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中國恒泰
CHINA APEX

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2011)

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

	2021	2020	**Change**
	HK$'000	*HK$'000*	**+/(-)**
	(unaudited)	(audited)	
Revenue	**239,717**	170,089	**40.9%**
Gross profit	**71,913**	34,235	**110.1%**
Loss for the year	**(16,911)**	(51,209)	**(67.0%)**
Loss attributable to equity shareholders	**(17,503)**	(46,907)	**(62.7%)**

	As at 31 December		
	2021	2020	**Change**
	HK$'000	*HK$'000*	**+/(-)**
	(unaudited)	(audited)	
Total assets	**275,779**	290,702	**(5.1%)**
Cash and cash equivalents	**59,870**	60,930	**(1.7%)**
Total equity attributable to the equity shareholders	**141,668**	151,873	**(6.7%)**

FINANCIAL RESULTS

The board of directors (the "**Board**") of China Apex Group Limited (the "**Company**") is pleased to present the unaudited consolidated results of the Company and its subsidiaries (together referred to as the "**Group**") for the year ended 31 December 2021, together with the comparative figures for the previous year, as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Notes	**2021** ***HK$'000*** **(unaudited)**	2020 *HK$'000* (audited)
Revenue	5	**239,717**	170,089
Cost of sales		**(167,804)**	(135,854)
Gross profit		**71,913**	34,235
Other revenue and gains/(losses), net	6	**(3,487)**	(4,541)
Distribution costs		**(17,404)**	(11,760)
Administrative expenses		**(64,144)**	(54,247)
(Impairment losses)/reversal of impairment losses on			
– trade receivables and bills receivable		**8**	(91)
– property, plant and equipment		**(108)**	(8,215)
– right-of-use assets		**–**	(4,885)
Share of loss of a jointly controlled entity		**–**	(728)
Interests on lease liabilities		**(3,720)**	(3,662)
Loss before taxation	7	**(16,942)**	(53,894)
Income tax credit	8	**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)*	9		
Basic and diluted		**(3.8)**	(10.1)

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(audited)
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)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	**2021** **HK$'000** **(unaudited)**	2020 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**81,931**	86,616
Right-of-use assets		**43,245**	56,408
Intangible assets		**349**	140
Investment in a jointly controlled entity		**–**	5
Prepayments for property, plant and equipment		**48**	89
Rental deposits		**1,468**	2,926
Deferred tax assets		**6,068**	5,834
		133,109	152,018
Current assets			
Inventories	10	**30,827**	26,881
Amount due from a jointly controlled entity		**–**	1,791
Trade and other receivables	11	**51,862**	49,082
Current tax recoverable		**111**	–
Cash and cash equivalents	12	**59,870**	60,930
		142,670	138,684
Current liabilities			
Trade and other payables	13	**57,356**	52,245
Tax payable		**–**	122
Amount due to a related party		**2,238**	–
Lease liabilities		**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		**33,863**	45,290
Deferred tax liabilities		**1,124**	1,124
		34,987	46,414
Net assets		**164,766**	173,041

	Notes	**2021** ***HK$'000*** **(unaudited)**	2020 *HK$'000* (audited)
Capital and reserves			
Share capital	14	**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

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

(Expressed in Hong Kong dollars unless otherwise indicated)

1. GENERAL

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

The Group, comprising the Company and its subsidiaries, 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 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 this announcement.

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 effective 1 June 2020
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)

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 issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), 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, Proceeds before Intended Use	1 January 2022
Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41, Annual improvements to HKFRS Standards 2018–2020	1 January 2022
Amendments to HKFRS 3, Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8, Definition of Accounting Estimations	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 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. 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	2020
	HK$'000	*HK$'000*
	(unaudited)	(audited)
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 deferred tax assets. Segment liabilities include lease liabilities and trade and other payables managed directly by the segments.

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

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

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

	Zippers – Mainland China *HK$'000* **(unaudited)**	**Zippers – Overseas** *HK$'000* **(unaudited)**	**Total** *HK$'000* **(unaudited)**
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**

	Zippers – Mainland China *HK$'000* (audited)	Zippers – Overseas *HK$'000* (audited)	Total *HK$'000* (audited)
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

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

	2021 ***HK$'000*** **(unaudited)**	2020 *HK$'000* (audited)
Revenue		
Reportable segment revenue	**253,908**	183,067
Elimination of inter-segment revenue	**(14,191)**	(12,978)
Consolidated revenue *(note 5)*	**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	**(419)**	14
Reportable segment (loss)/profit 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.

	2021 *HK$'000* (unaudited)	2020 *HK$'000* (audited)
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
Investment 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 4(a).

The Group's non-current assets excluding financial assets (i.e. rental deposits and investment in a jointly controlled entity) and deferred tax assets (the "**Specified Non-current Assets**") comprise property, plant and equipment, right-of-use assets, intangible assets and prepayments for property, plant and equipment. The geographical location of the Specified Non-current Assets is based on their physical location. In the case of intangible assets, it is based on the location of the operation to which they are allocated. As at 31 December 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.

5. REVENUE

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

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

	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(audited)
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:

	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade debtors and bills receivable *(note 11)*	**48,907**	43,536
Contract liabilities *(note 13)*	**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.

Movements in contract liabilities

	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(audited)
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 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.

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

	2021 HK$'000 (unaudited)	2020 HK$'000 (audited)
Revenue from other sources		
Interest income	**573**	435
Government grants *(Note)*	**656**	3,111
	1,229	3,546
Other gains/(losses), net		
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	**(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 spending these grants on payroll expenses, and not reducing employee head count below prescribed levels for a specified period of time. The Group did not have other unfulfilled obligations relating to this program.

7. LOSS BEFORE TAXATION

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

(a) Staff costs*

	2021 HK$'000 (unaudited)	2020 HK$'000 (audited)
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	2020
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Depreciation and amortisation*		
Property, plant and equipment	**14,333**	13,062
Intangible assets	**163**	754
Right-of-use assets	**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 10)*	**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 7(a) for each of these types of expenses.

8. INCOME TAX

Income tax (credit)/expense represents:

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

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

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

(ii) 開易（廣東）服裝配件有限公司(KEE (Guangdong) Garment Accessories Limited*) ("**KEE Guangdong**") was recognised as a High and New Technology Enterprise and is entitled to a preferential income tax rate of 15% up to 2021. Except for KEE Guangdong, the statutory income tax rate applicable to the Company's other subsidiaries in Mainland China is 25%.

(iii) Pursuant to the Corporate Income Tax Law of the PRC and its relevant regulations, PRC-resident enterprises are levied withholding income tax at 10% on dividends to their non-PRC-resident corporate investors for earnings accumulated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. Under the Sino-Hong Kong Double Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% or more of the equity interest of a PRC-resident enterprise is entitled to a reduced withholding tax rate of 5%. As at 31 December 2021, deferred tax liability recognised in this regard was HK$1,124,000 (2020: HK$1,124,000).

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on loss attributable to the equity shareholders of the Company of HK$17,503,000 (2020: HK$46,907,000) and the weighted average number of 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.

10. INVENTORIES

	2021 ***HK$'000*** **(unaudited)**	2020 *HK$'000* (audited)
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:

	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(audited)
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 related to increase in the estimated net realisable value due to the sales or utilisation of inventories previously provided for.

11. TRADE AND OTHER RECEIVABLES

	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade debtors and bills receivable	**50,376**	44,971
Less: Loss allowance	**(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.

Ageing analysis

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

	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(audited)
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

12. CASH AND CASH EQUIVALENTS

	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(audited)
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.

13. TRADE AND OTHER PAYABLES

	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(audited)
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	**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	2020
	HK$'000	*HK$'000*
	(unaudited)	(audited)
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

14. SHARE CAPITAL

Authorised and issued share capital

	At 31 December 2021		At 31 December 2020	
	Number of shares	**Share capital**	Number of shares	Share capital
	'000	***HK$'000***	*'000*	*HK$'000*
	(unaudited)	**(unaudited)**	(audited)	(audited)
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.

15. DIVIDENDS

The Board did not recommend the payment of any dividend for the year ended 31 December 2021 (2020: Nil).

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

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 sale volume of other items.

DISTRIBUTION COSTS

Distribution costs mainly represent (i) staff costs relating to sales and marketing personnel; (ii) transportation costs for delivery of the Group's products and (iii) advertising and marketing expenses. For the year ended 31 December 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 cost 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 an 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%).

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).

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	2020
	HK$ million	*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.

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.

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 in full production 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.

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%.

PROSPECTS

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

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, the Company has complied with all the code provisions as set out in the Corporate Governance Code except the following deviations.

(i) Chairman and chief executive officer

The role of the Chairman had been performed by Mr. Zhuang Weidong and the duties of the chief executive officer is performed by the existing management of the Group. This constitutes a deviation from the Code Provision A.2.1 but the Board is of the view that given the small size of the existing management team, Mr. Zhuang Weidong has considerable experience in business development and the Board believes that the current structure will enable the Company to make and implement decisions promptly and efficiently. The Board will meet regularly to consider that this structure will not impair the balance of power and authority between the Board and the management of the Group. On 4 March 2022. Mr. Zhuang Weidong resigned as a Chairman and Executive Director. The Group is looking for suitable candidate to fill the vacancy of the chief executive officer.

(ii) Internal control and risk management

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

MODEL CODE

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

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 unaudited consolidated results of the Group for the year ended 31 December 2021 have been reviewed by the Audit Committee.

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

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

DIVIDENDS

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

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement and the announcements dated 9 March 2022 and 23 March 2022 in relation to the sale and purchase of shares in Central Eagle Limited by, among others, Mr. Zhuang Weidong and Mr. Wu Jingming, the Directors confirm that no significant event that affected the Group has occurred after 31 December 2021 and up to the date of this announcement.

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 "Connected Transactions" for a term of two years commencing from 16 January 2022.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2021 has not been completed due to travel restrictions in force in parts of China to combat the COVID-19 coronavirus outbreak. The unaudited annual results contained herein have not been agreed with the Company's auditors. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. The Audit Committee has reviewed the unaudited annual results contained herein. Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2021 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement(s) as and when necessary if there is other material development in the completion of the auditing process.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (https://www.irasia.com/listco/hk/chinaapex/index.htm). The annual report for the year ended 31 December 2021 containing all the information required by Appendix 16 to the Listing Rules will be despatched to Shareholders and available on the same websites in due course.

TAKEOVERS CODE IMPLICATIONS

Pursuant to Rule 10 of the Takeovers Code, the unaudited annual results constitute a profit forecast which should be reported on by the financial adviser and the auditors/reporting accountants of the Company and their reports must be included in the next document to be sent to the Shareholders under Rule 10.4 of the Takeovers Code. However, since the unaudited annual results contains the preliminary unaudited financial information of the Group for the year ended 31 December 2021 which must be published by the Company not later than 31 March 2022 pursuant to Rule 13.49(3)(i) of the Listing Rules and the Company is currently still undergoing reporting and audit processes with its auditor to prepare for the audit for the annual results for the year ended 31 December 2021 (the "**Audited Annual Results**"), the Company has encountered genuine practical difficulties (time-wise or otherwise) in meeting the reporting requirements set out in the said Rule 10.4 of the Takeovers Code. The Company will publish the Audited Annual Results upon completion of such reporting and audit processes as soon as practicable after they have been agreed with the Company's auditors. Publication of the Audited Annual Results on or before the despatch of any offer or response documents to the Shareholders in connection with any potential disposal of the Adjusted Relevant Shares would fall under Rule 10.9 of the Takeovers Code and the reporting on requirements of the unaudited annual results will no longer be required.

Shareholders and potential investors of the Company are reminded that the unaudited annual results is subject to changes resulting from, among others, further review by the Company and its auditors and any adjustments that might be proposed by the auditors. The Company cannot guarantee the unaudited annual results reflects the financial performance and condition of the Company.

The Company would also like to draw the attention of the Shareholders and potential investors of the Company that the unaudited annual results does not meet the standard required by Rule 10 of the Takeovers Code. Shareholders and potential investors of the Company should exercise caution in placing reliance on the unaudited annual results in assessing whether the appointment of the Receivers will result in a change in control and whether it will lead to a mandatory general offer under Rule 26.1 of the Takeovers Code over the securities of the Company while the disposal of the Adjusted Relevant Shares may or may not proceed.

The financial information contained herein in respect of the unaudited annual results of the Group have neither been audited nor agreed with the Company's auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

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

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the stock market operated by the Stock Exchange, which excludes the GEM and the options market
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"OEM"	original equipment manufacturer or manufacturing
"PRC" or "China" or "Mainland China"	the People's Republic of China excluding, for the purpose of this report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of issued Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

* *for identification purpose only*

By Order of the Board
China Apex Group Limited
Yip Siu Lun Dave
Chairman

Hong Kong, 30 March 2022

As at the date of this announcement, the executive Directors are Mr. Yip Siu Lun Dave, Mr. Qiu Chuanzhi, Mr. Mak Yung Pan Andrew and Mr. Wu, Cody Zhuo-xuan; the non-executive Director is Ms. Lin Ping; and the independent non-executive Directors are Mr. Leung Ka Tin, Mr. Cheng Hong Kei and Mr. Liew Fui Kiang.