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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)**

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

**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.*

## HIGHLIGHTS

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

## FINANCIAL RESULTS

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

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Note	Three months ended 30 June		Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>Revenue</b>	4	<b>65,729</b>	125,506	<b>209,854</b>	231,168
Cost of sales		<b>(55,699)</b>	(117,931)	<b>(157,653)</b>	(213,429)
<b>Gross profit</b>		<b>10,030</b>	7,575	<b>52,201</b>	17,739
Other (losses)/gains, net	6	<b>(18,912)</b>	551	<b>(18,041)</b>	810
Distribution and selling expenses		<b>(4,630)</b>	(4,263)	<b>(14,001)</b>	(8,816)
General and administrative expenses		<b>(6,760)</b>	(6,111)	<b>(13,992)</b>	(12,186)
Research and development expenses		<b>(274)</b>	(564)	<b>(527)</b>	(768)
<b>Operating profit/(loss)</b>		<b>(20,546)</b>	(2,812)	<b>5,640</b>	(3,221)
Finance income		<b>6</b>	11	<b>15</b>	19
Finance costs	7	<b>(102)</b>	(128)	<b>(209)</b>	(246)
Finance costs, net		<b>(96)</b>	(117)	<b>(194)</b>	(227)
<b>Profit/(loss) before income tax</b>	8	<b>(20,642)</b>	(2,929)	<b>5,446</b>	(3,448)
Income tax expense	9	<b>(302)</b>	(1)	<b>(3,521)</b>	(14)
<b>Profit/(loss) for the period</b>		<b>(20,944)</b>	(2,930)	<b>1,925</b>	(3,462)
<b>Other comprehensive income/(loss):</b>					
<i>Item that may be subsequently reclassified to income statement</i>					
Currency translation differences		<b>172</b>	30	<b>245</b>	21
<i>Item that will not be subsequently reclassified to income statement</i>					
Change in value of financial asset at fair value through other comprehensive income		<b>(300)</b>	(107)	<b>(300)</b>	(107)
<b>Total comprehensive income/(loss) for the period</b>		<b>(21,072)</b>	(3,007)	<b>1,870</b>	(3,548)
<b>Profit/(loss) for the period attributable to:</b>					
Equity holders of the Company		<b>(20,578)</b>	(2,882)	<b>2,515</b>	(3,032)
Non-controlling interests		<b>(366)</b>	(48)	<b>(590)</b>	(430)
		<b>(20,944)</b>	(2,930)	<b>1,925</b>	(3,462)
<b>Total comprehensive income/(loss) for the period attributable to:</b>					
Equity holders of the Company		<b>(20,748)</b>	(2,950)	<b>2,377</b>	(3,109)
Non-controlling interests		<b>(324)</b>	(57)	<b>(507)</b>	(439)
		<b>(21,072)</b>	(3,007)	<b>1,870</b>	(3,548)
<b>Basic and diluted earnings/(loss) per share (HK cents)</b>	11	<b>(1.39)</b>	(0.19)	<b>0.17</b>	(0.20)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	<i>Note</i>	<b>30 June 2022</b>	31 December 2021
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		154	259
Right-of-use assets		3,745	5,565
Intangible assets		5,322	5,322
Deferred income tax assets		94	94
Financial asset at fair value through other comprehensive income	3.4	1,352	1,652
Financial asset at fair value through profit or loss	3.4	20,248	38,461
		<u>30,915</u>	<u>51,353</u>
<b>Current assets</b>			
Inventories		24,631	43,125
Trade and other receivables	12	23,496	12,760
Cash and cash equivalents		71,908	88,512
		<u>120,035</u>	<u>144,397</u>
<b>Total assets</b>		<u><b>150,950</b></u>	<u><b>195,750</b></u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		14,837	14,837
Reserves		116,029	116,167
Accumulated losses		(21,179)	(23,694)
		<u>109,687</u>	<u>107,310</u>
<b>Non-controlling interests</b>		<u>(1,958)</u>	<u>(1,451)</u>
<b>Total equity</b>		<u><b>107,729</b></u>	<u><b>105,859</b></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank loan		4,856	5,205
Lease liabilities		721	1,813
		<u>5,577</u>	<u>7,018</u>
<b>Current liabilities</b>			
Trade and other payables	13	30,307	78,358
Bank loan		692	683
Lease liabilities		3,124	3,832
Current income tax liabilities		3,521	—
		<u>37,644</u>	<u>82,873</u>
<b>Total liabilities</b>		<u><b>43,221</b></u>	<u><b>89,891</b></u>
<b>Total equity and liabilities</b>		<u><b>150,950</b></u>	<u><b>195,750</b></u>

## **NOTES:**

### **1. BASIS OF PREPARATION**

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

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

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

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

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

### **2. SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

### 3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

#### 3.1 Financial instruments by category

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

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

#### 3.2 Financial risk factors

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

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

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

### 3.3 Liquidity risk

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

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

### 3.4 Fair value measurements

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

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

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

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

*Notes:*

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

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

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

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



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

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

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

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

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

#### 4. REVENUE

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

## 5. SEGMENT INFORMATION

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

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

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

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

- (b) Revenue by customers' geographical location

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

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

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

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

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

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

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

## 7. FINANCE COSTS

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

## 8. PROFIT/(LOSS) BEFORE INCOME TAX

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

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

## 9. INCOME TAX EXPENSE

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

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

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

## 10. DIVIDEND

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

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

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

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

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

## 12. TRADE AND OTHER RECEIVABLES

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

*Note:*

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

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

### 13. TRADE AND OTHER PAYABLES

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

*Note:*

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

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

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

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

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

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



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

## **Prospects**

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

## **Financial Review**

### ***Revenue***

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

### ***Gross profit***

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

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

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

### ***Expenses***

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

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

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

### ***Finance costs***

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

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

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

### **LIQUIDITY AND FINANCIAL RESOURCES**

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

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

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

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

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

## GEARING RATIO

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

## CONTINGENT LIABILITIES

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

## CHARGE OF ASSETS

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

## CAPITAL COMMITMENTS

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

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

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

## **COMPLIANCE OF CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS**

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

## **NON-COMPETITION UNDERTAKING**

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

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

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

## **COMPETING INTERESTS**

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

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

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

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

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

\* *for identification purpose only*

## **CORPORATE GOVERNANCE**

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

## **AUDIT COMMITTEE**

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

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

Hong Kong, 5 August 2022

*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>.*