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)

2022
Annual Report

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Yip Siu Lun Dave *(Chairman)*
Mr. Wu Cody Zhuo-xuan
Mr. Mak Yung Pan Andrew
Ms. Cheung Ka Yuen

Non-executive Director

Ms. Lin Ping

Independent Non-executive Directors

Mr. Leung Ka Tin
Mr. Cheng Hong Kei
Mr. Liew Fui Kiang
Mr. Ko Kwok Shu

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

Mr. Yip Siu Lun Dave *(Committee Chairman)*
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. Chan Kam Fuk

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 10A and 10B
15/F., Nine Queen's Road Central
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
17/F, Far East Finance Centre
16 Harcourt Road
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	**2022**	2021	2020	2019	2018
Operating Results					
Gross profit margin (%)	**32.3**	30.0	20.1	25.7	32.4
Operating profit or loss margin (%)	**2.0**	–5.5	–29.5	–19.1	–14.6
Net loss or profit margin (%) (note 1)	**–0.9**	–7.3	–27.6	–21.5	–16.8
Return on equity (%)	**–1.0**	–12.4	–30.9	–20.4	–12.5
Financial Position					
Total assets (HK$'000)	**305,712**	275,779	290,702	338,348	330,454
Cash and cash equivalents (HK$'000)	**105,266**	59,870	60,930	91,174	78,587
Total equity attributable to equity shareholders of the Company (HK$'000)	**184,913**	141,668	151,873	216,657	264,730
Financial Ratios					
Current ratio (times)	**2.4**	1.9	1.9	3.2	6.0
Quick ratio (times)	**1.9**	1.5	1.6	2.7	5.4
Liability to asset ratio (%) (note 2)	**32.5**	40.3	40.5	29.3	12.9
Turnover Ratios					
Inventory turnover (days)	**81**	62	82	70	66
Debtors turnover (days)	**73**	70	91	72	74

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.

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	**2022** **HK$'000**	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000
Revenue	**215,578**	239,717	170,089	205,796	197,532
Cost of sales	**(145,868)**	(167,804)	(135,854)	(152,864)	(133,613)
Gross Profit	**69,710**	71,913	34,235	52,932	63,919
Other revenue and gains/(losses), net	**14,906**	(3,487)	(4,541)	(23,268)	18,770
Distribution costs	**(13,042)**	(17,404)	(11,760)	(15,528)	(15,417)
Administrative expenses	**(67,354)**	(64,144)	(54,247)	(53,653)	(50,639)
Reversal of impairment losses/ (impairment losses) on					
– trade receivables and bills receivable	**175**	8	(91)	262	(505)
– property, plant and equipment	**–**	(108)	(8,215)	–	–
– right-of-use assets	**–**	–	(4,885)	–	–
– other receivable	**–**	–	–	–	(45,000)
Share of loss of a jointly controlled entity	**–**	–	(728)	–	–
Profit/(loss) from operations	**4,395**	(13,222)	(50,232)	(39,255)	(28,872)
Finance costs	**(3,851)**	(3,720)	(3,662)	(3,745)	–
Profit/(loss) before taxation	**544**	(16,942)	(53,894)	(43,000)	(28,872)
Income tax credit/(expense)	**114**	31	2,685	(1,164)	(1,074)
Profit/(loss) for the year	**658**	(16,911)	(51,209)	(44,164)	(29,946)
Attributable to:					
Equity shareholders of the Company	**(1,888)**	(17,503)	(46,907)	(44,180)	(33,177)
Non-controlling interests	**2,546**	592	(4,302)	16	3,231

Financial Summary

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000
Non-current assets	**123,166**	133,109	152,018	142,345	83,397
Property, plant and equipment	**73,753**	81,931	86,616	79,243	71,873
Investment in a jointly controlled entity	**–**	–	5	–	–
Intangible assets	**1,272**	349	140	885	1,562
Prepayments for property, plant and equipment	**–**	48	89	3,004	1,439
Rental deposits	**5,382**	1,468	2,926	3,986	5,041
Right-of-use assets	**37,068**	43,245	56,408	52,042	–
Deferred tax assets	**5,691**	6,068	5,834	3,185	3,482
Current assets	**182,546**	142,670	138,684	196,003	247,057
Inventories	**33,527**	30,827	26,881	34,425	24,549
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	**43,753**	51,862	49,082	44,698	40,922
Current tax recoverable	**–**	111	–	2,123	816
Cash and cash equivalents	**105,266**	59,870	60,930	91,174	78,587
Total assets	**305,712**	275,779	290,702	338,348	330,454

Financial Summary

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December	**2022 HK$'000**	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000
Current liabilities	**77,512**	76,026	71,247	60,671	41,396
Trade and other payables	**47,577**	57,356	52,245	44,344	41,396
Tax payable	**115**	–	122	–	–
Lease liabilities	**22,427**	16,432	18,880	16,327	–
Amount due to a related party	**7,393**	2,238	–	–	–
Net current assets	**105,034**	66,644	67,437	135,332	205,661
Total assets less current liabilities	**228,200**	199,753	219,455	277,677	289,058
Non-current liabilities	**21,785**	34,987	46,414	38,381	1,124
Lease liabilities	**20,661**	33,863	45,290	37,257	–
Deferred tax liabilities	**1,124**	1,124	1,124	1,124	1,124
Net assets	**206,415**	164,766	173,041	239,296	287,934
Capital and reserves	**184,913**	141,668	151,873	216,657	264,730
Share capital	**5,578**	4,648	4,648	4,648	4,648
Reserves	**179,335**	137,020	147,225	212,009	260,082
Total equity attributable to equity shareholders of the Company	**184,913**	141,668	151,873	216,657	264,730
Non-controlling interests	**21,502**	23,098	21,168	22,639	23,204
Total equity	**206,415**	164,766	173,041	239,296	287,934

Chairman's Report

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 our Company's annual report for the year ended 31 December 2022.

In the last year, the COVID-19 pandemic has caused the government to implement strict prevention and control measures. This uncertainty has slowed down domestic economic recovery and development, thus affecting the consumption demand of domestic and foreign end customers. Alongside, global economic issues such as the Russia-Ukraine conflict, inflation, and rising energy prices have created an unfavourable operating environment. The Group has maintained the highest standard of preventive hygiene measures, minimizing the impact of the COVID-19 outbreak on the Group's business operations in China while also providing a safe working environment for employees. Consequently, our production has not been affected, and these achievements were dependent on our employees who remained to maintain the Group's business operations.

As the Board and management continuously reviewed, responded to, and adjusted business policies and strategies, the Group has faced these external challenges by tightening cost control that have resulted in stable performance in the zipper business. With preventive measures eased, we expect sales market in China to recover. However, the growth rate still needs to be monitored. In the fiscal year ending December 31, 2022, the Group's revenue was approximately HK$215,578,000. This was a decrease of approximately 10.1% as compared to the same period of last year at approximately HK$239,717,000. The Group's equity shareholders' deficit had also reduced significantly by 89.2% to approximately HK$1,888,000.

After completion of the disclosed purchase agreement on March 23, 2022, the Group's Board welcomed new members with the hope to bring in new dynamics that would help to further develop the Group. By restructuring the Board, balancing the Group's business operations and policy needs, it is expected that we will be diversifying our business portfolio while also actively seeking and exploring business opportunities. In June 2022, the Company successfully raised funds through placing of new shares, providing sufficient financial reserves for the Group to promote its future development and explore other business and investment opportunities.

To conclude, I would like to take this opportunity to express my sincere gratitude to the Group's management and employees for their efforts and dedication, extending my appreciation to our shareholders, customers, suppliers, correspondent banks, and other professional institutions for their unwavering support during these difficult times.

Yip Siu Lun Dave
Chairman

Hong Kong, 30 March, 2023

Management Discussion and Analysis

OVERVIEW

The Group continued to operate the zipper business during the year ended 31 December 2022.

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 2022, representing the revenue from zipper business, decreased to approximately HK$215.58 million as compared with approximately HK$239.72 million for the year ended 31 December 2021.

Profit before taxation for the year ended 31 December 2022 was approximately HK$544,000 (2021: loss before taxation of approximately HK$16.94 million), representing a reverse change of approximately HK$17.48 million as compared to prior year. The turn-around was mainly due to the combined effect of: (i) an increase in selling price of zipper products which led to an increase in gross profit margin by approximately 2.3% as compared to that for the year ended 31 December 2021, and (ii) recognition of net foreign exchange gain of approximately HK$13.3 million instead of net foreign exchange loss of approximately HK$4.4 million in the corresponding period in 2021.

REVENUE

The Group's revenue for the year ended 31 December 2022 amounted to approximately HK$215.58 million, representing a decrease of approximately 10.1% as compared to the previous year.

Revenue analysis by product category:

	2022		2021	
	HK$ million	**%**	HK$ million	%
Sales of goods				
Finished zippers and sliders	**206.85**	**96.0**	235.07	98.1
Others	**8.73**	**4.0**	4.65	1.9
Total revenue	**215.58**	**100.0**	239.72	100.0

Management Discussion and Analysis

Revenue analysis by geographic location:

	2022		2021	
	HK$ million	**%**	HK$ million	%
Mainland China	**188.63**	**87.5**	218.27	91.1
Overseas	**26.95**	**12.5**	21.45	8.9
Total revenue	**215.58**	**100.0**	239.72	100.0

Finished Zippers and Sliders

Revenue from sales of finished zippers and sliders decreased by approximately HK$28.22 million or 12.0% to approximately HK$206.85 million for the year ended 31 December 2022 (2021: approximately HK$235.07 million). The decrease was primarily due to decline in consumer demand.

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 2022 include but not limited to Hong Kong, Switzerland, Italy, India, Indonesia, Bangladesh, Germany, Korea, Vietnam, Tunisia and Jordan.

Others

Others represent items such as scrap material and zipper components. Revenue of other items increased by approximately HK$4.08 million to approximately HK$8.73 million for the year ended 31 December 2022 (2021: approximately HK$4.65 million).

COST OF SALES AND GROSS PROFIT

In 2022, the overall cost of sales for the zipper business amounted to approximately HK$145.87 million (2021: approximately HK$167.80 million), representing a decrease of approximately 13.1%. The overall gross profit of the Group decreased by approximately 3.1% from approximately HK$71.91 million for the year ended 31 December 2021 to approximately HK$69.71 million for the year ended 31 December 2022. In 2022, the overall gross profit margin increased from approximately 30.0% for 2021 to 32.3% for 2022. The increase in gross profit was primarily due to the increase in unit price of zipper products.

Gross profit analysis by product category:

	2022		2021	
	HK$ million	**%**	HK$ million	%
Finished zippers and sliders	**67.42**	**96.7**	69.96	97.3
Others	**2.29**	**3.3**	1.95	2.7
Total gross profit	**69.71**	**100**	71.91	100.0

Management Discussion and Analysis

Finished Zippers and Sliders

Gross profit for finished zippers and sliders slightly decreased by approximately 3.6% from approximately HK$69.96 million for the year ended 31 December 2021 to approximately HK$67.42 million for the year ended 31 December 2022 which was primarily due to the combined effect in revenue as discussed above.

Others

Gross profit of other items increased by approximately HK$0.34 million from approximately HK$1.95 million for the year ended 31 December 2021 to approximately HK$2.29 million for the year ended 31 December 2022, which was mainly due to the increase in sale volume of other items.

DISTRIBUTION COSTS

Distribution costs mainly represent (i) staff costs relating to sales and marketing personnel; (ii) transportation costs for delivery of the Group's products; and (iii) advertising and marketing expenses. For the year ended 31 December 2022, the Group's distribution costs amounted to approximately HK$13.04 million (2021: approximately HK$17.40 million), accounting for approximately 6.0% of the Group's revenue (2021: approximately 7.3%). The decrease in distribution costs was mainly due to the decrease in overall costs which is in line with sales decline.

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 2022, the Group's administrative expenses amounted to approximately HK$67.35 million (2021: approximately HK$64.14 million), which accounted for approximately 31.2% of the Group's revenue (2021: approximately 26.8%). The increase in administrative expenses was mainly due to the increase in professional fees and overall cost following the recovery of operations from the pandemic.

INCOME TAX CREDIT

Income tax credit for the year ended 31 December 2021 and 2022 mainly represents deferred tax assets arising from depreciation and impairment loss.

PROFITABILITY

In 2022, the Group's loss attributable to equity shareholders of the Company amounted to approximately HK$1.89 million (2021: approximately HK$17.50 million), representing an decrease of loss of approximately 89.2% as compared to 2021. The reduction of loss was mainly due to the combined effect of the above. The margin of loss attributable to the equity shareholders of the Company for the year was approximately 0.9% (2021: approximately 7.3%).

During the year ended 31 December 2022, the Group's return on equity attributable to the equity shareholders of the Company was approximately -1.0% (2021: approximately -12.4%).

Management Discussion and Analysis

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 21.6% and 18.4% of the Group's total current assets as at 31 December 2021 and 2022 respectively.

Inventories increased by approximately 8.8% from approximately HK$30.83 million as at 31 December 2021 to approximately HK$33.53 million as at 31 December 2022. The increase in inventories was mainly affected by the Group's inventories policy to enhance level of materials held to save cost of turnover.

The average inventory turnover days for 2022 and 2021 were approximately 81 days and 62 days respectively.

The write-down on inventories for the year ended 31 December 2022 was approximately HK$0.58 million (2021: net reversal of write-down of approximately HK$0.22 million) which was related to the decrease in the estimated net realisable value of inventories.

TRADE DEBTORS

As at 31 December 2022, the allowance for impairment was approximately HK$1.18 million (31 December 2021: approximately HK$1.47 million), accounting for approximately 3.1% of the Group's total trade debtors (2021: approximately 2.9%).

The Group's trade debtors (net) decreased by around 24.4% from approximately HK$48.91 million of last year to approximately HK$36.99 million as at 31 December 2022.

The average trade debtors turnover days for 2022 and 2021 were approximately 73 days and 70 days respectively.

OTHER RECEIVABLES

Other receivables mainly represent rental deposits of certain factories and office premises with remaining lease terms of less than one year. The increase in balance of other receivables by approximately HK$3.81 million, representing an increase in 129.0% from approximately HK$2.96 million, which was mainly due to increase in other tax recoverable.

TRADE CREDITORS

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

The Group's trade creditors decreased by 29.7% from approximately HK$10.9 million as at 31 December 2021 to approximately HK$7.6 million as at 31 December 2022. The average trade creditors turnover days for 2022 and 2021 were approximately 23 days and 22 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 decreased by approximately 14.1% to approximately HK$39.95 million as at 31 December 2022 (2021: approximately HK$46.50 million).

Management Discussion and Analysis

RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

As at 31 December 2022, the lease liabilities and right-of-use assets amounted to approximately HK$43.09 million (2021: approximately HK$50.29 million) and approximately HK$37.07 million (2021: approximately HK$43.24 million) respectively.

LIQUIDITY AND CAPITAL RESOURCES

The following table is a summary of cash flow data for the two years ended 31 December 2021 and 2022:

	2022 **HK$ million**	2021 HK$ million
Net cash generated from operating activities	**15.65**	35.59
Net cash used in investing activities	**(13.65)**	(18.25)
Net cash generated from/(used in) financing activities	**50.53**	(20.81)
Net increase/(decrease) in cash and cash equivalents	**52.53**	(3.47)
Cash and cash equivalents at 1 January	**59.87**	60.93
Effect of foreign exchange rate changes	**(7.13)**	2.41
Cash and cash equivalents at 31 December	**105.27**	59.87

The Group's net cash inflow from operating activities for the year 2022 amounted to approximately HK$15.65 million (2021: HK$35.59 million). As at 31 December 2022, cash and cash equivalents amounted to approximately HK$105.27 million, representing an increase of approximately HK$45.40 million as compared with the position as at 31 December 2021, which was mainly due to the combined effect of the cash flows for the year ended 31 December 2022 as shown in the above table.

As at 31 December 2022, the cash and cash equivalents of approximately HK$41.77 million, HK$53.0 million and HK$10.49 million are denominated in RMB, HK$ and USD, respectively. As at 31 December 2021, the cash and cash equivalents of approximately HK$55.56 million, HK$0.27 million and HK$3.62 million are denominated in RMB, HK$ and USD, respectively.

The Group did not have borrowings other than lease liabilities and amount due to a related party as at 31 December 2021 and 2022.

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

The Group's strategy is to maintain the adjusted net debt-to-capital ratio (i.e. total lease liabilities and amount due to a related party less cash and cash equivalents over total equity) below 20%. As at 31 December 2021 and 2022, as the total debt is less than cash and cash equivalent, no adjusted debt-to-capital ratio is calculated. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

Management Discussion and Analysis

NET CURRENT ASSETS

As at 31 December 2022, the Group had net current assets of approximately HK$105.03 million. The key components of current assets as at 31 December 2022 included cash and cash equivalents of approximately HK$105.27 million, trade and other receivables of approximately HK$43.75 million, and inventories of approximately HK$33.53 million. The current liabilities mainly represented trade and other payables of approximately HK$47.58 million, amount due to a related party of approximately HK$7.39 million and current portion of lease liabilities of approximately HK$22.43 million.

The net current assets increased from approximately HK$66.64 million as at 31 December 2021 to approximately HK$105.03 million as at 31 December 2022.

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 2021 and 2022 not provided for in the consolidated financial statements were approximately HK$0.31 and approximately HK$0.52 million respectively.

FOREIGN CURRENCY RISK

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

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

The Group had RMB denominated bank deposits amounting to approximately HK$0.18 million (2021: approximately HK$0.31 million) that was held by KEE Zippers and the Company for which HK$ is their functional currency.

In addition, the Group had HK$ denominated inter-company other receivables amounting to approximately HK$149.25 million (2021: approximately HK$153.84 million) that were held by 開易(廣東)服裝配件有限公司 (KEE (Guangdong) Garment Accessories Limited*) ("**KEE Guangdong**"), 開易(湖北)拉鏈製造有限公司 (KEE (Hubei) Zippers Manufacturing Limited*) ("**KEE Hubei**") 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.

Assuming that a general appreciation/depreciation of 0.5% in HK$ against RMB at 31 December 2022, with all other variables held constant, there would be a increase/decrease of the Group's net profit for the year and decrease/increase of accumulated losses by approximately HK$0.75 million (2021: decreased/increased net loss and accumulated losses by approximately HK$0.77 million).

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

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group had no significant investment, material acquisitions or disposals for the year ended 31 December 2022.

Management Discussion and Analysis

EMPLOYEES

As at 31 December 2022, the Group had 637 full-time employees (2021: 690). 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 2022 were approximately HK$93.29 million (2021: approximately HK$109.80 million). The decrease in staff costs is mainly due to the reason that the full-time employees decreased.

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 December 2021 and 2022.

CONNECTED TRANSACTIONS

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

(i) On 14 January 2022, Classic Winner Limited ("**Classic Winner**"), a company owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, as lessor and KEE Zippers, an indirect 85%-owned subsidiary of the Company, as lessee entered into a lease renewal agreement (the "**Third HK Lease Renewal Agreement**") pursuant to which Classic Winner has agreed to lease to KEE Zippers a property in Hong Kong at a monthly rental of HK$54,000 (exclusive of Government rates, Government rent, management fees and all other outgoings) payable in advance in cash without any deduction on the 16th day of each month for a term of two years commencing from 16 January 2022 to 15 January 2024. As Classic Winner is owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, who are directors of certain subsidiaries of the Company, Classic Winner is therefore a connected person of the Company at the subsidiary level.

An independent property valuer advised that the monthly rental of HK$54,000 is fair and reasonable with reference to the market value.

(ii) On 14 January 2022, 佛山市南海今和明投資有限公司 (Foshan City Nanhai Jinheming Investment Company Limited*), ("**Nanhai Jinheming**"), a company owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, as lessor and KEE Zhejiang, an indirect 85%-owned subsidiary of the Company, as lessee entered into a lease renewal agreement (the "**Third PRC Lease Renewal Agreement**") pursuant to which Nanhai Jinheming has agreed to lease to KEE Zhejiang the land and the PRC buildings in Zhejiang Province at a monthly rental of RMB625,958 payable in cash within the first 10 working days of each month commencing from 16 January 2022 for a term of two years commencing on 16 January 2022 to 15 January 2024 with three months' rent of RMB1,877,874 as deposit. As Nanhai Jinheming is owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, who are directors of certain subsidiaries of the Company, Nanhai Jinheming is therefore a connected person of the Company at the subsidiary level.

An independent property valuer advised that the monthly rental of RMB625,958 is fair and reasonable with reference to the market value.

(iii) On 30 December 2022, 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 2022**") to renew the lease of a plant in Guangdong for a further term of two years commencing from 1 January 2023 to 31 December 2024 for a monthly rental of RMB428,980 payable within the first 10 working days of each month commencing from 1 January 2023.

An independent property valuer advised that the monthly rental of RMB428,980 is fair and reasonable with reference to the market value.

(iv) On 27 August 2021, KEE Jingmen a company owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively and KEE Guangdong an indirect 85%-owned subsidiary of the Company entered into a two years lease renewal agreement (the "**Jingmen Lease Renewal Agreement 2021**") pursuant to which KEE Jingmen has agreed to lease the Jingmen property at a monthly rental of RMB533,000 payable before the fifth day of each month commencing from 1 September 2021 to 31 August 2023, with three months' rent of RMB1,599,000 as deposit. 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 Lease Renewal Agreement 2021. An independent property valuer advised that the monthly rental of RMB533,000 is fair and reasonable with reference to the market rate.

On 29 April 2022, 開易（湖北）拉鍊製造有限公司 (KEE (Hubei) Zippers Manufacturing Company Limited*) ("**KEE Hubei**") replaced KEE Guangdong as a new lessee to the Jingmen Lease Renewal Agreement 2021. KEE Jingmen as lessor, KEE Guangdong as the original lessee, and KEE Hubei as the new lessee entered into a novation agreement pursuant to which KEE Hubei shall assume all the rights and obligations of KEE Guangdong under the Jingmen Lease Renewal Agreement 2021 with effect from 1 May 2022. An independent property valuer advised that the monthly rental of RMB533,000 is fair and reasonable with reference to the market rate.

(v) On 31 May 2022, KEE Jingmen and KEE Hubei entered into a lease agreement for a PRC property (the "**PRC Property Phase II**") for a term from 1 June 2022 to 31 August 2023 (the "**Phase II Lease Agreement**") pursuant to which KEE Jingmen agreed to lease to KEE Hubei the production base in Zhejiang Province at a monthly rental of RMB245,658 payable in cash before the fifteen day of each month commencing from 1 September 2022 with three months' rent of RMB736,974 as deposit. As KEE Jingmen is owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively therefore a connected person of the Company at the subsidiary level. An independent property valuer advised that the monthly rental of RMB245,658 is fair and reasonable with reference to the market rate.

In accordance with HKFRS 16 applicable to the Company, as a result of the entering into the Third HK Lease Renewal Agreement, Third PRC Lease Renewal Agreement, Guangdong Lease Renewal Agreement 2022, Jingmen Lease Renewal Agreement 2021 and Phase II Lease Agreement, the Group recognized an additional asset representing its right to use the property under the relevant lease agreements of a total of approximately HK$2 million for the Third HK Lease Renewal Agreement and Third PRC Lease Renewal Agreement, approximately HK$0.2 million for the Guangdong Lease Renewal Agreement 2022, approximately HK$8.58 million for the Jingmen Lease Renewal Agreement 2021 and approximately HK$8.34 million for the Phase II Lease Agreement, respectively. As such, the transactions under the above lease agreements were recognised as acquisitions of right-of-use assets which constituted one-off connected transactions of the Company under Chapter 14A of the Listing Rules. Details of which had been disclosed in the Company's relevant announcements dated 14 January 2022, 30 December 2022, 27 August 2021, 29 April 2022 and 31 May 2022.

Management Discussion and Analysis

BUSINESS UPDATE IN RELATION TO RELOCATION OF ZHEJIANG PRODUCTION BASE

KEE Zhejiang, a 85%-owned subsidiary of the Company, has been informed by the management committee of Jiashan Economic and Technology Development Zone ("**JETDZ Management Committee**") that, the production base located at 116 Jinjia Avenue, Economic Development Zone, Jiashan County, Zhejiang Province, China is included in the implementation area of the organic renewal project of the Economic Development Zone and required to be vacated.

KEE Zhejiang has yet to receive the timeline of the relocation of Zhejiang Production Base from the JETDZ Management Committee and will discuss with the JETDZ Management Committee regarding the relocation plan.

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

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

According to the relevant regulations, being recognised as an enterprise of new and high technology, KEE Guangdong would be entitled to enjoy a preferential tax concession in the People's Republic of China and its applicable profit tax rate up to 2024 is expected to be 15%. Without this preferential tax concession, normal profit tax rate of KEE Guangdong would be 25%.

PROSPECTS

In 2022, the ever-changing global environment has had an impact on businesses worldwide. The Russian-Ukraine conflict, the impact from the pandemic, and the competition between major powers has led to global inflation. With the costs of raw materials and energy remaining high, there has been an increase in labor costs across the industrial chain which has led to a decline in consumer confidence. Various unfavorable factors have also brought considerable pressure to various industries.

Moving forward to 2023, though there has been a decline of impact from the pandemic, inflation remains a significant challenge. The Company will seize the opportunity of a recovering market and take the following measures to cope with challenges encountered in the socio-economic environment:

1. Increase market development efforts, strengthen cooperation with existing customers, expand the zipper business beyond the clothing industry, and develop in overseas markets;

2. Increase R&D investment, improve R&D capabilities, closely follow market trends and customer demands, strengthen the development of new products, new categories, and new processes, and create industry-leading products;

3. Integrate existing production capacity, further improve automation levels, improve production processes, improve product quality, control costs, and enhance the Company's competitiveness;

4. Accelerate the transformation of digitalization and informatization to "data intelligence", further improving operational efficiency and management levels;

5. Strengthen capital management and control operational risks;

6. Enhance talent management and improve organizational operational capabilities.

We will continue to review business strategies and operations of the Group to formulate long-term corporate strategies and development plans. We will also explore other business or investment opportunities to promote the future development of the Group.

Management Discussion and Analysis

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 27 June 2022, the Company and KGI Asia Limited (the "**Placing Agent**") entered into a placing agreement. Pursuant to the placing agreement, the Company has conditionally agreed to place, through the Placing Agent on a best efforts basis, up to 92,960,800 new shares of the Company at HK$0.75 per share to not less than six placees who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons (the "**Placees**"). The new shares were allotted and issued pursuant to the general mandate granted to the Directors pursuant to the resolutions of the shareholders of the Company passed at the annual general meeting of the Company held on 26 May 2021. On 12 July 2022, 92,960,800 new shares of the Company have been successfully allotted and issued to not less than six Placees at HK$0.75 per share. The net proceeds from the placing of approximately HK$68.6 million are intended to be used as general working capital and future business opportunities and investments of the Group. For details, please refer to the announcements of the Company dated 27 June 2022 and 12 July 2022.

As at 31 December 2022 and date of this annual report, approximately HK$15.8 million and HK$16.2 million, out of the net proceeds of approximately HK$68.6 million has been utilised as general working capital and business opportunities and investments respectively. It is expected that the remaining portion of the net proceeds amounting to approximately HK$52.4 million will be utilised by 30 June 2024.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

The Directors confirm that no significant event that affected the Group has occurred after 31 December 2022 and up to the date of this annual report.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board has committed to achieving 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 nine 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 2022, save as disclosed in this report, the Company has complied with all the code provisions as set out in the Corporate Governance Code.

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 2022.

BOARD OF DIRECTORS

The Board currently comprises nine members, consisting of four executive Directors, one non-executive Director and four 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 48 to 50 of this report.

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

The attendance record of each Director at the Board meetings and general meeting(s) of the Company held during the year ended 31 December 2022 is set out below:

The Board	**Board Meetings** Attendance	**Annual General Meeting** Attendance
Executive Directors		
Mr. Yip Siu Lun Dave *(Chairman) (Appointed on 23 March 2022)*	5/5	1/1
Mr. Zhuang Weidong *(Resigned on 4 March 2022)*	2/2	0/0
Mr. Qiu Chuanzhi *(Retired on 29 June 2022)*	0/4	0/0
Mr. Wu David Hang *(Resigned on 13 January 2022)*	0/0	0/0
Mr. Mak Yung Pan Andrew	5/5	1/1
Mr. Wu Cody Zhuo-xuan *(Appointed on 23 March 2022)*	5/5	1/1
Ms. Cheung Ka Yuen *(Appointed on 14 October 2022)*	0/0	0/0
Non-executive Director		
Ms. Lin Ping	2/5	0/0
Independent Non-executive Directors		
Mr. Leung Ka Tin	5/5	1/1
Mr. Cheng Hong Kei	5/5	0/1
Mr. Liew Fui Kiang	5/5	1/1
Mr. Ko Kwok Shu *(Appointed on 14 October 2022)*	0/0	0/0

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The position of Chairman was held by Mr. Zhuang Weidong from 1 January 2022 to 4 March 2022. On 4 March 2022. Mr. Zhuang Weidong resigned as a Chairman and Executive Director. Since 23 March 2022 and as at 31 December 2022, the role of the Chairman had been performed by Mr. Yip Siu Lun Dave 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 C.2.1 but the Board is of the view that given the small size of the existing management team, Mr. Yip Siu Lun Dave 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2022, 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.

APPOINTMENTS, RE-ELECTION AND RETIREMENT 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/her 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/herself 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 Ms. Cheung Ka Yuen and Mr. Ko Kwok Shu entered into a service contact with the Company for an initial term of three year commencing from 14 October 2022 and continue thereafter unless terminated by either party by giving at least one month written notice to the other party.

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.

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 2022.

Name of Directors	**Reading Materials**	**Attending Seminars/ Trainings**
Executive Directors		
Mr. Yip Siu Lun Dave *(Chairman) (Appointed on 23 March 2022)*	✓	✓
Mr. Zhuang Weidong *(Resigned on 4 March 2022)*	–	–
Mr. Qiu Chuanzhi *(Retired on 29 June 2022)*	–	–
Mr. Wu David Hang *(Resigned on 13 January 2022)*	–	–
Mr. Mak Yung Pan Andrew	✓	✓
Mr. WU Cody Zhuo-xuan *(Appointed on 23 March 2022)*	✓	✓
Ms. Cheung Ka Yuen *(Appointed on 14 October 2022)*	✓	✓
Non-executive Director		
Ms. Lin Ping	✓	✓
Independent Non-executive Directors		
Mr. Leung Ka Tin	✓	✓
Mr. Cheng Hong Kei	✓	✓
Mr. Liew Fui Kiang	✓	✓
Mr. Ko Kwok Shu *(Appointed on 14 October 2022)*	✓	✓

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 latest terms of reference of Audit Committee and Nomination Committee were adopted in 31 December 2018. 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 chairman and members of each Board committee is set out under "Corporate Information" on page 2.

AUDIT COMMITTEE

An Audit Committee has been established with written terms of reference in compliance with the Corporate Governance Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting system, internal control system and risk management, the effectiveness of the Company's internal audit function and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

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

The Audit Committee held three meetings to review interim and annual financial results and reports during the year ended 31 December 2022 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 2022 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 2022 is set out below:

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

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 four meetings 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 2022.

The attendance record of each Director at the Remuneration Committee meetings held during the year ended 31 December 2022 is set out below:

Remuneration Committee	Attendance
Mr. Cheng Hong Kei *(Committee Chairman)*	4/4
Mr. Leung Ka Tin	4/4
Mr. Liew Fui Kiang	4/4

The remuneration of Directors and senior management of the Company by band for the year ended 31 December 2022 is set out below:

	Number of Persons
HK$0 to HK$500,000	11
HK$500,001 to HK$1,000,000	1
HK$1,000,001 to HK$1,500,000	–
HK$1,500,001 to HK$2,000,000	–
HK$2,000,001 to HK$2,500,000	1
HK$2,500,001 to HK$3,000,000	–
HK$3,000,001 to HK$3,500,000	2
HK$3,500,001 to HK$4,000,000	–
HK$4,000,001 to HK$4,500,000	–

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 one executive Director, namely Mr. Yip Siu Lun Dave, an executive Director, is the chairman of the Nomination Committee.

The Nomination Committee held four meetings 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 2022.

The attendance record of each Director at the Nomination Committee meetings held during the year ended 31 December 2022 is set out below:

Nomination Committee	Attendance
Mr. Zhuang Weidong *(Resigned on 4 March 2022)*	0/0
Mr. Yip Siu Lun Dave *(Committee Chairman) (Appointed on 23 March 2022)*	3/3
Mr. Leung Ka Tin	4/4
Mr. Cheng Hong Kei	4/4
Mr. Liew Fui Kiang	4/4

Corporate Governance Report

BOARD DIVERSITY POLICY

The Board has adopted a revised Board Diversity Policy for the year ended 31 December 2022 to comply with the Code Provision and the Stock Exchange's recent guidelines on board diversity. The Board Diversity 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 annual report, the Board comprises nine Directors. Four 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 2022. 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 A.2.1 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 2022.

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 59 to 63.

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 2022 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 D.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.

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 2022 to be effective and adequate.

COMPANY SECRETARY

Mr. Chan Kam Fuk, aged 57, was appointed as the Company Secretary on 31 December 2021. Mr. Chan has extensive experience in finance, auditing and accounting. Mr. Chan graduated from The University of Southern Queensland, Australia with a Master of Professional Accounting in 1998 and from the City University of Hong Kong with the degree of Master of Science in Finance in 1995. Mr. Chan is the sole-proprietor of Dominic K. F. Chan & Co., CPA and Centurion ZD CPA & Co., CPA, and a director of Centurion ZD CPA Limited, accounting firms in Hong Kong. He is a practising certified public accountant in Hong Kong and a certified practising accountant in Australia and therefore he meets the qualification requirements under Rule 3.28 of the Listing Rules.

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.

Corporate Governance Report

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.

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: Suite 10A and 10B, 15/F., Nine Queen's Road Central, Central, Hong Kong

Fax: 3422 8030
Email: dchan@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 chairman 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

A. GOVERNANCE STRUCTURE

The board (the "**Board**") of directors (the "**Directors**") of China Apex Group Limited ("**CAGL**" or the "**Company**"), collectively with its subsidiaries, the "**Group**") is committed to maintaining high governance standards. The Group's vision for sustainability is to bolster its ability to operate and thrive profitably in a volatile economic, ecological, technological and social environment while fostering a robust culture of sustainability across the organisation. A strong and efficient governance structure enables to meet the needs of its key stakeholders while achieving long-term, sustainable growth. The Board is accountable for the leadership, performance, and management of the Group.

For effective decision making and advising the Board on matters within their scope, The Board has established three committees:

1. The Audit Committee

2. The Remuneration Committee, and

3. The Nomination Committee, to supervise various aspects of the Company's operations.

B. REPORTING PRINCIPLES AND BOUNDARIES

This Environmental, Social, and Governance (the "**ESG**") Report is published in accordance with the "comply or explain" provisions of the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") mentioned in Appendix 27 to the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). With reference to the Group's materiality, quantitative and consistency assessment on the business operations, the Group decided to comprise the performances and initiatives on environmental protection, employment policies and benefits, operation management, community involvement and various aspects of the business operation of manufacturing and selling zippers in Guangdong Province, Zhejiang Province and Hubei Province, the People's Republic of China, along with the Group's Hong Kong headquarters, for the year beginning 1 January 2022 and ending 31 December 2022.

The source of all information and data is the Group's official documents and relevant records. This Report was compiled by the Group's management and staff in order to evaluate the Group's internal environmental, social and operating practises and governance.

The Group assess the significance of these issues to the company growth and stakeholders and report accordingly.

C. REPORTING ON ENVIRONMENTAL PARAMETERS

C.1 POLICY AND GOVERNANCE ON ENVIRONMENTAL ASPECTS:

In accordance with ISO standards (such as ISO 14001) and applicable national laws and regulations, the Group formulated the Manual of Environmental Control System, which governs the Group's environmental policy regarding design, production, sale and other processes. In addition to outlining the necessity of reducing waste and conserving energy, the policy requires the employees to recycle materials whenever possible, thereby minimising the environmental impact of daily operations. The relevant committee annually examines and updates the Group's environmental strategies based on actual conditions.

C.2 EMISSION MANAGEMENT

The Group rigorously adheres to 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). The Group assessed the environmental impact of its production facilities and determined that emissions of air pollutants, greenhouse gases, water, sewage and non-hazardous residues are in compliance with PRC regulations.

The Group is unaware of any non-compliance with the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste and other applicable laws and regulations during the fiscal year ended 2022.

a. *Hazardous Waste and Non-Hazardous Waste Management*

Hazardous waste and non-hazardous waste management Industrial waste from the 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.

To avoid secondary pollution, the Group strictly adheres to relevant requirements when packing, storing and transporting hazardous waste to authorised professional waste handling institutions for recycling and disposal. Dyeing sludge is dewatered to reduce its water content and volume, easing the burden on landfills. Meanwhile, non-hazardous waste such as domestic refuse and kitchen waste is collected and disposed of by municipal government departments.

Non-hazardous waste is primarily attributed to discarded packaging materials and office domestic waste. Collectors collect and handle metals and broken machine parts. Hazardous waste generated during the manufacturing process is stored separately and collected by a qualified waste collector.

b. *Exhaust Gas and Greenhouse Gas, Dust Emission*

By obtaining a Pollutant Discharge Permit (污染物排放許可證) issued by the Ministry of Environmental Protection and Pollutant Emission Permit from the governmental regulatory authority, the Group ensures that the Group's emissions meet the state's standards.

The Group continues working on improving the exhaust gas emission system in order to reduce the Group's environmental impact. During the Period, the local ministry of environmental protection conducted random checks on sulphur dioxide, carbon monoxide and other exhaust gases. As a result, the Group's emissions were lower than the permissible density limit of air pollutants for oil-fired boilers specified by the Emission Limit of Air Pollutants for Industrial Boilers (鍋爐大氣污染物排放限值).

c. ***Sewage Treatment***

Sewage produced by the Group's operations primarily consists of dyeing wastewater and boiler wastewater by building a wastewater storage and monitoring device for sewage treatment. Wastewater flows into sewage treatment plants and is handled by the reclaimed water recycling system. Filters are replaced more frequently to improve recycling rates.

After treatment, recycled water is reused for dyeing, cleaning, cooling and watering vegetation in the industrial area. Wastewater that has been treated is discharged into the drainage system. The Group proactively promotes green operations, implement measures such as automation while improving the processes and reuse wastewater in the dyeing process.

Furthermore, the Group also ships the discharged wastewater to certified testing facilities. The local environmental protection agency also conducts regular inspections of wastewater discharged. The discharge standards of water pollutant sources for dyeing and finishing prevention (紡織染整工業水污染物排放標準) are met by effluent emissions such as COD, suspended solids and nitrogen.

Table 1 – Emissions Profile

Type of Emission	Unit	Emission	Intensity (per HK$1M revenue)
Greenhouse gas			
Scope 1	Tonnes CO_2e	420.79	1.95
Scope 2	Tonnes CO_2e	8,749,267.12	40,581.02
Scope 3	Tonnes CO_2e	218.00	1.01
Total (Scope 1,2 & 3)	Tonnes CO_2e	8,749,905.63	40,583.98
Exhaust gas			
Nitrogen Oxides	Kg	231.05	1.07
Sulphur Oxides	Kg	64.31	0.30
Particulate matter	Kg	980.80	4.55
Sewage	Tonne	189.03	0.88
Hazardous waste	Tonne	6.44	0.03
Non-hazardous waste	Tonne	1,196.21	5.55

C.3 EFFICIENT USE OF RESOURCES

Reduce, reuse and recycle can only help in using Earth's fine resources efficiently but also helps in saving and reducing cost. As a result, a number of eco-measures have been implemented and the Group incorporates them into everyday operations and encourage the employees to participate in them.

The majority of the energy consumed by the Group's manufacturing process is in electricity as the Group uses energy-saving lamps to implement green lighting to reduce the Group's electricity usage.

To conserve and use water more effectively, the Group repaired old water pipes, repaired leaks and reduces tap water usage. Furthermore, the research and development department introduced two metal zipper cleaners that effectively wash away plating solution and thus reduce water consumption.

With an aim to go paperless, employees of the Group are urged to use electronic methods such as email for daily tasks, support paperless offices, and encourage double-sided printing, as well as turn off lights, computers, fans and other electronic appliances that are idle to reduce waste.

Table 2 – Resource Consumption

Resource Utilisation	Unit	Usage	Intensity (Unit per HK$1M Revenue)
Electricity	kWh	12,739,459	59,094.43
– Office	kWh	408,385	1,894.37
– Factory	kWh	12,331,075	57,200.06
Steam	Tonne	5,626	26.10
Water	Tonne	252,134	1,169.57
Paper	Kg	2,729	12.66
Diesel Oil	L	369,895	1,715.83
LPG	Kg	39,160	181.65
Natural Gas	m^3	107,176	497.16

The revenue for the year was approximately HK$215,578,000.

The packaging materials used by the Group are mainly plastic bags and cartons, the sizes of which are decided by the needs of various customers and the size of the products. Regardless of the importance of packaging materials, the Group takes every effort to improve the utility rate of the resources and packaging materials are kept to a bare minimum to minimise waste generation.

Table 3 – Packaging Material

Packing Material	Unit	Consumption	Consumption Intensity (Per HK$1M revenue)
Carton Box	Kg	78,777.94	365.43
Plastic Bags	Kg	19,218.775	89.15

The revenue for the year was approximately HK$215,578,000.

C.4 ENVIRONMENT AND NATURAL RESOURCES

The Group recognises the significance of environmental protection and evaluates the environmental impact on a regular basis, while reviewing the Group's environmental practises and implement the required preventive or improvement measures to reduce the Group's and the environment's negative environmental impact from business operations.

The Group interacts with its suppliers, business partners and clients in order to better understand the Group's environmental policies, select qualified green raw materials and implement energy-efficient equipment meanwhile being dedicated to raising environmental awareness among employees.

C.5 CLIMATE CHANGE

Climate change is already having an effect on organisations and communities around the world with increased intensity and frequency of extreme weather events, prolonged droughts and rising temperatures and sea levels. Global and regional efforts are being coordinated to stabilise and decrease the volume of greenhouse gas (GHG) emissions caused by human activity through a concerted transition to low carbon.

To combat climate change, the Group has identified emission reduction pathways and developed an emission control and reduction strategy.

D. REPORTING ON SOCIAL PARAMETERS

D.1 EMPLOYMENT PRACTISES:

Employees are important assets of the Group. A sophisticated human resources management facilitates keeping up corporate competitiveness. The Group is dedicated to improving the 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.

a. *Policy and Governance Aspects:*

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.

b. Fair and Open Talent Selection

In terms of employee recruitment, the Group has created the Recruitment Management System, which enables fair and open hiring procedures. The Human Resources Department chooses talent based on objective factors such as work experience, job skills and academic credentials. To recruit and keep talent, the Group provides fair and competitive remuneration and employee benefits. Salary adjustments and promotions are based on objective variables such as job success and professional skills, as well as regular results and work evaluation.

c. Staff Advantages

Rest times, marriage and bereavement leave, maternity leave, injury leave, annual leave, family planning leave and paternity leave are all available to employees.

Table tennis tables, snooker tables, a gym and other amenities are added. The Group plans social, recreational and sporting events such as basketball tournaments and birthday parties. Employees can unwind after work by collecting, watching movies, travelling and participating in other activities.

The Group provides a dormitory for the factory workers as well as free Wi-Fi and everyday necessities and also replace and repair air conditioners on time, progressively improving the living conditions at the dormitory. Furthermore, the Group provides complimentary meals to the employees. The staff canteen offers a balanced diet that includes both meat and vegetables as well as a healthy and secure dining environment. Employees who work in the food industry are subjected to yearly body checks and are required to wear chef hats, masks, plastic shoes and other safety equipment. Local law requires us to acquire a Food Service Permit (食品衛生許可證).

The Administration and Diet Committee monitors the running of the staff canteen as well as the suppliers who provide food ingredients to the staff canteen to ensure that the supplies satisfy national hygiene standards. The committee distributes a survey form for staff canteen satisfaction on a regular basis and then follows up with improvement and monitoring of opinions.

d. ***Workforce Details and Turnover Rates:***

The Group welcomes people of all backgrounds to join as long as they are eager to learn, engage, and contribute.

The Group had 637 (2021: 676) full-time employees at the end of the Period. The table below contains key indicators for various job divisions, regions, age groups, and gender.

Table 4 – Employees

Particular	**Nos.**	**% of Total Staff**	**Staff Turnover Rate**
Employment Type			
– Full Time	637	100%	27.03%
– Part Time	0	0%	0%
Gender			
– Male	374	58.71%	23.36%
– Female	263	41.29%	31.69%
Age Group			
– 18 to 30	73	11.46%	50.68%
– 31 to 40	288	45.21%	27.82%
– 41 to 50	219	34.38%	16.09%
– 50 or above	57	8.95%	12.31%
Geographical Region			
– China	621	97.49%	27.03%
– Hong Kong	16	2.51%	0%
Employee Categories			
– Senior Management	12	1.88%	6.67%
– Middle Management	22	3.46%	13.04%
– General Staff	603	94.66%	27.78%
Service Period			
– Less than 5 Years	365	57.30%	36.74%
– 5 to 10 Years	135	21.19%	9.40%
– Over 10 Years	137	21.51%	6.80%

The Group strives to maintain employee turnover rate at an acceptable level, so as to facilitate accumulation of professional skills and experience. During the year of 2022, the overall turnover rate is about 27.03%. Efforts of the Group in the direction of improving employee satisfaction has resulted in reduction of turnover rate by 20.5% when compared to FY 21 and 38% when compared with FY20.

Environmental, Social and Governance Report

D.2 HEALTH AND SAFETY

a. *Policy and Governance Aspects:*

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).

b. *Safe Work Environment:*

The Group implements a 5S workplace management at its factories, namely, sort, set in order, vacuum, clean and manner and provide employees with protective apparel and tools, such as gloves, masks, earwear and safety boots. Labour gear wearing supervision mechanism is in existence as regular checks and monitoring employees' wearing of protective gear. For employees of some special categories such as electricians are required to acquire licences recognised by the national government and pass the necessary exams prior to work. Employees are required to replace damaged electricity wires conduct maintenance and repair of electronic appliances and wire safety and ensure double insulation of electricity wires.

The Group appoints a qualified professional organisation specialising in detection and evaluation of workplace occupational hazards on an annual basis to monitor the work environment and take development measures for occupational health safety risks at workplace.

The Group provides to the relevant employees with annual occupational health examination. In addition, the Group carries out comprehensive 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 employees.

The Group has formulated Fire Safety Control System and installed interactive fire alarm system in its factories. Designated staff is responsible for the monthly inspection, maintenance and repair for fire apparatus, 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 products and a production safety taskforce has been set up to formulate emergency plans; whilst actively cooperating with local fire departments to coordinate fire drills in springs and autumns for all employees.

c. ***Health and Safety Trainings:***

A greater safety awareness is promoted amongst the employees through a series on on-the-job training and a three-tier 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 safety awareness.

Education categories	Abstract
First level (Corporate education)	• 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)	• 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)	• 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.

Workplace representatives are sent 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.

Additionally, staff's awareness of fire safety is heightened through drills of pre-set escape routes, training on use of fire extinguishers and first-aid.

d. Covid Measures:

Due to the COVID-19 pandemic, the Group has developed a series of practices to protect employees and implemented Work from Home for staffs in HK office according to the operational requirements.

Table 5 – Occupational Health and Safety

Occupational health and safety statistics	2022	2021	2020
Number of lost days due to work injury	313.5	172	466
Number of work-related fatalities due to work	0	0	0
Number of work injuries due to work	8	3	11

D.3 DEVELOPMENT AND TRAINING

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

In addition, the Group has forged long-term partnerships with external training institutions in order to invite the students and renowned professors with pertinent experience will lecture the employees on human resources, administration, finances, production management, personal characteristics, research development and marketing. The Group's supplied and organized trainings can be included are management skills, safety trainings, communications and computer use.

The Group offer courses such as "Minimizing Ethical Trade Risks in the Supply Chain" (降低供應鏈道德貿易風險) to improve the cognizance and competence of front-line managers. For senior management Master's degree programs in business administration and other essential abilities. English classes are subsidized by the Group in order to increase the management competitiveness.

Table 6 – Training

Particulars	Male	Female	Senior Mgmt.	Middle Mgmt.
No. of training hours attended	2,079	1,251.5	20	81
No. of staff attended training	271	186	3	13
Average training hours completed per trained staff	7.67	6.73	6.67	6.23
% of staff attended training	57	49	60	72

D.4 LABOUR STANDARDS

The Group adheres rigorously to national laws and regulations and prohibits the use of child and forced labour. In order to prevent engagement of juvenile labour, the human resources department verifies the identity of applicants during the recruitment process.

The Code of Social Responsibility prohibits all forms of coerced labour and child labour. Employee Manual stipulates reasonable working hours that do not exceed the limit set by local laws and employees are entitled to one day off per week with no mandatory overtime. Night shift premiums and overtime pay are also provided.

The Complaint Management Procedures has been established under which employees subject to forced labour can submit written complaints to factory supervisors through opinion receptacles, voice out through labour unions, or make verbal complaints to the factory management. Employees' interests are safeguarded by comprehensive laws and internal policy.

Throughout the Reporting Period, neither child labour nor compelled labour occurred within the Group.

D.5 SUPPLY CHAIN MANAGEMENT

The Group's Supply Chain Management System regulates its' procurement management procedures and system. By engaging into a "Clean Cooperation Commitment" with the suppliers, the Group is committed to forging a positive, long-term partnership based on fair, just and open principles and have retained the original countersigned copy and will periodically update the Commitment. Suppliers are evaluated based on factors including quality, dependability, pricing, delivery time, quality assurance system and company size. In order to strike a balance between source control and economic benefits of recruitment, the Group will also take into account the suppliers' measures to fulfil their commitment to environmental protection during supplier classification and regular evaluation.

To strengthen chemical safety control, the Group has established the Chemicals Safety Control System and Control Standard of Prohibited Substances and updated the latter during the Reporting Period.

All of the Group's chemical suppliers have MSDS reports that identify the primary ingredients, user guide, storage, and transportation information. The reports were printed and posted in prominent areas of the warehouse. A third-party testing report was promptly adapted for the primary raw materials and stored on a shared drive accessible to all employees. In the meantime, all procured supplies must meet the requirements of the eighth level of needle detection. Additionally, a needle detector was acquired to inspect metal materials and guarantee product quality.

In order to reduce the carbon footprints generated by transportation, all suppliers are located in mainland China, primarily in Guangdong province, Zhejiang province and Shanghai. As of the end of its fiscal year on 31 December 2022, the Group had 350 suppliers. No significant complaints regarding the quality of used materials have been received throughout the year.

D.6 PRODUCT RESPONSIBILITY

a. *Quality Assurance*

The Group endeavours to offer high-quality products and services and is committed to improve product quality, attract new customer and strengthen relationships 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.

The Group has also established a comprehensive quality assurance system and 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.

b. *Consumer Service*

The Group welcomes 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. In 2022, there were 52 customer complaints (2021: 0 complaints), whilst having no product recall for health and safety problems.

c. *Privacy Policy*

The Group emphasizes the importance of safeguarding data of employees and customers and strictly complies with the Personal Data (Privacy) Ordinance (個人資料（私隱）條例) of the Hong Kong Law. The Group has 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 personnel.

d. *Advertising*

The Group ensures compliance with the Advertising Law of the People's Republic of China (中華人民共和國廣告法) and oversees the design and replacement of packaging materials for new products.

The marketing department, the production department, the logistics department and the quality control department all approve packaging specifications, size and material requirements, labelling and other items. During the Reporting Period, all advertising and publicity activities have been conducted in rigorous accordance with the advertising and promotion laws and regulations enforced in the regions where the businesses operate. There were no advertisements containing misleading or false statements.

D.7 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.

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 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.

a. *Whistle-Blowing Policy*

Reporting emails, hotlines and mailboxes are monitored and investigated by the Group's internal control department. A rewarding system for reporting is also in place. The Group keeps the names, addresses of whistle-blowers and departments where they work in strict confidence. Prompt investigation and verification will be done after receiving any report. Upon confirmation, the serious cases will be forwarded to law enforcement authorities and reward and recognise the whistle-blowers to a certain extent.

b. *Anti-Corruption Training*

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. The Group continues to fight corruption and bribery to eliminate dishonest act in business.

During the year of 2022, no suspicious cases associated with bribery, extortion, fraud and money laundering have been reported and discovered.

D.8 COMMUNITY

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 fulfil 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.

Over the years, the Group has been fulfilling the Corporate Social Responsibility with the donation to the disabled and the impoverished; whilst being supporting to the growth of athletes and young people. The Group encourages the employees to actively participate in charitable events and visit the disabled during festive occasions and holidays. Every year, sheltered factory visits are organized to show the care towards 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 RMB10,000 to the staff during difficulties due to pandemic and raised RMB15,592 from the Company between staffs for staff support.

Environmental, Social and Governance Report

HONG KONG STOCK EXCHANGE ESG REPORTING GUIDE CONTENT INDEX

Aspects from Appendix 27	Disclosure	Sections in ESG Report
Mandatory Disclosure Requirements		
13. Governance Structure	A statement from the board containing the following elements: (i) a disclosure of the board's oversight of ESG issues. (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	A. Governance Structure
14. Reporting Principles	A description of, or an explanation on, the application of the following Reporting Principles (Materiality, Quantitative, Consistency) in the preparation of the ESG report.	B. Reporting principles and boundaries
15. Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	B. Reporting principles and boundaries
Environmental		
Aspect A1: Emissions		
A1 General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer; relating to air and greenhouse gas emissions, discharges into water and land and generation of hazardous and non-hazardous waste.	C.1. Policy and Governance on Environmental Aspects
KPI A1.1	The types of emissions and respective emissions data.	C.2. Emission Management
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	Table 1: Table of emission
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	Table 1: Table of emission
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	Table 1: Table of emission

Aspects from Appendix 27	Disclosure	Sections in ESG Report
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	C.2.b. Exhaust gas and greenhouse gas, dust emission
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	C.2.a. Hazardous waste and non-hazardous waste management
A2. Use of Resources		
A2 General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	C.1. Policy and Governance on Environmental Aspects
KPI A2.1	Direct and/or indirect energy consumption by type (e.g., electricity, gas or oil) in total (kWh in '000s) and intensity (e.g., per unit of production volume, per facility).	Table 2: Table of Resource Consumption Data
KPI A2.2	Water consumption in total and intensity (e.g., per unit of production volume, per facility).	Table 2: Table of Resource Consumption Data
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	C.3. Efficient Use of Resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set, and steps taken to achieve them	C.3. Efficient Use of Resources
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Table 3: Table of Packing Material
A3. The Environment and Natural Resources		
A3 General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	C.1. Policy and Governance on Environmental Aspects
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	C.4. Environment and Natural Resources

Environmental, Social and Governance Report

Aspects from Appendix 27	Disclosure	Sections in ESG Report
A4. Climate Change		
General Disclosure A4	Policies on identification and mitigation of significant climate-related issues which have impacted and those which may impact, the issuer.	C.1. Policy and Governance on Environmental Aspects
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer and the actions taken to manage them.	C.5. Climate change
Social		
B1. Employment		
B1 General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer; relating to compensation and dismissal, recruitment, and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination and other benefits and welfare.	D.1. Employment Practises
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Table 4: Table of employee
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Table 4: Table of employee
B2. Health and Safety		
B2 General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer; relating to providing a safe working environment and protecting employees from occupational hazards.	D.2. Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Table 5: Occupational health and safety statistics
KPI B2.2	Lost days due to work injury.	Table 5: Occupational health and safety statistics
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	D.2. Health and Safety

Aspects from Appendix 27	Disclosure	Sections in ESG Report
B3. Development and Training		
B3 General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	D.3. Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g., senior management, middle management).	Table 6: Details of the training
KPI B3.2	The average training hours completed per employee by gender and employee category	Table 6: Details of the training
B4. Labour Standards		
B4 General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer; relating to preventing child and forced labour	D.4. Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	D.4. Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	D.4. Labour Standards
B5. Supply Chain Management		
B5 General Disclosure	Policies on managing environmental and social risks of the supply chain.	D.5. Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	D.5. Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	D.5. Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	D.5. Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	D.5. Supply Chain Management

Aspects from Appendix 27	Disclosure	Sections in ESG Report
B6. Product Responsibility		
B6 General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer; relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	D.6. Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	D.6.b. Consumer service
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	D.6.b. Consumer service
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	D.6.c. Privacy policy
KPI B6.4	Description of quality assurance process and recall procedures	D.6.a. Quality Assurance
KPI B6.5	Description of consumer data protection and privacy policies and how they are implemented and monitored.	D.6.c. Privacy policy
B7. Anti-corruption		
General Disclosure B7	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer; relating to bribery, extortion, fraud and money laundering.	D.7. Anti-Corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	D.7. Anti-Corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	D.7.a. Whistle-blowing policy
KPI B7.3	Description of anti-corruption training provided to directors and staff.	D.7.b. Anti-corruption training

Aspects from Appendix 27	Disclosure	Sections in ESG Report
B8. Community Investment		
General Disclosure B8	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	D.8 Community
KPI B8.1	Focus areas of contribution (e.g., education, environmental concerns, labour needs, health, culture, sport)	D.8 Community
KPI B8.2	Resources contributed (e.g., money or time) to the focus area.	D.8 Community

Biographies of Directors and Senior Management

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

EXECUTIVE DIRECTORS

Mr. Yip Siu Lun Dave, aged 62, was appointed as an executive Director and chairman of the Board with effect from 23 March 2022. Mr. Yip is experienced in the finance industry. Mr. Yip has been the chief financial officer of Maple International Group (China) Company Limited, a company incorporated in Hong Kong focusing on property development since 2014, in which he is responsible for the company's project management and financing.

Mr. Wu Cody Zhuo-xuan, aged 26, was appointed as an executive Director with effect from 23 March 2022. Mr. Wu has been the administrative manager of Maple International Group (China) Company Limited since 2021 after completing his undergraduate studies. Mr. Wu is the nephew of Mr. Wu Jingming, who is a substantial shareholder of the Company and be interested in, through Central Eagle, approximately 23.47% of the issued share capital of the Company.

Mr. Mak Yung Pan Andrew, aged 33, was appointed as an executive Director and authorized representative of the Company with effect from 19 November 2019. Mr. Mak is the Co-Founder and Chief Corporate Development Officer of Rockpool Capital Limited ("**Rockpool**") which he started in 2017. Rockpool is an integrated wealth management platform 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 Management Associate at the Standard Chartered Bank from July 2010 to March 2011. Mr. Mak then worked at JPMorgan Chase Bank, N.A. as an Associate from March 2011 to June 2016. Mr. Mak has been a director of Apex Insurance (Holdings) Limited, an insurance broker 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.

Ms. Cheung Ka Yuen, aged 34, was appointed as an executive Director with effect from 14 October 2022. Ms. Cheung obtained a Bachelor of Arts with Second Class Honours (1st Division) degree in Accounting from Edinburgh Napier University in 2016. From November 2014 to March 2017, Ms. Cheung worked at Gullivers Travel Associates (Hong Kong) Limited as an accounting clerk and was responsible for handling accounting matters and documents. Ms. Cheung has been the general manager of Maple International Group (China) Company Limited since September 2017, and is responsible for overseeing the operation of property investment segment in Hong Kong and Singapore as well as overall strategy, business planning and operational decision of the Company. Since February 2022, Ms. Cheung has been the Company's general manager.

NON-EXECUTIVE DIRECTOR

Ms. Lin Ping, aged 64, 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.

Biographies of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheng Hong Kei, aged 68, 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) 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 56, was appointed as an independent non-executive director of the Company since November 2019. Mr. Liew is a fellow of the Hong Kong Institute of Directors, a solicitor of England and Wales, and a solicitor of Hong Kong. Mr. Liew graduated from the University of Leeds in the United Kingdom with a Bachelor of Laws (Tetley & Lupton scholar) and he graduated from the Hull University Business School in the United Kingdom with a Master of Business Administration. Mr. Liew is currently an independent non-executive director of Shandong Gold Mining Company Limited (stock code: 1787 and Shanghai Stock Exchange stock code: 600547), Zhaoke Ophthalmology Limited (stock code: 6622), Zhengye International Holdings Limited (stock code: 3363) and Zhongchang International Holdings Group Limited (stock code: 859) respectively. Mr. Liew currently serves as an independent member of the board of supervisors for Ping An Insurance (Group) Company of China, Limited (stock code: 2318 and Shanghai Stock Exchange stock code: 601318), a Fortune Global 500 corporation. Mr. Liew was the chairman of the board of directors and executive director of PacRay International Holdings Limited (stock code: 1010) from 2017 to 2019. He was a non-executive director of Amber Hill Financial Holdings Limited (stock code: 33) in December 2019. Mr. Liew previously served as an independent director of Baoshan Iron & Steel Company Limited (寶山鋼鐵股份有限公司, Shanghai Stock Exchange stock code: 600019), a Fortune Global 500 corporation from 2000 to 2006.

Mr. Leung Ka Tin, aged 69, 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) Evershine Group Holdings Limited (stock code: 8022) as an independent non-executive director and an independent non-executive director for PanAsialum Holdings Company Limited (stock code: 2078) which is listed on the Stock Exchange. Mr. Leung is currently servicing as an independent non-executive director for Ruixin International Holdings Limited (stock code: 724).

Biographies of Directors and Senior Management

Mr. Ko Kwok Shu, aged 49, was appointed as an independent non-executive Director with effect from 14 October 2022. Mr. Ko is currently a practicing solicitor in Hong Kong, a Civil Celebrant of Marriages and a China Appointed Attesting Officer. Mr. Ko graduated from City University of Hong Kong with a Bachelor of Laws degree in 1996 and subsequently obtained a Postgraduate Certificate in Laws from City University of Hong Kong in 1997. Mr. Ko was admitted as a solicitor of Hong Kong in 1999 and is currently a partner at Messrs. Yung, Yu, Yuen & Co., Solicitors and Notaries. Mr. Ko specializes in the areas of civil and commercial litigation, dispute resolution and commercial matters.

SENIOR MANAGEMENT

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

Mr. Xu Xipeng, aged 57, 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 52, 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.

Ms. Liang Qing, aged 35, 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 2022.

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 principal subsidiaries as at 31 December 2022 are set out in note 26 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 31 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 profit of the Group for the year ended 31 December 2022 and the financial position of the Group as at 31 December 2022 are set out in the consolidated financial statements on 64 to 67 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

The Board does not recommend the payment of final dividend (2021: Nil) in respect of the year 2022 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 6 of this annual report.

RESERVES

As at 31 December 2022, distributable reserves of the Company amounted to approximately HK$57.63 million (2021: approximately HK$6.06 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 68 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 2022, the 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	
	2022	2021
	% of total turnover	% of total turnover
The largest customer	**4.9**	7.1
Five largest customers	**22.1**	21.8

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 2022 was approximately 22.1%, i.e. less than 30%.

	Year ended 31 December	
	2022	2021
	% of total purchase	% of total purchase
The largest supplier	**15.5**	18.3
Five largest suppliers	**60.0**	44.2

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.

BANK BORROWING

As at 31 December 2022 and 31 December 2021, the Group does not have any bank borrowings and therefore, the gearing ratio was not applicable.

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 24(c) to the consolidated financial statements.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to shareholders by reason of their holding of the Company's securities.

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 2022.

DIRECTORS

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

Executive Directors
Mr. Yip Siu Lun Dave *(Chairman) (Appointed on 23 March 2022)*
Mr. Zhuang Weidong *(Resigned on 4 March 2022)*
Mr. Qiu Chuanzhi *(Retired on 29 June 2022)*
Mr. Wu David Hang *(Vice Chairman) (Resigned on 13 January 2022)*
Mr. Wu Cody Zhuo-xuan *(Appointed on 23 March 2022)*
Mr. Mak Yung Pan Andrew
Ms. Cheung Ka Yuen *(Appointed on 14 October 2022)*

Non-executive Director
Ms. Lin Ping

Independent Non-executive Directors
Mr. Leung Ka Tin
Mr. Cheng Hong Kei
Mr. Liew Fui Kiang
Mr. Ko Kwok Shu *(Appointed on 14 October 2022)*

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. Two executive Directors, namely Mr. Mak Yung Pan Andrew and Ms. Cheung Ka Yuen and one non-executive Director, namely Ms. Lin Ping, two independent non-executive Director, namely Mr. Leung Ka Tin and Mr. Ko Kwok Shu 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 48 to 50 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 2022 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 2022.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, there were no contract of significance in relation to the Group's business in which the Company, or any of its subsidiaries or fellow subsidiaries or a controlling shareholder of the Company was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year ended 31 December 2022 or at any time during the financial year ended 31 December 2022.

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 2022 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.

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 2022.

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 2022, 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
Lin Ping (note 1)	Interest in controlled corporation	26,556,126	4.76%
Mak Yung Pan Andrew (note 1)	Interest in controlled corporation	26,556,126	4.76%

Notes:

1. 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 26,556,126 shares of the Company. Accordingly, each of Ms. Lin Ping and Mr. Mak Yung Pan Andrew is deemed to be interested in the 26,556,126 shares of the Company.

2. The percentage is calculated on the basis of 557,764,800 shares of the Company in issue as at 31 December 2022.

Save as disclosed above, As at 31 December 2022, 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.

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

As at 31 December 2022, 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	23.97%
Central Eagle (note 2)	Beneficial owner	130,897,663	23.47%
Golden Diamond (note 3)	Beneficial owner	82,342,606	14.76%
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%
Chan Ho Yin (note 8)	Joint and several receivers	216,048,937	38.73%
Li Kin Long Kenny (note 8)	Joint and several receivers	216,048,937	38.73%

Notes:

1. China Sun is wholly-owned by Mr. Qiu Chuanzhi.

2. Central Eagle is 100%-owned by Mr. Wu Jingming.

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. Chan Ho Yin and Li Kin Long Kenny have been appointed Joint and Several Receivers over the Charged Assets (as defined in the share charges executed by China Sun Corporation, Central Eagle Limited and Golden Diamond Inc. (as chargors) over shares of the Company in favour of Noble Wisdom Ever Limited ("**Chargee**") dated 2 July 2019) on 7 October 2021 pursuant to 3 Deeds of Appointment of Receivers signed by the Chargee dated 7 October 2021.

9. The percentage is calculated on the basis of 557,764,800 shares of the Company in issue as at 31 December 2022.

Save as disclosed above, as at 31 December 2022, the Directors were not aware of any other person (other than the Directors or chief executive of the Company) that 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 2022 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

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

OTHER RELATED-PARTY TRANSACTIONS

Details of other related-party transactions entered into by the Group during the year ended 31 December 2022, which did not constitute connected transactions under Chapter 14A of the Listing Rules are set out in note 29 to the consolidated financial statements.

Report of the Directors

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. After the expiry of the Share Option Scheme on 13 December 2020, the Company has not adopted any share option scheme.

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2022, the Company has not entered into the equity-linked agreements, and there was no equity-linked agreement entered into by the Company as at 31 December 2022.

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 2022.

AUDITOR

The consolidated financial statements for the year ended 31 December 2022 have 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

Yip Siu Lun Dave
Chairman
Hong Kong, 30 March 2023

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 64 to 123, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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**"), 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.

Key audit matters (Continued)

Valuation of inventories

Refer to note 5(c) and note 16 to the consolidated financial statements and the accounting policies on page 82.

The key audit matter	How the matter was addressed in our audit
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 2022 was approximately HK$33,527,000. 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 judgements and estimates are 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 to the consolidated financial statements and because of the significant judgements and estimates involved in determining the level of any provisions required at the end of the reporting period.	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 aging 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; • obtaining understanding on the relevant procedures implemented by management in identifying slow-moving and damaged inventories during 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 related confirmed sales orders; 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 2021 and assessing whether there were indications of management bias in making provisions for inventories.

Key audit matters (Continued)

Impairment assessment on non-financial assets

Refer to notes 5(a)(i), 14, 15 and 22(b) to the consolidated financial statements and the accounting policies on page 81–82.

The key audit matter	How the matter was addressed in our audit
The non-financial assets of the Group as at 31 December 2022 comprised property, plant and equipment of HK$73,753,000, right-of-use assets of HK$37,068,000 and intangible assets of HK$1,272,000. During the year ended 31 December 2022, the zipper business of the Group had experienced from decrease in sales while achieving an increase in gross profit margin. Accordingly, as at 31 December 2022 the directors have conducted impairment assessment on these non-financial assets in order to determine whether any previously impairment loss recognised should be reversed or additional impairment loss should be recognised. An impairment assessment requires significant judgements and estimates 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. 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 Company's 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 also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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, in accordance with the terms of our engagement, 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 HKSAs 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 HKSAs, 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.

Auditor's responsibility for the audit of the consolidated financial statements (Continued)

- 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 to 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, 30 March 2023

Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue	7	**215,578**	239,717
Cost of sales		**(145,868)**	(167,804)
Gross profit		**69,710**	71,913
Other revenue and gains/(losses), net	8	**14,906**	(3,487)
Distribution costs		**(13,042)**	(17,404)
Administrative expenses		**(67,354)**	(64,144)
Reversal of impairment losses/(impairment losses) on			
– trade receivables and bills receivable	31(a)	**175**	8
– property, plant and equipment	14	**–**	(108)
Interests on lease liabilities	22(b)	**(3,851)**	(3,720)
Profit/(loss) before taxation	9	**544**	(16,942)
Income tax credit	10	**114**	31
Profit/(loss) for the year		**658**	(16,911)
(Loss)/profit for the year attributable to:			
Equity shareholders of the Company		**(1,888)**	(17,503)
Non-controlling interests		**2,546**	592
Profit/(loss) for the year		**658**	(16,911)
Loss per share attributable to the equity shareholders of the Company (HK cents)	13		
Basic and diluted		**(0.4)**	(3.8)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Profit/(loss) for the year		**658**	(16,911)
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		**(27,684)**	8,636
Total comprehensive income for the year		**(27,026)**	(8,275)
Attributable to:			
Equity shareholders of the Company		**(25,430)**	(10,205)
Non-controlling interests		**(1,596)**	1,930
Total comprehensive income for the year		**(27,026)**	(8,275)

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment	14	**73,753**	81,931
Right-of-use assets	22(b)	**37,068**	43,245
Intangible assets	15	**1,272**	349
Prepayments for property, plant and equipment		**–**	48
Rental deposits		**5,382**	1,468
Deferred tax assets	18(c)	**5,691**	6,068
		123,166	133,109
Current assets			
Inventories	16	**33,527**	30,827
Trade and other receivables	17	**43,753**	51,862
Current tax recoverable	18(a)	**–**	111
Cash and cash equivalents	19	**105,266**	59,870
		182,546	142,670
Current liabilities			
Trade and other payables	20	**47,577**	57,356
Tax payable	18(a)	**115**	–
Amount due to a related party	21	**7,393**	2,238
Lease liabilities	22(a)	**22,427**	16,432
		77,512	76,026
Net current assets		**105,034**	66,644
Total assets less current liabilities		**228,200**	199,753
Non-current liabilities			
Lease liabilities	22(a)	**20,661**	33,863
Deferred tax liabilities	18(c)	**1,124**	1,124
		21,785	34,987
Net assets		**206,415**	164,766

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Capital and reserves			
Share capital	24(c)(i)	**5,578**	4,648
Reserves		**179,335**	137,020
Total equity attributable to the equity shareholders of the Company		**184,913**	141,668
Non-controlling interests		**21,502**	23,098
Total equity		**206,415**	164,766

On behalf of the Board

Yip Siu Lun Dave
Director

Wu Cody Zhuo-xuan
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to equity shareholders of the Company								
	Share capital HK$'000	Share premium HK$'000 Note 24(d)	Capital reserve HK$'000 Note 24(f)	Statutory reserve HK$'000 Note 24(e)	Exchange reserve HK$'000 Note 24(g)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2021	4,648	145,830	18,324	25,856	15,729	(58,514)	151,873	21,168	173,041
Changes in equity for 2021									
(Loss)/profit for the year	–	–	–	–	–	(17,503)	(17,503)	592	(16,911)
Other comprehensive income	–	–	–	–	7,298	–	7,298	1,338	8,636
Total comprehensive income	–	–	–	–	7,298	(17,503)	(10,205)	1,930	(8,275)
Balance at 31 December 2021	4,648	145,830	18,324	25,856	23,027	(76,017)	141,668	23,098	164,766
Balance at 1 January 2022	**4,648**	**145,830**	**18,324**	**25,856**	**23,027**	**(76,017)**	**141,668**	**23,098**	**164,766**
Changes in equity for 2022									
(Loss)/profit for the year	**-**	**-**	**-**	**-**	**-**	**(1,888)**	**(1,888)**	**2,546**	**658**
Other comprehensive income	**-**	**-**	**-**	**-**	**(23,542)**	**-**	**(23,542)**	**(4,142)**	**(27,684)**
Total comprehensive income	**-**	**-**	**-**	**-**	**(23,542)**	**(1,888)**	**(25,430)**	**(1,596)**	**(27,026)**
Proceeds from placing of new shares, net of expenses (note 24 (c))	**930**	**67,745**	**-**	**-**	**-**	**-**	**68,675**	**-**	**68,675**
Balance at 31 December 2022	**5,578**	**213,575**	**18,324**	**25,856**	**(515)**	**(77,905)**	**184,913**	**21,502**	**206,415**

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Cash flows from operating activities			
Profit/(loss) before income tax		**544**	(16,942)
Adjustments for:			
Depreciation and amortisation	9(b)	**33,576**	33,324
(Reversal of impairment losses)/impairment losses on			
– trade receivables and bills receivable	31(a)	**(175)**	(8)
– property, plant and equipment	14	**–**	108
Impairment losses/(reversal of impairment losses) on inventories, net	16	**581**	(223)
Interest income	8	**(503)**	(573)
Interest expenses on lease liabilities	22(b)	**3,851**	3,720
Loss on disposal of property, plant and equipment	8	**19**	130
Loss on disposal of intangible asset		**–**	36
Loss on disposal of subsidiaries		**–**	1,702
Gain on lease modification		**(7)**	(424)
Net foreign exchange (gains)/losses	8	**(13,250)**	4,397
Operating profit before working capital changes		**24,636**	25,247
Increase in inventories		**(3,790)**	(3,890)
Decrease/(increase) in trade and other receivables		**8,284**	(2,897)
(Increase)/decrease in rental deposits		**(3,914)**	1,458
(Decrease)/increase in trade and other payables		**(9,779)**	15,932
Cash generated from operations		**15,437**	35,850
Income tax refunded/(paid)	18(a)	**214**	(265)
Net cash generated from operating activities		**15,651**	35,585
Investing activities			
Payment for the purchase of property, plant and equipment		**(14,212)**	(19,465)
Payment for the purchase of intangible assets		**(1,163)**	(401)
Proceeds from disposal of property, plant and equipment		**1,219**	1,313
Interest received		**503**	573
Proceeds from disposal of subsidiaries, net of cash	27	**–**	(271)
Net cash used in investing activities		**(13,653)**	(18,251)

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Financing activities			
Advance from a related party	30	**8,155**	2,238
Repayment to a related party	30	**(3,000)**	–
Capital element of lease rental paid	30	**(19,446)**	(19,328)
Interest element of lease rental paid	30	**(3,851)**	(3,720)
Proceeds from placing of new shares, net of expense of HK$1,046,000	24(c)	**68,675**	–
Net cash generated from/(used in) financing activities		**50,533**	(20,810)
Net increase/(decrease) in cash and cash equivalents		**52,531**	(3,476)
Cash and cash equivalents at 1 January		**59,870**	60,930
Effect of foreign exchange rate changes		**(7,135)**	2,416
Cash and cash equivalents at 31 December	19	**105,266**	59,870

Notes to the Consolidated Financial Statements

31 December 2022

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.

The Company was informed by Mr. Chan Ho Yan (also known as Michael Chan) and Mr. Li Kin Long Kenny of D&P China (HK) Limited (trading as Kroll) (the "**Receivers**") on 7 October 2021 that the Receivers were appointed by Noble Wisdom Ever Limited (the "**Creditor**"), a subsidiary of China Huarong Asset Management Co., Ltd. (Stock code: 2799) ("**Huarong**") by three Deeds of Appointment of the Receivers dated 7 October 2021 signed by the Creditor as the joint and several receivers of 341,446,600 shares of the Company (the "**Relevant Shares**"), of which 125,397,663 shares are beneficially owned by Central Eagle Limited ("**Central Eagle**"), representing approximately 26.98% of the issued share capital of the Company, 133,706,331 shares are beneficially owned by China Sun Corporation ("**China Sun**"), representing approximately 28.77% of the issued share capital of the Company and 82,342,606 shares are beneficially owned by Golden Diamond Inc. ("**Golden Diamond**"), representing approximately 17.71% of the issued share capital of the Company as at 31 December 2021.

As announced by the Company on 9 March 2022 and 23 March 2022, the shareholders of Central Eagle and the Creditor entered into the sale and purchase agreement (the "**SP Agreement**") on 9 March 2022 and the completion of SP Agreement took place on 23 March 2022 (the "**Completion**"). Upon Completion, the Receivers remain interested in 216,048,937 Shares (the "**Adjusted Relevant Shares**"), representing approximately 46.48% of the total issued share capital of the Company.

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

The directors of the Company (the "**Directors**") considered that Huarong is the controlling shareholder of the Company as at 31 December 2021 and 2022 and as at the date of approval of these consolidated financial statements.

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

(a) Adoption of revised HKFRSs – effective 1 January 2022

During the year, the Group has adopted a number of amended standards, interpretations and amendments that are relevant to its operations and effective for the current accounting period.

Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	Annual Improvements to HKFRSs 2018–2020
Amendments to HKFRS 3	Reference to Conceptual Framework

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

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

The following new standards, interpretations and amendments potentially relevant to the Company's consolidated 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
HKFRS 17 and amendments to HKFRS 17, Insurance Contracts and the Related Amendments	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8, Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKFRS 16, Lease Liability in a Sale and Leaseback	1 January 2024
Amendment to HKAS 1, Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1, Non-current Liabilities with Covenants	1 January 2024
HK Interpretation 5 (Revised), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

The Group does not expect adoption of the above new/revised HKFRSs will have a material impact on the Company's consolidated financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the 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.

(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 profit or loss 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 in 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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).

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) 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, other than construction in progress, 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.

(d) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leasing

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) 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 entirely 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 rental deposits, 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.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and for the purpose of the consolidated statement of cash flows – bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(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, rental deposits and cash and cash equivalents). 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

Despite the aforegoing, 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 low 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(iii) Financial liabilities

Financial liabilities at amortised cost including trade and other payables and amount due to a related party. They are initial 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.

(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.

(g) 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; and

– investments in subsidiaries in the Company's statement of financial position.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

– 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).

– 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.

(h) 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 less than one year.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) 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 defined contribution retirement schemes are recognised as an expense in profit or loss as follows:

*(a) Employees of the Group in the People's Republic of China (the "**PRC**")*

Pursuant to the relevant labour rules and regulations in the PRC, employees of the Group in the PRC participated in the central pension scheme, which is a defined contribution plan administered by the PRC government, whereby the Group is required to make contributions to the central pension scheme based on certain percentages of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees. Contributions made to the central pension scheme vest immediately.

(b) Employees of the Group in Hong Kong

In compliance with the Hong Kong Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), employees of the Group in Hong Kong are required to participate in the Mandatory Provident Fund scheme of the Group ("**MPF Scheme**"). The MPF Scheme is a defined contribution plan administered by an independent corporate trustee. Under the MPF Scheme, each of the Group and the employees are required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the MPF Scheme vest immediately.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) 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.

(l) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) 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.

(m) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) 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.

(o) 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.

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 indication of impairment. When indication of impairment is identified, management conduct impairment assessment on these non-financial assets by preparing discounted future cash flows to determine whether any previously impairment loss recognised should be reversed or additional impairment loss should be recognised. Such impairment assessment requires significant judgements and estimates 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. Any change in the assumptions adopted in the cash flow forecasts may result in recognition or reversal 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(f)(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.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Inventories

The Group exercises judgment to determine the appropriate level of provisioning for inventory items that may be sold below cost due to a reduction in demand resulting from unfavorable changes in consumer preferences. This assessment is necessary to prevent the carrying value of inventories from exceeding their net realisable value.

Factors such as current market conditions, historical usage rates, and experience in selling similar goods are considered when estimating provision for inventories. However, the level of provision required may change significantly due to changes in market conditions. Any change in the estimates may increase or decrease the impairment loss for the year and affect the Group's net asset value.

(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) 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.

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

As explained in note 4(e), 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.

Following the changes of the corporate shareholding of the Company with more details set out in note 1 and the composition of the board of directors as shown in note 11, in the current year, the Group reorganised its internal reporting structure which resulted in changes to the composition of its reportable segment. Information reported to the Group's senior executive management, being the chief operating decision maker, for the purposes of resource allocation and assessment, focuses on revenue analysis by geographic location of customers. No other discrete financial information is provided other than the Group's results and financial position as a whole. Accordingly, only entity-wide disclosures, major customers and geographic information are presented. Prior year segment disclosures have been represented to conform with the current year's presentation.

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 7.

The Group's non-current assets excluding financial assets (i.e. rental deposits) 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 and prepayments for property, plant and equipment, it is based on the location of the operation to which they are allocated. As at 31 December 2022, the Group's Specified Non-current Assets were located in Mainland China and Hong Kong with carrying amounts of HK$108,224,000 (2021: HK$124,640,000) and HK$3,869,000 (2021: HK$933,000) respectively.

Notes to the Consolidated Financial Statements

31 December 2022

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:

	2022	2021
	HK$'000	HK$'000
Sales of goods		
Finished zippers and sliders	**206,850**	235,065
Others	**8,728**	4,652
	215,578	239,717

The Group derives revenue from the transfer of goods sold at a point in time in the following geographical regions as follows:

	2022	2021
	HK$'000	HK$'000
Mainland China	**188,625**	218,271
Overseas	**26,953**	21,446
	215,578	239,717

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:

	2022	2021
	HK$'000	HK$'000
Trade debtors and bills receivable (note 17)	**36,986**	48,907
Contract liabilities (note 20)	**1,832**	996

7. REVENUE (CONTINUED)

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

	2022 **HK$'000**	2021 HK$'000
Balance as at 1 January	**996**	841
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	**(766)**	(737)
Increase in contract liabilities as a result of receipts in advance from customers during the year	**1,627**	883
Exchange adjustments	**(25)**	9
Balance as 31 December	**1,832**	996

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.

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

	2022 HK$'000	2021 HK$'000
Revenue from other sources		
Interest income	503	573
Government grants (Note)	985	656
	1,488	1,229
Other gains/(losses), net		
Net foreign exchange gains/(losses)	13,250	(4,397)
Loss on disposal of subsidiaries (note 27)	–	(1,702)
Loss on disposal of property, plant and equipment	(19)	(130)
Others	187	1,513
	13,418	(4,716)
	14,906	(3,487)

Note: Government grants of HK$256,000 (2021: HK$425,000) were granted to certain subsidiaries for their product innovation and development. There were no unfulfilled conditions for these government grants.

Government grants of HK$280,000 (2021: Nil) obtained from Employment Support Scheme ("**ESS**") under the Anti-epidemic Fund launched by the Hong Kong SAR Government supporting the payroll of the Group's employees. Under the ESS, the Group had to commit to spending these grants on payroll expenses, and not reducing employee head count below prescribed levels for a specified period of time. The Group did not have other unfulfilled obligations relating to this program.

9. PROFIT/(LOSS) BEFORE TAXATION

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

(a) Staff costs*

	2022 HK$'000	2021 HK$'000
Salaries, wages and other benefits	**83,066**	98,599
Contributions to defined contribution retirement plans	**10,224**	11,199
	93,290	109,798

(b) Other items

	2022 HK$'000	2021 HK$'000
Depreciation and amortisation*		
Plant and equipment (note 14)	**14,405**	14,333
Intangible assets (note 15)	**171**	163
Right-of-use assets (note 22(b))	**19,000**	18,828
	33,576	33,324
Auditors' remuneration		
Audit services	**1,033**	950
Other services	**182**	150
	1,215	1,100
Research and development expenses	**8,658**	9,653
Cost of inventories* (note 16)	**145,868**	167,804

* Cost of inventories includes HK$76,955,000 (2021: HK$82,633,000) 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.

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

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

	2022 **HK$'000**	2021 HK$'000
Current tax		
PRC corporate income tax		
Under-provision in respect of prior years	**12**	32
Hong Kong Profits Tax	**–**	–
Deferred tax		
Origination and reversal of temporary differences	**(126)**	(63)
	(114)	(31)

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

	2022 **HK$'000**	2021 HK$'000
Profit/(loss) before taxation	**544**	(16,942)
Notional tax charge/(credit) on profit/(loss) before taxation calculated at the rates applicable to the respective jurisdictions	**1,605**	(1,902)
Effect of non-deductible expenses	**3,891**	4,781
Effect of non-taxable income	**(4,457)**	(1,068)
Utilisation of tax loss previously not recognised	**(965)**	(2,338)
Effect of tax losses not recognised	**1,745**	970
Effect of prevailing tax rate	**(1,945)**	(537)
Under-provision in prior years	**12**	32
Others	**–**	31
	(114)	(31)

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

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

(ii) 開易(廣東)服裝配件有限公司 (KEE (Guangdong) Garment Accessories Limited*) ("**KEE Guangdong**") was recognised as a High and New Technology Enterprise and is entitled to a preferential income tax rate of 15% up to 2025. Except for KEE Guangdong, the statutory income tax rate applicable to the Company's other subsidiaries in Mainland China is 25%.

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

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

(iii) The Group is subject to PRC withholding tax of 10% on the gross interest income from its PRC subsidiaries to the Company.

(iv) 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 2022, deferred tax liability recognised in this regard was HK$1,124,000 (2021: HK$1,124,000) (Note 18(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 2022				
Executive directors				
Yip Siu Lun Dave *(Chairman)* *(Appointed on 23 March 2022)*	–	2,323	15	2,338
Wu Cody Zhuo-xuan *(Appointed on 23 March 2022)*	–	929	15	944
Mak Yung Pan Andrew	–	100	5	105
Cheung Ka Yuen *(Appointed on 14 October 2022)*	–	214	5	219
Wu David Hang *(Resigned on 13 January 2022)*	–	126	–	126
Zhuang Weidong *(Resigned on 4 March 2022)*	–	–	–	–
Qiu Chuanzhi *(Retired on 29 June 2022)*	–	–	–	–
Non-executive director				
Lin Ping	–	–	–	–
Independent non-executive directors				
Leung Ka Tin	216	–	–	216
Cheng Hong Kei	216	–	–	216
Liew Fui Kiang	216	–	–	216
Ko Kwok Shu *(Appointed on 15 October 2022)*	52	–	–	52
	700	3,692	40	4,432

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 2021				
Executive directors				
Zhuang Weidong *(Chairman)* *(Resigned on 4 March 2022)*	50	–	3	53
Qiu Chuanzhi *(Retired on 29 June 2022)*	50	–	3	53
Wu David Hang *(Resigned on 13 January 2022)*	–	3,669	55	3,724
Mak Yung Pan Andrew	50	–	3	53
Non-executive director				
Lin Ping	–	–	–	–
Independent non-executive directors				
Leung Ka Tin	144	–	–	144
Cheng Hong Kei	144	–	–	144
Liew Fui Kiang	144	–	–	144
	582	3,669	64	4,315

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. Each of Mr. Zhuang Weidong, Mr. Qiu Chuanzhi and Mr. Mak Yung Pan Andrew had waived their emoluments as executive Directors from 1 June 2021 to 31 December 2021.

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2021: one) are directors. The aggregate of the emoluments in respect of the other three (2021: four) individuals are as follows:

	2022 HK$'000	2021 HK$'000
Salaries and other emoluments	**3,097**	5,447
Discretionary bonuses	**4,190**	5,960
Retirement scheme contributions	**60**	98
	7,347	11,505

The emoluments of the three (2021: four) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2022	2021
HK$1,000,001 to HK$1,500,000	**1**	1
HK$2,000,001 to HK$2,500,000	**–**	1
HK$3,000,001 to HK$3,500,000	**2**	–
HK$4,000,001 to HK$4,500,000	**–**	2
	3	4

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$1,888,000 (2021: HK$17,503,000) and the weighted average number of 508,865,000 ordinary shares (2021: 464,804,000 ordinary shares) in issue during the year ended 31 December 2022.

(b) Diluted loss per share

The diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary shares in issue during both years ended 31 December 2021 and 2022.

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					
1 January 2021	158,620	15,267	21,576	4,218	199,681
Exchange adjustments	4,664	358	656	149	5,827
Additions	–	689	1,862	6,254	8,805
Disposals	(2,529)	(1,956)	(161)	(208)	(4,854)
Disposal of subsidiaries (Note 27)	–	(16)	–	–	(16)
Reclassification	5,666	412	–	(6,078)	–
At 31 December 2021 and 1 January 2022	**166,421**	**14,754**	**23,933**	**4,335**	**209,443**
Exchange adjustments	**(14,201)**	**(1,126)**	**(2,082)**	**(502)**	**(17,911)**
Additions	**786**	**499**	**3,015**	**9,960**	**14,260**
Disposals	**(921)**	**(124)**	**–**	**(1,236)**	**(2,281)**
Reclassification	**6,150**	**1,093**	**–**	**(7,243)**	**–**
At 31 December 2022	**158,235**	**15,096**	**24,866**	**5,314**	**203,511**
Accumulated depreciation and impairment loss					
1 January 2021	84,966	11,405	16,220	474	113,065
Exchange adjustments	2,607	282	519	9	3,417
Charge for the year	10,178	1,113	3,042	–	14,333
Written back on disposals	(2,035)	(1,267)	(42)	(67)	(3,411)
Impairment loss	108	–	–	–	108
Reclassification	230	6	–	(236)	–
At 31 December 2021 and 1 January 2022	**96,054**	**11,539**	**19,739**	**180**	**127,512**
Exchange adjustments	**(8,459)**	**(853)**	**(1,793)**	**(11)**	**(11,116)**
Charge for the year	**10,137**	**892**	**3,376**	**–**	**14,405**
Written back on disposals	**(590)**	**(379)**	**–**	**(74)**	**(1,043)**
Reclassification	**25**	**–**	**–**	**(25)**	**–**
At 31 December 2022	**97,167**	**11,199**	**21,322**	**70**	**129,758**
Carrying amount					
At 31 December 2022	**61,068**	**3,897**	**3,544**	**5,244**	**73,753**
At 31 December 2021	70,367	3,215	4,194	4,155	81,931

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Note:

During the years ended 31 December 2022 and 2021, the zipper business of the Group has experienced from decrease or increase in sales and/or profit while archiving an increase in gross profit margin. Accordingly, as at 31 December 2022 and 2021 management conducted impairment assessment on the non-financial assets of this business in accordance with the accounting policy shown in note 4 (g) in order to determine whether any impairment loss recognised should be reversed or impairment loss should be recognised respectively. These assets comprised property, plant and equipment including construction in progress, prepayments for property, plant and equipment (note 14), intangible assets with finite lives (note 15) and the right-of-use assets (note 22) (collectively the "**Relevant Assets**") for the purpose of impairment assessment.

The recoverable amount of the Relevant Assets of the zipper business, 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 (2021: five-year period) with the growth rate of 8% in the first year and gradually decreases to 3% in the fifth year (2021: 8% in the first year and gradually decreases to 2% in the fifth year), gross profit margins ranging from 32% to 34% (2021: 27% to 28%) and at a discount rate of 11% (2021: 10%). 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 recoverable amount of the Relevant Assets as at 31 December 2022 and 2021 approximated their respective carrying amount, no additional impairment loss nor reversal of previously recognised impairment loss had been made for the years ended 31 December 2022 and 2021 except for an impairment loss of HK$108,000 recognised during the year ended 31 December 2021 related to those property, plant and equipment identified to be unusable.

15. INTANGIBLE ASSETS

	Software HK$'000
Cost	
At 1 January 2021	8,453
Exchange adjustments	252
Addition	401
Disposal	(100)
At 31 December 2021 and 1 January 2022	**9,006**
Exchange adjustments	**(810)**
Addition	**1,163**
At 31 December 2022	**9,359**
Accumulated amortisation	
At 1 January 2021	8,313
Exchange adjustments	245
Amortisation for the year	163
Disposal	(64)
At 31 December 2021 and 1 January 2022	**8,657**
Exchange adjustments	**(741)**
Amortisation for the year	**171**
At 31 December 2022	**8,087**
Carrying amount	
At 31 December 2022	**1,272**
At 31 December 2021	349

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

16. INVENTORIES

	2022 HK$'000	2021 HK$'000
Raw materials	**8,282**	9,860
Work in progress	**21,842**	18,260
Finished goods	**3,403**	2,707
	33,527	30,827

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

	For the year ended 31 December	
	2022 HK$'000	2021 HK$'000
Carrying amount of inventories sold	**145,796**	167,860
Write-down of inventories	**1,631**	1,486
Reversal of write-down of inventories	**(1,050)**	(1,709)
Exchange adjustments	**(509)**	167
	145,868	167,804

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

The reversal of write-down of inventories is related to the increase in the estimated net realisable value or usage of certain inventories previously provided for.

17. TRADE AND OTHER RECEIVABLES

	Notes	2022 HK$'000	2021 HK$'000
Trade debtors and bills receivable		**38,163**	50,376
Less: Loss allowance	31(a)	**(1,177)**	(1,469)
		36,986	48,907
Rental deposits		**–**	1,697
Other prepayments		**1,233**	861
Other tax receivables		**5,080**	–
Other debtors		**454**	397
		43,753	51,862

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

17. TRADE AND OTHER RECEIVABLES (CONTINUED)

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 impairment, is as follows:

	2022 **HK$'000**	2021 HK$'000
Within 1 month	**13,723**	18,741
Over 1 month but within 2 months	**14,520**	17,916
Over 2 months but within 3 months	**5,838**	6,503
Over 3 months	**2,905**	5,747
	36,986	48,907

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

Further details on the Group's credit policy and credit risk arising from trade debtors and bills receivable are set out in note 31(a). Trade debtors and bills receivable are in general due within 30–90 days from the date of billing.

18. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2022 **HK$'000**	2021 HK$'000
At 1 January	**(111)**	122
Under-provision in respect of prior years (note 10(a))	**12**	32
Income tax refunded/(paid)	**214**	(265)
At 31 December	**115**	(111)
Represented by:		
Current tax payable	**115**	–
Current tax recoverable	**–**	(111)
	115	(111)

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

(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
Deferred tax arising from:					
At 1 January 2021	2,806	62	2,966	(1,124)	4,710
(Charged)/credited to consolidated statement of profit or loss	(194)	63	194	–	63
Exchange adjustments	87	–	84	–	171
At 31 December 2021 and 1 January 2022	**2,699**	**125**	**3,244**	**(1,124)**	**4,944**
(Charged)/credited to consolidated statement of profit or loss	**(420)**	**126**	**420**	**–**	**126**
Exchange adjustments	**(210)**	**–**	**(293)**	**–**	**(503)**
At 31 December 2022	**2,069**	**251**	**3,371**	**(1,124)**	**4,567**

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

	2022 HK$'000	2021 HK$'000
Deferred tax asset recognised in the consolidated statement of financial position	**5,691**	6,068
Deferred tax liability recognised in the consolidated statement of financial position	**(1,124)**	(1,124)
	4,567	4,944

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

(d) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 4(j), the Group has not recognised deferred tax assets in respect of the amount of cumulative tax losses of HK$30,409,000 (2021: HK$15,580,000) 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 losses of approximately HK$14,935,000 (2021: HK$14,157,000) are subject to agreement by the Inland Revenue Department and can be carried forward indefinitely, while the remaining unused tax losses of approximately HK$521,000 (2021: HK$768,000) and HK$14,953,000 (2021: HK$655,000) will expire in five years and ten years from respective dates of incurrence.

(e) Deferred tax liabilities not recognised

At 31 December 2022, temporary differences relating to the undistributed profits of the Group's PRC subsidiaries amounted to HK$72,949,000 (2021: HK$48,287,000). Deferred tax liabilities relating to a portion of these temporary differences amounting to HK$2,370,000 (2021: HK$1,569,000) 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.

19. CASH AND CASH EQUIVALENTS

	2022 **HK$'000**	2021 HK$'000
Cash at banks and in hand	**105,266**	59,870

As at 31 December 2022, cash and cash equivalents in the amount of HK$41,766,000 (2021: HK$55,556,000) 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.

20. TRADE AND OTHER PAYABLES

	2022 HK$'000	2021 HK$'000
Trade creditors	**7,630**	10,857
Payroll and staff benefits payable	**22,721**	31,926
Accrued expenses	**6,932**	5,301
Payables for purchase of property, plant and equipment	**2,274**	8,022
Other tax payables	**5,588**	–
Contract liabilities (Note 7)	**1,832**	996
Other payables	**600**	254
	47,577	57,356

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:

	2022 HK$'000	2021 HK$'000
Within 1 month	**7,414**	10,243
Over 1 month but within 3 months	**193**	428
Over 3 months but within 6 months	**–**	5
Over 6 months	**23**	181
	7,630	10,857

21. AMOUNT DUE TO A RELATED PARTY

The balance represents advance made by an individual which is vice president of the Company and son-in-law of a director of the Company. It is unsecured, interest free and repayable on demand.

22. 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 2022 and 2021 are due as follows:

	Minimum lease payments 2022 HK\$'000	**Interest 2022 HK\$'000**	**Present value 2022 HK\$'000**
Not later than one year	**24,881**	**2,454**	**22,427**
Later than one year and not later than two years	**15,397**	**988**	**14,409**
Later than two years and not later than five years	**6,397**	**145**	**6,252**
	46,675	**3,587**	**43,088**

	Minimum lease payments 2021 HK\$'000	Interest 2021 HK\$'000	Present value 2021 HK\$'000
Not later than one year	19,390	2,958	16,432
Later than one year and not later than two years	18,793	1,797	16,996
Later than two years and not later than five years	17,744	877	16,867
	55,927	5,632	50,295

The present value of future lease payments are analysed as:

	2022 HK\$'000	2021 HK\$'000
Current liabilities	**22,427**	16,432
Non-current liabilities	**20,661**	33,863
	43,088	50,295

22. 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 2021 and 2022:

	Right-of-use assets (note) HK$'000	**Lease liabilities** HK$'000
1 January 2021	56,408	64,170
Depreciation	(18,828)	–
Interest expense	–	3,720
Modification of leases arising from early renewal of leases	8,612	8,612
Adjustment on reduction of lease term	(4,292)	(4,716)
Payments of lease liabilities (note 30)	–	(23,048)
Exchange adjustments	1,345	1,557
As at 31 December 2021 and 1 January 2022	**43,245**	**50,295**
Depreciation	**(19,000)**	**–**
Interest expense	**–**	**3,851**
Addition	**11,703**	**11,703**
Modification of leases arising from early renewal of leases	**4,997**	**4,997**
Early termination of lease	**(432)**	**(439)**
Payments of lease liabilities (note 30)	**–**	**(23,297)**
Exchange adjustments	**(3,445)**	**(4,022)**
As at 31 December 2022	**37,068**	**43,088**

Note:

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

In September 2021, a subsidiary of the Company was informed by the management committee of Jiashan Economic and Technology Development Zone (嘉善經濟技術開發區管理委員會) (the "**JETDZ Management Committee**") that its production base is included in the implementation area of the organic renewal project of the Economic Development Zone and required to be vacated. The subsidiary is yet to receive the timeline of the relocation of the production base from the JETDZ Management Committee and will discuss with the JETDZ Management Committee regarding the relocation plan. As a consequence, management had re-assessed the lease term of the production base and considered it was no longer reasonably certain to exercise the option to renew the lease of the production base. As such, the right-of-use assets and lease liabilities were remeasured during the year ended 31 December 2021.

23. 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 (2021: 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.

24. 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 2021	4,648	145,830	(117,567)	32,911
Change in equity for 2021:				
Loss and total comprehensive income for the year	–	–	(22,200)	(22,200)
Balance at 31 December 2021 and 1 January 2022	**4,648**	**145,830**	**(139,767)**	**10,711**
Change in equity for 2022:				
Proceeds from placing of new shares, net of expenses	**930**	**67,745**	**–**	**68,675**
Loss and total comprehensive income for the year	**–**	**–**	**(16,177)**	**(16,177)**
Balance at 31 December 2022	**5,578**	**213,575**	**(155,944)**	**63,209**

(b) Dividends

No interim and final dividend were declared and proposed respectively in respect of the years ended 31 December 2022 and 2021.

24. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital

(i) Authorised and issued share capital

	At 31 December 2022		At 31 December 2021	
	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	**464,804**	**4,648**	464,804	4,648
Proceeds from placing of new shares, net of expenses	**92,961**	**930**	–	–
At 31 December	**557,765**	**5,578**	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.

(ii) Proceeds from placing of new shares

On 12 July 2022, the Company completed a placement of 92,960,800 new ordinary shares at a subscription price of HK$0.75 each for providing additional working capital to the Group. It resulted in a total cash of HK$68,675,000, net of share issue expense of HK$1,046,000.

(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 ("**KEE Zhejiang**"), which are wholly foreign owned enterprises established 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 owners.

24. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Statutory reserve (Continued)

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.

(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(m).

(h) Distributability of reserves

At 31 December 2022, the aggregate amount of reserves available for distribution to the equity shareholders of the Company was HK$57,631,000 (2021: HK$6,063,000).

(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%. As at 31 December 2022 and 31 December 2021, as the total debt is less than cash and cash equivalents, no adjusted debt-to-capital ratio is calculated. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

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

25. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment		**1,639**	–
Right-of-use assets		**1,369**	555
Rental deposit		**665**	–
		3,673	555
Current assets			
Amount due from a subsidiary		**16,609**	16,442
Other receivables and deposit		**411**	128
Cash and cash equivalents		**52,747**	92
		69,767	16,662
Current liabilities			
Other payables		**1,440**	3,705
Amount due to a related party		**7,393**	2,238
Lease liabilities		**1,114**	563
		9,947	6,506
Net current assets		**59,820**	10,156
Total assets less current liabilities		**63,493**	10,711
Non-current liabilities			
Lease liabilities		**284**	–
Net assets		**63,209**	10,711
Capital and reserves			
Share capital	24(c)(i)	**5,578**	4,648
Reserves		**57,631**	6,063
Total equity	24(a)	**63,209**	10,711

Approved and authorised for issue by the board of directors on 30 March 2023.

Yip Siu Lun Dave
Director

Wu Cody Zhuo-xuan
Director

26. 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 operation	Issued and fully paid up capital	Attributable equity interest		Principal activities
			Direct	Indirect	
KEE International BVI Limited	BVI	2 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*	The PRC	USD8,760,000	–	85%	Manufacture and sale of zipper products
KEE (Hubei) Zippers Manufacturing Limited* ("**KEE Hubei**")	The PRC	RMB38,000,000	–	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

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

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

26. 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 2022. The summarised financial information presented below represents the amounts before any inter-company elimination.

	2022 HK$'000	2021 HK$'000
NCI percentage	**15%**	15%
Current assets	**129,358**	142,450
Non-current assets	**119,493**	132,553
Current liabilities	**(84,006)**	(86,033)
Non-current liabilities	**(21,501)**	(34,987)
Net assets	**143,344**	153,983
Carrying amount of NCI	**21,502**	23,098
Revenue	**215,578**	239,717
Profit for the year	**16,973**	3,946
Total comprehensive income	**(10,639)**	12,866
Profit allocated to NCI	**2,546**	592
Cash flows from operating activities	**34,061**	45,165
Cash outflows from investing activities	**(11,847)**	(18,713)

27. DISPOSAL OF SUBSIDIARIES

In December 2021, the Group disposed of all of its 100% equity interests of Oriental Choice Holdings Limited and Baiyu Ventures Limited to a third party at a total cash consideration of US$2. This disposal resulted in a net loss of approximately HK$1,702,000.

	HK$'000
Total cash consideration received (US$2)	–
Carrying amount of the net liabilities disposed of	2,200
Waiver of amount due from a subsidiary	(4,343)
Reclassification of exchange reserve upon disposal	441
Loss on disposal of subsidiaries	(1,702)

The carrying amount of assets and liabilities as at the date of disposal of 20 December 2021 are as follows:

	20 December 2021 HK$'000
Property, plant and equipment	16
Investment in a jointly controlled entity	5
Other receivables	125
Amount due from a jointly controlled entity	1,844
Cash and cash equivalents	271
Total assets	2,261
Other payables	(118)
Amount due to the Group	(4,343)
Total liabilities	(4,461)
Net liabilities	(2,200)
Net cash outflow arising from disposal:	
– Cash consideration (US$2)	–
– Less: Cash and cash equivalents disposed of	(271)
	(271)

The transaction cost of the acquisition is immaterial.

28. COMMITMENTS

Capital commitments outstanding at 31 December 2022 and 2021 not provided for in the consolidated financial statements were as follows:

	2022 **HK$'000**	2021 HK$'000
Contracted for	**524**	313

29. 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 2022 and 31 December 2021, the directors considered that Huarong is the controlling shareholder of the Company.

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

(i) The Group renewed a lease agreement which expired on 31 December 2022 for a term of two years ending 31 December 2024 in respect of certain leasehold land and buildings entered into with Mr. Xu Xipeng and Mr. Xu Xinan, the senior management of the Group. During the year ended 31 December 2022, the rentals paid (VAT included) by the Group under the lease agreement expired on 31 December 2022 amounted to HK$5,516,000 (RMB4,728,000 equivalent)(2021: HK$5,695,000 (RMB4,728,000 equivalent)).

(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 for a term of two years commencing from 16 January 2022. The rentals (VAT included) paid by the Group to Classic Winner and Nanhai Jinheming for the year ended 31 December 2022 amounted to HK$651,000 (2021: HK$720,000) and HK$8,642,000 (RMB7,407,000 equivalent) (2021: HK$6,032,000 (RMB5,008,000 equivalent)) respectively. As at 31 December 2022, the rental deposit paid by the Group to Nanhai Jinheming amounted to HK$2,102,000 (RMB1,878,000 equivalent) (2021: HK$1,531,000 (RMB1,252,000 equivalent)).

29. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions (Continued)

Relating to connected transactions (Continued)

(iii) KEE Guangdong renewed a lease agreement which expired on 31 August 2021 for a term of two years ending 31 August 2023 with KEE (Jingmen) Garment Accessories Limited ("**KEE Jingmen**") which are owned by Mr. Xu Xipeng and Mr. Xu Xinan in respect of certain leasehold land and buildings. The Group amended the lease agreement which changed the lessee from KEE Guangdong to KEE Hubei commencing from 1 May 2022. During the year ended 31 December 2022, the lease payment paid (VAT included) by the Group under this lease agreement amounted to HK$7,462,000 (RMB6,396,000 equivalent) (2021:HK$6,423,000 (RMB5,332,000 equivalent)). As at 31 December 2022, the rental deposit paid by the Group to KEE Jingmen amounted to HK$1,790,000 (RMB1,599,000).

(iv) KEE Hubei entered into a new lease agreement with KEE Jingmen which is owned by Mr. Xu Xipeng and Mr. Xu Xinan commencing from 1 June 2022 to 31 August 2023 in respect of certain leasehold land and buildings. During the year ended 31 December 2022, the rentals paid (VAT included) by the Group under this lease agreement amounted to HK$1,147,000 (RMB983,000 equivalent). As at 31 December 2022, the rental deposit paid by the Group to KEE Jingmen amounted to HK$825,000 (RMB737,000).

The above related party transactions constituted connected transactions as defined in Chapter 14A of the Listing Rules and have already been recognised as right-of-use assets in the consolidated financial statements. The disclosures required by Chapter 14A of the Listing Rules are provided in section headed "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:

	2022	2021
	HK$'000	HK$'000
Short-term employee benefits	**10,759**	13,059
Retirement scheme contribution	**96**	129
	10,855	13,188

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

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

	2022 Advance from a related party HK$'000	**2022 Lease liabilities HK$'000**	2021 Advance from a related party HK$'000	2021 Lease liabilities HK$'000
Cash flows arising from financing activities				
As at 1 January	**2,238**	**50,295**	–	64,170
Cash flow from financing activities				
Payment of lease liabilities (including interests) (note 22(b))	**–**	**(23,297)**	–	(23,048)
Advance received	**8,155**	**–**	2,238	–
Repayment	**(3,000)**	**–**	–	–
Other changes (note 22(b)):				
Interest expense	**–**	**3,851**	–	3,720
Inception of new leases during the year	**–**	**11,703**	–	–
Modification of leases	**–**	**4,997**	–	8,612
Adjustment on reduction of lease term	**–**	**(439)**	–	(4,716)
Exchange adjustments	**–**	**(4,022)**	–	1,557
As at 31 December	**7,393**	**43,088**	2,238	50,295

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, interest rate, liquidity and currency 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 and other debtors and rental deposits. 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, 33% (2021: 27%) 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.

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(a) Credit risk (Continued)

Trade debtors and bills receivable (Continued)

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.

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 2021 and 2022:

2022	**Expected loss rate (%)**	**Gross carrying amount HK$'000**	**Loss allowance HK$'000**
Current (not past due)	**0.041**	**23,924**	**10**
1–30 days past due	**0.131**	**7,382**	**10**
31–60 days past due	**0.355**	**3,181**	**11**
61–90 days past due	**0.807**	**1,509**	**12**
91–360 days past due	**2.801**	**1,063**	**30**
More than 360 days past due	**100**	**1,104**	**1,104**
		38,163	**1,177**

2021	Expected loss rate (%)	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	0.052	32,820	17
1–30 days past due	0.220	9,234	21
31–60 days past due	0.375	3,592	14
61–90 days past due	0.578	1,466	8
91–360 days past due	12.451	2,119	264
More than 360 days past due	100	1,145	1,145
		50,376	1,469

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.

31. 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:

	2022 HK$'000	2021 HK$'000
Balance at 1 January	**1,469**	1,435
Reversal of impairment losses	**(258)**	(131)
Impairment losses recognised during the year	**83**	123
Exchange adjustments	**(117)**	42
Balance at 31 December	**1,177**	1,469

The net decrease in impairment loss during the year ended 31 December 2022 is mainly due to decrease in total balances of trade receivables past due between 91 and 360 days.

The net decrease in impairment loss during the year ended 31 December 2021 is mainly due to decrease in total balances of trade receivables past due between 61 and 90 days and those over 360 days.

Other financial assets at amortised cost

As at 31 December 2022 and 2021, 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 rental deposits and other debtors. The ECLs on other financial assets which did not 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 2022 and 2021, the Group had no interest bearing borrowings other than lease liabilities which are carried at average fixed interest rate of 8% (2021: 7%) as shown in note 22 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.

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Liquidity risk (Continued)

The maturity of the financial liabilities is set below:

Year ended 31 December 2022

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but no more than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
Trade and other payables	**40,157**	**40,157**	**40,157**	**–**	**–**
Amount due to a related party	**7,393**	**7,393**	**7,393**	**–**	**–**
Lease liabilities	**43,088**	**46,675**	**24,881**	**15,397**	**6,397**
	90,638	**94,225**	**72,431**	**15,397**	**6,397**

Year ended 31 December 2021

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but no more than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
Trade and other payables	56,360	56,360	56,360	–	–
Amount due to a related party	2,238	2,238	2,238	–	–
Lease liabilities	50,295	55,927	19,390	18,793	17,744
	108,893	114,525	77,988	18,793	17,744

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) 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**") primarily under KEE Zippers and KEE Guangdong.

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

The Group had RMB denominated bank deposits amounting to HK$182,000 (2021: HK$309,000) that was held by KEE Zippers and KEE Holdings for which HK$ is their functional currency. In addition, the Group had HK$ denominated inter-company other receivables amounting to HK$149,250,000 (2021: HK$153,837,000) that were held by KEE Guangdong, KEE Zhejiang and KEE Hubei for which RMB is their functional currency.

Sensitivity analysis

At 31 December 2022, it is estimated that a general appreciation/depreciation of 0.5% in HK$ against RMB, with all other variables held constant, would have increased/decreased the Group's net profit for the year and decreased/increased accumulated losses by approximately HK$745,000 (2021: decreased/increased net loss and decreased/increased accumulated losses by approximately HK$768,000).

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.

31. 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	**2022 HK$'000**	2021 HK$'000
Financial assets at amortised costs		
Trade and other receivables	**37,440**	51,001
Cash and cash equivalents	**105,266**	59,870
Rental deposits	**5,382**	1,468
	148,088	112,339
Financial liabilities		
Financial liabilities at amortised cost		
Amount due to a related party	**7,393**	2,238
Trade and other payables	**40,157**	56,360
	47,550	58,598
Lease liabilities	**43,088**	50,295

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.

32. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board on 30 March 2023.

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 annual 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).*