



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)

2020

Annual Report

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Corporate Information

DIRECTORS

Executive Directors

Mr. Zhuang Weidong (*Chairman*)
Mr. Qiu Chuanzhi (*President*)
Mr. Wu David Hang (*Vice Chairman*)
Mr. Mak Yung Pan Andrew (*Vice President*)

Non-executive Director

Ms. Lin Ping

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Mr. Yau Chi Chiu

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 510, Chater House
8 Connaught Road
Central
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

AUDITOR

BDO Limited
Certified Public Accountants

PRINCIPAL BANKERS

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

COMPANY WEBSITE

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

Financial Summary

FIVE-YEAR FINANCIAL HIGHLIGHTS

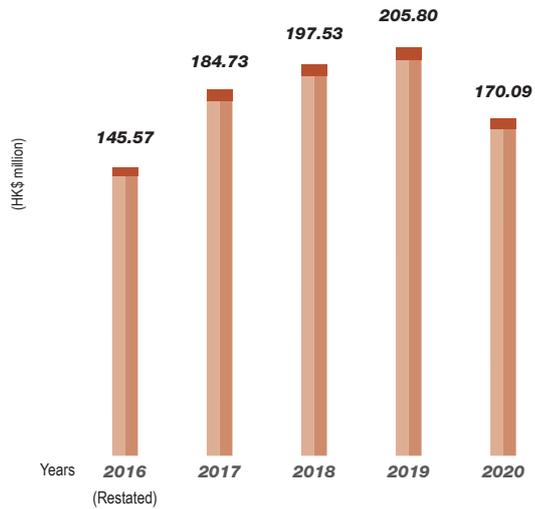
For the year ended 31 December	2020	2019	2018	2017	2016 (Restated) (note 3)
Results of Continuing Operations					
Gross profit margin (%)	20.1	25.7	32.4	31.2	28.9
Operating loss or profit margin (%)	-29.5	-19.1	-14.6	-4.5	27.2
Net loss or profit margin (%) (note 1)	-27.6	-21.5	-16.8	-24.4	15.1
Return on equity (%)	-30.9	-20.4	-12.5	-14.4	7.3
Financial Position					
Total assets (HK\$'000)	290,702	338,348	330,454	380,180	405,760
Cash and cash equivalents (HK\$'000)	60,930	91,174	78,587	95,590	186,496
Total equity attributable to equity shareholders of the Company (HK\$'000)	151,873	216,657	264,730	314,083	298,523
Financial Ratios					
Current ratio (times)	1.9	3.2	6.0	5.0	4.0
Quick ratio (times)	1.6	2.7	5.4	4.5	3.7
Liability to asset ratio (%) (note 2)	40.5	29.3	12.9	11.4	21.6
Turnover Ratios					
Inventory turnover (days)	82	70	66	62	58
Debtors turnover (days)	91	72	74	77	78

Notes:

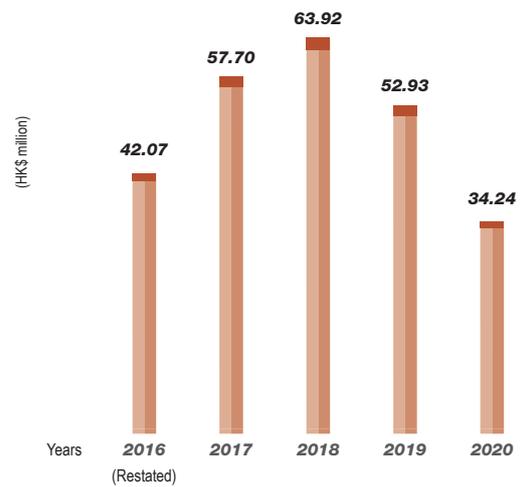
- (1) Net loss or profit represents loss or profit attributable to equity shareholders of the Company.
- (2) Liability to asset ratio is calculated as the Group's total liabilities over total assets as shown in the consolidated statement of financial position.
- (3) During the year 2017, the Group has decided to cease the real estate agency services and completed the disposal of this business on 24 August 2017. The financial information of this operating segment for year ended 31 December 2017 is presented as discontinued operation. The comparative amounts of the financial information of this operating segment in respect of the year ended 31 December 2016 were also restated to be presented as discontinued operation accordingly.

Financial Summary

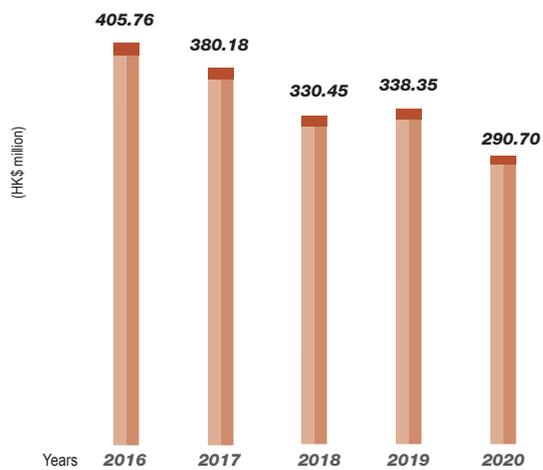
Revenue



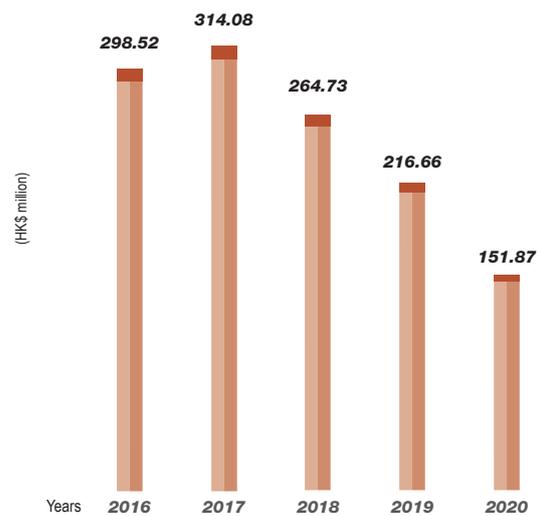
Gross Profit



Total assets



Total equity attributable to equity shareholders of the Company



Financial Summary

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Restated) (note 1)
Continuing operations					
Revenue	170,089	205,796	197,532	184,732	145,568
Cost of sales	(135,854)	(152,864)	(133,613)	(127,028)	(103,497)
Gross Profit	34,235	52,932	63,919	57,704	42,071
Other gains/(losses), net	(4,541)	(23,268)	18,770	(10,592)	7,339
Distribution costs	(11,760)	(15,528)	(15,417)	(15,197)	(10,989)
Administrative expenses	(54,247)	(53,653)	(50,639)	(40,425)	(34,318)
(Impairment losses)/reversal of impairment losses on					
– trade receivables and bills receivable	(91)	262	(505)	177	–
– property, plant and equipment	(8,215)	–	–	–	–
– right-of-use assets	(4,885)	–	–	–	–
– other receivable	–	–	(45,000)	–	–
Share of loss of a jointly controlled entity	(728)	–	–	–	–
Gain on disposal of a subsidiary	–	–	–	–	17,837
Gain on disposal of property, plant and equipment and leasehold land to related parties	–	–	–	–	17,609
(Loss)/profit from operations	(50,232)	(39,255)	(28,872)	(8,333)	39,549
Finance costs	(3,662)	(3,745)	–	–	(9)
(Loss)/profit before taxation	(53,894)	(43,000)	(28,872)	(8,333)	39,540
Income tax credit/(expense)	2,685	(1,164)	(1,074)	(5,429)	(8,415)
(Loss)/profit from continuing operations	(51,209)	(44,164)	(29,946)	(13,762)	31,125
Loss from discontinued operation	–	–	–	(31,808)	(7,888)
(Loss)/profit for the year	(51,209)	(44,164)	(29,946)	(45,570)	23,237
Attributable to:					
Equity shareholders of the Company	(46,907)	(44,180)	(33,177)	(45,127)	21,940
Non-controlling interests	(4,302)	16	3,231	(443)	1,297

Note:

- (1) During the year 2017, the Group has decided to cease the real estate agency services and completed the disposal of this business on 24 August 2017. The financial information of this operating segment for year ended 31 December 2017 is presented as discontinued operation. The comparative amounts of the financial information of this operating segment in respect of the year ended 31 December 2016 were also restated to be presented as discontinued operation accordingly.

Financial Summary

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Non-current assets	152,018	142,345	83,397	168,051	63,448
Property, plant and equipment	86,616	79,243	71,873	57,805	57,323
Investment in a jointly controlled entity	5	–	–	–	–
Intangible assets	140	885	1,562	2,448	3,047
Available-for-sale investment	–	–	–	103,480	–
Prepayments for property, plant and equipment	89	3,004	1,439	292	93
Rental deposits	2,926	3,986	5,041	987	–
Right-of-use assets	56,408	52,042	–	–	–
Deferred tax assets	5,834	3,185	3,482	3,039	2,985
Current assets	138,684	196,003	247,057	212,129	342,312
Inventories	26,881	34,425	24,549	23,924	19,417
Financial asset at fair value through profit or loss	–	23,583	102,183	–	–
Amount due from a jointly controlled entity	1,791	–	–	–	–
Trade and other receivables	49,082	44,698	40,922	92,615	135,759
Current tax recoverable	–	2,123	816	–	38
Cash and cash equivalents	60,930	91,174	78,587	95,590	186,496
Assets held for sale	–	–	–	–	602
Total assets	290,702	338,348	330,454	380,180	405,760

Financial Summary

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Current liabilities	71,247	60,671	41,396	42,153	86,347
Trade and other payables	52,245	44,344	41,396	40,366	84,955
Tax payable	122	–	–	–	–
Lease liabilities	18,880	16,327	–	–	–
Current tax payable	–	–	–	1,787	1,392
Net current assets	67,437	135,332	205,661	169,976	255,965
Total assets less current liabilities	219,455	277,677	289,058	338,027	319,413
Non-current liabilities	46,414	38,381	1,124	1,124	1,124
Lease liabilities	45,290	37,257	–	–	–
Deferred tax liabilities	1,124	1,124	1,124	1,124	1,124
Net assets	173,041	239,296	287,934	336,903	318,289
Capital and reserves	151,873	216,657	264,730	314,083	298,523
Share capital	4,648	4,648	4,648	4,648	4,348
Reserves	147,225	212,009	260,082	309,435	294,175
Total equity attributable to equity shareholders of the Company	151,873	216,657	264,730	314,083	298,523
Non-controlling interests	21,168	22,639	23,204	22,820	19,766
Total equity	173,041	239,296	287,934	336,903	318,289

Chairman's Statement

On behalf of the board of directors (the "Board") of China Apex Group Limited (the "Company" together with its subsidiaries, the "Group"), I am pleased to present the annual report of the Company for the year ended 31 December 2020.

In response to the unpredictable circumstances evolving from the global outbreak of the COVID-19 since January 2020, governments around the world introduced strict travel restrictions and compulsory quarantine. This unprecedented challenge significantly affected customer demand. Up to the date of this annual report, various travel restrictions are still in place to control the spread of the COVID-19. The revenue of the Group declined considerably.

In order to minimise the impact of COVID-19 outbreak on the operation of the Group in the PRC, the Group has been paying its best effort on implementation of preventive measures in the working environment. All the Group's factories have been resumed as normal.

Moving forward, the Group will prospectively continue to seek attractive investment and acquisition opportunities in the other sectors, to enhance profitability and maximize our shareholders' value. We keep an open mind when exploring new opportunities, but will only acquire high potential projects on a selective and prudent basis, without compromising the financial stability of the Group.

We took measures to tighten cost control and achieved a generally stable business performance in zipper business through the dedicated efforts of our management team and employees. We remain excited about the prospect and the opportunities that lie ahead and are confident that the Group is well-positioned to meet futures challenges and move closer to its vision to be a profitable and well-diversified company.

I would like to take this opportunity to express my sincere thanks and gratitude to our Group's management and staff who dedicated their endless efforts and devoted services, and to our shareholders, customers, suppliers, bankers and other professional parties for their continuous support.

Zhuang Weidong

Chairman

Hong Kong, 31 March 2021

Management Discussion and Analysis

OVERVIEW

The Group continued to operate the zipper business during the year ended 31 December 2020.

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 2020, represented the revenue from zipper business, decreased to approximately HK\$170.09 million as compared with approximately HK\$205.80 million for the year ended 31 December 2019.

Loss before taxation for the year ended 31 December 2020 was approximately HK\$53.89 million (2019: approximately HK\$43.00 million), represented an increase of approximately 10.89 million as compared to prior year. The increase in loss before taxation was mainly due to the combined effect of:

- (i) the decrease in gross profit of the zipper business from approximately HK\$52.93 million for the year ended 31 December 2019 to approximately HK\$34.24 million for the year ended 31 December 2020;
- (ii) the impairment losses recognised on the property, plant and equipment and right-of-use assets of approximately HK\$8.22 million and HK\$4.89 million respectively for the year ended 31 December 2020 in relation to our zipper business;
- (iii) the fair value gain on financial asset at fair value through profit or loss of approximately HK\$1.53 million recorded during the year ended 31 December 2020 as compared to the fair value loss of approximately HK\$23.60 million in 2019; and
- (iv) the net foreign exchange losses of approximately HK\$10.13 million for the year ended 31 December 2020 as compared to the net foreign exchange gains of approximately HK\$2.83 million in 2019.

REVENUE

The Group's revenue for the year ended 31 December 2020 amounted to approximately HK\$170.09 million, representing a year-on-year decrease of approximately 17.4% as compared to the last year.

Revenue analysis by product category:

	2020		2019	
	HK\$ million	%	HK\$ million	%
<i>Sales of goods</i>				
Finished zippers and sliders	167.42	98.4	202.22	98.3
Others	2.67	1.6	3.58	1.7
Total revenue	170.09	100.0	205.80	100.0

Management Discussion and Analysis

Revenue analysis by geographic location:

	2020		2019	
	HK\$ million	%	HK\$ million	%
Mainland China	150.18	88.3	183.00	88.9
Overseas	19.91	11.7	22.80	11.1
Total revenue	170.09	100.0	205.80	100.0

Finished Zippers and Sliders

Revenue from sales of finished zippers and sliders decreased by approximately HK\$34.80 million or 17.2% to approximately HK\$167.42 million for the year ended 31 December 2020 (2019: approximately HK\$202.22 million). The decrease was primarily due to the impact of the global outbreak of the COVID-19 including quarantine lockdown and travel restrictions, resulting in the decreasing number of sales orders from customer 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 2020 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 reduced by approximately HK\$0.91 million to approximately HK\$2.67 million for the year ended 31 December 2020 (2019: approximately HK\$3.58 million).

COST OF SALES AND GROSS PROFIT

In 2020, the overall cost of sales for the zipper business amounted to approximately HK\$135.85 million (2019: approximately HK\$152.86 million), representing an decrease of approximately 11.1%. The overall gross profit of the Group decreased by approximately 35.3% from approximately HK\$52.93 million for the year ended 31 December 2019 to approximately HK\$34.24 million for the year ended 31 December 2020. In 2020, the overall gross profit margin decreased from 25.7% of last year to 20.1%. The decrease in gross profit was primarily due to the decrease in revenue as discussed above.

Gross profit analysis by product category:

	2020		2019	
	HK\$ million	%	HK\$ million	%
Finished zippers and sliders	33.51	97.9	52.08	98.4
Others	0.73	2.1	0.85	1.6
Total gross profit	34.24	100.0	52.93	100.0

Management Discussion and Analysis

Finished Zippers and Sliders

Gross profit for finished zippers and sliders decreased by approximately 35.7% from approximately HK\$52.08 million for the year ended 31 December 2019 to approximately HK\$33.51 million for the year ended 31 December 2020 which was primarily due to the decrease in revenue as discussed above.

Others

Gross profit of other items decreased by approximately HK\$0.12 million from approximately HK\$0.85 million for the year ended 31 December 2019 to approximately HK\$0.73 million for the year ended 31 December 2020, was mainly due to the decrease 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 2020, the Group's distribution costs amounted to approximately HK\$11.76 million (2019: approximately HK\$15.53 million), accounting for approximately 6.9% of the Group's turnover (2019: approximately 7.5%). The decrease in distribution costs was mainly due to the decrease in staff costs and transportation costs as a result of the decline in sales of finished zippers and sliders which was in line with the decrease in revenue.

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 2020, the Group's administrative expenses amounted to approximately HK\$54.25 million (2019: approximately HK\$53.65 million), which accounted for approximately 31.9% of the Group's turnover (2019: approximately 26.1%).

INCOME TAX CREDIT/(EXPENSE)

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

Income tax expense for the year ended 31 December 2019 mainly represents the tax expenses incurred in relation to the operations of the Group in the PRC.

PROFITABILITY

In 2020, the Group's loss attributable to equity shareholders of the Company amounted to approximately HK\$46.91 million (2019: approximately HK\$44.18 million), representing an increase of loss of approximately 6.2% as compared to 2019. The increase of loss is 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 27.6% (2019: 21.5%).

During the year ended 31 December 2020, the Group's return on equity attributable to the equity shareholders of the Company was -30.9% (2019: -20.4%).

Management Discussion and Analysis

FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

The Company had invested HK\$100 million into Fullgoal Strategic Growth Fund Segregated Portfolio (the “Fund”) pursuant to two subscription agreements dated 17 July 2017 and 21 August 2017 entered into between the Company and Fullgoal China Access RQFII Fund SPC. The carrying value of the Fund was approximately HK\$23.58 million as at 31 December 2019 after partial redemption of the shares and a loss arising from changes in the fair value of financial asset of approximately HK\$23.60 million recognised during the year ended 31 December 2019. The Group has made a partial redemption of its shares in the Fund during the year ended 31 December 2019 with proceeds of approximately HK\$55 million received in August 2019. On 25 March 2020, the Company redeemed approximately 4,932 participating shares, being the remaining shares in the Fund at the redemption price of approximately HK\$25.01 million (the “Redemption”). The net proceeds from the Redemption were approximately HK\$24.89 million and will be used as general working capital. On 15 May 2020, the Company received the residual balance of approximately HK\$0.22 million from the Fund. A fair value gain on financial asset at fair value through profit or loss of approximately HK\$1.53 million was recorded during the year ended 31 December 2020.

After the Redemption, the Company ceased to hold any interest in the Fund.

For details, please refer to the announcement of the Company dated 20 April 2020.

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 17.6% and 19.4% of the Group’s total current assets as at 31 December 2019 and 2020 respectively.

Inventories decreased by approximately 21.9% from approximately HK\$34.43 million as at 31 December 2019 to approximately HK\$26.88 million as at 31 December 2020. The decrease in inventories was mainly attributable to the decrease in the number of sales orders of the Group.

The average inventory turnover days for 2020 and 2019 were 82 days and 70 days respectively.

The net write-down on inventories for the year ended 31 December 2020 was approximately HK\$1.24 million (2019: net write-down of approximately HK\$0.65 million) which was due to the decrease in the estimated net realisable value of certain slow-moving inventories.

TRADE DEBTORS

As at 31 December 2020, the allowance for doubtful debts was approximately HK\$1.44 million (31 December 2019: approximately HK\$1.25 million), accounting for approximately 3.2% of the Group’s total trade debtors (2019: approximately 2.9%).

The Group’s trade debtors (net) slightly increased by around 4.4% from approximately HK\$41.69 million of last year to approximately HK\$43.54 million as at 31 December 2020.

The average trade debtors turnover days for 2020 and 2019 were 91 days and 72 days respectively.

Management Discussion and Analysis

OTHER RECEIVABLES

Other receivables mainly represent rental deposits of certain factories and office premises with remaining lease terms of less than one year. The increase in balance of other receivables by approximately HK\$2.54 million, representing a increase in 84.4% from approximately HK\$3.01 million was mainly due to reclassification of non-current rental deposits to current since the remaining lease terms of these factories and premises is less than one year.

TRADE CREDITORS

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

The Group's trade creditors slightly decreased by around 3.8% from approximately HK\$9.98 million as at 31 December 2019 to approximately HK\$9.60 million as at 31 December 2020. The average trade creditors turnover days for 2020 and 2019 were 26 days and 21 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 24.1% to approximately HK\$42.65 million as at 31 December 2020 (2019: approximately HK\$34.37 million).

RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group has applied HKFRS 16 for the recognition of lease liabilities and right-of-use assets as at 1 January 2019. Upon the adoption of HKFRS 16, leases are recognised as right-of-use assets and its corresponding lease liabilities are recognised in the consolidated statement of financial position. As at 31 December 2020, the lease liabilities and right-of-use assets amounted to approximately HK\$64.2 million (2019: approximately HK\$53.58 million) and approximately HK\$56.41 million (2019: approximately HK\$52.04 million) respectively.

LIQUIDITY AND CAPITAL RESOURCES

The following table is a summary of cash flow data for the two years ended 31 December 2019 and 2020:

	2020 HK\$ million	2019 HK\$ million
Net cash generated from/(used in) operating activities	18.67	(1.37)
Net cash generated from investing activities	3.02	34.61
Net cash used in financing activities	(56.59)	(22.09)
Net (decrease)/increase in cash and cash equivalents	(34.90)	11.15
Cash and cash equivalents at 1 January	91.17	78.59
Effect of foreign exchange rate changes	4.66	1.43
Cash and cash equivalents at 31 December	60.93	91.17

Management Discussion and Analysis

The Group's net cash inflow from operating activities for the year 2020 amounted to approximately HK\$18.67 million (2019: net cash outflow of approximately HK\$1.37 million). As at 31 December 2020, cash and cash equivalents amounted to approximately HK\$60.93 million, representing a net decrease of approximately HK\$30.24 million as compared with the position as at 31 December 2019, which was mainly due to the combined effect of the cash flows for the year ended 31 December 2020 as shown in the above table.

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, HKD and USD, respectively. As at 31 December 2019, the cash and cash equivalents of approximately HK\$40.64 million, HK\$47.03 million and HK\$3.40 million are denominated in RMB, HKD and USD, respectively.

The Group did not have borrowings other than lease liabilities as at 31 December 2019 and 2020.

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 less cash and cash equivalents over total equity) below 20%. The ratio as at 31 December 2020 and 2019 was 1.9% and nil respectively. 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 2020, the Group had net current assets of approximately HK\$67.44 million. The key components of current assets as at 31 December 2020 included cash and cash equivalents of approximately HK\$60.93 million, trade and other receivables of approximately HK\$49.08 million, amount due from a jointly controlled entity of approximately HK\$1.79 million, and inventories of approximately HK\$26.88 million. The current liabilities mainly represented trade and other payables of approximately HK\$52.25 million and current portion of lease liabilities of approximately HK\$18.88 million.

The net current assets decreased from approximately HK\$135.33 million as at 31 December 2019 to approximately HK\$67.44 million as at 31 December 2020, mainly attributable to the decrease in financial asset at fair value through profit or loss of approximately HK\$23.58 million as the remaining shares in the Fund were redeemed in 2020 and decrease in cash and cash equivalents of approximately HK\$30.24 million due to the payment of special dividend in 2020.

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 2019 and 2020 not provided for in the consolidated financial statements were approximately HK\$4.46 million and approximately HK\$0.29 million respectively.

Management Discussion and Analysis

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 United States Dollars (“USD”) under KEE Zippers Corporation Limited (“KEE Zippers”).

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

The Group had RMB denominated bank deposits amounting to approximately HK\$2,783,000 (2019: approximately HK\$6,081,000) 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\$145,318,000 (2019: approximately HK\$152,167,000) 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 2020, 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\$713,000 (2019: HK\$730,000).

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

EMPLOYEES

As at 31 December 2020, the Group had 694 full-time employees (2019: 816). 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 2020 were approximately HK\$78.70 million (2019: approximately HK\$90.61 million). The decrease in staff costs is mainly due to the decrease in headcount of the workers as a result of the decline in production.

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 December 2019 and 2020.

Management Discussion and Analysis

CHANGE OF COMPANY NAME, STOCK SHORT NAME, COMPANY WEBSITE AND COMPANY LOGO

The English name of the Company has been changed from “KEE Holdings Company Limited” to “China Apex Group Limited” and its dual foreign name in Chinese has been changed from “開易控股有限公司” to “中國恒泰集團有限公司”, both with effect from 22 November 2019.

The stock short name of the Company for trading in the Shares on the Main Board of the Stock Exchange has been changed from “KEE” to “CHINA APEX GP” in English and the Company has adopted a new stock short name in Chinese as “中國恒泰集團”, with effect from 9:00 a.m. on 9 January 2020.

The website of the Company has been changed from “www.kee.com.cn” to “https://www.irasia.com/listco/hk/chinaapex/index.htm” with effect from 2 January 2020.

The logo of the Company has been changed to  中國恒泰 CHINA APEX with effect from 2 January 2020.

CHANGE IN EMOLUMENTS OF THREE EXECUTIVE DIRECTORS

Each of Mr. Zhuang Weidong and Mr. Qiu Chuanzhi has waived part of their emoluments as executive Directors from 1 April 2020 to 31 December 2020. Since 1 June 2020, each of them has received HK\$10,000 per month as their emoluments. Mr. Mak Yung Pan Andrew has also waived part of his emoluments as an executive Director since 1 February 2021. He receives HK\$10,000 per month as emoluments since then.

CONNECTED TRANSACTIONS AND CONTINUING 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.

Management Discussion and Analysis

- (ii) On 15 January 2020, 佛山市南海今和明投资有限公司 (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.

In accordance with HKFRS 16 applicable to the Company, as a result of the entering into the Second HK Lease Renewal Agreement and Second Zhejiang Lease Renewal Agreement (the “Second Lease Renewal Agreements”), the Group recognised an additional asset representing its right to use the property in HK and the production base in Zhejiang Province under the Second Lease Renewal Agreements in the total amount of approximately HK\$25.04 million. 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 announcement dated 15 January 2020.

- (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 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.

In accordance with HKFRS 16 applicable to the Company, as a result of the entering into the Guangdong Lease Renewal Agreement 2020, the Group recognised an additional asset representing its right to use the plant in Guangdong in the total amount of approximately HK\$10.92 million. As such, the transactions under the Guangdong Lease Renewal Agreement 2020 was recognised as an acquisition of right-of-use assets which constituted a one-off connected transaction of the Company under Chapter 14A of the Listing Rules. Details of which had been disclosed in the Company’s announcement dated 31 December 2020.

Management Discussion and Analysis

Connected Transaction in Relation to Purchase of Equipment

On 1 December 2020, 開易(廣東)服裝配件有限公司荊門分公司 (KEE (Guangdong) Garment Accessories Limited Jingmen Branch*) (“KEE Guangdong Jingmen Branch”), an indirect non-wholly owned subsidiary of the Company, as purchaser entered into an equipment purchase agreement (the “Equipment Purchase Agreement”) with 開易(荊門)服裝配件有限公司 (KEE (Jingmen) Garment Accessories Limited*) (“KEE Jingmen”), a company owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, as vendor, pursuant to which KEE Jingmen agreed to sell and KEE Guangdong Jingmen Branch agreed to purchase the colour dyeing equipment (the “Equipment”) at the consideration of RMB6,717,563.50 (among which RMB772,817.04 is the value added tax) (equivalent to approximately HK\$7,913,289.80) (the “Consideration”). 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 Equipment Purchase Agreement.

The Company has reviewed the acquisition cost of KEE Jingmen for the Equipment and the quotations obtained from independent third parties for comparable major equipment to ensure that the Consideration is fair and reasonable.

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

- (i) On 16 January 2017, 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 “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\$51,000 (exclusive of Government rates, Government rent, management fee and all other outgoings) payable in advance in cash without any deduction on the 16th day of each month for a term of three years commencing on 16 January 2017 to 15 January 2020. On 17 February 2016, Mr. Xu Xipeng and Mr. Xu Xinan resigned as the chairman of the board and chief executive officer of the Company respectively. Mr. Xu Xipeng and Mr. Xu Xinan also resigned as executive directors of the Company, but have remained as the directors of KEE International (BVI) Limited and KEE Zippers, the subsidiaries of the Company, since 17 February 2016. Therefore, Mr. Xu Xipeng and Mr. Xu Xinan are connected persons at the subsidiary level of the Company. As Classic Winner is owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, Classic Winner is also a connected person at the subsidiary level of the Company as of the date of HK Lease Renewal Agreement.

An independent property valuer advised that the monthly rental of HK\$51,000 is fair and reasonable with reference to the market rate. For each of the three years ended 15 January 2020, the maximum annual aggregate amounts payable by the Group under the HK Lease Renewal Agreement are as follows:

	HK\$
Year ended 15 January 2018	612,000
Year ended 15 January 2019	612,000
Year ended 15 January 2020	612,000

Management Discussion and Analysis

- (ii) On 16 January 2017, 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 “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 RMB275,000 payable in cash within the first 10 working days before the 16th day of each month commencing from 16 January 2017 for an initial term of three years commencing on 16 January 2017 to 15 January 2020, with three months’ rent of RMB825,000 as deposit. As Nanhai Jinheming is owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, Nanhai Jinheming is a connected person at the subsidiary level of the Company as of the date of the Zhejiang Lease Renewal Agreement.

An independent property valuer advised that the monthly rental of RMB275,000 is fair and reasonable with reference to the market rate. For each of the three years ended 15 January 2020, the maximum annual aggregate amounts payable by the Group under the Zhejiang Lease Renewal Agreement are as follows:

	RMB	HK\$
Year ended 15 January 2018	4,125,000	4,620,000
Year ended 15 January 2019	4,125,000	4,620,000
Year ended 15 January 2020	4,125,000	4,620,000

- (iii) 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. For each of the two years ended 31 August 2020 and the year ending 31 August 2021, the maximum annual aggregate amounts payable by the Group under the Jingmen Tenancy Agreement are as follows:

	RMB	HK\$
Year ended 31 August 2019	6,000,000	6,840,000
Year ended 31 August 2020	6,000,000	6,840,000
Year ending 31 August 2021	6,000,000	6,840,000

Management Discussion and Analysis

- (iv) On 31 December 2018, 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 2019”) to renew the lease of a plant in Guangdong for a further term of two years from 1 January 2019 to 31 December 2020 for a monthly rental of RMB360,000 payable within the first 10 working days of each month commencing from 1 January 2019.

An independent valuer advised that the monthly rental of RMB360,000 is fair and reasonable with reference to the market rate. For each of the two the years ended 2020, the maximum annual aggregate amounts payable by the Group under the Guangdong Lease Renewal Agreement 2019 are as follows:

	RMB	HK\$
Year ended 31 December 2019	4,320,000	4,924,800
Year ended 31 December 2020	4,320,000	4,924,800

For the year ended 31 December 2020, the total rental charges under the HK Lease Renewal Agreement, the Zhejiang Lease Renewal Agreement, the Jingmen Tenancy Agreement and the Guangdong Lease Renewal Agreement 2019 were approximately HK\$10,384,000 and the Second HK Lease Renewal Agreement and the Second Zhejiang Lease Renewal Agreement were approximately HK\$6,071,000.

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

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

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

PROSPECT

Affected by the outbreak of COVID-19 pandemic worldwide, final consumptions and exports were stagnant, consumption power of garment industry reduced. In addition, amid the escalation of the trade war between the US and China, the textile and garment industry of China was challenged by the sluggish domestic demand and foreign demand. However, the domestic demand and foreign market of textile and garment industry are recovering gradually as the COVID-19 pandemic became controllable basically and effectively by each country, and they actively promulgated a series of recovery policies.

Management Discussion and Analysis

Therefore, the Group will take the following measures to respond to the short-term impact of the COVID-19 pandemic on the Company while making the pandemic prevention and control usual practice:

1. Adapt to the new market environment and the change of demand proactively, respond to the demands of customer and market quickly, ramp up efforts to expand e-commerce market, improve products quality and shorten delivery period;
2. Further integrate and improve production capacity, and improve ancillaries of industry chains;
3. Optimize production process, increase efficiency of operation, and enhance cost management;
4. Enhance capital management, and prevent and control operation risk;
5. Accelerate digital transformation, and improve the level of operation management; and
6. Enhance talent management, and improve organization ability.

Meanwhile, this pandemic will also speed up the reshuffle of zipper industry, some zipper companies which have poor operation and are lack of ancillaries will gradually exit the market, thus this will create potential space for market development to the Group.

We will concurrently review the business strategic directions and operations of the Group in order to chart its long term corporate strategy and growth and to explore other business or investment opportunities with a view to enhance the Group's future development.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board has committed to achieve high corporate governance standards.

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

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

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

During the year ended 31 December 2020, the Company has complied with all the code provisions as set out in the Corporate Governance Code except the following deviations.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2020.

BOARD OF DIRECTORS

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

The biographical information of the Directors and the relationships between the members of the Board are set out in the section headed "Biographies of Directors and Senior Management" on pages 44 to 46 of the annual report for the year ended 31 December 2020.

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

Corporate Governance Report

The attendance record of each Director at the Board meetings and general meeting(s) of the Company held during the year ended 31 December 2020 is set out below:

The Board	Board Meetings Attendance	Annual General Meeting Attendance
<i>Executive Directors</i>		
Mr. Zhuang Weidong (<i>Chairman</i>)	5/5	1/1
Mr. Qiu Chuanzhi (<i>President</i>)	5/5	1/1
Mr. Wu David Hang (<i>Vice Chairman</i>)	5/5	1/1
Mr. Mak Yung Pan Andrew (<i>Vice President</i>)	5/5	1/1
<i>Non-executive Director</i>		
Ms. Lin Ping	5/5	1/1
<i>Independent Non-executive Directors</i>		
Mr. Leung Ka Tin	5/5	1/1
Mr. Cheng Hong Kei	5/5	1/1
Mr. Liew Fui Kiang	5/5	1/1

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Following Mr. Wu David Hang's resignation from the positions of Chairman and chief executive officer on 19 November 2019, 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. The Group is looking for suitable candidate to fill the vacancy of the chief executive officer.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2020, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Corporate Governance Report

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

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

Each of Mr. Leung Ka Tin, Mr. Cheng Hong Kei and Mr. Liew Fui Kiang entered into an appointment letter with the Company for an initial term of one year commencing from 17 February 2020, 19 November 2019 and 19 November 2019 respectively and continue thereafter unless terminated by either party by giving at least one month written notice to the other party.

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

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

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

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

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

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

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

Corporate Governance Report

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

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

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

According to the records maintained by the Company, the Directors received the following training with an emphasis on but not limited to the roles, functions and duties of a director of a listed company on continuous professional development during the year ended 31 December 2020.

Name of Directors	Reading Materials	Attending Seminars/ Trainings
<i>Executive Directors</i>		
Mr. Zhuang Weidong (<i>Chairman</i>)	✓	✓
Mr. Qiu Chuanzhi (<i>President</i>)	✓	✓
Mr. Wu David Hang (<i>Vice Chairman</i>)	✓	✓
Mr. Mak Yung Pan Andrew (<i>Vice President</i>)	✓	✓
<i>Non-executive Director</i>		
Ms. Lin Ping	✓	✓
<i>Independent Non-executive Directors</i>		
Mr. Leung Ka Tin	✓	✓
Mr. Cheng Hong Kei	✓	✓
Mr. Liew Fui Kiang	✓	✓

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The revised terms of reference of Audit Committee and Nomination Committee were adopted in 31 December 2020. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

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

Corporate Governance Report

AUDIT COMMITTEE

An Audit Committee has been established with written terms of reference in compliance with the Corporate Governance Code. The primary functions of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, 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 of the year ended 31 December 2020 and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, the effectiveness of the Company's internal audit function scope of work and appointment of external auditors, connected transactions and arrangements for employees to raise concerns about possible improprieties.

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

The consolidated financial statements of the Group for the year ended 31 December 2020 had been reviewed by the Audit Committee and audited by the external auditors.

The attendance record of each Director at the Audit Committee meetings held during the year ended 31 December 2020 is set out below:

Audit Committee	Attendance
Mr. Cheng Hong Kei (<i>Committee Chairman</i>)	3/3
Mr. Leung Ka Tin	3/3
Mr. Liew Fui Kiang	3/3

Corporate Governance Report

REMUNERATION COMMITTEE

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

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

The Remuneration Committee held one meeting to review and make recommendation to the Board on the remuneration policy and structure of the Company, assess the performance of the executive Directors, to determine the remuneration packages of the executive Directors and senior management and other related matters during the year ended 31 December 2020.

The attendance record of each Director at the Remuneration Committee meetings held during the year ended 31 December 2020 is set out below:

Remuneration Committee	Attendance
Mr. Cheng Hong Kei (<i>Committee Chairman</i>)	1/1
Mr. Leung Ka Tin	1/1
Mr. Liew Fui Kiang	1/1

The remuneration of Directors and senior management of the Company by band for the year ended 31 December 2020 is set out below:

	Number of Persons
HK\$0 to HK\$500,000	6
HK\$500,001 to HK\$1,000,000	2
HK\$1,000,001 to HK\$1,500,000	3
HK\$1,500,001 to HK\$2,000,000	1
HK\$2,000,001 to HK\$2,500,000	–
HK\$2,500,001 to HK\$3,000,000	1

Corporate Governance Report

NOMINATION COMMITTEE

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

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

The Nomination Committee currently consists of three independent non-executive Directors, namely Mr. Leung Ka Tin, Mr. Cheng Hong Kei and Mr. Liew Fui Kiang and two executive Directors, namely Mr. Zhuang Weidong and Mr. Qiu Chuanzhi. Mr. Zhuang Weidong, an executive Director of the Company, is the chairman of the Nomination Committee.

The Nomination Committee held one meeting to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, and to consider the qualifications of the retiring Directors standing for election at the annual general meeting during the year ended 31 December 2020.

The attendance record of each Director at the Nomination Committee meetings held during the year ended 31 December 2020 is set out below:

Nomination Committee	Attendance
Mr. Zhuang Weidong (<i>Committee Chairman</i>)	1/1
Mr. Qiu Chuanzhi	1/1
Mr. Leung Ka Tin	1/1
Mr. Cheng Hong Kei	1/1
Mr. Liew Fui Kiang	1/1

Corporate Governance Report

BOARD DIVERSITY POLICY

The Board has adopted a revised Board Diversity Policy for the year ended 31 December 2020 to comply with the Code Provision and the Stock Exchange's recent guidelines on board diversity. The Policy aims to set out the approach to achieve diversity in the Board to ensure that the Board has the balance of skills, experience and diversity of perspectives, including but not limited to gender, age, cultural and educational background, professional experience, knowledge and skills. In identifying suitable candidates, the Nomination Committee will consider candidates on merit and against the objective criteria with due regard for the benefits of diversity on the Board.

Measurable Objectives

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

Monitoring and Reporting

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

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

DIVIDEND POLICY

The Board adopted a dividend policy for the year ended 31 December 2020. The Board has the discretion to declare and distribute dividends to the shareholders of the Company. Any declaration of final dividends for the year will be subject to the approval of the Company's shareholders. The Board shall take into account the financial position, cashflow situation, business conditions and strategies, current and future operations and earnings, capital requirements and expenditure plans, interests of shareholders, prevailing economic environment, any restrictions on payment of dividends of the Group and any other factors or conditions that the Board may consider relevant when considering the declaration and payment of dividends.

CORPORATE GOVERNANCE FUNCTIONS

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

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

Corporate Governance Report

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2020.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 56 to 60.

AUDITORS' REMUNERATION

The remuneration paid to the Company's external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2020 is set out in note 9 to the consolidated financial statements of the Company.

INTERNAL CONTROLS AND RISK MANAGEMENT

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

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

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

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

Corporate Governance Report

During the year, the Group has appointed an external independent consultant to conduct a review of the Group's internal control systems. It covers all material financial, operational and compliance controls. The Board has conducted an annual review on the effectiveness of the Group's risk management and internal control systems based on the reports of the external independent consultant and considers that the Group's risk management and internal control systems as at 31 December 2020 to be effective and adequate.

COMPANY SECRETARY

Mr. Yau Chi Chiu is appointed as the company secretary of the Company ("Company Secretary"). Pursuant to rule 3.29 of the Listing Rule, the company secretary must take no less than 15 hours of relevant professional training in each financial year. During the year ended 31 December 2020, he provided his training records to the Company indicating more than 15 hours of relevant professional development by means of attending seminars and reading relevant guideline materials.

CONSTITUTIONAL DOCUMENTS

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

SHAREHOLDERS' RIGHTS

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

CONVENING AN EXTRAORDINARY GENERAL MEETING BY SHAREHOLDERS

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

PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

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

PUTTING FORWARD ENQUIRIES TO THE BOARD

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

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

Corporate Governance Report

CONTACT DETAILS

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

Address: Room 510, 5/F, Chater House
8 Connaught Road, Central, Hong Kong
(For the attention of the Company Secretary)

Fax: (852) 3184 0111

Email: kent.yau@apexhengtai.com

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

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

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

Environmental, Social and Governance Report

REPORT SCOPE, MATERIALITY AND PERIOD

This environmental, social and governance report (“ESG Report”) was published in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) as set out in Appendix 27 to the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the “comply or explain” provisions contained therein.

With reference to our materiality assessment on our business operations, we decide to include in this ESG Report our performances and initiatives on environmental protection, employment policies and benefits, operation management, community involvement and other aspects of our business operation of manufacture and sale of zippers in Guangdong Province, Zhejiang Province and Hubei Province, the PRC, as well as our Hong Kong headquarters for the year from 1 January 2020 to 31 December 2020 (the “Reporting Period”). All information and data are from official documents and relevant records of the Group.

Materiality Assessment

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

REPORTING ON ENVIRONMENTAL ASPECTS

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

Environmental, Social and Governance Report

ENVIRONMENTAL

Emission Management

Hazardous waste and non-hazardous waste management

Industrial waste from our production processes mainly includes:

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

The Group strictly complies with the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》) and the Standard for Pollution Control on Hazardous Waste Storage (《危險廢物儲存污染控制標準》) as we stringently follow relevant requirements to pack, store and send our hazardous waste to authorised professional waste handling institutions for recycling and disposal, so as to avoid secondary pollution. Dyeing sludge is dewatered to reduce its water content and volume to ease the burden on landfills; whilst non-hazardous waste such as domestic refuse and kitchen waste are collected and disposed of by relevant municipal government departments.

The Group conducted environment impact assessment on the production facilities and result indicated that emissions of air pollutants, greenhouse gases, water, sewage and non-hazardous wastes comply with the PRC regulations. During the year ended 2020, the Group does not aware of any non-compliance of the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste and other relevant law and regulations.

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

Exhaust gas and greenhouse gas, dust emission

We have the Pollutant Discharge Permit (《污染物排放許可證》) issued by the Ministry of Environmental Protection and ensure emission level is in compliance with the prescribed standards of the state on the basis of obtainment of pollutant emission permit from the governmental regulatory authority. We also continue to improve exhaust gas emission system to reduce environmental impact. Local ministry of environmental protection performed random checks on sulphur dioxide, carbon monoxide and other exhaust gas during the Period. Inspection results showed that our emission was lower than the permissible density limit of air pollutants for oil-fired boilers stipulated by the Emission Limit of Air Pollutants for Industrial Boilers (《鍋爐大氣污染物排放限值》).

Environmental, Social and Governance Report

Sewage treatment

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

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

Type of emission	Unit	Emission	Intensity (per HK\$1M revenue)
Greenhouse gas			
Scope 1	Tonnes CO ₂ e	1,609	9.5
Scope 2	Tonnes CO ₂ e	12,295	72.3
Scope 3	Tonnes CO ₂ e	268	1.6
Total (Scope 1, 2 & 3)	Tonnes CO ₂ e	14,172	83.3
Exhaust gas			
Nitrogen Oxides	g	43,269	254.3
Sulphur Oxides	g	217	1.3
Particulate matter	g	4,004	23.5
Sewage	Tonne	46,110	271.1
Hazardous waste	Tonne	4.5	0.03
Non-hazardous waste	Tonne	52	0.31

Efficient use of resources

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

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

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

Environmental, Social and Governance Report

Resource Consumption Data:

Resources utilisation	Unit	Usage	Intensity (unit per HK\$1M revenue)
Electricity			
Office	kWh	12,527	74
Factory	kWh	11,438,255	67,249
Steam	Tonne	4,450	26
Water	Tonne	305,064	1,794
Paper	Kg	1,124	7
Diesel oil	L	423,115	2,488
LPG	Kg	2,208	13
Natural gas	m ³	210,787	1,239

Packing materials

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

Packaging materials	Unit	Consumption	Consumption Intensity (Per HK\$1M revenue)
Carton box	Kg	66,012	388
Plastic bags	Kg	18,152	107

Environment and Natural Resources

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

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

Environmental, Social and Governance Report

EMPLOYMENT AND LABOUR PRACTICES

Employment

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

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

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

Talent Selection

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

Employees' benefits

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

We provide dormitory for our factory works, as well as Wi-Fi, daily necessities for free. We also replace and repair air conditioners in a timely manner and gradually improve living condition at dormitory. Moreover, we also provide free meals for our staff. Our staff canteen provides employees with balanced diet with the combination of both meat and vegetables, and healthy and safe dining environment. Employees involved in food making receive annual body check and are required to wear chef hats, masks, plastic shoes and other safety gear. We are obliged by local law to obtain Food Service Permit (《食品衛生許可證》). Administration and Diet Committee oversees the operation of staff canteen and suppliers providing food ingredients to our staff canteen, in order to ensure that the supplies meet national hygiene standard. The committee regularly distributes survey form for satisfaction with staff canteen and follows up with improvement and tracking of opinions.

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

Environmental, Social and Governance Report

As at the end of the Period, we had 694 (2019: 816) full-time employees. Key indicators of different work departments, regions, age groups and gender are set forth in the table below.

	Percentage of total staff	Staff turnover rate
Gender		
Male	60	43
Female	40	53
Age Group		
18–30	19	77
31–40	47	41
41–50	28	36
51 or above	6	37
Geographical region		
China	97	47
Hong Kong	3	44
Employee categories		
Senior management	1	8
Middle management	4	20
General staff	95	49
Service period		
Less than 5 years	74	66
5 to 10 years	14	21
Over 10 years	12	24

The Group strives to maintain employee turnover rate at an acceptable level, so as to facilitate accumulation of professional skills and experience, the turnover rate is mainly due to the changes in the number of part time workers in factories, which were held for ad-hoc production projects. During the year of 2020, the overall turnover rate is about 47%. The high turnover rate is mainly due to the additional workers hired for ad-hoc production projects.

Health and Safety

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

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

Environmental, Social and Governance Report

We commission a qualified professional organisation specialising in detection and evaluation of workplace occupational hazards on an annual basis to monitor the work environment and take improvement measures for occupational health safety risks at workplace. The Group provides to the relevant staff with annual occupational health examination. In addition, the Group carries out full inspection and analysis on machineries, and arranges protection measures for those with potential safety issues. For instance, safety screens have been added for all semi-automatic punching equipment to provide extra protection to workers.

We enforce three-tier training mechanism for new joiners who shall acquire knowledge of production safety and relevant regulations and system, use of safety equipment, use and maintenance of personal protective gear, preventive measures and occupational hazards, so as to enhance their safety awareness.

Education categories	Abstract
First level (Corporate education)	<ul style="list-style-type: none"> • The company's production safety circumstance and basic knowledge of production safety; • The company safety rules and regulations and labor discipline; • The employees' rights and obligations in production safety; • Emergency rescue plan and self-help knowledge; • The accident case study; • Other safety-related training.
Second level (Workplace education)	<ul style="list-style-type: none"> • Working environment and risk factors; • Occupational hazards and casualties that may be suffered; • Work safety responsibilities, operational skills and mandatory standards; • Rescue and first aid methods, evacuation and on-site emergency treatment; • Use and maintenance of safety equipment and personal protective equipment; • Safety production conditions in workplace and related rules and regulations; • Measures to prevent accidents and occupational hazards and safety matters that should be paid attention to; • The accident case study; • Other training content.
Third level (Position education)	<ul style="list-style-type: none"> • Safety operating procedures for related position; • The safety and occupational health matters relating to interconnection between different positions; • The accident case study; • Other training contents.

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

Environmental, Social and Governance Report

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

Occupational health and safety statistics	2020	2019
Number of lost days due to work injury	466	282
Number of work-related fatalities due to work	Nil	Nil
Number of work injuries due to work	11	17

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

Development and Training

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

The Group's Training Management System regulates employee training policies and provides employees with a wide range of internal and external trainings. The human resources department draws up annual training plans, which are readjusted subject to actual needs, to enhance their competitiveness and professional capability.

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

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

	Male	Female
No. of training hours attended	771	563
No. of staff attended training	315	204
Average training hours completed per trained staff	2.45	2.76
Percentage of staff attended training	75%	74%

Environmental, Social and Governance Report

Labour Standards

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

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

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

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

Supply Chain Management

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

Monitoring at source

The Group has established the Chemicals Safety Control System and Control Standard of Prohibited Substances, and updated the latter During the Reporting Period to reinforce safety control of chemicals. In 2020, all chemical suppliers of the Group held MSDS reports which listed out the main ingredients, user guide, storage and transportation in details. We printed the reports out and put up at visible spots of the warehouse. We updated the testing reports done by third-party agencies for the main raw materials in a timely manner and saved the reports in employee shared drive. Meanwhile, all procured materials are required to meet requirements of the eighth level of needle detection. We also purchased a needle detector to inspect metal materials and ensure product quality.

In order to minimise the carbon footprints produced during transportation, all the suppliers are located in Mainland China, especially the city and province nearby, such as Guangdong province, Zhejiang province and Shanghai. As at the year ended 31 December 2020, the Group has 349 suppliers. During the year, no major complaints on the quality of materials used have been received.

Environmental, Social and Governance Report

Product Responsibility

Quality assurance

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

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

The Group has developed Customer Complaint Handling Mechanism to analyse customers' complaints within a specific period of time and send to quality control department for verification. In 2020, we received 49 (2019: 41) complaints, whilst having no product recall for health and safety problems.

Consumer service

The Group welcome our valued customers to express their opinions by verbal form, telephone, mail, fax, visiting or any other forms. The Group has developed Customer Complaint Handling Mechanism to investigate and handle complaints promptly, as well as revert back. Quality control department will investigate complaints concerning product quality, while sales department is responsible for customer communication.

Privacy policy

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

Advertising

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

Anti-corruption

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

We follow the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), the Prevention of Bribery Ordinance (《防止賄賂條例》) of Hong Kong Law and other national or regional laws and regulations relating to bribery, extortion, fraud and money laundering, and have established the Anti-corruption and Reporting System. All employees, except general workers, shall enter into "Clean Agreement". "Clean Cooperation Commitment" is also required to be entered into with customers or suppliers before transacting with them, promising no behaviour violating the principle of good faith such as fraud and bribery in any business connection.

Environmental, Social and Governance Report

Whistle-blowing policy

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

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

During the year of 2020, no suspicious cases associated with bribery, extortion, fraud and money laundering have been reported and discovered.

COMMUNITY

Community investment

The Group has established the "KEE Charitable Foundation" to help employees in difficult situations through raising fund from employee donations and the support from the labour union. This way the Group can enhance its corporate appeal, build up team spirit, and proactively fulfill its corporate social responsibility. The aid covers support to employees with unaffordable education expenses for their children, incapacity of employees or their major family members as a result of severe accidents or illness, unaffordable medical expenses, damages caused to employees and their families by natural disasters. During the year, the Foundation has provided subsidies to an employee whose family member suffered from critical illness.

Over the years, we have been fulfilling our corporate social responsibility with the donation to the disabled and the impoverished; whilst we have been supporting the growth of athletes and young people. We encourage our employees to actively participate in charitable events and visit the disabled during festive occasions and holidays. Every year, we organise sheltered factory visits to show our care to the disabled, collect donations to help employees in difficult situations and actively participate in community activities. During the Reporting Period, the Group has made donation of RMB225,900 to the Red Cross in response to the Coronavirus pandemic.

Biographies of Directors and Senior Management

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

EXECUTIVE DIRECTORS

Mr. Zhuang Weidong, aged 52, was appointed as an executive Director and chairman of the Board with effect from 19 November 2019. Mr. Zhuang has been a director of Shenzhen Maple Real Estate Development Company Limited* (深圳楓葉房地產有限公司) ("Shenzhen Maple"), a company established in the People's Republic of China (the "PRC") with limited liability since 2013. Prior to Mr. Zhuang's current role with Shenzhen Maple, he was a general manager of 深圳市威士達供應鏈服務有限公司 (Shenzhen Weishida Supply Chain Services Company Limited*), a company established in the PRC with limited liability and is principally engaged in the provision of supply chain services to its customers.

Mr. Qiu Chuanzhi, aged 50, was appointed as an executive Director and president of the Company with effect from 19 November 2019. Mr. Qiu is also the president of 深圳市合泰地產集團有限公司 (Shenzhen City Hetai Real Estate Group Company Limited*), a company established in the PRC with limited liability, which is principally engaged in property development, investment, business operation and hotel management.

Mr. Wu David Hang, aged 58, was appointed as an executive Director and chairman of the Board, chief executive officer and authorised representative of the Company with effect from 17 February 2016. Mr. Wu has resigned as the chief executive officer of the Company and re-designated from the chairman to the vice chairman of the Board with effect from 19 November 2019. Mr. Wu was a president of overseas business development of Zhonghong International Holdings Limited. Prior to this, he was a senior investment banker, with a focus on cross-border transactions in Asia markets. From 1996 to 2004, Mr. Wu served as a vice president of the Corporate Finance and Investment Banking group at Citigroup. From 2004 to 2007, Mr. Wu worked as a principal at Marco Polo Partners in New York. From 2007 to 2009, he worked at China Power Development Corp. New York, a renewable energy development firm, as one of the founding members. From 2009 to 2015, Mr. Wu served as a managing director of Herakles Capital International, a New York based investment banking firm. Mr. Wu obtained his MBA degree from University of District of Columbia, USA and his Bachelor of Science degree from University of Electronic Science and Technology of China.

Mr. Mak Yung Pan Andrew, aged 31, was appointed as an executive Director and vice president of the Company with effect from 19 November 2019. Mr. Mak is the founding partner and chief marketing officer of Rockpool Capital Limited ("Rockpool") which he joined in 2017. Rockpool is an integrated asset management company holding licenses to engage in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. Prior to joining Rockpool, he was a graduate associate at the Standard Chartered Bank from July 2010 to March 2011. Mr. Mak then worked at JPMorgan Chase Bank, N.A. as a global investment specialist from March 2011 to June 2016. Mr. Mak has been a director of Apex Insurance (Holdings) Limited, a local insurance brokers in Hong Kong since August 2016, being primarily responsible for overall management and investment strategy. Mr. Mak obtained a Bachelor of Business Administration (double major in marketing and management) at Hong Kong University of Science and Technology in 2010. Mr. Mak is a representative of Rockpool licensed under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities.

Biographies of Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Ms. Lin Ping, aged 62, was appointed as a non-executive Director with effect from 19 November 2019. Ms. Ling has joined 深圳市卓永實業發展有限公司 (Shenzhen Zhuoyong Industrial Development Company Limited*) as its director and general manager in 1995, a company established in the PRC with limited liability, which is principally engaged in real estate development and investment.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheng Hong Kei, aged 66, was appointed as an independent non-executive Director with effect from 19 November 2019. Mr. Cheng is a co-founding director of Cheng & Cheng Limited. Mr. Cheng has over 35 years of experience in accounting and taxation and has extensive knowledge in auditing, tax planning and tax investigation. Prior to incorporating Cheng & Cheng Limited in 1991, Mr. Cheng has worked in PricewaterhouseCoopers in Hong Kong. Mr. Cheng was an assessor in the Inland Revenue Department (the "IRD") and has worked in the Profits Tax and Investigation divisions in the IRD for 12 years. After Mr. Cheng left the IRD in 1988, Mr. Cheng then served as a Manager and an Associate at Messrs. S. H. Leung & Company and Ho Tak Sang and Company for three years. Mr. Cheng is an independent non-executive Director of Great China Properties Holdings Limited (stock code: 21), South China Assets Holdings Limited (stock code: 8155) and GET Holdings Limited (stock code: 8100). Mr. Cheng obtained a high diploma at The Hong Kong Polytechnic in 1975 and is a certified tax adviser. Mr. Cheng is also a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Taxation Institute of Hong Kong.

Mr. Liew Fui Kiang, aged 54, was appointed as an independent non-executive Director with effect from 19 November 2019. Mr. Liew is a fellow of the Hong Kong Institute of Directors and a solicitor of England and Wales, and Hong Kong. He obtained a Bachelor of Laws (Tetley & Lupton scholar) from the University of Leeds in the United Kingdom in 1989 and a Master of Business Administration from the Hull University Business School in the United Kingdom in 1996. Mr. Liew is currently an independent non-executive director of Shandong Gold Mining Co Ltd. (stock code: 1787 and 600547.SH), Zhongchang International Holdings Group Limited (stock code: 859) and Zhengye International Holdings Limited (stock code: 3363) respectively. Mr. Liew was the chairman of the board of directors and an executive director of PacRay International Holdings Limited (stock code: 1010) from August 2017 to January 2019. He was a non-executive director of Amber Hill Financial Holding Limited (stock code: 33) in December 2019. Mr. Liew was an independent director of Baoshan Iron & Steel Company Limited (寶山鋼鐵股份有限公司, stock code: 600019.SH), a Fortune Global 500 company, from 2000 to 2006.

Mr. Leung Ka Tin, aged 67, was appointed as an independent non-executive Director with effect from 17 February 2016. Mr. Leung holds a Diploma in Management Studies. Mr. Leung has over 35 years of management experience in banking, treasury operation, project finance, logistics and human resource management. He was a senior management team member of various financial institutions including First Pacific Group, Nedcor Asia (previously known as Nedfinance), BfG Germany and Delta Asia Financial Group as well as companies in the logistics and telecommunication sectors including EAS Da Tong Group and Trident Telecom Ventures Limited. Mr. Leung also has extensive experience in the corporate finance field. He served as director for the following companies listed on the Stock Exchange, namely China Kingstone Mining Holdings Limited (stock code: 1380) and National Agricultural Holdings Limited (stock code: 1236) as an executive director, China International Development Corporation Limited (stock code: 264), Narnia (Hong Kong) Group Company Limited (stock code: 8607), Wealth Glory Holdings Limited (stock code: 8269), Rentian Technology Holdings Limited (stock code: 885) and Evershine Group Holdings Limited (stock code: 8022) as an independent non-executive director. Mr. Leung is currently serving as an independent non-executive director for PanAsialum Holdings Company Limited (stock code: 2078) which is listed on the Stock Exchange.

Biographies of Directors and Senior Management

SENIOR MANAGEMENT

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

Mr. Yau Chi Chiu, aged 44, joined the Group in February 2018, is the chief financial officer, company secretary and authorised representative of the Company. Mr. Yau is a practising member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants, The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute. Mr. Yau holds a Bachelor of Accounting degree from The University of Hong Kong and a Master of Science degree in Corporate Governance and Compliance from Hong Kong Baptist University. Mr. Yau has extensive experience in the areas of financial accounting, auditing, taxation, company secretarial and management.

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

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

Mr. Xu Haizhou, aged 45, joined the Group in May 2010 and resigned on 30 September 2020, was responsible for financial management, human resources and administration management, information technology work of zipper business. Mr. Xu obtained a bachelor's degree in economics from Hubei University in 1999 and thereafter he was graduated from Sun Yatsen University in 2016 and obtained an MBA. Mr. Xu is also a member of the Chinese Institute of Certified Public Accountants and a certified tax agent in the PRC.

Ms. Liang Qing, aged 33, joined the Group in May 2011, is currently responsible for the financial management of the zipper business. Ms. Liang graduated from Hunan University with a bachelor's degree in management in 2010, major in accounting.

Report of the Directors

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

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

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2020 are set out in note 28 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group during the year, the description of the future business development, and the risks and uncertainties that the Group faces are set out in the Chairman's statement and Management Discussion and Analysis in this annual report. The particulars of financial risk management of the Group are set out in note 33 to the consolidated financial statements. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Group's financial summary on page 3 of this annual report.

FINANCIAL STATEMENTS

The loss of the Group for the year ended 31 December 2020 and the financial position of the Group as at 31 December 2020 are set out in the consolidated financial statements on pages 61 to 64 of this annual report.

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

DIVIDENDS

A special dividend of HK\$0.075 per share was paid on 3 March 2020. The Board does not recommend the payment of final dividend (2019: Nil) in respect of the year 2020 to the Shareholders.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 3 to 7 of this annual report.

RESERVES

As at 31 December 2020, distributable reserves of the Company amounted to approximately HK\$28.26 million (2019: approximately HK\$84.6 million). Details of movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity shown in the consolidated financial statements on page 65 of this annual report.

Report of the Directors

RELATIONSHIP OF STAKEHOLDERS

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

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group paid high attention to environmental protection and energy conservation to enhance the capacity of sustainable development and undertake relative social responsibility. Details of the environmental policy and performance of the Group are set out in the environmental, social and governance report of this annual report. For the year ended 31 December 2020, our Group did not receive any environmental penalty.

COMPLIANCE WITH RELATED LAW AND REGULATIONS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

	Year ended 31 December	
	2020 % of total turnover	2019 % of total turnover
The largest customer	4.4	4.6
Five largest customers	14.3	16.1

The information required in paragraph 31(5) of Appendix 16 to the Listing Rules is omitted pursuant to paragraph 31(7) of Appendix 16 to the Listing Rules since the percentage of total turnover attributable to the five largest customers combined for the year ended 31 December 2020 was approximately 14.3%, i.e. less than 30%.

	Year ended 31 December	
	2020 % of total purchase	2019 % of total purchase
The largest supplier	10.0	12.8
Five largest suppliers	29.1	33.5

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

Report of the Directors

BANK BORROWING

As at 31 December 2020 and 31 December 2019, the Group do not have any bank borrowings.

PROPERTY, PLANT, EQUIPMENT

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

SHARE CAPITAL

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

DIRECTORS

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

Executive Directors

Mr. Zhuang Weidong (*Chairman*)

Mr. Qiu Chuanzhi (*President*)

Mr. Wu David Hang (*Vice Chairman*)

Mr. Mak Yung Pan Andrew (*Vice President*)

Non-executive Director

Ms. Lin Ping

Independent Non-executive Directors

Mr. Leung Ka Tin

Mr. Cheng Hong Kei

Mr. Liew Fui Kiang

In accordance with articles 87(1) and (2) of the Company's articles of association, one-third of the existing directors shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. One executive Director, namely Mr. Wu David Hang, one non-executive Director, namely Ms. Lin Ping and one independent non-executive Director, namely Mr. Leung Ka Tin will retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Report of the Directors

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographies of Directors and senior management of the Group are set out on pages 44 to 46 of this annual report.

PERMITTED INDEMNITY PROVISION

The Company has arranged appropriate insurance cover for directors' and officers' liabilities. The permitted indemnity provision is currently in force and was in force throughout the year ended 31 December 2020 in accordance with the definition in section 469 of the Companies Ordinance.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangement or contracts of significance in relation to the Company's business to which the Company, its holding companies or its subsidiaries was a party and in which a Director or a connected entity of the Director had a material interest, whether directly or indirectly, subsisted as at the end of the year or any time during the year ended 31 December 2020.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group's business, which competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2020 and up to and including the date of this annual report.

REMUNERATION POLICY

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

PENSION SCHEME

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

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

Report of the Directors

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2020.

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

As at 31 December 2020, the interests and short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

Long positions in the shares and underlying shares of the Company

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

Notes:

1. China Sun Corporation ("China Sun") is wholly owned by Mr. Qiu Chuanzhi and holds long position in 133,706,331 shares of the Company. Accordingly, Mr. Qiu Chuanzhi is deemed to be interested in the 133,706,331 shares of the Company.
2. Central Eagle Limited ("Central Eagle") is owned as to 90% by Mr. Zhuang Weidong and holds long position in 130,897,633 shares of the Company. Accordingly, Mr. Zhuang Weidong is deemed to be interested in the 130,897,633 shares of the Company.
3. Golden Diamond Inc. ("Golden Diamond") is owned as to 60% by Ms. Lin Ping and 25% by Mr. Mak Yung Pan Andrew and holds long position in 82,342,606 shares of the Company. Accordingly, each of Ms. Lin Ping and Mr. Mak Yung Pan Andrew is deemed to be interested in the 82,342,606 shares of the Company.
4. The percentage is calculated on the basis of 464,804,000 shares of the Company in issue as at 31 December 2020.

Save as disclosed above, as at 31 December 2020, so far as is known to any Directors or chief executive of the Company, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Report of the Directors

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

As at 31 December 2020, the register maintained under section 336 of the SFO shows that the Company had been notified of the following substantial Shareholders' and other persons' interests and short positions, representing 5% or more of the Company's issued share capital, were as follows:

LONG POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY

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

Notes:

1. China Sun is wholly-owned by Mr. Qiu Chuanzhi.
2. Central Eagle is 90%-owned by Mr. Zhuang Weidong.
3. Golden Diamond is owned as to 60% by Ms. Lin Ping and 25% by Mr. Mak Yung Pan Andrew.
4. Noble Wisdom is wholly-owned by Huarong Overseas.
5. Huarong Overseas is wholly owned by Huarong Overseas Chinese.
6. Huarong Overseas Chinese is 91%-owned by Huarong Zhiyuan.
7. Huarong Zhiyuan is wholly owned by China Huarong Asset Management.
8. The percentage is calculated on the basis of 464,804,000 shares of the Company in issue as at 31 December 2020.

Report of the Directors

Save as disclosed above, as at 31 December 2020, the Directors were not aware of any other person (other than the Directors or chief executive of the Company) had registered an interest or a short position in the Shares, underlying shares or debentures of the Company which was required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which was required to be recorded in the register of the Company required to be kept under Section 336 of Part XV of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2020 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective associates nor was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective associates to acquire such rights in any other body corporate.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

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

ANNUAL REVIEW

The Directors (including the independent non-executive Directors) have reviewed the above continuing connected transactions and confirmed that these transactions were entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms; and
- (iii) in accordance with the Jingmen Tenancy Agreement, the Guangdong Lease Renewal Agreement 2019, the HK Lease Renewal Agreement and the Zhejiang Lease Renewal Agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

BDO Limited, the auditor of the Company, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this annual report in accordance with rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange. The auditor's letter confirms that, in respect of the above-mentioned continuing connected transactions:

- a. nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Company's Board;
- b. nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- c. nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions having exceeded the annual caps.

Report of the Directors

OTHER RELATED-PARTY TRANSACTIONS

Details of other related-party transactions entered into by the Group during the year ended 31 December 2020, which did not constitute connected transactions under Chapter 14A of the Listing Rules are set out in note 31(b) to the consolidated financial statements.

SHARE OPTION SCHEME

The Company's share option scheme (the "Share Option Scheme") was conditionally adopted by the written resolutions of the sole Shareholder of the Company passed on 14 December 2010 which was expired on 13 December 2020, pursuant to which the Board may, at its absolute discretion and on such terms as it may think fit, grants options to any employee(s) (whether full time or part time including any Director) of any member of the Group at the exercise price for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme. After the expiry of the Share Option Scheme on 13 December 2020, no further options will be offered or granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects with regard to the share options granted during the life of the Share Option Scheme. The Share Option Scheme which became effective on 14 December 2010 will remain in force for 10 years until 13 December 2020, unless otherwise amended or cancelled. The purpose of the Share Option Scheme is to enable the Board to grant options to selected employee(s) as incentives or rewards for their contribution or potential contribution to the Group.

Subject to the Listing Rules, the overall limit on the number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30% of the relevant class of Shares in issue from time to time. Subject to the limit above, the maximum number of shares which may be issued upon exercise of all option to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue at the Listing Date (the "Scheme Mandate Limit") and at the date of approval by the shareholders of the Company in general meeting where the Scheme Mandate Limit is refreshed. The maximum number of Shares issued and to be issued upon exercise of options granted and to be granted under the Share Option Scheme and any other share option schemes of the Company to any employee(s) (including cancelled, exercised and outstanding options), in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine but in any event shall not exceed 10 years from the date of grant. Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no minimum holding period before an option is exercisable.

An offer for the grant of options must be accepted within twenty-one days inclusive of the day on which such offer was made. The amount payable to our Company on acceptance of the offer for the grant of an option is HK\$1.00.

The exercise price is to be determined by the Board provided always that it shall be at least the higher of (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of offer for the grant of the option, which must be a trading day; and (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant, provided that the exercise price shall in no event be less than the nominal amount of one Share.

During the year ended 31 December 2020, no share option was granted, exercised, lapsed or cancelled by the Company. As at 31 December 2020 and 2019, there is no outstanding share option.

Report of the Directors

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2020, save for the share option scheme previously mentioned, the Company has not entered into the equity-linked agreements, and there did not subsist any equity-linked agreement entered into by the Company as at 31 December 2020.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company had maintained the required public float for its shares as required under the Listing Rules throughout the year ended 31 December 2020.

AUDITOR

The consolidated financial statements for the year ended 31 December 2020 has been audited by BDO Limited. BDO Limited will retire as auditor of the Company and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of BDO Limited as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Zhuang Weidong

Chairman

Hong Kong, 31 March 2021

Independent Auditor's Report



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TO THE SHAREHOLDERS OF CHINA APEX GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of China Apex Group Limited (“the Company”) and its subsidiaries (“the Group”) set out on pages 61 to 131, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

Independent Auditor's Report

Valuation of inventories

Refer to note 18 to the consolidated financial statements and the accounting policies on page 83.

The key audit matter

Inventories are carried at the lower of cost and net realisable value in the consolidated financial statements. The net carrying value of inventories at 31 December 2020 was approximately HK\$26,881,000.

The Group's inventories comprise zippers and other related products which are to be sold to original equipment manufacturers ("OEM") of clothing brands. The future saleability of inventories is subject to changing consumer preferences and fashion trends.

Management judgement is required to assess the appropriate level of provisioning for items of inventory which may be ultimately destroyed or sold below cost as a result of a reduction in demand arising from unfavourable changes in consumer preferences. Consequently, there is a risk that the carrying value of inventories exceeds its net realisable value.

We identified assessing the valuation of inventories as a key audit matter because of its significance of carrying amount to the consolidated financial statements and the significant judgements and estimates involved in determining the level of any provisions required at the end of the reporting period.

How the matter was addressed in our audit

Our audit procedures to assess the valuation of inventories included the following:

- enquiring of management about the assumptions and bases adopted for assessing inventory provisions for finished goods, work-in-progress and raw materials with reference to their ageing and usage;
- assessing, on a sample basis, whether the selected items on the inventory ageing report and their usage were classified within the appropriate ageing and usage bracket calculated by comparing individual items with the dates on the respective production records and goods receipt notes;
- identifying slow-moving and damaged inventories during the course of the year end inventory count through inspection and enquiry of the warehouse staff;
- recalculating the inventory provision with reference to the policies and parameters in the Group's inventory provisioning policy, considering the consistency of application of the inventory provisioning policy and the rationale for any material changes in this policy;
- comparing, on a sample basis, the carrying amounts of selected items on the inventory list as at the end of reporting period with selling prices achieved subsequent to that date; and
- considering the historical accuracy of provisions for inventories made by management at the end of the previous financial year by comparing the actual usage or sales during the current year with the provisions for inventories as at 31 December 2019 and assessing whether there were indications of management bias in making provisions for inventories.

Independent Auditor's Report

Impairment assessment on non-financial assets

Refer to notes 14, 15 and 23(b) to the consolidated financial statements and the accounting policies on pages 82–83.

The Key Audit Matter

How the matter was addressed in our audit

The non-financial assets of the Group as at 31 December 2020 comprised property, plant and equipment of HK\$86,616,000, right-of-use assets of HK\$56,408,000, intangible assets of HK\$140,000 and prepayment for property, plant and equipment of HK\$89,000, after recognition of impairment losses of HK\$13,100,000 during the year ended 31 December 2020.

During the year ended 31 December 2020, the zipper business of the Group continued to suffer from deterioration of gross profit margin and has sustained loss for the year, there were impairment indicators that the non-financial assets may have impaired. Accordingly, the directors have performed an impairment assessment which requires significant judgements in estimating the recoverable amount after taking into consideration of the assumptions used in preparation of future cash flows arising from these assets of zipper business. These assumptions included growth rates of sales revenue, gross profit margins and discount rate applied to bring the future cash flows to their present value.

Based on the results of the impairment assessment by the directors, impairment losses of HK\$13,100,000, comprising the amounts of HK\$8,215,000 and HK\$4,885,000 on property, plant and equipment, and right-of use assets respectively, have been recognised as at 31 December 2020.

We identified impairment assessment on the non-financial assets as a key audit matter because of their significance of carrying amount to the consolidated financial statements and the significant judgements and estimates involved in determining the recoverable amount.

Our audit procedures to assess the impairment assessment on non-financial assets included the following:

- assessing the appropriateness of the methodologies used in preparation of the cash flow projections;
- assessing the reasonableness of key assumptions and inputs used in preparation of the cash flow projections including the discount rate, growth rates, gross profit margins and other assumptions with reference to available internal and external information; and
- assessing the adequacy of disclosures related to the impairment assessment.

Independent Auditor's Report

Other Information in the annual report

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

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

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

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

Directors' responsibilities for the consolidated financial statements

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

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

The directors are assisted by the audit committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

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

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

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

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

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

Independent Auditor's Report

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

BDO Limited

Certified Public Accountants

Wong Chi Wai

Practising Certificate Number P04945

Hong Kong, 31 March 2021

Consolidated Statement of Profit or Loss

For the year ended 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	7	170,089	205,796
Cost of sales		(135,854)	(152,864)
Gross profit		34,235	52,932
Other revenue and gains/(losses), net	8	(4,541)	(23,268)
Distribution costs		(11,760)	(15,528)
Administrative expenses		(54,247)	(53,653)
(Impairment losses)/reversal of impairment losses on			
– trade receivables and bills receivable	33(a)	(91)	262
– property, plant and equipment	14	(8,215)	–
– right-of-use assets	23(b)	(4,885)	–
Share of loss of a jointly controlled entity	16	(728)	–
Interests on lease liabilities	23(b)	(3,662)	(3,745)
Loss before taxation	9	(53,894)	(43,000)
Income tax credit/(expense)	10	2,685	(1,164)
Loss for the year		(51,209)	(44,164)
(Loss)/profit for the year attributable to:			
Equity shareholders of the Company		(46,907)	(44,180)
Non-controlling interests		(4,302)	16
Loss for the year		(51,209)	(44,164)
Loss per share attributable to the equity shareholders of the Company (HK cents)			
Basic and diluted	13	(10.1)	(9.5)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	2020 HK\$'000	2019 HK\$'000
Loss for the year	(51,209)	(44,164)
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	19,814	(4,474)
Total comprehensive income for the year	(31,395)	(48,638)
Attributable to:		
Equity shareholders of the Company	(29,924)	(48,073)
Non-controlling interests	(1,471)	(565)
Total comprehensive income for the year	(31,395)	(48,638)

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Property, plant and equipment	14	86,616	79,243
Right-of-use assets	23(b)	56,408	52,042
Intangible assets	15	140	885
Investment in a jointly controlled entity	16	5	–
Prepayments for property, plant and equipment		89	3,004
Rental deposits		2,926	3,986
Deferred tax assets	20(c)	5,834	3,185
		152,018	142,345
Current assets			
Inventories	18	26,881	34,425
Financial asset at fair value through profit or loss	17	–	23,583
Amount due from a jointly controlled entity	16	1,791	–
Trade and other receivables	19	49,082	44,698
Current tax recoverable	20(a)	–	2,123
Cash and cash equivalents	21	60,930	91,174
		138,684	196,003
Current liabilities			
Trade and other payables	22	52,245	44,344
Tax payable	20(a)	122	–
Lease liabilities	23(a)	18,880	16,327
		71,247	60,671
Net current assets		67,437	135,332
Total assets less current liabilities		219,455	277,677
Non-current liabilities			
Lease liabilities	23(a)	45,290	37,257
Deferred tax liabilities	20(c)	1,124	1,124
		46,414	38,381
Net assets		173,041	239,296

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Capital and reserves			
Share capital	26(c)(i)	4,648	4,648
Reserves		147,225	212,009
Total equity attributable to the equity shareholders of the Company		151,873	216,657
Non-controlling interests		21,168	22,639
Total equity		173,041	239,296

On behalf of the Board

Zhuang Weidong
Director

Wu David Hang
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to equity shareholders of the Company								
	Share capital	Share premium	Capital reserve	Statutory reserve	Exchange reserve	Retained earnings/ (accumulated losses)	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2019	4,648	180,690	18,324	25,454	2,639	32,975	264,730	23,204	287,934
Changes in equity for 2019									
Loss for the year	-	-	-	-	-	(44,180)	(44,180)	16	(44,164)
Other comprehensive income	-	-	-	-	(3,893)	-	(3,893)	(581)	(4,474)
Total comprehensive income	-	-	-	-	(3,893)	(44,180)	(48,073)	(565)	(48,638)
Appropriation to statutory reserve	-	-	-	402	-	(402)	-	-	-
Balance at 31 December 2019	4,648	180,690	18,324	25,856	(1,254)	(11,607)	216,657	22,639	239,296
Balance at 1 January 2020	4,648	180,690	18,324	25,856	(1,254)	(11,607)	216,657	22,639	239,296
Changes in equity for 2020									
Loss for the year	-	-	-	-	-	(46,907)	(46,907)	(4,302)	(51,209)
Other comprehensive income	-	-	-	-	16,983	-	16,983	2,831	19,814
Total comprehensive income	-	-	-	-	16,983	(46,907)	(29,924)	(1,471)	(31,395)
Special dividend (Note 26(b))	-	(34,860)	-	-	-	-	(34,860)	-	(34,860)
Balance at 31 December 2020	4,648	145,830	18,324	25,856	15,729	(58,514)	151,873	21,168	173,041

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Cash flows from operating activities			
Loss before income tax		(53,894)	(43,000)
Adjustments for:			
Depreciation and amortisation	9(b)	32,766	29,530
Impairment losses/(reversal of impairment losses) on			
– trade receivables and bills receivable	33(a)	91	(262)
– property, plant and equipment	14	8,215	–
– right-of-use assets	23(b)	4,885	–
Fair value (gains)/losses on financial asset at fair value through profit or loss	8&17	(1,525)	23,600
Impairment losses on inventories, net	18	1,235	647
Interest income	8	(435)	(910)
Interest expenses on lease liabilities	23(b)	3,662	3,745
Loss on disposal of property, plant and equipment	8	63	2,443
Net foreign exchange losses/(gains)	8	10,131	(2,826)
Share of loss of a jointly controlled entity	16	728	–
Operating profit before working capital changes		5,922	12,967
Decrease/(increase) in inventories		6,040	(10,464)
Increase in trade and other receivables		(4,564)	(3,499)
Decrease in rental deposits		1,060	1,055
Increase in trade and other payables		7,576	820
Cash generated from operations		16,034	879
Income tax refunded/(paid)	20(a)	2,634	(2,251)
Net cash generated from/(used in) operating activities		18,668	(1,372)
Investing activities			
Acquisition of a subsidiary, net of cash acquired	29	(2,396)	–
Payment for the purchase of property, plant and equipment		(20,684)	(23,824)
Proceeds from disposal of property, plant and equipment		552	2,521
Interest received		435	910
Redemption of an investment fund	17	25,108	55,000
Net cash generated from investing activities		3,015	34,607

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Financing activities			
Capital element of lease rental paid	32	(18,065)	(18,341)
Interest element of lease rental paid	32	(3,662)	(3,745)
Special dividend paid to owners of the Company	26(b)	(34,860)	–
Net cash used in financing activities		(56,587)	(22,086)
Net (decrease)/increase in cash and cash equivalents		(34,904)	11,149
Cash and cash equivalents at 1 January		91,174	78,587
Effect of foreign exchange rate changes		4,660	1,438
Cash and cash equivalents at 31 December	21	60,930	91,174

Notes to the Consolidated Financial Statements

31 December 2020

1. GENERAL

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

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

As at 31 December 2020 and 2019, the percentage of issued shares of the Company held by China Sun Corporation, Central Eagle Limited and Golden Diamond Inc., all of them are incorporated in the British Virgin Islands, were approximately 28.77%, 28.16% and 17.72% (2019: 18.06%), respectively. The directors of the Company considered the Company has no holding company nor controlling shareholder as at 31 December 2020 and 2019.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) Adoption of new/revised HKFRSs – effective 1 January 2020

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 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform

None of these revised HKFRSs has a material impact on the Group’s results and financial position for the current or prior period.

Notes to the Consolidated Financial Statements

31 December 2020

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on the date they become effective.

	Effective for accounting periods beginning on or after
Amendment to HKFRS 16, Covid-19-Related Rent Concessions	1 June 2020
Amendments to HKAS 1, Classification of Liabilities as Current or Non-current	1 January 2023
HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKAS 16, Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 17 – Insurance Contracts	1 January 2023
Amendments to HKFRS 3, Reference to the Conceptual Framework	Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022
Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2	1 January 2021
Annual Improvements to HKFRSs 2018–2020	1 January 2022

Notes to the Consolidated Financial Statements

31 December 2020

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

Amendment to HKFRS 16, Covid-19-Related Rent Concessions

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the Covid-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 pandemic and only if all of the following criteria are satisfied:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Group will elect to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group will apply the amendment retrospectively, and do not restate prior period figure.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have significant impact on the financial statements as no rent concession has occurred up to the date of approval of the Group’s financial statements.

Notes to the Consolidated Financial Statements

31 December 2020

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have significant impact on the Group’s financial statements.

Amendments to HKAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The directors of the Company is currently assessing the impact of application of the amendments and anticipate it will not have material impact on the Group’s financial statements as it is seldom for the Group to sell its property, plant and equipment before they are capable of intended use.

Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The directors of the Company is currently assessing the impact that the application of the amendments will have on the Group’s financial statements.

Notes to the Consolidated Financial Statements

31 December 2020

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 17, Insurance Contracts

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4, Insurance Contracts. The standard outlines a ‘General Model’, which is modified for insurance contracts with direct participation features, described as the ‘Variable Fee Approach’. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

The directors of the Company do not anticipate that the application of this standard in the future will have significant impact on the Group’s financial statements.

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The directors of the Company do not anticipate that the application of the amendments in the future will have significant impact on the Group’s financial statements.

Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors’ interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture.

The directors of the Company anticipate that the application of these amendments may have an impact on the Group’s financial statements in future periods should such transaction arise.

Notes to the Consolidated Financial Statements

31 December 2020

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the “Reform”). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The directors of the Company do not anticipate that the application of the amendments in the future will have significant impact on the Group’s financial statements.

Annual Improvements to HKFRSs 2018–2020

The annual improvements amends a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to HKFRSs.
- HKFRS 9, Financial Instruments, which clarify the fees included in the ‘10 per cent’ test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other’s behalf are included.
- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The directors of the Company do not anticipate that the application of the amendments in the future will have significant impact on the Group’s financial statements.

Notes to the Consolidated Financial Statements

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3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except that the investment in an investment fund classified as financial asset at fair value through profit or loss is stated at fair value.

(c) Functional currency

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

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

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

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

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

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

Notes to the Consolidated Financial Statements

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

(b) Subsidiaries

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

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

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

Notes to the Consolidated Financial Statements

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Joint arrangements

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

The Group classifies its interests in joint arrangements as either:

- Joint ventures: where the Group has rights to only the net assets of the joint arrangement; or
- Joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

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

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

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

Notes to the Consolidated Financial Statements

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment

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

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

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

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

- Leasehold improvement is depreciated over the shorter of the unexpired term of lease and their estimated useful lives of 3 to 10 years.
- Machinery 10 years
- Vehicles and other equipment 4–5 years

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

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

(e) Intangible assets

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

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

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

Both the period and method of amortisation are reviewed annually.

Notes to the Consolidated Financial Statements

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Leasing

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

Right-of-use asset

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

Lease liability

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

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

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

Notes to the Consolidated Financial Statements

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments

(i) Financial assets

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

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

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

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

Amortised cost:

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

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

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

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

(ii) Impairment loss on financial assets

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

Notes to the Consolidated Financial Statements

31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

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

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

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

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

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

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

Notes to the Consolidated Financial Statements

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

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

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

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

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

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

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

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

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

(iii) Financial liabilities

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

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

Notes to the Consolidated Financial Statements

31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (Continued)

(iv) *Effective interest method*

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

(v) *Derecognition*

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

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

(h) Impairment of non-financial assets

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

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

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

- Calculation of recoverable amount

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

Notes to the Consolidated Financial Statements

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- Recognition of impairment losses

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

- Reversals of impairment losses

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

(i) Inventories and other contract costs

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

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

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

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

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

Notes to the Consolidated Financial Statements

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Employee benefits

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

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

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the People's Republic of China (the "PRC") are recognised as an expense in profit or loss as incurred.

(ii) Share-based payments

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

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

Notes to the Consolidated Financial Statements

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Income tax

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

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

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

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

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

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

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

Notes to the Consolidated Financial Statements

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Provisions and contingent liabilities

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

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

(m) Revenue recognition

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

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

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

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

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Revenue recognition (Continued)

(i) *Sale of zippers and related products*

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

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

(ii) *Interest income*

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

(iii) *Government grants*

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

(n) Translation of foreign currencies

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

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

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

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

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Borrowing costs

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

(p) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

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5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Impairment

(i) *Non-financial assets*

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

(ii) *Receivables*

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

(b) Depreciation and amortisation

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

(c) Inventories

The Group estimates the write-down for obsolescence of inventories based on various circumstances which include the current market condition, historical usage rate and the experience in selling goods of similar nature. It could change significantly as a result of change in market condition.

Notes to the Consolidated Financial Statements

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5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(d) Income taxes

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

(e) Fair value of an investment fund

The fair value of the investment fund as at 31 December 2019 as detailed in note 17 that is not quoted in an active market is primarily valued based on the net asset value ("Reported NAV") reported by the manager of the fund unless the directors are aware of reasons that the Reported NAV may not be the best approximation of fair value. The Reported NAV are considered as the key unobservable inputs in valuation of the fund. The directors of the Company evaluates whether adjustments are required to be made on the Reported NAV after considering the following:

- (i) the valuation of the fund's underlying investment;
- (ii) the value date of the Reported NAV; and
- (iii) The key inputs used in valuation performed by independent valuers appointed by the Company which assist the directors to evaluate as to whether adjustments are required to be made on the Reported NAV.

The carrying amount of the fund may be significantly different from the amount ultimately realised on redemption or maturity.

(f) Estimation of the incremental borrowing rate for leasing

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

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5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(g) Determination of lease term of contracts with renewal options

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

6. SEGMENT REPORTING

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

Accordingly, the Group has presented the following two reportable segments in a manner consistent with the way in which information is reported internally to the Group's senior executive management for the purposes of resource allocation and performance assessment.

- Zippers (Mainland China):

This segment manufactures zippers products and mainly sells to customers in Mainland China. Its activities are mainly carried out in Guangdong, Zhejiang and Jingmen.

- Zippers (Overseas):

This segment purchases zipper products from segment of Mainland China and sells to overseas customers. Its activities are mainly carried out in Hong Kong.

Inter-segment transactions are priced with reference to prices charged to external parties for similar order.

Notes to the Consolidated Financial Statements

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6. SEGMENT REPORTING (CONTINUED)

(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:

	2020 HK\$'000	2019 HK\$'000
Mainland China	150,182	182,992
Overseas	19,907	22,804
	170,089	205,796

(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 investments in financial assets and 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.

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6. SEGMENT REPORTING (CONTINUED)

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

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 2020 and 2019 respectively is set out below:

	Zippers – Mainland China HK\$'000	Zippers – Overseas HK\$'000	Total HK\$'000
Year ended 31 December 2020			
Revenue from external customers	150,182	19,907	170,089
Inter-segment revenue	12,671	307	12,978
Reportable segment revenue	162,853	20,214	183,067
Reportable segment loss	(20,695)	(62)	(20,757)
Impairment loss on property, plant and equipment and right-of-use assets	13,100	–	13,100
Depreciation and amortisation for the year	26,016	1,021	27,037
Reportable segment assets at year end	255,163	7,499	262,662
Additions to non-current segment assets during the year	45,493	1,406	46,899
Reportable segment liabilities at year end	107,892	2,079	109,971

Notes to the Consolidated Financial Statements

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6. SEGMENT REPORTING (CONTINUED)

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

	Zippers – Mainland China HK\$'000	Zippers – Overseas HK\$'000	Total HK\$'000
Year ended 31 December 2019			
Revenue from external customers	182,992	22,804	205,796
Inter-segment revenue	13,656	539	14,195
Reportable segment revenue	196,648	23,343	219,991
Reportable segment profit	2,318	594	2,912
Depreciation and amortisation for the year	23,303	940	24,243
Reportable segment assets at year end	235,873	13,975	249,848
Additions to non-current segment assets during the year	23,397	10	23,407
Reportable segment liabilities at year end	84,763	2,640	87,403

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6. SEGMENT REPORTING (CONTINUED)

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

	2020 HK\$'000	2019 HK\$'000
Revenue		
Reportable segment revenue	183,067	219,991
Elimination of inter-segment revenue	(12,978)	(14,195)
Consolidated revenue (note 7)	170,089	205,796
(Loss)/profit		
Reportable segment (loss)/profit	(20,757)	2,912
Elimination of unrealised profit or loss of inter-segment purchase of inventories, other assets and property, plant and equipment	14	1,527
Reportable segment (loss)/profit derived from the Group's external customers	(20,743)	4,439
Other revenue and gains/(losses), net	(4,541)	(23,268)
Interests on lease liabilities	(3,662)	(3,745)
Share of loss of a jointly controlled entity	(728)	–
Unallocated head office and corporate expenses (note)	(24,220)	(20,426)
Consolidated loss before taxation	(53,894)	(43,000)

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.

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6. SEGMENT REPORTING (CONTINUED)

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

	2020 HK\$'000	2019 HK\$'000
Assets		
Reportable segment assets	262,662	249,848
Elimination of unrealised profit of inter-segment purchase of inventories	(405)	(419)
	262,257	249,429
Current tax recoverable	–	2,123
Deferred tax assets	5,834	3,185
Financial asset at fair value through profit or loss	–	23,583
Amount due from a jointly controlled entity	1,796	–
Unallocated head office and corporate assets	9,067	12,979
Cash and cash equivalents	11,748	47,049
Consolidated total assets	290,702	338,348
Liabilities		
Reportable segment liabilities	109,971	87,403
Deferred tax liabilities	1,124	1,124
Unallocated head office and corporate liabilities	6,566	10,525
Consolidated total liabilities	117,661	99,052

(d) Geographic information

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

The Group's non-current assets excluding financial assets (i.e. rental deposits and 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 2020, the Group's Specified Non-current Assets were located in Mainland China and Hong Kong with carrying amounts of HK\$135,841,000 (2019: HK\$124,504,000) and HK\$7,412,000 (2019: HK\$10,669,000) respectively.

Notes to the Consolidated Financial Statements

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7. REVENUE

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

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

	2020 HK\$'000	2019 HK\$'000
<i>Sales of goods</i>		
Finished zippers and sliders	167,421	202,223
Others	2,668	3,573
	170,089	205,796

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:

	2020 HK\$'000	2019 HK\$'000
Trade debtors and bills receivable (note 19)	43,536	41,690
Contract liabilities (note 22)	841	592

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

	2020 HK\$'000	2019 HK\$'000
Balance as at 1 January	592	772
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	(528)	(632)
Increase in contract liabilities as a result of receipts in advance from customers during the year	753	464
Exchange adjustments	24	(12)
Balance as 31 December	841	592

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.

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

	2020 HK\$'000	2019 HK\$'000
Revenue from other sources		
Interest income	435	910
Government grants (Note)	3,111	253
	3,546	1,163
Other gains/(losses), net		
Fair value gain/(losses) on financial asset at fair value through profit or loss (note 17)	1,525	(23,600)
Net foreign exchange (losses)/gains	(10,131)	2,826
Loss on disposal of property, plant and equipment	(63)	(2,443)
Others	582	(1,214)
	(8,087)	(24,431)
	(4,541)	(23,268)

Note: Included in profit or loss is HK\$1,195,000 (2019: Nil) of government grants obtained from Employment Support Scheme ("ESS") under the Anti-epidemic Fund launched by the Hong Kong SAR Government supporting the payroll of the Group's employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Group did not have other unfulfilled obligations relating to this program.

Government grants of HK\$1,475,000 (2019: Nil) were granted to certain subsidiaries for their product innovation and development. There were no unfulfilled conditions for these government grants.

Notes to the Consolidated Financial Statements

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9. LOSS BEFORE TAXATION

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

(a) Staff costs*

	2020 HK\$'000	2019 HK\$'000
Salaries, wages and other benefits	75,594	82,480
Contributions to defined contribution retirement plans	3,099	8,127
	78,693	90,607

(b) Other items

	2020 HK\$'000	2019 HK\$'000
Depreciation and amortisation*		
Property, plant and equipment (note 14)	13,062	10,909
Intangible assets (note 15)	754	774
Right-of-use assets (note 23(b))	18,950	17,847
	32,766	29,530
Auditors' remuneration		
Audit services	950	1,150
Other services	152	225
	1,102	1,375
Impairment losses/(reversal of impairment losses) on trade and bills receivable (note 33(a))	91	(262)
Impairment losses on property, plant and equipment (note 14)	8,215	–
Impairment losses on right-of-use assets (note 23(b))	4,885	–
Research and development expenses	3,791	7,613
Cost of inventories* (note 18)	135,854	152,864

* Cost of inventories includes HK\$70,241,000 (2019: HK\$77,956,000) relating to staff costs and depreciation and amortisation expenses, which amounts are also included in the respective total amounts disclosed separately above or in note 9(a) for each of these types of expenses.

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

(a) Income tax (credit)/expense in the consolidated statement of profit or loss represents:

	2020 HK\$'000	2019 HK\$'000
Current tax		
<i>PRC corporate income tax</i>		
Provision for the year	–	1,357
Over-provision in respect of prior years	(385)	(452)
	(385)	905
<i>Hong Kong Profits Tax</i>	–	–
Deferred tax		
Origination and reversal of temporary differences	(2,300)	259
	(2,685)	1,164

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

	2020 HK\$'000	2019 HK\$'000
Loss before taxation	(53,894)	(43,000)
Notional tax credit on loss before taxation calculated at the rates applicable to the respective jurisdictions	(11,575)	(7,118)
Effect of non-deductible expenses	6,026	7,920
Effect of non-taxable income	(598)	(938)
Utilisation of tax loss previously not recognised	(162)	–
Effect of tax losses not recognised	1,740	1,091
Effect of preferential tax rate	2,229	579
Over-provision in prior years	(385)	(452)
Others	40	82
	(2,685)	1,164

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

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

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

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

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

- (iii) Pursuant to the Corporate Income Tax Law of the PRC and its relevant regulations, PRC-resident enterprises are levied withholding income tax at 10% on dividends to their non-PRC-resident corporate investors for earnings accumulated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. Under the Sino-Hong Kong Double Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% or more of the equity interest of a PRC-resident enterprise is entitled to a reduced withholding tax rate of 5%. As at 31 December 2020, deferred tax liability recognised in this regard was HK\$1,124,000 (2019: HK\$1,124,000) (note 20(b)).

11. DIRECTORS' EMOLUMENTS

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

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11. DIRECTORS' EMOLUMENTS (CONTINUED)

	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement scheme contribution HK\$'000	Total HK\$'000
For the year ended 31 December 2019				
Executive directors				
Zhuang Weidong (<i>Chairman</i>) (Appointed on 19 November 2019)	280	–	–	280
Qiu Chuanzhi (Appointed on 19 November 2019)	280	–	–	280
Wu David Hang (Resigned as chief executive officer and re-designated from chairman to vice chairman on 19 November 2019))	–	2,595	101	2,696
Mak Yung Pan Andrew (Appointed on 19 November 2019)	210	–	–	210
Yau Chi Chiu (Resigned on 19 November 2019)	757	989	87	1,833
Non-executive director				
Lin Ping (Appointed on 19 November 2019)	–	–	–	–
Independent non-executive directors				
Leung Ka Tin	144	–	–	144
Cheng Hong Kei (Appointed on 19 November 2019)	17	–	–	17
Liew Fui Kiang (Appointed on 19 November 2019)	17	–	–	17
Yau Pak Yue (Resigned on 19 November 2019)	127	–	–	127
Lu Nim Joel (Resigned on 19 November 2019)	127	–	–	127
	1,959	3,584	188	5,731

There were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in note 12 below as an inducement to join or upon joining the Group or as a compensation for loss of office. There was no arrangement under which a director has waived or agreed to waive any emoluments except that Mr. Zhuang Weidong and Mr. Qiu Chuanzhi have waived part of their emoluments as executive directors from 1 April 2020 to 31 December 2020 which amounted to HK\$1,730,000 and HK\$1,730,000 respectively.

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12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2019: two) are directors. The aggregate of the emoluments in respect of the other three (2019: three) individuals are as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries and other emoluments	4,340	3,146
Discretionary bonuses	594	2,019
Retirement scheme contributions	51	88
	4,985	5,253

The emoluments of the three (2019: three) individuals with the highest emoluments are within the following band:

	Number of individuals	
	2020	2019
Nil to HK\$1,000,000	–	1
HK\$1,000,001 to HK\$1,500,000	2	–
HK\$1,500,001 to HK\$2,000,000	–	–
HK\$2,000,001 to HK\$2,500,000	1	2
	3	3

13. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on loss attributable to the equity shareholders of the Company of HK\$46,907,000 (2019: HK\$44,180,000) and the weighted average number of 464,804,000 ordinary shares in issue during both years ended 31 December 2019 and 2020.

(b) Diluted loss per share

The diluted loss per share is equal to the basic loss per share as there were no potential dilutive shares in issue during both years ended 31 December 2019 and 2020.

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14. PROPERTY, PLANT AND EQUIPMENT

	Machinery HK\$'000	Vehicles and other equipment HK\$'000	Leasehold improvement HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost					
At 1 January 2019	107,253	11,609	13,429	23,242	155,533
Exchange adjustments	(1,815)	(143)	(208)	43	(2,123)
Additions	691	1,888	2,283	19,425	24,287
Disposals	(10,144)	(254)	(123)	(1,555)	(12,076)
Reclassification	34,389	227	–	(34,616)	–
At 31 December 2019 and 1 January 2020	130,374	13,327	15,381	6,539	165,621
Exchange adjustments	9,753	742	1,315	333	12,143
Acquisition of a subsidiary (note 29)	–	14	–	–	14
Additions	318	1,008	4,880	17,713	23,919
Disposals	(1,431)	(170)	–	(415)	(2,016)
Reclassification	19,606	346	–	(19,952)	–
At 31 December 2020	158,620	15,267	21,576	4,218	199,681
Accumulated depreciation and impairment loss					
At 1 January 2019	62,989	8,829	11,842	–	83,660
Exchange adjustments	(804)	(107)	(168)	–	(1,079)
Charge for the year	8,762	970	1,177	–	10,909
Written back on disposals	(6,773)	(216)	(123)	–	(7,112)
At 31 December 2019 and 1 January 2020	64,174	9,476	12,728	–	86,378
Exchange adjustments	5,201	592	991	27	6,811
Charge for the year	9,810	1,261	1,991	–	13,062
Written back on disposals	(1,246)	(155)	–	–	(1,401)
Impairment loss	7,027	231	510	447	8,215
At 31 December 2020	84,966	11,405	16,220	474	113,065
Carrying amount					
At 31 December 2020	73,654	3,862	5,356	3,744	86,616
At 31 December 2019	66,200	3,851	2,653	6,539	79,243

Note:

During the year ended 31 December 2020, the zipper business of the Group continued to suffer from deterioration of gross profit margin and has sustained loss for the year. Accordingly, as at 31 December 2020 and 2019, management considered there were impairment indicators and hence conducted impairment assessment on the non-financial assets of this business. These assets comprised property, plant and equipment including construction in progress, prepayments for property, plant and equipment, intangible assets with finite lives (note 15) and the right-of-use assets (note 23) (collectively the "Relevant Assets") for the purpose of impairment assessment.

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14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Note: (continued)

The recoverable amount of the Relevant Assets has been determined by management with reference to value in use calculation, using cash flow projection from the latest financial budget formally approved by management covering a five-year period (2019: 5-year period) with the growth rate of 12% in the first year and gradually decrease to 5% in the fifth year (2019: 5% for the five-year period), gross profit margins ranging from 24% to 28% (2019: 24% to 29%) and at a discount rate of 11% (2019: 11%). Cash flows beyond the five-year period are extrapolated using a growth rate of 2%, which does not exceed the long-term growth rate for the zipper industry in the PRC and overseas.

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

The recoverable amount of the Relevant assets as at 31 December 2019 was higher than the carrying amount, no impairment loss had been recognised for the year ended 31 December 2019.

15. INTANGIBLE ASSETS

	Software HK\$'000
Cost	
At 1 January 2019	7,927
Additions	100
Exchange adjustments	(98)
At 31 December 2019 and 1 January 2020	7,929
Exchange adjustments	524
At 31 December 2020	8,453
Accumulated amortisation	
At 1 January 2019	6,365
Exchange adjustments	(95)
Amortisation for the year	774
At 31 December 2019 and 1 January 2020	7,044
Exchange adjustments	515
Amortisation for the year	754
At 31 December 2020	8,313
Carrying amount	
At 31 December 2020	140
At 31 December 2019	885

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

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16. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2020 HK\$'000
Share of net assets less impairment loss of HK\$733,000	5
Amount due from a jointly controlled entity	1,791
	1,796

Through the acquisition of a wholly-owned subsidiary set out in note 29 during the year, the Group holds a 50% interest in a partnership, 珠海華融白衣騎士股權投資管理合夥企業 (Zhuhai Huarong White Knight Equity Investment Management Partnership (Limited Partnership)), a separate structured vehicle established and operating in the PRC for a term of ten years. The principal activities of the partnership is provision of asset management services. At the end of the reporting period, the partnership has not yet commenced business.

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

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

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

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

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

Notes to the Consolidated Financial Statements

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16. INTEREST IN A JOINTLY CONTROLLED ENTITY (CONTINUED)

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

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

17. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK\$'000	2019 HK\$'000
Unlisted investment fund, at fair value		
Financial asset at fair value through profit or loss	–	23,583
Movement of fair value change:		
		HK\$'000
As at 1 January 2019		102,183
Partial redemption of shares during the year		(55,000)
Fair value losses recognised in profit or loss (note 8)		(23,600)
As at 31 December 2019 and 1 January 2020		23,583
Redemption of shares during the year		(25,108)
Fair value gain recognised in profit or loss (note 8)		1,525
As at 31 December 2020		–

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17. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Pursuant to the two subscription agreements dated 17 July 2017 and 21 August 2017 entered into between the Company and Fullgoal China Access RQFII Fund SPC (“Fullgoal SPC”), a segregated portfolio company incorporated under the laws of the Cayman Islands with limited liability, the Company had subscribed for 10,000 non-voting, participating and redeemable Class G shares in Fullgoal Strategic Growth Fund Segregated Portfolio (the “Fund”) created by Fullgoal SPC at a total cash consideration of HK\$100,000,000.

The primary investment objective of the Fund is to generate long term capital appreciation for its shareholders by investing in, amongst others, financial equities listed on the Hong Kong Stock Exchange, high yielding debt instruments traded or issued in Asian markets, investment funds with investment strategies of investing in the foregoing, interest bearing instruments and convertible bonds, high-yield, non-investment grade investments and unrated securities which might be unlisted with high yield and high risks. The Fund has a maturity of three years from the end of the initial offering period of 17 July 2017 and shareholders of the Fund may request redemption of all or some of their shares in the Fund as of the first business day of each calendar month or at such other day as determined by the directors of Fullgoal SPC. The minimum redemption amount with respect to redemption of shares in the Fund is HK\$10,000,000 or such other amount determined by the directors of Fullgoal SPC. The redemption price is equal to the net asset value per share of the Fund at the redemption day after deduction of any applicable accrued performance fees and other charges and expenses. The directors of the Fund has the absolute discretion to effect a redemption payment to any or all redeeming shareholders in kind rather than in cash.

Subject to the absolute discretion of the directors of Fullgoal SPC, a redemption fee of up to 1% of the redemption amount may be deducted from the redemption proceeds. The directors of Fullgoal SPC may waive all or part of the redemption fee. The Fund is subject to compulsory redemption by its directors without assigning any reason.

The fair value of the remaining shares of the Fund as at 31 December 2019 was based on its net asset value as at 31 December 2019 reported by the Fund’s manager. A firm of professional valuers had been appointed by the Company to assist management to assess whether any adjustment to the reported net asset of the Fund was required for the purpose of estimation of the fair value of the Fund as at 31 December 2019. The chief financial controller of the Company had discussion with the valuer on the valuation assumptions and valuation results when the valuation was performed at the end of the reporting period. During the year ended 31 December 2020, the Group made a redemption of its remaining shares with proceeds of approximately HK\$25,108,000 received.

Judgements and estimates are made by management in determining the fair values of the financial instruments that are recognised and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial assets into three levels prescribed under the accounting standards below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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17. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Recurring fair value measurements

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 31 December 2020				
Financial asset at fair value through profit or loss – investment fund	–	–	–	–
As at 31 December 2019				
Financial asset at fair value through profit or loss – investment fund	–	–	23,583	23,583

There were no transfer between levels 1 and 2 for recurring fair value measurements during both years. There were also no transfers in and out of level 3 measurements during both years.

In arriving at the fair value of the Fund as at 31 December 2019, the key unobservable inputs used by the Company was the net asset value reported by the Fund's manager and the expected recovery rate or the discount rate as applicable used to estimate the fair value of the underlying investment of the Fund.

18. INVENTORIES

	2020 HK\$'000	2019 HK\$'000
Raw materials	8,174	9,523
Work in progress	16,445	22,287
Finished goods	2,262	2,615
	26,881	34,425

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

	2020 HK\$'000	2019 HK\$'000
Carrying amount of inventories sold	134,350	151,344
Write down of inventories	2,770	1,578
Reversal of write-down of inventories	(1,535)	(931)
Exchange adjustments	269	873
	135,854	152,864

The write-down of inventories related to decrease in the estimated net realisable value of certain slow-moving inventories.

The reversal of write-down of inventories was due to the sales or utilisation of inventories previously provided for.

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31 December 2020

19. TRADE AND OTHER RECEIVABLES

	Note	2020 HK\$'000	2019 HK\$'000
Trade debtors and bills receivable		44,971	42,944
Less: Loss allowance	33(a)	(1,435)	(1,254)
		43,536	41,690
Rental deposits		2,665	1,099
Other prepayments		1,155	1,490
Other debtors		1,726	419
		49,082	44,698

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:

	2020 HK\$'000	2019 HK\$'000
Within 1 month	18,049	11,379
Over 1 month but within 2 months	13,065	14,645
Over 2 months but within 3 months	6,144	6,969
Over 3 months	6,278	8,697
	43,536	41,690

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

Further details on the Group's credit policy and credit risk arising from trade debtors and bills receivable are set out in note 33(a). Trade debtors and bills receivable are in general due within 30–90 days from the date of billing.

Notes to the Consolidated Financial Statements

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20. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2020 HK\$'000	2019 HK\$'000
At 1 January	(2,123)	(816)
Exchange adjustments	(4)	39
Provision for PRC corporate income tax (note 10(a))	–	1,357
Over-provision in respect of prior years (note 10(a))	(385)	(452)
Income tax refunded/(paid)	2,634	(2,251)
At 31 December	122	(2,123)
Represented by:		
Current tax payable	122	–
Current tax recoverable	–	(2,123)
	122	(2,123)

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

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

	Depreciation and impairment losses on non-current assets HK\$'000	Unrealised profit or loss arising from intra-group transactions HK\$'000	Provisions HK\$'000	PRC dividend withholding tax HK\$'000	Total HK\$'000
At 1 January 2019	385	283	2,814	(1,124)	2,358
Charged to consolidated statement of profit or loss	(38)	(221)	–	–	(259)
Exchange adjustments	(4)	–	(34)	–	(38)
At 31 December 2019 and 1 January 2020	343	62	2,780	(1,124)	2,061
Credited to consolidated statement of profit or loss	2,300	–	–	–	2,300
Exchange adjustments	163	–	186	–	349
At 31 December 2020	2,806	62	2,966	(1,124)	4,710

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

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

	2020 HK\$'000	2019 HK\$'000
Deferred tax asset recognised in the consolidated statement of financial position	5,834	3,185
Deferred tax liability recognised in the consolidated statement of financial position	(1,124)	(1,124)
	4,710	2,061

(d) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 4(k), the Group has not recognised deferred tax assets in respect of the amount of cumulative tax losses of HK\$26,723,000 (2019: HK\$17,033,000) as it may not be probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The unused tax loss of approximately HK\$7,607,000 (2019: HK\$8,964,000) are subject to agreement by the Inland Revenue Department and can be carried forward indefinitely, while the remaining unused tax loss of approximately HK\$513,000 (2019: HK\$797,000) and HK\$18,603,000 (2019: HK\$7,272,000) will expire in five years and 10 years from respective dates of incurrence.

(e) Deferred tax liabilities not recognised

At 31 December 2020, temporary differences relating to the undistributed profits of the Group's PRC subsidiaries amounted to HK\$39,228,000 (2019: HK\$68,854,000). Deferred tax liabilities relating to a portion of these temporary differences amounting to HK\$837,000 (2019: HK\$2,267,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

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21. CASH AND CASH EQUIVALENTS

	2020 HK\$'000	2019 HK\$'000
Cash at banks and in hand	60,930	91,174

As at 31 December 2020, cash and cash equivalents in the amount of HK\$48,936,000 (2019: HK\$34,544,000) 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.

22. TRADE AND OTHER PAYABLES

	2020 HK\$'000	2019 HK\$'000
Trade creditors	9,597	9,977
Payroll and staff benefits payable	17,004	19,449
Accrued expenses	5,582	4,302
Payables for purchase of property, plant and equipment	18,723	10,019
Contract liabilities (note 7)	841	592
Other payables	498	5
	52,245	44,344

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:

	2020 HK\$'000	2019 HK\$'000
Within 1 month	8,072	8,991
Over 1 month but within 3 months	1,362	555
Over 3 months but within 6 months	1	17
Over 6 months	162	414
	9,597	9,977

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23. LEASES

Nature of leasing activities (in the capacity as lessee)

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

(a) Future lease payments as at 31 December 2020 and 2019 are due as follows:

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

	Minimum lease payments 2019 HK\$'000	Interest 2019 HK\$'000	Present value 2019 HK\$'000
Not later than one year	19,130	2,803	16,327
Later than one year and not later than two years	17,753	1,894	15,859
Later than two years and not later than five years	22,893	1,495	21,398
	59,776	6,192	53,584

The present value of future lease payments are analysed as:

	2020 HK\$'000	2019 HK\$'000
Current liabilities	18,880	16,327
Non-current liabilities	45,290	37,257
	64,170	53,584

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23. LEASES (CONTINUED)

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

(b) Measurements of amounts recognised in the consolidated statement of financial position and profit or loss during the years ended 31 December 2019 and 2020:

	Right-of-use assets (note)	Lease liabilities
	HK\$'000	HK\$'000
As at 1 January 2019	69,204	69,204
Inception of new leases	1,116	1,116
Depreciation	(17,847)	–
Interest expense	–	3,745
Payments of lease liabilities (note 32)	–	(22,086)
Exchange adjustments	(431)	1,605
As at 31 December 2019 and 1 January 2020	52,042	53,584
Inception of new leases	2,886	2,886
Depreciation	(18,950)	–
Interest expense	–	3,662
Modification of leases arising from early renewal of leases	22,163	22,163
Payments of lease liabilities (note 32)	–	(21,727)
Impairment loss	(4,885)	–
Exchange adjustments	3,152	3,602
As at 31 December 2020	56,408	64,170

Note:

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

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

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24. EMPLOYEES RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme (“the MPF scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employee’s relevant income, subject to a cap of monthly relevant income of HK\$30,000 (2019: HK\$30,000).

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

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

25. EQUITY SETTLED SHARE-BASED TRANSACTIONS

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

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

There were no options granted, exercised or lapsed during the years ended 31 December 2020 and 2019 and no options were outstanding as at 31 December 2020 and 2019.

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26. CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

The Company

	Share capital HK\$'000	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance at 1 January 2019	4,648	180,690	(51,883)	133,455
Change in equity for 2019:				
Loss and total comprehensive income for the year	-	-	(44,255)	(44,255)
Balance at 31 December 2019	4,648	180,690	(96,138)	89,200
Change in equity for 2020:				
Special dividend (note 26 (b))	-	(34,860)	-	(34,860)
Loss and total comprehensive income for the year	-	-	(21,429)	(21,429)
Balance at 31 December 2020	4,648	145,830	(117,567)	32,911

(b) Dividends

The payment of the special dividend of HK\$0.075 per share amounting up to HK\$34,860,300 out of the share premium account was approved by the shareholders at the extraordinary general meeting of the Company held on 11 February 2020 and was paid out to the shareholders on 3 March 2020.

No interim and final dividend were declared and proposed respectively in respect of the years ended 31 December 2020 and 2019.

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26. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital

(i) Authorised and issued share capital

	At 31 December 2020		At 31 December 2019	
	Number of shares '000	Share capital HK\$'000	Number of shares '000	Share capital HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	2,000,000	20,000	2,000,000	20,000
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	464,804	4,648	464,804	4,648

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

(d) Share premium

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

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

(e) Statutory reserve

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

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

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

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26. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(f) Capital reserve

Capital reserve comprises the following:

- reserves arising prior to and during the reorganisation of the Group during the year ended 31 December 2010;
- reserves arising from the disposal of the Group's 15% equity interests in a subsidiary during the year ended 31 December 2016, to a related entity without losing control in the subsidiary whereby adjustments were made to the amounts of controlling interests – capital reserve and non-controlling interests.

(g) Exchange reserve

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

(h) Distributability of reserves

At 31 December 2020, the aggregate amount of reserves available for distribution to the equity shareholders of the Company was HK\$28,263,000 (2019: HK\$84,552,000).

(i) Capital management

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

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

The Group's strategy, is to maintain the adjusted net debt-to-capital ratio (i.e. total debts less cash and cash equivalents over total equity) below 20%. The ratio as at 31 December 2020 and 2019 was 1.9% and nil respectively. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

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

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27. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Property, plant and equipment		929	747
Intangible assets		61	94
Investments in subsidiaries		–	–
Right-of-use assets		5,082	8,889
Rental deposit		–	2,650
		6,072	12,380
Current assets			
Amount due from a subsidiary		22,658	16,789
Financial asset at fair value through profit or loss		–	23,583
Other receivables and deposit		2,963	593
Cash and cash equivalents		7,725	46,378
		33,346	87,343
Current liabilities			
Other payables		1,324	1,523
Lease liabilities		4,620	5,116
		5,944	6,639
Net current assets		27,402	80,704
Total assets less current liabilities		33,474	93,084
Non-current liabilities			
Lease liabilities		563	3,884
Net assets		32,911	89,200
Capital and reserves			
Share capital	26(c)(i)	4,648	4,648
Reserves		28,263	84,552
Total equity		32,911	89,200

On behalf of the Board

Zhuang Weidong
Director

Wu David Hang
Director

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28. INVESTMENTS IN SUBSIDIARIES

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

Name of company	Place of incorporation/ establishment/ and business	Issued and fully paid up capital	Attributable equity interest		Principal activities
			Direct	Indirect	
KEE International BVI Limited	BVI	100 ordinary shares of US\$ 1 each	85%	–	Investment holding
KEE Zippers	Hong Kong	1,000,000 shares	–	85%	Trading of zipper products
KEE Guangdong*	The PRC	HK\$137,500,000	–	85%	Manufacture and sale of zipper products
KEE Zhejiang Garment Accessories*	The PRC	USD8,760,000	–	85%	Manufacture and sale of zipper products
Foshan UNA Cultural Gifts Co., Limited**	The PRC	RMB3,000,000	–	85%	Design and sale of garment accessories
Oriental Choice Holdings Limited	BVI	1 ordinary share of US\$ 1	100%	–	Investment holding
Baiyu Ventures Limited	BVI	1 ordinary share of US\$ 1	100%	–	Investment holding

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

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

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28. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following table listed out the information relating to a subsidiary, KEE International BVI Limited (“KEE International BVI”), which has material non-controlling interest (“NCI”) as at 31 December 2020. The summarised financial information presented below represents the amounts before any inter-company elimination.

	2020	2019
	HK\$'000	HK\$'000
NCI percentage	15%	15%
Current assets	133,421	125,344
Non-current assets	145,928	129,965
Current liabilities	(92,380)	(69,882)
Non-current liabilities	(45,852)	(34,497)
Net assets	141,117	150,930
Carrying amount of NCI	21,168	22,639
Revenue	170,089	205,796
(Loss)/profit for the year	(28,678)	109
Total comprehensive income	(9,810)	(3,764)
(Loss)/profit allocated to NCI	(4,302)	16
Cash flows from operating activities	36,281	15,412
Cash outflows from investing activities	(18,887)	(19,808)

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29. ACQUISITION OF A SUBSIDIARY

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

On 11 August 2020, the Company through a wholly-owned subsidiary, acquired the 100% equity in and shareholder’s loan made to Shenzhen White Knight which merely holds a 50% equity interest in a jointly controlled entity as mentioned in note 16. The subsidiary has been established to be principally engaged in provision of consultancy services and investment holding while the jointly controlled entity is principally engaged in provision of asset management services.

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

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

The transaction cost of the acquisition is immaterial.

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30. COMMITMENTS

Capital commitments in respect of property, plant and equipment outstanding at 31 December 2020 and 2019 not provided for in the consolidated financial statements were as follows:

	2020 HK\$'000	2019 HK\$'000
Contracted for	288	4,464

31. MATERIAL RELATED PARTY TRANSACTIONS

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

As at 31 December 2020 and 2019, the Company has no ultimate holding company nor controlling shareholder.

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

(a) Transactions

Relating to connected transactions and continuing connected transactions

- (i) The Group renewed a lease agreement which expired on 31 December 2020 for a term of two years ending 31 December 2022 in respect of certain leasehold and buildings entered into with Mr Xu Xipeng and Mr Xu Xinan, the senior management of the Group. The revised monthly rental is RMB394,000 (HK\$464,920 equivalent) and the Group has the option to renew for two years. During the year ended 31 December 2020, the rentals paid by the Group under the lease agreement expired on 31 December 2020 amounted to HK\$4,836,000 (RMB4,320,000 equivalent) (value added tax ("VAT") included) (2019: HK\$4,916,000 (RMB4,320,000)).
- (ii) Since the disposals of certain leasehold land and buildings during the year ended 31 December 2016, the Group has agreed to leaseback those assets from Classic Winner Limited ("Classic Winner") and Foshan City Nanhai Jinheming Investment Company Limited ("Nanhai Jinheming") which are owned by Mr Xu Xipeng and Mr Xu Xinan. These two lease agreements were renewed again on 16 January 2020. The rentals paid (VAT included) by the Group to Classic Winner and Nanhai Jinheming for the year ended 31 December 2020 amounted to HK\$716,000 (2019: HK\$612,000) and HK\$5,529,000 (RMB4,939,000 equivalent) (2019: HK\$3,755,000 (RMB3,300,000 equivalent)) respectively. As at 31 December 2020, the rental deposit paid by the Group to Nanhai Jinheming amounted to HK\$1,487,000 (RMB1,252,000 equivalent) (2019: HK\$919,000 (RMB825,000 equivalent)).

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31. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions (Continued)

Relating to connected transactions and continuing connected transactions (Continued)

- (iii) KEE Guangdong entered into a lease agreement on 24 August 2018 with a term of three years ending 31 August 2021 with KEE (Jingmen) Garment Accessories Limited which are owned by Mr Xu Xipeng and Mr Xu Xinan in respect of certain leasehold land and buildings. During the year ended 31 December 2020, the rentals paid (VAT included) by the Group under this lease agreement amounted to HK\$5,374,000 (RMB4,800,000 equivalent) (2019:HK\$5,462,000 (RMB4,800,000 equivalent)).
- (iv) In December 2020, the Group also purchased certain equipment from KEE (Jingmen) Garment Accessories Limited for cash consideration of approximately RMB6,718,000 (among which RMB773,000 is the VAT) which is equivalent to approximately HK\$7,913,000.

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

(b) Key management personnel compensation

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

	2020 HK\$'000	2019 HK\$'000
Short-term employee benefits	10,833	10,635
Retirement scheme contribution	246	268
	11,079	10,903

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

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32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

	2020 Lease liabilities HK\$'000	2019 Lease liabilities HK\$'000
At 1 January	53,584	69,204
Cash flow from financing activities (note 23(b))		
Payment of lease liabilities (including interests)	(21,727)	(22,086)
Other changes (note 23(b)):		
Interest expense	3,662	3,745
Inception of new leases during the year	2,886	1,116
Modification of leases	22,163	–
Exchange adjustments on lease liabilities	3,602	1,605
At 31 December	64,170	53,584

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

(a) Credit risk

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

Trade debtors and bills receivable

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore certain concentration of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 20% (2019: 17%) of the total trade receivables were due from the Group's five largest customers.

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

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

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33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(a) Credit risk (Continued)

Trade debtors and bills receivable (Continued)

The following tables provide information about the Group's exposure to credit risk and ECLs for trade debtors and bills receivable as at 31 December 2019 and 2020:

2020	Expected loss rate (%)	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Current (not past due)	0.022	27,758	6
1–30 days past due	0.082	8,587	7
31–60 days past due	0.088	3,401	3
61–90 days past due	0.528	2,463	13
91–360 days past due	8.440	1,481	125
More than 360 days past due	100	1,281	1,281
		44,971	1,435
2019	Expected loss rate (%)	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Current (not past due)	0.001	25,812	1
1–30 days past due	0.001	8,410	1
31–60 days past due	0.003	3,999	1
61–90 days past due	0.341	1,830	6
91–360 days past due	9.527	1,821	173
More than 360 days past due	100	1,072	1,072
		42,944	1,254

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

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33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(a) Credit risk (Continued)

Trade debtors and bills receivable (Continued)

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

	2020 HK\$'000	2019 HK\$'000
Balance at 1 January	1,254	1,530
Reversal of impairment losses	(473)	(608)
Impairment losses recognised during the year	564	346
Exchange adjustments	90	(14)
Balance at 31 December	1,435	1,254

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

Other financial assets at amortised cost

As at 31 December 2020 and 2019, in addition to the cash and cash equivalents which are considered to have low credit risk, other financial assets at amortised cost of the Group mainly include amount due from a jointly controlled entity, rental deposits and other debtors. The ECLs on other financial assets which did have significant increase in credit risk during the reporting period were considered by management to be insignificant.

(b) Interest rate risk

As at 31 December 2020 and 2019, the Group had no borrowings other than lease liabilities which are carried at average fixed interest rate of 6% (2019:6%) as shown in note 23 and all its interest bearing financial assets are mainly bank deposits with maturity no more than one year. Accordingly, the Group's cash flow interest rate risk is considered insignificant.

(c) Liquidity risk

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

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

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33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Liquidity risk (Continued)

The maturity of the financial liabilities is set below:

Year ended 31 December 2020

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

Year ended 31 December 2019

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000
Trade and other payables	43,752	43,752	43,752	–	–
Lease liabilities	53,584	59,776	19,130	17,753	22,893
	97,336	103,528	62,882	17,753	22,893

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33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk

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

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

The Group had RMB denominated bank deposits amounting to HK\$2,783,000 (2019: HK\$6,081,000) that was held by KEE Zippers and KEE Holdings for which HK\$ is their functional currency. In addition, the Group had HK\$ denominated inter-company other receivables amounting to HK\$145,318,000 (2019: HK\$152,167,000) that were held by KEE Guangdong and KEE Zhejiang for which RMB is their functional currency.

Sensitivity analysis

At 31 December 2020, 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\$713,000 (2019: HK\$730,000).

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

(e) Equity price risk

The equity price risk arises primarily from the fluctuation in the fair value of the financial asset at fair value through profit or loss by the Group as at 31 December 2019. The details of which have been set out in note 17. The Group has no such risk after redemption of this asset during the year.

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33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(f) Financial instruments and fair values

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

Financial assets	2020	2019
	HK\$'000	HK\$'000
Financial assets at amortised costs		
Amount due from a jointly controlled entity	1,791	–
Trade and other receivables	47,927	43,208
Cash and cash equivalents	60,930	91,174
Rental deposits	2,926	3,986
	113,574	138,368
Financial asset fair value through profit or loss	–	23,583
Total	113,574	161,951
Financial liabilities		
Lease liabilities	64,170	53,584
Trade and other payables	51,404	43,752
	115,574	97,336

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

34. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board on 31 March 2021.

Glossary

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

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

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