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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 2020**

### **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 2020 (the “Year”) amounted to approximately HK\$207.0 million, representing an increase of approximately 24% as compared with that of approximately HK\$166.6 million in 2019.
- Loss attributable to equity holders of the Company for the Year amounted to approximately HK\$16.9 million, representing a decrease in loss of approximately 50% as compared with the loss for 2019 of approximately HK\$34.1 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 2020

	Note	2020 HK\$'000	2019 HK\$'000
<b>Revenue</b>	4	<b>206,973</b>	166,607
Cost of sales		<u>(189,869)</u>	<u>(166,902)</u>
<b>Gross profit/(loss)</b>		<b>17,104</b>	(295)
Other gains, net	5	<b>3,256</b>	3,069
Distribution and selling expenses		<b>(10,119)</b>	(8,680)
General and administrative expenses		<b>(26,747)</b>	(26,916)
Research and development expenses		<b>(1,394)</b>	(1,972)
<b>Operating loss</b>		<b>(17,900)</b>	(34,794)
Finance income		<b>31</b>	170
Finance costs		<b>(678)</b>	(1,165)
Finance costs, net		<u><b>(647)</b></u>	<u>(995)</u>
<b>Loss before income tax</b>	6	<b>(18,547)</b>	(35,789)
Income tax credit	7	<b>17</b>	141
<b>Loss for the year</b>		<b>(18,530)</b>	(35,648)
<b>Other comprehensive income/(loss):</b>			
<i>Item that may be subsequently reclassified to income statement</i>			
Currency translation differences		<b>86</b>	23
<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><b>(797)</b></u>	<u>21</u>
<b>Total comprehensive loss for the year</b>		<u><b>(19,241)</b></u>	<u>(35,604)</u>
<b>Loss for the year attributable to:</b>			
Equity holders of the Company		<b>(16,883)</b>	(34,078)
Non-controlling interests		<b>(1,647)</b>	(1,570)
		<u><b>(18,530)</b></u>	<u>(35,648)</u>
<b>Total comprehensive loss for the year attributable to:</b>			
Equity holders of the Company		<b>(17,586)</b>	(34,050)
Non-controlling interests		<b>(1,655)</b>	(1,554)
		<u><b>(19,241)</b></u>	<u>(35,604)</u>
<b>Basic and diluted loss per share</b>	8	<u><b>HK(1.14) cents</b></u>	<u><b>HK(2.30) cents</b></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2020*

	<i>Note</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		835	1,732
Right-of-use assets		9,867	12,292
Intangible assets		5,322	5,322
Deferred income tax assets		171	155
Financial asset at fair value through other comprehensive income		1,876	2,673
Financial asset at fair value through profit or loss	10	59,547	57,538
		<u>77,618</u>	<u>79,712</u>
<b>Current assets</b>			
Inventories		31,904	32,445
Trade and other receivables	11	34,007	21,198
Cash and cash equivalents		76,403	70,308
		<u>142,314</u>	<u>123,951</u>
<b>Total assets</b>		<u><b>219,932</b></u>	<u><b>203,663</b></u>
<b>Equity and liabilities</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	12	14,837	14,837
Reserves		116,361	117,064
Retained earnings		20,163	37,046
		<u>151,361</u>	<u>168,947</u>
<b>Non-controlling interests</b>		<u>(245)</u>	<u>1,410</u>
<b>Total equity</b>		<u><b>151,116</b></u>	<u><b>170,357</b></u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities		7,191	8,692
		<u>7,191</u>	<u>8,692</u>
<b>Current liabilities</b>			
Trade and other payables	13	57,253	19,514
Lease liabilities		4,372	5,098
Current income tax liabilities		—	2
		<u>61,625</u>	<u>24,614</u>
<b>Total liabilities</b>		<u><b>68,816</b></u>	<u><b>33,306</b></u>
<b>Total equity and liabilities</b>		<u><b>219,932</b></u>	<u><b>203,663</b></u>

## 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 related electronic components. 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 under the 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 2020:

- Definition of Material — amendments to Hong Kong Accounting Standard ("HKAS") 1 and HKAS 8
- Definition of a Business — amendments to HKFRS 3
- Interest Rate Benchmark Reform — Phase 1 — amendments to HKFRS 9, HKAS 39 and HKFRS 7
- Revised Conceptual Framework for Financial Reporting

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.

Previously, the Group had disclosed two reportable operating segments, including the display products segment and the optics products segment. Due to the recent decline in contribution from optics products segment to the Group, no other discrete financial information is provided for the assessment of different business activities, other than the Group's results and financial position as a whole since 2020. 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 2020 and 2019 are as follows:

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Thin film transistor liquid crystal display ("TFT-LCD") panels and modules	<b>138,466</b>	135,040
Polarisers	<b>35,794</b>	4,721
Electronic signage	<b>11,774</b>	7,749
Optics products	<b>6,353</b>	2,458
Light guide plates	<b>1,440</b>	2,332
Integrated circuits	<b>1,196</b>	5,325
Others	<b>11,950</b>	8,982
	<b><u>206,973</u></b>	<u>166,607</u>

- (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>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	<b>157,261</b>	126,768
The People's Republic of China (the "PRC")	<b>42,764</b>	31,350
Taiwan	<b>6,948</b>	8,489
	<b><u>206,973</u></b>	<u>166,607</u>

- (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>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A	<b>36,130</b>	4,360
Customer B	<b>31,589</b>	8,489
	<b><u>67,719</u></b>	<u>12,849</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 <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 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 of assets	2,806	6,932	129	9,867
	<u>7,087</u>	<u>8,698</u>	<u>239</u>	<u>16,024</u>
<b>As at 31 December 2019:</b>				
<b>Non-current assets</b>				
Property, plant and equipment	253	1,386	93	1,732
Intangible assets	4,200	1,122	—	5,322
Right-of-use of assets	3,402	8,698	192	12,292
	<u>7,855</u>	<u>11,206</u>	<u>285</u>	<u>19,346</u>

#### 4. REVENUE

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

#### 5. OTHER GAINS, NET

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Fair value changes in financial asset at FVTPL	2,009	2,550
Government subsidies	1,349	231
Net exchange (losses)/gains	(110)	261
Gain on disposal of property, plant and equipment	—	10
Written-off of property, plant and equipment	—	(58)
Others	8	75
	<u>3,256</u>	<u>3,069</u>

#### 6. LOSS BEFORE INCOME TAX

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cost of inventories sold	198,138	188,306
Write back of provision for obsolete inventories	(14,832)	(26,849)
Depreciation of property, plant and equipment	979	1,403
Depreciation of right-of-use assets	5,565	5,464
	<u>189,850</u>	<u>168,324</u>

## 7. INCOME TAX 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 credited to the consolidated statement of comprehensive income represents:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current income tax:		
— Outside Hong Kong	—	4
— Adjustments in respect of prior years	<u>(6)</u>	<u>(51)</u>
Total current income tax	(6)	(47)
Deferred income tax		
— Origination and reversal of temporary differences	<u>(11)</u>	<u>(94)</u>
Income tax credit	<u>(17)</u>	<u>(141)</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.

	2020	2019
Loss attributable to equity holders of the Company ( <i>HK\$'000</i> )	<u>(16,883)</u>	<u>(34,078)</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 loss per share ( <i>HK cents per share</i> )	<u>(1.14)</u>	<u>(2.30)</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 2020 and 2019 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 (2019: 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. During the Year, Mobvoi acquired two companies by the issues of new ordinary shares of Mobvoi as consideration. In addition, Mobvoi reserved additional ordinary shares of Mobvoi for its employee stock ownership plan ("ESOP"). Upon completion of the aforesaid issues of ordinary shares of Mobvoi and the reservation of additional ordinary shares of Mobvoi for its ESOP, the Group's shareholding proportion in Mobvoi (on a fully diluted and as converted basis) is reduced from approximately 1.50% to approximately 1.23%.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Balance at 1 January	57,538	54,988
Fair value gain on revaluation recognised in other gains, net	<u>2,009</u>	<u>2,550</u>
Balance at 31 December	<u><u>59,547</u></u>	<u><u>57,538</u></u>

## 11. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	24,680	17,460
Bills receivables	<u>6,144</u>	<u>298</u>
	30,824	17,758
Prepayments, deposits and other receivables	<u>3,183</u>	<u>3,440</u>
	<u><u>34,007</u></u>	<u><u>21,198</u></u>

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0–30 days	20,997	6,810
31–60 days	9,738	7,286
61–90 days	53	3,371
Over 90 days	<u>36</u>	<u>291</u>
	<u><u>30,824</u></u>	<u><u>17,758</u></u>

## 12. SHARE CAPITAL

	31 December 2020 and 31 December 2019	
	Number of shares (thousands)	Amount HK\$'000
<b>Authorised:</b>		
Ordinary shares of HK\$0.01 each	5,000,000	50,000
	<b>Number of shares</b>	<b>Ordinary shares of HK\$0.01 each HK\$'000</b>
<b>Issued and fully paid:</b>		
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	<b>1,483,687,151</b>	<b>14,837</b>

There were no movements in the Company's share capital during the Year (2019: Nil).

## 13. TRADE AND OTHER PAYABLES

	2020 HK\$'000	2019 HK\$'000
Trade payables	44,885	14,467
Deposits received from customers	7,163	1,872
Accruals and other payables	5,205	3,175
	<b>57,253</b>	<b>19,514</b>

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

	2020 HK\$'000	2019 HK\$'000
0–30 days	35,957	8,349
31–60 days	8,905	3,653
61–90 days	23	2,465
	<b>44,885</b>	<b>14,467</b>

## **BUSINESS REVIEW**

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

In 2020, the Coronavirus Disease 2019 (the “COVID-19”) had a massive impact on the global economy. During the Year, series of stringent precautionary and control measures were implemented by governments of various countries and regions, in some of which the Group has business operations, to control the spread of the COVID-19, which led to market uncertainties and drastic drop of demands for the Group’s products. The Group recorded a significant decrease in revenue during the first half of 2020, but the revenue rebounded in the second half of 2020 as the disruption caused by COVID-19 began to alleviate. Despite the overall unfavorable economic environment, the Group took advantage of its wide product diversity and flexible business strategy, successfully improved the Group’s revenue and reduced the Group’s net loss for the Year as compared with 2019.

The Group’s revenue for the Year amounted to approximately HK\$206,973,000, representing an increase of approximately 24% as compared with approximately HK\$166,607,000 in 2019. Loss attributable to equity holders of the Company for the Year amounted to approximately HK\$16,883,000, representing a reduction in loss of approximately 50% as compared with approximately HK\$34,078,000 for the year ended 31 December 2019.

The Group’s small-sized display panel business continues to be unsatisfactory, as affected by the concentrated situation in the mobile phone market due to domination by the major brands. The sale of the medium-to-large sized display products, including display modules for computer notebooks, monitors and televisions, remained a key revenue driver for the Group during the Year. With increased demand for laptops, PC monitors and tablets driven by the large number of people working-from-home and shifting to remote learning during the pandemic, the Group’s sales of TFT-LCD panels and modules amounted to approximately HK\$138,466,000 during the Year, representing an approximately 3% increase as compared with approximately HK\$135,040,000 in 2019.

The successful marketing strategy of the Group’s longstanding polariser supplier induced a significant increase in the Group’s sales of polarisers in 2020. The Group’s sales of polarisers in 2020 amounted to approximately HK\$35,794,000, representing an increase of approximately HK\$31,073,000 as compared with approximately HK\$4,721,000 in 2019.

The Group’s electronic signage products, which include digital information signage, electronic shelf displays, and electronic white boards, etc., continued to expand its customer base during the Year. Users of the Group’s electronic signage products include schools, education institutions, shopping malls and retail stores in Hong Kong, Taiwan and overseas. During the Year, the Group’s sales of electronic signage products amounted to approximately HK\$11,774,000, representing an increase of approximately 52% as compared with approximately HK\$7,749,000 in 2019. The Group will continue to develop its electronic signage business to capture the rising electronic signage market.

For optics products, the Group recorded a revenue of approximately HK\$6,353,000 in 2020, representing an increase of approximately HK\$3,895,000 as compared with approximately HK\$2,458,000 in 2019. Shortage in supply of certain optics products components in the market boosted the Group's sales during the Year.

Although the Group's major products mentioned above recorded an increase in revenue in 2020 as compared with 2019, some products such as light guide plates and integrated circuits recorded a decrease in revenue during the Year. In order to diversify its business risk, the Group adopted a flexible business strategy to widen its product portfolio. In view of the feverish market demand for disinfectant products under the pandemic, the Group identified a personal hygiene and disinfectant product line branded "K-clean" in Taiwan and started to introduce it to Hong Kong market during the Year. The Group has marketed K-clean to corporate clients, as well as consumers on various online platforms. K-clean is now also available in large-scale retailers in Hong Kong. Through the Group's marketing efforts and the proven effectiveness of K-clean, K-clean has gained recognition in the market. Sales of K-clean related products during the Year amounted to approximately HK\$4,507,000 (2019: Nil) and it is expected to grow in the coming year. In February 2021, the Group further entered into a long-term agency agreement with, among others, the Taiwan supplier of K-clean, in relation to the engagement as the exclusive agent for the sales and promotion of the full series of K-clean products in Hong Kong and Macau. Such agreement further strengthened the relationship between the Group and the Taiwan supplier.

Since 2015, the Group has held 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 FVTPL. During the Year, Mobvoi continued to launch new models of its existing products such as smart watches and developed various new lines of products. Mobvoi's automotive AI voice interactive system has been applied to certain new car models launched in China. Mobvoi has also developed strategic co-operations with other well-known companies in China for application of its AI products to smart home development. Furthermore, during the Year, Mobvoi completed the acquisitions of two companies (the "Acquisitions") by the issues of new ordinary shares of Mobvoi as consideration; and Mobvoi has also reserved additional ordinary shares of Mobvoi for its ESOP. Upon completion of the aforesaid issues of ordinary shares of Mobvoi and the reservation of additional ordinary shares of Mobvoi for its ESOP, the Group's shareholding proportion in Mobvoi is reduced from approximately 1.50% to approximately 1.23% (on a fully diluted and as converted basis). Notwithstanding the dilution in shareholding, the fair value of the Group's investment in Mobvoi increased to approximately HK\$59,547,000 as at 31 December 2020 (31 December 2019: HK\$57,538,000); and a fair value gain in financial asset at FVTPL of approximately HK\$2,009,000 was recognised during the Year (2019: HK\$2,550,000). The Company considers that the Acquisitions will potentially enhance the value of Mobvoi and thus benefit the Group's subsidiary as its shareholder.

The Group's another investment was classified as financial asset at FVOCI, representing the Group's investment in a Taiwan private company which engages in the business of the separator (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 3.03% to approximately 2.22%. The fair value of such investment decreased to approximately HK\$1,876,000 as at 31 December 2020 (31 December 2019: HK\$2,673,000).

## **PROSPECTS**

Looking ahead to 2021, despite the roll out of COVID-19 vaccines may help control COVID-19 and gradually spur the economy to recovery, the global economy is still susceptible to many market uncertainties and these challenges and difficulties will continuously affect the Group's performance. Nevertheless, benefitting from the Group's flexible business strategy, the Group introduced K-clean to its products portfolio, which may help to diversify the risk. Display products will remain as the key revenue driver of the Group, but the Group will grasp the opportunity to continue to promote the sales of K-clean products. Meanwhile, the Group will continue to widen its revenue base, enhance its product diversity, widen customer base and introduce new products and new suppliers from different industries or areas, as well as maintain a flexible business strategy to explore new business opportunities for its development.

## **FINANCIAL REVIEW**

### **Revenue**

Total revenue of the Group for the Year amounted to approximately HK\$206,973,000, which increased by approximately 24% as compared to approximately HK\$166,607,000 in 2019. Increase in total revenue was attributable to the increase in revenue from the Group's sales of TFT-LCD panels and modules, polarisers, electronic signage and optics products, as well as the Group's newly introduced personal hygiene and disinfectant products.

### **Cost of sales**

Cost of sales of the Group mainly consisted of purchase costs, processing and subcontracting charges, staff costs, provision for obsolete inventories and other direct costs. Due to the increase in revenue, purchase costs, processing and subcontracting charges, and other direct costs increased during the Year as compared with 2019. However, the write-back of provision for obsolete inventories during the Year decreased as compared with 2019. Total cost of sales for the Year amounted to approximately HK\$189,869,000, which increased by approximately 14% as compared to approximately HK\$166,902,000 in 2019.

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

Gross profit amounting to approximately HK\$17,104,000 was recorded for the Year (2019: gross loss of HK\$295,000). The improvement was mainly attributable to the increase in gross profit margins of the products sold during the Year.

### **Other gains, net**

Net other gains of approximately HK\$3,256,000 (2019: HK\$3,069,000) was recorded during the Year. The balance mainly included the fair value gain in the Group's investment in Mobvoi of approximately HK\$2,009,000 (2019: HK\$2,550,000) and government subsidies of approximately HK\$1,349,000 (2019: HK\$231,000), which mainly represented the subsidy received under the Employment Support Scheme of the Hong Kong SAR Government during the Year.

### **Distribution and selling expenses**

The Group's distribution and selling expenses for the Year amounted to approximately HK\$10,119,000, representing an approximately 17% increase as compared to approximately HK\$8,680,000 in 2019. The increase was mainly attributable to the increase in expenses incurred for the Group's Taiwan branch which was newly established in late 2019, and the increase in promotion expenses and staff costs for the Group's new products.

### **General and administrative expenses**

The Group's general and administrative expenses for the Year amounted to approximately HK\$26,747,000, which was comparable to approximately HK\$26,916,000 in 2019.

### **Research and development expenses**

The Group's research and development expenses amounted to approximately HK\$1,394,000 for the Year, which decreased by approximately HK\$578,000 as compared with approximately HK\$1,972,000 in 2019. The decrease was mainly due to the decrease in staff costs and development fees incurred for products development.

### **Finance costs**

The Group's finance costs for the Year represented interest expenses of approximately HK\$678,000 (2019: HK\$890,000) on lease liabilities. No bank loans interest (2019: HK\$275,000) was incurred during the Year.

### **Income tax**

No Hong Kong profits tax was provided by the Group for the Year (2019: Nil). Income tax during the years ended 31 December 2020 and 2019 mainly represented deferred income tax 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\$16,883,000, representing a decrease in loss of approximately HK\$17,195,000 as compared with the loss of approximately HK\$34,078,000 in 2019, which was mainly attributable to the increase in revenue and improvement in gross profit 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 2020, the Group's cash and cash equivalents, represented by bank deposits, bank balances and cash, amounted to approximately HK\$76,403,000 (2019: HK\$70,308,000).

The Group had no bank borrowings as at 31 December 2020 (2019: Nil).

## **GEARING RATIO**

The Group's gearing ratio as at 31 December 2020 was 0% (2019: 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 2020, the Group had no material contingent liabilities (2019: Nil).

## **CHARGE OF ASSETS**

The Group had no charge of assets as at 31 December 2020 (2019: Nil).

## **CAPITAL COMMITMENTS**

As at 31 December 2020, the Group did not have any significant capital commitments (2019: 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.

\* for identification purpose only

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.

As announced by the Company in its announcement dated 25 September 2020, trading in the shares of the Company on GEM resumed with effect from 9:00 a.m. on 28 September 2020.

## **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, except for the deviation as disclosed under the section headed “Chairman and Chief Executive Officer” below.

### **Chairman and Chief Executive Officer**

According to the code provision A.2.1 of the CG Code, the roles of the chairman and chief executive should be separate and should not be performed by the same individual.

During the Year, Mr. Cheng Wai Tak (“Mr. Cheng”) was the Chairman and the Chief Executive Officer up to 24 September 2020. With Mr. Cheng’s extensive experience in the industry, the Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person would provide the Company with strong and consistent leadership, allow for effective and efficient planning and implementation of business decisions and strategies, and would be beneficial to the business prospects and management of the Group. Although Mr. Cheng performed both the roles of Chairman and Chief Executive Officer, the division of responsibilities between the Chairman and Chief Executive Officer is clearly established. In general, the Chairman is responsible for supervising the functions and performance of the Board, while the Chief Executive Officer is responsible for the management of the business of the Group. The two roles were performed by Mr. Cheng distinctly. The Board also considers that such management structure does not impair the balance of power and authority between the Board and the management of the Company given the appropriate delegation of the power of the Board and the effective functions of the independent non-executive Directors. However, it is the long-term objective of the Company to have these two roles performed by separate individuals when suitable candidates are identified.

As disclosed in the announcement of the Company dated 25 September 2020, with effect from 25 September 2020, pending the outcome of the legal proceedings of the Petition, Mr. Cheng has been suspended from his duties as an executive Director, the Chairman and the Chief Executive Officer. 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 Chief Executive Officer is shared among the management staff of the Company and other members of the Board.



## 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 Thursday, 6 May 2021. 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.

## 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 Monday, 3 May 2021 to Thursday, 6 May 2021, 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 Friday, 30 April 2021.

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

Hong Kong, 19 March 2021

*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>.*