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**APEX ACE**  
**APEX ACE HOLDING LIMITED**  
**光麗科技控股有限公司\***  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 6036)**

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

**RESULTS HIGHLIGHT**

- Revenue amounted to approximately HK\$1,634.9 million in 1H2022, representing an increase of 14.8% as compared with 1H2021.
- Gross profit amounted to approximately HK\$75.2 million in 1H2022, represented a decrease of 46.7% as compared with 1H2021.
- The net profit attributable to owners of the Company for 1H2022 amounted to approximately HK\$6.5 million (1H2021: net profit of HK\$26.6 million).
- Basic earnings per share for 1H2022 amounted to 0.64 HK cents (1H2021: 2.66 HK cents).
- The Board has resolved not to declare any dividend for 1H2022 (1H2021: nil).

**INTERIM RESULTS**

The board of directors of Apex Ace Holding Limited (the “Company”, the “Directors” and the “Board”, respectively), hereby announces the unaudited financial results of Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2022 (“1H2022” or the “Review Period”) together with the comparative figures for the six months ended 30 June 2021 (“1H2021” or the “Last Corresponding Period”). These unaudited financial results for 1H2022 have been reviewed by the audit committee of the Board (the “Audit Committee”).

\* For identification purposes only

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**  
*FOR THE SIX MONTHS ENDED 30 JUNE 2022*

	<i>Note</i>	<b>1H2022</b> <i>HK\$'000</i> (Unaudited)	1H2021 <i>HK\$'000</i> (Unaudited)
Revenue	3	<b>1,634,873</b>	1,423,913
Cost of sales		<u><b>(1,559,702)</b></u>	<u>(1,282,844)</u>
Gross profit		<b>75,171</b>	141,069
Other income	4	<b>2,182</b>	4,925
Increase in fair value of investment property		<b>200</b>	–
Reversal of impairment loss/(impairment loss) on trade receivables		<b>4,384</b>	(18,509)
Impairment loss on loans and other receivables		<b>(3,865)</b>	(1,916)
Distribution and selling expenses		<b>(17,042)</b>	(31,708)
Administrative expenses		<b>(40,242)</b>	(43,388)
Finance costs	5	<u><b>(7,857)</b></u>	<u>(4,453)</u>
Profit before tax	6	<b>12,931</b>	46,020
Income tax expense	7	<u><b>(4,354)</b></u>	<u>(9,794)</u>
Profit for the period		<b>8,577</b>	36,226
Other comprehensive (expense)/income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
– Exchange differences arising on translation of foreign operations		<u><b>(3,455)</b></u>	<u>329</u>
Total comprehensive income for the period, net of tax		<u><b>5,122</b></u>	<u>36,555</u>
Profit for the period attributable to:			
– Owners of the Company		<b>6,509</b>	26,553
– Non-controlling interests		<u><b>2,068</b></u>	<u>9,673</u>
		<u><b>8,577</b></u>	<u>36,226</u>

	<i>Note</i>	<b>1H2022</b> <b>HK\$'000</b> <b>(Unaudited)</b>	1H2021 <i>HK\$'000</i> (Unaudited)
Total comprehensive income, net of tax			
– Owners of the Company		<b>3,270</b>	26,892
– Non-controlling interests		<b>1,852</b>	9,663
		<u><b>5,122</b></u>	<u>36,555</u>
Earnings per share attributable to owners of the Company			
– Basic	8	<u><b>0.64 HK cents</b></u>	<u>2.66 HK cents</u>
– Diluted	8	<u><b>0.63 HK cents</b></u>	<u>N/A</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 30 JUNE 2022*

		<b>30 June</b>	31 December
		<b>2022</b>	2021
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	<b>93,389</b>	63,486
Right-of-use assets	10	<b>5,109</b>	1,216
Investment property	11	<b>51,200</b>	51,000
Intangible assets		<b>15,286</b>	18,409
Deposit paid for acquisition of property, plant and equipment		–	1,305
Deferred tax assets		<b>8,126</b>	9,784
		<u><b>173,110</b></u>	<u>145,200</u>
		----- <b>173,110</b>	-----145,200
<b>Current assets</b>			
Inventories		<b>273,764</b>	251,865
Trade receivables	12	<b>582,635</b>	484,626
Other receivables, deposits and prepayments		<b>65,116</b>	67,924
Income tax recoverable		<b>144</b>	759
Bank balances and cash		<b>119,219</b>	143,743
		<u><b>1,040,878</b></u>	<u>948,917</u>
		----- <b>1,040,878</b>	-----948,917
<b>Current liabilities</b>			
Trade payables	13	<b>191,560</b>	160,863
Other payables, accruals and deposits received		<b>27,102</b>	44,442
Lease liabilities – current portion		<b>1,545</b>	668
Bank borrowings		<b>578,949</b>	538,545
Income tax payable		<b>6,947</b>	5,014
		<u><b>806,103</b></u>	<u>749,532</u>
		----- <b>806,103</b>	-----749,532
<b>Net current assets</b>		<u><b>234,775</b></u>	<u>199,385</u>
		----- <b>234,775</b>	-----199,385
<b>Total assets less current liabilities</b>		<u><b>407,885</b></u>	<u>344,585</u>
		----- <b>407,885</b>	-----344,585

		<b>30 June</b>	31 December
		<b>2022</b>	2021
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current liabilities</b>			
Convertible bond	14	<b>14,685</b>	–
Lease liabilities – non-current portion		<b>3,677</b>	556
Deferred tax liabilities		<b>3,441</b>	3,683
		<u><b>21,803</b></u>	<u>4,239</u>
<b>Net assets</b>		<u><b>386,082</b></u>	<u>340,346</u>
<b>Capital and reserves</b>			
Share capital	15	<b>10,751</b>	10,096
Reserves		<b>327,961</b>	294,732
		<u><b>338,712</b></u>	<u>304,828</u>
<b>Equity attributable to owners of the Company</b>			
Perpetual subordinated convertible securities	16	<b>10,000</b>	–
Non-controlling interests		<b>37,370</b>	35,518
		<u><b>386,082</b></u>	<u>340,346</u>
<b>Total equity</b>		<u><b>386,082</b></u>	<u>340,346</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The interim financial results set out in this announcement do not constitute the Group's interim financial statements for the Review Period (the "Interim Financial Statements") but are extracted from the Interim Financial Statements.

The Interim Financial Statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange" and the "Listing Rules", respectively), including compliance with Hong Kong Accounting Standard ("HKAS") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Interim Financial Statements have been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements and new accounting policies adopted arising from issuance of convertible bond ("CB") and perpetual subordinated convertible securities ("PSCS"). Details of any changes in accounting policies and new accounting policies adopted are set out in Note 2.

The Interim Financial Statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The Interim Financial Statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The Interim Financial Statements are unaudited, but have been reviewed by Graham H. Y. Chan & Co. in accordance with Hong Kong Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the HKICPA.

### 2. APPLICATION OF NEW AND REVISED HKFRSs AND NEW ACCOUNTING POLICIES

#### (a) New and revised HKFRSs adopted as at 1 January 2022

For the current period, the Group has adopted for the first time the following amendments to HKFRSs issued by the HKICPA, which are effective for the Group's accounting period beginning on 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 Accounting Guideline 5 (Revised)	Reference to the Conceptual Framework Merger Accounting for Common Control Combinations
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020

The application of the above amendments to HKFRSs had no material impact on the financial position and the financial results of the Group.

**(b) New and amendments to HKFRSs issued but not yet effective**

The Group has not applied the following new and amendments to HKFRSs that have been issued but are not yet effective for the current period.

HKFRS 17	Insurance Contracts and the related amendments <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from Single Transaction <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

The Group is assessing the full impact of the new standard, and amendments to standards.

**(c) New accounting policies adopted**

**Convertible bond**

The component of CB that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On issuance of CB, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in the “convertible bond equity reserve” within shareholders’ equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. When the conversion option is exercised, the balance of the convertible bond equity reserve is transferred to share capital or other appropriate reserve. When the conversion option remains unexercised at the expiry date, the balance remained in the convertible bond equity reserve is transferred to retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs are apportioned between the liability and equity components of the CB based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

**Perpetual subordinated convertible securities**

PSCS issued by the Company gives the right to the holder to convert those securities into a fixed number of the Company’s shares at any time at a fixed exercise price per share. PSCS have no maturity date and are redeemable at the option of the Company. These securities are equity instruments.

### 3. REVENUE AND SEGMENT INFORMATION

Segment information reported internally was analysed on the basis of the type of products sold and activities carried out by the Group's operating division. The Group is currently operating in two operating segments as follows:

- (a) Digital storage products; and
- (b) General components.

	<b>1H2022</b> <i>HK\$'000</i> (Unaudited)	1H2021 <i>HK\$'000</i> (Unaudited)
<b>Segment Revenue</b>		
Digital storage products	<b>1,299,543</b>	1,135,513
General components	<b>335,330</b>	288,400
	<b><u>1,634,873</u></b>	<b><u>1,423,913</u></b>
	<b>1H2022</b> <i>HK\$'000</i> (Unaudited)	1H2021 <i>HK\$'000</i> (Unaudited)
<b>Segment Results</b>		
Digital storage products	<b>49,443</b>	109,153
General components	<b>25,728</b>	31,916
	<b><u>75,171</u></b>	<b><u>141,069</u></b>
Total reportable segment profit	<b>75,171</b>	141,069
Other income	<b>2,182</b>	4,925
Increase in fair value of investment property	<b>200</b>	–
Finance costs	<b>(7,857)</b>	(4,453)
Depreciation of property, plant and equipment	<b>(2,403)</b>	(2,159)
Depreciation of right-of-use assets	<b>(511)</b>	(964)
Amortisation of intangible assets	<b>(2,404)</b>	(2,335)
Reversal of impairment loss/(impairment loss) on trade receivables	<b>4,384</b>	(18,509)
Impairment loss on loans and other receivables	<b>(3,865)</b>	(1,916)
Unallocated corporate expenses	<b>(51,966)</b>	(69,638)
	<b><u>12,931</u></b>	<b><u>46,020</u></b>
Profit before tax	<b>12,931</b>	46,020
Income tax expense	<b>(4,354)</b>	(9,794)
	<b><u>8,577</u></b>	<b><u>36,226</u></b>
Profit for the period	<b>8,577</b>	36,226



## Geographical information

The Group is domiciled in Hong Kong. The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets. The geographical location of customers is based on the location of the customers. The geographical location of the non-current assets other than deposits paid for acquisition of property, plant and equipment, and deferred tax assets is based on the physical location of the assets in case of property, plant and equipment, investment property and right-of-use assets, and the location of operations to which they are allocated in case of intangible assets.

	<b>1H2022</b> <i>HK\$'000</i> (Unaudited)	1H2021 <i>HK\$'000</i> (Unaudited)
<b>Revenue from external customers</b>		
Hong Kong	<b>250,545</b>	414,654
The People's Republic of China ("PRC")	<b>1,326,833</b>	957,302
Others	<b>57,495</b>	51,957
	<b><u>1,634,873</u></b>	<b><u>1,423,913</u></b>
	<b>30 June</b> <b>2022</b> <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
<b>Non-current assets</b>		
Hong Kong	<b>135,151</b>	105,413
The PRC	<b>29,833</b>	28,698
	<b><u>164,984</u></b>	<b><u>134,111</u></b>

## Information about major customers

The Group's revenue from customers which accounted for 10% or more of the Group's total revenue are as follow:

	<b>Segment</b>	<b>1H2022</b> <i>HK\$'000</i> (Unaudited)	1H2021 <i>HK\$'000</i> (Unaudited)
Customer A	Digital storage products and general components	<b>428,959</b>	252,586
Customer B	Digital storage products and general components	<b><u>174,480</u></b>	<b><u>N/A*</u></b>

\* The corresponding revenue did not account for over 10% of the total revenue of the Group for that period.

#### 4. OTHER INCOME

	<b>1H2022</b> <b>HK\$'000</b> <b>(Unaudited)</b>	1H2021 <i>HK\$'000</i> (Unaudited)
Bank interest income	32	236
Rental income	698	720
Government grant ( <i>note</i> )	296	–
Commission income	–	1,964
Sundry income	<u>1,156</u>	<u>2,005</u>
	<u><b>2,182</b></u>	<u>4,925</u>

*Note:* The amount represented the Employment Support Scheme under the Anti-epidemic Fund of the Government of the Hong Kong Special Administrative Region. The Group did not have any unfulfilled conditions relating to the grant.

#### 5. FINANCE COSTS

	<b>1H2022</b> <b>HK\$'000</b> <b>(Unaudited)</b>	1H2021 <i>HK\$'000</i> (Unaudited)
Discounting charges on factoring loans	2,062	1,461
Interest on convertible bond	341	–
Interest on other bank borrowings	5,415	2,970
Interest expense on lease liabilities	<u>39</u>	<u>22</u>
Total finance costs	<u><b>7,857</b></u>	<u>4,453</u>

## 6. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	<b>1H2022</b> <b>HK\$'000</b> <b>(Unaudited)</b>	1H2021 <i>HK\$'000</i> (Unaudited)
Cost of inventories recognised as an expense	<b>1,559,046</b>	1,282,759
Write-down of inventories	<b>656</b>	85
Auditor's remuneration	<b>700</b>	700
Depreciation of property, plant and equipment	<b>2,403</b>	2,159
Depreciation of right-of-use assets	<b>511</b>	964
Amortisation of intangible assets ( <i>note 1</i> )	<b>2,404</b>	2,335
Net foreign exchange loss	<b>2,771</b>	47
Short term leases expenses in respect of land and buildings	<b>915</b>	572
Commission expenses	<b>4,309</b>	18,984
Research and development expenses ( <i>note 2</i> )	<b>1,533</b>	1,197
Staff costs including director's emoluments		
– Basic salaries and allowance	<b>18,877</b>	28,603
– Contributions to defined contribution retirement plans	<b>2,692</b>	1,851
– Share-based payment expenses	<b>741</b>	–
– Messing and welfare	<b>567</b>	536
	<b><u>          </u></b>	<b><u>          </u></b>

*Notes:*

1. Amortisation of intangible assets was included in administrative expenses.
2. Staff costs of approximately HK\$1,147,000 (1H2021: HK\$988,000) were included in research and development expenses.

## 7. INCOME TAX EXPENSE

	<b>1H2022</b> <b>HK\$'000</b> <b>(Unaudited)</b>	1H2021 <i>HK\$'000</i> (Unaudited)
Current tax:		
– Hong Kong Profits Tax	<b>2,082</b>	7,307
– PRC tax	<b>1,058</b>	1,396
(Over)/under-provision in prior years:		
– Hong Kong Profits Tax	<b>(83)</b>	62
– PRC tax	<b>(123)</b>	–
	<b><u>          </u></b>	<b><u>          </u></b>
Deferred tax	<b>2,934</b>	8,765
	<b><u>1,420</u></b>	<b><u>1,029</u></b>
Total income tax expense recognised in profit or loss for the period	<b><u>          </u></b>	<b><u>          </u></b>

Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits of the qualifying group entity and at 16.5% on the estimated assessable profits above HK\$2 million. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

For Small and Micro Enterprises in the PRC, the portion of annual taxable income which does not exceed RMB1 million, shall be deducted to 12.5% (2021: 12.5%) and the Enterprise Income Tax shall be calculated at the rate of 20%; the portion of annual taxable income from RMB1 million to RMB3 million (inclusive), shall be deducted to 25% (2021: 50%) and the Enterprise Income Tax shall be calculated at the rate of 20%. Certain PRC subsidiaries of the Company enjoy this preferential income tax treatment for the periods.

## 8. EARNINGS PER SHARE

### Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	<b>1H2022</b> <i>HK\$'000</i> <b>(Unaudited)</b>	1H2021 <i>HK\$'000</i> (Unaudited)
<b>Earnings</b>		
Profit for the period attributable to owners of the Company	<b>6,509</b>	26,553
Interest on perpetual subordinated convertible securities	<b>(50)</b>	–
Earnings used in the calculation of basic earnings per share	<b><u>6,459</u></b>	<u>26,553</u>
	<b>1H2022</b> <b>(Unaudited)</b>	1H2021 (Unaudited)
<b>Number of ordinary shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b><u>1,010,615,414</u></b>	<u>1,000,000,000</u>

For 1H2022, the weighted average number of ordinary shares for the purpose of calculation of basic earnings per share has been adjusted for the effect of shares held by the custodian of restricted share award scheme (the “Custodian”) pursuant to the restricted share award scheme. For 1H2021, there was no share held by the Custodian pursuant to the restricted share award scheme.

## Diluted earnings per share

The earnings used in the calculation of diluted earnings per share are as follows:

	<b>1H2022</b> <b>HK\$'000</b> <b>(Unaudited)</b>	1H2021 <b>HK\$'000</b> (Unaudited)
Earnings used in the calculation of basic earnings per share	<b>6,459</b>	26,553
Interest on perpetual subordinated convertible securities holder	<b>50</b>	–
Earnings used in the calculation of diluted earnings per share	<b><u>6,509</u></b>	<b><u>26,553</u></b>
	<b>1H2022</b> <b>(Unaudited)</b>	1H2021 (Unaudited)
<b>Number of ordinary shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,010,615,414</b>	1,000,000,000
Unvested shares under share award scheme	<b>3,489,000</b>	–
Perpetual subordinated convertible securities	<b><u>20,204,199</u></b>	–
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	<b><u>1,034,308,613</u></b>	<u>1,000,000,000</u>
Diluted earnings per share	<b><u>HK0.63 cents</u></b>	<u>N/A</u>

During 1H2022, the Group excluded potential shares arising from conversion of convertible bond from the computation of diluted earnings per share due to anti-dilutive effect.

No diluted earnings per share was presented for 1H2021 as the Company had no dilutive potential ordinary shares outstanding as at 30 June 2021.

## 9. DIVIDENDS

The Board has resolved not to declare any dividend for 1H2022 (1H2021: nil).

## 10. ADDITIONS OF PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During 1H2022, additions of property, plant and equipment of the Group mainly comprise the addition of a property amounting to approximately HK\$31,305,000, of which HK\$30,000,000 represented the consideration paid (“Consideration”) to Nicegoal Limited, a company controlled by Mr. Lee Bing Kwong (a controlling shareholder, an executive Director, the chairman of the Board and the chief executive officer of the Company), and HK\$1,305,000 represented the direct costs arising from the acquisition, and additions of leasehold improvements of approximately HK\$1,110,000.

During 1H2022, additions of right-of-use assets mainly comprise the addition of a new lease amounting to approximately HK\$4,561,000.

## 11. INVESTMENT PROPERTY

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
<b>At fair value</b>		
At 1 January	51,000	51,000
Fair value adjustment	<u>200</u>	<u>–</u>
At 30 June 2022/31 December 2021	<b><u>51,200</u></b>	<b><u>51,000</u></b>

The Group's investment property is commercial property situated in Hong Kong and leased out to a third party. The investment property was revalued by independent professional property valuers, as at 30 June 2022 and 31 December 2021 on an open market value basis.

## 12. TRADE RECEIVABLES

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Trade receivables	649,378	555,873
Less: allowance for impairment	<u>(66,743)</u>	<u>(71,247)</u>
At 30 June 2022/31 December 2021	<b><u>582,635</u></b>	<b><u>484,626</u></b>

The following is an ageing analysis of trade receivables based on the invoice date:

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
0–30 days	248,569	207,769
31–60 days	141,589	148,497
61–90 days	120,401	85,076
More than 90 days	<u>138,819</u>	<u>114,531</u>
	649,378	555,873
Less: allowance for impairment	<u>(66,743)</u>	<u>(71,247)</u>
	<b><u>582,635</u></b>	<b><u>484,626</u></b>

The Group's trading terms with its customers are mainly on open account terms, except for new customers, where payment in advance is normally required. The balance of the trade receivables is on open account terms, which is normally covered by customers' letters of credit or factored to external financial institutions. The credit terms vary from 1 day to 120 days after the monthly statement. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by management. Trade receivables are non-interest-bearing and their carrying amounts approximate to their fair values.

### 13. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each reporting period, based on the invoice date, is as follows:

	<b>30 June 2022</b>	31 December 2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
0–30 days	<b>127,643</b>	114,580
31–60 days	<b>43,407</b>	26,844
61–90 days	<b>4,616</b>	8,506
More than 90 days	<b>15,894</b>	10,933
	<b>191,560</b>	160,863

### 14. CONVERTIBLE BOND

During 1H2022, the Company issued the CB with principal amount of HK\$20,000,000 to Nicegoal Limited to satisfy a portion of the Consideration. The CB has a maturity date falling on 23 February 2027 and the coupon rate of the CB is 0.5% per annum.

The CB is a compound instrument included a liability component and an equity component. The Group appointed a professional valuer to estimate the fair value of the liability component of the CB at initial recognition to be approximately HK\$14,444,000 and the equity component of the CB at initial recognition to be approximately HK\$5,556,000.

Subsequent to the initial recognition, the liability component of the CB was carried at amortised cost using the effective interest rate method. The effective interest rate of the liability component of the CB is 7.34% per annum. The movements of liability component and equity component of the CB are set as follows:

	<b>Liability component</b>	<b>Equity component</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2022	–	–	–
Issue during the period	14,444	5,556	20,000
Interest charged	341	–	341
Repayment	(100)	–	(100)
At 30 June 2022	<b>14,685</b>	<b>5,556</b>	<b>20,241</b>

The equity component will remain in the convertible bond equity reserve until the embedded conversion option is exercised or the CB mature.

During 1H2022, the CB has not been converted into ordinary shares of the Company. As at 30 June 2022, approximately 57,140,000 ordinary shares would be issued upon full conversion of the CB. Conversion into ordinary shares is not permitted when conversion into ordinary shares of the Company would result in insufficient public float of the Company's shares.

## 15. SHARE CAPITAL

	Number of shares	Amount HK\$
<b>The Company</b>		
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	2,000,000,000	20,000,000
Issued and fully paid:		
As at 1 January 2021	1,000,000,000	10,000,000
Shares issued under restricted share award scheme	9,550,000	95,500
As at 31 December 2021(audited) and 1 January 2022	1,009,550,000	10,095,500
Issued during the period ( <i>note 1</i> )	65,560,000	655,600
As at 30 June 2022 (unaudited)	1,075,110,000	10,751,100

### Notes:

- On 10 May 2022, the Company and a placing agent (the “Placing Agent”) entered into a conditional placing agreement, pursuant to which, among other things, the Company conditionally agreed to place through the Placing Agent, on a best effort basis, up to 67,500,000 placing shares (“Placing Shares”) at the placing price of HK\$0.4 per Placing Share under general mandate. On 26 May 2022, the Company announced that a total of 65,560,000 Placing Shares were successfully placed by the Placing Agent. All the Placing Shares rank *pari passu* with the existing shares in issue in all respects.
- During 1H2022, the Company caused the Custodian to purchase the Company's shares on the Stock Exchange for the Restricted Share Award Scheme as follows:

Month of purchase	Number of ordinary shares	Price per share		Aggregate consideration paid HK\$'000
		Highest	Lowest	
January 2022	4,150,000	HK\$0.29	HK\$0.285	1,199

As at 30 June 2022, 11,790,000 of the Company's shares are held by the Custodian (31 December 2021: 9,550,000).



## **16. PERPETUAL SUBORDINATED CONVERTIBLE SECURITIES**

During 1H2022, the Company issued PSCS with face value of HK\$10,000,000 to Nicegoal Limited to satisfy a portion of Consideration.

The PSCS are included in equity in the Group's consolidated financial statements as the Group does not have a contractual obligation to deliver cash or other financial assets arising from the issue of the PSCS. The PSCS will remain as equity reserve until the PSCS are converted, in which case, the balance recognised in equity will be transferred to share capital and share premium.

During 1H2022, no PSCS was converted into ordinary shares and the Company has made distribution of HK\$50,000 to the PSCS holder.

As at 30 June 2022, approximately 28,570,000 ordinary shares would be issued upon full conversion of PSCS. Conversion into ordinary shares is not permitted when conversion into ordinary shares of the Company would result in insufficient public float of the Company's shares.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group is a Hong Kong-based distributor of semiconductors and other electronic components, and is engaged in the supply of digital storage products and general electronic components along with the provision of complementary technical support. It focuses on identifying, sourcing, selling and distributing quality electronic components produced by branded upstream manufacturers to downstream manufacturers within the technology, media and telecommunications sector in the PRC and Hong Kong.

During the Review Period, suspension of production and logistics disruption caused by repeated pandemic rebounds in China imposed negative impacts on both the supply and demand sides of the chip industry. On the international front, due to continuous geopolitical tension and slowdown in global economic recovery, the overall semiconductor industry was under great pressure. On the demand side, the market experienced weakened demand for consumer electronics in the first half of 2022. On the other hand, with rapid development of the electric vehicle (EV) sector and the prevailing trend of IT-oriented high-end manufacturing, demands for chips from high-performance computing and automobile electronics sectors continued to rise. On the supply side, the semiconductor industry has shifted from a comprehensive chip shortage to a structural one as chip inventories have been put on the market, leading to a gradual rebalance between supply and demand of the semiconductor industry.

The Group, acting as a stable supplier of digital storage products and general electronic components, achieved a stable performance against the background of rising market uncertainties. The Group's revenue for the Review Period was approximately HK\$1,634.9 million, representing an increase of 14.8% as compared with the Last Corresponding Period, while net profit attributable to owners of the Company was approximately HK\$6.5 million, representing a decrease of 75.5% over HK\$26.6 million for the 1H2021.

#### **By product type**

##### *Digital storage products*

The Group's digital storage products include DRAM, FLASH and MCP memory products, which are widely applied to multimedia and mobile devices such as set-top boxes, smart TVs, wearable devices, mobile phones, etc. These products also include optical and mass storage products, which are mainly used in enterprise-level storage and server systems.

During the Review Period, revenue generated from this product segment increased by 14.4% to approximately HK\$1,299.5 million (1H2021: HK\$1,135.5 million), which was mainly due to the increase in average selling price, whereas partially offset by drop in volume of products sold. Gross profit of the segment decreased to approximately HK\$49.4 million (1H2021: HK\$109.2 million), down by 54.7% when compared with the Last Corresponding Period. Gross profit margin for this segment decreased to 3.8% (1H2021: 9.6%), which was mainly due to the extent of increase in product costs was more than that of the increase in product selling price of the Group during 1H2022.

## ***General Components***

General components include switches, connectors, passive components, main chips, sensors, power semiconductors and analog-to-digital converters, which are mainly designed for use in mobile and multimedia devices.

The Group continued to record growth in revenue from this segment during the Review Period, with revenue increased by 16.3% on a year-on-year basis to approximately HK\$335.3 million (1H2021: HK\$288.4 million). However, due to the increase in the cost of most general components, gross profit of this segment decreased by 19.4% to approximately HK\$25.7 million (1H2021: HK\$31.9 million), while the gross profit margin was 7.7% (1H2021: 11.1%).

## **FINANCIAL REVIEW**

### **Revenue**

The two major product segments, namely (i) digital storage products and (ii) general components, contributed 79.5% and 20.5% of the Group's total revenue during the Review Period, respectively.

The Group's revenue for the Review Period was approximately HK\$1,634.9 million (1H2021: HK\$1,423.9 million), representing an increase of 14.8% from the Last Corresponding Period. The increase was mainly a result of a combination of (i) the sales growth from both existing and new customers and (ii) the increase in sales revenue due to increase in average selling price for which was partially offset by the drop in sales volume.

### **Gross profit and gross profit margin**

The Group's gross profit for the Review Period amounted to approximately HK\$75.2 million (1H2021: HK\$141.1 million), representing a decrease of 46.7% when compared with the Last Corresponding Period, while the gross profit margin was 4.6% (1H2021: 9.9%). The decrease in gross profit margin was mainly due to the extent of increase in product costs was more than that of the increase in product selling price of the Group during 1H2022 and a result of a combination of (i) the one-off rise in gross profit margin driven by the increasing unit price of chips caused by accelerated stock replenishment due to the overall low inventory level in the market in the Last Corresponding Period; and (ii) the change in its gross profit margin profile due to the difference between the portfolios of products sold by the Group in the first half of 2022 and in the Last Corresponding Period.

## **Reversal of impairment loss/impairment loss on trade receivables**

A reversal of impairment loss on trade receivables of approximately HK\$4.4 million was recognised during the Review Period (1H2021: impairment loss of HK\$18.5 million) arising from the recent settlements of trade receivables for which provision of impairment were recognised in previous years.

## **Distribution and selling expenses**

The distribution and selling expenses mainly include salaries of marketing and sales staff, commission expenses, transportation fees, freight charges, declarations and sample expenses. For the Review Period, selling and distribution expenses amounted to approximately HK\$17.0 million (1H2021: HK\$31.7 million), which was mainly attributable to the decrease in selling expenses due to drop in commission expenses in the Review Period.

## **Administrative expenses**

Administrative expenses primarily comprise salaries and benefits (including emoluments to executive Directors), legal and professional fees, insurance, short-term lease expenses and other premises fees, foreign exchange differences, bank charges and depreciation expenses. The Group's administrative expenses decreased by approximately HK\$3.2 million to approximately HK\$40.2 million during the Review Period (1H2021: HK\$43.4 million). Such decrease was mainly attributable to the appropriate cost control measures implemented by the Group.

## **Finance costs**

The Group's finance costs mainly represented interest expenses on its bank borrowings, with such bank borrowings having been obtained by the Group for general working capital needs. During the Review Period, the Group had finance costs of approximately HK\$7.9 million (1H2021: HK\$4.5 million), which edged up on the back of an increased use of factoring loans, import loans and trust receipts loans and increase in market interest rate.

## **Net profit for the Review Period**

Net profit for the Review Period amounted to approximately HK\$8.6 million, compared with a net profit of approximately HK\$36.2 million for the Last Corresponding Period.

## **Net profit attributable to the owners of the Company**

The net profit attributable to the owners of the Company for the Review Period was approximately HK\$6.5 million, compared with a net profit attributable to the owners of the Company of approximately HK\$26.6 million for the Last Corresponding Period. The deterioration was mainly due to the drop in gross profit resulting from the extent of increase in product costs was more than that of the increase in product selling price of the Group, even though that was slightly offset by decreased distribution and selling expenses and administrative expenses.

## **LIQUIDITY AND FINANCIAL RESOURCES**

During the Review Period, the Group met its liquidity requirements principally through a combination of internal resources and bank borrowings. The Group's cash resources as at 30 June 2022 were approximately HK\$119.2 million (31 December 2021: HK\$143.7 million) and were mainly denominated in Renminbi ("RMB"), Hong Kong dollars ("HK\$") and United States dollars ("US\$").

As at 30 June 2022, the Group's total outstanding bank borrowings amounted to approximately HK\$578.9 million (31 December 2021: HK\$538.5 million), which mainly comprised bank factoring loans, import loans, trust receipts loans, instalment loans and revolving loans. The Group's bank borrowings that were unrestricted and carried at amortised cost with a clause of repayment on demand are classified as current liabilities. The gearing ratio decreased from 158.6% as at 31 December 2021 to 155.1% as at 30 June 2022 as a result of the prudent approach taken by the management of the Group to manage its business finances. Gearing ratio is calculated based on total loans and borrowings divided by total equity at the respective reporting date. The improved gearing ratio in the Review Period was mainly due to (i) increased total equity resulting from placing of new shares on 26 May 2022 and (ii) impact on acquisition of property with consideration settled by the issue of perpetual subordinated convertible securities in the principal amount of HK\$10.0 million (the "PSCS") and convertible bond in the principal amount of HK\$20.0 million (the "CB"), of which HK\$10.0 million and HK\$5.6 million are recognised as equity, respectively.

The Group's financial statements are presented in HK\$. The Group carried out its business transactions mainly in HK\$, RMB and US\$. As the HK\$ remained pegged to the US\$, there was no material exchange risk in this respect. As the portion of RMB revenue is insignificant, there is no material exchange risk in this respect as well. The Group currently does not have any interest rate hedging policies. However, the management monitors the Group's exposure to interest rate risk on an ongoing basis and will consider hedging that risk should the need arise. Credit risk was mainly hedged through credit policy and factored into external financial institutions.

## **PERPETUAL SUBORDINATED CONVERTIBLE SECURITIES AND CONVERTIBLE BOND**

On 21 October 2021, I-Sky Electronic Limited, a wholly-owned subsidiary of the Company (the “Purchaser”), the Company and Nicegoal Limited (the “Vendor”), which is ultimately wholly-owned by Mr. Lee Bing Kwong, a controlling Shareholder, an executive Director, the chairman of the Board and the chief executive officer of the Company, entered into a sale and purchase agreement (as supplemented on 25 November 2021) (the “Agreement”), pursuant to which the Vendor has agreed to sell, and the Purchaser has conditionally agreed to purchase, the target property, namely Unit No. 1, 1st Floor, Sun Cheong Industrial Building, Nos. 2 Cheung Yee Street, Cheung Sha Wan, Hong Kong (the “Target Property”) at the consideration of HK\$30.0 million. The consideration shall be settled by the issue of the PSCS in the principal amount of HK\$10.0 million and the CB in the principal amount of HK\$20.0 million.

On 23 February 2022, the Company issued the CB in the principal amount of HK\$20.0 million and the PSCS in the principal amount of HK\$10.0 million to the Vendor for the acquisition of the Target Property pursuant to the terms of the Agreement as detailed in the announcements of the Company dated 21 October 2021 and 25 November 2021 (collectively the “Announcements”) and the circular of the Company dated 13 January 2022 respectively.

The PSCS was issued without maturity date, it bears a distribution rate of 0.5% per annum and carries rights to convert the principal amount into shares of the Company (“Shares”) at a conversion price of HK\$0.35 per Share (to be rounded down to the nearest board lot of 5,000 Shares as per the deed poll constituting the PSCS), convertible into 28,570,000 conversion shares, representing 2.66% of the issued shares of the Company as at 30 June 2022 and at the date of this announcement or 2.59% as enlarged by the conversion shares. The Company has the option to redeem the PSCS at any time at 100% or 50% of their principal amount plus any accrued but unpaid distribution.

The CB was issued with a maturity of five years from date of issue (i.e. 23 February 2022), it bears an interest rate of 0.5% per annum and carries rights to convert the outstanding principal amount into Shares at a conversion price of HK\$0.35 per Share subject to adjustment (to be rounded down to the nearest board lot of 5,000 Shares as per the instrument constituting the CB), convertible into 57,140,000 conversion shares, representing 5.31% of the issued shares of the Company as at 30 June 2022 and at the date of this announcement or 5.05% as enlarged by the conversion shares of CB. The aggregate conversion shares of CB and PSCS represents 7.38% of the issued shares of the Company as at 30 June 2022 and at the date of this announcement as enlarged by the conversion shares. The Company has the option to redeem the CB at any time before their maturity in whole or in part of their principal amount plus any accrued but unpaid interest.

## **CONTINGENT LIABILITIES**

As at 30 June 2022, the Group did not have any material contingent liabilities (31 December 2021: nil).

## **CHARGES ON ASSETS**

As at 30 June 2022, the banking facilities of the Group were secured by its trade receivables with an aggregate carrying amount of approximately HK\$324.1 million (31 December 2021: HK\$321.8 million), the legal charge over the investment property of the Group of approximately HK\$51.2 million (31 December 2021: HK\$51.0 million), the Group's leasehold land and buildings valued at approximately HK\$49.8 million (31 December 2021: HK\$50.8 million), personal guarantee executed by Mr. Pai Yin Lin (a director and a non-controlling shareholder of subsidiaries of the Company) and corporate guarantees executed by the Group.

## **DIVIDEND**

The Board has resolved not to declare any interim dividend for the Review Period (1H2021: nil).

## **EMPLOYMENT AND REMUNERATION POLICY**

As at 30 June 2022, the Group had 149 employees (31 December 2021: 140) in Hong Kong and the PRC. The Group's remuneration policy is built on the principle of equitability with incentive-based, performance-oriented and market-competitive remuneration packages for its employees. Remuneration packages are normally reviewed on a regular basis. Other staff benefits include provident fund contributions, medical insurance coverage and performance-based bonuses. In addition, the Company has adopted the Share Option Scheme and the Restricted Share Award Scheme as incentives or rewards for eligible participants for their contribution to the Group, and the Company also provides continuous training to its employees to improve their marketing skills and enhance their product knowledge.

## **RESTRICTED SHARE AWARD SCHEME**

On 23 July 2021, the Board of the Group resolved to grant 9,550,000 restricted shares (the "Restricted Shares") to nine selected participants (the "Grantees") in accordance with the terms of the Restricted Share Award Scheme ("Scheme") at nil consideration. On 12 August 2021, the Company issued and allotted 9,550,000 Restricted Shares. These Restricted Shares are held on trust for the Grantees by a custodian ("Custodian") who shall transfer the Restricted Shares to them in three tranches subject to satisfaction of the vesting conditions as specified in the grant notice issued to each Grantee. During the Review Period, 1,910,000 Restricted Shares have been vested. Accordingly, there were 7,640,000 Restricted Shares unvested as at 30 June 2022, which represented 0.71% of the issued share capital as at 30 June 2022 and as at the date of this announcement. In addition, the Custodian purchased a total of 4,150,000 Shares on the market for the Scheme on 20 January 2022 and 21 January 2022 respectively. Accordingly, the Custodian held 11,790,000 Shares, representing 1.1% of the issued Shares as at 30 June 2022 and as at the date of this announcement.

Details of the grant of the Restricted Shares are set out in the Company's announcement dated 23 July 2021.

## PLACING OF NEW SHARES

On 26 May 2022, a total of 65,560,000 Placing Shares were placed to not less than six (6) placees at the placing price of HK\$0.4 per Share (the “Placing”) pursuant to the terms and conditions of a placing agreement dated 10 May 2022, representing approximately 6.1% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares. Net proceeds of approximately HK\$25,566,000 was raised. The net proceeds had been fully used by the Group as general working capital.

## USE OF NET PROCEEDS FROM LISTING AND THE PLACING

The net proceeds received by the Company from the global offering of the Shares (the “Global Offering”) in March 2018 was approximately HK\$116.9 million and the net proceeds received by the Company under the Placing was approximately HK\$25,566,000. The net proceeds received under the Global Offering and the Placing had been applied by the Company from 16 March 2018 up to 30 June 2022 as follows:

	Intended application of Net Proceeds <i>HK\$'000</i>	Actual Use of Net Proceeds up to 30 June 2022 <i>HK\$'000</i>	Actual Use of Net Proceeds during the Period <i>HK\$'000</i>	Unused Net Proceeds <i>HK\$'000</i>	Unused Net Proceeds %	Expected timeframe of full utilisation of unused Net Proceeds
<b>Under the Global Offering</b>						
Repayment of bank loans	39,045	39,045	–	–	–	–
Establishing a new product and development department	2,810	2,810	–	–	–	–
Strengthening sales and marketing and technical support team by recruiting staff and providing trainings	10,750	10,750	–	–	–	–
Enhancing warehouse and office in HK	4,600	2,413	291	2,187	48	Q3 2022–Q4 2023
Installing ERP and supporting software	7,090	4,806	384	2,284	32	Q3 2022–Q4 2023
Establishing new offices in the PRC	5,027	5,027	–	–	–	–
Acquisition and establishment of Shenzhen head office	35,888	–	–	35,888	100	Q3 2022–Q4 2023
Working capital for general corporate purpose	11,690	11,690	–	–	–	–
<b>Under the Placing</b>						
General working capital	25,566	25,566	25,566	–	–	–



The Company will continue to utilise the net proceeds from the Global Offering for the purposes as mentioned above.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

The Group did not have any material acquisitions and disposal of subsidiaries, associates and joint ventures during the Review Period.

## **SIGNIFICANT INVESTMENTS HELD AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Reference is made to the announcements dated 21 October 2021 and 25 November 2021 and the circular dated 13 January 2022 of the Company in relation to the acquisition of the Target Property involving issue of the PSCS and the CB. The transaction was completed on 23 February 2022 upon fulfilment of all the conditions.

Save as disclosed herein and the purchase of a life insurance policy as set out under the section headed “Subsequent Event” below, the Group did not have any significant investments held as at 30 June 2022 and did not have any future plans for material investments or capital assets as of the date of this announcement.

## **SUBSEQUENT EVENT**

Subsequent to the end of the Review Period, the Group entered into a life insurance policy with an insurance company to insure a key management personnel of the Group in July 2022. Under the policy, the policyholder and the beneficiary is the Group and the total insured sum of the policy is US\$8,000,000 (equivalent to approximately HK\$62,400,000). The Group is required to pay a single premium of approximately US\$1,694,000 (equivalent to approximately HK\$13,211,000) at the inception of the policy effective in July 2022.

## **PROSPECTS**

Looking forward, given the decline in demands for consumer electronics chips due to declining global demands for consumer electronics products as affected by the pandemic and uncertainties surrounding the global economy, many international brand titans have cut their purchase orders. Nevertheless, from a long-term perspective, with the gradual containment of subsequent pandemic outbursts and the implementation of pro-consumption policies by local governments, it is expected that demands for mobile phones and other consumer electronics products will recover, leading to an increase in demands for consumer electronics chips.

Furthermore, interest hikes in the US have dampened consumption and hence led to an economic slowdown or even a recession, which will impose significant impact on the chip industry. Meanwhile, such interest hikes will also lead to an increase in certain costs of the semiconductor industry, which will erode the profitability of the industry. As such, the Group will take active measures to address the challenges confronted with the semiconductor industry.

On the other hand, innovations in the IT sector are driving digital transformation and consumption upgrading. With the accelerated digital transformation across various sectors, coupled with increasing consumer demands for cognitive and intelligent network terminals with advanced connection as well as high-performance and low-consumption computing, demands for advanced technologies and state-of-art semiconductor products will further expand, ushering in a new round of development cycle of the semiconductor industry. With increasing production capacity of wafer plants around the world, the continuous growth of downstream demand will create opportunities for the expansion and upgrade of the semiconductor equipment manufacturing industry.

On the supply side, in view of supply shortage over the past nearly two years, major chip manufacturers have invested to expand their production capacity, leading to an increase in inventory stock of the semiconductor industry with the comprehensive shortage in the industrial chain shifting to a structural one. We are witnessing a more balanced supply-and-demand condition in various niche markets except those for automotive-grade, industrial-grade, and power (e.g. IGBT, SiC FET) devices are still in supply shortage due to booming in electric vehicles production.

Moreover, given the role of the integrated circuit industry as the key fundamental and strategic industry of the national economy, the government is committed to expanding the domestic chip manufacturing industry and improving independent scientific research and innovation capability. In recent years, the central and local governments have introduced a series of policies to support the development of domestic chip industry, leading to continuous increase in the localisation replacement rate and breakthroughs by local enterprises in certain niche segments. However, as products by leading foreign manufacturers currently continue to occupy most of the market shares of the global semiconductor equipment market, there are still huge development potential for chip localisation.

Facing the development trend of chip industry, the Group will continue to implement its diversification development strategy, and take measures to expand its business presence in the emerging sectors such as 5G, artificial intelligence, Internet of Things, clouding computing and electric vehicles, in an effort to serve its customers with a wider product portfolio and satisfy the growing demands of traditional and emerging markets. Meanwhile, the Group will keep abreast of the domestic market demand, establish an industrial ecosystem to promote coordinated development of the suppliers and customers through integration of internal and external quality resources, strengthen its ability to quickly respond to supply chain risks or opportunities, and promote high-quality development. In terms of product supply, the Group will continue to strengthen and expand the existing product portfolio, maintain the continuous innovation of products, and generate profit growth to reward shareholders.

In terms of financial management, the Group will implement stringent financial management measures, and implement refined management and operation to perfect the Group's internal management system, enhance the Company's cost advantages and improve its profitability. To this end, the Group will strengthen control over its cost structure, capital investment and expenditure, so as to keep in line with the expected revenue and development plan of the Group and the current market conditions.

Overall, on the core semiconductor business front, as the technology advancements in the electronic, intelligent and other fields will bring about demand structure upgrade while the localisation of root technology supported by underlying equipment and materials will drive the overall development of the industry, the domestic semiconductor industry is expected to maintain a good development momentum. The Group will actively exert the maximum potential of its product portfolio and operating model to enhance its market position in the microelectronics distribution industry and enhance its comprehensive market competitiveness. In terms of the new energy/solar photovoltaic businesses, since the new energy industry has entered into a phase of accelerated development under the goal of carbon peak and carbon neutrality, the Group will proactively seize the development opportunities of the new energy industry to foster new revenue stream and achieve long-term steady growth.

## **PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Saved for the purchase of 4,150,000 Shares of the Company during the Review Period as set out in the section headed "Restricted Share Award Scheme" above, the Company did not redeem any of its Shares listed on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such Shares during the Review Period.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company is dedicated to adopting, maintaining and ensuring high standards of corporate governance practices and principles in the best interest of the Group and the Shareholders. The Company has adopted the applicable code provisions and, where appropriate, adopted certain recommended best practices as set out in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules" and the "CG Code", respectively). Save as disclosed below, the Board considered that the Company had complied with all applicable code provisions set out in the CG Code during the Review Period.

Under code provision C.2.1 of the CG Code, the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Mr. Lee Bing Kwong ("Mr. Lee"), who has considerable experience in the semiconductor and other electronic components industry, is the chairman of the Board (the "Chairman") and the chief executive officer of the Company (the "CEO"). The Board believes that vesting the roles of both the Chairman and the CEO in Mr. Lee has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning of the Group. The Board considers that this structure will not impair the balance of power between the Board

and the management of the Company. The balance of power is further enhanced by the Audit Committee, which comprises all independent non-executive Directors and is responsible for overseeing the internal control procedures of our Group. The independent non-executive Directors have free and direct access to the Company's independent auditor and independent professional advisers when considered necessary. The Board will, nevertheless, review the structure from time to time and separate the roles of the Chairman and the CEO to two individuals, if appropriate.

## **COMPLIANCE WITH THE MODEL CODE**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the code for dealing in securities of the Company by the Directors. A specific enquiry was made by the Company with each of the Directors and all the Directors confirmed that they had complied with the requirements set out in the Model Code throughout the Review Period.

## **CONSTITUTIONAL DOCUMENTS**

On 29 June 2022, the Company amended its articles of association in order to (i) conform its existing articles of association to the core shareholder protection standards; (ii) reflect certain updates in relation to the Listing Rules and the applicable laws of the Cayman Islands; and (iii) make other consequential and housekeeping improvements, by way of adoption of new articles of association. The adoption of the new articles of association had been approved by the Shareholders in the annual general meeting of the Company held on 29 June 2022 and the new articles of association has been published on the respective websites of the Stock Exchange and the Company.

## **REVIEW OF THE INTERIM RESULTS**

The Audit Committee has reviewed and confirmed the accounting principles and practices adopted by the Group, and the Group's unaudited financial results for the Review Period and discussed the auditing, internal control, risk management systems and financial reporting matters of the Group.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Yim Kwok Man (chairman), Mr. Cheung Siu Kui and Dr. Chow Terence. None of them is employed by or otherwise affiliated with the former or current independent auditor of the Company.

In addition, the Interim Financial Statements are unaudited but Graham H.Y. Chan & Co., the independent auditor of the Company, for whom has reviewed them in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

## **PUBLICATION OF THE INTERIM REPORT**

The interim report of the Company for the Review Period containing all the information required by Appendix 16 to the Listing Rules will be published on the respective websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.apexace.com>) and will be despatched to the Shareholders around mid-September 2022.

By order of the Board  
**Apex Ace Holding Limited**  
**Lee Bing Kwong**

*Executive Director, Chairman and Chief Executive Officer*

Hong Kong, 26 August 2022

*As at the date of this announcement, the executive Directors are Mr. Lee Bing Kwong (Chairman and Chief Executive Officer), Mr. Lo Yuen Kin and Ms. Lo Yuen Lai; and the independent non-executive Directors are Mr. Cheung Siu Kui, Mr. Yim Kwok Man and Dr. Chow Terence.*