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 UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

RESULTS HIGHLIGHT

- Revenue amounted to approximately HK$1,423.9 million in 1H2021, representing an increase of approximately 97.6% as compared with 1H2020
- Gross profit amounted to approximately HK$141.1 million in 1H2021, representing an increase of approximately 142.8% as compared with 1H2020
- The net profit attributable to owners of the Company for 1H2021 was approximately HK$26.6 million (1H2020: HK$1.0 million)
- Basic earnings per share for 1H2021 was 2.66 HK cents (1H2020: 0.10 HK cent)

INTERIM RESULTS

On behalf of the board of directors of Apex Ace Holding Limited (the "Company", the "Directors" and the "Board", respectively), I present the unaudited financial results of Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2021 ("1H2021" or the "Review Period") together with the comparative figures for the six months ended 30 June 2020 ("1H2020" or the "Last Corresponding Period"). These unaudited financial results for 1H2021 have been reviewed by the audit committee of the Board (the "Audit Committee").

* *For identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Notes	**1H2021** **HK$'000** **(Unaudited)**	1H2020 *HK$'000* (Unaudited)
Revenue	3	**1,423,913**	720,781
Cost of sales		**(1,282,844)**	(662,672)
Gross profit		**141,069**	58,109
Other income	4	**4,925**	1,512
Impairment loss on trade receivables		**(18,509)**	(1,007)
Impairment loss on loans and other receivables		**(1,916)**	–
Distribution and selling expenses		**(31,708)**	(25,886)
Administrative expenses		**(43,388)**	(25,355)
Finance costs	5	**(4,453)**	(2,996)
Profit before tax	6	**46,020**	4,377
Income tax expense	7	**(9,794)**	(1,187)
Profit for the period		**36,226**	3,190
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences arising on translation of foreign operations		**329**	(919)
Total comprehensive income for the period, net of tax		**36,555**	2,271
Profit for the period attributable to:			
– Owners of the Company		**26,553**	960
– Non-controlling interests		**9,673**	2,230
		36,226	3,190
Total comprehensive income, net of tax			
– Owners of the Company		**26,892**	39
– Non-controlling interests		**9,663**	2,232
		36,555	2,271
Earnings per share attributable to owners of the Company			
– Basic	8	**2.66 HK cents**	0.10 HK cent
– Diluted	8	**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Notes	**30 June 2021** **HK$'000** **(Unaudited)**	31 December 2020 *HK$'000* (Audited)
Non-current assets			
Property, plant and equipment		**62,254**	63,843
Right-of-use assets		**71**	816
Investment property	10	**51,000**	51,000
Intangible assets		**20,344**	22,474
Deposit paid for acquisition of property, plant and equipment		**–**	256
Deferred tax assets		**6,683**	7,743
		140,352	146,132
Current assets			
Inventories		**201,440**	229,265
Trade receivables	11	**514,902**	499,348
Loans and other receivables, deposits and prepayments	12	**103,282**	57,486
Income tax recoverable		**–**	1,259
Bank balances, restricted balance and cash		**151,446**	95,039
		971,070	882,397
Current liabilities			
Trade payables	13	**198,120**	188,908
Other payables, accruals and deposit received		**41,015**	33,779
Lease liability – current portion		**76**	921
Bank borrowings		**502,058**	478,779
Income tax payable		**9,094**	1,639
		750,363	704,026
Net current assets		**220,707**	178,371
Total assets less current liabilities		**361,059**	324,503

	Notes	**30 June 2021** *HK$'000* **(Unaudited)**	31 December 2020 *HK$'000* (Audited)
Non-current liabilities			
Deferred tax liabilities		**3,010**	3,009
		3,010	3,009
Net assets		**358,049**	321,494
Capital and reserves			
Share capital	14	**10,000**	10,000
Reserves		**310,306**	283,414
Equity attributable to owners of the Company		**320,306**	293,414
Non-controlling interests		**37,743**	28,080
Total equity		**358,049**	321,494

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The interim financial results set out in this announcement do not constitute the Group's interim financial statements for the Review Period (the "Interim Financial Statements") but are extracted from the Interim Financial Statements.

The Interim Financial Statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange" and the "Listing Rules", respectively), including compliance with Hong Kong Accounting Standard ("HKAS") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Interim Financial Statements have been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

The Interim Financial Statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The Interim Financial Statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The Interim Financial Statements are unaudited, but have been reviewed by Graham H. Y. Chan & Co. in accordance with Hong Kong Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the HKICPA.

2. APPLICATION OF NEW AND REVISED HKFRSs

(a) New and revised HKFRSs adopted as at 1 January 2021

For the current period, the Group has adopted for the first time the following amendments to HKFRSs issued by the HKICPA, which are effective for the Group's accounting period beginning on 1 January 2021.

Amendments to HKFRS 16	Covid-19-Related Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of amendments to 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

The Group has not applied the following new and amendments to HKFRSs that have been issued but are not yet effective for the current period.

HKFRS 17	Insurance Contracts and the related amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 16	Covid-19 Related Rent Concessions beyond 30 June 2021[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from Single Transaction[3]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[2]
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations[2]

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

The Directors are assessing the full impact of the new and amendments to HKFRSs.

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.

	1H2021	1H2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Segment Revenue		
Digital storage products	**1,135,513**	487,288
General components	**288,400**	233,493
	1,423,913	720,781

	1H2021	1H2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Segment Results		
Digital storage products	**109,153**	30,368
General components	**31,916**	27,741
Total reportable segment profit	**141,069**	58,109
Other income	**4,925**	1,512
Finance costs	**(4,453)**	(2,996)
Depreciation of property, plant and equipment	**(2,159)**	(1,829)
Depreciation of right-of-use assets	**(964)**	(1,056)
Amortisation of intangible assets	**(2,335)**	(392)
Impairment loss on trade receivables	**(18,509)**	(1,007)
Impairment loss on loans and other receivables	**(1,916)**	–
Unallocated corporate expenses	**(69,638)**	(47,964)
Profit before tax	**46,020**	4,377
Income tax expenses	**(9,794)**	(1,187)
Profit for the period	**36,226**	3,190

Geographical information

The Group's major subsidiaries are 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 deferred tax assets and deposit paid for acquisition of property, plant and equipment 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.

	1H2021 ***HK$'000*** **(Unaudited)**	1H2020 *HK$'000* (Unaudited)
Revenue from external customers		
Hong Kong	**414,654**	224,716
The People's Republic of China (the "PRC")	**957,302**	494,493
Others	**51,957**	1,572
	1,423,913	720,781

	30 June **2021** ***HK$'000*** **(Unaudited)**	31 December 2020 *HK$'000* (Audited)
Non-current assets		
Hong Kong	**104,624**	105,867
The PRC	**29,045**	32,266
	133,669	138,133

Information about major customers

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

	Segment	**1H2021** ***HK$'000*** **(Unaudited)**	1H2020 *HK$'000* (Unaudited)
Customer A	Digital storage products	**252,586**	116,041
Customer B	Digital storage products & General components	**N/A***	77,998

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

4. OTHER INCOME

	1H2021	1H2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Bank interest income	**236**	321
Rental income	**720**	720
Commission income	**1,964**	–
Sundry income	**2,005**	471
	4,925	1,512

5. FINANCE COSTS

	1H2021	1H2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Discounting charges on factoring loans	**1,461**	298
Interest on other bank borrowings	**2,970**	2,647
Interest expense on lease liabilities	**22**	51
	4,453	2,996

6. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	1H2021	1H2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories recognised as an expense	**1,282,759**	662,523
Write-down of inventories	**85**	149
Auditor's remuneration	**700**	400
Depreciation of property, plant and equipment	**2,159**	1,829
Depreciation of right-of-use assets	**964**	1,056
Amortisation of intangible assets recognised in administrative expenses	**2,335**	392
Net foreign exchange loss	**47**	23
Short term leases expenses in respect of land and buildings	**572**	575
Commission expenses	**18,984**	18,793
Research and development ("R&D") expenses#	**1,197**	1,199
Staff costs including Directors' emoluments		
– Salaries and allowance	**28,603**	15,980
– Contributions to defined contribution retirement plans	**1,851**	863
– Messing and welfare	**536**	1,082

Staff costs of approximately HK$988,000 (1H2020: HK$878,000) were included in R&D expenses.

7. INCOME TAX EXPENSE

	1H2021	1H2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong Profits Tax	**7,307**	1,805
PRC tax	**1,396**	83
Under-provision in prior years:		
Hong Kong Profits Tax	**62**	–
	8,765	1,888
Deferred tax charge/(credit)	**1,029**	(701)
Total income tax expense recognised in profit or loss for the period	**9,794**	1,187

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 periods.

8. EARNINGS PER SHARE

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

	1H2021	1H2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company	**26,553**	960

	30 June 2021	30 June 2020
	(Unaudited)	(Unaudited)
Number of ordinary shares		
Weighted average number of ordinary shares in issue	**1,000,000,000**	1,000,000,000

The earnings per share as presented above is calculated using the weighted average number of ordinary shares of 1,000,000,000 shares for the six months ended 30 June 2021 and 2020.

No diluted earnings per share is presented as the Company did not have any dilutive ordinary shares for the periods ended 30 June 2021 and 2020.

9. DIVIDENDS

The Board has resolved not to declare any dividend for 1H2021 (1H2020: nil).

10. INVESTMENT PROPERTY

	30 June 2021 *HK$'000* **(Unaudited)**	31 December 2020 *HK$'000* (Audited)
At fair value		
At 1 January	**51,000**	51,700
Fair value adjustment	**–**	(700)
At 30 June 2021/31 December 2020	**51,000**	51,000

11. TRADE RECEIVABLES

	30 June 2021 *HK$'000* **(Unaudited)**	31 December 2020 *HK$'000* (Audited)
Trade receivables	**564,367**	530,304
Less: allowance for impairment	**(49,465)**	(30,956)
At 30 June 2021/31 December 2020	**514,902**	499,348

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

	30 June 2021 *HK$'000* **(Unaudited)**	31 December 2020 *HK$'000* (Audited)
0–30 days	**221,574**	146,784
31–60 days	**127,619**	138,844
61–90 days	**102,345**	109,901
More than 90 days	**112,829**	134,775
	564,367	530,304
Less: allowance for impairment	**(49,465)**	(30,956)
	514,902	499,348

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 business is on open account terms which is often covered by customers' letters of credit or is factored to external financial institutions. The credit terms vary from cash on delivery to 120 days after 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.

12. LOANS AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2021	31 December 2020
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Other receivables	**2,860**	1,585
Interest receivables	**1,566**	1,566
Loans receivables	**3,900**	5,569
Unsecured advances to a customer *(note i)*	**34,531**	–
Deposits for purchase *(note ii)*	**46,603**	34,101
Utilities and other deposits	**1,004**	1,190
Prepaid expenses	**3,489**	2,352
Deposit paid for acquisition of property, plant and equipment	**–**	256
Deposit for proposed acquisition of business *(note iii)*	**9,329**	11,123
	103,282	57,742
Less: amount classified as current assets	**(103,282)**	(57,486)
Amount classified as non-current assets	**–**	256

Notes:

(i) The balance represented the advances to a customer for its purchase of goods. The amounts are interest-free and repayable within three months since the date of advancement. Substantial balance has been settled after the end of the reporting period.

(ii) As at 30 June 2021, included in deposits for purchase of approximately HK$27,978,000 (31 December 2020: HK$27,978,000) is secured by guarantee executed by an independent third party and carried interest of 1.25% monthly.

(iii) As at 30 June 2021, the amount represented the balance of refundable deposit of approximately HK$9,329,000 (31 December 2020: HK$11,123,000). The Group entered into a non-legally binding memorandum of understanding with the owner of the target company (the "Vendor"), the guarantors, the target company and the target business company in relation to the proposed acquisition on 7 November 2019. On 18 September 2020, the Group entered into a sale and purchase agreement with the Vendor to acquire 60% of issued shares of the target company at consideration of RMB40,000,000. On 30 November 2020, the Group and the Vendor entered into a deed of termination (the "Deed of Termination") whereby the parties have mutually agreed to terminate the sale and purchase agreement with effect from the date of the Deed of Termination. The Vendor shall, within three business days from 30 November 2020, return the refundable deposit to the Group in accordance with the provisions of the sale and purchase agreement and the Deed of Termination. The Directors are of the opinion that no provision for impairment loss is necessary as feasible repayment plan has been received.

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:

	30 June 2021	31 December 2020
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0–30 days	**124,789**	110,687
31–60 days	**47,977**	66,957
61–90 days	**13,700**	7,925
More than 90 days	**11,654**	3,339
	198,120	188,908

14. SHARE CAPITAL

	Number of shares	**Amount**
		HK$
The Company		
Ordinary shares of HK$0.01 each		
Authorised:		
As at 1 January 2020, 31 December 2020, 1 January 2021 and 30 June 2021	**2,000,000,000**	**20,000,000**
Issued and fully paid:		
As at 1 January 2020, 31 December 2020 (audited), 1 January 2021 and 30 June 2021 (unaudited)	**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.

During the Review Period, the semiconductor market saw a strong surge in demand and an increasing number of customers sought to build more resilient local supply chains or self-sufficiency in competitive technologies in lieu of reliance on imported chips in anticipation of post-coronavirus disease 2019 (the "COVID-19") economic recovery. The global shortage of semiconductors has led to an increase in the average selling price of electronic products, and consequently contributed to the Group's margin expansion. Coupled with the Group's strong ties with local manufacturers, the Company acted as a stable supplier of digital storage products and general electronic components and achieved an outstanding performance during the unprecedented market situation. The Group's revenue for the Review Period nearly doubled to approximately HK$1,423.9 million while net profit attributable to owners of the Company rocketed to approximately HK$26.6 million from approximately HK$1.0 million recorded for the Last Corresponding Period.

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 Review Period, revenue generated from this product segment increased by 133.0% to approximately HK$1,135.5 million (1H2020: HK$487.3 million), mainly due to a combination of the increases in (i) volume of products sold; and (ii) average selling price. Gross profit of the segment increased to approximately HK$109.2 million (1H2020: HK$30.4 million), up by 259.4% when compared with the Last Corresponding Period. Gross profit margin increased to 9.6% (1H2020: 6.2%), which was mainly attributable to a further broadening of the customer base and a higher average selling price driven by an industry-wide semiconductor shortage and supply chain constraints.

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 stable growth in this segment during the Review Period, with revenue having increased by 23.5% to approximately HK$288.4 million for the Review Period from approximately HK$233.5 million for the Last Corresponding Period. Gross profit of this segment grew by 15.0% to approximately HK$31.9 million (1H2020: HK$27.7 million) and gross profit margin decreased to 11.1% (1H2020: 11.9%).

FINANCIAL REVIEW

Revenue

The two major product segments, namely (i) digital storage products; and (ii) general components, contributed 79.7% and 20.3% of the Group's total revenue during the Review Period, respectively.

The Group's revenue for the Review Period was approximately HK$1,423.9 million (1H2020: HK$720.8 million), representing an increase of 97.6% from the Last Corresponding Period. The increase was mainly due to the increases in (i) the sales from both existing and new customers; and (ii) both average selling price and profit margin of digital storage products sold by the Group during the Review Period as compared with the Last Corresponding Period as a result of the current global shortage of electronic products.

Gross profit and gross profit margin

The Group's gross profit for the Review Period amounted to approximately HK$141.1 million (1H2020: HK$58.1 million), representing an increase of 142.8% when compared with the Last Corresponding Period. The improvement in gross margin was driven mainly by increased revenue from sales of the Group's favourable product mix. The gross profit margin increased to 9.9% for the Review Period from 8.1% for the Last Corresponding Period.

Impairment loss on trade receivables

An impairment loss on trade receivables of approximately HK$18.5 million was recognised during the Review Period (1H2020: HK$1.0 million). The increase in provision under the expected credit loss model was due to trade receivables which remain outstanding for a longer period.

Impairment loss on loans and other receivables

An impairment loss on loans and other receivables of approximately HK$1.9 million was recognised during the Review Period (1H2020: nil). The management of the Group expects the outstanding balances due from a debtor might not be recoverable and impairment loss was made.

Distribution and selling expenses

The Group's distribution and selling expenses mainly include salaries of marketing and sales staff, commission expenses, transportation fees, freight charges, declarations and sample expenses. For the Review Period, distribution and selling expenses amounted to approximately HK$31.7 million (1H2020: HK$25.9 million), which was mainly attributable to the increases in bonus payment to marketing staff and additional promotion expenses to agent to boost the Group's revenue.

Administrative expenses

Administrative expenses primarily comprise salaries and benefits (including emoluments to the Directors), insurance, short-term lease expenses and other premises fees, foreign exchange differences, bank charges, amortisation and depreciation expenses. The Group's administrative expenses increased by approximately HK$18.0 million to approximately HK$43.4 million during the Review Period (1H2020: HK$25.4 million), which was mainly due to an increase in bonus payment to the management of the Group.

Finance costs

The Group's finance costs mainly represented interest expenses on its bank borrowings, with such bank borrowings having been obtained by the Group for general working capital needs. During the Review Period, the Group had finance costs of approximately HK$4.5 million (1H2020: HK$3.0 million), which edged up on the back of an increased use of factoring loans.

Net profit for the Review Period

Net profit for the Review Period amounted to approximately HK$36.2 million, compared with a net profit of approximately HK$3.2 million for the Last Corresponding Period.

Net profit attributable to the owners of the Company

The net profit attributable to the owners of the Company for the Review Period was approximately HK$26.6 million, compared with a net profit attributable to the owners of the Company of approximately HK$1.0 million for the Last Corresponding Period. The improvement was mainly attributable to the increases in (i) the sales from both existing and new customers; and (ii) both average selling price and profit margin of digital storage products sold by the Group during the Review Period as compared to the Last Corresponding Period as a result of the current global shortage of electronic products, which was slightly offset by increased distribution and selling expenses and administrative expenses.

LIQUIDITY AND FINANCIAL RESOURCES

During the Review Period, the Group met its liquidity requirements principally through a combination of internal resources and bank borrowings. The Group's cash resources as at 30 June 2021 were approximately HK$151.4 million (31 December 2020: HK$95.0 million), of which approximately HK$11.7 million was restricted bank balance (31 December 2020: nil), and were mainly denominated in Renminbi ("RMB"), Hong Kong dollars ("HK$") and United States dollars ("US$").

As at 30 June 2021, the Group's total outstanding bank borrowings amounted to approximately HK$502.1 million (31 December 2020: HK$478.8 million), which mainly comprised bank factoring loans, import loans, trust receipts loans, instalment loans and revolving loans. The Group's bank borrowings that carried at amortised cost with a clause of repayment on demand are classified as current liabilities. The gearing ratio decreased from 149.2% as at 31 December 2020 to 140.2% as at 30 June 2021 as a result of the prudent approach taken by the management of the Group to manage its business finances. Gearing ratio is calculated based on total loans and borrowings divided by total equity at the respective reporting date.

The Group's financial statements are presented in HK$. The Group carried out its business transactions mainly in HK$, 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 30 June 2021, the Group did not have any material contingent liabilities (31 December 2020: nil).

CHARGES ON ASSETS

As at 30 June 2021, the banking facilities of the Group were secured by its trade receivables with an aggregate carrying amount of approximately HK$244.1 million (31 December 2020: HK$229.3 million), the legal charge over the investment property of the Group of approximately HK$51.0 million (31 December 2020: HK$51.0 million), the Group's leasehold land and buildings with carrying amount of approximately HK$49.4 million (31 December 2020: HK$50.3 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 Company and certain of its subsidiaries.

DIVIDEND

The Board has resolved not to declare any interim dividend for the Review Period (1H2020: nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2021, the Group had 125 employees (31 December 2020: 128) 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 award scheme (the "Restricted Share Award 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. Please refer to the paragraph headed "Subsequent event" in this announcement for details of grant of restricted shares under the Restricted Share Award Scheme after the Review Period.

USE OF NET PROCEEDS FROM LISTING

The net proceeds received by the Company from the global offering (the "Global Offering") of the shares of the Company (the "Shares") 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 30 June 2021 as follows:

	Application of Net Proceeds as Stated in the Prospectus	Actual Use of Net Proceeds from Global Offering up to 30 June 2021	Actual Use of Net Proceeds During the Review Period	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	2,450	350	360	13	Q4 2021
Strengthening sales and marketing and technical support team by recruiting staff and providing trainings	10,750	10,500	1,500	250	2	Q3 2021
Enhancing warehouse and office in Hong Kong	4,600	2,279	488	2,321	50	Q3 2021–Q2 2022
Installing enterprise resource planning and supporting software	7,090	3,917	160	3,173	45	Q3 2021–Q2 2022
Establishing new offices in the PRC	5,027	5,027	–	–	–	–
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	74,908	2,498	41,992	36	

The Company already has, and will continue to utilise the net proceeds from the Global Offering for the purposes as mentioned above.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

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

The Group did not have any significant investments held as at 30 June 2021 and future plans for material investments or capital assets as of the date of this announcement.

SUBSEQUENT EVENT

On 23 July 2021, the Board has resolved to grant 9,550,000 restricted shares (the "Restricted Shares") to nine selected participants (the "Grantees") in accordance with the terms of the Restricted Share Award Scheme adopted by the Company on 30 August 2019 at nil consideration, subject to acceptance by the Grantees. On 12 August 2021, the Company has issued and allotted 9,550,000 new Shares as the Restricted Shares, which represent 0.96% and 0.95% of the issued Shares as at 30 June 2021 and the date of this announcement, respectively. These Restricted Shares are held on trust for the Grantees by a custodian who shall transfer the Restricted Shares to them in three tranches subject to satisfaction of the vesting condition as specified in the grant notice issued to each Grantee.

Details of the grant of the Restricted Shares are set out in the Company's announcement dated 23 July 2021.

Save as disclosed above, the Board is not aware of any significant event affecting the Group and requiring disclosure that has been taken place subsequent to 30 June 2021 and up to the date of this announcement.

PROSPECTS

Looking forward, China is in pursuit of semiconductor self-sufficiency amid heavy demand for electronic products and the rapid increase in the use of emerging technologies in automotive and industrial electronics. As a result, the Group is optimistic about the overall electronic market over the next couple of years.

The COVID-19 pandemic has changed consumers' shopping habits since 2020, accelerating a shift towards digital, creating more online consumers, and propelling global demand for consumer electronics products, computers and digital services. Demand for automotive semiconductors has increased alongside the trend of switching to alternative fuel vehicles including electric cars, which use significantly more power semiconductor content in order to control components. As the next generation of digital products requires more powerful chips, investment in processors and further innovations in materials in terms of performance and durability are expected to continue.

Meanwhile, demand for industrial applications is growing at a rapid pace. Since semiconductors are the key components of technologies that drive infrastructure such as water systems and energy grids, and the manufacturing of home appliances and medical care systems, chip sales have been on the rise as business activities are resumed in the aftermath of the pandemic.

The supply of semiconductors, however, has not kept up with the demand and the chip drought is rippling through supply chains worldwide. The shortage is further complicated by geopolitical tensions, as the US government's decision to restrict technology exports to China has prompted the end customers of the semiconductor industry to move away from a just-in-time inventory system to a just-in-case system. Stockpiling has been a priority in the manufacturing sector in anticipation of further restrictions.

Many multinational corporations are reviewing their global supply chains in order to ensure a more stable supply of key components. Thanks to the local availability of chips and other components, on top of the ease of securing skilled labour, the majority of companies are likely to remain in China. Indeed, those who have faced shuttered production lines in South East Asian countries due to the continued pandemic situation in the region are moving back to China.

In order to achieve self-sufficiency in the supply of semiconductors, China has rolled out a set of policies to support the development of the integrated circuit and software industries. The measures include a wide range of favorable policies regarding tax breaks, financing, R&D support and IP protection. Although the goal of producing 70% of the semiconductors for domestic usage by 2025 remains an ambitious target, China's strategy will enable import substitution through the local production of chips for well-established industries in the country. The use of domestic chips and manufacturing capabilities are expected to grow as a result.

In view of the industry trends, the Group will continue its diversification strategy and take measures to expand its business in the telecommunications, automotive and consumer electronics end markets. It will serve its customers with a wider product portfolio in the rapidly changing and advancing electronic component distribution market.

The Group will establish a more resilient supply chain and expand ties with local electronics manufacturers, while strengthening its ability to respond to supply chain risks or opportunities at pace. The Group believes that its enhanced and broadened product portfolio will not only drive business momentum and improve customer engagement, but also add significant value to its future operation.

The Group will also implement more stringent financial management to support its greater growth. To that end, it will align its overall cost structure, capital investments and other expenditures with its anticipated revenue, development plans and current market conditions.

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 distribution industry. The Group will continue to diversify its product portfolio and customer base in order to maintain its resilience against economic headwinds and industrial challenges and enhance its competitiveness to stride forward in a prosperous manner.

PURCHASE, SALE OR REDEMPTION 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 Review Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is dedicated in maintaining and ensuring high standards of corporate governance practices and the corporate governance principles of the Company are adopted in the best interest of the Group as well as the shareholders of the Company (the "Shareholders"). The Company had adopted and complied with all the applicable code provisions and, where appropriate, adopted the recommended best practices as set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (the "CG Code") during the Review Period, except for the following:

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 had been made by the Company with each of the Directors and all Directors have confirmed that they had complied with the requirements set out in the Model Code during the Review Period.

REVIEW OF THE INTERIM RESULTS

The Audit Committee has reviewed and confirmed the accounting principles and practices adopted by the Group, and the Group's unaudited financial results for the Review Period and discussed the 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.

In addition, the Interim Financial Statements are unaudited but Graham H.Y. Chan & Co., the independent auditor of the Company, has reviewed them in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

PUBLICATION OF THE INTERIM REPORT

The interim report of the Company for the Review Period 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) and will be despatched to the Shareholders on or before Tuesday, 21 September 2021.

APPRECIATION

I, on behalf of the Board, would like to take this opportunity to thank all the 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, 25 August 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.