



Perfect Optronics Limited

圓美光電有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8311

2023

INTERIM REPORT

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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\$66.5 million for the six months ended 30 June 2023 (six months ended 30 June 2022: approximately HK\$209.9 million).
- Loss attributable to equity holders of the Company for the six months ended 30 June 2023 amounted to approximately HK\$3.9 million (six months ended 30 June 2022: profit of approximately HK\$2.5 million).
- The Board does not declare an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: 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 2023 together with the comparative unaudited figures for the corresponding period in 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Note	Three months ended 30 June		Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	4	29,766	65,729	66,500	209,854
Cost of sales		(25,944)	(55,699)	(56,437)	(157,653)
Gross profit		3,822	10,030	10,063	52,201
Other gains/(losses), net	6	7,936	(18,912)	7,635	(18,041)
Distribution and selling expenses		(5,453)	(4,630)	(10,446)	(14,001)
General and administrative expenses		(5,678)	(6,760)	(11,305)	(13,992)
Research and development expenses		(250)	(274)	(469)	(527)
Operating profit/(loss)		377	(20,546)	(4,522)	5,640
Finance income		69	6	144	15
Finance costs	7	(84)	(102)	(165)	(209)
Finance costs, net		(15)	(96)	(21)	(194)
Profit/(loss) before income tax	8	362	(20,642)	(4,543)	5,446
Income tax expense	9	(3)	(302)	(1)	(3,521)
Profit/(loss) for the period		359	(20,944)	(4,544)	1,925
Other comprehensive income/(loss): <i>Item that may be subsequently reclassified to income statement</i>					
Currency translation differences		206	172	127	245
<i>Items that will not be subsequently reclassified to income statement</i>					
Change in value of financial asset at fair value through other comprehensive income		300	(300)	300	(300)
Currency translation differences		60	—	20	—
Total comprehensive income/(loss) for the period		925	(21,072)	(4,097)	1,870

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2023

	Note	Three months ended 30 June		Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Profit/(loss) for the period attributable to:					
Equity holders of the Company		826	(20,578)	(3,859)	2,515
Non-controlling interests		(467)	(366)	(685)	(590)
		359	(20,944)	(4,544)	1,925
Total comprehensive income/(loss) for the period attributable to:					
Equity holders of the Company		1,332	(20,748)	(3,432)	2,377
Non-controlling interests		(407)	(324)	(665)	(507)
		925	(21,072)	(4,097)	1,870
Basic and diluted earnings/(loss) per share (HK cents)					
	11	0.06	(1.39)	(0.26)	0.17

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Note	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	12	105	104
Right-of-use assets	13	5,458	4,261
Intangible assets	14	5,322	5,322
Deferred income tax assets		78	79
Financial asset at fair value through other comprehensive income	3.4	1,600	1,300
Financial asset at fair value through profit or loss	3.4	32,752	25,201
		45,315	36,267
Current assets			
Inventories		20,393	21,743
Trade and other receivables	15	6,990	10,031
Cash and cash equivalents		71,867	85,709
		99,250	117,483
Total assets		144,565	153,750
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		14,837	14,837
Reserves		116,487	116,060
Accumulated losses		(23,515)	(19,656)
		107,809	111,241
Non-controlling interests		(2,568)	(1,903)
Total equity		105,241	109,338

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2023

	Note	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Bank loan		4,166	4,516
Lease liabilities	13	1,913	1,177
		6,079	5,693
Current liabilities			
Trade and other payables	16	28,545	34,464
Current income tax liabilities		395	395
Bank loan		698	690
Lease liabilities	13	3,607	3,170
		33,245	38,719
Total liabilities		39,324	44,412
Total equity and liabilities		144,565	153,750

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	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 HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Non-controlling interests HK\$'000 (Unaudited)	Total equity HK\$'000 (Unaudited)
Balance at 1 January 2023	14,837	465,738	67,349	(415,675)	(1,306)	(46)	(19,656)	111,241	(1,903)	109,338
Comprehensive income/(loss)										
Loss for the period	—	—	—	—	—	—	(3,859)	(3,859)	(685)	(4,544)
Other comprehensive income										
Currency translation differences	—	—	—	—	—	127	—	127	20	147
Change in value of financial asset at fair value through other comprehensive income	—	—	—	—	300	—	—	300	—	300
Total other comprehensive income	—	—	—	—	300	127	—	427	20	447
Total comprehensive income/(loss)	—	—	—	—	300	127	(3,859)	(3,432)	(665)	(4,097)
Balance at 30 June 2023	14,837	465,738	67,349	(415,675)	(1,006)	81	(23,515)	107,809	(2,568)	105,241
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

- 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 2023

	Note	Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Net cash used in operating activities		(11,102)	(13,619)
Cash flows from investing activities			
Purchases of property, plant and equipment	12	(44)	—
Interest received		144	15
Net cash generated from investing activities		100	15
Cash flows from financing activities			
Payments of principal element of lease liabilities	13	(2,115)	(2,075)
Repayments of bank loan		(342)	(340)
Net cash used in financing activities		(2,457)	(2,415)
Net decrease in cash and cash equivalents		(13,459)	(16,019)
Cash and cash equivalents at beginning of period		85,709	88,512
Exchange differences on cash and cash equivalents		(383)	(585)
Cash and cash equivalents at end of period		71,867	71,908

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 2023 (the "2023 Interim Financial Statements") have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the GEM Listing Rules. The 2023 Interim Financial Statements do not include all the notes of the type normally included in an annual financial report. Accordingly, the 2023 Interim Financial Statements should be read in conjunction with the annual report for the year ended 31 December 2022, 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 2023.

The 2023 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 2023 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 2023 Interim Financial Statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

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 2023 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 2022.

3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

3.1 Financial instruments by category

The Group holds the following financial instruments at 30 June 2023:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Financial assets		
Financial assets at amortised cost:		
Trade and other receivables	5,662	7,925
Cash and cash equivalents	71,867	85,709
Financial asset at FVOCI	1,600	1,300
Financial asset at FVTPL	32,752	25,201
	111,881	120,135
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables	25,555	30,434
Bank loan	4,864	5,206
Lease liabilities	5,520	4,347
	35,939	39,987

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 2023 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 2022.

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

3.3 Liquidity risk

As at 30 June 2023, 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 2023 (Unaudited)					
Trade payables	17,072	—	—	—	17,072
Other payables	8,483	—	—	—	8,483
Bank loan	857	857	2,572	1,144	5,430
Lease liabilities	3,726	1,916	23	—	5,665
	30,138	2,773	2,595	1,144	36,650
At 31 December 2022 (Audited)					
Trade payables	22,916	—	—	—	22,916
Other payables	7,518	—	—	—	7,518
Bank loan	853	854	2,562	1,566	5,835
Lease liabilities	3,259	1,136	57	—	4,452
	34,546	1,990	2,619	1,566	40,721

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 2023 and 31 December 2022 on a recurring basis:

	At 30 June 2023				At 31 December 2022			
	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))	–	–	32,752	32,752	–	–	25,201	25,201
Financial asset at FVOCI								
– Unlisted equity securities (Note (b))	–	–	1,600	1,600	–	–	1,300	1,300
	–	–	34,352	34,352	–	–	26,501	26,501

Notes:

- (a) The balance comprises the Group's holding of certain preferred shares in Mobvoi Inc. ("Mobvoi"), a private company principally engaged in rendering of artificial intelligence ("AI") software solutions and sale of artificial intelligence of things ("AIoT") smart devices to enterprise and individual customers. There have been no addition to or disposal of such investment by the Group since it made the investment in January 2015. No dividend has been received by the Group from Mobvoi since its investment. During the Period, Mobvoi cancelled the treasury shares arising from the repurchase of its ordinary shares by Mobvoi in exchange for Mobvoi's disposals of part of/all of the shares in certain of its subsidiaries in 2022. The Group's shareholding proportion in Mobvoi was approximately 1.57% (on a fully diluted and as converted basis) as at 30 June 2023.
- (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. During the Period, such company allotted new shares and the Group's shareholding in which was diluted to approximately 1.21% as at 30 June 2023 (31 December 2022: 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 2023, there were no transfers amongst levels 1, 2, and 3 (six months ended 30 June 2022: 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 2023.

The following table presents the changes in level 3 instruments for the six months ended 30 June 2023 and 2022:

	Financial asset at FVTPL HK\$'000 (Unaudited)	Financial asset at FVOCI HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Six months ended 30 June 2023			
Opening balance as at 1 January 2023	25,201	1,300	26,501
Unrealised gains recognised in other gains/(losses), net (Note 6)	7,551	—	7,551
Gains recognised in other comprehensive income	—	300	300
Closing balance as at 30 June 2023	32,752	1,600	34,352
Six months ended 30 June 2022			
Opening balance as at 1 January 2022	38,461	1,652	40,113
Unrealised losses recognised in other gains/(losses), 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

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	54.10%	10% increase/(decrease) in the volatility would result in (decrease)/increase in fair value by approximately (HK\$86,000)/HK\$78,000
(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\$300,000)/HK\$325,000

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 2022.

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 2023 are as follows:

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Thin film transistor liquid crystal display ("TFT-LCD") panels and modules	48,398	110,067
Health-related products	11,913	66,191
Electronic signage	5,023	3,989
Integrated circuits	771	1,829
Polarisers	356	25,825
Optics products	39	532
Others	—	1,421
	66,500	209,854

- (b) Revenue from external customers of the Group by geographical location for the six months ended 30 June 2023 is shown as follows:

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Hong Kong	60,259	198,627
The People's Republic of China (the "PRC")	5,888	10,831
Taiwan	353	396
	66,500	209,854

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 2023 are disclosed as follows:

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Customer A	13,996	12,758

- (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 2023 (Unaudited):				
Non-current assets				
Property, plant and equipment	—	27	78	105
Right-of-use assets	4,777	528	153	5,458
Intangible assets	4,200	1,122	—	5,322
	8,977	1,677	231	10,885
As at 31 December 2022 (Audited):				
Non-current assets				
Property, plant and equipment	—	49	55	104
Right-of-use assets	2,980	1,095	186	4,261
Intangible assets	4,200	1,122	—	5,322
	7,180	2,266	241	9,687

6. OTHER GAINS/(LOSSES), NET

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Fair value changes in financial asset at FVTPL (Note 3.4)	7,551	(18,213)
Government subsidies	129	395
Net exchange loss	(48)	(226)
Others	3	3
	7,635	(18,041)

7. FINANCE COSTS

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Interest expenses on:		
Lease liabilities	77	119
Bank loan	84	79
Factoring charges	4	11
	165	209

8. PROFIT/(LOSS) BEFORE INCOME TAX

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

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Cost of inventories sold	55,766	151,845
(Reversal of provision)/provision for obsolete inventories, net	(791)	3,938
Depreciation of property, plant and equipment (Note 12)	41	94
Depreciation of right-of-use assets (Note 13)	2,092	2,096

9. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Current income tax — Hong Kong profits tax	—	3,521
Deferred income tax	1	—
	1	3,521

No Hong Kong profits tax has been provided for the six months ended 30 June 2023 as the Group has no estimated assessable profit arising in or derived from Hong Kong during the six months ended 30 June 2023. 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 was 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 continued to be subject to a tax rate of 16.5%. 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 2023 (six months ended 30 June 2022: Nil).

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

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit 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	
	2023 (Unaudited)	2022 (Unaudited)
(Loss)/profit attributable to equity holders of the Company (HK\$'000)	(3,859)	2,515
Weighted average number of ordinary shares in issue (thousands)	1,483,687	1,483,687
Basic and diluted (loss)/earnings per share (HK cents per share)	(0.26)	0.17

For the purpose of determining the diluted (loss)/earnings per share amount, no adjustment has been made to the basic (loss)/earnings per share amount for the six months ended 30 June 2023 and 2022 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 2023	
<i>Net book value</i>	
Opening amount as at 1 January 2023	104
Depreciation (Note 8)	(41)
Addition	44
Currency translation differences	(2)
Closing amount as at 30 June 2023	105
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

13. LEASES

	Right-of-use assets — Properties	Lease liabilities
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
As at 1 January 2023	4,261	4,347
Additions	3,308	3,308
Depreciation expense (Note 8)	(2,092)	—
Interest expense (Note 7)	—	77
Payments of principal element	—	(2,115)
Payments of interest element	—	(77)
Exchange realignment	(19)	(20)
As at 30 June 2023	5,458	5,520
Current		3,607
Non-current		1,913
		5,520
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

The Group recognised rent expense from short-term leases of HK\$1,034,000 for the six months ended 30 June 2023 (six months ended 30 June 2022: HK\$726,000).

14. INTANGIBLE ASSETS

During the six months ended 30 June 2023, there were no movements in the Group's intangible assets (six months ended 30 June 2022: Nil).

15. TRADE AND OTHER RECEIVABLES

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Trade receivables (Note)	2,943	5,196
Prepayments, deposits and other receivables	4,047	4,835
	6,990	10,031

Note:

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

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
0-30 days	1,734	3,960
31-60 days	194	866
61-90 days	294	197
Over 90 days	721	173
	2,943	5,196

16. TRADE AND OTHER PAYABLES

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Trade payables (Note)	17,072	22,916
Deposits received from customers	7,142	5,171
Accruals and other payables	4,331	6,377
	28,545	34,464

16. TRADE AND OTHER PAYABLES (CONTINUED)

Note:

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

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
0-30 days	8,472	17,597
31-60 days	8,518	5,288
61-90 days	30	—
Over 90 days	52	31
	17,072	22,916

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	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Short-term employee benefits	3,863	4,431
Post-employment benefits — defined contribution plans	34	40
	3,897	4,471

(b) Guarantee provided by a director

The Group's bank loan as at 30 June 2023 was secured by personal guarantee from Mr. Cheng Wai Tak.

18. MAJOR NON-CASH TRANSACTION

During the six months ended 30 June 2023, the Group entered into lease arrangements in respect of properties and right-of-use asset of HK\$3,308,000 (six months ended 30 June 2022: HK\$377,000) 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.

Stepping into 2023, the demand for display panels continued to decline due to the downward pressure on the economy and inflation. In addition, the market inventory continued to pile up, keeping the display panel market at a relatively weak level. Furthermore, the demand of the Group's health-related products declined following the ease of the COVID-19 pandemic in Hong Kong. The Group's financial performance was seriously affected as a result. The Group recorded a significant drop in revenue during the six months ended 30 June 2023 (the "Period") as compared with the six months ended 30 June 2022. Revenue of the Group for the Period amounted to approximately HK\$66,500,000 representing a decrease of approximately 68% as compared to approximately HK\$209,854,000 for the corresponding period in 2022. During the Period, the significant decrease in revenue had offset the positive impact of the fair value gain on the Group's financial asset at FVTPL recorded and among others, led to a consolidated loss attributable to equity holders of the Company for the Period of approximately HK\$3,859,000 as compared to a consolidated profit attributable to equity holders of the Company of approximately HK\$2,515,000 for the six months ended 30 June 2022.

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, demand for display panels declined with the cool down in the need for remote working and online studying. With the economy being uncertain and consumer price index remaining high, consumer sentiment was also affected. Such weak market demand resulted in the piling up of inventories and drop in market prices of display panels. During the Period, there was a reduction in supply of TFT-LCD panels and modules which could have served as a measure to stabilise market prices. These factors led to a significant decrease in the sales of the Group's TFT-LCD panels and modules during the Period as compared to the corresponding period in 2022. The Group's sales of TFT-LCD panels and modules amounted to approximately HK\$48,398,000 during the Period, representing a decrease of approximately 56% as compared with approximately HK\$110,067,000 for the corresponding period in 2022. The Group also recorded a significant drop in sales of polarisers from approximately HK\$25,825,000 during the six months ended 30 June 2022 to approximately HK\$356,000 during the Period. Such decrease was mainly due to the decrease in shipment of the mobile phones which the Group's polarisers applied on during the Period. Apart from that, sales of integrated circuits and optics products also remained feeble during the Period.

Following the ease of COVID-19 pandemic and Hong Kong's return to normalcy from having various anti-epidemic measures, the demands for rapid antigen test kits for COVID-19 ("RAT") and disinfectant products decrease rapidly during the Period. This led to the significant drop in the sales of Group's health-related products, including RAT and the Group's personal hygiene and disinfectant products with brand "K-clean", during the Period as compared with the corresponding period in 2022 when the fifth wave of COVID-19 pandemic was breaking out. Sales of the Group's health-related products amounted to approximately HK\$11,913,000 during the Period, representing a decrease of approximately 82% as compared with approximately HK\$66,191,000 for the corresponding period in 2022. In order to widen the Group's health-related products portfolio and to capture the opportunities of the increased health consciousness of the public, the Group has also introduced health supplements products to the market during the Period. The Group is dedicated to providing high quality products for its customers. It is expected that the good reputation built-up by K-clean amongst its consumers group may benefit the promotion of the Group's health supplements products.

Notwithstanding the decrease in the sales of the Group's other major products, 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\$5,023,000 during the Period, representing an increase of approximately 26% as compared with approximately HK\$3,989,000 for the corresponding period in 2022. As electronic signages become popular, more and more places have installed such products, including retail stores, schools, etc. and there is an increasing demand for electronic signage products. The Group will continue to expand the customer base and capture the rising electronic signage market.

The Group holds certain preferred shares of Mobvoi, which is principally engaged in rendering of AI software solutions and sale of AIoT smart devices to enterprise and individual customers. Such investment is classified as financial asset at FVTPL. Fair value of such investment amounted to approximately HK\$32,752,000 as at 30 June 2023, which increased by around 30% as compared to approximately HK\$25,201,000 as at 31 December 2022. A fair value gain of approximately HK\$7,551,000 was recognised during the Period as compared to the fair value loss of approximately HK\$18,213,000 recognised during the corresponding period in 2022. The Company understands that the fair value of such investment had benefited from the surge of interest in the capital markets towards stocks of the AI sector during the Period. During the Period, Mobvoi cancelled the treasury shares arising from the repurchase of its ordinary shares by Mobvoi in exchange for Mobvoi's disposals of part of/all of the shares in certain of its subsidiaries in 2022. The Group's shareholding proportion in Mobvoi was approximately 1.57% (on a fully diluted and as converted basis) as at 30 June 2023. Recently, Mobvoi has developed and announced its AI foundation model, namely, Sequence Monkey. Mobvoi has also rolled out a series of artificial intelligence-generated content products. Furthermore, Mobvoi submitted its listing application to the Stock Exchange in May 2023.

Another investment of the Group was classified as financial asset at FVOCI, being the Group's investment in a Taiwan private company that engages in the separator (a key component in lithium batteries) business. The fair value of such investment amounted to approximately HK\$1,600,000 as at 30 June 2023 (31 December 2022: HK\$1,300,000). During the Period, such company allotted additional shares to raise capital and the Group's shareholding therein was diluted to approximately 1.21% as at 30 June 2023 (31 December 2022: 2%).

Prospects

Looking forward to the second half of 2023, the Group's display panels business will remain challenging but market prices of certain products are expected to recover. On the other hand, since the pandemic has brought about behavioral changes in people's lifestyle, the demands for personal hygiene and health-related products still provide great business opportunities notwithstanding the world having entered the post-pandemic era. The Group will continue to diversify its health-related products to minimise the adverse impact arising from any individual product. In the long run, the Group will continue to explore opportunities with new suppliers and customers from various areas to create greater value for the Company and its shareholders.

Financial Review

Revenue

Total revenue of the Group for the Period amounted to approximately HK\$66,500,000, representing an approximately 68% decrease as compared to approximately HK\$209,854,000 for the six months ended 30 June 2022. Except for electronic signage, the Group's major products, including health-related products, TFT-LCD panels and modules, polarisers, integrated circuits and optics products, recorded a significant drop in revenue during the Period as compared to the corresponding period in 2022.

Gross profit

The Group's gross profit for the Period amounted to approximately HK\$10,063,000, which decreased by approximately 81% as compared with approximately HK\$52,201,000 for the six months ended 30 June 2022. The decrease in gross profit was mainly due to the decrease in revenue during the Period.

Other gains/(losses), net

Net other gains of approximately HK\$7,635,000 was recorded for the Period, while net other losses of approximately HK\$18,041,000 was recorded for the corresponding period in 2022. The balance mainly included the fair value gain of approximately HK\$7,551,000 recognised for the Group's financial asset at FVTPL in respect of its investment in Mobvoi during the Period (six months ended 30 June 2022: fair value loss of HK\$18,213,000).

Expenses

The Group's distribution and selling expenses for the Period amounted to approximately HK\$10,446,000, which decreased by approximately 25% as compared with approximately HK\$14,001,000 for the six months ended 30 June 2022. The decrease was mainly attributable to the decrease in sales commissions, transportation and promotion expenses incurred for the Group's health-related products as the sales decreased.

The Group's general and administrative expenses for the Period amounted to approximately HK\$11,305,000, which decreased by approximately 19% as compared with approximately HK\$13,992,000 for the six months ended 30 June 2022. The decrease was mainly attributable to the decrease in staff costs and bank charges.

The Group's research and development expenses for the Period amounted to approximately HK\$469,000, which decreased by approximately 11% as compared with approximately HK\$527,000 for the six months ended 30 June 2022. 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\$77,000 (six months ended 30 June 2022: HK\$119,000) and HK\$84,000 (six months ended 30 June 2022: HK\$79,000), respectively.

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

Although the Group recorded a fair value gain of approximately HK\$7,551,000 on its financial asset at FVTPL during the Period as compared to a fair value loss of approximately HK\$18,213,000 for the six months ended 30 June 2022, primarily attributable to the significant decrease in sales of the Group's health-related products and TFT-LCD panels and modules, the Group recorded a loss attributable to equity holders of the Company for the Period which amounted to approximately HK\$3,859,000, as compared to a profit attributable to equity holders of the Company of approximately HK\$2,515,000 for the six months ended 30 June 2022.

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 2023 and 31 December 2022 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 2023 HK\$'000	31 December 2022 HK\$'000
United States dollars ("USD")	31,386	39,487
HK\$	29,543	39,005
Renminbi	9,392	6,510
New Taiwan dollars	1,546	707
	71,867	85,709

As at 30 June 2023, the Group's total bank borrowings comprised bank loan of approximately HK\$4,864,000 (31 December 2022: HK\$5,206,000), which was obtained under the SME Financing Guarantee Scheme launched by the Government of HKSAR, will mature in 2029. The bank loan was denominated in HK\$ and carried a floating interest rate of prime rate minus 2.5% 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 2023 HK\$'000	31 December 2022 HK\$'000
On demand or within a period not exceeding 1 year	698	690
Within a period of more than 1 year but not exceeding 2 years	723	712
Within a period of more than 2 years but not exceeding 5 years	2,327	2,288
Within a period of more than 5 years	1,116	1,516
	4,864	5,206

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 4.6% as at 30 June 2023 (31 December 2022: 4.8%).

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 Period.

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 2023, the Group had no material contingent liabilities (31 December 2022: Nil).

CHARGE OF ASSETS

As at 30 June 2023, no trade receivables of the Group was charged (31 December 2022: HK\$480,000) 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 USD, HK\$, 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 2023, the Group did not have any significant capital commitments (31 December 2022: 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 rendering of AI software solutions and sale of AIoT smart devices to enterprise and individual customers. 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 Period, Mobvoi cancelled the treasury shares arising from the repurchase of its ordinary shares by Mobvoi in exchange for Mobvoi's disposals of part of/all of the shares in certain of its subsidiaries in 2022. The Group's shareholding proportion in Mobvoi was approximately 1.57% (on a fully diluted and as converted basis) as at 30 June 2023.

The Group's investment in Mobvoi is classified as financial asset at FVTPL. As at 30 June 2023, the fair value of the Group's investment in Mobvoi was approximately HK\$32,752,000, representing approximately 22.7% of the Group's total assets. No dividend has been received by the Group from Mobvoi since making its investment. A fair value gain of approximately HK\$7,551,000 was recognised during the Period.

Save for the abovementioned, the Group did not hold any significant investment in equity interest in any other company as at 30 June 2023.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have plans for material investments and capital assets as at 30 June 2023.

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 Period.

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 2023, the employee headcount of the Group was 67 (31 December 2022: 65) and the total staff costs, including directors' emoluments, amounted to approximately HK\$12,379,000 for the Period (six months ended 30 June 2022: HK\$13,179,000).

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 2023, 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 2023, 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 2023, 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 2023, 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 Period 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 Period, 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 Period.

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 Period.

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. 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 Wai Tak 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 Wai Tak. 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 Period, 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:

On 8 June 2023, Mr. Wong Yik Chung John (“Mr. Wong”), an independent non-executive Director was appointed as an independent non-executive director of Jinke Smart Services Group Co., Ltd. (“Jinke”) (stock code: 9666), the shares of which are listed on the Stock Exchange. Due to the mutual intention of Jinke and Mr. Wong for Mr. Wong to provide consultancy services to Jinke in his own capacity, Mr. Wong had tendered his resignation as an independent non-executive director of Jinke effective from 27 June 2023.

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, 7 August 2023