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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 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.*

## **FINANCIAL HIGHLIGHTS**

- Revenue for the year ended 31 December 2022 (the “Year”) amounted to approximately HK\$301.3 million, representing a decrease of approximately 43% as compared with that of approximately HK\$528.4 million in 2021.
- Profit attributable to equity holders of the Company for the Year amounted to approximately HK\$4.0 million as compared to loss attributable to equity holders of the Company of approximately HK\$43.9 million in 2021, representing a turnaround of results from loss to profit making.
- 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 2022*

	<i>Note</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Revenue</b>	4	<b>301,318</b>	528,350
Cost of sales		<u>(231,649)</u>	<u>(510,795)</u>
<b>Gross profit</b>		<b>69,669</b>	17,555
Other losses, net	5	<b>(12,862)</b>	(19,486)
Distribution and selling expenses		<b>(24,657)</b>	(15,843)
General and administrative expenses		<b>(26,969)</b>	(25,472)
Research and development expenses		<u>(996)</u>	<u>(1,301)</u>
<b>Operating profit/(loss)</b>		<b>4,185</b>	(44,547)
Finance income		<b>75</b>	36
Finance costs		<u>(367)</u>	<u>(496)</u>
Finance costs, net		<u>(292)</u>	<u>(460)</u>
<b>Profit/(loss) before income tax</b>	6	<b>3,893</b>	(45,007)
Income tax expense	7	<u>(410)</u>	<u>(79)</u>
<b>Profit/(loss) for the year</b>		<b>3,483</b>	(45,086)
<b>Other comprehensive income/(loss):</b>			
<i>Item that may be subsequently reclassified to income statement</i>			
Currency translation differences		<b>245</b>	53
<i>Items that will not be subsequently reclassified to income statement</i>			
Change in value of financial asset at fair value through other comprehensive income		<b>(352)</b>	(224)
Currency translation differences		<u>103</u>	<u>—</u>
<b>Total comprehensive income/(loss) for the year</b>		<u><b>3,479</b></u>	<u>(45,257)</u>
<b>Profit/(loss) for the year attributable to:</b>			
Equity holders of the Company		<b>4,038</b>	(43,857)
Non-controlling interests		<u>(555)</u>	<u>(1,229)</u>
		<u><b>3,483</b></u>	<u>(45,086)</u>
<b>Total comprehensive income/(loss) for the year attributable to:</b>			
Equity holders of the Company		<b>3,931</b>	(44,051)
Non-controlling interests		<u>(452)</u>	<u>(1,206)</u>
		<u><b>3,479</b></u>	<u>(45,257)</u>
<b>Basic and diluted earnings/(loss) per share</b>	8	<u><b>HK0.27 cents</b></u>	<u><b>HK(2.96) cents</b></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2022*

	<i>Note</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		104	259
Right-of-use assets		4,261	5,565
Intangible assets		5,322	5,322
Deferred income tax assets		79	94
Financial asset at fair value through other comprehensive income		1,300	1,652
Financial asset at fair value through profit or loss	10	25,201	38,461
		<b>36,267</b>	51,353
<b>Current assets</b>			
Inventories		21,743	43,125
Trade and other receivables	11	10,031	12,760
Cash and cash equivalents		85,709	88,512
		<b>117,483</b>	144,397
<b>Total assets</b>		<b>153,750</b>	195,750
<b>Equity and liabilities</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	12	14,837	14,837
Reserves		116,060	116,167
Accumulated losses		(19,656)	(23,694)
		<b>111,241</b>	107,310
<b>Non-controlling interests</b>		<b>(1,903)</b>	(1,451)
<b>Total equity</b>		<b>109,338</b>	105,859
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Bank loan		4,516	5,205
Lease liabilities		1,177	1,813
		<b>5,693</b>	7,018
<b>Current liabilities</b>			
Trade and other payables	13	34,464	78,358
Current income tax liabilities		395	—
Bank loan		690	683
Lease liabilities		3,170	3,832
		<b>38,719</b>	82,873
<b>Total liabilities</b>		<b>44,412</b>	89,891
<b>Total equity and liabilities</b>		<b>153,750</b>	195,750

## 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 is principally engaged in trading, development and sale 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 which it sells.

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

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of preparation**

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared on a historical cost basis, except for financial asset at fair value through other comprehensive income 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 2022:

- Hong Kong Accounting Standard ("HKAS") 16 (Amendments) — Proceeds before Intended Use
- HKAS 37 (Amendments) — Onerous Contracts — Cost of Fulfilling a Contract
- HKFRS 16 (Amendments) — COVID-19-Related Rent Concessions beyond 30 June 2021
- HKFRS 3 (Amendments) — Reference to the Conceptual Framework
- Annual Improvements to HKFRS Standards 2018–2020
- Accounting Guideline 5 (Revised) (Amendments) — Merger Accounting for Common Control Combinations

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

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

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

### 3. SEGMENT INFORMATION

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

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

- (a) The Group's revenues from its major products for the years ended 31 December 2022 and 2021 are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Thin film transistor liquid crystal display ("TFT-LCD") panels and modules	155,896	431,770
Health-related products	87,876	19,162
Polarisers	36,554	44,865
Electronic signage	16,396	15,266
Integrated circuits	1,883	7,428
Optics products	590	3,171
Others	2,123	6,688
	<u>301,318</u>	<u>528,350</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.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	281,959	410,716
The People's Republic of China (the "PRC")	13,451	105,940
Taiwan	5,908	11,694
	<u>301,318</u>	<u>528,350</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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A	36,782	117,272
Customer B	36,554	43,303

- (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 2022:</b>				
<b>Non-current assets</b>				
Property, plant and equipment	—	49	55	104
Intangible assets	4,200	1,122	—	5,322
Right-of-use assets	2,980	1,095	186	4,261
	<u>7,180</u>	<u>2,266</u>	<u>241</u>	<u>9,687</u>
<b>As at 31 December 2021:</b>				
<b>Non-current assets</b>				
Property, plant and equipment	—	171	88	259
Intangible assets	4,200	1,122	—	5,322
Right-of-use assets	3,100	2,406	59	5,565
	<u>7,300</u>	<u>3,699</u>	<u>147</u>	<u>11,146</u>

#### 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. OTHER LOSSES, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Fair value changes in financial asset at FVTPL	(13,260)	(21,086)
Gain on early termination of lease	—	1,246
Gain on lease modification	—	165
Government subsidies	773	303
Net exchange losses	(401)	(115)
Loss on disposal of property, plant and equipment	—	(4)
Others	26	5
	<u>(12,862)</u>	<u>(19,486)</u>

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

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost of inventories sold	220,672	505,869
Provision/(write back of provision) for obsolete inventories	6,228	(1,499)
Depreciation of property, plant and equipment	137	667
Depreciation of right-of-use assets	4,151	4,751
	<u>231,188</u>	<u>1,066,788</u>

## 7. INCOME TAX EXPENSE

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

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong profits tax		
— Current income tax	395	—
Deferred income tax	<u>15</u>	<u>79</u>
Income tax expense	<u><u>410</u></u>	<u><u>79</u></u>

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

Basic earnings/(loss) per share for the year 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 year.

	2022	2021
Profit/(loss) attributable to equity holders of the Company <i>(HK\$'000)</i>	<u><u>4,038</u></u>	<u><u>(43,857)</u></u>
Weighted average number of ordinary shares in issue <i>(thousands)</i>	<u><u>1,483,687</u></u>	<u><u>1,483,687</u></u>
Basic and diluted earnings/(loss) per share <i>(HK cents per share)</i>	<u><u>0.27</u></u>	<u><u>(2.96)</u></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 years ended 31 December 2022 and 2021 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 (2021: 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 (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 31 December 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%).

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Balance at 1 January	38,461	59,547
Fair value changes recognised in other losses, net	<u>(13,260)</u>	<u>(21,086)</u>
Balance at 31 December	<u><u>25,201</u></u>	<u><u>38,461</u></u>

## 11. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	5,196	7,758
Prepayments, deposits and other receivables	<u>4,835</u>	<u>5,002</u>
	<u><u>10,031</u></u>	<u><u>12,760</u></u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–30 days	3,960	4,235
31–60 days	866	3,266
61–90 days	197	119
Over 90 days	<u>173</u>	<u>138</u>
	<u><u>5,196</u></u>	<u><u>7,758</u></u>

## 12. SHARE CAPITAL

	<b>31 December 2022 and 2021</b>	
	<b>Number of shares (thousands)</b>	<b>Amount HK\$'000</b>
<b>Authorised:</b>		
Ordinary shares of HK\$0.01 each	<u>5,000,000</u>	<u>50,000</u>
	<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 2021, 31 December 2021, 1 January 2022 and 31 December 2022	<u>1,483,687,151</u>	<u>14,837</u>

There were no movements in the Company's share capital during the Year (2021: Nil).

## 13. TRADE AND OTHER PAYABLES

	<b>2022 HK\$'000</b>	<b>2021 HK\$'000</b>
Trade payables	<b>22,916</b>	62,815
Deposits received from customers	<b>5,171</b>	9,864
Accruals and other payables	<u>6,377</u>	<u>5,679</u>
	<u><b>34,464</b></u>	<u>78,358</u>

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

	<b>2022 HK\$'000</b>	<b>2021 HK\$'000</b>
0–30 days	<b>17,597</b>	35,819
31–60 days	<b>5,288</b>	26,995
61–90 days	—	1
Over 90 days	<u>31</u>	<u>—</u>
	<u><b>22,916</b></u>	<u>62,815</u>

## **BUSINESS REVIEW**

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

In 2022, the display panels market remained sluggish. Continuous international conflicts, high inflation, decrease in consumer demand, together with an oversupply in the market led to a significant decrease in the sales of the Group's display products during the Year as compared with 2021. The Group's revenue for the Year amounted to approximately HK\$301,318,000, representing a decrease of approximately 43% as compared with approximately HK\$528,350,000 in 2021. However, thanks to its vast product diversity and flexible business strategy, including the introduction of health-related products in recent years, the Group is still able to record a turnaround of its results from loss to profit for the Year. Profit attribute to equity holders of the Company for the Year amounted to approximately HK\$4,038,000 as compared to a loss attributable to equity holders of the Company of approximately HK\$43,857,000 for the year ended 31 December 2021.

Sales of medium-to-large sized display products, including display panels and modules for computer notebooks, monitors and televisions, continued to be the key revenue driver of the Group during the Year. However, the anticipation of a global recession, ongoing inflation and rising interest rates have superseding consumers' motivation to buy. In addition, since the COVID-19 pandemic has gradually come under control, people's lives began to return to normal. With the gradual fade-out of the trend of distance learning and remote work, as well as the fulfillment of initial demand for devices including laptops, PC monitors and tablets, these have led to a drop in demand for display products, causing a significant drop on demand for display panels and related display components, and thus resulting in the excess inventory in the market, as well as drop in market price. The Group's sales of TFT-LCD panels and modules decreased by approximately 64% from approximately HK\$431,770,000 in 2021 to approximately HK\$155,896,000 during the Year. The Group's sales of polarisers amounted to approximately HK\$36,554,000 during the Year, representing a decrease of approximately 19% as compared with approximately HK\$44,865,000 in 2021. The decrease was mainly due to the fact that the polarisers sold by the Group were mainly used on mobile phones and China's domestic mobile phone shipments in 2022 decreased as compared to 2021. The Group's sales of integrated circuits and optics products remained weak during the Year. Sales of integrated circuits amounted to approximately HK\$1,883,000 during the Year, representing a decrease of approximately 75% as compared with approximately HK\$7,428,000 in 2021. Sales of optics products amounted to approximately HK\$590,000 during the Year, representing a decrease of approximately 81% as compared with approximately HK\$3,171,000 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\$16,396,000 during the Year, representing an increase of approximately 7% as compared with approximately HK\$15,266,000 in 2021. The increase was mainly due to the increase in the relevant revenue generated from Taiwan. More retail outlets in Taiwan, including chained drugstores, have installed the Group's electronic signage products. With the rise in popularity of digital information signages, and a continual increase in application in retail outlets and shopping malls, a strengthened demand for electronic signage products is expected in the near future.

During the Year, the Group's health-related products business continued to develop and became another key revenue driver of the Group. In response to the increasing public health awareness and strong demand for disinfection products under the outbreak of COVID-19 pandemic, the Group acted swiftly to introduce the Taiwanese brand "K-clean" personal hygiene and disinfection products to Hong Kong in 2020. With the Group's effort in producing effective promotion strategies through various marketing initiatives over the past two years, K-clean has successfully penetrated the market, with a wide customer base and strong brand reputation for its high product performance. At the beginning of 2022, the fifth wave of COVID-19 pandemic in Hong Kong had further boosted the demand for the Group's health-related products. In addition to K-clean, the Group also actively seized the opportunities for the sale of rapid antigen test kits for COVID-19 ("RAT") during the Year through its diversified business networks. Sales of the Group's health-related products amounted to approximately HK\$87,876,000 during the Year, representing an increase of approximately HK\$68,714,000 as compared with approximately HK\$19,162,000 in 2021. Health-related products propelled the improvement of the Group's overall gross profit margin and was a major factor of the Group's results turnaround from loss to profit for the Year as compared with 2021, which also demonstrated the success of the Group's flexible strategies.

The Group holds certain preferred shares of Mobvoi. Mobvoi through its subsidiaries (collectively, the "Mobvoi Group") 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 had informed the Company that it underwent several corporate transactions. Mobvoi Group entered into various agreements with affiliates of Volkswagen AG (collectively, the "VW Group") (a then substantial shareholder of Mobvoi which held certain preferred shares and ordinary shares of Mobvoi through its affiliate), which include: (i) the assignment of one half of various intellectual property rights related to automotive speech dialogue system for certain vehicle projects of VW Group (the "IP Rights") to VW Group such that Mobvoi Group and VW Group will co-own the IP Rights (the "IP Assignment") and, among other things, provision of technical support and training by the Mobvoi Group to VW Group on some of the IP Rights; (ii) the disposal of the half share of equity interest in a 50:50 joint venture in the PRC to VW Group (the "JV Equity Disposal"); and (iii) the repurchase of all the preferred shares and ordinary shares held by VW Group (the "Share Repurchase"). Such transactions amounted to an exit by VW Group of its investment in and a termination of its joint venture arrangement with Mobvoi Group. As of 31 December 2022, the JV Equity Disposal and the Share Repurchase had been completed, while the IP Assignment was in

the course of completion. The Company understands from Mobvoi that the aforementioned transactions will provide effective support to the continuing operations of the Mobvoi Group. Furthermore, the Mobvoi Group also has 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 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. Mobvoi Group will continue to be a long-term technology supplier to VW Group after the Share Repurchase. On the other hand, to reduce the negative impacts led by the recently introduced education systems policies in the PRC, Mobvoi informed the Company that it had disposed part of/all of the shares in two subsidiaries during the Year, 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 31 December 2022 to be cancelled. The aforementioned Share Repurchase from VW Group led to the increase in the Group's shareholding proportion in Mobvoi. In addition, following the 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%). However, due to (among others) the deterioration of the capital market conditions during the Year, fair value of the Group's investment in Mobvoi dropped to approximately HK\$25,201,000 as at 31 December 2022, as compared to approximately HK\$38,461,000 as at 31 December 2021. Fair value loss of approximately HK\$13,260,000 was recognised during the Year (2021: HK\$21,086,000). Nevertheless, 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.

Another investment of the Group was classified as financial asset at fair value through other comprehensive income, being the Group's investment in a Taiwan private company that engages in the separator (a key component in lithium batteries) business. The fair value of such investment decreased to approximately HK\$1,300,000 as at 31 December 2022 (31 December 2021: HK\$1,652,000). The Group's shareholding in such company remained unchanged at 2% throughout the Year, while additional shares were allotted by the company subsequent to 31 December 2022 and diluted the Group's shareholding to approximately 1.53%.

## **PROSPECTS**

Looking ahead, global economy will continue to be affected by geopolitical conflicts, fluctuating interest rates and high inflation. It is expected that display panels market will remain challenging. Furthermore, as COVID-19 pandemic in Hong Kong has been on a moderate trend and Hong Kong citizens are resuming their normal daily lives gradually after the relaxation of government's anti-epidemic measures, sales of certain of the Group's health-related products, such as RAT, are expected to be adversely affected. Nevertheless, the Group will continue to deploy the health-related products market through widening its product diversity to minimize the adverse impact arising from any individual product. Meanwhile, the Group will continue to keep abreast of the market dynamics by exploring more 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 and optics products during the Year had offset the contribution from health-related products. Total revenue of the Group for the Year amounted to approximately HK\$301,318,000, representing a decrease of approximately 43% as compared with approximately HK\$528,350,000 in 2021.

### **Cost of sales**

Cost of sales of the Group mainly consisted of purchase costs, staff costs, provision for obsolete inventories and other direct costs. Mainly due to the decrease in sales of display products, purchase costs decreased and thus cost of sales decreased during the Year as compared with 2021. Total cost of sales of the Group for the Year amounted to approximately HK\$231,649,000 which decreased by approximately 55% as compared to approximately HK\$510,795,000 in 2021.

### **Gross profit**

Gross profit of the Group during the Year amounted to approximately HK\$69,669,000, representing an increase of approximately HK\$52,114,000 as compared to approximately HK\$17,555,000 in 2021. The significant increase in gross profit was mainly due to the increase in revenue from the Group's health-related products, which had higher gross profit margins as compared with the Group's other major products, during the Year.

### **Other losses, net**

Net other losses of approximately HK\$12,862,000 was recorded for the Year, representing a decrease in loss of approximately HK\$6,624,000 as compared to approximately HK\$19,486,000 in 2021. The balance mainly included the fair value loss of approximately HK\$13,260,000 (2021: HK\$21,086,000) recognised for the Group's financial asset at FVTPL in respect of its investment in Mobvoi during the Year. The decrease in net other losses was mainly due to the decrease in the aforementioned fair value loss.



### **Distribution and selling expenses**

The Group's distribution and selling expenses for the Year amounted to approximately HK\$24,657,000, representing an approximately 56% increase as compared to approximately HK\$15,843,000 in 2021. The increase was mainly attributable to the increase in sales commissions, staff costs, transportation and promotion expenses incurred for the Group's health-related products.

### **General and administrative expenses**

The Group's general and administrative expenses for the Year amounted to approximately HK\$26,969,000, which increased by approximately 6% as compared with approximately HK\$25,472,000 in 2021. The increase was mainly attributable to the increase in staff costs and bank charges.

### **Research and development expenses**

The Group's research and development expenses amounted to approximately HK\$996,000 for the Year, which decreased by approximately 23% as compared with approximately HK\$1,301,000 in 2021. The decrease was mainly attributable to the decrease in staff costs.

### **Finance costs**

The Group's finance costs for the Year mainly represented interest expenses on lease liabilities and bank loan of approximately HK\$196,000 (2021: HK\$469,000) and approximately HK\$156,000 (2021: HK\$27,000), respectively. New bank loan was borrowed in the last quarter of the year ended 31 December 2021.

### **Income tax expense**

The Group's income tax expense for the Year mainly represented Hong Kong profits tax provided for the Year, while income tax expense for the year ended 31 December 2021 represented deferred income tax provided.

### **Profit/(loss) 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 in 2021 to profit during the Year. Profit attributable to equity holders of the Company for the Year amounted to approximately HK\$4,038,000 as compared to loss attributable to equity holders of the Company of approximately HK\$43,857,000 for 2021.

## **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 2022, the Group's cash and cash equivalents, represented by bank deposits, bank balances and cash, amounted to approximately HK\$85,709,000 (2021: HK\$88,512,000).

As at 31 December 2022, the Group's total bank borrowings comprised bank loan of approximately HK\$5,206,000 (2021: HK\$5,888,000).

## **GEARING RATIO**

The Group's gearing ratio as at 31 December 2022 was 4.8% (2021: 5.6%), 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 2022, the Group had no material contingent liabilities (2021: Nil).

## **CHARGE OF ASSETS**

As at 31 December 2022, the Group had charged its trade receivables of approximately HK\$480,000 (2021: HK\$5,377,000) in favour of a bank to secure the banking facilities granted to the Group.

## **CAPITAL COMMITMENTS**

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

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

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

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

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

As detailed in the Company's announcement dated 25 September 2020, with effect from 25 September 2020, pending the outcome of the legal proceedings of the Petition, the Director Respondents have been suspended from their duties as Directors. Mr. Cheng Wai Tak 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 Wai Tak. The function of the CEO is shared among the management staff of the Company and other members of the Board.

\* *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.

### **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, the Company has adopted the principles and the code provisions of the Corporate Governance Code (the “CG Code”) contained in Appendix 15 of the GEM Listing Rules.

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

### **AUDIT COMMITTEE**

The Company has established an audit committee on 20 January 2014 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and code provision D.3.3 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. Kan Man Wai and Mr. Cho Chi Kong. The audited annual results of the Group for the Year have been reviewed by the audit committee.

### **SCOPE OF WORK OF PRICEWATERHOUSECOOPERS**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this preliminary announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on this preliminary announcement.

### **ANNUAL GENERAL MEETING**

It is proposed that the forthcoming annual general meeting of the Company (the “AGM”) will be held on Tuesday, 6 June 2023. 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 Thursday, 1 June 2023 to Tuesday, 6 June 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Wednesday, 31 May 2023.

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

Hong Kong, 21 March 2023

*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>.*