



Perfect Optronics Limited
圓美光電有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8311

2022

INTERIM REPORT

CHARACTERISTICS OF GEM (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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This report, for which the directors (the “Directors”) of Perfect Optronics Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

HIGHLIGHTS

- The Group recorded a revenue of approximately HK\$209.9 million for the six months ended 30 June 2022 (six months ended 30 June 2021: approximately HK\$231.2 million).
- Profit attributable to equity holders of the Company for the six months ended 30 June 2022 amounted to approximately HK\$2.5 million (six months ended 30 June 2021: loss of approximately HK\$3.0 million).
- The Board does not declare an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

FINANCIAL RESULTS

The board of directors (the "Board") of Perfect Optronics Limited (the "Company") hereby announces the unaudited consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2022 together with the comparative unaudited figures for the corresponding period in 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Note	Three months ended 30 June		Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	4	65,729	125,506	209,854	231,168
Cost of sales		(55,699)	(117,931)	(157,653)	(213,429)
Gross profit		10,030	7,575	52,201	17,739
Other (losses)/gains, net	6	(18,912)	551	(18,041)	810
Distribution and selling expenses		(4,630)	(4,263)	(14,001)	(8,816)
General and administrative expenses		(6,760)	(6,111)	(13,992)	(12,186)
Research and development expenses		(274)	(564)	(527)	(768)
Operating profit/(loss)		(20,546)	(2,812)	5,640	(3,221)
Finance income		6	11	15	19
Finance costs	7	(102)	(128)	(209)	(246)
Finance costs, net		(96)	(117)	(194)	(227)
Profit/(loss) before income tax	8	(20,642)	(2,929)	5,446	(3,448)
Income tax expense	9	(302)	(1)	(3,521)	(14)
Profit/(loss) for the period		(20,944)	(2,930)	1,925	(3,462)
Other comprehensive income/(loss):					
<i>Item that may be subsequently reclassified to income statement</i>					
Currency translation differences		172	30	245	21
<i>Item that will not be subsequently reclassified to income statement</i>					
Change in value of financial asset at fair value through other comprehensive income		(300)	(107)	(300)	(107)
Total comprehensive income/(loss) for the period		(21,072)	(3,007)	1,870	(3,548)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2022

Note	Three months ended 30 June		Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Profit/(loss) for the period attributable to:				
Equity holders of the Company	(20,578)	(2,882)	2,515	(3,032)
Non-controlling interests	(366)	(48)	(590)	(430)
	(20,944)	(2,930)	1,925	(3,462)
Total comprehensive income/(loss) for the period attributable to:				
Equity holders of the Company	(20,748)	(2,950)	2,377	(3,109)
Non-controlling interests	(324)	(57)	(507)	(439)
	(21,072)	(3,007)	1,870	(3,548)
Basic and diluted earnings/(loss) per share (HK cents)				
11	(1.39)	(0.19)	0.17	(0.20)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Note	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	12	154	259
Right-of-use assets	13	3,745	5,565
Intangible assets	14	5,322	5,322
Deferred income tax assets		94	94
Financial asset at fair value through other comprehensive income	3.4	1,352	1,652
Financial asset at fair value through profit or loss	3.4	20,248	38,461
		30,915	51,353
Current assets			
Inventories		24,631	43,125
Trade and other receivables	15	23,496	12,760
Cash and cash equivalents		71,908	88,512
		120,035	144,397
Total assets		150,950	195,750
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		14,837	14,837
Reserves		116,029	116,167
Accumulated losses		(21,179)	(23,694)
		109,687	107,310
Non-controlling interests		(1,958)	(1,451)
Total equity		107,729	105,859

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2022

	Note	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Bank loan		4,856	5,205
Lease liabilities	13	721	1,813
		5,577	7,018
Current liabilities			
Trade and other payables	16	30,307	78,358
Bank loan		692	683
Lease liabilities	13	3,124	3,832
Current income tax liabilities		3,521	—
		37,644	82,873
Total liabilities		43,221	89,891
Total equity and liabilities		150,950	195,750

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to equity holders of the Company									
	Share capital HK\$'000 (Unaudited)	Share premium HK\$'000 (Unaudited)	Other reserves ¹ HK\$'000 (Unaudited)	Merger reserve HK\$'000 (Unaudited)	Revaluation reserve ² HK\$'000 (Unaudited)	Exchange reserve HK\$'000 (Unaudited)	(Accumulated losses)/ retained earnings HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Non-controlling interests HK\$'000 (Unaudited)	Total equity HK\$'000 (Unaudited)
Balance at 1 January 2022	14,837	465,738	67,349	(415,675)	(954)	(291)	(23,694)	107,310	(1,451)	105,859
Comprehensive income/(loss)										
Profit for the period	—	—	—	—	—	—	2,515	2,515	(590)	1,925
Other comprehensive income/(loss)										
Currency translation differences	—	—	—	—	—	162	—	162	83	245
Change in value of financial asset at fair value through other comprehensive income	—	—	—	—	(300)	—	—	(300)	—	(300)
Total other comprehensive income/(loss)	—	—	—	—	(300)	162	—	(138)	83	(55)
Total comprehensive income/(loss)	—	—	—	—	(300)	162	2,515	2,377	(507)	1,870
Balance at 30 June 2022	14,837	465,738	67,349	(415,675)	(1,254)	(129)	(21,179)	109,687	(1,958)	107,729
Balance at 1 January 2021	14,837	465,738	67,349	(415,675)	(730)	(321)	20,163	151,361	(245)	151,116
Comprehensive loss										
Loss for the period	—	—	—	—	—	—	(3,032)	(3,032)	(430)	(3,462)
Other comprehensive income/(loss)										
Currency translation differences	—	—	—	—	—	30	—	30	(9)	21
Change in value of financial asset at fair value through other comprehensive income	—	—	—	—	(107)	—	—	(107)	—	(107)
Total other comprehensive income/(loss)	—	—	—	—	(107)	30	—	(77)	(9)	(86)
Total comprehensive income/(loss)	—	—	—	—	(107)	30	(3,032)	(3,109)	(439)	(3,548)
Balance at 30 June 2021	14,837	465,738	67,349	(415,675)	(837)	(291)	17,131	148,252	(684)	147,568

- Other reserves include: (1) the difference between the share capital issued by the Company for acquisition of the subsidiaries pursuant to a reorganisation for the listing of the Company and the aggregate capital of the subsidiaries being acquired at the time of the reorganisation; and (2) the amount of the loan waived by the controlling shareholder upon completion of a common control combination.
- Revaluation reserve represents fair value reserve for financial asset at fair value through other comprehensive income.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Note	Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Net cash (used in)/generated from operating activities		(13,619)	7,733
Cash flows from investing activities			
Purchases of property, plant and equipment	12	—	(89)
Interest received		15	19
Net cash generated from/(used in) investing activities		15	(70)
Cash flows from financing activities			
Payments of principal element of lease liabilities	13	(2,075)	(2,502)
Repayments of bank loan		(340)	—
Net cash used in financing activities		(2,415)	(2,502)
Net (decrease)/increase in cash and cash equivalents		(16,019)	5,161
Cash and cash equivalents at beginning of period		88,512	76,403
Exchange differences on cash and cash equivalents		(585)	24
Cash and cash equivalents at end of period		71,908	81,588

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands on 13 June 2013, as an exempted company with limited liability under the Companies Law (as Revised) of the Cayman Islands. The Company's shares are listed on the GEM since 7 February 2014.

The Company is an investment holding company and its subsidiaries are principally engaged in the trading, development and sale of display and optics products and related electronic components, as well as trading of health-related and other products. The Group also processes some of the products which it sells.

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2022 (the "2022 Interim Financial Statements") have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the GEM Listing Rules. The 2022 Interim Financial Statements do not include all the notes of the type normally included in an annual financial report. Accordingly, the 2022 Interim Financial Statements should be read in conjunction with the annual report for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), and any public announcements made by the Company during the six months ended 30 June 2022.

The 2022 Interim Financial Statements are presented in Hong Kong dollars ("HK\$"), unless otherwise stated; and have been prepared under the historical cost convention, except for financial asset at fair value through other comprehensive income ("FVOCI") and financial asset at fair value through profit or loss ("FVTPL") which have been measured at fair value.

The 2022 Interim Financial Statements have not been reviewed by the external auditors of the Company but have been reviewed by the audit committee of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of the 2022 Interim Financial Statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021.

A number of new and amended standards became applicable for the current reporting period and they did not have material impacts on the Group. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For those new standards, amendment to standards and interpretations which have been issued but are not yet effective and have not been early adopted in prior accounting periods, the Group is in the process of assessing their impact on the Group's results and financial position.

The preparation of the 2022 Interim Financial Statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

3.1 Financial instruments by category

The Group holds the following financial instruments at 30 June 2022:

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Financial assets		
Financial assets at amortised cost:		
Trade and other receivables	20,794	10,821
Cash and cash equivalents	71,908	88,512
Financial asset at FVOCI	1,352	1,652
Financial asset at FVTPL	20,248	38,461
	114,302	139,446
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables	27,533	74,588
Bank loan	5,548	5,888
Lease liabilities	3,845	5,645
	36,926	86,121

3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

3.2 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk, liquidity risk and price risk.

The 2022 Interim Financial Statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2021.

There have been no changes in the risk management policies since year end.

3.3 Liquidity risk

As at 30 June 2022, the contractual maturities of the Group's non-derivative financial liabilities were as follows:

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total contractual undiscounted cash flows HK\$'000
At 30 June 2022 (Unaudited)					
Trade payables	17,173	—	—	—	17,173
Other payables	10,360	—	—	—	10,360
Bank loan	836	836	2,509	1,952	6,133
Lease liabilities	3,263	714	—	—	3,977
	31,632	1,550	2,509	1,952	37,643
At 31 December 2021 (Audited)					
Trade payables	62,815	—	—	—	62,815
Other payables	11,773	—	—	—	11,773
Bank loan	836	836	2,509	2,370	6,551
Lease liabilities	4,013	1,851	—	—	5,864
	79,437	2,687	2,509	2,370	87,003

3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

3.4 Fair value measurements

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards:

- (i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- (ii) Inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- (iii) Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets measured and recognised at fair value at 30 June 2022 and 31 December 2021 on a recurring basis:

	At 30 June 2022				At 31 December 2021			
	Level 1 HK\$'000 (Unaudited)	Level 2 HK\$'000 (Unaudited)	Level 3 HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Level 1 HK\$'000 (Audited)	Level 2 HK\$'000 (Audited)	Level 3 HK\$'000 (Audited)	Total HK\$'000 (Audited)
Financial asset at FVTPL								
– Unlisted preferred shares (Note (a))	–	–	20,248	20,248	–	–	38,461	38,461
Financial asset at FVOCI								
– Unlisted equity securities (Note (b))	–	–	1,352	1,352	–	–	1,652	1,652
	–	–	21,600	21,600	–	–	40,113	40,113

Notes:

- (a) The balance comprises the Group's holding of certain preferred shares in Mobvoi Inc. ("Mobvoi"), a private company principally engaged in the business of developing and providing voice search artificial intelligence ("AI") systems on mobile, smart wearable, automotive and other devices. There have been no addition to or disposal of such investment by the Group since it made the investment in January 2015. During the six months ended 30 June 2022, Mobvoi disposed of part of/all of the shares in certain of its subsidiaries in exchange for the repurchase by Mobvoi of certain of its shares, which were treated as treasury shares of Mobvoi ("Treasury Shares") as at 30 June 2022 to be cancelled. Upon cancellation of such Treasury Shares, the Group's shareholding proportion in Mobvoi will be increased to approximately 1.31% (on a fully diluted and as converted basis) (31 December 2021: 1.24%). No dividend has been received by the Group from Mobvoi since its investment.
- (b) The balance comprises the Group's equity investment in certain ordinary shares issued by a private company principally engaged in the research and development, manufacturing and sale of separator which is a key component in lithium batteries, representing 2% shareholding of such company as at 30 June 2022 (31 December 2021: 2%).

3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

3.4 Fair value measurements (Continued)

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. During the six months ended 30 June 2022, there were no transfers amongst levels 1, 2, and 3 (six months ended 30 June 2021: Nil).

The Group's other financial assets, including cash and cash equivalents, trade and other receivables; and the Group's financial liabilities, including trade and other payables, bank loan and lease liabilities are not measured at fair value in the condensed consolidated statement of financial position. The fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2022.

The following table presents the changes in level 3 instruments for the six months ended 30 June 2022 and 2021:

	Financial asset at FVTPL HK\$'000 (Unaudited)	Financial asset at FVOCI HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Six months ended 30 June 2022			
Opening balance as at 1 January 2022	38,461	1,652	40,113
Unrealised losses recognised in other (losses)/gains, net (Note 6)	(18,213)	—	(18,213)
Losses recognised in other comprehensive loss	—	(300)	(300)
Closing balance as at 30 June 2022	20,248	1,352	21,600
Six months ended 30 June 2021			
Opening balance as at 1 January 2021	59,547	1,876	61,423
Unrealised gains recognised in other (losses)/gains, net (Note 6)	511	—	511
Losses recognised in other comprehensive loss	—	(107)	(107)
Closing balance as at 30 June 2021	60,058	1,769	61,827

3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

3.4 Fair value measurements (Continued)

The following table summarises the valuation techniques used and the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Description	Valuation technique	Significant unobservable inputs	Value	Relationship of unobservable inputs to fair value
(a) Preferred shares issued by a private entity	Market comparable companies and equity value allocation with option-pricing method	Volatility	43.20%	10% increase/(decrease) in the volatility would result in increase/(decrease) in fair value by approximately HK\$84,000/ (HK\$73,000)
(b) Ordinary shares issued by a private entity	Discounted cash flow method	Weighted average cost of capital ("WACC")	15.98%	10% increase/(decrease) in WACC would result in (decrease)/ increase in fair value by approximately (HK\$208,000)/ HK\$208,000

Valuations of the above financial assets held by the Group as at the end of the reporting period were performed by independent valuers. There were no changes made to any of the valuation techniques applied as of 31 December 2021.

4. REVENUE

Revenue represents the sales of display products, optics products and related electronic components, health-related products and other products to external parties.

5. SEGMENT INFORMATION

Information reported to the directors of the Company, being the chief operating decision-maker, for the purposes of resource allocation and assessment focuses on the revenue analysis by products.

Other than the Group's results and financial position as a whole, no other discrete financial information is provided for the assessment of different business activities. Accordingly, only entity-wide disclosures, major customers and geographic information are presented.

- (a) The Group's revenues from its major products for the six months ended 30 June 2022 are as follows:

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Thin film transistor liquid crystal display ("TFT-LCD") panels and modules	110,067	174,217
Health-related products	66,191	12,182
Polarisers	25,825	23,930
Electronic signage	3,989	7,793
Integrated circuits	1,829	5,915
Optics products	532	1,886
Others	1,421	5,245
	209,854	231,168

- (b) Revenue by customers' geographical location

During the six months ended 30 June 2022, revenue from external customers by locations where the Group's products were delivered to its customers is shown in the table below.

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Hong Kong	198,627	160,777
The People's Republic of China (the "PRC")	10,831	61,055
Taiwan	396	9,336
	209,854	231,168

5. SEGMENT INFORMATION (CONTINUED)

- (c) Revenues from major customers who have individually contributed to 10% or more of the total revenue of the Group for the six months ended 30 June 2022 are disclosed as follows:

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Customer A	33,116	61,593
Customer B	25,825	23,930
	58,941	85,523

- (d) An analysis of the Group's non-current assets (other than financial assets and deferred income tax assets) by location of assets is as follows:

	Hong Kong HK\$'000	The PRC HK\$'000	Taiwan HK\$'000	Total HK\$'000
As at 30 June 2022 (Unaudited):				
Non-current assets				
Property, plant and equipment	—	84	70	154
Right-of-use assets	2,007	1,716	22	3,745
Intangible assets	4,200	1,122	—	5,322
	6,207	2,922	92	9,221
As at 31 December 2021 (Audited):				
Non-current assets				
Property, plant and equipment	—	171	88	259
Right-of-use assets	3,100	2,406	59	5,565
Intangible assets	4,200	1,122	—	5,322
	7,300	3,699	147	11,146

6. OTHER (LOSSES)/GAINS, NET

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Fair value changes in financial asset at FVTPL (Note 3.4)	(18,213)	511
Government subsidies	395	98
Net exchange (loss)/gain	(226)	38
Others	3	163
	(18,041)	810

7. FINANCE COSTS

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interest expenses on:		
Lease liabilities	119	246
Bank loan	79	—
Factoring charges	11	—
	209	246

8. PROFIT/(LOSS) BEFORE INCOME TAX

The Group's profit/(loss) before income tax is arrived at after charging:

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Cost of inventories sold	151,845	209,475
Provision for obsolete inventories, net	3,938	1,544
Depreciation of property, plant and equipment (Note 12)	94	480
Depreciation of right-of-use assets (Note 13)	2,096	2,363

9. INCOME TAX EXPENSE

The amount of income tax charged to the condensed consolidated income statement represents:

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Current income tax — Hong Kong profits tax	3,521	—
Deferred income tax	—	14
	3,521	14

Pursuant to the enactment of two-tiered profits tax rates by the Inland Revenue Department of Hong Kong from the year of assessment 2018/19 onwards, the Group's first HK\$2 million of assessable profits during the six months ended 30 June 2022 under Hong Kong profits tax is subject to tax rate of 8.25%. The Group's remaining assessable profits during the six months ended 30 June 2022 above HK\$2 million will continue to be subject to a tax rate of 16.5%. No profits tax has been provided for the six months ended 30 June 2021 as the Group has no estimated assessable profit arising in or derived from Hong Kong during the six months ended 30 June 2021. Taxation on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

10. DIVIDEND

The Board does not declare an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

11. BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Profit/(loss) attributable to equity holders of the Company (HK\$'000)	2,515	(3,032)
Weighted average number of ordinary shares in issue (thousands)	1,483,687	1,483,687
Basic and diluted earnings/(loss) per share (HK cents per share)	0.17	(0.20)

For the purpose of determining the diluted earnings/(loss) per share amount, no adjustment has been made to the basic earnings/(loss) per share amount for the six months ended 30 June 2022 and 2021 as the Group had no potentially dilutive ordinary shares in issue during these periods.

12. PROPERTY, PLANT AND EQUIPMENT

	HK\$'000 (Unaudited)
Six months ended 30 June 2022	
<i>Net book value</i>	
Opening amount as at 1 January 2022	259
Depreciation (Note 8)	(94)
Currency translation differences	(11)
Closing amount as at 30 June 2022	154
Six months ended 30 June 2021	
<i>Net book value</i>	
Opening amount as at 1 January 2021	835
Additions	89
Depreciation (Note 8)	(480)
Currency translation differences	10
Closing amount as at 30 June 2021	454

13. LEASES

	Right-of-use assets — Properties	Lease liabilities
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
As at 1 January 2022	5,565	5,645
Additions	377	377
Depreciation expense (Note 8)	(2,096)	—
Interest expense (Note 7)	—	119
Payments of principal element	—	(2,075)
Payments of interest element	—	(119)
Exchange realignment	(101)	(102)
As at 30 June 2022	3,745	3,845
Current		3,124
Non-current		721
		3,845
As at 1 January 2021	9,867	11,563
Additions	3,164	3,164
Lease modifications	(1,427)	(1,589)
Depreciation expense (Note 8)	(2,363)	—
Interest expense (Note 7)	—	246
Payments of principal element	—	(2,502)
Payments of interest element	—	(246)
Exchange realignment	50	63
As at 30 June 2021	9,291	10,699
Current		5,156
Non-current		5,543
		10,699

The Group recognised rent expense from short-term leases of HK\$726,000 for the six months ended 30 June 2022 (six months ended 30 June 2021: HK\$69,000).

14. INTANGIBLE ASSETS

During the six months ended 30 June 2022, there were no movements in the Group's intangible assets (six months ended 30 June 2021: Nil).

15. TRADE AND OTHER RECEIVABLES

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Trade receivables (Note)	12,644	7,758
Bills receivables (Note)	5,241	—
	17,885	7,758
Prepayments, deposits and other receivables	5,611	5,002
	23,496	12,760

Note:

The Group generally grants credit periods of 30 to 90 days. The ageing analysis of trade and bills receivables based on invoice date is as follows:

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
0–30 days	10,817	4,235
31–60 days	5,633	3,266
61–90 days	611	119
Over 90 days	824	138
	17,885	7,758

16. TRADE AND OTHER PAYABLES

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Trade payables (Note)	17,173	62,815
Deposits received from customers	9,260	9,864
Accruals and other payables	3,874	5,679
	30,307	78,358

16. TRADE AND OTHER PAYABLES (CONTINUED)

Note:

The ageing analysis of trade payables based on invoice date is as follows:

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
0-30 days	17,120	35,819
31-60 days	53	26,995
61-90 days	—	1
	17,173	62,815

17. RELATED PARTY TRANSACTIONS

(a) Key management compensation

Key management includes directors and senior management. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Short-term employee benefits	4,431	3,877
Post-employment benefits — defined contribution plans	40	38
	4,471	3,915

(b) Guarantee provided by a director

The Group's bank loan as at 30 June 2022 was secured by personal guarantee from Mr. Cheng Wai Tak.

18. MAJOR NON-CASH TRANSACTION

During the six months ended 30 June 2022, the Group entered into lease arrangements in respect of properties and right-of-use asset of HK\$377,000 (six months ended 30 June 2021: HK\$3,164,000) was recognised.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in the trading, development and sales of display and optics products and other related electronic components, as well as trading of health-related products and other products. The Group also processes some of the products that it sells.

In the first half-year of 2022, the new wave of COVID-19 pandemic, high inflation and other unfavorable factors continued to bring challenges and uncertainties to the global economy. Facing such a complicated business environment, the Group is still able to maintain a solid performance during the six months ended 30 June 2022 (the "Period") with its vast product diversity and flexible business strategy. Despite the Group recorded a revenue of approximately HK\$209,854,000 during the Period, representing an approximately 9% decrease in revenue as compared with the revenue for the six months ended 30 June 2021 of approximately HK\$231,168,000, the Group recorded a turnaround of its results from loss to profit for the Period as compared with the corresponding period in 2021. The Group's consolidated profit attributable to equity holders of the Company for the Period amounted to approximately HK\$2,515,000 as compared to a consolidated loss attributable to equity holders of the Company of approximately HK\$3,032,000 for the six months ended 30 June 2021.

During the Period, sales of medium-to-large sized display products, including display panels and modules for computer notebooks, monitors and televisions, continued to be the main revenue driver of the Group. However, the strong demand for display panels driven by distance learning and work-from-home mode significantly dropped and resulted in over-supply and price drop in the market during the Period. The Group's sales of TFT-LCD panels and modules amounted to approximately HK\$110,067,000 during the Period, representing a decrease of approximately 37% as compared with approximately HK\$174,217,000 for the corresponding period in 2021. Sales of integrated circuits and optics products remained weak during the Period, which amounted to approximately HK\$1,829,000 (six months ended 30 June 2021: HK\$5,915,000) and approximately HK\$532,000 (six months ended 30 June 2021: HK\$1,886,000) respectively during the Period. Nevertheless, as the tight supply of raw materials for polarisers experienced by the Group's supplier in the first quarter of 2022 began to alleviate, the Group's sales of polarisers during the Period amounted to approximately HK\$25,825,000, representing an approximately 8% increase as compared with approximately HK\$23,930,000 for the corresponding period in 2021.

The Group's electronic signage products, which include digital information signages, electronic shelf displays and electronic white boards, etc., recorded a revenue of approximately HK\$3,989,000 during the Period, representing a decrease of approximately 49% as compared with approximately HK\$7,793,000 for the corresponding period in 2021. The decrease was mainly attributable to the decrease in revenue contributed from Taiwan due to the new wave of COVID-19 outbreak in Taiwan during the Period. Although the revenue decreased during the Period, the demand for electronic signage products is expected to continue to increase as its popularity in retail outlets and shopping malls is increasing. The Group will continue to capture the rising electronic signage market and develop the overseas market.

The Group's health-related products business continued to develop and became the Group's another key revenue driver during the Period. The Group introduced a personal hygiene and disinfectant product line in Taiwan branded "K-clean" to the Hong Kong market in 2020. The Group has built a wide customer base which includes corporate clients, public sectors and consumers with its various marketing initiatives over the past two years. The effectiveness of K-clean has also gained recognition in the market. In the beginning of 2022, the fifth wave of COVID-19 outbreak in Hong Kong boosted the demand for health-related products, including rapid antigen test kits for COVID-19 and personal hygiene and disinfectant products. The brand reputation and customer base of K-clean have been further strengthened. Moreover, the Group also captured the market opportunities for the sale of rapid antigen test kits for COVID-19 during the Period through its diversified business networks. Despite that as the fifth wave of COVID-19 outbreak in Hong Kong had eased, the sales of the Group's health-related products softened in the second quarter of 2022 as compared with the first quarter of 2022, sales of the Group's health-related products still amounted to approximately HK\$66,191,000 during the Period, representing a significant increase of approximately HK\$54,009,000 as compared to approximately HK\$12,182,000 for the corresponding period in 2021. Health-related products improved the Group's overall gross profit margin and was a major factor of the Group's results turnaround from loss to profit for the Period as compared with the six months ended 30 June 2021. The Group will continue to make a strategic layout on health-related products.

The Group holds certain preferred shares of Mobvoi, which is principally engaged in the business of developing and providing voice search AI systems on mobile, smart wearable, automotive and other devices. Such investment is classified as financial asset at fair value through profit or loss. During the Period, Mobvoi's business was affected by the COVID-19 lockdown in Shanghai. On the other hand, Mobvoi actively seized the opportunity to expand high-growth business and acquired two companies ("Education Cos") which provide education and training services to students (including children) in the PRC in 2020 by the issues of new ordinary shares of Mobvoi. However, the PRC education system has been reforming, various new policies were introduced in 2021 and negatively affected the Education Cos. To mitigate the negative impacts of the Education Cos, Mobvoi disposed of part of/all of the shares in the Education Cos during the Period in exchange for the repurchase by Mobvoi of certain of its shares. Furthermore, mainly due to (among others) the deterioration of the capital market conditions during the Period, fair value of the Group's investment in Mobvoi as at 30 June 2022 dropped significantly to approximately HK\$20,248,000 from approximately HK\$38,461,000 as at 31 December 2021. Fair value loss of approximately HK\$18,213,000 was recognised during the Period as compared to the fair value gain of approximately HK\$511,000 recorded for the six months ended 30 June 2021. Nevertheless, the Company understands that Mobvoi will continue developing new products and exploring more opportunities and widening its revenue base to enhance its value.

Prospects

Looking forward, although it is expected that the display panel market will remain challenging and the global economy will continue to be affected by high inflation and uncertainties brought about by COVID-19 pandemic, the Group will continue to keep abreast of the market dynamics to capture the market opportunities. The Group will also continue to deploy the health-related products market, while continuing to widen its product diversity to minimise the adverse impact arising from any individual product. The Group will also explore opportunities with new suppliers and customers from various areas or industries to create greater value for the Company and its shareholders.

Financial Review

Revenue

The fifth wave of COVID-19 outbreak in Hong Kong occurred during the Period had driven huge demand and led to a significant increase in sales of the Group's health-related products. However, the significant decrease in revenue from the sales of the Group's TFT-LCD panels and modules, integrated circuits, electronic signage and optics products during the Period had offset the contribution from health-related products. Total revenue of the Group for the Period amounted to approximately HK\$209,854,000, representing a decrease of approximately 9% as compared with approximately HK\$231,168,000 for the six months ended 30 June 2021.

Gross profit

The Group's gross profit for the Period amounted to approximately HK\$52,201,000, which increased by approximately HK\$34,462,000 as compared with approximately HK\$17,739,000 for the six months ended 30 June 2021. The increase in gross profit was mainly due to the increase in revenue from the Group's health-related products, which have higher gross profit margins as compared with the Group's other major products, during the Period.

Other (losses)/gains, net

Net other losses of approximately HK\$18,041,000 was recorded for the Period, while net other gains of approximately HK\$810,000 was recorded for the corresponding period in 2021. The balance mainly included the fair value loss of approximately HK\$18,213,000 recognised for the Group's financial asset at FVTPL in respect of its investment in Mobvoi during the Period (six months ended 30 June 2021: fair value gain of HK\$511,000).

Expenses

The Group's distribution and selling expenses for the Period amounted to approximately HK\$14,001,000, which increased by approximately 59% as compared with approximately HK\$8,816,000 for the six months ended 30 June 2021. The increase was mainly attributable to the increase in sales commissions, transportation and promotion expenses incurred for the Group's health-related products.

The Group's general and administrative expenses for the Period amounted to approximately HK\$13,992,000, which increased by approximately 15% as compared with approximately HK\$12,186,000 for the six months ended 30 June 2021. The increase was mainly attributable to the increase in staff costs and bank charges.

The Group's research and development expenses for the Period amounted to approximately HK\$527,000, which decreased by approximately 31% as compared with approximately HK\$768,000 for the six months ended 30 June 2021. The decrease was mainly due to the decrease in staff costs.

Finance costs

The Group's finance costs for the Period mainly represented interest expenses on lease liabilities and bank loan of approximately HK\$119,000 (six months ended 30 June 2021: HK\$246,000) and HK\$79,000 (six months ended 30 June 2021: Nil), respectively. New bank loan was borrowed in the last quarter of the year ended 31 December 2021.

Profit/(loss) for the period attributable to equity holders of the Company

Primarily attributable to the significant increase in profit generated by the Group's health-related products, the Group recorded a turnaround of its results from loss to profit during the Period as compared to the corresponding period in 2021. Such positive factor was however substantially offset by the fair value loss on the Group's financial asset at FVTPL and the decrease in revenue from the sales of the Group's display products during the Period. Profit attributable to equity holders of the Company for the Period amounted to approximately HK\$2,515,000, as compared to loss attributable to equity holders of the Company of approximately HK\$3,032,000 for the six months ended 30 June 2021.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's principal sources of funds are used to finance working capital, and the growth and expansion of the Group's operations and sales network. The Group's principal sources of funds are cash generated from operations and bank borrowings. The Group's cash and cash equivalents as at 30 June 2022 and 31 December 2021 comprised bank deposits, bank balances and cash.

The carrying amounts of the Group's bank deposits, bank balances and cash are denominated in the following currencies:

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
HK\$	36,212	8,135
United States dollars	25,644	68,952
Renminbi	7,152	9,006
New Taiwan dollars	2,900	2,419
	71,908	88,512

As at 30 June 2022, the Group's total bank borrowings comprised bank loan of approximately HK\$5,548,000 (31 December 2021: HK\$5,888,000), which was obtained under the SME Financing Guarantee Scheme launched by the Government of HKSAR, mature until 2029. The bank loan was denominated in HK\$ and carried a floating interest rate of 2.75% per annum. The scheduled repayment date of the Group's bank loan, as set out in the loan agreement and without considering the effect of any repayment on demand clauses were as follows:

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Within a period not exceeding 1 year	692	683
Within a period of more than 1 year but not exceeding 2 years	712	702
Within a period of more than 2 years but not exceeding 5 years	2,256	2,226
Within a period of more than 5 years	1,888	2,277
	5,548	5,888

GEARING RATIO

The Group's gearing ratio (calculated based on the Group's total interest-bearing bank borrowings divided by the Group's total equity) was 5.1% as at 30 June 2022 (31 December 2021: 5.6%).

CAPITAL STRUCTURE

The capital of the Company only comprises of ordinary shares. There has been no change in the capital structure of the Group during the six months ended 30 June 2022.

TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Period.

The Group strives to reduce exposure to credit risk by monitoring on an ongoing basis with reference to the financial position of the debtors, past experience and other factors. The Group performs regular credit evaluations of its major customers. To manage liquidity risk, the management closely monitors the Group's liquidity position and maintains sufficient cash and an adequate amount of committed credit facilities to settle the payables of the Group.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group had no material contingent liabilities (31 December 2021: Nil).

CHARGE OF ASSETS

As at 30 June 2022, the Group had charged its trade receivables of approximately HK\$9,333,000 (31 December 2021: HK\$5,377,000) in favour of a bank to secure the banking facilities granted to the Group.

FOREIGN CURRENCY

The Group's business transactions, assets and liabilities are principally denominated in United States dollars, Hong Kong dollars, Renminbi and New Taiwan dollars. The Group currently does not have a foreign currency hedging policy. However, the Board will continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

CAPITAL COMMITMENTS

As at 30 June 2022, the Group did not have any significant capital commitments (31 December 2021: Nil).

SIGNIFICANT INVESTMENTS HELD

In January 2015, the Group subscribed for 25,213,220 Series A-2 Preferred Shares of Mobvoi at a consideration of USD3,000,000. Mobvoi is principally engaged in the business of developing and providing voice search AI systems on mobile, smart wearable, automotive and other devices. The Company considers that the investment in Mobvoi, which has so far been held by the Group for long-term investment purpose, will provide an opportunity to the Group to share in and gain from the development potentials of Mobvoi and its products and technology. The Group does not have any management or operational role in Mobvoi. There have been no addition to or disposal of such investment by the Group since it made the investment in January 2015. During the six months ended 30 June 2022, Mobvoi disposed of part of/all of the shares in certain of its subsidiaries in exchange for the repurchase by Mobvoi of certain of its shares, which were treated as treasury shares as at 30 June 2022 to be cancelled. Upon cancellation of such treasury shares, the Group's shareholding proportion in Mobvoi will be increased to approximately 1.31% (on a fully diluted and as converted basis) (31 December 2021: 1.24%).

The Group's investment in Mobvoi is classified as financial asset at fair value through profit or loss. As at 30 June 2022, the fair value of the Group's investment in Mobvoi was approximately HK\$20,248,000, representing approximately 13.4% of the Group's total assets. No dividend has been received by the Group from Mobvoi since making its investment. A fair value loss of approximately HK\$18,213,000 was recognised during the six months ended 30 June 2022.

Save for the abovementioned, the Group did not hold any significant investment in equity interest in any other company as at 30 June 2022.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have plans for material investments and capital assets as at 30 June 2022.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies during the six months ended 30 June 2022.

INFORMATION ON EMPLOYEES

The Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to employees including medical benefits, social insurance, provident funds, bonuses and a share option scheme.

As at 30 June 2022, the employee headcount of the Group was 63 (31 December 2021: 65) and the total staff costs, including directors' emoluments, amounted to approximately HK\$13,179,000 for the six months ended 30 June 2022 (six months ended 30 June 2021: HK\$11,784,000).

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

As at 30 June 2022, interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) held by the Directors and chief executives of the Company which have been 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 which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors set out in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long positions in shares of the Company:

Name of Director	Capacity	Number of shares held	Percentage of the Company's issued shares
Mr. Cheng Wai Tak	Interest in controlled corporation	923,427,151	62.24%
		(Note)	
	Beneficial owner	2,220,000	0.15%
		925,647,151	62.39%
Mr. Kan Man Wai	Beneficial owner	320,000	0.02%

Note: These 923,427,151 shares are held by Winful Enterprises Limited ("Winful Enterprises"), which in turn is wholly and beneficially owned by Mr. Cheng Wai Tak. As such, Mr. Cheng Wai Tak is deemed under the SFO to be interested in these 923,427,151 shares held by Winful Enterprises.

Save as disclosed above, as at 30 June 2022, none of the Directors and chief executives of the Company had registered any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required 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 which were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors set out in Rules 5.46 to 5.67 of the GEM Listing Rules.

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

So far as the Directors are aware, as at 30 June 2022, other than the Directors and chief executive of the Company, the following persons/entities have an interest or a short position in the shares or the underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO:

Long position in shares of the Company:

Name	Nature of interests	Number of shares held	Percentage of the Company's issued shares
Winful Enterprises	Directly beneficially owned	923,427,151 (Note)	62.24%

Note: Mr. Cheng Wai Tak is deemed under the SFO to be interested in these 923,427,151 shares held by Winful Enterprises.

Save as disclosed above, as at 30 June 2022, no other person had any interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

The Company has a share option scheme (the "Share Option Scheme") which was approved and adopted by the then sole shareholder of the Company by way of written resolutions passed on 20 January 2014.

No share option has been granted under the Share Option Scheme since its adoption.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as the Share Option Scheme, at no time during the six months ended 30 June 2022 was the Company, its parent company, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2022, the Company did not redeem any of its shares, and neither did the Company nor any of its subsidiaries purchase or sell any shares of the Company.

COMPLIANCE OF CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the six months ended 30 June 2022.

NON-COMPETITION UNDERTAKING

On 20 January 2014, each of Mr. Cheng Wai Tak and Winful Enterprises, the controlling shareholders of the Company (collectively, the "Covenantors") entered into a deed of non-competition undertaking (the "Non-Competition Deed") in favour of the Company (for itself and for and on behalf of all members of the Group), pursuant to which each of the Covenantors, irrevocably and unconditionally, undertakes and covenants with the Company that with effect from the listing date of the Company and for as long as the shares of the Company remain so listed on the Stock Exchange and he/it, individually or collectively with any other Covenantor(s), is, directly or indirectly, interested in 30% or more of the shares of the Company in issue, or is otherwise regarded as a controlling shareholder (as defined under the GEM Listing Rules from time to time) of the Company, he/it shall not, and shall procure that none of his/its associates (for the purpose of the Non-Competition Deed, shall have the meaning as defined under Rule 1.01 of the GEM Listing Rules but excluding the Group) shall:

- (a) directly or indirectly (other than through the Group) engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with existing business activity of the Group and any business activities undertaken by the Group from time to time (the "Restricted Business") except for the holding of not more than 5% shareholding interests (individually or any of the Covenantors with their associates collectively) in any publicly listed company; and
- (b) take any direct or indirect action which constitutes an interference with or a disruption to the Restricted Business including, but not limited to, solicitation of the Group's customers, suppliers or staff.

Further details of the Non-Competition Deed have been set out in the section headed "Relationship with the Controlling Shareholders" of the prospectus of the Company dated 24 January 2014.

COMPETING INTERESTS

Based on the information available to the Company and within the knowledge and belief of the Directors, none of the Directors or the controlling shareholders of the Company (as defined under the GEM Listing Rules) had any business or interest which competes or may compete with the business of the Group, nor was there any other conflict of interest which any such person had or might have with the Group throughout the six months ended 30 June 2022.

LEGAL PROCEEDINGS INVOLVING THE COMPANY AND THE DIRECTORS

Reference is made to the announcements of the Company dated 26 September 2019, 4 October 2019, 10 January 2020, 9 April 2020, 10 July 2020 and 25 September 2020. On 25 September 2019, the Company received a sealed copy of a petition (the "Petition") issued by the High Court of the Hong Kong Special Administrative Region (the "High Court") which was taken out by the Securities and Futures Commission (the "SFC") pursuant to section 214 of the SFO against certain Directors, namely Mr. Cheng Wai Tak ("Mr. Cheng"), Mr. Liu Ka Wing, Mr. Tse Ka Wing, Mr. Wong Yik Chung John, Mr. Wong Chi Chiu and Mr. Li Shui Yan (collectively "the Director Respondents"), and the Company. The SFC alleged in the Petition that the Director Respondents had breached their duties as directors of the Company in relation to the disposal of a subsidiary of the Company holding an approximately 50.14% shareholding in 尚立光電股份有限公司 (Shinyoptics Corporation*) (details of such disposal were disclosed in the announcement of the Company dated 22 December 2016). As the Company is only a nominal respondent to the Petition and pursuant to the order of the High Court, the Company is not required to actively participate in the legal proceedings in respect of the Petition.

As detailed in the Company's announcement dated 25 September 2020, with effect from 25 September 2020, pending the outcome of the legal proceedings of the Petition, the Director Respondents have been suspended from their duties as Directors. Mr. Cheng has also been suspended from his duties as the Chairman of the Board and the Chief Executive Officer ("CEO") of the Company. Mr. Kan Man Wai, an independent non-executive Director, has been appointed as the acting Chairman in place of Mr. Cheng. The function of the CEO is shared among the management staff of the Company and other members of the Board.

The Company understands the Director Respondents disagree with the allegations of the SFC in the Petition, and intend to vigorously contest the Petition. As at the date of this report, the legal proceedings of the Petition are ongoing.

* *for identification purpose only*

CORPORATE GOVERNANCE

The Company has adopted the principles and the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 15 of the GEM Listing Rules. Throughout the six months ended 30 June 2022, the Company had complied with all the code provisions of the CG Code.

DISCLOSURE OF INFORMATION ON DIRECTORS

Pursuant to Rule 17.50A of the GEM Listing Rules, the changes in information on Directors are as follows:

With effect from 5 May 2022, Mr. Wong Yik Chung John, an independent non-executive Director resigned as an independent non-executive director of EcoGreen International Group Limited (stock code: 2341), the shares of which are listed on the Stock Exchange.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the code provision D.3.3 of the CG Code. The audit committee consists of three independent non-executive Directors, namely Ms. Hsu Wai Man Helen, who has the appropriate accounting and related financial management expertise and serves as the chairperson of the audit committee, Mr. Cho Chi Kong and Mr. Kan Man Wai. The audit committee has reviewed this report and has provided advice and comments thereon.

By order of the Board
Perfect Optronics Limited
Kan Man Wai
Acting Chairman

Hong Kong, 5 August 2022