中國恒泰
CHINA APEX

China Apex Group Limited
中國恒泰集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2011)

2020
Interim Report

Contents

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MIX
Paper from responsible sources
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Corporate Information

DIRECTORS

Executive Directors

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

Non-executive Director

Ms. Lin Ping

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Mr. Yau Chi Chiu

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 510, Chater House
8 Connaught Road
Central
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

Corporate Information

HONG KONG SHARE REGISTRAR

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

AUDITOR

BDO Limited
Certified Public Accountants

PRINCIPAL BANKERS

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

COMPANY WEBSITE

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

Financial Highlights

	Six months ended 30 June		
	2020	2019	
	HK$'000	HK$'000	change
	(unaudited)	(unaudited)	+/(-)
Revenue	**79,255**	117,469	(32.5%)
Gross profit	**18,635**	38,957	(52.2%)
Gross profit margin	**23.5%**	33.2%	(29.2%)
(Loss)/profit for the period	**(8,563)**	6,346	N/A
Attributable to equity shareholders of the Company			
(Loss)/profit for the period	**(8,928)**	4,913	N/A
Basic and diluted (loss)/earnings per share (HK cents)	**(1.9)**	1.1	N/A

	As at 30 June 2020	As at 31 December 2019	
	HK$'000	HK$'000	change
	(unaudited)	(audited)	+/(-)
Total assets	**289,434**	338,348	(14.5%)
Cash and cash equivalents	**54,264**	91,174	(40.5%)
Total equity attributable to equity shareholders of the Company	**168,990**	216,657	(22.0%)

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 Company as purchaser entered into the non-legally binding memorandum of understanding (the "MOU") with RPC Holdings Limited as vendor (the "Vendor") in respect of the possible acquisition of Rockpool Capital Limited (the "Target Company"), a company incorporated in Hong Kong with limited liability, on 5 June 2020. The Target Company is a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO. On 4 September 2020, the Company and the Vendor entered into an extension letter to the MOU to extend the long stop date of the MOU to 4 December 2020 (or such later date as the Vendor and the Company may agree). If the possible acquisition materialises, it will constitute a notifiable and connected transaction on the part of the Company. For details, please refer to the announcements of the Company dated 5 June 2020 and 4 September 2020.

The Group recorded loss attributable to equity shareholders of the Company of approximately HK$8.93 million for the six months ended 30 June 2020, as compared with a profit attributable to equity shareholders of the Company of approximately HK$4.91 million for the same period in 2019, the loss was primarily attributable to the significant decrease in both revenue and gross profit of the zipper business for the six months ended 30 June 2020 as compared to the corresponding period in 2019 mainly due to the impact of the global outbreak of the COVID-19 including quarantine, lockdown and travel restrictions, resulting in the decreasing number of sales orders from customers of the Group who are primarily OEMs who manufacture apparel products.

PROSPECTS

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

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

1. Adapt to the new market environment and the change of demand proactively, respond to the demands of customer and market quickly, ramp up efforts to expand e-commerce market, improve products quality and shorten delivery period;

2. Further integrate and improve production capacity, and improve ancillaries of industry chains;

3. Optimize production process, increase efficiency of operation, and enhance cost management;

4. Enhance capital management, and prevent and control operation risk;

5. Accelerate digital transformation, and improve the level of operation management;

6. Enhance talent management, and improve organization ability.

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

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

FINANCIAL REVIEW

The Group's revenue amounted to approximately HK$79.26 million for the six months ended 30 June 2020, representing an decrease of approximately 32.5% over the corresponding period in 2019. The Group recorded loss attributable to equity shareholders of the Company of approximately HK$8.93 million, as compared with a profit attributable to equity shareholders of the Company of approximately HK$4.91 million for the six months ended 30 June 2019.

A comparison of the financial results for the six months ended 30 June 2020 and the corresponding period in 2019 is set out as follows:

REVENUE

The Group's revenue for the six months ended 30 June 2020 amounted to approximately HK$79.26 million, representing an decrease of approximately 32.5% as compared to the corresponding period in 2019.

Revenue analysis by product category:

	Six months ended 30 June			
	2020		2019	
	HK$'000	**%**	HK$'000	%
	(unaudited)		(unaudited)	
Sales of goods				
Finished zippers and sliders	**78,128**	**98.6**	115,749	98.5
Others	**1,127**	**1.4**	1,720	1.5
Total	**79,255**	**100.0**	117,469	100.0

Revenue analysis by geographic location:

	Six months ended 30 June			
	2020		2019	
	HK$'000	**%**	HK$'000	%
	(unaudited)		(unaudited)	
Mainland China	**69,850**	**88.1**	103,344	88.0
Overseas	**9,405**	**11.9**	14,125	12.0
Total	**79,255**	**100.0**	117,469	100.0

The decrease in revenue from zipper business was mainly due to the impact of the global outbreak of the COVID-19 including quarantine, lockdown and travel restrictions, resulting in the decreasing number of sales orders from customers of the Group who are primarily OEMs who manufacture apparel products.

GROSS PROFIT

Gross profit analysis by product category:

	Six months ended 30 June			
	2020		2019	
	HK$'000	**%**	HK$'000	%
	(unaudited)		(unaudited)	
Finished zippers and sliders	**18,833**	**101.1**	38,120	97.9
Others	**(198)**	**(1.1)**	837	2.1
Total	**18,635**	**100.0**	38,957	100.0

The decrease in the gross profit was primarily due to decrease in revenue as discussed above.

EXPENSES AND COSTS

Distribution costs, comprising mainly of staff costs, transportation costs and advertising and promotion expenses, decreased by approximately 26.5% to approximately HK$5.42 million for the six months ended 30 June 2020 from approximately HK$7.37 million for the same period in 2019, which was mainly due to the decrease in staff costs and transportation costs as a result of the decline in sales of finished zippers and sliders which was in line with the decrease in revenue.

Administrative expenses, consisting primarily of salary and welfare expenses for management and administrative personnel, depreciation and amortisation, professional fees, auditors' remuneration and other administrative expenses, slightly decreased by approximately 1.5% to approximately HK$25.92 million for the six months ended 30 June 2020 from approximately HK$26.31 million for the same period in 2019, which was mainly due to various costs incurred for in administrative expenses from the establishment of 開易(廣東)服裝配件有限公司荊門分公司 (KEE (Guangdong) Garment Accessories Limited Jingmen Branch*) in 2019 but not incurred for in 2020.

PROFITABILITY

The Group recorded loss attributable to equity shareholders of the Company of approximately HK$8.93 million for the six months ended 30 June 2020, as compared with a profit attributable to equity shareholders of the Company of approximately HK$4.91 million for the same period in 2019. The margin of loss attributable to equity shareholders of the Company was approximately 11.3% for the six months ended 30 June 2020. Such loss was mainly due to decrease in both revenue and gross profit of the zipper business.

FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

The Company had invested HK$100 million into Fullgoal Strategic Growth Fund Segregated Portfolio (the "Fund") pursuant to two subscription agreements dated 17 July 2017 and 21 August 2017 entered into between the Company and Fullgoal China Access RQFII Fund SPC. The carrying value of the Fund was approximately HK$23.58 million as at 31 December 2019 after partial redemption of the shares and a loss arising from changes in the fair value of financial asset of approximately HK$23.60 million recognised during the year ended 31 December 2019. The Group has made a partial redemption of its shares in the Fund during the year ended 31 December 2019 with proceeds of HK$55 million received in August 2019. On 25 March 2020, the Company redeemed approximately 4,932 participating shares, being the remaining shares in the Fund at the redemption price of approximately HK$25.01 million (the "Redemption"). The net proceeds from the Redemption were approximately HK$24.89 million and will be used as general working capital. On 15 May 2020, the Company received the residual balance of approximately HK$0.22 million from the Fund. A fair value gain on financial asset at fair value through profit or loss of approximately HK$1.53 million was recorded during the six months ended 30 June 2020.

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

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

RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group has applied HKFRS 16 of the recognition of lease liabilities and right-of-use assets as at 1 January 2019. Upon the adoption of HKFRS 16, leases are recognised as right-of-use assets and its corresponding lease liabilities in the financial statements at the date at which the leased asset is available for use by the Group. As at 30 June 2020, the lease liabilities and right-of-use assets amounted to approximately HK$57.60 million and approximately HK$55.93 million respectively.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

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

(i) On 15 January 2020, Classic Winner Limited ("Classic Winner") , a company owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, as lessor and KEE Zippers Corporation Limited ("KEE Zippers"), an indirect 85%-owned subsidiary of the Company, as lessee entered into a lease renewal agreement (the "Second HK Lease Renewal Agreement") pursuant to which Classic Winner has agreed to lease to KEE Zippers a property in Hong Kong at a monthly rental of HK$60,000 (exclusive of Government rates, Government rent, management fees and all other outgoings) payable in advance in cash without any deduction on the 16th day of each month for a term of two years commencing from 16 January 2020 to 15 January 2022. As Classic Winner is owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, who are directors of 開易(浙江)服裝配件有限公司(KEE (Zhejiang) Garment Accessories Limited*) ("KEE Zhejiang") and KEE Zippers and certain subsidiaries of the Company, Classic Winner is therefore a connected person of the Company at the subsidiary level.

An independent property valuer advised that the monthly rental of HK$60,000 is fair and reasonable with reference to the market value.

(ii) On 15 January 2020, 佛山市南海今和明投資有限公司(Foshan City Nanhai Jinheming Investment Company Limited*) ("Nanhai Jinheming"), a company owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, as lessor and KEE Zhejiang, an indirect 85%-owned subsidiary of the Company, as lessee entered into a lease renewal agreement (the "Second Zhejiang Lease Renewal Agreement") pursuant to which Nanhai Jinheming has agreed to lease to KEE Zhejiang the production base in Zhejiang Province at a monthly rental of RMB417,300 payable in cash within the first 10 working days of each month commencing from 16 January 2020 for a term of two years commencing on 16 January 2020 to 15 January 2022 with three months' rent of RMB1,251,900 as deposit. As Nanhai Jinheming is owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, who are directors of KEE Zhejiang and KEE Zippers and certain subsidiaries of the Company. Nanhai Jinheming is therefore a connected person of the Company at the subsidiary level.

An independent property valuer advised that the monthly rental of RMB417,300 is fair and reasonable with reference to the market value.

In accordance with HKFRS 16 applicable to the Company, as a result of the entering into the Second HK Lease Renewal Agreement and Second Zhejiang Lease Renewal Agreement (the "Second Lease Renewal Agreements"), the Group shall recognise an additional asset representing its right to use the property in Hong Kong and the production base in Zhejiang Province under the Second Lease Renewal Agreements in the total amount of approximately HK$25.04 million. As such, the transactions under the Second Lease Renewal Agreements will be recognised as acquisitions of right-of-use assets which will constitute one-off connected transactions of the Company under Chapter 14A of the Listing Rules. Details of which had been disclosed in the Company's announcement dated 15 January 2020.

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

(i) On 16 January 2017, Classic Winner, a company owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, as lessor and KEE Zippers, an indirect 85%-owned subsidiary of the Company, as lessee entered into a lease renewal agreement (the "HK Lease Renewal Agreement") pursuant to which Classic Winner has agreed to lease to KEE Zippers a property in Hong Kong at a monthly rental of HK$51,000 (exclusive of Government rates, Government rent, management fee and all other outgoings) payable in advance in cash without any deduction on the 16th day of each month for a term of three years commencing on 16 January 2017 to 15 January 2020. On 17 February 2016, Mr. Xu Xipeng and Mr. Xu Xinan resigned as the chairman of the board and chief executive officer of the Company respectively. Mr. Xu Xipeng and Mr. Xu Xinan also resigned as executive directors of the Company, but have remained as the directors of KEE International (BVI) Limited and KEE Zippers, the subsidiaries of the Company, since 17 February 2016. Therefore, Mr. Xu Xipeng and Mr. Xu Xinan are connected persons at the subsidiary level of the Company. As Classic Winner is owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, Classic Winner is also a connected person at the subsidiary level of the Company as of the date of HK Lease Renewal Agreement.

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

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

(ii) On 16 January 2017, Nanhai Jinheming, a company owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, as lessor and KEE Zhejiang, an indirect 85%-owned subsidiary of the Company, as lessee entered into a lease renewal agreement (the "Zhejiang Lease Renewal Agreement") pursuant to which Nanhai Jinheming has agreed to lease to KEE Zhejiang the production base in Zhejiang Province at a monthly rental of RMB275,000 payable in cash within the first 10 working days before the 16th day of each month commencing from 16 January 2017 for an initial term of three years commencing on 16 January 2017 to 15 January 2020, with three months' rent of RMB825,000 as deposit. As Nanhai Jinheming is owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, Nanhai Jinheming is a connected person at the subsidiary level of the Company as of the date of the Zhejiang Lease Renewal Agreement.

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

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

(iii) On 24 August 2018, 開易(荊門)服裝配件有限公司 (KEE (Jingmen) Clothing Accessories Limited*) ("KEE Jingmen"), a company owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, as lessor and 開易(廣東)服裝配件有限公司 (KEE (Guangdong) Garment Accessories Limited) ("KEE Guangdong"), an indirect 85%-owned subsidiary of the Company, as lessee entered into a tenancy agreement (the "Jingmen Tenancy Agreement") pursuant to which KEE Jingmen has agreed to lease to KEE Guangdong a property in PRC at a monthly rental of RMB400,000 payable before the fifth day of each month commencing from 1 September 2018 to 31 August 2021, with three months' rent of RMB1,200,000 as deposit. As KEE Jingmen is owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, KEE Jingmen is a connected person at the subsidiary level of the Company as of the date of the Jingmen Tenancy Agreement.

An independent property valuer advised that the monthly rental of RMB400,000 is fair and reasonable with reference to the market rate. For the year ended 31 August 2019 and each of the two years ending 31 August 2021, the maximum annual aggregate amounts payable by the Group under the Jingmen Tenancy Agreement are as follows:

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

(iv) On 31 December 2018, Mr. Xu Xipeng and Mr. Xu Xinan, connected persons at the subsidiary level of the Company, as lessors and KEE Guangdong as lessee, entered into the lease renewal agreement (the "Guangdong Lease Renewal Agreement 2019") to renew the lease of a plant in Guangdong for a further term of two years from 1 January 2019 to 31 December 2020 for a monthly rental of RMB360,000 payable within the first 10 working days of each month commencing from 1 January 2019.

An independent property valuer advised that the monthly rental of RMB360,000 is fair and reasonable with reference to the market rate. For the year ended 31 December 2019 and the year ending 31 December 2020, the maximum annual aggregate amounts payable by the Group under the Guangdong Lease Renewal Agreement 2019 are as follows:

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

For the six months ended 30 June 2020, the total rental charges under the HK Lease Renewal Agreement, the Zhejiang Lease Renewal Agreement, the Jingmen Tenancy Agreement and the Guangdong Lease Renewal Agreement were approximately HK$5,199,000 and the Second HK Lease Renewal Agreement and the Second Zhejiang Lease Renewal Agreement were approximately HK$2,868,000.

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 2020 amounted to approximately HK$8.60 million (six months ended 30 June 2019: HK$13.28 million). Such decrease was mainly attributable to a tax refunded and enhanced trade receivables recovery management during the six months ended 30 June 2020. The Group's net cash inflow from investing activities for the six months ended 30 June 2020 amounted to approximately HK$19.77 million (six months ended 30 June 2019: outflow of HK$12.14 million). The net cash inflow was mainly attributable to the redemption of an investment fund. The Group's net cash outflow from financing activities for the six months ended 30 June 2020 amounted to approximately HK$45.78 million (six months ended 30 June 2019: approximately HK$9.16 million). The cash was mainly used in payment of special dividend and payments of lease liabilities under HKFRS 16.

As at 30 June 2020, cash and cash equivalents amounted to approximately HK$54.26 million, representing decrease of approximately HK$36.91 million as compared with the position as at 31 December 2019. Such decrease was mainly due to the payment of special dividend of approximately HK$34.86 million during the six months ended 30 June 2020.

As at 30 June 2020, cash and cash equivalents of the Group in the amount of approximately HK$32.13 million, HK$18.21 million and HK$4.06 million were denominated mainly in RMB, HKD and USD, respectively. As at 31 December 2019, cash and cash equivalents of the Group in the amount of approximately HK$40.64 million, HK$47.03 million and HK$3.40 million were denominated mainly in RMB, HKD and USD, respectively.

During the six months ended 30 June 2020, the Group did not hedge its exposure to interest rate risks. The debt to asset ratio being the Group's total liabilities over its total assets at 30 June 2020 was 34.0% (31 December 2019: 29.3%). The debt to asset ratio is considered healthy and suitable for the continuous growth of the Group's business. The gearing ratio, representing the Group's total interest bearing borrowings divided by its equity as at 30 June 2020 was Nil (31 December 2019: Nil).

NET CURRENT ASSETS

As at 30 June 2020, the Group had current assets of approximately HK$146.18 million. The key components of current assets as at 30 June 2020 included inventories of approximately HK$32.52 million, trade and other receivables of approximately HK$58.98 million, and cash and cash equivalents of approximately HK$54.26 million. The key components of current liabilities included trade and other payables of approximately HK$39.50 million and lease liabilities of approximately HK$17.70 million.

The net current assets decreased by approximately HK$46.35 million to HK$88.98 million as at 30 June 2020 from approximately HK$135.33 million as at 31 December 2019. Such decrease was mainly due to the payment of special dividend during the six months ended 30 June 2020.

PLEDGED ASSETS

As at 30 June 2020, the Group did not have any pledged assets.

CONTINGENT LIABILITIES

As at 30 June 2020, 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 2020.

EMPLOYEES

As at 30 June 2020, the Group had 758 employees (30 June 2019: 827), including 741 full-time employees and 17 temporary employees, representing a decrease of approximately 8.3% as compared with 30 June 2019. The Group reviews 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 2020 were approximately HK$42.65 million (six months ended 30 June 2019: HK$46.86 million). The decrease was mainly due to the decrease in headcount of the workers as a result of the decline in production.

CHANGE IN EMOLUMENTS OF TWO EXECUTIVE DIRECTORS

Mr. Zhuang Weidong and Mr. Qiu Chuanzhi have waived their emoluments as executive Directors respectively, from 1 April 2020 to 31 May 2020 and have resumed to receive a monthly salary of HK$10,000 each since 1 June 2020.

DIVIDENDS

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

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Details of the events subsequent to the end of the reporting period are set out in note 19 to the unaudited interim financial report on page 50 of this interim report.

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

Long positions in the shares and underlying shares of the Company

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

Notes:

1. China Sun Corporation ("China Sun") is wholly owned by Mr. Qiu Chuanzhi and holds long position in 133,706,331 shares of the Company. Accordingly, Mr. Qiu Chuanzhi is deemed to be interested in the 133,706,331 shares of the Company.

2. Central Eagle Limited ("Central Eagle") is owned as to 90% by Mr. Zhuang Weidong and holds long position in 130,897,633 shares of the Company. Accordingly, Mr. Zhuang Weidong is deemed to be interested in the 130,897,633 shares of the Company.

3. Golden Diamond Inc. ("Golden Diamond") is owned as to 60% by Ms. Lin Ping and 25% by Mr. Mak Yung Pan Andrew and holds long position in 82,342,606 shares of the Company. Accordingly, each of Ms. Lin Ping and Mr. Mak Yung Pan Andrew is deemed to be interested in the 82,342,606 shares of the Company.

4. The percentage is calculated on the basis of 464,804,000 shares of the Company in issue as at 30 June 2020.

Save as disclosed above, as at 30 June 2020, so far as is known to any Directors or chief executive of the Company, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at 30 June 2020, the register maintained under section 336 of the SFO shows that the Company had been notified of the following substantial Shareholders' and other persons' interests and short positions, representing 5% or more of the Company's issued share capital, were as follows:

Long Position in Shares and Underlying Shares of the Company

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

Disclosure of Interests

Name of Shareholder	Capacity	Number of Shares	Approximate Percentage of Interest
Huarong Zhiyuan Investment & Management Company Limited* ("Huarong Zhiyuan") (note 7)	Interest of controlled corporation	326,089,600	70.16%
China Huarong Asset Management Co., Ltd. ("China Huarong Asset Management") (note 7)	Interest of controlled corporation	326,089,600	70.16%

Notes:

1. China Sun is wholly-owned by Mr. Qiu Chuanzhi.
2. Central Eagle is 90%-owned by Mr. Zhuang Weidong.
3. Golden Diamond is owned as to 60% by Ms. Lin Ping and 25% by Mr. Mak Yung Pan Andrew.
4. Noble Wisdom is wholly-owned by Huarong Overseas.
5. Huarong Overseas is wholly owned by Huarong Overseas Chinese.
6. Huarong Overseas Chinese is 91%-owned by Huarong Zhiyuan.
7. Huarong Zhiyuan is wholly owned by China Huarong Asset Management.
8. The percentage is calculated on the basis of 464,804,000 shares of the Company in issue as at 30 June 2020.

Save as disclosed above, as at 30 June 2020, the Directors were not aware of any other person (other than the Directors or chief executive of the Company) had registered an interest or a short position in the Shares, underlying shares or debentures of the Company which was required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which was required to be recorded in the register of the Company required to be kept under Section 336 of Part XV of the SFO.

DIRECTORS' INTERESTS 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 six months ended 30 June 2020 and up to and including the date of this interim report.

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, pursuant to which the Board may, at its absolute discretion and on such terms as it may think fit, grants options to any employee(s) (whether full time or part time including any Director) of any member of the Group at the exercise price for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme. The purpose of the Share Option Scheme is to enable the Board to grant options to selected employee(s) as incentives or rewards for their contribution or potential contribution to the Group.

As at 30 June 2020, the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 40,000,000 Shares which represents approximately 8.6% of the Shares in issue as at 30 June 2020. The maximum number of Shares issued and to be issued upon exercise of options granted and to be granted under the Share Option Scheme and any other share option schemes of the Company to any employee(s) (including cancelled, exercised and outstanding options), in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

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

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

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

There was no outstanding share option of the Company under the Share Option Scheme as at 30 June 2020 and no share option of the Company being granted, exercised, lapsed or cancelled during the six months ended 30 June 2020.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining and upholding guidelines and procedures for stringent corporate governance. In respect of the six months ended 30 June 2020, all the provisions set out in the CG Code were met by the Company.

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 2020 to 30 June 2020.

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 2020.

AUDIT COMMITTEE

The unaudited interim report of the Group for the six months ended 30 June 2020 have been reviewed by the audit committee of the Board.

By order of the Board
Zhuang Weidong
Chairman

Hong Kong, 25 August 2020

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2020

	Notes	Six months ended 30 June 2020 HK$'000 (unaudited)	2019 HK$'000 (unaudited)
Revenue	7	**79,255**	117,469
Cost of sales		**(60,620)**	(78,512)
Gross profit		**18,635**	38,957
Other revenue and gains/(losses), net	8(b)	**6,079**	5,543
Distribution costs		**(5,416)**	(7,368)
Administrative expenses		**(25,924)**	(26,311)
Interests on lease liabilities		**(1,961)**	(2,009)
(Loss)/profit before taxation	8	**(8,587)**	8,812
Income tax credit/(expense)	9	**24**	(2,466)
(Loss)/profit for the period		**(8,563)**	6,346
(Loss)/profit for the period attributable to:			
Equity shareholders of the Company		**(8,928)**	4,913
Non-controlling interests		**365**	1,433
(Loss)/profit for the period		**(8,563)**	6,346
(Loss)/earnings per share attributable to the equity shareholders of the Company (HK cents)	10		
Basic and diluted		**(1.9)**	1.1

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	HK$'000	HK$'000
	(unaudited)	(unaudited)
(Loss)/profit for the period	**(8,563)**	6,346
Other comprehensive income for the period		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of subsidiaries in the Mainland China	**(4,664)**	2,106
Total comprehensive income for the period	**(13,227)**	8,452
Attributable to:		
Equity shareholders of the Company	**(12,807)**	6,655
Non-controlling interests	**(420)**	1,797
Total comprehensive income for the period	**(13,227)**	8,452

The notes on pages 31 to 50 form part of this interim financial report.

Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	**At 30 June 2020 HK$'000 (unaudited)**	At 31 December 2019 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	11	**76,447**	79,243
Right-of-use assets		**55,933**	52,042
Intangible assets		**275**	885
Prepayments for property, plant and equipment		**2,145**	3,004
Rental deposits		**5,334**	3,986
Deferred tax assets		**3,125**	3,185
		143,259	142,345
Current assets			
Inventories		**32,515**	34,425
Financial asset at fair value through profit or loss	12	**–**	23,583
Trade and other receivables	13	**58,975**	44,698
Current tax recoverable		**421**	2,123
Cash and cash equivalents	14	**54,264**	91,174
		146,175	196,003
Current liabilities			
Trade and other payables	15	**39,498**	44,344
Lease liabilities		**17,699**	16,327
		57,197	60,671
Net current assets		**88,978**	135,332
Total assets less current liabilities		**232,237**	277,677

Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	**At 30 June 2020 HK$'000 (unaudited)**	At 31 December 2019 HK$'000 (audited)
Non-current liabilities			
Lease Liabilities		**39,904**	37,257
Deferred tax liabilities		**1,124**	1,124
		41,028	38,381
Net assets		**191,209**	239,296
Capital and reserves			
Share capital	16(b)	**4,648**	4,648
Reserves		**164,342**	212,009
Total equity attributable to the equity shareholders of the Company		**168,990**	216,657
Non-controlling interests		**22,219**	22,639
Total equity		**191,209**	239,296

The notes on pages 31 to 50 form part of this interim financial report.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020 – unaudited

	Attributable to equity shareholders of the Company								
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2019	4,648	180,690	18,324	25,454	2,639	32,975	264,730	23,204	287,934
Change in equity for the six months ended 30 June 2019:									
Profit for the period	–	–	–	–	–	4,913	4,913	1,433	6,346
Other comprehensive income	–	–	–	–	1,742	–	1,742	364	2,106
Total comprehensive income	–	–	–	–	1,742	4,913	6,655	1,797	8,452
Appropriation to statutory reserve	–	–	–	790	–	(790)	–	–	–
Balance at 30 June 2019	4,648	180,690	18,324	26,244	4,381	37,098	271,385	25,001	296,386

The notes on pages 31 to 50 form part of this interim financial report.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020 – unaudited

	Attributable to equity shareholders of the Company								
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2020	4,648	180,690	18,324	25,856	(1,254)	(11,607)	216,657	22,639	239,296
Change in equity for the six months ended 30 June 2020:									
Loss for the period	-	-	-	-	-	(8,928)	(8,928)	365	(8,563)
Other comprehensive income	-	-	-	-	(3,879)	-	(3,879)	(785)	(4,664)
Total comprehensive income	-	-	-	-	(3,879)	(8,928)	(12,807)	(420)	(13,227)
Special dividend (note 16(a))	-	(34,860)	-	-	-	-	(34,860)	-	(34,860)
Appropriation to statutory reserve	-	-	-	171	-	(171)	-	-	-
Balance at 30 June 2020	4,648	145,830	18,324	26,027	(5,133)	(20,706)	168,990	22,219	191,209

The notes on pages 31 to 50 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Note	Six months ended 30 June **2020** **HK$'000** **(unaudited)**	 2019 HK$'000 (unaudited)
Operating activities			
Cash used in operations		**(10,306)**	(13,001)
Tax refunded/(paid)		**1,708**	(281)
Net cash used in operating activities		**(8,598)**	(13,282)
Investing activities			
Payment for the purchase of property, plant and equipment		**(5,819)**	(12,678)
Redemption of an investment fund		**25,109**	–
Other net cash flows arising from investing activities		**481**	542
Net cash generated from/(used in) investing activities		**19,771**	(12,136)
Financing activities			
Capital element of lease rental paid		**(8,962)**	(8,214)
Interest element of lease rental paid		**(1,961)**	(2,009)
Increase in amount due to an intermediate holding company		**–**	902
Increase in amount due to a fellow subsidiary		**–**	152
Increase in amount due to immediate holding company		**–**	8
Dividend paid		**(34,860)**	–
Net cash used in financing activities		**(45,783)**	(9,161)
Net decrease in cash and cash equivalents		**(34,610)**	(34,579)
Cash and cash equivalents at 1 January		**91,174**	78,587
Effect of foreign exchange rate changes		**(2,300)**	279
Cash and cash equivalents at 30 June	14	**54,264**	44,287

The notes on pages 31 to 50 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

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 interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 report contains condensed consolidated interim financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Company and its subsidiaries (collectively the "Group") since the 2019 annual financial statements. 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 SIGNIFICANT EVENTS

The World Health Organisation declared coronavirus and COVID-19 a global health emergency on 30 January 2020. Since then, the Group has experienced significant disruption to its operations in the following respects:

- Decreased demand as a consequence of social distancing requirements and recommendations;
- Disruptions in the supply of inventory from major suppliers; and
- Significant uncertainty concerning when government lockdowns will be lifted, social distancing requirements will be eased and the long-term effects of the pandemic on the demand for the Group's primary products.

The significant events and transactions that have occurred since 31 December 2019 relate to the effects of the global pandemic on the Group's condensed consolidated interim financial statements for the six months ended 30 June 2020 and are summarised as follows.

(a) Decrease in sales and cash flows and potential impairment loss on non-financial assets

As disclosed in note 6, most revenue streams have experienced significant reductions since the pandemic's effects became widespread. The Group considered the reduced sales and reductions in budgeted revenue as indicators of impairment, and therefore determined the recoverable amount for non-financial assets. The recoverable amount is the higher of fair value less costs of disposal and value in use. Value in use was higher than the carrying amount of the respective cash generating units ("CGUs").

Groups of cash generating units that were tested for impairment are summarised as follows:

- Zippers business (Mainland China)
- Zippers business (Overseas)

Based on the results of the impairment assessment performed by an independent valuer, there was no impairment of the non-financial assets of the CGUs as their recoverable amounts being the value in use were higher than the respective carrying amounts of the CGUs including the allocated corporate assets.

3 SIGNIFICANT EVENTS (CONTINUED)

(b) Government grants

The Group applied for the government support program introduced in response to the global pandemic.

Included in profit or loss is approximately HK$598,000 of government grant obtained in Hong Kong relating to supporting the payroll of the Group's employees. The Group has elected to present this government grant separately, rather than reducing the related expense. The Group had to commit to spending the assistance on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Group does not have any unfulfilled obligations relating to this program.

In addition, the obligations of the Group on the PRC social security contributions were reduced by approximately HK$2,304,000 (RMB2,090,000 equivalent) in accordance with the Chinese social security relief policy during the period to ease the burden of enterprises during prevention and containment of the spread of COVID-19.

4 PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are required to be adopted in the 2020 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 for the current accounting period of the Group:

(i) Amendments to HKFRS 3: Definition of a business

(ii) Amendments to HKAS 1 and HKAS 8: Definition of material

(iii) Amendments to HKFRS 7, HKFRS 9 and HKAS 39: Interest Rate Benchmark Reform

(iv) Amendments to HKFRS 16: COVID-19 – Related rent concessions

(v) Conceptual Framework for Financial Reporting (Revised)

The new or amended HKFRSs that are effective from 1 January 2020 did not have any significant impact on the Group's condensed consolidated interim financial statements.

5 USE OF JUDGEMENTS AND ESTIMATES

In preparing these condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2019 annual financial statements.

However, as disclosed in note 3, the effects of COVID-19 have required significant judgments and estimates to be made, including:

(a) Assessing whether the entity has reasonable assurance as to whether it will comply with the conditions attached to government grants;

(b) Calculating the recoverable amount for cash generating units that exhibit indicators of impairment as at the period end; and

(c) Determining which information obtained subsequent to period end provides evidence of conditions that existed as at the end of the reporting period ('adjusting events after the reporting period') and which do not ('non-adjusting events after the reporting period').

Additionally, while the changes in the following estimates and judgments have not had a material impact on the Group, the effects of COVID-19 have required revisions to:

(a) Determining the net realisable value of inventory that has become slow moving due to the effects of COVID-19;

(b) Estimates of customer returns and the determination of the Group's methodology for estimating the transaction price for sales subject to rights of return;

(c) Estimates of expected credit losses attributable to accounts receivable arising from sales to customers on credit terms, including the incorporation of forward-looking information to supplement historical credit loss rates;

5 USE OF JUDGEMENTS AND ESTIMATES (CONTINUED)

(d) Assessment of the Group's ability to continue as a going concern. Although the Group has experienced downturns during the period, the directors do not consider that there are material uncertainties that cast doubt on the Group's going concern status over the course of the next 18 months. This judgment was made with consideration of the Group's liquidity position, given the underlying strength of the statement of financial position and based on the impairment assessment as described in notes 3(a). It is appropriate for the going concern basis to be adopted in preparing the interim report and financial statements, and that there are no material uncertainties over the assumptions underpinning this judgment that are required to be disclosed.

6 SEGMENT REPORTING

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

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

a. Zippers (Mainland China):

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

b. Zippers (Overseas):

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

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

6 SEGMENT REPORTING (CONTINUED)

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

(a) Segment results, assets and liabilities

Information regarding the Group’s reportable segments as provided to the Group’s senior executive management for the purposes of resource allocation and assessment of segment performance for the periods ended 30 June 2020 and 2019 respectively is set out below.

For the six months ended 30 June 2020

	Mainland China HK$’000 (unaudited)	Overseas HK$’000 (unaudited)	Total HK$’000 (unaudited)
Revenue from external customers	69,850	9,405	79,255
Inter-segment revenue	5,621	161	5,782
Reportable segment revenue	75,471	9,566	85,037
Reportable segment profit/(loss)	(563)	655	92
Depreciation and amortisation for the period	13,010	510	13,520
As at 30 June 2020			
Reportable segment assets	244,507	7,882	252,389
Reportable segment liabilities	88,395	2,042	90,437

6 SEGMENT REPORTING (CONTINUED)

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

For the six months ended 30 June 2019

	Mainland China HK$'000 (unaudited)	Overseas HK$'000 (unaudited)	Total HK$'000 (unaudited)
Revenue from external customers	103,344	14,125	117,469
Inter-segment revenue	8,495	465	8,960
Reportable segment revenue	111,839	14,590	126,429
Reportable segment profit	10,182	1,002	11,184
Depreciation and amortisation for the period	10,980	476	11,456
As at 30 June 2019			
Reportable segment assets	263,912	16,667	280,579
Reportable segment liabilities	95,970	2,678	98,648

6 SEGMENT REPORTING (CONTINUED)

(b) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2020 **HK$'000** **(unaudited)**	2019 HK$'000 (unaudited)
Reportable segment profit	**92**	11,184
Elimination of unrealised profit or loss of inter-segment purchase of inventories, other assets and property, plant and equipment	**43**	820
Reportable segment profit derived from the Group's external customers	**135**	12,004
Other revenue and gains/(losses), net	**6,079**	5,543
Interests on lease liabilities	**(1,961)**	(2,009)
Unallocated head office and corporate expenses (note)	**(12,840)**	(6,726)
(Loss)/profit before taxation	**(8,587)**	8,812

Note: Unallocated head office and corporate expenses mainly represented depreciation of right-of-use assets in relation to an office premises, auditors' remuneration, staff costs of head office and legal and professional fees.

7 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	
	2020	2019
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Sales of goods		
Finished zippers and sliders	**78,128**	115,749
Others	**1,127**	1,720
	79,255	117,469

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.

8 (LOSS)/PROFIT BEFORE TAXATION

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

a. Staff costs

	Six months ended 30 June	
	2020	2019
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Salaries, wages and other benefits	**40,641**	43,624
Contributions to defined contribution retirement plans	**2,005**	3,238
	42,646	46,862

8 (LOSS)/PROFIT BEFORE TAXATION (CONTINUED)

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

	Six months ended 30 June	
	2020	2019
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Fair value gain on financial asset at fair value through profit or loss	**1,526**	5,519
Interest income	**137**	542
Losses on disposal of property, plant and equipment	**(25)**	(19)
Government grants	**2,300**	563
Others	**2,141**	(1,062)
	6,079	5,543

c. Other items

	Six months ended 30 June	
	2020	2019
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Depreciation and amortisation*		
– plant and equipment	**6,323**	4,607
– intangible assets	**601**	391
– right-of-use assets	**9,454**	8,933
	16,378	13,931
Inventory write-down net of reversals	**461**	(90)
Cost of inventories*	**60,620**	78,512

* Cost of inventories includes HK$42,564,000 for the six months ended 30 June 2020 (six months ended 30 June 2019: HK$43,546,000) relating to staff costs, depreciation and amortisation expenses which amounts are also included in the respective total amounts disclosed separately above or in note 8(a) for each of these types of expenses.

9 INCOME TAX IN THE CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Six months ended 30 June	
	2020	2019
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current tax – PRC corporate income tax	**(30)**	2,328
Deferred taxation	**6**	138
	(24)	2,466

(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 2020 and 2019.

(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 2021. 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 2020, deferred tax liability recognised in this regard was HK$1,124,000 (31 December 2019: HK$1,124,000).

10 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic loss per share is based on loss attributable to the equity shareholders of the Company for the six months ended 30 June 2020 amounting to HK$8,928,000 (profit attributable to the equity shareholders of the Company for the six months ended 30 June 2019: HK$4,913,000) and the weighted average number of 464,804,000 ordinary shares (six months ended 30 June 2019: 464,804,000 ordinary shares) in issue during the six months ended 30 June 2020.

(b) Diluted (loss)/earnings per share

The diluted (loss)/earning per share is equal to the basic (loss)/earning per share as there were no potential dilutive shares in issue during both six months ended 30 June 2019 and 2020.

11 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired items of property, plant and machinery (including payments for construction in progress) with a cost of HK$ 5,027,000 (six months ended 30 June 2019: HK$10,002,000).

12 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2020 HK$'000 (unaudited)	At 31 December 2019 HK$'000 (audited)
Unlisted investment fund, at fair value		
Financial asset at fair value through profit or loss	**–**	23,583

The Fund, as detailed in the Group's consolidated financial statements for the year ended 31 December 2019, has a maturity of three years from the end of the initial offering period of 17 July 2017 and a shareholder of the Fund may request redemption of all or some of its shares in the Fund. During the six months ended 30 June 2020, the Group made a redemption of its remaining shares with proceeds of approximately HK$25,109,000 received.

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

The fair value of the Fund as at 31 December 2019 was based on its net asset value as at 31 December 2019 reported by the Fund's manager. A firm of professional valuers was appointed by the Company to assist management to assess whether any adjustment to the reported net asset of the Fund was required for the purpose of estimation of the fair value of the Fund as at 31 December 2019.

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

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

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

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

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

Recurring fair value measurements

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
As at 30 June 2020				
Financial asset at fair value through profit or loss – investment fund	**–**	**–**	**–**	**–**

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

There were no transfer between levels 1 and 2 for recurring fair value measurements during the six months ended 30 June 2020. There were also no transfers in and out of level 3 measurements during the period.

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

13 TRADE AND OTHER RECEIVABLES

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

	At 30 June 2020 HK$'000 (unaudited)	At 31 December 2019 HK$'000 (audited)
Within 1 month	**38,173**	11,379
Over 1 month but within 2 months	**6,900**	14,645
Over 2 months but within 3 months	**4,285**	6,969
Over 3 months	**3,697**	8,697
Trade debtors and bills receivable, net of loss allowance	**53,055**	41,690
Other prepayments	**3,963**	1,490
Deposits and other debtors	**1,957**	1,518
	58,975	44,698

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 2019 annual financial statements.

14 CASH AND CASH EQUIVALENTS

	At 30 June 2020 HK$'000 (unaudited)	At 31 December 2019 HK$'000 (audited)
Cash at bank and in hand	**54,264**	91,174
Cash and cash equivalents in the condensed consolidated statement of cash flows	**54,264**	91,174

15 TRADE AND OTHER PAYABLES

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

	At 30 June 2020 HK$'000 (unaudited)	At 31 December 2019 HK$'000 (audited)
Within 1 month	**9,221**	8,991
Over 1 month but within 3 months	**427**	555
Over 3 months but within 6 months	**–**	17
Over 6 months	**626**	414
Trade creditors	**10,274**	9,977
Payroll and staff benefits payable	**13,588**	19,449
Accrued expenses	**2,552**	4,302
Payables for purchase of property, plant and equipment	**8,368**	10,019
Other taxes payables	**1,848**	–
Contract liabilities	**2,412**	592
Other payables	**456**	5
	39,498	44,344

16 CAPITAL, RESERVES AND DIVIDENDS

a. Dividends

	Six months ended 30 June	
	2020	2019
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Special dividend:		
Declared: HK$0.075 (2019: Nil) per ordinary share	**34,860**	–

The declared special dividend for the six months ended 30 June 2020 was approved by the Company's shareholders at the extraordinary general meeting held during the six months ended 30 June 2020. The special dividend was paid out of share premium and paid on 3 March 2020.

No interim dividend was declared.

b. Share capital

Authorised and issued share capital

	At 30 June 2020		At 31 December 2019	
	Number of shares	**Share capital**	Number of shares	Share capital
	'000	**HK$'000**	'000	HK$'000
	(unaudited)	**(unaudited)**	(audited)	(audited)
Authorised:				
Ordinary shares of HK$0.01 each	**2,000,000**	**20,000**	2,000,000	20,000
Ordinary shares, issued and fully paid:				
At 1 January, 30 June and 31 December	**464,804**	**4,648**	464,804	4,648

17 COMMITMENTS

Capital commitments outstanding at 30 June 2020 and 31 December 2019 not provided for in the consolidated financial statements were as follows:

	At 30 June 2020 HK$'000 (unaudited)	At 31 December 2019 HK$'000 (audited)
Contracted for	**2,470**	4,464

18 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions disclosed in other parts of this interim financial report, the Group entered into the following material related party transactions:

a. Transactions

(i) The Group has renewed a lease agreement which expired on 31 December 2018 for a term of two years ending 31 December 2020 in respect of certain leasehold and buildings entered into with Mr Xu Xipeng and Mr Xu Xinan, the senior management of the Group. During the six months ended 30 June 2020, the rentals paid by the Group under this lease agreement amounted to HK$2,381,000 (included VAT) (RMB2,160,000 equivalent) (six months ended 30 June 2019: HK$2,499,000 (RMB2,160,000 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 ("Class 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 on 16 January 2020 for a term of two years commencing from 16 January 2020. The rentals paid by the Group to Classic Winner and Nanhai Jinheming for the six months ended 30 June 2020 amounted to HK$356,000 and HK$2,684,000 (RMB2,435,000 equivalent) (included VAT) (six months ended 30 June 2019: HK$306,000 and HK$1,909,000 (RMB1,650,000 equivalent)) respectively. As at 30 June 2020, the rental deposit paid by the Group to Nanhai Jinheming amounted to HK$1,380,000 (RMB1,252,000 equivalent) (31 December 2019: HK$919,000 (RMB825,000 equivalent)).

18 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

a. Transactions (Continued)

(iii) KEE Guangdong entered into a lease agreement on 24 August 2018 with a term of three years ending 31 August 2021 with KEE (Jingmen) Clothing Accessories Limited which are owned by Mr Xu Xipeng and Mr Xu Xinan in respect of certain leasehold land and buildings. During the six months ended 30 June 2020, the rentals paid by the Group under this lease agreement amounted to HK$2,646,000 (included VAT) (RMB2,400,000 equivalent) (six months ended 30 June 2019: HK$2,777,000 (RMB2,400,000 equivalent)). As at 30 June 2020, the rental deposit paid by the Group amounted to HK$919,000 (RMB825,000 equivalent) (31 December 2019: HK$1,336,000 (RMB1,200,000 equivalent)).

b. Key management personal compensation

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors, is as follows:

	Six months ended 30 June	
	2020	2019
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Short-term employee benefits	**5,334**	3,464
Retirement scheme contribution	**95**	138
	5,429	3,602

Total remuneration is included in "staff costs" (note 8(a)).

19 EVENTS AFTER THE END OF THE REPORTING PERIOD

Subsequent to the end of reporting period, on 11 August 2020, the Group completed the acquisition of the entire equity interest of a company established in the PRC (the "PRC Company") and the shareholder's loan owed by the PRC Company at a consideration of RMB2,177,000 (equivalent to approximately HK$2,400,000). The PRC Company is principally engaged in the provision of consultancy services. On 7 July 2020 and 3 August 2020, the Company had totally paid the consideration of RMB2,177,000 in cash to the vendor.

Glossary

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

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

Glossary

"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).*