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## **Perfect Optronics Limited**

### **圓美光電有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8311)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

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

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

## **FINANCIAL HIGHLIGHTS**

- Revenue for the year ended 31 December 2021 (the “Year”) amounted to approximately HK\$528.4 million, representing an increase of approximately HK\$321.4 million as compared with that of approximately HK\$207.0 million in 2020.
- Loss attributable to equity holders of the Company for the Year amounted to approximately HK\$43.9 million, representing an increase in loss of approximately HK\$27.0 million as compared with the loss for 2020 of approximately HK\$16.9 million.
- The board of directors of the Company (the “Board”) does not recommend declaring any final dividend for the Year.

## RESULTS

The Board announces the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the Year, together with the comparative figures for the previous year as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
<b>Revenue</b>	4	<b>528,350</b>	206,973
Cost of sales		<u>(510,795)</u>	<u>(189,869)</u>
<b>Gross profit</b>		<b>17,555</b>	17,104
Other (losses)/gains, net	5	(19,486)	3,256
Distribution and selling expenses		(15,843)	(10,119)
General and administrative expenses		(25,472)	(26,747)
Research and development expenses		<u>(1,301)</u>	<u>(1,394)</u>
<b>Operating loss</b>		<b>(44,547)</b>	(17,900)
Finance income		36	31
Finance costs		<u>(496)</u>	<u>(678)</u>
Finance costs, net		<u>(460)</u>	<u>(647)</u>
<b>Loss before income tax</b>	6	<b>(45,007)</b>	(18,547)
Income tax (expense)/credit	7	<u>(79)</u>	<u>17</u>
<b>Loss for the year</b>		<b>(45,086)</b>	(18,530)
<b>Other comprehensive income/(loss):</b>			
<i>Item that may be subsequently reclassified to income statement</i>			
Currency translation differences		53	86
<i>Item that will not be subsequently reclassified to income statement</i>			
Change in value of financial asset at fair value through other comprehensive income		<u>(224)</u>	<u>(797)</u>
<b>Total comprehensive loss for the year</b>		<b><u>(45,257)</u></b>	<b><u>(19,241)</u></b>
<b>Loss for the year attributable to:</b>			
Equity holders of the Company		(43,857)	(16,883)
Non-controlling interests		<u>(1,229)</u>	<u>(1,647)</u>
		<b><u>(45,086)</u></b>	<b><u>(18,530)</u></b>
<b>Total comprehensive loss for the year attributable to:</b>			
Equity holders of the Company		(44,051)	(17,586)
Non-controlling interests		<u>(1,206)</u>	<u>(1,655)</u>
		<b><u>(45,257)</u></b>	<b><u>(19,241)</u></b>
<b>Basic and diluted loss per share</b>	8	<b><u>HK(2.96) cents</u></b>	<b><u>HK(1.14) cents</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2021*

	<i>Note</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		259	835
Right-of-use assets		5,565	9,867
Intangible assets		5,322	5,322
Deferred income tax assets		94	171
Financial asset at fair value through other comprehensive income		1,652	1,876
Financial asset at fair value through profit or loss	10	38,461	59,547
		<b>51,353</b>	77,618
<b>Current assets</b>			
Inventories		43,125	31,904
Trade and other receivables	11	12,760	34,007
Cash and cash equivalents		88,512	76,403
		<b>144,397</b>	142,314
<b>Total assets</b>		<b>195,750</b>	219,932
<b>Equity and liabilities</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	12	14,837	14,837
Reserves		116,167	116,361
(Accumulated losses)/retained earnings		(23,694)	20,163
		<b>107,310</b>	151,361
<b>Non-controlling interests</b>		<b>(1,451)</b>	(245)
<b>Total equity</b>		<b>105,859</b>	151,116
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Bank loan		5,205	—
Lease liabilities		1,813	7,191
		<b>7,018</b>	7,191
<b>Current liabilities</b>			
Trade and other payables	13	78,358	57,253
Bank loan		683	—
Lease liabilities		3,832	4,372
		<b>82,873</b>	61,625
<b>Total liabilities</b>		<b>89,891</b>	68,816
<b>Total equity and liabilities</b>		<b>195,750</b>	219,932

## Notes:

### 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 13 June 2013, as an exempted company with limited liability under the Companies Law (as Revised) of the Cayman Islands. The address of its registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The Company's shares are listed on the GEM.

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

These consolidated financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand ("HK\$'000"), unless otherwise stated.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of preparation**

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared on a historical cost basis, except for financial asset at fair value through other comprehensive income ("FVOCI") and financial asset at fair value through profit or loss ("FVTPL") which have been measured at fair value.

#### ***Amended standards adopted by the Group***

The Group has applied the following amended standards for the first time for its annual reporting period commencing on 1 January 2021:

- HKFRS 16 (Amendments) — Covid-19 — Related Rent Concessions
- HKFRS 9, Hong Kong Accounting Standard 39, and HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments) — Interest Rate Benchmark Reform — Phase 2

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

#### ***New and amended standards issued but not yet adopted by the Group***

Certain new and amended standards have been published that are not mandatory for this reporting period and have not been early adopted by the Group. The Group has already commenced an assessment of the impact of adoption of these new and amended standards to the Group but is not yet in a position to state whether any substantial change to the Group's accounting policies and presentation of the financial statements will result.

### 3. SEGMENT INFORMATION

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

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

- (a) The Group's revenues from its major products for the years ended 31 December 2021 and 2020 are as follows:

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Thin film transistor liquid crystal display ("TFT-LCD") panels and modules	<b>431,770</b>	138,466
Polarisers	<b>44,865</b>	35,794
Health-related products	<b>19,162</b>	4,507
Electronic signage	<b>15,266</b>	11,774
Integrated circuits	<b>7,428</b>	1,196
Optics products	<b>3,171</b>	6,353
Others	<b>6,688</b>	8,883
	<b>528,350</b>	206,973

- (b) Segment revenue by customers' geographical location

The amount of the Group's revenue from external customers by locations where the Group's products are delivered to its customers is shown in the table below.

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	<b>410,716</b>	157,261
The People's Republic of China (the "PRC")	<b>105,940</b>	42,764
Taiwan	<b>11,694</b>	6,948
	<b>528,350</b>	206,973

- (c) Revenues from major customers who have individually contributed 10% or more of the total revenue of the Group for the Year are disclosed as follows:

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	<b>117,272</b>	31,589

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

	Hong Kong <i>HK\$'000</i>	The PRC <i>HK\$'000</i>	Taiwan <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>As at 31 December 2021:</b>				
<b>Non-current assets</b>				
Property, plant and equipment	—	171	88	259
Intangible assets	4,200	1,122	—	5,322
Right-of-use assets	3,100	2,406	59	5,565
	<u>7,300</u>	<u>3,699</u>	<u>147</u>	<u>11,146</u>
<b>As at 31 December 2020:</b>				
<b>Non-current assets</b>				
Property, plant and equipment	81	644	110	835
Intangible assets	4,200	1,122	—	5,322
Right-of-use assets	2,806	6,932	129	9,867
	<u>7,087</u>	<u>8,698</u>	<u>239</u>	<u>16,024</u>

#### 4. REVENUE

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

#### 5. OTHER (LOSSES)/GAINS, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Fair value changes in financial asset at FVTPL	(21,086)	2,009
Gain on early termination of lease	1,246	—
Gain on lease modification	165	—
Government subsidies	303	1,349
Net exchange losses	(115)	(110)
Loss on disposal of property, plant and equipment	(4)	—
Others	5	8
	<u>(19,486)</u>	<u>3,256</u>

#### 6. LOSS BEFORE INCOME TAX

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of inventories sold	505,869	198,138
Write back of provision for obsolete inventories	(1,499)	(14,832)
Depreciation of property, plant and equipment	667	979
Depreciation of right-of-use assets	4,751	5,565
	<u>508,788</u>	<u>389,850</u>

## 7. INCOME TAX EXPENSE/(CREDIT)

Taxation on profits has been calculated on the estimated assessable profits for the year at the applicable rates of taxation prevailing in the countries/places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The amount of income tax charged/(credited) to the consolidated statement of comprehensive income represents:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current income tax		
— Adjustments in respect of prior years	—	(6)
Deferred income tax		
— Origination and reversal of temporary differences	<u>79</u>	<u>(11)</u>
Income tax expense/(credit)	<u><u>79</u></u>	<u><u>(17)</u></u>

## 8. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share for the year is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2021	2020
Loss attributable to equity holders of the Company ( <i>HK\$'000</i> )	<u><u>(43,857)</u></u>	<u><u>(16,883)</u></u>
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	<u><u>1,483,687</u></u>	<u><u>1,483,687</u></u>
Basic and diluted loss per share ( <i>HK cents per share</i> )	<u><u>(2.96)</u></u>	<u><u>(1.14)</u></u>

For the purpose of determining the diluted loss per share amount, no adjustment has been made to the basic loss per share amount for the years ended 31 December 2021 and 2020 as the Group had no potentially dilutive ordinary shares in issue during these years.

## 9. DIVIDEND

The Board did not declare any dividend for the Year (2020: Nil).

## 10. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group's financial asset at FVTPL comprises the holding of certain preferred shares in Mobvoi Inc. ("Mobvoi"), a private company principally engaged in the business of developing and providing voice search artificial intelligent ("AI") systems on mobile, smart wearable, automotive and other devices. The balance is denominated in United States Dollars ("USD"). There have been no addition to or disposal of such investment since the Group made the investment in January 2015. No dividend has been received by the Group from Mobvoi. There were no changes in the Group's shareholding proportion in Mobvoi during the Year, the Group's shareholding proportion in Mobvoi (on a fully diluted and as converted basis) is approximately 1.24%.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Balance at 1 January	59,547	57,538
Fair value changes recognised in other (losses)/gains, net	<u>(21,086)</u>	<u>2,009</u>
Balance at 31 December	<u><u>38,461</u></u>	<u><u>59,547</u></u>

## 11. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	7,758	24,680
Bills receivables	<u>—</u>	<u>6,144</u>
	7,758	30,824
Prepayments, deposits and other receivables	<u>5,002</u>	<u>3,183</u>
	<u><u>12,760</u></u>	<u><u>34,007</u></u>

The Group generally grants credit periods of 30 to 60 days. The ageing analysis of trade and bills receivables based on invoice date is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–30 days	4,235	20,997
31–60 days	3,266	9,738
61–90 days	119	53
Over 90 days	<u>138</u>	<u>36</u>
	<u><u>7,758</u></u>	<u><u>30,824</u></u>

## 12. SHARE CAPITAL

	31 December 2021 and 2020	
	Number of shares (thousands)	Amount HK\$'000
<b>Authorised:</b>		
Ordinary shares of HK\$0.01 each	5,000,000	50,000
	Number of shares	Ordinary shares of HK\$0.01 each HK\$'000
<b>Issued and fully paid:</b>		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	1,483,687,151	14,837

There were no movements in the Company's share capital during the Year (2020: Nil).

## 13. TRADE AND OTHER PAYABLES

	2021 HK\$'000	2020 HK\$'000
Trade payables	62,815	44,885
Deposits received from customers	9,864	7,163
Accruals and other payables	5,679	5,205
	<u>78,358</u>	<u>57,253</u>

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

	2021 HK\$'000	2020 HK\$'000
0–30 days	35,819	35,957
31–60 days	26,995	8,905
61–90 days	1	23
	<u>62,815</u>	<u>44,885</u>

## **BUSINESS REVIEW**

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

In 2021, the global economy continued its uneven recovery amid lingering the Coronavirus Disease 2019 (“COVID-19”) related disruptions. The persistence of COVID-19 has brought unprecedented challenges to the global economy, which led to market uncertainties. The Group recorded revenue growth during 2021. However, the market prices of display panels began to drop in the second half of 2021, which continuously affected the Group’s margin and diminished the contribution from revenue growth. On the other hand, the fair value of the Group’s investment in Mobvoi dropped significantly during the Year, as affected by the new policies of education sector in the PRC. Furthermore, there was an increase in the Group’s distribution and selling expenses during the Year as the Group’s health-related products business grew. These were the principal factors which led to the increase in loss of the Group during the Year as compared with 2020.

The Group’s revenue for the Year amounted to approximately HK\$528,350,000 representing an increase of approximately HK\$321,377,000 as compared with approximately HK\$206,973,000 in 2020. Loss attributable to equity holders of the Company for the Year amounted to approximately HK\$43,857,000 representing an increase in loss of approximately HK\$26,974,000 as compared with approximately HK\$16,883,000 for the year ended 31 December 2020.

The sales of medium-to-large sized display products, including display panels and modules for computer notebooks, monitors and televisions, continued to be the key revenue driver of the Group during the Year. Due to the COVID-19 pandemic, the trend of distance learning and work-from-home mode continued to drive the market demand for laptops, PC monitors and tablets, and thus the demand for related display components. However, such demand began to cool down due to the gradual relaxation of COVID-19 restrictive measures in various areas. Moreover, some of the major TV manufacturers tuned down their sale targets, which resulted in the oversupply of display panels. The rising inventories of panels created pressure on and caused the prices to drop. The drop in market price of panels in the second half of the Year had directly impacted the Group’s gross profit margin and affected the Group’s financial performance during the Year. Nevertheless, the Group’s sales of TFT-LCD panels and modules amounted to approximately HK\$431,770,000 during the Year, representing an increase of approximately HK\$293,304,000 as compared with approximately HK\$138,466,000 in 2020. Sales of integrated circuits amounted to approximately HK\$7,428,000 during the Year, representing an increase of approximately HK\$6,232,000 as compared with approximately HK\$1,196,000 in 2020.

The Group continued to make a strategic layout on polariser business actively, which brought a significant increase in the Group’s sales of polarisers in 2021. The Group’s sales of polarisers during the Year amounted to approximately HK\$44,865,000, representing an increase of approximately 25% as compared with approximately HK\$35,794,000 in 2020.

For electronic signage products, retail outlets and shopping malls have progressively adopted new technologies to enhance shoppers' experience to keep pace with digital transformation, which increases the demand for digital information signages products. With the Group actively seizing the market opportunity, expanding its customer base, and developing the Taiwan and overseas market during the Year, the Group's sales of electronic signage products, which include digital information signages, electronic shelf displays and electronic white boards, etc., amounted to approximately HK\$15,266,000, representing an increase of approximately 30% as compared with approximately HK\$11,774,000 in 2020. The Group will continue to develop its electronic signage business, explore the application of electronic signage in different areas, to capture the rising electronic signage market.

Similar to 2020, the Group's sales of optics products mainly include optics products components, however, such revenue dropped during the Year. The Group's sales of optics products during the Year amounted to approximately HK\$3,171,000, representing a decrease of approximately 50% as compared with approximately HK\$6,353,000 in 2020.

Despite the Group having faced different challenges and market uncertainties, the Group still took advantage of its vast product diversity and flexible business strategy to capture more market opportunities. Since the outbreak of COVID-19 in early 2020, the global demand for personal disinfectant products has increased rapidly. The Group actively seized the opportunity to introduce the Taiwanese brand "K-clean" personal hygiene and disinfection product line to the Hong Kong market in 2020. The Group has implemented a variety of marketing initiatives through online and offline mutual drainage, including TV advertisements, electronic media promotions, retail kiosks in shopping malls, and at the same time broadened its sales channels to various online sales platforms, large-scale chained retail outlets, department stores and drugstores, in order to increase market penetration of K-clean. The effectiveness of K-clean has also gained recognition in the market during the Year. Meanwhile, due to the COVID-19 pandemic situation remaining volatile, the demand for personal hygiene and disinfectant products continued to grow in the market, which propelled K-clean products demand even further. Sales of the Group's health-related products during the Year amounted to approximately HK\$19,162,000, representing an increase of approximately HK\$14,655,000 as compared with approximately HK\$4,507,000 for 2020. As the pandemic has changed the people's way of life, health-related products have taken on a greater importance. The awareness about home and personal hygiene and the need for health-related products is expected to continue to increase.

The Group holds certain preferred shares of Mobvoi, which is principally engaged in the business of developing and providing voice search AI systems on mobile, smart wearable, automotive and other devices. Such investment is classified as financial asset at fair value through profit or loss. During the Year, Mobvoi continues to launch new and upgraded products to keep up with market demand. Besides that, Mobvoi also actively seizes the opportunity to expand high-growth business. Mobvoi acquired two companies which provide education and training services to students (including children) in the PRC in 2020 by the issues of new ordinary shares of Mobvoi. However, the PRC education system has been reforming, and various new policies were introduced during the Year. "Double reduction" policy, which seeks to ease students' homework and after-school tutoring burdens, was issued. Being participants in the education sector in the PRC, those

two companies were also negatively affected by such policies. Fair value of the Group's investment in Mobvoi dropped significantly and amounted to approximately HK\$38,461,000 as at 31 December 2021 as compared to approximately HK\$59,547,000 as at 31 December 2020. Fair value loss of approximately HK\$21,086,000 was recognised during the Year, as compared to a fair value gain of approximately HK\$2,009,000 recognised in 2020. To reduce the negative impact of the aforementioned two education companies, the Company has been informed by Mobvoi that it has disposed of part of the shares in one of the aforesaid two companies which provide education and training services subsequent to 31 December 2021. Furthermore, Mobvoi will continue developing new products and exploring more opportunities and widening its revenue base to enhance its value.

The Group's another investment was classified as financial asset at fair value through other comprehensive income, representing the Group's investment in a Taiwan private company that engages in the separator's business (a key component in lithium batteries). Such company allotted additional shares to raise capital during the Year and the Group's shareholding was diluted from approximately 2.22% as at 31 December 2020 to 2% as at 31 December 2021. The fair value of such investment decreased to approximately HK\$1,652,000 as at 31 December 2021 (31 December 2020: HK\$1,876,000).

## **PROSPECTS**

Looking ahead, the global economic recovery remains fragile and subject to many uncertainties; COVID-19 pandemic continuing to remain volatile may further impose a negative impact on the economy. Fierce competition in the display panel market is still expected. The Group will continue to seize the market opportunity and explore more business with a high investment value in the market while firmly developing the main business. K-clean brought strong growth momentum to the Group during the Year with the Group's flexible and innovative marketing strategy. Due to recurring variant COVID-19 outbreaks in Hong Kong, the demand for personal hygiene and disinfectants products is expected to intensify. The Group expects the performance of its health-related products will have further enhancement in the coming year. The Group will continue to deploy the market for health-related products (inter alia, personal hygiene and disinfectants products, rapid antigen test kits for COVID-19, etc.). Meanwhile, the Group will continue to widen its product diversity to minimise the adverse impact arising from any individual product, and explore opportunities with new suppliers and customers from various areas or industries to create greater value for the Group and its shareholders.

## **FINANCIAL REVIEW**

### **Revenue**

Total revenue of the Group for the Year amounted to approximately HK\$528,350,000, which increased by approximately HK\$321,377,000 as compared to approximately HK\$206,973,000 in 2020. Increase in total revenue was attributable to the increase in revenue from the Group's sales of TFT-LCD panels and modules, polarisers, integrated circuits and electronic signage products, as well as the Group's health-related products.

## **Cost of sales**

Cost of sales of the Group mainly consisted of purchase costs, staff costs, provision for obsolete inventories and other direct costs. Due to the increase in revenue, purchase costs and other direct costs increased during the Year as compared with 2020. However, the write back of provision for obsolete inventories during the Year decreased as compared with 2020. Total cost of sales for the Year amounted to approximately HK\$510,795,000, which increased by approximately HK\$320,926,000 as compared to approximately HK\$189,869,000 in 2020.

## **Gross profit**

Despite the significant increase in the Group's revenue during the Year, the Group's gross profit amounted to approximately HK\$17,555,000, which was comparable to that of approximately HK\$17,104,000 in 2020. It was mainly attributable to the decrease in gross profit margins of the products sold, in particular the display panels and modules, during the Year.

## **Other (losses)/gains, net**

Net other losses of approximately HK\$19,486,000 (2020: net gains of HK\$3,256,000) was recorded during the Year. The balance mainly included the fair value loss in the Group's investment in Mobvoi of approximately HK\$21,086,000 (2020: fair value gain of HK\$2,009,000) during the Year.

## **Distribution and selling expenses**

The Group's distribution and selling expenses for the Year amounted to approximately HK\$15,843,000, representing an approximately 57% increase as compared to approximately HK\$10,119,000 in 2020. The increase was mainly attributable to the increase in sales commissions, staff costs, transportation and promotion expenses incurred for the Group's health-related products.

## **General and administrative expenses**

The Group's general and administrative expenses for the Year amounted to approximately HK\$25,472,000, which decreased by approximately 5% as compared with approximately HK\$26,747,000 in 2020. The decrease was mainly attributable to the decrease in depreciation expense and professional fees.

## **Research and development expenses**

The Group's research and development expenses amounted to approximately HK\$1,301,000 for the Year, which was comparable to approximately HK\$1,394,000 in 2020.

## **Finance costs**

The Group's finance costs for the Year represented interest expenses of approximately HK\$469,000 (2020: HK\$678,000) on lease liabilities and bank loan interest of approximately HK\$27,000 (2020: Nil). New bank loan was borrowed during the Year.

## **Income tax**

No Hong Kong profits tax was provided by the Group for the Year (2020: Nil). Income tax during the years ended 31 December 2021 and 2020 mainly represented deferred income tax (charged)/credited to the consolidated statement of comprehensive income.

### **Loss attributable to equity holders of the Company**

Loss attributable to equity holders of the Company for the Year amounted to approximately HK\$43,857,000, representing an increase in loss of approximately HK\$26,974,000 as compared with the loss of approximately HK\$16,883,000 in 2020, which was mainly attributable to the fair value loss on the Group's investment in Mobvoi recognised and the increase in distribution and selling expenses during the Year.

### **LIQUIDITY AND FINANCIAL RESOURCES**

The Group's funds are principally used to finance working capital, and the growth and expansion of the Group's operations and sales network. The Group's principal sources of funds are cash generated from operations and bank borrowings. As at 31 December 2021, the Group's cash and cash equivalents, represented by bank deposits, bank balances and cash, amounted to approximately HK\$88,512,000 (2020: HK\$76,403,000).

As at 31 December 2021, the Group's total bank borrowings comprised bank loan of approximately HK\$5,888,000 (2020: Nil).

### **GEARING RATIO**

The Group's gearing ratio as at 31 December 2021 was 5.6% (2020: 0%), which is calculated based on the Group's total interest-bearing bank borrowings divided by the Group's total equity.

### **CONTINGENT LIABILITIES**

As at 31 December 2021, the Group had no material contingent liabilities (2020: Nil).

### **CHARGE OF ASSETS**

As at 31 December 2021, the Group had charged its trade receivables of approximately HK\$5,377,000 (2020: Nil) in favour of a bank to secure the banking facilities granted to the Group.

### **CAPITAL COMMITMENTS**

As at 31 December 2021, the Group did not have any significant capital commitments (2020: Nil).

### **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

During the Year, the Company did not redeem any of its shares, and neither did the Company nor any of its subsidiaries purchase or sell any of the Company's shares.

### **LEGAL PROCEEDINGS INVOLVING THE COMPANY AND THE DIRECTORS**

Reference is made to the announcements of the Company dated 26 September 2019, 4 October 2019, 10 January 2020, 9 April 2020, 10 July 2020 and 25 September 2020. On 25 September 2019, the Company received a sealed copy of a petition (the "Petition") issued by the High Court of the Hong Kong Special Administrative Region (the "High Court") which was taken out by the Securities and Futures Commission (the "SFC") pursuant to section 214 of the Securities and Futures Ordinance against certain Directors, namely Mr. Cheng Wai Tak, Mr. Liu Ka Wing, Mr. Tse Ka Wing, Mr. Wong Yik Chung John, Mr. Wong Chi Chiu and Mr. Li Shui Yan (collectively "the Director Respondents"), and the Company. The SFC alleged in the Petition that the Director

Respondents had breached their duties as directors of the Company in relation to the disposal of a subsidiary of the Company holding an approximately 50.14% shareholding in 尚立光電股份有限公司 (Shinyoptics Corporation\*) (details of such disposal were disclosed in the announcement of the Company dated 22 December 2016). As the Company is only a nominal respondent to the Petition and pursuant to the order of the High Court, the Company is not required to actively participate in the legal proceedings in respect of the Petition.

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

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

#### **CORPORATE GOVERNANCE PRACTICES**

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of its shareholders. To accomplish this, save as set out below, the Company has adopted the principles and the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the GEM Listing Rules.

Throughout the Year, the Company had complied with all the code provisions of the CG Code for the time being in force.

#### **AUDIT COMMITTEE**

The Company has established an audit committee on 20 January 2014 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and code provision C.3 of the CG Code. As at the date of this announcement, the audit committee consists of three independent non-executive Directors, namely, Ms. Hsu Wai Man Helen, who has the appropriate accounting and related financial management expertise and serves as the chairperson of the audit committee, Mr. Cho Chi Kong and Mr. Kan Man Wai. The audited annual results of the Group for the Year have been reviewed by the audit committee.

#### **ANNUAL GENERAL MEETING**

It is proposed that the forthcoming annual general meeting of the Company (the "AGM") will be held on Friday, 17 June 2022. A notice convening the AGM will be published and despatched to the shareholders of the Company in the manner required by the GEM Listing Rules in due course.

\* *for identification purpose only*

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 14 June 2022 to Friday, 17 June 2022, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers of shares documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 13 June 2022.

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

Hong Kong, 22 March 2022

*As at the date of this announcement, the Board comprises four executive directors, namely, Mr. Cheng Wai Tak (suspended), Mr. Liu Ka Wing (suspended), Mr. Tse Ka Wing (suspended) and Mr. Chang Huan Chia; and five independent non-executive directors, namely, Mr. Wong Yik Chung John (suspended), Mr. Wong Chi Chiu (suspended), Mr. Kan Man Wai (acting Chairman), Mr. Cho Chi Kong and Ms. Hsu Wai Man Helen.*

*This announcement will remain on the GEM website at <http://www.hkgem.com> on the "Latest Company Announcements" page for at least 7 days from the day of its publication and on the Company's website at <http://www.perfect-optronics.com>.*