



Perfect Optronics Limited  
圓美光電有限公司

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

Stock Code: 8311

2022

THIRD QUARTERLY REPORT

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

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

## HIGHLIGHTS

- The Group recorded a revenue of approximately HK\$257.3 million for the nine months ended 30 September 2022 (nine months ended 30 September 2021: HK\$377.5 million).
- Profit attributable to equity holders of the Company for the nine months ended 30 September 2022 amounted to approximately HK\$6.2 million (nine months ended 30 September 2021: loss of approximately HK\$39.7 million).
- The Board does not declare an interim dividend for the nine months ended 30 September 2022 (nine months ended 30 September 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 (the "Group") for the nine months ended 30 September 2022 together with the comparative unaudited figures for the corresponding period in 2021 as follows:

### UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2022

	Note	Three months ended 30 September		Nine months ended 30 September	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>Revenue</b>	3	47,483	146,294	257,337	377,462
Cost of sales		(38,922)	(152,613)	(196,575)	(366,042)
<b>Gross profit/(loss)</b>		8,561	(6,319)	60,762	11,420
Other gains/(losses), net	4	5,741	(19,653)	(12,300)	(18,843)
Distribution and selling expenses		(4,950)	(4,207)	(18,951)	(13,023)
General and administrative expenses		(5,502)	(6,102)	(19,494)	(18,288)
Research and development expenses		(221)	(438)	(748)	(1,206)
<b>Operating profit/(loss)</b>		3,629	(36,719)	9,269	(39,940)
Finance income		16	8	31	27
Finance costs	5	(82)	(123)	(291)	(369)
Finance costs, net		(66)	(115)	(260)	(342)
<b>Profit/(loss) before income tax</b>		3,563	(36,834)	9,009	(40,282)
Income tax expense	6	(237)	(1)	(3,758)	(15)
<b>Profit/(loss) for the period</b>		3,326	(36,835)	5,251	(40,297)
<b>Other comprehensive income/ (loss):</b>					
<i>Item that may be subsequently reclassified to income statement</i>					
Currency translation differences		277	—	522	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		—	—	(300)	(107)
<b>Total comprehensive income/(loss) for the period</b>		3,603	(36,835)	5,473	(40,383)

# UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the nine months ended 30 September 2022

Note	Three months ended 30 September		Nine months ended 30 September		
	2022	2021	2022	2021	
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	
<b>Profit/(loss) for the period attributable to:</b>					
Equity holders of the Company	3,683	(36,644)	6,198	(39,676)	
Non-controlling interests	(357)	(191)	(947)	(621)	
	3,326	(36,835)	5,251	(40,297)	
<b>Total comprehensive income/(loss) for the period attributable to:</b>					
Equity holders of the Company	3,891	(36,644)	6,268	(39,753)	
Non-controlling interests	(288)	(191)	(795)	(630)	
	3,603	(36,835)	5,473	(40,383)	
<b>Basic and diluted earnings/(loss) per share (HK cents)</b>	8	0.25	(2.47)	0.42	(2.67)

# UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2022

	Attributable to equity holders of the Company									
	Share capital HK\$'000 (Unaudited)	Share premium HK\$'000 (Unaudited)	Other reserves <sup>1</sup> HK\$'000 (Unaudited)	Merger reserve HK\$'000 (Unaudited)	Revaluation reserve <sup>2</sup> HK\$'000 (Unaudited)	Exchange reserve HK\$'000 (Unaudited)	Retained earnings/ (Accumulated losses) HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Non-controlling interests HK\$'000 (Unaudited)	Total equity HK\$'000 (Unaudited)
<b>Balance at 1 January 2022</b>	14,837	465,738	67,349	(415,675)	(954)	(291)	(23,694)	107,310	(1,451)	105,859
<b>Comprehensive income/(loss)</b>										
Profit for the period	—	—	—	—	—	—	6,198	6,198	(947)	5,251
<b>Other comprehensive income/(loss)</b>										
Currency translation differences	—	—	—	—	—	370	—	370	152	522
Change in value of financial asset at fair value through other comprehensive income	—	—	—	—	(300)	—	—	(300)	—	(300)
Total other comprehensive income/(loss)	—	—	—	—	(300)	370	—	70	152	222
<b>Total comprehensive income/(loss)</b>	—	—	—	—	(300)	370	6,198	6,268	(795)	5,473
<b>Balance at 30 September 2022</b>	14,837	465,738	67,349	(415,675)	(1,254)	79	(17,496)	113,578	(2,246)	111,332
<b>Balance at 1 January 2021</b>	14,837	465,738	67,349	(415,675)	(730)	(321)	20,163	151,361	(245)	151,116
<b>Comprehensive loss</b>										
Loss for the period	—	—	—	—	—	—	(39,676)	(39,676)	(621)	(40,297)
<b>Other comprehensive income/(loss)</b>										
Currency translation differences	—	—	—	—	—	30	—	30	(9)	21
Change in value of financial asset at fair value through other comprehensive income	—	—	—	—	(107)	—	—	(107)	—	(107)
Total other comprehensive income/(loss)	—	—	—	—	(107)	30	—	(77)	(9)	(86)
<b>Total comprehensive income/(loss)</b>	—	—	—	—	(107)	30	(39,676)	(39,753)	(630)	(40,383)
<b>Balance at 30 September 2021</b>	14,837	465,738	67,349	(415,675)	(837)	(291)	(19,513)	111,608	(875)	110,733

- Other reserves include: (1) the difference between the share capital issued by the Company for acquisition of the subsidiaries pursuant to a reorganisation for the listing of the Company and the aggregate capital of the subsidiaries being acquired at the time of the reorganisation; and (2) the amount of the loan waived by the controlling shareholder upon completion of a common control combination.
- Revaluation reserve represents fair value reserve for financial asset at fair value through other comprehensive income.

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

## 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 and trading of health-related and other products. The Group also processes some of the products which it sells.

The unaudited consolidated financial results of the Group for the nine months ended 30 September 2022 (the "Consolidated Financial Results") have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the GEM Listing Rules. The Consolidated Financial Results 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 and financial asset at fair value through profit or loss ("FVTPL") which have been measured at fair value.

The Consolidated Financial Results 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 Consolidated Financial Results 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 Consolidated Financial Results 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. REVENUE

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

The Group's revenue from its major products are as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Thin film transistor liquid crystal display ("TFT-LCD") panels and modules	25,143	123,427	135,210	297,644
Health-related products	10,127	3,446	76,318	15,628
Polarisers	10,039	13,753	35,864	37,683
Electronic signage	1,698	3,904	5,687	11,697
Integrated circuits	—	376	1,829	6,291
Optics products	58	981	590	2,867
Others	418	407	1,839	5,652
	<b>47,483</b>	<b>146,294</b>	<b>257,337</b>	<b>377,462</b>

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

	Three months ended 30 September		Nine months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Fair value gain/(loss) in financial asset at FVTPL — Note (a)	5,632	(19,762)	(12,581)	(19,251)
Net exchange (losses)/gains	(129)	4	(355)	42
Others — Note (b)	238	105	636	366
	<b>5,741</b>	<b>(19,653)</b>	<b>(12,300)</b>	<b>(18,843)</b>



#### 4. OTHER GAINS/(LOSSES), NET (CONTINUED)

Notes:

- (a) The Group's fair value gain/(loss) in financial asset at FVTPL for the nine months ended 30 September 2022 and 30 September 2021 represented the changes in fair value of the Group's investment in 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 since the Group made the investment in January 2015. No dividend has been received by the Group from Mobvoi. During the nine months ended 30 September 2022, Mobvoi (i) repurchased certain of its preferred shares and ordinary shares from a substantial shareholder (those ordinary shares repurchased were issued to another shareholder of Mobvoi); and (ii) disposed of part of/all of the shares in certain of its subsidiaries in exchange for the repurchase by Mobvoi of certain of its ordinary shares, which were treated as treasury shares of Mobvoi ("Treasury Shares") as at 30 September 2022 to be cancelled. Upon cancellation of the Treasury Shares, the Group's shareholding proportion in Mobvoi will be increased to approximately 1.57% (on a fully diluted and as converted basis) (31 December 2021: 1.24%). The fair value of the Group's financial asset at FVTPL as at 30 September 2022 amounted to approximately HK\$25,880,000 (unaudited) (31 December 2021: HK\$38,461,000), which is based on market comparable companies and equity value allocation with option-pricing method performed by an independent valuer. The fair value is within level 3 of the fair value hierarchy.
- (b) Such balance for the nine months ended 30 September 2022 mainly included subsidy received by the Group under the Employment Support Scheme of the Hong Kong SAR Government.

#### 5. FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interest expenses on:				
Lease liabilities	40	123	159	369
Bank loan	38	—	117	—
Factoring charges	4	—	15	—
	82	123	291	369

## 6. INCOME TAX EXPENSE

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

	Three months ended 30 September		Nine months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Current income tax —				
Hong Kong profits tax	234	—	3,755	—
Deferred income tax	3	1	3	15
	<b>237</b>	<b>1</b>	<b>3,758</b>	<b>15</b>

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 nine months ended 30 September 2022 under Hong Kong profits tax is subject to tax rate of 8.25%. The Group's remaining assessable profits during the nine months ended 30 September 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 nine months ended 30 September 2021 as the Group has no estimated assessable profit arising in or derived from Hong Kong during the nine months ended 30 September 2021. Taxation on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries/ jurisdictions in which the Group operates.

## 7. INTERIM DIVIDEND

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

## 8. 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.

	Nine months ended 30 September	
	2022 (Unaudited)	2021 (Unaudited)
Profit/(loss) attributable to equity holders of the Company (HK\$'000)	<b>6,198</b>	(39,676)
Weighted average number of ordinary shares in issue (thousands)	<b>1,483,687</b>	1,483,687
Basic and diluted earnings/(loss) per share (HK cents per share)	<b>0.42</b>	(2.67)

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 nine months ended 30 September 2022 and 2021 as the Group had no potentially dilutive ordinary shares in issue during these periods.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business review and prospects

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

Due to the impacts brought by the continuous international conflicts and high inflation, a sluggish market is remained to exert additional pressure on the demand of display panels, resulting in a continuing decrease in the revenue of the Group during the third quarter of 2022. Nevertheless, the Group is still able to record a turnaround of its results from loss to profit for the nine months ended 30 September 2022 (the "Period") as compared with the corresponding period in 2021. With its vast product diversity and business strategy, though the Group recorded a revenue of approximately HK\$257,337,000 during the Period, representing an approximately 32% decrease as compared with approximately HK\$377,462,000 during the corresponding period in 2021, the Group recorded a consolidated profit attributable to equity holders of the Company for the Period of approximately HK\$6,198,000, as compared to a consolidated loss attributable to equity holders of the Company of approximately HK\$39,676,000 for the corresponding period in 2021.

The 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 during the Period. As the COVID-19 pandemic gradually slows down, the demand for display panels driven by distance learning and remote work cools down significantly. Further affected by the uncertainties of the global economy, the Group's sales of TFT-LCD panels and modules amounted to approximately HK\$135,210,000 during the Period, representing a decrease of approximately 55% as compared with approximately HK\$297,644,000 for the corresponding period in 2021. Meanwhile, the sales of polarisers and integrated circuits amounted to approximately HK\$35,864,000 (nine months ended 30 September 2021: HK\$37,683,000) and HK\$1,829,000 (nine months ended 30 September 2021: HK\$6,291,000), respectively during the Period, representing a decrease of approximately 5% and 71%, respectively as compared with the corresponding period in 2021. Sales of optics products remained weak during the Period which amounted to approximately HK\$590,000, representing a decrease of approximately 79% as compared with approximately HK\$2,867,000 for the nine months ended 30 September 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\$5,687,000 during the Period, representing a decrease of approximately 51% as compared with approximately HK\$11,697,000 for the corresponding period in 2021. The decrease was mainly due to the new wave of COVID-19 pandemic in Taiwan and the worsening of unfavorable factors for the global economy during the Period. However, with the increase in popularity of digital information signages and applications in retail outlets and shopping malls, a strengthened demand for electronic signage products is expected in the near future.

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 as a swift response to the outbreak of COVID-19 in 2020. With the effective promotion through various marketing initiatives, a wide customer base including corporate clients, public sectors and consumers has been built over the past two years and K-clean has gained recognition in the market. In the beginning of 2022, the fifth wave of COVID-19 pandemic in Hong Kong boosted the demand for health-related products, including rapid antigen test kits for COVID-19 and personal hygiene and disinfectant products. In addition to K-clean, 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. As the fifth wave of COVID-19 pandemic in Hong Kong has been gradually subsiding, the sales of the Group's health-related products during the Period slowed down as compared with the first quarter of 2022. Nevertheless, sales of the Group's health-related products stayed strong, amounting to approximately HK\$76,318,000 during the Period, representing a significant increase of approximately HK\$60,690,000 as compared to approximately HK\$15,628,000 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 nine months ended 30 September 2021.

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. Mobvoi underwent several corporate transactions during the Period. To mitigate the negative impacts led by the newly introduced education systems policies in the People's Republic of China (the "PRC"), Mobvoi disposed part of/all of the shares in two subsidiaries, which were acquired in 2020 through the issue of Mobvoi's ordinary shares and engaged in providing education and training services to students (including children) in the PRC, in exchange for the repurchase by Mobvoi of certain of its ordinary shares. Such ordinary shares repurchased were treated as treasury shares ("Treasury Shares") as at 30 September 2022 to be cancelled. In addition, Mobvoi and its certain subsidiaries entered into agreements with affiliates of Volkswagen AG ("VW") (a substantial shareholder of Mobvoi which held certain preferred shares and ordinary shares of Mobvoi through its affiliate) for (1) assignment by certain subsidiaries of Mobvoi to an affiliate of VW of one half of various intellectual property rights related to automotive speech dialogue system for certain vehicle projects of VW (the "IP Rights") such that those subsidiaries of Mobvoi and the affiliate of VW will co-own the IP Rights (the "IP Assignment") and, among other things, provision of technical support and training by the relevant subsidiary of Mobvoi to the affiliate of VW on some of the IP Rights; (2) disposal by a subsidiary of Mobvoi to an affiliate of VW of the half share of equity interest in a 50:50 joint venture company (the "JV") in the PRC formed by a subsidiary of Mobvoi and an affiliate of VW

(the “JV Equity Disposal”); and (3) the repurchase by Mobvoi of all of the preferred shares and ordinary shares in Mobvoi held by VW’s affiliate (the “Share Repurchase”). Those ordinary shares repurchased by Mobvoi were issued to another shareholder of Mobvoi. Such transactions amounted to an exit by VW of its investment in and a termination of its joint venture arrangement with Mobvoi. Mobvoi has informed the Company that the closing of the JV Equity Disposal had taken place and the Share Repurchase had completed during September 2022, and the IP Assignment was in the course of completion as of 30 September 2022. The Company understands from Mobvoi that the abovementioned transactions provide effective support to the continuing operations of Mobvoi and its subsidiaries (the “Mobvoi Group”). Besides, the relevant subsidiaries of Mobvoi have the discretion to use or grant to other third parties non-exclusive licences to use the IP Rights, and the grant of such non-exclusive licences to other third parties will become one of the operational contents of the in-vehicle business of the Mobvoi Group, which manner will enable export of its technical capabilities and become an effective business model that will continually contribute value for the Mobvoi Group, thus providing favourable basis and prospects to the Mobvoi Group to embrace opportunities of business developments with other automotive enterprises. After optimization of the shareholding structure under the Share Repurchase, the Mobvoi Group will continue to be a long-term technology supplier to VW and its affiliates. Following the completion of the Share Repurchase and cancellation of the aforementioned Treasury Shares, the Group’s shareholding proportion in Mobvoi will be increased to approximately 1.57% (on a fully diluted and as converted basis). Nevertheless, 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 September 2022 dropped to approximately HK\$25,880,000 from approximately HK\$38,461,000 as at 31 December 2021. Fair value loss of approximately HK\$12,581,000 was recognised during the Period as compared to the fair value loss of approximately HK\$19,251,000 recognised during the corresponding period in 2021. The Company understands that Mobvoi will continue to make use of its voices AI technology to develop new products, to explore more opportunities and to widen its revenue base in order to enhance its value.

Looking ahead, it is expected that the display panel market will remain challenging and the global economy will continue to be negatively affected by geopolitical conflicts and high inflation. However, the Group will continue to capture the market opportunities, including deploying the health-related products market. Meanwhile, the Group will continue to widen its product diversity and 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 pandemic in Hong Kong occurred since the beginning of 2022 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 other major products, including TFT-LCD panels and modules, polarisers, 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\$257,337,000, representing a decrease of approximately 32% as compared with approximately HK\$377,462,000 for the nine months ended 30 September 2021.

### ***Gross profit/(loss)***

Gross profit of the Group during the Period amounted to approximately HK\$60,762,000, represented an increase of approximately HK\$49,342,000 as compared to approximately HK\$11,420,000 for the corresponding period in 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 gains/(losses), net***

Net other losses of approximately HK\$12,300,000 was recorded for the Period, representing a decrease in loss of approximately HK\$6,543,000 as compared to approximately HK\$18,843,000 for the corresponding period in 2021. The balance mainly included the fair value loss of approximately HK\$12,581,000 (nine months ended 30 September 2021: HK\$19,251,000) recognised for the Group's financial assets at FVTPL in respect of its investment in Mobvoi during the Period. The decrease in net other losses was mainly due to the decrease in the aforementioned fair value loss.

### ***Expenses***

The Group's distribution and selling expenses for the Period amounted to approximately HK\$18,951,000, representing an approximately 46% increase as compared with approximately HK\$13,023,000 for the corresponding period in 2021. The increase was mainly attributable to the increase in sales commissions, staff costs, rental, 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\$19,494,000, representing an approximately 7% increase as compared with approximately HK\$18,288,000 for the corresponding period in 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\$748,000, which decreased by approximately 38% as compared to approximately HK\$1,206,000 for the corresponding period in 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\$159,000 (nine months ended 30 September 2021: HK\$369,000) and HK\$117,000 (nine months ended 30 September 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**

Mainly attributable to the significant increase in profit generated by the Group's health-related products and the decrease in fair value loss on the Group's financial asset at FVTPL, the Group recorded a turnaround of its results from loss to profit during the Period as compared to the corresponding period in 2021. However, such positive factors were significantly offset by (among others) the decrease in revenue from the sales of the Group's other major products during the Period. Profit attributable to equity holders of the Company for the Period amounted to approximately HK\$6,198,000, as compared to loss attributable to equity holders of the Company of approximately HK\$39,676,000 for the nine months ended 30 September 2021.

### **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION**

As at 30 September 2022, interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors set out in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

#### **Long positions in shares of the Company:**

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of shares held</b>	<b>Percentage of the Company's issued shares</b>
Mr. Cheng Wai Tak	Interest in controlled corporation	923,427,151 (Note)	62.24%
	Beneficial owner	2,220,000	0.15%
		925,647,151	62.39%
Mr. Kan Man Wai	Beneficial owner	320,000	0.02%

Note: These 923,427,151 shares are held by Winful Enterprises Limited ("Winful Enterprises"), which in turn is wholly and beneficially owned by Mr. Cheng Wai Tak. As such, Mr. Cheng Wai Tak is deemed under the SFO to be interested in these 923,427,151 shares held by Winful Enterprises.

Save as disclosed above, as at 30 September 2022, none of the Directors and chief executives of the Company had registered any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors set out in Rules 5.46 to 5.67 of the GEM Listing Rules.

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY**

So far as the Directors are aware, as at 30 September 2022, other than the Directors and chief executive of the Company, the following persons/entities have an interest or a short position in the shares or the underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO:

### **Long position in shares of the Company:**

<b>Name</b>	<b>Nature of interests</b>	<b>Number of shares held</b>	<b>Percentage of the Company's issued shares</b>
Winful Enterprises	Directly beneficially owned	923,427,151 (Note)	62.24%

Note: Mr. Cheng Wai Tak is deemed under the SFO to be interested in these 923,427,151 shares held by Winful Enterprises.

Save as disclosed above, as at 30 September 2022, no other person had any interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

## **SHARE OPTION SCHEME**

The Company has a share option scheme (the "Share Option Scheme") which was approved and adopted by the then sole shareholder of the Company by way of written resolutions passed on 20 January 2014.

No share option has been granted under the Share Option Scheme since its adoption.



## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as the Share Option Scheme, at no time during the Period was the Company, its parent company, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

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

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

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

## **NON-COMPETITION UNDERTAKING**

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

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

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

## COMPETING INTERESTS

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

## LEGAL PROCEEDINGS INVOLVING THE COMPANY AND THE DIRECTORS

Reference is made to the announcements of the Company dated 26 September 2019, 4 October 2019, 10 January 2020, 9 April 2020, 10 July 2020 and 25 September 2020. On 25 September 2019, the Company received a sealed copy of a petition (the “Petition”) issued by the High Court of the Hong Kong Special Administrative Region (the “High Court”) which was taken out by the Securities and Futures Commission (the “SFC”) pursuant to section 214 of the SFO against certain Directors, namely Mr. Cheng Wai Tak (“Mr. 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 report, the legal proceedings of the Petition are ongoing.

\* for identification purpose only

## CORPORATE GOVERNANCE

The Company has adopted the principles and the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 15 of the GEM Listing Rules. Throughout the Period, the Company has 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. Kan Man Wai and Mr. Cho Chi Kong. The audit committee has reviewed this report and has provided advice and comments thereon.

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

Hong Kong, 8 November 2022