,872
Total equity	308,382	11,330	319,712

3. REVENUE AND SEGMENT INFORMATION

Segment information reported internally was analysed on the basis of the type of products sold and activities carried out by the Group's operating division. The Group is currently operating in two operating segments as follows:

(a) Digital storage products; and

(b) General components.

	Year 2020 *HK$'000*	Year 2019 *HK$'000*
SEGMENT REVENUE		
Digital Storage Products	**1,173,692**	1,393,662
General components	**582,346**	543,182
	1,756,038	1,936,844

	Year 2020 *HK$'000*	Year 2019 *HK$'000*
SEGMENT RESULTS		
Digital Storage Products	**66,164**	57,482
General components	**72,862**	96,336
Total reportable segment profit	**139,026**	153,818
Other income	**11,912**	3,840
Decrease in fair value of investment property	**(700)**	(2,300)
Finance costs	**(6,635)**	(7,121)
Depreciation of property, plant and equipment	**(3,736)**	(3,023)
Depreciation of right-of-use assets	**(2,135)**	(1,426)
Amortisation of intangible asset	**(2,576)**	–
Impairment loss on trade receivables	**(18,781)**	(12,175)
Impairment loss on loans receivable/purchase deposit paid	**(1,350)**	(4,325)
Unallocated corporate expenses	**(113,254)**	(135,537)
Profit/(loss) before tax	**1,771**	(8,249)
Income tax expenses	**(1,650)**	(863)
Profit/(loss) for the year	**121**	(9,112)

Geographical information

The Group is domiciled in Hong Kong. The following table sets out information about the geographical location of (i) the Group's revenue from external customers; and (ii) the Group's non-current assets. The geographical location of customers is based on the location of the customers. The geographical location of the non-current assets other than deposits paid for acquisition of property, plant and equipment, intangible asset and business, and deferred tax assets is based on the physical location of the assets in case of property, plant and equipment, investment property and right-of-use assets, and the location of operations to which they are allocated in case of intangible asset.

	Year 2020 *HK$'000*	Year 2019 *HK$'000*
Revenue from external customers		
Hong Kong	**552,937**	500,551
The PRC	**1,198,128**	1,426,927
Others	**4,973**	9,366
	1,756,038	1,936,844

	31 December 2020 *HK$'000*	31 December 2019 *HK$'000* (Restated)
Non-current assets		
Hong Kong	**105,867**	104,827
The PRC	**32,266**	11,754
Others	**–**	79
	138,133	116,660

Information about major customers

The Group's revenue from customers which accounted for 10% or more of the Group's total revenue are as follows:

	Segment	**Year 2020** *HK$'000*	Year 2019 *HK$'000*
Customer A	Digital storage products & General components	**N/A***	268,491
Customer B	Digital storage products & General components	**206,789**	211,048
Customer C	Digital storage products	**211,721**	203,298

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

4. OTHER INCOME

	Year 2020 *HK$'000*	Year 2019 *HK$'000*
Interest income	**2,011**	908
Rental income	**1,440**	1,440
Government Subsidies	**1,862**	–
Commission income	**6,034**	789
Sundry income	**565**	703
	11,912	3,840

5. FINANCE COSTS

	Year 2020 *HK$'000*	Year 2019 *HK$'000*
Discounting charges on factoring loans	**949**	1,626
Interest on other bank borrowings	**5,602**	5,393
Interest expense on lease liabilities	**84**	102
	6,635	7,121

6. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax has been arrived at after charging and crediting:

	Year 2020 *HK$'000*	Year 2019 *HK$'000*
Cost of inventories recognised as an expenses	**1,617,012**	1,781,657
Write-down of inventories	**–**	1,369
Auditor's remuneration	**1,350**	1,230
Depreciation of property, plant and equipment	**3,736**	3,023
Depreciation – right-of-use assets	**2,135**	1,426
Amortisation of distribution right	**2,576**	–
Net foreign exchange (gain)/loss	**(1,449)**	270
Short term leases expenses in respect of land and buildings	**1,259**	1,696
Commission expenses	**47,114**	65,003
Research and development expenses	**2,825**	439
Staff costs including director's emoluments		
– Basic salaries and allowance	**33,263**	33,598
– Contributions to defined contribution retirement plans	**2,542**	2,845
– Messing and welfare	**929**	1,768
Loss on disposal of property, plant and equipment	**9**	4

7. INCOME TAX EXPENSE

	Year 2020 *HK$'000*	Year 2019 *HK$'000*
Current tax –		
Hong Kong Profits Tax	**4,436**	5,993
PRC tax	**163**	44
Over-provision in prior years – Hong Kong profits tax	**(70)**	(46)
	4,529	5,991
Deferred tax	**(2,879)**	(5,128)
Total income tax expense recognised in profit or loss for the year	**1,650**	863

For the Year and Year 2019, Hong Kong Profits Tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits of the qualifying group entity and at 16.5% on the estimated assessable profits above HK$2 million. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Pursuant to the relevant regulations in respect of the Notice on the Implementation of Inclusive Tax Concessions for Small and Micro Enterprises (Cai Shui [2019] No. 13) jointly issued by the Ministry of Finance and the State Administration of Taxation in the PRC, for the portion of annual taxable income which does not exceed RMB1 million, the annual taxable income shall be deducted to 25% and the income tax shall be calculated at the rate of 20%; for the portion of annual taxable income from RMB1 million to RMB3 million (inclusive), the taxable income shall be deducted by 50% and the income tax shall be calculated at the rate of 20%. PRC subsidiaries of the Company enjoy this preferential income tax treatment for the Years.

8. LOSS PER SHARE

The calculation of the basic loss per share attributable to the owners of the Company for the year is based on the following data:

	Year 2020	Year 2019
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to owners of the Company	**(5,115)**	(16,985)

	31 December 2020	31 December 2019
Number of ordinary shares		
Weighted average number of ordinary shares in issue for the purpose of basic earnings per share	**1,000,000,000**	1,000,000,000

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary shares for the Year and Year 2019.

9. DIVIDENDS

The Board of Directors did not recommend any dividend for the Year (Year 2019: Nil).

For the Year, a subsidiary of the Company made the following distributions to its then controlling shareholder:

	Year 2020	Year 2019
	HK$'000	*HK$'000*
Dividend declared and paid to non-controlling shareholder by Data Star Inc.	**2,948**	5,897

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings *HK$'000*	Leasehold improvement *HK$'000*	Furniture and fixtures *HK$'000*	Computer and office equipment *HK$'000*	Motor vehicle *HK$'000*	Total *HK$'000*
Cost or revaluation						
At 31 December 2019 – as previously reported	50,059	1,666	1,007	2,629	2,625	57,986
Change in accounting policy *(note 2c)*	7,740	–	–	–	–	7,740
At 31 December 2019 and 1 January 2020 – restated	57,799	1,666	1,007	2,629	2,625	65,726
Additions	–	438	5	2,189	–	2,632
Disposal	–	–	–	(133)	–	(133)
Surplus on revaluation	100	–	–	–	–	100
Exchange realignment	506	–	–	12	53	571
As at 31 December 2020	58,405	2,104	1,012	4,697	2,678	68,896
Comprising:						
Cost	–	2,104	1,012	4,697	2,678	10,491
2020 valuation	58,405	–	–	–	–	58,405
	58,405	2,104	1,012	4,697	2,678	68,896
Accumulated depreciation						
At 31 December 2019 – as previous reported	6,108	934	630	1,535	582	9,789
Change in accounting policy *(note 2c)*	(6,108)	–	–	–	–	(6,108)
At 31 December 2019 and 1 January 2020 – restated	–	934	630	1,535	582	3,681
Charge for the year	2,260	348	195	491	442	3,736
Disposal	–	–	–	(124)	–	(124)
Surplus on revaluation	(2,260)	–	–	–	–	(2,260)
Exchange realignment	–	–	–	4	16	20
As at 31 December 2020	–	1,282	825	1,906	1,040	5,053
Net book value As at 31 December 2020	58,405	822	187	2,791	1,638	63,843
As at 31 December 2019 – restated	57,799	732	377	1,094	2,043	62,045

The leasehold land and buildings were revaluated at 31 December 2020 and 2019 on an open market value basis by Ravia Global Appraisal Advisory Limited, an independent professional valuer.

11. INVESTMENT PROPERTY

	31 December 2020	31 December 2019
	HK$'000	*HK$'000*
At fair value		
At 1 January	**51,700**	54,000
Decrease in fair value	**(700)**	(2,300)
At 31 December	**51,000**	51,700

The Group's investment property is commercial property situated in Hong Kong and leased out to third party. The investment property was revalued by RHL Appraisal Limited, an independent professional property valuer, as at 31 December 2020 and 2019 on an open market value basis.

12. TRADE RECEIVABLES

	31 December 2020	31 December 2019
	HK$'000	*HK$'000*
Trade receivable	**530,304**	498,036
Less: allowance for impairment	**(30,956)**	(12,175)
At 31 December	**499,348**	485,861

The following is an ageing analysis of trade receivables based on the invoice date:

	31 December 2020	31 December 2019
	HK$'000	*HK$'000*
0 – 30 days	**146,784**	168,870
31 – 60 days	**138,844**	132,380
61 – 90 days	**109,901**	90,243
More than 90 days	**134,775**	106,543
	530,304	498,036
Less: Allowance for impairment	**(30,956)**	(12,175)
	499,348	485,861

The Group's trading terms with its customers are mainly on open account terms, except for new customers, where payment in advance is normally required. The balance of the trade receivables is on open account terms, which is normally covered by customers' letters of credit or factored to external financial institutions. The credit terms vary from 1 day to 120 days after the monthly statement. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by management. Trade receivables are non-interest-bearing and their carrying amounts approximate to their fair values.

13. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each reporting period, based on the invoice date, is as follows:

	31 December 2020 *HK$'000*	31 December 2019 *HK$'000*
Trade payables:		
0 – 30 days	**110,687**	149,451
31- 60 days	**66,957**	72,035
61 – 90 days	**7,925**	2,965
More than 90 days	**3,339**	499
	188,908	224,950

14. SHARE CAPITAL

	Number of shares	**Amount** *HK$*
The Company		
Ordinary shares of HK$0.01 each		
Authorised:		
As at 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	2,000,000,000	20,000,000
Issued and fully paid:		
As at 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	1,000,000,000	10,000,000

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a Hong Kong-based distributor of semiconductors and other electronic components and is engaged in the supply of digital storage products and general electronic components along with the provision of complementary technical support. It focuses on identifying, sourcing, selling and distributing quality electronic components produced by branded upstream manufacturers to downstream manufacturers within the technology, media and telecommunications sector in the PRC and Hong Kong.

In view of the challenging business environment in the Year caused by the coronavirus disease 2019 (the "COVID-19") pandemic, the Group has implemented measures to control costs while strengthening its product lineup. The Group also worked closely with suppliers to ensure continuity of its inventory to minimise the impact of any logistics delays. Consequently, the Group delivered solid results during the unprecedented situation.

By product type

Digital Storage Products

The Group's Digital Storage products include DRAM, FLASH and MCP memory products, which are widely applied to multimedia and mobile devices such as set-top boxes, smart TVs, wearable devices, mobile phones, etc. These products also include optical and mass storage products, which are mainly used in enterprise-level storage and server systems.

During the Year, revenue generated from this product segment decreased by 15.8% to HK$1,173.7 million (Year 2019: HK$1,393.7 million), mainly due to a combination of a decrease in volume of products sold and the competitive pricing environment. However, gross profit of the segment increased to HK$66.2 million (Year 2019: HK$57.5 million), up by 15.1% when compared with the same period last year. Gross profit margin increased to 5.6% (Year 2019: 4.1%), mainly attributable to a higher percentage of revenue derived from sales of certain digital storage products for consumer electronics delivering relatively better gross profit margin.

General Components

General Components include switches, connectors, passive components, main chips, sensors, power semiconductors and analog-to-digital converters, which are mainly designed for use in mobile and multimedia devices.

The Group achieved healthy revenue growth in this segment during the Year. Revenue from this segment increased by 7.2% year-on-year, increasing from HK$543.2 million in Year 2019 to HK$582.3 million in the Year. However, the prices of most general components fell, narrowing gross profit of this segment by 24.4% to HK$72.9 million (Year 2019: HK$96.3 million). Gross profit margin fell to 12.5% (Year 2019: 17.7%).

FINANCIAL REVIEW

Revenue

The two major product segments, namely (i) Digital Storage Products; and (ii) General Components, contributed 66.8% and 33.2% of the Group's total revenue during the Year respectively.

The Group's revenue for the Year was HK$1,756.0 million (Year 2019: HK$1,936.8 million), representing a drop of 9.3% from the previous year. The decrease was a result of a combination of (i) weaker global demand for consumer electronic products after the COVID-19 outbreak; and (ii) a drop in demand for memory products.

Gross profit and gross profit margin

The Group's gross profit for the Year amounted to HK$139.0 million (Year 2019: HK$153.8 million), representing a decrease of 9.6% when compared with last year. The gross profit margin is 7.9%, which is at the same level as in Year 2019.

Other income and decrease in fair value of investment property

During the Year, the Group recognised a loss arising from changes in the fair value of an investment property of HK$0.7 million (Year 2019: HK$2.3 million). The other income increased from HK$3.8 million in Year 2019 to HK$11.9 million in the Year, which was mainly due to receipt of HKSAR Government subsidies as well as increased rebate from a vendor.

Impairment loss on trade receivables

An impairment loss on trade receivables of HK$18.8 million was recognised during the Year (Year 2019: HK$12.2 million). The increase in provision under the expected credit loss model was due to a significant increase in expected loss rate.

Distribution and selling expenses

The distribution and selling expenses mainly include salaries of marketing and sales staff, commission expenses, transportation fees, freight charges, declarations and sample expenses. For the Year, distribution and selling expenses amounted to approximately HK$62.1 million (Year 2019: HK$78.1 million), mainly as the result of a drop in commission fees spent in a more efficient sales operation.

Administrative expenses

Administrative expenses primarily comprise salaries and benefits (including emoluments to executive Directors), legal and professional fees, insurance, short-term lease expenses and other premises fees, foreign exchange differences, bank charges and depreciation expenses. The Group's administrative expenses decreased by HK$2.2 million to HK$59.6 million in Year 2020 (Year 2019: HK$61.8 million), resulting from saving in insurance and bank charge for factoring facilities.

Finance costs

The Group's finance costs mainly represent interest expenses on its bank borrowings during the Year. Such bank borrowings were obtained by the Group for general working capital needs. The Group had finance costs of approximately HK$6.6 million (Year 2019: HK$7.1 million). The decrease in finance costs was the result of an overall decrease in the use of factoring loans and a drop in interest rate.

Net profit/(loss) for the Year

Net profit for the Year amounted to HK$0.1 million, compared with a net loss of HK$9.1 million in Year 2019.

Net loss attributable to the owners of the Company

The net loss attributable to the owners of the Company for the Year was HK$5.1 million, compared with a HK$17.0 million net loss attributable to the owners of the Company in Year 2019. The increase in doubtful debt provision was partly offset by savings in distribution and selling expenses, administrative expenses and finance costs.

LIQUIDITY AND FINANCIAL RESOURCES

During the Year, the Group met its liquidity requirements principally through a combination of internal resources and bank borrowings. The Group's cash resources as at 31 December 2020 were approximately HK$95.0 million (31 December 2019: HK$211.8 million) and were mainly denominated in HK$ and United States dollars ("US$").

As at 31 December 2020, the Group's total outstanding bank borrowings amounted to HK$478.8 million (31 December 2019: HK$346.1 million), which mainly comprised bank factoring loans, import loans, trust receipts loans, instalment loans and revolving loans. The Group's bank borrowings that were unrestricted and carried at amortised cost with a clause of repayment on demand are classified as current liabilities. The gearing ratio increased from 109.2% (restated) as at 31 December 2019 to 149.2% as at 31 December 2020 as a result of higher utilisation of banking facilities for potential sales growth in first quarter of 2021. Gearing ratio is calculated based on total loans and borrowings divided by total equity at the respective reporting dates.

As at 31 December 2020, the Group breached the covenant requirements relating to the Group's net tangible assets of certain banking facilities with a bank and has obtained one-off waiver from strict compliance with the covenant requirements in relation to all the outstanding bank borrowings.

The Group's financial statements are presented in HK$. The Group carried out its business transactions mainly in HK$, Renminbi ("RMB") and US$. As the HK$ remained pegged to the US$, there was no material exchange risk in this respect. As the portion of RMB revenue is insignificant, there is no material exchange risk in this respect. The Group currently does not have any interest rate hedging policies. However, the management monitors the Group's exposure to interest rate risk on an ongoing basis and will consider hedging that risk should the need arise. Credit risk was mainly hedged through credit policy and factored into external financial institutions.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any material contingent liabilities.

CHARGES ON ASSETS

As at 31 December 2020, the banking facilities of the Group were secured by its trade receivables with an aggregate carrying amount of approximately HK$229.3 million (31 December 2019: HK$270.9 million), the legal charge over the investment property of the Group of HK$51.0 million (31 December 2019: HK$51.7 million), the Group's leasehold land and buildings valued at approximately HK$50.3 million (31 December 2019 (restated): HK$50.2 million), personal guarantee executed by Mr. Pai Yin Lin (a director and a non-controlling shareholder of subsidiaries of the Company) and corporate guarantees executed by the Group.

DIVIDEND

The Board has resolved not to recommend any final dividend for the Year (Year 2019: nil).

CHANGES IN ACCOUNTING POLICIES

During the Year, the Group elected to change the method of accounting for leasehold land and buildings classified as property, plant and equipment, as the Group believes that the revaluation model provides more relevant information to the users of its financial statements. Further details of change in the method of accounting are set out in note 2(c) to the consolidated financial statements of the Company in this announcement.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2020, the Group had 128 employees (as at 31 December 2019: 122) in Hong Kong and the PRC. The Group's remuneration policy is built on the principle of equitability with incentive-based, performance-oriented and market-competitive remuneration packages for its employees. Remuneration packages are normally reviewed on a regular basis. Other staff benefits include provident fund contributions, medical insurance coverage and performance-based bonuses. In addition, the Company has adopted a share option scheme and a restricted share reward scheme as incentives or rewards for eligible participants for their contribution to the Group, and the Company also provides continuous training to its employees to improve their marketing skills and enhance their product knowledge.

USE OF NET PROCEEDS FROM LISTING

The net proceeds received by the Company from the Global Offering amounting to approximately HK$116.9 million after deducting underwriting commissions and all related expenses are to be used in the manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 28 February 2018 (the "Prospectus"). The net proceeds received have been applied by the Group from 16 March 2018 up to 31 December 2020 as follows:

	Application of Net Proceeds as Stated in the Prospectus	**Actual Use of Net Proceeds from Global Offering up to 31 December 2020**	**Actual Use of Net Proceeds during the Year**	**Unused Net Proceeds**	**Percentage of Unused Net Proceeds**	**Expected timeframe of full utilisation of unused Net Proceeds**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*%*	
Repayment of bank loans	39,045	39,045	–	–	–	–
Establishing a new product and development department	2,810	2,100	700	710	25	Q4 2021
Strengthening sales and marketing and technical support team by recruiting staff and providing trainings	10,750	9,000	3,000	1,750	16	Q3 2021
Enhancing warehouse and office in Hong Kong	4,600	1,791	861	2,809	61	Q3 2021– Q2 2022
Installing enterprise resource planning and supporting software	7,090	3,757	225	3,333	47	Q3 2021– Q2 2022
Establishing new offices in the PRC	5,027	5,027	4,709	–	–	–
Acquisition and establishment of Shenzhen head office	35,888	–	–	35,888	100	Q3 2021– Q2 2022
Working capital for general corporate purpose	11,690	11,690	–	–	–	–
	116,900	72,410	9,495	44,490	38	

There is a delay in the expected timeframe of the full utilisation of unused net proceeds, and the Group is expecting to utilise the balance of the net proceeds on the above-mentioned items between year 2021 and year 2022, due to the following reasons: (i) as a result of the uncertainty caused by the unprecedented COVID-19 pandemic, the scale of adverse impacts of the COVID-19 pandemic on the global and domestic economy will remain unpredictable; and (ii) most manufacturers' productions have returned to normal capacity after the first quarter of year 2021.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Year.

SIGNIFICANT INVESTMENTS HELD AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Reference is made to the announcement of the Company dated 30 September 2019 whereby it was announced that an indirect wholly-owned subsidiary of the Company entered into an acquisition agreement with the vendor and the guarantors for the transfer of the distributorship rights for electronic components and other ancillary products from the vendor at a consideration of US$5.0 million. The acquisition was completed in the Year at a reduced consideration of US$3.0 million while part of the distributorship rights for electronic components ceased to be transferred.

Meanwhile, reference is made to the announcement of the Company dated 18 September 2020 in respect of a sale and purchase agreement in relation to the acquisition of 60% of issued shares in the target company from the vendor. In view of the overall operating conditions and performance of the target company, the vendor and a direct wholly-owned subsidiary of the Company as the purchaser entered into a deed of termination whereby the parties mutually agreed to terminate the agreement. For further details, please refer to the announcement of the Company dated 30 November 2020.

SUBSEQUENT EVENT

The Board is not aware of any significant event affecting the Group and requiring disclosure that has been taken place subsequent to 31 December 2020 and up to the date of this announcement.

PROSPECTS

Looking ahead, the demand for semiconductors will continue to grow robustly in the near future due to a combination of post-pandemic recovery and the industry's wave of increasing chip inventories. As the US is putting more Chinese technology companies on its blacklist, more domestic players are following the example of a Chinese technology giant to add more chips to their inventories in case of any unexpected changes. The overall market demand is expected to further improve throughout 2021 on the back of economic recovery from the COVID-19 pandemic, although this increase is partly offset by the declines of some consumer electronic products.

With social distancing measures in place, demand for home entertainment such as gaming devices and audio equipment is on the rise. People have been turning to online gaming platforms as a replacement for public spaces and these consumer electronics are becoming a vital source of social interaction. In addition to the technology heavyweights who have been active in the gaming market, a few other major brands have stepped into the competitive gaming ring, hoping to gain a share in the gaming market. The list of consumer electronics vendors is expected to grow and the demand for processors, NAND flash and DRAM component underpinning consumer electronic products will extend beyond 2020.

Likewise, demand for automotive semiconductors is continuing to rise due to greater complexity in car designs. Global automotive manufacturers are keen to introduce innovative sensors, mapping applications, and other new technologies along with the expansion of electric vehicles (EVs). Semiconductors are in particularly high demand because of the pandemic-driven popularity of consumer electronic devices. This was complemented by a forecast-beating uptick in demand for new cars in the last quarter of 2020. The shortage of automobile chips, meanwhile, is continuing, and with a rise in chip prices the situation is expected to continue well into 2021.

The PRC has positioned "new infrastructure" construction as a key policy pillar of its post-pandemic economic recovery. The country will develop next-generation information networks and expand 5G applications while more charging facilities will be built to promote wider use of new energy vehicles. There are over 700,000 base stations across the PRC, making for one of the largest coverage areas in the world. It is believed that more than 6 million base stations are needed to cover the entire country. The government-led stimulus initiative is likely to not only boost consumption, but also enhance the sustainability of growth. Investment in new infrastructure will bring a new round of market opportunities for electronic products.

The pandemic is driving changes in consumer and corporate practices around the world. While some companies are delaying planned hardware upgrades and other long-term migration projects in the face of the economic downturn, people are significantly increasing their online activity, including e-commerce, working-from-home and online learning. Trends such as workforce flexibility are likely to drive demands for laptop and tablet as well as additional data center capacity requirements. Demand for enterprise IT and enterprise cloud solutions is also expected to remain stable.

Within industrial applications, the major demand drivers for semiconductors including investments in medical electronics and power and energy products are expected to propel demand in the coming months as manufacturing activities begin returning to normal levels with operations almost in full swing.

In view of the aforementioned industry trends, the Group will continue its diversification strategy and take measures to expand its business in the telecommunications, automotive and consumer electronics end-market. Leveraging the acquisition of distributorship rights completed during the Year, it will serve its customers with a wider product portfolio in the rapidly changing and advancing electronic component distribution market.

The Group will also implement more stringent financial management so as to support greater growth. To that end, it will align its overall cost structure, capital investments and other expenditures with its expected revenue, development plans and market conditions. In view of the underlying credit risk arising from heightened economic uncertainty due to the COVID-19 outbreak, the Group will strengthen its credit control in the coming year.

To conclude, the Group remains cautiously optimistic about market developments as it has worked to maximise the potential of its product portfolio and operating model. The Group believes that its growing portfolio addresses emerging and disruptive automotive, industrial and cloud-based applications and will position itself as a future leader in the microelectronics industry. Against the backdrop of global economic uncertainties, the Group will continue to diversify its product portfolio and customer base so as to defend against economic headwinds and industrial challenges and enhance its competitiveness to stride forward in a prosperous manner.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company did not redeem any of its Shares listed on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such Shares during the Year.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is dedicated to adopting, maintaining and ensuring high standards of corporate governance practices and principles in the best interest of the Group and the Shareholders. The Company has adopted the applicable code provisions and, where appropriate, adopted certain recommended best practices as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules" and the "CG Code", respectively). Save as disclosed below, the Board considered that the Company had complied with all applicable code provisions set out in the CG Code during the Year.

Under code provision A.2.1 of the CG Code, the responsibilities between the chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Lee Bing Kwong ("Mr. Lee"), who has considerable experience in the semiconductor and other electronic components industry, is the chairman of the Board (the "Chairman") and the chief executive officer of the Company (the "CEO"). The Board believes that vesting the roles of both the Chairman and the CEO in Mr. Lee has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning of the Group. The Board considers that this structure will not impair the balance of power between the Board and the management of the Company. The balance of power is further enhanced by the Audit Committee, which comprises all independent non-executive Directors and is responsible for overseeing the internal control procedures of our Group. The independent non-executive Directors have free and direct access to the Company's independent auditor and independent professional advisers when considered necessary. The Board will, nevertheless, review the structure from time to time and separate the roles of the Chairman and the CEO to two individuals, if appropriate.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the code for dealing in securities of the Company by the Directors. A specific enquiry was made by the Company with each of the Directors and all the Directors confirmed that they had complied with the requirements set out in the Model Code throughout the Year.

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the accounting principles and practices adopted by the Group, has reviewed and confirmed the Group's final results for the Year and has discussed auditing, internal control, risk management systems and financial reporting matters of the Group.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Yim Kwok Man (chairman), Mr. Cheung Siu Kui and Dr. Chow Terence. None of them is employed by or otherwise affiliated with the former or current independent auditor of the Company.

The figures in respect of the preliminary announcement of the Group's results for the Year have been agreed by the Company's independent auditor, Graham H.Y. Chan & Co., to the amounts set out in the Group's consolidated financial statements for the Year. The work performed by Graham H.Y. Chan & Co. in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently, no assurance has been expressed by Graham H.Y. Chan & Co. on the preliminary announcement.

PUBLICATION OF THE ANNUAL REPORT

The annual report of the Company for the Year containing all the information required by Appendix 16 to the Listing Rules will be published on the respective websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.apexace.com) in the manner as required by the Listing Rules and will be despatched to the Shareholders on or before Friday, 23 April 2021.

APPRECIATION

I, on behalf of the Board, would like to take this opportunity to thank all our Shareholders, business partners, bankers and customers for their continuing support to the Group. I would also like to thank my fellow Directors, the management team and our staff for their dedication and commitment in contributing to the success of the Group.

By order of the Board
Apex Ace Holding Limited
Lee Bing Kwong
Executive Director, Chairman and Chief Executive Officer

Hong Kong, 26 March 2021

As at the date of this announcement, the executive Directors are Mr. Lee Bing Kwong (Chairman and Chief Executive Officer), Mr. Lo Yuen Kin and Ms. Lo Yuen Lai; and the independent non-executive Directors are Mr. Cheung Siu Kui, Mr. Yim Kwok Man and Dr. Chow Terence.