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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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2022	2021	change
	<i>HK\$'000</i>	<i>HK\$'000</i>	+ / (-)
	(unaudited)	(unaudited)	
Revenue	125,612	113,116	11.0%
Gross profit	40,808	30,956	31.8%
Gross profit margin	32.5%	27.4%	18.7%
Profit/(Loss) for the period	10,978	(3,418)	(421.2%)
Attributable to equity			
shareholders of the Company			
Profit/(Loss) for the period	8,587	(4,148)	(307.0%)
Basic and diluted earnings/(loss) per share (<i>HK cents</i>)	1.8	(0.9)	(300.0%)
	As at	As at	
	30 June	31 December	
	2022	2021	
	<i>HK\$'000</i>	<i>HK\$'000</i>	change
	(unaudited)	(audited)	+ / (-)
Total assets	292,918	275,779	6.2%
Cash and cash equivalents	40,923	59,870	(31.6%)
Total equity attributable to equity shareholders of the Company	137,819	141,668	(2.7%)

INTERIM RESULTS

The Board is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

		Six months ended 30 June	
	Notes	2022	2021
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	5	125,612	113,116
Cost of sales		<u>(84,804)</u>	<u>(82,160)</u>
Gross profit		40,808	30,956
Other revenue and gains/(losses), net	6(b)	8,266	(622)
Distribution costs		(6,269)	(7,663)
Administrative expenses		(29,947)	(24,182)
Interests on lease liabilities		<u>(2,088)</u>	<u>(1,944)</u>
Profit/(loss) before taxation	6	10,770	(3,455)
Income tax credit	7	<u>208</u>	<u>37</u>
Profit/(loss) for the period		<u>10,978</u>	<u>(3,418)</u>
Profit/(loss) for the period attributable to:			
Equity shareholders of the Company		8,587	(4,148)
Non-controlling interests		<u>2,391</u>	<u>730</u>
Profit/(loss) for the period		<u>10,978</u>	<u>(3,418)</u>
Earnings/(loss) per share attributable to the equity shareholders of the Company (HK cents)			
Basic and diluted	8	<u>1.8</u>	<u>(0.9)</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit/(loss) for the period	10,978	(3,418)
Other comprehensive income for the period		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of subsidiaries in the Mainland China	<u>(14,619)</u>	<u>3,183</u>
Total comprehensive income for the period	<u>(3,641)</u>	<u>(235)</u>
Attributable to:		
Equity shareholders of the Company	(3,849)	(1,482)
Non-controlling interests	<u>208</u>	<u>1,247</u>
Total comprehensive income for the period	<u>(3,641)</u>	<u>(235)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	<i>Notes</i>	At 30 June 2022 <i>HK\$'000</i> (unaudited)	At 31 December 2021 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		76,506	81,931
Right-of-use assets		48,489	43,245
Intangible assets		287	349
Prepayments for property, plant and equipment		1,037	48
Rental deposits		5,730	1,468
Deferred tax assets		5,963	6,068
		138,012	133,109
Current assets			
Inventories		33,917	30,827
Trade and other receivables	9	80,066	51,862
Current tax recoverable		–	111
Cash and cash equivalents		40,923	59,870
		154,906	142,670
Current liabilities			
Trade and other payables	10	60,880	57,356
Tax payable		120	–
Amounts due to related parties	11	14,286	2,238
Lease liabilities		22,043	16,432
		97,329	76,026
Net current assets		57,577	66,644
Total assets less current liabilities		195,589	199,753

	<i>Notes</i>	At 30 June 2022 HK\$'000 (unaudited)	At 31 December 2021 HK\$'000 (audited)
Non-current liabilities			
Lease liabilities		33,340	33,863
Deferred tax liabilities		1,124	1,124
		<u>34,464</u>	<u>34,987</u>
Net assets		<u>161,125</u>	<u>164,766</u>
Capital and reserves			
Share capital		4,648	4,648
Reserves		133,171	137,020
		<u>137,819</u>	<u>141,668</u>
Total equity attributable to the equity shareholders of the Company		137,819	141,668
Non-controlling interests		23,306	23,098
		<u>161,125</u>	<u>164,766</u>
Total equity		<u>161,125</u>	<u>164,766</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 GENERAL

China Apex Group Limited (the “Company”) was incorporated in the Cayman Islands 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”).

2 BASIS OF PREPARATION

The unaudited condensed consolidated 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 (the “Listing Rules”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34 Interim financial reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The preparation of the condensed consolidated interim financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial statements contain condensed consolidated interim financial statements and selected explanatory notes. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

3 PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are required to be adopted in the 2022 annual financial statements. Details of these changes in accounting policies are set out below.

Overview on changes in accounting policies

The HKICPA has issued a number of new HKFRS or amendments to HKFRSs that are first effective or first time adopted and relevant for the current accounting period of the Group:

- (i) Onerous Contracts – Cost of Fulfilling a Contract (Amendments to HKAS 37);
- (ii) Property, Plant and Equipment: Proceeds before Intended Use (Amendments to HKAS 16);
- (iii) Annual Improvements to HKFRS Standards 2018–2020 (Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41); and
- (iv) References to Conceptual Framework (Amendments to HKFRS 3).

The new or amended HKFRSs that are effective from 1 January 2022 did not have any significant impact on the Group’s condensed consolidated interim financial statements.

4 SEGMENT REPORTING

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

a. 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.

b. 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.

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 receivable 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.

(a) Segment results, assets and liabilities

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 periods ended 30 June 2022 and 2021 respectively is set out below.

For the six months ended 30 June 2022

	Zippers – Mainland China HK\$'000 (unaudited)	Zippers – Overseas HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Revenue from external customers	108,821	16,791	125,612
Inter-segment revenue	9,967	60	10,027
Reportable segment revenue	118,788	16,851	135,639
Reportable segment profit	10,470	113	10,583
Depreciation and amortisation for the period	16,109	428	16,537
As at 30 June 2022			
Reportable segment assets	269,324	11,854	281,178
Reportable segment liabilities	107,515	5,692	113,207

For the six months ended 30 June 2021

	Zippers – Mainland China <i>HK\$'000</i> (unaudited)	Zippers – Overseas <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Revenue from external customers	102,673	10,443	113,116
Inter-segment revenue	7,280	–	7,280
Reportable segment revenue	109,953	10,443	120,396
Reportable segment profit/(loss)	9,324	(1,362)	7,962
Depreciation and amortisation for the period	15,028	541	15,569
As at 30 June 2021			
Reportable segment assets	266,394	5,278	271,672
Reportable segment liabilities	108,281	2,450	110,731

(b) **Reconciliations of reportable segment profit or loss**

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Reportable segment profit	10,583	7,962
Elimination of unrealised profit or loss of inter-segment purchase of inventories, other assets and property, plant and equipment	(1,114)	(459)
Reportable segment profit derived from the Group's external customers	9,469	7,503
Other revenue and gains/(losses), net	8,266	(622)
Interests on lease liabilities	(2,088)	(1,944)
Unallocated head office and corporate expenses (<i>note</i>)	(4,877)	(8,392)
Profit/(loss) before taxation	10,770	(3,455)

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.

5 REVENUE

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

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<i>Sales of goods</i>		
Finished zippers and sliders	123,042	111,410
Others	2,570	1,706
	<u>125,612</u>	<u>113,116</u>

The above revenue is recognised at a point in time when the control of the goods has been passed to customers.

No individual customer had transactions exceeding 10% of the Group's revenue.

6 PROFIT/(LOSS) BEFORE TAXATION

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

a. Staff costs

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Salaries, wages and other benefits	44,317	47,536
Contributions to defined contribution retirement plans	5,659	4,500
	<u>49,976</u>	<u>52,036</u>

b. Other revenue and gains/(losses), net

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest income	203	207
Gains on disposal of property, plant and equipment	6	252
Government grants	215	288
Net foreign exchange gains/(losses)	6,950	(1,635)
Others	892	266
	<u>8,266</u>	<u>(622)</u>

Note: Government grants of HK\$72,000 (2021: Nil) included in profit or loss was 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.

c. Other items

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Depreciation and amortisation*		
– plant and equipment	7,366	7,899
– intangible assets	49	101
– right-of-use assets	<u>9,669</u>	<u>10,422</u>
	17,084	18,422
Reversal of impairment losses on inventories	(36)	(9)
Cost of inventories*	<u>84,804</u>	<u>82,160</u>

* Cost of inventories includes HK\$42,245,000 for the six months ended 30 June 2022 (six months ended 30 June 2021: HK\$43,609,000) relating to staff costs, depreciation and amortisation expenses which amounts are also included in the respective total amounts disclosed separately above or in note 6(a) for each of these types of expenses.

7 INCOME TAX (CREDIT)/CHARGE

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Current tax – PRC corporate income tax	12	32
Deferred taxation	<u>(220)</u>	<u>(69)</u>
	<u>(208)</u>	<u>(37)</u>

- (a) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands or the BVI.

KEE Zippers Corporation Limited is subject to Hong Kong Profits Tax at the rate of 16.5% in 2022 and 2021.

- (b) 關易(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 2022. Except for KEE Guangdong, the statutory income tax rate applicable to the Company’s other subsidiaries in Mainland China was 25%.
- (c) 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 30 June 2022, deferred tax liability recognised in this regard was HK\$1,124,000 (31 December 2021: HK\$1,124,000).

8 EARNINGS/(LOSS) PER SHARE

a. Basic earnings/(loss) per share

The calculation of basic earnings per share is based on earnings attributable to the equity shareholders of the Company for the six months ended 30 June 2022 amounting to HK\$8,587,000 (loss per share based on loss attributable to equity shareholders of the Company for the six months ended 30 June 2021: HK\$4,148,000) and the weighted average number of 464,804,000 ordinary shares (six months ended 30 June 2021: 464,804,000 ordinary shares) in issue during the six months ended 30 June 2022.

b. Diluted earnings/(loss) per share

The diluted earnings/(loss) per share is equal to the basic earnings/(loss) per share as there were no potential dilutive shares in issue during both six months ended 30 June 2022 and 2021.

9 TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables) based on the invoice date and net of loss allowance, is as follows:

	At 30 June 2022 <i>HK\$'000</i> (unaudited)	At 31 December 2021 <i>HK\$'000</i> (audited)
Within 1 month	27,857	18,741
Over 1 month but within 2 months	26,688	17,916
Over 2 months but within 3 months	8,868	6,503
Over 3 months	8,807	5,747
Trade debtors and bills receivable, net of loss allowance	72,220	48,907
Rental deposits	1,037	1,697
Other prepayments	3,952	861
Other debtors	2,857	397
	80,066	51,862

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

The Group recognised impairment loss based on the same accounting policies adopted in the 2021 annual financial statements.

10 TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 June 2022 <i>HK\$'000</i> (unaudited)	At 31 December 2021 <i>HK\$'000</i> (audited)
Within 1 month	17,314	10,243
Over 1 month but within 3 months	308	428
Over 3 months but within 6 months	11	5
Over 6 months	472	181
	<hr/>	<hr/>
Trade creditors	18,105	10,857
Payroll and staff benefits payable	23,252	31,926
Accrued expenses	6,318	5,301
Payables for purchase of property, plant and equipment	11,422	8,022
Contract liabilities	1,577	996
Other payables	206	254
	<hr/>	<hr/>
	60,880	57,356
	<hr/> <hr/>	<hr/> <hr/>

11 AMOUNTS DUE TO RELATED PARTIES

The balances includes advance made by an individual who is vice president of the Company, son-in-law of a director of the Company and advance made by an executive director of the Company. They are unsecured, interest free and repayable on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

The Group is continuously looking for new investments and business opportunities in order to diversify the existing business.

The Group recorded profit attributable to equity shareholders of the Company of approximately HK\$8.59 million for the six months ended 30 June 2022, as compared with loss attributable to equity shareholders of the Company of approximately HK\$4.15 million for the same period in 2021. The reason of turnaround from loss to profit position of the Group was mainly attributable to, among other factors, the increase in product selling price and sales volume, resulting in an increase in revenue and gross profit by approximately 11.0% and 31.8%, respectively, as compared with the corresponding period in 2021.

PROSPECTS

In the first half of 2022, the landscape of both the domestic and foreign economies have proven to be challenging and complicated. With the continuous rise in the costs of raw materials, energy and human resources, the clothing industry been faced with an immense pressure to stably conduct its businesses. However, owing to the preventive measures and its controls during the Coronavirus Pandemic (COVID-19), the economy of the PRC has been gradually recovering and improving. This has contributed to the terminal consumption which has brought on a restorative improvement towards the clothing sector. Moving forward to the latter half of 2022, the PRC is currently implementing the general principle of "Seeking Progress while Maintaining Stability".

With the Group acquiring opportunities, it has not been without challenges. Here, the following measures have been adopted:

1. Actively adapting to the new market environment and the changes in demand while at the same time, efficiently responding to the customers' and market's needs, enhancing the development of new products, and improving the Group's competitiveness and increasing overall satisfaction of customers;
2. Further integrating and expanding production capacity, understanding the facilities of supply chain, increasing the automation level in manufacturing, improving production techniques and product quality, and shortening the manufacturing lead time and controlling the costs of production;

3. Accelerating digital transformation to improve operational efficiency at various levels in management;
4. Improving fund management and managing operational risks; and
5. Enhancing talent management and re-developing organizational capabilities.

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

FINANCIAL REVIEW

A comparison of the financial results for the six months ended 30 June 2022 and the corresponding period in 2021 is set out as follows:

REVENUE

The Group's revenue for the six months ended 30 June 2022 amounted to approximately HK\$125.61 million, representing an increase of approximately 11.0% as compared to the corresponding period in 2021.

Revenue analysis by product category:

	Six months ended 30 June			
	2022		2021	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
	(unaudited)		(unaudited)	
<i>Sales of goods</i>				
Finished zippers and sliders	123,042	98.0	111,410	98.5
Others	2,570	2.0	1,706	1.5
	<hr/>		<hr/>	
Total	125,612	100.0	113,116	100.0
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Revenue analysis by geographic location:

	Six months ended 30 June			
	2022		2021	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(unaudited)		(unaudited)	
Mainland China	108,821	86.6	102,673	90.8
Overseas	16,791	13.4	10,443	9.2
Total	<u>125,612</u>	<u>100.0</u>	<u>113,116</u>	<u>100.0</u>

The increase in revenue was primarily due to the change in products structure which enhanced the quality and resulting in increased in selling price of each unit. In addition, the stabilising of garment industry also led to increase in sales orders from customers.

GROSS PROFIT

Gross profit analysis by product category:

	Six months ended 30 June			
	2022		2021	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(unaudited)		(unaudited)	
Finished zippers and sliders	39,620	97.1	30,038	97.0
Others	1,188	2.9	918	3.0
Total	<u>40,808</u>	<u>100.0</u>	<u>30,956</u>	<u>100.0</u>

The increase in gross profit was primarily due to the increase in revenue, while fixed expenses such as amortisation of right-of-use assets and depreciation remained stable.

EXPENSES AND COSTS

Distribution costs, comprising mainly staff costs, transportation costs and advertising and promotion expenses, decreased by approximately 18.2% to approximately HK\$6.27 million for the six months ended 30 June 2022 from approximately HK\$7.67 million for the same period in 2021, which was mainly due to the decrease in exhibition and relevant costs as a result of refrain from large scale activities under COVID-19 epidemic situation.

Administrative expenses, consisting primarily of salary and welfare expenses for management and administrative personnel, depreciation and amortisation, professional fees, auditors' remuneration and other administrative expenses, increased by approximately 23.8% to approximately HK\$29.95 million for the six months ended 30 June 2022 from approximately HK\$24.18 million for the same period in 2021, which was mainly due to the increase in research and development costs for the purpose of enhancing product quality and informatization development.

PROFITABILITY

The Group recorded profit attributable to equity shareholders of the Company of approximately HK\$8.59 million, as compared with a loss attributable to equity shareholders of the Company of approximately HK\$4.15 million for the six months ended 30 June 2021. The profit margin attributable to equity shareholders of the Company was approximately 6.84% for the six months ended 30 June 2022. The reversal from loss to profit was mainly due to the combined effects of the above.

CONNECTED TRANSACTIONS

Connected Transactions in Relation to the Lease in Respect of Certain Land and Buildings

- (i) On 14 January 2022, 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 Corporation Limited ("KEE Zippers"), an indirect 85%-owned subsidiary of the Company, as lessee entered into a lease renewal agreement (the "Third 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\$54,000 (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 2022 to 15 January 2024. 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\$54,000 is fair and reasonable with reference to the market value.

- (ii) On 14 January 2022, 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 開易(浙江)服裝配件有限公司 (KEE (Zhejiang) Garment Accessories Limited*) (“KEE Zhejiang”), an indirect 85%-owned subsidiary of the Company, as lessee entered into a lease renewal agreement (the “Third 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 RMB625,958 payable in cash within the first 10 working days of each month commencing from 16 January 2022 for a term of two years commencing on 16 January 2022 to 15 January 2024 with three months’ rent of RMB1,877,874 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 RMB625,958 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 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. On 29 April 2022, 開易(湖北)拉鍊製造有限公司 (KEE (Hubei) Zippers Manufacturing Company Limited*) (“KEE Hubei”) replaced KEE Guangdong as a new lessee to the Jingmen Lease Agreement. For details, please refer to the announcement of the Company dated 29 April 2022.

An independent property valuer advised that the monthly rental of RMB533,000 is fair and reasonable with reference to the market rate.

- (v) On 31 May 2022, KEE Jingmen as lessor and KEE Hubei as lessee entered into the lease agreement for a PRC property (the “PRC Property Phase II”) for a term from 1 June 2022 to 31 August 2023 (the “Phase II Lease Agreement”). For details, please refer to the announcement of the Company dated 31 May 2022.

In accordance with HKFRS 16 applicable to the Company, as a result of the entering into the Third HK Lease Renewal Agreement, Third 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 a total of approximately HK\$2 million for the Third HK Lease Renewal Agreement and Third Zhejiang Lease Renewal Agreement, approximately HK\$10.92 million for the Guangdong Lease Renewal Agreement 2020, approximately HK\$8.58 million for the Jingmen Lease Renewal Agreement 2021 and approximately HK\$8.34 million for the Phase II Lease Agreement, respectively. As such, the transactions under the above lease 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 announcements dated 15 January 2020, 31 December 2020, 27 August 2021 and 31 May 2022.

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.

LIQUIDITY AND CAPITAL RESOURCES

The Group’s funding policy aims at ensuring sufficient capital to meet the working capital requirements, increase capital efficiency and capital gains. The Group will apply the appropriate debt instrument in financing to achieve those objectives.

The Group’s net cash outflow from operating activities for the six months ended 30 June 2022 amounted to approximately HK\$12.07 million (six months ended 30 June 2021: HK\$1.35 million). Such increase was mainly attributable to an increase in trade debtors as at 30 June 2022. The Group’s net cash outflow from investing activities for the six months ended 30 June 2022 amounted to approximately HK\$4.31 million (six months ended 30 June 2021: HK\$12.7 million). The net cash outflow was mainly attributable to the payment for the purchase of property, plant and equipment. The Group’s net cash inflow from financing activities for the six months ended 30 June 2022 amounted to approximately HK\$0.45 million (six months ended 30 June 2021: outflow of approximately HK\$11.68 million). The cash outflow for the six months ended 30 June 2022 was mainly attributable to payment of lease rentals.

As at 30 June 2022, cash and cash equivalents amounted to approximately HK\$40.92 million, representing decrease of approximately HK\$18.95 million as compared with the position as at 31 December 2021. Such decrease was mainly due to increase in payment for the purchase of property, plant and equipment and payment of lease rental during the six months ended 30 June 2022.

As at 30 June 2022, cash and cash equivalents of the Group in the amount of approximately HK\$31.80 million, HK\$3.83 million and HK\$5.27 million were denominated mainly in RMB, HKD and USD, respectively. As at 31 December 2021, cash and cash equivalents of the Group in the amount of approximately HK\$55.87 million, HK\$0.27 million and HK\$3.62 million were denominated mainly in RMB, HKD and USD, respectively.

The Group did not have borrowings other than lease liabilities and amounts due to related parties as at 30 June 2022 and 31 December 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 plus amounts due to related parties less cash and cash equivalents over total equity) below 20%. The ratio as at 30 June 2022 is approximately 17.8%. As at 31 December 2021, as the total debt is less than cash and cash equivalent, no adjusted debt-to-capital ratio was 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 30 June 2022, the Group had current assets of approximately HK\$154.91 million. The key components of current assets as at 30 June 2022 included inventories of approximately HK\$33.92 million, trade and other receivables of approximately HK\$80.07 million and cash and cash equivalents of approximately HK\$40.92 million. The key components of current liabilities included trade and other payables of approximately HK\$60.88 million, current portion of lease liabilities of approximately HK\$22.04 million and amounts due to related parties of approximately HK\$14.29 million.

The net current assets decreased by approximately HK\$9.06 million to HK\$57.58 million as at 30 June 2022 from approximately HK\$66.64 million as at 31 December 2021.

PLEGGED ASSETS

As at 30 June 2022, the Group did not have any pledged assets.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any material contingent liabilities.

FOREIGN CURRENCY RISK

Individual companies within the Group has limited foreign currency risk as most of the transactions are denominated in the same currency as the functional currency of the operations in which they relate. The Group did not hedge its exposure to risks arising from fluctuations in exchange rates during the six months ended 30 June 2022.

EMPLOYEES

As at 30 June 2022, the Group had 722 full-time employees (30 June 2021: 804). 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 six months ended 30 June 2022 were approximately HK\$49.98 million (the six months ended 30 June 2021: approximately HK\$52.04 million). The decrease in staff costs is mainly due to the decrease in headcount of the workers as a result of the human resources integration.

CHANGE IN EMOLUMENTS OF THREE EXECUTIVE DIRECTORS

Each of Mr. Zhuang Weidong (who resigned on 4 March 2022), Mr. Qiu Chuanzhi (who retired on 29 June 2022) and Mr. Mak Yung Pan Andrew has waived part of their emoluments as executive Directors for the six months ended 30 June 2022. Each of them received HK\$50,000 for the six months ended 30 June 2021.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022.

EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 12 July 2022, the Company completed a placing of 92,960,800 shares under general mandate at a placing price of HK\$0.75 per placing share, pursuant to the placing agreement entered into between the Company and KGI Asia Limited on 27 June 2022. For details, please refer to the announcements of the Company dated 27 June 2022 and 12 July 2022.

CORPORATE GOVERNANCE

The Company is committed to maintaining and upholding guidelines and procedures for stringent corporate governance. In respect of the six months ended 30 June 2022, all the provisions set out in the CG Code were met by the Company except for the following:

Code provision C.1.6 of the CG Code requires that independent non-executive Directors and other non-executive Directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Certain independent non-executive Directors were unable to attend the annual general meeting of the Company that was held on 29 June 2022 respectively due to COVID-19.

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors.

The Company made specific enquiries to all Directors and all Directors confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding any Directors' securities transactions throughout the period from 1 January 2022 to 30 June 2022.

The Company has also adopted a code of conduct regarding securities transactions by relevant employees on terms no less exacting than the required standard set out in the Model Code. All the relevant employees who, because of office or employment, are likely to be in possession of inside information in relation to the Company's securities has been requested to follow such code when dealing in the securities of the Company.

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 for the six months ended 30 June 2022.

AUDIT COMMITTEE

The unaudited interim results of the Group for the six months ended 30 June 2022 has been reviewed by the audit committee of the Board.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim 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 interim report for the six months ended 30 June 2022 will be despatched to Shareholders and made available on the same websites in due course.

DEFINITIONS

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

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

“Share(s)” means share(s) of HK\$0.01 each in the share capital of the Company

“Shareholder(s)” means holder(s) of issued Share(s)

“Stock Exchange” means The Stock Exchange of Hong Kong Limited

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

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

Hong Kong, 31 August 2022

As at the date of this announcement, the executive Directors are Mr. Yip Siu Lun Dave, 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.