



HKSE: 1263

栢能集團有限公司*
PC Partner Group Limited

Incorporated in the Cayman Islands with limited liability

* For identification purpose only

METaverse

2022
Interim Report

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Company Profile

PC Partner is a leading manufacturer of computer electronics. Our key products are video graphics cards (“VGA Cards”), motherboards and mini-PCs. We are also offering one-stop electronic manufacturing services (“EMS”) to reputable brands all over the world.

As one of the leaders in the industry, we leverage our extraordinary research and development capabilities and state-of-the-art production facilities to constantly bring new product ideas and leading-edge innovations to the market. We endeavor to stay ahead of the industry to ensure success and competitiveness in serving the needs of our customers.

BOARD OF DIRECTORS

Executive Directors

Mr. WONG Shik Ho Tony
(Chairman and Chief Executive Officer)
Mr. WONG Fong Pak *(Executive Vice President)*
Mr. LEUNG Wah Kan *(Chief Operation Officer)*
Mr. HO Nai Nap
Mr. MAN Wai Hung

Non-executive Directors

Mrs. HO WONG Mary Mee-Tak
Mr. CHIU Wing Yui
(Alternate Director to Mrs. HO WONG Mary Mee-Tak)

Independent Non-executive Directors

Mr. IP Shing Hing
Mr. LAI Kin Jerome
Mr. CHEUNG Ying Sheung

AUDIT COMMITTEE

Mr. LAI Kin Jerome *(Chairman)*
Mr. IP Shing Hing
Mr. CHEUNG Ying Sheung

REMUNERATION COMMITTEE

Mr. IP Shing Hing *(Chairman)*
Mr. LAI Kin Jerome
Mr. CHEUNG Ying Sheung
Mr. WONG Shik Ho Tony

NOMINATION COMMITTEE

Mr. IP Shing Hing *(Chairman)*
Mr. LAI Kin Jerome
Mr. CHEUNG Ying Sheung
Mr. WONG Shik Ho Tony

INVESTMENT COMMITTEE

Mr. WONG Shik Ho Tony *(Chairman)*
Mr. WONG Fong Pak
Mr. LEUNG Wah Kan
Mr. IP Shing Hing
Mr. LAI Kin Jerome

COMPANY SECRETARY

Ms. LEE Yuet Wan

AUTHORISED REPRESENTATIVES

Mr. WONG Shik Ho Tony
Ms. LEE Yuet Wan

AUDITOR

BDO Limited
25/F., Wing On Centre
111 Connaught Road Central
Hong Kong

LEGAL ADVISER

Lau, Horton & Wise LLP
8/F., Nexus Building
41 Connaught Road Central
Hong Kong

REGISTERED OFFICE

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P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands



Corporate Information

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

19/F., Shatin Galleria
18-24 Shan Mei Street
Fo Tan
Shatin
New Territories

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17M Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited

WEBSITE

www.pcpartner.com

Management Discussion and Analysis

BUSINESS REVIEW

The Group is principally engaged in the design, manufacturing and trading of VGA Cards for desktop computer, EMS and manufacturing and trading in other PC related products and components.

The Group manufactures VGA Cards for Original Design Manufacturer/Original Equipment Manufacturer (“ODM/OEM”) customers and also manufactures and markets VGA Cards and other products under its own brands, namely ZOTAC, Inno3D and Manli. The business relationships with NVIDIA and AMD, the two globally dominant graphics processing unit (“GPU”) suppliers, enable the Group to develop cost-competitive, high performance products and solutions to serve its customers. VGA Cards remain the core business of the Group for the period under review.

The Group provides EMS to globally recognised brands, including major providers of Automatic Teller Machines (“ATM”) and Point-Of-Sales (“POS”) systems, industrial devices, and various types of consumer electronic products. Aside from VGA Cards and the EMS businesses, the Group manufactures and sell other PC related products such as computers, motherboards, and other products and further derives revenue from trading of products and components.

Business Performance

Revenue has recorded a decrease of HK\$241.5 million, or 3.5%, from HK\$6,849.3 million in the first half of 2021 to HK\$6,607.8 million in the first half of 2022. Sales decline was mainly due to the war in Ukraine which caused an ongoing geopolitical instability that discouraged consumer spending and corporate investment. High inflation in the United States caused interest rate to increase and resulted in an extraordinarily strong U.S. dollar which affected consumer purchasing power in many countries. In addition, COVID lockdowns in some major cities in China has also discouraged consumer spending on consumer products. Besides the decline in sales of VGA Cards, both the EMS and the other PC related products and components have recorded a decrease in revenue by HK\$21.2 million and HK\$42.9 million respectively as compared to the same period of last year.

VGA Cards business has recorded a decrease of HK\$177.4 million, or 3.0%, from HK\$5,958.9 million in the first half of 2021 to HK\$5,781.5 million in the first half of 2022. Sales of own brand VGA Cards decreased by HK\$50.3 million, or 1.1%, from HK\$4,413.9 million in the first half of 2021 to HK\$4,363.6 million in the first half of 2022. Sales momentum of own brand VGA Cards remained strong until the war in Ukraine started hurting consumer spending and the strong U.S. dollar has further affected consumer purchasing power. Although average selling price (“ASP”) of own brand VGA Cards increased by approximately 6.7% from the first half of 2021 to the first half of 2022 which was mainly due to a change of product mix towards more expensive product series, decline in sales volume and price promotion have resulted in a drop of sales revenue of own brand VGA Cards.

ODM/OEM orders on VGA Cards decreased by HK\$127.1 million, or 8.2%, from HK\$1,545.0 million in the first half of 2021 to HK\$1,417.9 million in the first half of 2022. Sales contributed by Crypto Mining Processor cards (“CMP Cards”) to professional miners under the ODM/OEM VGA Cards business has recorded a significant decline. It has dropped by HK\$258.5 million, or 94.5% from HK\$273.5 million in the first half of 2021 to HK\$15.0 million in the first half of 2022. The demand of CMP Cards was mainly associated with the significant drop in cryptocurrency prices in the first half of 2022. The sales of ordinary VGA Cards to the ODM/OEM customers have recorded an increase of HK\$131.4 million, or 10.3%, from HK\$1,271.5 million in the first half of 2021 to HK\$1,402.9 million in the first half of 2022. It was mainly contributed by an increase of sales volume by 16.6% since the supply chain bottlenecks eased gradually during the period under review.



Management Discussion and Analysis

EMS business has recorded a decrease of HK\$21.2 million, or 5.5%, from HK\$382.1 million in the first half of 2021 to HK\$360.9 million in the first half of 2022. It was mainly due to less orders from most customers under such business but it was partially offset by additional orders on ATM and POS systems during the period under review. Sales of other PC related products and components business decreased by HK\$42.9 million, or 8.4%, from HK\$508.3 million in the first half of 2021 to HK\$465.4 million in the first half of 2022. The drop was mainly associated with the war in Ukraine that has caused a slowdown of consumer spending and corporate investment.

Revenue of brand business decreased by HK\$142.7 million, or 3.1%, from HK\$4,592.8 million in the first half of 2021 to HK\$4,450.1 million in the first half of 2022. Performance of brand business is more sensitive to the geopolitical instability, inflation and COVID lockdowns in China, and consumers and corporations tend to be more conservative on spending which led to a decline in sales revenue of brand business.

The ODM/OEM business which includes component trade has recorded a decrease in revenue of HK\$98.8 million, or 4.4%, from HK\$2,256.5 million in the first half of 2021 to HK\$2,157.7 million in the first half of 2022. It was mainly due to sales decline of CMP Cards of HK\$258.5 million which has partially been offset by an increase in sales of the ordinary ODM/OEM VGA Cards of HK\$131.4 million during the period under review.

Regional business performance was very much associated with geopolitical issue, governmental policy, and the economy of different regions and countries in the first half of 2022. The Asia Pacific (“APAC”) region and the North and Latin America (“NALA”) region have recorded an increase in revenue by 8.4% and 28.2% respectively. The People’s Republic of China (“PRC”) region and the Europe, Middle East, Africa and India (“EMEA”) region have recorded a drop of revenue by 34.8% and 6.4% respectively.

APAC Region

In the APAC region, revenue increased by HK\$187.1 million, or 8.4%, from HK\$2,237.6 million in the first half of 2021 to HK\$2,424.7 million in the first half of 2022. It was mainly resulted from sales increase in the own brand VGA Cards and the VGA Cards for ODM/OEM customers during the period under review.

NALA Region

In the NALA region, revenue amounted to HK\$1,409.6 million in the first half of 2022, representing an increase of HK\$309.7 million, or 28.2%, as compared to HK\$1,099.9 million in the first half of 2021. The change was mainly contributed by strong consumer purchasing power in the United States which offset a decline of sales in Latin America countries during the period under review.

PRC Region

In the PRC region, revenue amounted to HK\$1,181.1 million in the first half of 2022, representing a decrease of HK\$630.0 million, or 34.8%, as compared to HK\$1,811.1 million in the first half of 2021. The decline was mainly associated with COVID lockdowns in some major cities that have discouraged consumer spending and disrupted supply chain during the lockdown periods.

EMEA Region

In the EMEA region, revenue amounted to HK\$1,592.4 million in the first half of 2022, representing a decrease of HK\$108.3 million, or 6.4%, as compared to HK\$1,700.7 million in the first half of 2021. The change was mainly associated with the war in Ukraine that has discouraged consumer spending and corporate investment during the period under review.

Business Compliance

The Group has achieved an on-going compliance with laws and regulations with its operating entities, and fulfilled different social responsibilities according to ISO9001, ISO14001, ISO45001, QC080000, ISO13485 and the code issued by Responsible Business Alliance.

Principal Risks and Uncertainties

The Group has operated in a fast moving and highly competitive environment and the product life cycle tends to be shortened over the years. New products introduction requires significant resources involvement from development, production, sales and marketing. The Group will be at risk and may lag behind the competition if it cannot respond promptly to the changing business environment. Technological change may impose an adverse impact on the business if the Group is unable to adopt new technologies and develop the relevant products to catch the market trend on a timely basis. Talent is a key to success of technology company so that engineering and product development talents are critical to the Group. Lack of capable talents on design and development of new products is a risk to the Group on competitiveness. The Group would continue to review the human resources and look for capable talents to join the Group in order to stay ahead of technology and develop new products efficiently against competition.

Business relationship with customers and suppliers are also crucial for the business success. The Group has established a long business partnership with AMD and NVIDIA, and rides on the technologies from these technology leaders to develop own products and gain the know-how of the technologies on business development. Discontinuance of the business partnership would be a threat to the Group. The Group would continue to maintain a strategic business relationship with the technology partners, customers and suppliers, and continue to explore new cooperation opportunities in the industry.

Many countries have reopened for business travel and tourism and have lifted restrictions on social distancing, mobility, travel and quarantine to stimulate the economy after almost two years of COVID lockdowns. However, China's COVID zero policy has imposed widespread lockdowns, mass testing and travel restrictions. If the policy continues for a longer period of time, it may further discourage consumer spending and corporate investment that may result in a decline in demand of the consumer products. In addition, supply chain and factory production may also be disrupted.



Management Discussion and Analysis

The growing tensions over trade and technology between the two biggest economies, China and the United States, is a threat to the global economy which may affect confidence in terms of consumer spending and corporate capital expenditure. A further trade restriction and tariff imposed on import and export of technology and products between China and the United States would increase the cost of products and then ultimately pass onto consumers that may discourage and reduce consumer and corporate demand in the long run. Furthermore, it is still uncertain about the impact to the business of the Group of the revocation of the United States – Hong Kong Policy Act of 1992 in future. Most of the products manufactured by the Group rely on the United States technologies. It is a risk to the Group if the United States restrict the export of consumer grade technologies to Hong Kong.

Appreciation of cryptocurrency prices usually generated a dramatic increase in demand of VGA Cards according to the past experience; however, the sales momentum would be lost once the cryptocurrency prices depreciated significantly. Those companies and individuals who bought machines and VGA Cards for cryptocurrency mining may end up with selling machines and equipment at a big discount in the market. The Group has experienced such impact in 2018 and ended up with a significant write down on inventories and sold VGA Cards at a discount or at a loss in order to reduce the inventory risk. If the cryptocurrency prices decline significantly in future, inventory risk may increase and the Group may be compelled to clear its on-hand inventories by selling products at a discount or at a loss again.

The Group is not aware of any other particular or important event that has occurred which would trigger a risk and uncertainty as at 30 June 2022.

OUTLOOK

Macroeconomic conditions will continue to be highly unstable in the second half of 2022. The war in Ukraine, lockdowns in China, supply-chain disruptions, and the risk of stagflation will likely hurt consumer spending and corporate investment. The demand weakness in consumer markets on computers and VGA Cards will likely last throughout the third quarter of 2022. Prices of high end VGA Cards fall rapidly and the Group is collaborating with NVIDIA to launch more sales promotion programs to stimulate sales to consumers. EMS and other businesses remain largely stable. The Group is also taking proactive actions to manage the inventory risk and to control operating expenditure under the current market situation.

Many people rather save up in the current economic situation instead of spending on consumer products. This may be one of the reasons why the sales is expected to be slow in the third quarter. The market situation will likely improve in the fourth quarter with new generation of VGA Cards coming to the market and consumer spending will likely increase during the major holiday seasons in the last quarter of the year.

The long term business fundamental of gaming hardware and VGA Cards remains strong. The future Metaverse will require to be equipped with high performance display hardware as part of the core technology architecture which will offer great opportunities to the Group in future.

FINANCIAL REVIEW

Revenue

The Group's total revenue decreased by HK\$241.5 million, or 3.5%, from HK\$6,849.3 million in the first half of 2021 to HK\$6,607.8 million in the first half of 2022. The war in Ukraine, high inflation in many countries and the COVID lockdowns in China all weakening consumer spending and corporate investment which has resulted in sales slowdown across all businesses during the period under review.

Revenue on VGA Cards decreased by HK\$177.4 million, or 3.0%, from HK\$5,958.9 million in the first half of 2021 to HK\$5,781.5 million in the first half of 2022. Sales of own brand VGA Cards and ODM/OEM VGA Cards have recorded a decline by HK\$50.3 million and HK\$127.1 million respectively during the period under review.

Sales of own brand VGA Cards decreased by HK\$50.3 million, or 1.1%, from HK\$4,413.9 million in the first half of 2021 to HK\$4,363.6 million in the first half of 2022. Although ASP of own brand VGA Cards increased by approximately 6.7% from the first half of 2021 to the first half of 2022 which was mainly contributed by a change of product mix towards more expensive product series, a decline in sales volume and price promotion have resulted in a drop of sales revenue of own brand VGA Cards.

ODM/OEM orders on VGA Cards decreased by HK\$127.1 million, or 8.2%, from HK\$1,545.0 million in the first half of 2021 to HK\$1,417.9 million in the first half of 2022. Sales contributed by CMP Cards to professional miners under the ODM/OEM VGA Cards business has recorded a significant decline by HK\$258.5 million, or 94.5%, from HK\$273.5 million in the first half of 2021 to HK\$15.0 million in the first half of 2022. The decline was mainly associated with the cryptocurrency prices dropped significantly in the first half of 2022. The sales of ordinary VGA Cards to the ODM/OEM customers has recorded an increase of HK\$131.4 million, or 10.3%, from HK\$1,271.5 million in the first half of 2021 to HK\$1,402.9 million in the first half of 2022. It was mainly contributed by an increase of sales volume by 16.6% since the supply chain bottlenecks were eased gradually during the period under review.

Revenue derived from the EMS business amounted to HK\$360.9 million in the first half of 2022, representing a decrease of HK\$21.2 million, or 5.5%, as compared to HK\$382.1 million in the first half of 2021. The change was mainly due to less orders from most customers under such business but it was partially offset by additional orders on ATM and POS systems during the period under review.

Sales of other PC related products and components decreased by HK\$42.9 million, or 8.4%, from HK\$508.3 million in the first half of 2021 to HK\$465.4 million in the first half of 2022. The decline was mainly associated with the war in Ukraine that has caused a slowdown of consumer spending and corporate investment.

Gross Profit and Margin

The Group's gross profit in the first half of 2022 was HK\$1,365.8 million, representing a decrease of HK\$498.3 million, or 26.7%, as compared with HK\$1,864.1 million in the first half of 2021. Gross profit margin was 20.7% in the first half of 2022 as compared with 27.2% in the first half of 2021. Decline of gross profit margin was mainly associated with price promotion to stimulate sales of own brand VGA Cards since the war in Ukraine, high inflation and COVID lockdowns in China have discouraged consumer spending and corporate investment during the period under review.

Management Discussion and Analysis

Material cost as a percentage of sales increased by 6.5% from 70.8% in the first half of 2021 to 77.3% in the first half of 2022 which was mainly resulted from sales discount offered to customers. The Group has spent less on conversion cost which consisted of direct labour and production overheads for a total of HK\$2.7 million, or 2.0%, from HK\$134.1 million in the first half of 2021 to HK\$131.4 million in the first half of 2022. The change was in line with sales decline and part of the savings was contributed by increase in automation to replace labour resources as a long term manufacturing strategy. Conversion costs as a percentage of sales was maintained at 2.0% in the first half of 2021 and in the first half of 2022.

Other Revenue and Other Gains and Losses

Other revenue and other gains and losses decreased by HK\$30.1 million, or 119.9%, from a gain of HK\$25.1 million in the first half of 2021 to a loss of HK\$5.0 million in the first half of 2022. The change was mainly due to the lack of rental income in the first half of 2022 since the Group has sold out the machinery for leasing in the second half of 2021 and the relevant rental income was HK\$27.7 million for the same period in last year. The Group has received government grants of HK\$2.8 million from 2022 Employment Support Scheme under the Anti-epidemic Fund launched by Hong Kong SAR Government supporting payroll of the Group's employees in Hong Kong. In addition, the Group has incurred less on net exchange loss by HK\$5.6 million, or 26.8%, from HK\$20.9 million in the first half of 2021 to HK\$15.3 million in the first half of 2022 but it has mostly been offset by a decrease in marketing funds received and freight cost chargeback to customers under sundry income.

Operating Expenses

Operating expenses, consisting of selling and distribution expenses, administrative expenses, impairment loss on financial assets and finance costs, decreased by HK\$417.5 million, or 53.8%, from HK\$775.7 million in the first half of 2021 to HK\$358.2 million in the first half of 2022. The change was mainly due to a significant decline in impairment loss of financial assets by HK\$314.3 million and the Group has also incurred less expenses for selling and distribution expenses as well as lower spending on directors' profit sharing and staff bonus and depreciation expenses under administrative expenses in the first half of 2022 as compared to the same period in last year.

Selling and distribution expenses decreased by HK\$35.7 million, or 42.8%, from HK\$83.5 million in the first half of 2021 to HK\$47.8 million in the first half of 2022. Freight and transportation expenses under selling and distribution expenses decreased by HK\$12.4 million, or 40.5%, from HK\$30.6 million in the first half of 2021 to HK\$18.2 million in the first half of 2022. It was mainly due to the easing of logistic congestion with less spending on air freight during the period under review. In addition, reduction of provision of product return which was offset by additional costs on sales commission and marketing expenses contributed a net reduction of HK\$30.6 million in the first half of 2022 as compared to the same period in last year.

Administrative expenses were HK\$65.5 million lower than the same period in last year, which decreased by 17.9% from HK\$365.5 million in the first half of 2021 to HK\$300.0 million in the first half of 2022. Staff cost included directors' remuneration under administrative expenses decreased by HK\$32.7 million, or 11.5%, from HK\$283.8 million in the first half of 2021 to HK\$251.1 million in the first half of 2022. It was mainly associated with less provision of staff performance bonus and directors' profit sharing due to the profit decline for the period under review. Other administrative expenses decreased by HK\$32.8 million, or 40.1%, from HK\$81.7 million in the first half of 2021 to HK\$48.9 million in the first half of 2022 which was mainly due to decrease in depreciation since the Group has sold out the machinery for leasing in the second half of last year.

The impairment losses on financial assets decreased by HK\$314.3 million, or 99.7%, from HK\$315.3 million in the first half of 2021 to HK\$1.0 million in the first half of 2022. There was one-off impairment loss incurred for a customer in the first half of 2021 and there was no further material impairment loss incurred in the first half of 2022.

Finance costs decreased by HK\$2.0 million, or 17.5%, from HK\$11.4 million in the first half of 2021 to HK\$9.4 million in the first half of 2022. The decrease was mainly resulted from a lower utilisation of bank borrowings during the period under review.

Share of loss of a joint venture increased by HK\$101.6 million, or 166.3%, from share of profit of HK\$61.1 million in the first half of 2021 to share of loss of HK\$40.5 million in the first half of 2022. The change was due to the cessation of operation of the joint venture since July 2021 and the Group recognised its share of loss up to the carrying value of the joint venture of HK\$40.5 million.

Profit attributable to Owners of the Company

The Group recorded a profit attributable to owners of the Company of HK\$802.1 million in the first half of 2022 as compared with HK\$932.2 million in the first half of 2021. The decrease was mainly due to a reduction of gross profit margin which has been partially offset by a lower level of operating expenses in the first half of 2022.

Income tax expenses of HK\$160.2 million were recorded in the first half of 2022 which decreased by HK\$81.1 million from HK\$241.3 million in the first half of 2021. The change was mainly due to a decrease in profit of major operating subsidiaries of the Company during the period under review.

Earnings per share and Dividends

The profit attributable to owners of the Company in the first half of 2022 was HK\$802.1 million which resulted in basic earnings of HK\$2.070 per share and diluted earnings of HK\$2.068 per share. Profit attributable to owners of the Company in the first half of 2021 was HK\$932.2 million with basic earnings of HK\$2.469 per share and diluted earnings of HK\$2.430 per share. The Board of Directors (the “Board”) proposed an interim dividend of HK\$0.80 per share for the period ended 30 June 2022 and it is estimated to be HK\$310.1 million in total.

LIQUIDITY AND FINANCIAL RESOURCES

Shareholders' Funds

Total shareholders' funds increased by HK\$171.3 million, or 5.5%, from HK\$3,087.4 million as at 31 December 2021 to HK\$3,258.7 million as at 30 June 2022.

Financial Position

Total non-current assets increased by HK\$318.8 million, or 118.2%, from HK\$269.6 million as at 31 December 2021 to HK\$588.4 million as at 30 June 2022. The change was mainly due to purchase of a property in Hong Kong for internal use which offset the decrease in interest in a joint venture as at 30 June 2022.

Management Discussion and Analysis

Net book value of property, plant and equipment increased by HK\$373.3 million, or 396.3%, from HK\$94.2 million as at 31 December 2021 to HK\$467.5 million as at 30 June 2022. The Group has resumed capital expenditure for HK\$16.6 million to enhance production efficiency and automation and also spent HK\$371.2 million for an acquisition of property in Hong Kong for internal use. The Group recognised its share of loss of a joint venture for HK\$40.5 million and the Group did not have any interest in joint venture as at 30 June 2022. The right-of-use assets decreased by HK\$10.1 million, or 8.8%, from HK\$114.2 million as at 31 December 2021 to HK\$104.1 million as at 30 June 2022. The change was mainly due to the depreciation of right-of-use assets associated with lease contracts on land and buildings. Deferred tax assets decreased by HK\$4.4 million from HK\$9.7 million as at 31 December 2021 to HK\$5.3 million as at 30 June 2022, which was mainly due to realisation of deferred tax assets charged to profit or loss during the period under view.

The Group has total current assets of HK\$6,581.1 million as at 30 June 2022 and HK\$6,654.8 million as at 31 December 2021. The Group's total current liabilities amounted to HK\$3,822.8 million as at 30 June 2022 and HK\$3,738.9 million as at 31 December 2021. The Group's current ratio, defined as total current assets over total current liabilities, decreased from 1.8 as at 31 December 2021 to 1.7 as at 30 June 2022.

The Group's cash and bank balances decreased from HK\$3,765.1 million as at 31 December 2021 to HK\$2,997.4 million as at 30 June 2022, which was mainly due to cash payment to acquire the property in Hong Kong for a total capitalised value of HK\$371.2 million. Slowdown on sales has further caused a decrease of cash and bank balances as at 30 June 2022 and it has also caused an increase of borrowings from HK\$702.3 million as at 31 December 2021 to HK\$917.1 million as at 30 June 2022. Due to the adoption of HKFRS 16, the Group has recognised current lease liabilities amounting to HK\$25.4 million and non-current lease liabilities amounting to HK\$85.3 million as at 30 June 2022. The Group's net cash to equity ratio (being cash and cash equivalents minus debts divided by total equity) decreased from 95.2% as at 31 December 2021 to 60.4% as at 30 June 2022. The change was mainly due to decrease of cash and bank balances and increase of borrowings as at 30 June 2022.

Trade and other receivables under current assets consisting of both trade receivables at amortised cost and at fair value, together with other receivables, deposits and prepayment increased by HK\$43.3 million, or 3.3%, from HK\$1,307.1 million as at 31 December 2021 to HK\$1,350.4 million as at 30 June 2022. Trade receivables at amortised cost increased by HK\$3.2 million, or 0.3%, from HK\$1,215.6 million as at 31 December 2021 to HK\$1,218.8 million as at 30 June 2022. Trade receivables at fair value through profit or loss in factoring arrangement decreased by HK\$1.9 million, or 7.3%, from HK\$26.0 million as at 31 December 2021 to HK\$24.1 million as at 30 June 2022. Other receivables, deposits and prepayment under current assets increased by HK\$42.0 million, or 64.1%, from HK\$65.5 million as at 31 December 2021 to HK\$107.5 million as at 30 June 2022. It was mainly associated with prepayments to acquire property, plant and equipment of HK\$48.5 million as at 30 June 2022.

Trade and other payables decreased by HK\$91.8 million, or 4.3%, from HK\$2,130.4 million as at 31 December 2021 to HK\$2,038.6 million as at 30 June 2022. Trade payables decreased by HK\$502.2 million, or 31.3%, from HK\$1,602.7 million as at 31 December 2021 to HK\$1,100.5 million as at 30 June 2022. It was mainly associated with a decrease on purchase of materials which aligned with slowdown on sales. Other payables increased by HK\$410.4 million, or 77.8%, from HK\$527.7 million as at 31 December 2021 to HK\$938.1 million as at 30 June 2022. The change was mainly due to increase in dividend payable of HK\$624.2 million which was offset by a decrease of provision of staff performance bonus and directors' profit sharing of HK\$244.1 million during the period under review.

Under HKFRS 15, the Group is required to report provision of sales return warranty under refund liabilities in the current liabilities section and the relevant costs of return is reported under the right of return assets in the current assets section. Right of return assets decreased by HK\$14.5 million, or 20.4%, from HK\$71.1 million as at 31 December 2021 to HK\$56.6 million as at 30 June 2022. Refund liabilities decreased by HK\$12.8 million, or 13.3%, from HK\$96.4 million as at 31 December 2021 to HK\$83.6 million as at 30 June 2022. The change was mainly due to a lower projection on credit sales return which resulted in a decline of sales return warranty provision under refund liabilities and the costs of return reported under the right of return assets as at 30 June 2022.

Contract liabilities has substantially decreased by HK\$96.7 million, or 46.1%, from HK\$209.6 million as at 31 December 2021 to HK\$112.9 million as at 30 June 2022. The change was mainly due to decrease of customer prepayment to secure purchase of products as at 30 June 2022. Provision for product warranties decreased by HK\$26.0 million, or 42.6%, from HK\$61.1 million as at 31 December 2021 to HK\$35.1 million as at 30 June 2022 which was mainly due to a decrease in cost incurred on product warranties of own brand VGA Cards. Current tax liabilities increased from HK\$513.0 million as at 31 December 2021 to HK\$610.1 million as at 30 June 2022. The change was mainly due to additional profit tax provision for the first half of 2022 on top of the profits tax provision for the year of 2021.

Exposure to Fluctuation in Exchange Rates

During the period under review, the Group was exposed to currency risk primarily through sales and purchases denominated in currencies other than the functional currency of the operations to which they relate. The currencies giving rise to the risk are primarily Renminbi, Euro, Korean Won and Japanese Yen. The Group entered into one forward exchange contract in 2021 and no contract in the first half of 2022.

Working Capital

Inventories of the Group as at 30 June 2022 were HK\$2,176.7 million which increased by HK\$665.2 million, or 44.0%, as compared with HK\$1,511.5 million as at 31 December 2021. Inventory turnover days increased from 40 days as at 31 December 2021 to 64 days as at 30 June 2022. The change was mainly associated with a slowdown of sales which induced a higher inventory turnover days. The ratio of finished goods to overall inventories increased from 34.3% as at 31 December 2021 to 47.5% as at 30 June 2022.

Trade receivables as at 30 June 2022 were HK\$1,242.9 million, which increased by HK\$1.3 million, or 0.1%, as compared with HK\$1,241.6 million as at 31 December 2021. Trade receivable turnover days increased from 31 days as at 31 December 2021 to 34 days as at 30 June 2022. The change of trade receivable turnover days was mainly due to slowdown of customer payment during the period under review.

Trade payables as at 30 June 2022 were HK\$1,100.5 million, which decreased by HK\$502.2 million, or 31.3%, as compared with HK\$1,602.7 million as at 31 December 2021. Trade payable turnover days remained at 47 days as at 31 December 2021 and 30 June 2022. It was mainly due to decrease of trade payables which was in line with the decrease in purchase of materials during the period under review.

CHARGES ON ASSETS

As at 30 June 2022, bank deposits of HK\$0.3 million were pledged to a bank to secure the corporate credit card granted to the Group.

CAPITAL MANAGEMENT

The capital structure of the Group consists of debts, which includes borrowings and lease liabilities and equity of the Group, comprising share capital, reserves and retained earnings disclosed in the condensed consolidated statement of changes in equity. Management reviews the capital structure on a semi-annual basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of below 100% determined as the proportion of net debt to equity.

CAPITAL EXPENDITURE

The Group's additions to property, plant and equipment in the first half of 2022 amounted to HK\$387.8 million.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2022, total capital commitments amounted to HK\$98.3 million, and there was no material contingent liability or off balance sheet obligation.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no material acquisitions or disposals of subsidiaries, associates and joint ventures by the Group during the period.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group has no plan for material investment or acquisition of capital assets as at 30 June 2022.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed herein, there are no important events that have occurred after the interim period ended 30 June 2022 and up to the date of this report.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2022, the Group had 2,572 employees (31 December 2021: 3,029 employees). Employees are remunerated on the basis of their individual performance and prevailing industry practice. Compensation policies and remuneration packages of the employees are reviewed at least once a year. In addition to basic salary, medical benefits, provident fund, performance related bonuses may also be awarded to employees.

The Company adopted a pre-IPO share option scheme to recognise the contributions of and as retention incentive to the executive directors, certain management staff and selected long service employees of the Group. On 17 June 2016, the Company adopted another share option scheme (“2016 Share Option Scheme”) as incentives or rewards to its directors, employees, consultants and other participants of the 2016 Share Option Scheme for their retention and contribution or potential contribution to the Group.

SIGNIFICANT ACQUISITION AND DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

On 2 February 2022, PC Partner Properties Limited (“PCP Properties”), an indirect wholly owned subsidiary of the Company, entered into agreements with Good Sense Development Limited (the “Vendor”) for the acquisition of office premises at 28th Floor, NCB Innovation Centre (the “Building”), 888 Lai Chi Kok Road, Kowloon, Hong Kong (the “Office”) as the Group’s headquarters at a consideration of HK\$353.9 million (after deduction of a special cash rebate paid by the Vendor) and for a priority option to purchase 10 car parking spaces at the Building for a maximum consideration of HK\$1.5 million each. The acquisition of the Office was completed on 31 May 2022.

On 30 June 2022, PCP Properties entered into an agreement with the Vendor for the acquisition of 20 car parking spaces (the “Car Parks”) in the Building for the Group’s own use at a total consideration of HK\$30.0 million (after deduction of special cash rebate paid by the Vendor). The acquisition of the Car Parks was completed on 1 August 2022.

Details of the above acquisitions are provided in the Company’s announcements dated 9 February 2022 and 30 June 2022 respectively.

Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2022, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) ("SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long Positions in Shares of the Company

Name of Director	Type of interest	Number of Shares held	Percentage of shareholding
Mr. WONG Shik Ho Tony	Beneficial owner	55,405,750	14.29%
Mrs. HO WONG Mary Mee-Tak	Beneficial owner and interest in controlled corporation (Note)	55,050,000	14.20%
Mr. WONG Fong Pak	Beneficial owner	27,639,750	7.13%
Mr. LEUNG Wah Kan	Beneficial owner	25,100,500	6.47%
Mr. HO Nai Nap	Beneficial owner	21,472,538	5.54%
Mr. MAN Wai Hung	Beneficial owner	5,807,065	1.50%
Mr. Cheung Ying Sheung	Beneficial owner	176,000	0.05%
Mr. LAI Kin Jerome	Beneficial owner	150,000	0.04%

Note: 54,850,000 Shares out of the 55,050,000 Shares are owned by Perfect Choice Limited. As the entire issued share capital of Perfect Choice Limited is owned by Mrs. HO WONG Mary Mee-Tak, Mrs. HO WONG Mary Mee-Tak is deemed to be interested in the 54,850,000 Shares held by Perfect Choice Limited under the SFO.

Long Positions in Share Options of the Company

Name of Director	Date of grant	Number of underlying Shares	Percentage of shareholding
Mr. WONG Shik Ho Tony	22 September 2020	—	—%
Mr. WONG Fong Pak	22 September 2020	—	—%
Mr. LEUNG Wah Kan	22 September 2020	—	—%
Mr. HO Nai Nap	22 September 2020	—	—%
Mr. MAN Wai Hung	22 September 2020	—	—%
Mrs. HO WONG Mary Mee-Tak	22 September 2020	—	—%
Mr. LAI Kin Jerome	22 September 2020	—	—%
Mr. CHEUNG Ying Sheung	22 September 2020	—	—%
Mr. IP Shing Hing	22 September 2020	200,000	0.05%

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2022, the following parties with interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Interest in the Company

Name	Long/Short position	Type of interest	Number of Shares held	Percentage of shareholding
Mr. WONG Shik Ho Tony	Long position	Beneficial owner	55,405,750	14.29%
Mrs. HO WONG Mary Mee-Tak	Long Position	Beneficial owner and Interest in controlled Corporation (Note)	55,050,000	14.20%
Perfect Choice Limited	Long position	Beneficial owner	54,850,000	14.15%
Mr. WONG Fong Pak	Long position	Beneficial owner	27,639,750	7.13%
Mr. LEUNG Wah Kan	Long position	Beneficial owner	25,100,500	6.47%
Mr. HO Nai Nap	Long position	Beneficial owner	21,472,538	5.54%

Note: As the entire issued share capital of Perfect Choice Limited is owned by Mrs. HO WONG Mary Mee-Tak, Mrs. HO WONG Mary Mee-Tak is deemed to be interested in the 54,850,000 Shares held by Perfect Choice Limited under the SFO.

SHARE OPTION SCHEME

2016 Share Option Scheme

The Company adopted 2016 Share Option Scheme on 17 June 2016 ("Effective Date"). Under the 2016 Share Option Scheme, the Board may, at its absolute discretion, invite any of the following to take up options to subscribe for shares of the Company:

- a) any employee or proposed employee,
- b) any outside consultant or adviser of any member of the Group,
- c) any director of any member of the Group, and
- d) any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group.

Purpose of the 2016 Share Option Scheme is to enable the Company to grant options to participants as incentives or rewards for their retention and contribution or potential contribution to the Group. Grantee must take up the underlying shares of the options within such period as the Board may in its absolute discretion determine, which in any event shall not be more than 10 years from the Effective Date, otherwise the options will lapse automatically. Grantee shall not be required to hold options for a minimum period or to achieve, meet or exceed any performance targets before exercising the options granted. A maximum number of 41,751,866 shares, representing 10% of the Company's shares in issue on the Effective Date, may be issued upon exercise of all options granted under the 2016 Share Option Scheme.

Other Information

A summary of the movements of the outstanding share options during the six months ended 30 June 2022 were as follows:

Grantee	Date of grant (Note 1)	Vesting period	Exercise period	Exercise price	No. of Share Option					At 30 June 2022	Weighted average closing price of shares immediately before the dates of exercise
					At 1 January 2022	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period		
Executive Directors											
Mr. WONG Shik Ho Tony	22 September 2020	N/A	1 April 2021 to 31 March 2023	HK\$1.61	–	–	–	–	–	–	N/A
Mr. WONG Fong Pak	22 September 2020	N/A	1 April 2021 to 31 March 2023	HK\$1.61	–	–	–	–	–	–	N/A
Mr. LEUNG Wah Kan	22 September 2020	N/A	1 April 2021 to 31 March 2023	HK\$1.61	–	–	–	–	–	–	N/A
Mr. HO Nai Nap	22 September 2020	N/A	1 April 2021 to 31 March 2023	HK\$1.61	–	–	–	–	–	–	N/A
Mr. MAN Wai Hung	22 September 2020	N/A	1 April 2021 to 31 March 2023	HK\$1.61	–	–	–	–	–	–	N/A
Non-executive Director											
Mrs. HO WONG Mary Mee-Tak	22 September 2020	N/A	1 April 2021 to 31 March 2023	HK\$1.61	–	–	–	–	–	–	N/A
Independent Non-executive Directors											
Mr. LAI Kin Jerome	22 September 2020	N/A	1 April 2021 to 31 March 2023	HK\$1.61	–	–	–	–	–	–	N/A
Mr. IP Shing Hing	22 September 2020	N/A	1 April 2021 to 31 March 2023	HK\$1.61	200,000	–	–	–	–	200,000	N/A
Mr. CHEUNG Ying Sheung	22 September 2020	N/A	1 April 2021 to 31 March 2023	HK\$1.61	–	–	–	–	–	–	N/A
Others											
Employees	22 September 2020	N/A	1 April 2021 to 31 March 2023	HK\$1.61	390,000	–	(300,000)	–	–	90,000	10.76
External consultant (Note 2)	22 September 2020	N/A	1 April 2021 to 31 March 2023	HK\$1.61	–	–	–	–	–	–	N/A
Total					590,000	–	(300,000)	–	–	290,000	

Notes:

- The closing price per Share as quoted on the Stock Exchange on 21 September 2020, being the date immediately before the date of grant of the options described in the table above, is HK\$1.61.
- The external consultant is Ms. Leung Sau Fong, the former company secretary of the Company. The share options were granted to her as rewards for her contribution to the Group.
- The fair values of total share options granted to directors, employees and external consultant amounted to HK\$2,945,000 and HK\$6,267,000 respectively and were calculated using the Binomial Option Pricing Model at the grant date of share options.

The fair value was calculated using the Binomial Option Pricing Model. The inputs into the model were as follows:

**“2016 Share Option Scheme”
Employees, external
consultant and directors
As at 22 September 2020**

Weighted average share price	HK\$1.61
Weighted average exercise price	HK\$1.61
Expected volatility	73.29%
Expected life	2.52 years
Risk-free interest rate	0.139%
Early exercise behaviour	220% to 280%
Expected dividends	5.83%

The expected volatility is based on the historical volatility on publicly available information.

The risk-free interest rate was determined with reference to the yield rate of the Hong Kong Exchange Fund Notes with duration similar to the expected life of the options.

Expected dividends are based on historical dividends.

The options under the “2016 Share Option Scheme” were expected to be exercised when the share price of the underlying security of the options rises ranging from 220% to 280% of the exercise price.

Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in grant date fair value measurement of the services received. There were no market conditions associated with the share options granted.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK\$0.80 per share, totalling HK\$310,147,000 for the six months ended 30 June 2022 (2021: HK\$0.84 per share, totalling HK\$325,209,000) to be paid on or about 14 October 2022 (Friday) to shareholders whose names appear on the Company’s register of members on 28 September 2022 (Wednesday).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 26 September 2022 (Monday) to 28 September 2022 (Wednesday) (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the interim dividend, shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712–1716, 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on 23 September 2022 (Friday) for registration of the relevant transfer.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the required standard for securities transactions by Directors. In response to specific enquiries made by the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2022.

CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2022, the Company has complied with the code provisions as set out in Part 2 of the Corporate Governance Code (the "CG Code") as contained in Appendix 14 to the Listing Rules, except for those provisions which had not yet come into effect in the six months ended 30 June 2022 and the deviation from code provisions C.2.1 and D.2.5 of the CG Code as described below.

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the interim period ended 30 June 2022, these two roles were performed by Mr. WONG Shik Ho Tony. Mr. Wong has extensive experience in electronic industry. He is one of the founders of the Group. He has been heavily involved in the Group's management and business operation since its incorporation. The Board considers that combining the two roles would uphold a unified and strong leadership and provides consistent business directions to the Group. It facilitates a quick decision making while the Group is experiencing a highly competitive and fast-changing global business environment.

The Board considers that the Company has a balanced composition of the board of Directors. There are 5 executive Directors, 1 non-executive Director and 3 independent non-executive Directors sitting on board. All executive Directors are well experienced in the industry and are heavily involved in the Group's daily business operation. All non-executive Directors (including the independent non-executive Directors) possess skills, expertise and varied backgrounds and qualifications. They actively participated in board meetings and attended general meeting during the interim period.

Under code provision D.2.5 of the CG Code, the Company should have an internal audit function. During the six months ended 30 June 2022, the Company did not have an internal audit function but appointed an audit firm to review its risk management and internal control system. The audit firm reported to the Audit Committee and held regular meetings with the Audit Committee. It reported its findings and provided recommendations to the Company after conducting enterprise risk review and internal control assessment of the Group. The Board believes that engaging an external professional firm to perform the above annual review and assessment would provide an independent unbiased opinion to the Company and enhance risk management and internal control of the Group.

AUDIT COMMITTEE

The Company established the audit committee (the “Audit Committee”) on 21 December 2011 with written terms of reference. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control and risk management systems of the Group as well as to provide advice and comments to the Board. The Audit Committee comprises three Independent Non-executive Directors, namely, Mr. LAI Kin Jerome (chairman), Mr. IP Shing Hing and Mr. CHEUNG Ying Sheung.

REVIEW OF INTERIM RESULTS

The interim results of the Group for the six months ended 30 June 2022 have not been audited, but have been reviewed by the Audit Committee.

By order of the Board

WONG Shik Ho Tony

Chairman

Hong Kong, 26 August 2022

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2022

	Notes	30 June 2022 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Unaudited)
Revenue	4, 5	6,607,825	6,849,280
Cost of sales		(5,242,009)	(4,985,196)
Gross profit		1,365,816	1,864,084
Other revenue and other gains and losses	6	(5,044)	25,148
Selling and distribution expenses		(47,803)	(83,543)
Administrative expenses		(299,937)	(365,526)
Impairment loss on financial assets		(1,039)	(315,279)
Finance costs	7	(9,387)	(11,423)
Share of (loss)/profit of a joint venture		(40,513)	61,133
Profit before income tax	8	962,093	1,174,594
Income tax	9	(160,217)	(241,333)
Profit for the period		801,876	933,261
Other comprehensive income, after tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign subsidiaries		(7,156)	(3,545)
Exchange differences on translating a joint venture		—	1,782
Total comprehensive income for the period		794,720	931,498
Profit for the period attributable to:			
— Owners of the Company		802,129	932,156
— Non-controlling interests		(253)	1,105
		801,876	933,261
Total comprehensive income for the period attributable to:			
— Owners of the Company		794,973	930,393
— Non-controlling interests		(253)	1,105
		794,720	931,498
Earnings per share	11	HK\$	HK\$
— Basic		2.070	2.469
— Diluted		2.068	2.430

Condensed Consolidated Statement of Financial Position

As at 30 June 2022

	Notes	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	12	467,470	94,215
Right-of-use assets	12	104,071	114,182
Intangible assets		4,825	4,825
Other financial asset		3,517	3,517
Interest in a joint venture		—	40,513
Deferred tax assets		5,283	9,641
Trade and other receivables	13	3,220	2,705
Total non-current assets		588,386	269,598
Current assets			
Inventories		2,176,714	1,511,577
Trade and other receivables	13	1,350,346	1,307,096
Right of return assets		56,586	71,091
Cash and bank balances	14	2,997,395	3,765,101
Total current assets		6,581,041	6,654,865
Total assets		7,169,427	6,924,463

Condensed Consolidated Statement of Financial Position

As at 30 June 2022

	Notes	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Current liabilities			
Trade and other payables	15	2,038,576	2,130,342
Refund liabilities		83,599	96,445
Contract liabilities		112,850	209,564
Borrowings	16	917,069	702,337
Provision for product warranties	17	35,142	61,118
Lease liabilities		25,415	26,049
Current tax liabilities		610,104	513,042
Total current liabilities		3,822,755	3,738,897
Net current assets		2,758,286	2,915,968
Total assets less current liabilities		3,346,672	3,185,566
Total non-current liabilities			
Lease liabilities		85,298	95,224
NET ASSETS		3,261,374	3,090,342
Capital and reserves			
Share capital	18	38,768	38,738
Reserves		3,219,933	3,048,678
Equity attributable to owners of the Company		3,258,701	3,087,416
Non-controlling interests		2,673	2,926
TOTAL EQUITY		3,261,374	3,090,342

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

Equity attributable to owners of the Company												
	Share capital	Share premium	Translation reserve	Merger reserve	Other reserve	Legal reserve	Financial asset at fair value through other comprehensive income ("FVOCI") reserve	Share-based payment reserve	Retained profits	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021	37,209	165,033	7,442	6,702	21,770	7,165	(8,102)	4,871	860,998	1,103,088	690	1,103,778
Profit for the period	–	–	–	–	–	–	–	–	932,156	932,156	1,105	933,261
Other comprehensive income												
– exchange differences on translating foreign subsidiaries	–	–	(3,546)	–	1	–	–	–	–	(3,545)	–	(3,545)
– exchange differences on translating a joint venture	–	–	1,782	–	–	–	–	–	–	1,782	–	1,782
Total comprehensive income	–	–	(1,764)	–	1	–	–	–	932,156	930,393	1,105	931,498
Shares issued under share option scheme	1,466	30,645	–	–	–	–	–	(8,509)	–	23,602	–	23,602
Dividends declared (note 10)	–	–	–	–	–	–	–	–	(85,058)	(85,058)	–	(85,058)
Equity settled share-based transactions	–	–	–	–	–	–	–	4,341	–	4,341	–	4,341
At 30 June 2021 (Unaudited)	38,675	195,678	5,678	6,702	21,771	7,165	(8,102)	703	1,708,096	1,976,366	1,795	1,978,161
At 1 January 2022	38,738	196,993	2,756	6,702	21,774	3,506	(12,103)	340	2,828,710	3,087,416	2,926	3,090,342
Profit for the period	–	–	–	–	–	–	–	–	802,129	802,129	(253)	801,876
Other comprehensive income												
– exchange differences on translating foreign subsidiaries	–	–	(7,162)	–	6	–	–	–	–	(7,156)	–	(7,156)
Total comprehensive income	–	–	(7,162)	–	6	–	–	–	802,129	794,973	(253)	794,720
Shares issued under share option scheme	30	626	–	–	–	–	–	(173)	–	483	–	483
Dividends declared (note 10)	–	–	–	–	–	–	–	–	(624,171)	(624,171)	–	(624,171)
At 30 June 2022 (Unaudited)	38,768	197,619	(4,406)	6,702	21,780	3,506	(12,103)	167	3,006,668	3,258,701	2,673	3,261,374

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Note	30 June 2022 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Unaudited)
Operating activities			
Cash generated from operations		913,538	3,312,469
Interest paid		(9,387)	(11,423)
Income tax paid		(58,826)	(6,442)
Net cash generated from operating activities		845,325	3,294,604
Investing activities			
Payments to acquire property, plant and equipment		(387,752)	(7,880)
Prepayments to acquire property, plant and equipment		(48,534)	(10,370)
Proceeds from disposal of property, plant and equipment		390	1
Interest received		1,818	7,642
Net cash received on settlement of derivative financial instruments		—	564
Net cash used in investing activities		(434,078)	(10,043)
Financing activities			
Issue of new shares		483	23,602
Repayment of bank loans		—	(33,333)
Repayment of import loans		(1,143,935)	(2,166,362)
Repayment of principal of lease liabilities		(14,604)	(14,538)
Net cash used in financing activities		(1,158,056)	(2,190,631)
Net (decrease)/increase in cash and cash equivalents		(746,809)	1,093,930
Cash and cash equivalents at beginning of period		3,764,766	1,124,143
Effect of exchange rate changes on cash and cash equivalents		(20,899)	(186)
Cash and cash equivalents at end of period, representing cash and bank balances (net of pledged time deposit)	14	2,997,058	2,217,887

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2022 (the “Interim Financial Statements”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Listing Rules and the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The Interim Financial Statements have been prepared under the historical cost convention modified by the revaluation of certain financial instruments.

The accounting policies adopted for the preparation of the Interim Financial Statements are consistent with those applied in the preparation of the annual financial statements of the Group for the year ended 31 December 2021 (the “Annual Financial Statements”), except for the adoption of the revised Hong Kong Financial Reporting Standards (the “HKFRSs”) (which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA.

The Interim Financial Statements are unaudited, but have been reviewed by the Audit Committee of the Company.

The Interim Financial Statements should be read in conjunction with the Annual Financial Statements.

2. CHANGES IN HKFRSs

The HKICPA has issued a number of amended HKFRSs that were adopted by the Group effective from 1 January 2022:

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

The above amended HKFRSs did not have any material impact on the Group’s accounting policies.

2. CHANGES IN HKFRSs (CONTINUED)

Amendments to HKAS 16: Property, Plant and Equipment: Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

Amendments to HKAS 37: Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Amendments to HKFRS 3: Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

Annual Improvements to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41: Annual Improvements to HKFRSs 2018–2020

Details of the amendments that are expected to be applicable to the Group are as follows:

HKFRS 9, Financial Instruments, which clarify the fees included in the ‘10 per cent’ test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other’s behalf are included.

HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

3. USE OF JUDGEMENTS AND ESTIMATES

In preparing these Interim Financial Statements, the significant judgements made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Annual Financial Statements.

4. SEGMENT REPORTING

(a) Reportable segments

The Group determines its operating segments based on the regional reports reviewed by the chief operating decision-maker that are used to make strategic decisions. The Group principally operates in one business segment, which is the design, manufacturing and trading of electronics and PC parts and accessories.

Disaggregation of revenue from contracts with customers

In the following table, revenue is disaggregated by primary geographical markets, major products and services, brand and non-brand businesses and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

For the period ended 30 June

Primary geographical markets

	Design, manufacturing and trading of electronics and PC parts and accessories	
	30 June 2022 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Unaudited)
APAC	2,424,655	2,237,614
NALA	1,409,659	1,099,937
PRC	1,181,135	1,811,076
EMEA	1,592,376	1,700,653
	6,607,825	6,849,280

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

4. SEGMENT REPORTING (CONTINUED)

(a) Reportable segments (continued)

Major products/services

	30 June 2022 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Unaudited)
VGA Cards	5,781,524	5,958,871
EMS	360,895	382,144
Other PC related products and components	465,406	508,265
	6,607,825	6,849,280

Brand and non-brand businesses

	30 June 2022 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Unaudited)
Brand businesses	4,450,122	4,592,821
Non-brand businesses	2,157,703	2,256,459
	6,607,825	6,849,280

Timing of revenue recognition

	30 June 2022 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Unaudited)
At a point in time	6,607,825	6,849,280

(b) Information about the major customer

During the six months ended 30 June 2022 and 2021, none of the customers contributed 10% or more of the Group's revenue.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

5. REVENUE

Revenue represents the net invoiced value of goods sold and service income earned by the Group.

The following table provides information about contract liabilities from contracts with customers.

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Contract liabilities	112,850	209,564

The contract liabilities mainly relate to the advance consideration received from customers and volume rebates and sales allowances to customers. HK\$162,053,000 of the contract liabilities as at 1 January 2022 and HK\$56,186,000 of the contract liabilities as at 1 January 2021 have been recognised as revenue for the six months ended 30 June 2022 and 2021 respectively from performance obligations satisfied when the goods were sold.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its contracts for sale of goods and services and therefore the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sale of goods and services which had an original expected duration of one year or less.

6. OTHER REVENUE AND OTHER GAINS AND LOSSES

	30 June 2022 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Unaudited)
Government grants (note)	3,775	469
Interest income (note 13(d))	1,818	7,642
Net exchange losses	(15,256)	(20,900)
Net fair value gains on derivative financial instruments	—	564
Gain on disposal of property, plant and equipment	379	1
Sundry income	4,240	9,694
Rental income	—	27,678
	(5,044)	25,148

Note: Included in 2022 government grants is HK\$2,832,000 obtained from 2022 Employment Support Scheme ("ESS") under the Anti-epidemic Fund launched by the Hong Kong SAR Government supporting the payroll of the Group's employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and retain current employees from May to July 2022. The Group does not have other unfulfilled obligations relating to this program. The remaining government grants for 2022 and 2021 were received from several PRC local government authorities on a discretionary basis before period end. There is no unfulfilled conditions and other contingencies attaching to the government grants that have been recognised.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

7. FINANCE COSTS

	30 June 2022 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Unaudited)
Interest on bank advances and other borrowings	6,972	8,783
Interest on lease liabilities	2,415	2,640
	9,387	11,423

8. PROFIT BEFORE INCOME TAX

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

	30 June 2022 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Unaudited)
Inventories recognised as expense	5,209,331	4,983,640
Provision for obsolete inventories	32,678	1,556
Cost of sales	5,242,009	4,985,196
Staff costs	316,581	353,337
Depreciation of property, plant and equipment	14,604	37,850
Depreciation of right-of-use assets	14,914	15,167
Impairment losses on financial assets	1,039	315,279
Short-term lease expenses	1,821	953
Low-value assets leases expenses	11	11
Property, plant and equipment written off	—	3
(Reversal of provision)/provision for product warranties and returns, net (note 17)	(19,667)	16,939
Research and development expenditure (note)	29,016	25,008

Note: The research and development expenditure for the period represents depreciation of plant and machinery and office equipment and right-of-use assets and staff costs for research and development activities, which are also included in the total amounts disclosed above for each of these types of expenses.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

9. INCOME TAX

The amount of income tax expense in the condensed consolidated statement of comprehensive income represents:

	30 June 2022 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Unaudited)
Current tax — Hong Kong		
— provision for the period	154,854	221,511
Current tax — PRC		
— provision for the period	791	135
— under provision in respect of prior year	83	56
Current tax — others		
— provision for the period	47	17,540
— under/(over) provision in respect of prior year	255	(2)
	156,030	239,240
Deferred tax		
— origination and reversal of temporary differences	4,187	2,093
Income tax expense	160,217	241,333

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act (Revised) of the Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

The Company's Macau subsidiary is exempted from Macau Complimentary Tax pursuant to Decree Law No. 58/99/M, Chapter 2, Article 12, dated 18 October 1999.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces a two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

9. INCOME TAX (CONTINUED)

Under the two-tiered profits tax rates regime, if the entity has one or more connected entity, the two-tiered profits tax rates would only apply to the one which is nominated to be chargeable at the two-tiered rates. Hong Kong profits tax of the nominated entity is calculated at 8.25% on assessable profits up to HK\$2 million and 16.5% on any part of assessable profits over HK\$2 million. For those entities which do not qualify for two-tiered profits tax rates, a profits tax rate of 16.5% on assessable profits shall remain in calculating Hong Kong profits tax. For the six months ended 30 June 2022 and 2021, Hong Kong profits tax is calculated in accordance with the two-tiered profits tax rates regime. A significant subsidiary of the Company, PC Partner Limited, is entitled to claim 50% of all of its manufacturing profits as offshore in nature and non-taxable under Departmental Interpretation and Practice Notes No.21 issued by the Inland Revenue Department of Hong Kong.

The Company's wholly-owned subsidiary located in the PRC, 東莞栢能電子科技有限公司 successfully obtained the "High Technology Enterprise" status during 2012 and renewed successfully for three years from 2021 to 2023 and the applicable PRC enterprise income tax rate for the six months ended 30 June 2022 is 15% (2021: 15%). Other PRC subsidiaries of the Company are subject to PRC enterprise income tax at a statutory rate of 25% (2021: 25%) on the assessable profits as determined in accordance with the relevant income tax rules and regulations of the PRC for the six months ended 30 June 2022.

Other overseas tax is calculated at the rates applicable in the respective jurisdictions.

10. DIVIDENDS

	30 June 2022 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Unaudited)
2021 final dividend declared — HK\$1.61 per share (2021: 2020 final dividend declared — HK\$0.22) per share	624,171	85,058

The directors of the Company proposed an interim dividend of HK\$0.80 (2021: HK\$0.84) per share, totalling HK\$310,147,000 (2021: HK\$325,209,000) for the six months ended 30 June 2022. The interim dividend has not been recognised as liabilities at 30 June 2022.

Note: 2021 final dividend was subsequently paid on 15 July 2022.

11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the six months ended 30 June 2022 and 2021 is based on the following data:

Profit

	30 June 2022 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Unaudited)
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	802,129	932,156

Number of shares

	30 June 2022 (Unaudited)	30 June 2021 (Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	387,433,944	377,505,513
Effect of dilutive potential ordinary shares: — share options	455,878	6,078,691
Weighted average number of ordinary shares for the purpose of diluted earnings per share	387,889,822	383,584,204

12. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

No impairment losses were recognised in respect of property, plant and equipment and right-of-use assets for both periods. During the six months ended 30 June 2022, additions to property, plant and equipment and right-of-use assets amounted to HK\$387,752,000 (2021: HK\$7,880,000) and HK\$1,500,000 (2021: HK\$161,000) respectively and write off of property, plant and equipment and right-of-use assets amounted to HK\$Nil (2021: HK\$3,000) and HK\$Nil (2021: HK\$ Nil) respectively.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

13. TRADE AND OTHER RECEIVABLES

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Trade receivables at amortised cost	1,544,498	1,553,726
Less: Accumulated impairment losses	(325,733)	(338,123)
Trade receivables at amortised cost, net (note (a))	1,218,765	1,215,603
Trade receivables at fair value through profit or loss (note (b))	24,117	26,032
Other receivables (note (c))	8,725	4,323
Deposits and prepayments	107,518	69,402
Less: Accumulated impairment losses	(5,559)	(5,559)
	101,959	63,843
	1,353,566	1,309,801
Less: Rental deposits — non-current portion	(3,220)	(2,705)
Trade and other receivables — current portion	1,350,346	1,307,096

Notes:

- (a) The ageing analysis of trade receivables at amortised cost (net of impairment losses) of the Group, based on invoice dates, as at the end of reporting period is as follows:

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Within 1 month	591,897	862,943
Over 1 month but within 3 months	585,633	345,072
Over 3 months but within 1 year	41,171	7,523
Over 1 year	64	65
	1,218,765	1,215,603

The credit period on sales of goods is 30 to 90 days (2021: 30 to 90 days) from the invoice date.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

(b)

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Trade receivables at fair value through profit or loss	24,117	26,032

It represents trade receivables which are subject to a factoring arrangement without recourse with specific customers. Under this arrangement, the Group will transfer the relevant receivables to the bank in exchange for cash after period end.

The Group considers this is a "hold to sell" model and hence these trade receivables are measured at fair value through profit or loss.

The Group is also exposed to credit risk in relation to these trade receivables. The maximum exposure at the end of reporting period is HK\$24,117,000 (2021: HK\$26,032,000).

The ageing analysis of trade receivables at fair value through profit or loss of the Group, based on invoice dates, as at the end of reporting period is as follows:

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Within 1 month	12,220	12,037
Over 1 month but within 3 months	11,849	12,194
Over 3 months but within 1 year	48	1,801
	24,117	26,032

The credit period of sales of goods is 30 to 90 days (2021: 30 to 90 days) from the invoice date.

(c) The balance includes a claim of HK\$2,472,000 (2021: HK\$2,456,000) under an insurance policy.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

- (d) During the year ended 31 December 2019, the Group entered into a sales contract with a customer for sale of VGA Cards under which the sales amount would be paid by the customer in instalments the last of which would fall in May 2021. During 2020, a revised repayment schedule was agreed by both parties and the last instalment will fall in September 2022. As at 30 June 2022, the total outstanding balance due from the customer amounted to HK\$314,223,000 (2021: HK\$327,651,000). The crack down on cryptocurrency mining and trading in China in 2021 has forced the customer to cease operation and resulted in a repayment issue of the remaining instalment receivable. The Group has reviewed the collectability of the debts as at 31 December 2021, it is uncertain when the customer will be able to resume the payment of the remaining balance according to the instalment payment scheme. Therefore, the Group has decided to make a full impairment of the total outstanding balance of the customer in the year ended 31 December 2021. The sales contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months and is accounted for in accordance with the Group's accounting policy set out in note 4(j) of the Annual Financial Statements. Interest income of HK\$Nil (2021: HK\$6,358,000) was recognised for the period and included under note 6.

14. CASH AND BANK BALANCES

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Cash and bank balances	2,997,395	3,765,101
Less: Pledged time deposit	(337)	(335)
Cash and cash equivalents in the condensed consolidated statement of cash flows	2,997,058	3,764,766

15. TRADE AND OTHER PAYABLES

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Trade payables	1,100,454	1,602,678
Other payables and accruals (note)	938,122	527,664
	2,038,576	2,130,342

All trade and other payables and accruals are due to be settled within twelve months.

Note: As at 30 June 2022, other payables and accruals mainly comprised provision for staff performance bonus, directors' profit sharing, dividend payables and accrued expenses.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

15. TRADE AND OTHER PAYABLES (CONTINUED)

The ageing analysis of trade payables of the Group, based on invoice dates, as at the end of reporting period is as follows:

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Within 1 month	534,105	938,263
Over 1 month but within 3 months	465,604	605,733
Over 3 months but within 1 year	94,523	52,419
Over 1 year	6,222	6,263
	1,100,454	1,602,678

16. BORROWINGS

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Import loans — guaranteed	917,069	702,337

The above borrowings are denominated in HK\$ and US\$ as follows:

	30 June 2022 Denominated in			31 December 2021 Denominated in		
	HK\$ HK\$'000 (Unaudited)	US\$ HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	HK\$ HK\$'000 (Audited)	US\$ HK\$'000 (Audited)	Total HK\$'000 (Audited)
Import loans — guaranteed	392,250	524,819	917,069	—	702,337	702,337

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For the six months ended 30 June 2022

16. BORROWINGS (CONTINUED)

The repayment schedules of the above borrowings based on the agreed terms of repayment granted by banks are as follows:

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Within 1 year	917,069	702,337

- (i) At 30 June 2022, the above borrowings bear interest at effective interest rates ranging from 0.9% to 1.2% (2021: 1.0% to 1.5%) per annum over cost of funds for the period.
- (ii) At 30 June 2022, bank deposits of HK\$337,000 (2021: HK\$335,000) were pledged to a bank to secure the corporate credit card granted to the Group.

17. PROVISION FOR PRODUCT WARRANTIES

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Provision for product warranties		
At beginning of period/year	61,118	31,447
(Reversal of)/additional provision, net Utilisation	(19,667) (6,309)	47,374 (17,703)
Net movement for the period/year	(25,976)	29,671
At end of period/year	35,142	61,118

Under the terms of certain sales agreements of the Group, the Group will rectify any product defects arising within two to three years from the date of sales ("Warranty Period"). Provision is therefore made for the best estimate of the expected settlement of warranty under such sales agreements. The amount of provision takes into account the Group's recent claim experience and is only made where a warranty claim is probable.

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For the six months ended 30 June 2022

18. SHARE CAPITAL

	30 June 2022		31 December 2021	
	Number of shares	Amount HK\$'000 (Unaudited)	Number of shares	Amount HK\$'000 (Audited)
Authorised:				
Ordinary shares of HK\$0.10 each	1,000,000,000	100,000	1,000,000,000	100,000
Issued and fully paid:				
Ordinary shares of HK\$0.10 each				
At beginning of period/year	387,383,668	38,738	372,093,668	37,209
Share options exercised	300,000	30	15,290,000	1,529
At end of period/year	387,683,668	38,768	387,383,668	38,738

19. CAPITAL COMMITMENTS

As at 30 June 2022 and 31 December 2021, the Group had the following capital commitments contracted for but not provided in respect of:

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Acquisition of property, plant and equipment	98,323	10,133

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For the six months ended 30 June 2022

20. RELATED PARTIES AND CONNECTED TRANSACTIONS

- (a) During the period, the Group entered into the following significant transactions with its related parties or connected party:

	30 June 2022 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Unaudited)
(i) Related parties and connected transactions		
Related company owned by a director of the Company		
– rental expenses	420	420
Director of a subsidiary		
– rental expenses	138	134
(ii) Connected transactions		
Connected person of the Company		
– sales	—	40,026

Rental expenses were charged according to the agreements.

The directors are of the opinion that these transactions were conducted on normal business terms and in the ordinary course of business.

The related parties transactions in respect of rental expenses above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. However those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1) of the Listing Rules.

During the six months ended 30 June 2021, the connected transactions in respect of sales of VGA cards to connected person of the Company constitute continuing connected transactions amounted to HK\$40,026,000 as defined in Chapter 14A of the Listing Rules. Details of the connected transactions are set out in the Company's announcement dated 25 May 2021 and the disclosures are also provided in the Report of the Directors set out in the 2021 Annual Report.

- (b) The directors of the Company represented the key management personnel of the Company. During the six months ended 30 June 2022, HK\$62,358,000 (30 June 2021: HK\$115,892,000) was paid or payable to the key management personnel.

21. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount of financial assets and liabilities:

	30 June 2022 Carrying amount HK\$'000 (Unaudited)	31 December 2021 Carrying amount HK\$'000 (Audited)
Financial assets		
Financial assets at fair value through profit or loss		
– Trade receivables at fair value through profit or loss	24,117	26,032
Financial assets at amortised cost		
– Cash and cash equivalents	2,997,058	3,764,766
– Trade and other receivables	1,275,461	1,266,948
Financial asset at FVTOCI		
– Unlisted equity investment	3,517	3,517
Financial liabilities		
Financial liabilities measured at amortised cost		
– Trade and other payables	2,031,471	2,123,510
– Refund liabilities (note (a)(a))	83,599	96,445
– Contract liabilities (note (a)(b))	10,699	13,831
– Borrowings	917,069	702,337
– Lease liabilities	110,713	121,273

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For the six months ended 30 June 2022

21. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (CONTINUED)

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

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

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

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

	Group			
	30 June 2022 (Unaudited)			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets at fair value through profit or loss				
— Trade receivables at fair value through profit or loss	—	24,117	—	24,117
Financial asset at FVTOCI				
— Unlisted equity investment	—	—	3,517	3,517
	—	24,117	3,517	27,634

	Group			
	31 December 2021 (Audited)			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets at fair value through profit or loss				
— Trade receivables at fair value through profit or loss	—	26,032	—	26,032
Financial asset at FVTOCI				
— Unlisted equity investment	—	—	3,517	3,517
	—	26,032	3,517	29,549

There were no transfers between levels during the period/year.

21. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (CONTINUED)

Reconciliation for financial instrument carried at fair value based on significant unobservable inputs (Level 3) are as follows:

Unlisted equity investment

	Financial assets at FVTOCI	
	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
At beginning of period/year	3,517	7,518
Total gains or losses:		
– in other comprehensive income (included in changes in fair value of financial asset at FVTOCI)	–	(4,001)
At end of period/year	3,517	3,517

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, trade and other payables and borrowings.

Due to their short term nature, the carrying values of cash and cash equivalents, trade and other receivables, trade and other payables approximate to their fair values.

Notes:

- (a) Refund liabilities represent the estimated cash refund resulting from goods returned from customers during the Warranty Period.
- (b) Contract liabilities included in above represent the estimated volume rebate to be settled in cash to customers. Contract liabilities of HK\$102,151,000 (2021: HK\$195,733,000) relating to receipt in advance from customers are not financial liabilities and excluded from above.

21. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (CONTINUED)

(b) Financial instruments measured at fair value

The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 2 and level 3 financial instruments, as well as the relationship between key observable inputs and fair value are set out below.

Information about level 2 fair value measurements

The fair value of trade receivables at fair value through profit or loss is determined based on the weighted-average discount rates applicable to trade receivables factored without recourse during the period/year.

Information about level 3 fair value measurements

As at 30 June 2022, the fair value of the unlisted equity investment in Dreamscape Immersive Inc. is estimated by using the market approach and option pricing model based on the enterprise value to sales ratios of comparable companies. The valuation technique adopts expected enterprise value to sales ratio of 5.11 (2021: 5.11), volatility of 55.82% (2021: 55.82%) and risk-free rate of 0.960% (2021: 0.960%) as key unobservable inputs.

As at 30 June 2022 and 31 December 2021, the fair value measurement is positively correlated to the enterprise value to sales ratio. It is estimated that with all other variables held constant, an increase/decrease in enterprise value to sales ratio by 1 would have increased/decreased the Group's other comprehensive income by approximately HK\$619,000 and HK\$627,000 respectively.

The Group considers that changes in the volatility and risk-free rate to the valuation technique disclosed above would not have a significant effect on fair value of the unlisted equity investment as at 30 June 2022 and 31 December 2021.