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**China Apex Group Limited**  
**中國恒泰集團有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2011)

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

**FINANCIAL HIGHLIGHTS**

	<b>Six months ended 30 June</b>		change + / (-)
	<b>2023</b> <i>HK\$'000</i> (unaudited)	<b>2022</b> <i>HK\$'000</i> (unaudited)	
Revenue	<b>123,386</b>	125,612	(1.7%)
Gross profit	<b>42,594</b>	40,808	4.4%
Gross profit margin	<b>34.5%</b>	32.5%	6.2%
Profit for the period	<b>5,910</b>	10,978	(46.2%)
<b>Attributable to equity shareholders of the Company</b>			
Profit for the period	<b>3,394</b>	8,587	(60.5%)
Basic and diluted earnings per share ( <i>HK cents</i> )	<b>0.6</b>	1.8	(66.7%)
	<b>As at 30 June 2023</b> <i>HK\$'000</i> (unaudited)	<b>As at 31 December 2022</b> <i>HK\$'000</i> (audited)	change + / (-)
Total assets	<b>284,991</b>	305,712	(6.8%)
Cash and cash equivalents	<b>67,457</b>	105,266	(35.9%)
Total equity attributable to equity shareholders of the Company	<b>179,488</b>	184,913	(2.9%)

## INTERIM RESULTS

The Board is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2023 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the six months ended 30 June 2023*

		Six months ended 30 June	
	Notes	2023	2022
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
<b>Revenue</b>	5	<b>123,386</b>	125,612
Cost of sales		<u>(80,792)</u>	<u>(84,804)</u>
<b>Gross profit</b>		<b>42,594</b>	40,808
Other revenue and gains/(losses), net	6(b)	<b>6,383</b>	8,266
Distribution costs		<b>(9,070)</b>	(6,269)
Administrative expenses		<b>(32,574)</b>	(29,947)
Interests on lease liabilities		<u><b>(1,472)</b></u>	<u>(2,088)</u>
<b>Profit before taxation</b>	6	<b>5,861</b>	10,770
Income tax credit	7	<u><b>49</b></u>	<u>208</u>
<b>Profit for the period</b>		<u><b>5,910</b></u>	<u>10,978</u>
<b>Profit for the period attributable to:</b>			
Equity shareholders of the Company		<b>3,394</b>	8,587
Non-controlling interests		<u><b>2,516</b></u>	<u>2,391</u>
<b>Profit for the period</b>		<u><b>5,910</b></u>	<u>10,978</u>
<b>Earnings per share attributable to the equity shareholders of the Company (HK cents)</b>	8		
Basic and diluted		<u><b>0.6</b></u>	<u>1.8</u>

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>Profit for the period</b>	<b>5,910</b>	10,978
<b>Other comprehensive income for the period</b>		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of subsidiaries in the Mainland China	<u>(10,371)</u>	<u>(14,619)</u>
<b>Total comprehensive income for the period</b>	<b><u>(4,461)</u></b>	<b><u>(3,641)</u></b>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>(5,425)</b>	(3,849)
Non-controlling interests	<u>964</u>	<u>208</u>
<b>Total comprehensive income for the period</b>	<b><u>(4,461)</u></b>	<b><u>(3,641)</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2023*

		At <b>30 June</b> <b>2023</b> <i>HK\$'000</i> <b>(unaudited)</b>	At 31 December 2022 <i>HK\$'000</i> (audited)
<b>Non-current assets</b>			
Property, plant and equipment		69,369	73,753
Right-of-use assets		26,353	37,068
Intangible assets		1,081	1,272
Prepayments for property, plant and equipment		1,073	–
Rental deposits		4,683	5,382
Deferred tax assets		5,580	5,691
		<b>108,139</b>	123,166
<b>Current assets</b>			
Inventories		26,455	33,527
Trade and other receivables	9	82,940	43,753
Cash and cash equivalents		67,457	105,266
		<b>176,852</b>	182,546
<b>Current liabilities</b>			
Trade and other payables	10	50,659	47,577
Tax payable		111	115
Amount due to a related party		–	7,393
Lease liabilities		18,126	22,427
		<b>68,896</b>	77,512
<b>Net current assets</b>		<b>107,956</b>	105,034
<b>Total assets less current liabilities</b>		<b>216,095</b>	228,200

	<i>Notes</i>	At 30 June 2023 <i>HK\$'000</i> (unaudited)	At 31 December 2022 <i>HK\$'000</i> (audited)
<b>Non-current liabilities</b>			
Lease liabilities		13,017	20,661
Deferred tax liabilities		1,124	1,124
		<u>14,141</u>	<u>21,785</u>
<b>Net assets</b>		<u><b>201,954</b></u>	<u>206,415</u>
<b>Capital and reserves</b>			
Share capital		5,578	5,578
Reserves		173,910	179,335
<b>Total equity attributable to the equity shareholders of the Company</b>		<b>179,488</b>	184,913
<b>Non-controlling interests</b>		<u>22,466</u>	<u>21,502</u>
<b>Total equity</b>		<u><b>201,954</b></u>	<u>206,415</u>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1 GENERAL

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

## 2 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34 Interim financial reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

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

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

## 3 PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are required to be adopted in the 2023 annual financial statements. Details of these changes in accounting policies are set out below.

### Overview on changes in accounting policies

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

- (i) Insurance contract (HKFRS 17)
- (ii) Definition of Account Estimates (Amendments to HKAS 8)
- (iii) Disclosure of Accounting Policies (Amendments to HKAS 1 and HKFRS Practice Statement 2)
- (iv) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to HKAS 12)
- (v) International Tax Reform – Pillar Two Model Rules (Amendments to HKAS 12)

The new or amended HKFRSs that are effective from 1 January 2023 did not have any significant impact on the Group’s condensed consolidated interim financial statements.

#### 4 SEGMENT REPORTING

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

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.

#### 5 REVENUE

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

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

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
<i>Sales of goods</i>		
Finished zippers and sliders	122,120	123,042
Others	1,266	2,570
	<u>123,386</u>	<u>125,612</u>

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

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

#### 6 PROFIT BEFORE TAXATION

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

##### a. Staff costs

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Salaries, wages and other benefits	46,101	44,317
Contributions to defined contribution retirement plans	4,950	5,659
	<u>51,051</u>	<u>49,976</u>

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Interest income	<b>256</b>	203
Gains on disposal of property, plant and equipment	<b>23</b>	6
Government grants	<b>543</b>	215
Net foreign exchange gains	<b>4,897</b>	6,950
Others	<b>664</b>	892
	<b>6,383</b>	8,266

*Note:* No government grants (2022: HK\$72,000) included in profit or loss was obtained from Employment Support Scheme (“ESS”) under the Anti-epidemic Fund launched by the Hong Kong SAR Government supporting the payroll of the Group’s employees. Under the ESS, the Group had to commit to spending these grants on payroll expenses, and not reducing employee head count below prescribed levels for a specified period of time. The Group did not have other unfulfilled obligations relating to this program.

**c. Other items**

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Depreciation and amortisation*		
– plant and equipment	<b>5,838</b>	7,366
– intangible assets	<b>158</b>	49
– right-of-use assets	<b>10,000</b>	9,669
	<b>15,996</b>	17,084
Provision for/(reversal of) impairment losses on inventories	<b>1,363</b>	(36)
Cost of inventories*	<b>80,792</b>	84,804

\* Cost of inventories includes HK\$41,990,000 for the six months ended 30 June 2023 (six months ended 30 June 2022: HK\$42,245,000) relating to staff costs, depreciation and amortisation expenses which amounts are also included in the respective total amounts disclosed separately above or in note 6(a) for each of these types of expenses.

## 7 INCOME TAX CREDIT

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Current tax – PRC corporate income tax	10	12
Deferred taxation	(59)	(220)
	<u>(49)</u>	<u>(208)</u>

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

KEE Zippers Corporation Limited is subject to Hong Kong Profits Tax at the rate of 16.5% in 2023 and 2022.

- (b) 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 was 25%.
- (c) Pursuant to the Corporate Income Tax Law of the PRC and its relevant regulations, PRC-resident enterprises are levied withholding income tax at 10% on dividends to their non-PRC-resident corporate investors for earnings accumulated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. Under the Sino-Hong Kong Double Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident which is the “beneficial owner” and holds 25% or more of the equity interest of a PRC-resident enterprise is entitled to a reduced withholding tax rate of 5%. As at 30 June 2023, deferred tax liability recognised in this regard was HK\$1,124,000 (31 December 2022: HK\$1,124,000).

## 8 EARNINGS PER SHARE

### a. Basic earnings per share

The calculation of basic earnings per share is based on earnings attributable to the equity shareholders of the Company for the six months ended 30 June 2023 amounting to HK\$3,394,000 (for the six months ended 30 June 2022: HK\$8,587,000) and the weighted average number of 557,764,800 ordinary shares (six months ended 30 June 2022: 464,804,000 ordinary shares) in issue during the six months ended 30 June 2023.

### b. Diluted earnings per share

The diluted earnings per share is equal to the basic earnings per share as there were no potential dilutive shares in issue during both six months ended 30 June 2023 and 2022.

## 9 TRADE AND OTHER RECEIVABLES

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

	At <b>30 June</b> <b>2023</b> <i>HK\$'000</i> <b>(unaudited)</b>	At 31 December 2022 <i>HK\$'000</i> (audited)
Within 1 month	<b>34,330</b>	13,723
Over 1 month but within 2 months	<b>27,739</b>	14,520
Over 2 months but within 3 months	<b>6,890</b>	5,838
Over 3 months	<b>9,751</b>	2,905
	<hr/>	<hr/>
Trade debtors and bills receivable, net of loss allowance	<b>78,710</b>	36,986
Rental deposits	<b>770</b>	–
Other prepayments	<b>1,838</b>	1,233
Other tax receivables	–	5,080
Other debtors	<b>1,622</b>	454
	<hr/>	<hr/>
	<b>82,940</b>	43,753
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All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

The Group recognised impairment loss based on the same accounting policies adopted in the 2022 annual financial statements.

## 10 TRADE AND OTHER PAYABLES

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

	At <b>30 June</b> <b>2023</b> <i>HK\$'000</i> <b>(unaudited)</b>	At 31 December 2022 <i>HK\$'000</i> (audited)
Within 1 month	<b>12,364</b>	7,414
Over 1 month but within 3 months	<b>155</b>	193
Over 3 months but within 6 months	<b>7</b>	–
Over 6 months	<b>37</b>	23
	<hr/>	<hr/>
Trade creditors	<b>12,563</b>	7,630
Payroll and staff benefits payable	<b>23,581</b>	22,721
Accrued expenses	<b>7,769</b>	6,932
Payables for purchase of property, plant and equipment	<b>641</b>	2,274
Other tax payables	<b>3,580</b>	5,588
Contract liabilities	<b>1,419</b>	1,832
Other payables	<b>1,106</b>	600
	<hr/>	<hr/>
	<b>50,659</b>	47,577
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## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

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

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

The Group recorded profit attributable to equity shareholders of the Company of approximately HK\$3.39 million for the six months ended 30 June 2023, as compared with profit attributable to equity shareholders of the Company of approximately HK\$8.59 million for the same period in 2022. The decrease in profit was primarily attributable to, among other factors, that the Group recognized net foreign exchange gain of approximately HK\$4.9 million as compared to the corresponding period in 2022 of approximately HK\$6.9 million resulting from the depreciation of Renminbi during the period. The Group also incurred additional professional fees for business development for the six months ended 30 June 2023.

### **PROSPECTS**

The economy in the first half of 2023 has been met with ongoing difficulties and challenges due to insufficient domestic demand, weak terminal consumption, a complex external environment, continued conflicts between Russia and Ukraine, high US dollar interest rate hikes and high inflation. Even with the advent of epidemic prevention and control, economic recovery has been in a process of a wave-like development with unexpected twists and turns. However, the Chinese economy has seen positive development in its resilience and potential. Additionally, the fundamentals of long-term improvement have not changed. Faced with a complex external environment, the Company will seize the opportunity to actively take the following measures:

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; and
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.

## FINANCIAL REVIEW

A comparison of the financial results for the six months ended 30 June 2023 and the corresponding period in 2022 is set out as follows:

### REVENUE

The Group's revenue for the six months ended 30 June 2023 amounted to approximately HK\$123.4 million, representing a decrease of approximately 1.7% as compared to the corresponding period in 2022.

Revenue analysis by product category:

	<b>Six months ended 30 June</b>			
	<b>2023</b>		<b>2022</b>	
	<i><b>HK\$'000</b></i>	<b>%</b>	<i><b>HK\$'000</b></i>	<b>%</b>
	<b>(unaudited)</b>		<b>(unaudited)</b>	
<i>Sales of goods</i>				
Finished zippers and sliders	<b>122,120</b>	<b>99.0</b>	123,042	98.0
Others	<b>1,266</b>	<b>1.0</b>	2,570	2.0
<b>Total</b>	<b>123,386</b>	<b>100.0</b>	125,612	100.0

Revenue analysis by geographic location:

	<b>Six months ended 30 June</b>			
	<b>2023</b>		<b>2022</b>	
	<i><b>HK\$'000</b></i> <b>(unaudited)</b>	<b>%</b>	<i><b>HK\$'000</b></i> <b>(unaudited)</b>	<b>%</b>
Mainland China	<b>109,042</b>	<b>88.4</b>	108,821	86.6
Overseas	<b>14,344</b>	<b>11.6</b>	16,791	13.4
Total	<b><u>123,386</u></b>	<b><u>100.0</u></b>	<b><u>125,612</u></b>	<b><u>100.0</u></b>

The decrease in revenue was primarily due to the insufficient domestic demand and weak terminal consumption as a result of the depreciation of Renminbi.

## **GROSS PROFIT**

Gross profit analysis by product category:

	<b>Six months ended 30 June</b>			
	<b>2023</b>		<b>2022</b>	
	<i><b>HK\$'000</b></i> <b>(unaudited)</b>	<b>%</b>	<i><b>HK\$'000</b></i> <b>(unaudited)</b>	<b>%</b>
Finished zippers and sliders	<b>41,734</b>	<b>98.0</b>	39,620	97.1
Others	<b>860</b>	<b>2.0</b>	1,188	2.9
Total	<b><u>42,594</u></b>	<b><u>100.0</u></b>	<b><u>40,808</u></b>	<b><u>100.0</u></b>

The increase in gross profit was primarily due to the effect from cost control implemented to the daily operations.

## **EXPENSES AND COSTS**

Distribution costs, comprising mainly staff costs, transportation costs and advertising and promotion expenses, increased by approximately 44.7% to approximately HK\$9.07 million for the six months ended 30 June 2023 from approximately HK\$6.27 million for the same period in 2022, which was mainly due to the increase in sales activities and advertisement.

Administrative expenses, consisting primarily of salary and welfare expenses for management and administrative personnel, depreciation and amortisation, professional fees, auditors' remuneration and other administrative expenses, increased by approximately 8.8% to approximately HK\$32.57 million for the six months ended 30 June 2023 from approximately HK\$29.95 million for the same period in 2022, which was mainly due to the increase in professional fees for business development.

## **PROFITABILITY**

The Group recorded profit attributable to equity shareholders of the Company of approximately HK\$3.39 million, as compared with a profit attributable to equity shareholders of the Company of approximately HK\$8.59 million for the six months ended 30 June 2022. The profit margin attributable to equity shareholders of the Company was approximately 2.75% for the six months ended 30 June 2023.

## **CONNECTED TRANSACTIONS**

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

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

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

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

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

- (iii) On 31 December 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)拉鏈製造有限公司 (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 Zhejiang Lease Renewal Agreement, Guangdong Lease Renewal Agreement 2022, Jingmen Lease Renewal Agreement 2021 and Phase II Lease Agreement, the Group recognised an additional asset representing its right to use the property under the relevant lease agreements of a total of approximately HK\$2 million for the Third HK Lease Renewal Agreement and Third Zhejiang Lease Renewal Agreement, approximately HK\$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, respectively.

## **BUSINESS UPDATE IN RELATION TO RELOCATION OF ZHEJIANG PRODUCTION BASE**

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

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

## LIQUIDITY AND CAPITAL RESOURCES

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

The Group's net cash outflow from operating activities for the six months ended 30 June 2023 amounted to approximately HK\$16.55 million (six months ended 30 June 2022: HK\$12.07 million). Such increase was mainly attributable to an increase in trade debtors as at 30 June 2023. The Group's net cash outflow from investing activities for the six months ended 30 June 2023 amounted to approximately HK\$2.91 million (six months ended 30 June 2022: HK\$4.31 million). The net cash outflow was mainly attributable to the payment for the purchase of property, plant and equipment. The Group's net cash outflow from financing activities for the six months ended 30 June 2023 amounted to approximately HK\$12.56 million (net cash inflow for the six months ended 30 June 2022: HK\$0.45 million). The cash outflow for the six months ended 30 June 2023 was mainly attributable to payment of lease rentals.

As at 30 June 2023, cash and cash equivalents amounted to approximately HK\$67.46 million, representing decrease of approximately HK\$37.81 million as compared with the position as at 31 December 2022. Such decrease was mainly due to increase in payment for the purchase of property, plant and equipment and payment of lease rental during the six months ended 30 June 2023.

As at 30 June 2023, cash and cash equivalents of the Group in the amount of approximately HK\$28.25 million, HK\$35.48 million and HK\$3.61 million were denominated mainly in RMB, HKD and USD, respectively. As at 31 December 2022, cash and cash equivalents of the Group in the amount of approximately HK\$41.77 million, HK\$53.00 million and HK\$10.49 million were denominated mainly in RMB, HKD and USD, respectively.

The Group did not have borrowings other than lease liabilities and amount due to a related party as at 30 June 2023 and 31 December 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 plus amount due to a related party less cash and cash equivalents over total equity) below 20%. As at 30 June 2023 and 31 December 2022, as the total debt is less than cash and cash equivalents, no adjusted net debt-to-capital ratio was calculated. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

## **NET CURRENT ASSETS**

As at 30 June 2023, the Group had current assets of approximately HK\$176.85 million. The key components of current assets as at 30 June 2023 included inventories of approximately HK\$26.45 million, trade and other receivables of approximately HK\$82.94 million and cash and cash equivalents of approximately HK\$67.46 million. The key components of current liabilities included trade and other payables of approximately HK\$50.66 million and current portion of lease liabilities of approximately HK\$18.13 million.

The net current assets increased by approximately HK\$2.93 million to HK\$107.96 million as at 30 June 2023 from approximately HK\$105.03 million as at 31 December 2022.

## **PLEGGED ASSETS**

As at 30 June 2023, the Group did not have any pledged assets.

## **CONTINGENT LIABILITIES**

As at 30 June 2023, the Group did not have any material contingent liabilities.

## **FOREIGN CURRENCY RISK**

Individual companies within the Group has limited foreign currency risk as most of the transactions are denominated in the same currency as the functional currency of the operations in which they relate. The Group did not hedge its exposure to risks arising from fluctuations in exchange rates during the six months ended 30 June 2023.

## **EMPLOYEES**

As at 30 June 2023, the Group had 663 full-time employees (30 June 2022: 804). The Group reviews the remuneration and benefits of its employees annually according to the relevant market practice and individual performance of the employees. Save for the social insurance in China and the mandatory provident fund scheme in Hong Kong, the Group has not set aside or accrued any amount of money to provide for retirement or similar benefits for its employees. The staff costs incurred in the six months ended 30 June 2023 were approximately HK\$51.05 million (the six months ended 30 June 2022: approximately HK\$49.98 million). The increase in staff costs is mainly due to the increase in headcount of the workers as a result of the human resources integration.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2023.

## **EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD**

Save as disclosed in this announcement, the Directors confirm that no significant event that affected the Group has occurred after 30 June 2023 and up to the date of this announcement.

## **SHARE OPTION SCHEME**

On 30 May 2023, the Company adopted a new share option scheme. For details, please refer to the announcements of the Company dated 9 May 2023 and 30 May 2023.

## **CORPORATE GOVERNANCE**

The Company is committed to maintaining and upholding guidelines and procedures for stringent corporate governance. In respect of the six months ended 30 June 2023, all the provisions set out in the CG Code were met by the Company except for the following:

Code provision C.1.6 of the CG Code requires that independent non-executive Directors and other non-executive Directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Certain independent non-executive Directors were unable to attend the annual general meeting of the Company that was held on 27 June 2023 respectively due to personal reason.

## **COMPLIANCE WITH THE MODEL CODE BY DIRECTORS AND RELEVANT EMPLOYEES**

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

The Company made specific enquiries to all Directors and all Directors confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding any Directors' securities transactions throughout the period from 1 January 2023 to 30 June 2023.

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

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities for the six months ended 30 June 2023.

### **AUDIT COMMITTEE**

The unaudited interim results of the Group for the six months ended 30 June 2023 has been reviewed by the audit committee of the Board.

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

This interim results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company (<https://www.irasia.com/listco/hk/chinaapex/index.htm>). The interim report for the six months ended 30 June 2023 will be despatched to Shareholders and made available on the same websites in due course.

### **DEFINITIONS**

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

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

“Main Board”	means	the stock market operated by the Stock Exchange, which excludes the GEM and the options market
“Model Code”	means	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“OEM”	means	original equipment manufacturer or manufacturing
“PRC” or “China” or “Mainland China”	means	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	means	Renminbi, the lawful currency of the PRC
“SFO”	means	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	means	share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	means	holder(s) of issued Share(s)
“Stock Exchange”	means	The Stock Exchange of Hong Kong Limited

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

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

Hong Kong, 30 August 2023

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