

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**Perfect Optronics Limited**

**圓美光電有限公司**

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

**(Stock Code: 8311)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

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

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

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

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

## HIGHLIGHTS

- The Group recorded a revenue of approximately HK\$52.5 million for the six months ended 30 June 2024 (six months ended 30 June 2023: approximately HK\$66.5 million).
- Profit attributable to equity holders of the Company for the six months ended 30 June 2024 amounted to approximately HK\$2.3 million (six months ended 30 June 2023: loss of approximately HK\$3.9 million).
- The Board does not declare an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

## FINANCIAL RESULTS

The board of directors (the “Board”) of Perfect Optronics Limited (the “Company”) hereby announces the unaudited consolidated financial results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2024 together with the comparative unaudited figures for the corresponding period in 2023 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2024*

	Note	Six months ended 30 June	
		2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
<b>Revenue</b>	4	<b>52,506</b>	66,500
Cost of sales		<u>(46,042)</u>	<u>(56,437)</u>
<b>Gross profit</b>		<b>6,464</b>	10,063
Other gains, net	6	<b>15,023</b>	7,635
Distribution and selling expenses		<b>(7,703)</b>	(10,446)
General and administrative expenses		<b>(11,380)</b>	(11,305)
Research and development expenses		<u>(496)</u>	<u>(469)</u>
<b>Operating profit/(loss)</b>		<b>1,908</b>	(4,522)
Finance income		<b>59</b>	144
Finance costs	7	<u>(131)</u>	<u>(165)</u>
Finance costs, net		<u>(72)</u>	<u>(21)</u>
<b>Profit/(loss) before income tax</b>	8	<b>1,836</b>	(4,543)
Income tax credit/(expense)	9	<u>36</u>	<u>(1)</u>
<b>Profit/(loss) for the period</b>		<b>1,872</b>	(4,544)
<b>Other comprehensive income/(loss):</b>			
<i>Item that may be subsequently reclassified to income statement</i>			
Currency translation differences		<b>296</b>	127
<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>(276)</b>	300
Currency translation differences		<u>91</u>	<u>20</u>
<b>Total comprehensive income/(loss) for the period</b>		<b>1,983</b>	(4,097)
<b>Profit/(loss) for the period attributable to:</b>			
Equity holders of the Company		<b>2,250</b>	(3,859)
Non-controlling interests		<u>(378)</u>	<u>(685)</u>
		<b>1,872</b>	(4,544)
<b>Total comprehensive income/(loss) for the period attributable to:</b>			
Equity holders of the Company		<b>2,270</b>	(3,432)
Non-controlling interests		<u>(287)</u>	<u>(665)</u>
		<b>1,983</b>	(4,097)
<b>Basic and diluted earnings/(loss) per share (HK cents)</b>	11	<b>0.15</b>	(0.26)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2024*

	<i>Note</i>	<b>30 June 2024</b>	31 December 2023
		<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		729	169
Right-of-use assets		—	—
Intangible assets		5,322	5,322
Deferred income tax assets		69	69
Financial asset at fair value through other comprehensive income	3.4	1,224	1,500
Financial asset at fair value through profit or loss	3.4	50,930	35,848
		<u>58,274</u>	<u>42,908</u>
<b>Current assets</b>			
Inventories		10,935	17,907
Trade and other receivables	12	9,387	7,944
Cash and cash equivalents		37,173	47,372
		<u>57,495</u>	<u>73,223</u>
<b>Total assets</b>		<u><b>115,769</b></u>	<u><b>116,131</b></u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		14,837	14,837
Reserves		116,238	116,218
Accumulated losses		(36,510)	(38,760)
		<u>94,565</u>	<u>92,295</u>
<b>Non-controlling interests</b>		<u>(3,806)</u>	<u>(3,519)</u>
<b>Total equity</b>		<u><b>90,759</b></u>	<u><b>88,776</b></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank loan		3,446	3,810
Lease liabilities		158	623
		<u>3,604</u>	<u>4,433</u>
<b>Current liabilities</b>			
Trade and other payables	13	18,542	19,034
Current income tax liabilities		—	395
Bank loan		722	709
Lease liabilities		2,142	2,784
		<u>21,406</u>	<u>22,922</u>
<b>Total liabilities</b>		<u><b>25,010</b></u>	<u><b>27,355</b></u>
<b>Total equity and liabilities</b>		<u><b>115,769</b></u>	<u><b>116,131</b></u>

## **NOTES:**

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

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

The Company is an investment holding company and its subsidiaries are principally engaged in the trading, development and sales of display and optics products and related electronic components, as well as trading of health-related products and other products.

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2024 (the "2024 Interim Financial Statements") have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the GEM Listing Rules. The 2024 Interim Financial Statements do not include all the notes of the type normally included in an annual financial report. Accordingly, the 2024 Interim Financial Statements should be read in conjunction with the annual report for the year ended 31 December 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), and any public announcements made by the Company during the six months ended 30 June 2024.

The 2024 Interim Financial Statements are presented in Hong Kong dollars ("HK\$"), unless otherwise stated; and have been prepared under the historical cost convention, except for financial asset at fair value through other comprehensive income ("FVOCI") and financial asset at fair value through profit or loss ("FVTPL") which have been measured at fair value.

The 2024 Interim Financial Statements have not been reviewed by the external auditors of the Company but have been reviewed by the audit committee of the Company.

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

The significant accounting policies that have been used in the preparation of the 2024 Interim Financial Statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2023.

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 2024 Interim Financial Statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2023.

### 3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

#### 3.1 Financial instruments by category

The Group holds the following financial instruments at 30 June 2024:

	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
<b>Financial assets</b>		
Financial assets at amortised cost:		
Trade and other receivables	7,201	6,398
Cash and cash equivalents	37,173	47,372
Financial asset at FVOCI	1,224	1,500
Financial asset at FVTPL	<u>50,930</u>	<u>35,848</u>
	<u><b>96,528</b></u>	<u><b>91,118</b></u>
<b>Financial liabilities</b>		
Financial liabilities at amortised cost:		
Trade and other payables	15,752	15,141
Bank loan	4,168	4,519
Lease liabilities	<u>2,300</u>	<u>3,407</u>
	<u><b>22,220</b></u>	<u><b>23,067</b></u>

#### 3.2 Financial risk factors

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

The 2024 Interim Financial Statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2023.

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

### 3.3 Liquidity risk

As at 30 June 2024, the contractual maturities of the Group's non-derivative financial liabilities were as follows:

	Less than 1 year <i>HK\$'000</i>	Between 1 and 2 years <i>HK\$'000</i>	Between 2 and 5 years <i>HK\$'000</i>	Over 5 years <i>HK\$'000</i>	Total contractual undiscounted cash flows <i>HK\$'000</i>
<b>At 30 June 2024 (Unaudited)</b>					
Trade payables	8,604	—	—	—	8,604
Other payables	7,147	—	—	—	7,147
Bank loan	861	861	2,582	286	4,590
Lease liabilities	2,194	159	—	—	2,353
	<u>18,806</u>	<u>1,020</u>	<u>2,582</u>	<u>286</u>	<u>22,694</u>
<b>At 31 December 2023 (Audited)</b>					
Trade payables	7,717	—	—	—	7,717
Other payables	7,424	—	—	—	7,424
Bank loan	861	861	2,582	717	5,021
Lease liabilities	2,849	628	—	—	3,477
	<u>18,851</u>	<u>1,489</u>	<u>2,582</u>	<u>717</u>	<u>23,639</u>

### 3.4 Fair value measurements

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

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

The following table presents the Group's financial assets measured and recognised at fair value at 30 June 2024 and 31 December 2023 on a recurring basis:

	At 30 June 2024				At 31 December 2023			
	Level 1 HK\$'000 (Unaudited)	Level 2 HK\$'000 (Unaudited)	Level 3 HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Level 1 HK\$'000 (Audited)	Level 2 HK\$'000 (Audited)	Level 3 HK\$'000 (Audited)	Total HK\$'000 (Audited)
<b>Financial asset at FVTPL</b>								
— Unlisted preferred shares ( <i>Note (a)</i> )	—	—	—	—	—	—	35,848	35,848
— Listed equity securities ( <i>Note (a)</i> )	50,930	—	—	50,930	—	—	—	—
<b>Financial asset at FVOCI</b>								
— Unlisted equity securities ( <i>Note (b)</i> )	—	—	1,224	1,224	—	—	1,500	1,500
	<u>50,930</u>	<u>—</u>	<u>1,224</u>	<u>52,154</u>	<u>—</u>	<u>—</u>	<u>37,348</u>	<u>37,348</u>

*Notes:*

- (a) The balance as at 31 December 2023 comprised the Group's holding of 25,213,220 preferred shares ("Preferred Shares") in Mobvoi Inc. ("Mobvoi"), a company principally engaged in the rendering of rendering of artificial intelligence ("AI") software solutions and the sale of smart devices and other accessories to enterprise and individual customers. There have been no addition to or disposal of such investment by the Group since it made the investment in January 2015. No dividend has been received by the Group from Mobvoi since its investment. During the Period, Mobvoi completed the initial public offering (the "Mobvoi IPO") of its ordinary shares (the "Mobvoi Shares") and the Mobvoi Shares were listed on the Stock Exchange in April 2024. Meanwhile, the Preferred Shares held by the Group were converted to 25,213,220 Mobvoi Shares upon closing of the Mobvoi IPO. The Group, as well as other pre-IPO investors of Mobvoi, had undertaken with Mobvoi and the sponsors and the underwriters of the Mobvoi IPO not to dispose of their respective Mobvoi Shares for a period that lasts until 6 months from the date dealings in the Mobvoi Shares on the Stock Exchange commenced (i.e. up to 23 October 2024). The Group's shareholding proportion in Mobvoi was approximately 1.68% as at 30 June 2024.
- (b) The balance comprised the Group's equity investment in certain ordinary shares issued by a private company principally engaged in the research and development, manufacturing and sale of separator which is a key component in lithium batteries. The Group's shareholding proportion in such company was approximately 0.96% as at 30 June 2024 (31 December 2023: 0.96%).

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2024.

As mentioned in 3.4(a) above, since the Mobvoi Shares were listed in April 2024, the fair value of this investment can be determined by using quoted prices, it has therefore been reclassified from level 3 into level 1.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.



The Group further assessed the need for transfers between the levels given the changes in economic conditions and considering whether a lack of observable information existed for factors relevant to the value of certain instruments. In this regard, other than the transfer of investment in Mobvoi from level 3 to level 1 as explained above, there were no transfers required between the levels of the fair value hierarchy during the six months ended 30 June 2024 (six months ended 30 June 2023: Nil)

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

The following table presents the changes in level 3 instruments for the six months ended 30 June 2024 and 2023:

	<b>Financial asset at FVTPL HK\$'000 (Unaudited)</b>	<b>Financial asset at FVOCI HK\$'000 (Unaudited)</b>	<b>Total HK\$'000 (Unaudited)</b>
<b>Six months ended 30 June 2024</b>			
Opening balance as at 1 January 2024	35,848	1,500	37,348
Unrealised gain recognised in other gains, net ( <i>Note 6</i> )	15,082	—	15,082
Transfer to level 1	(50,930)	—	(50,930)
Loss recognised in other comprehensive income	—	(276)	(276)
	<u>—</u>	<u>(276)</u>	<u>(276)</u>
Closing balance as at 30 June 2024	<u>—</u>	<u>1,224</u>	<u>1,224</u>
<b>Six months ended 30 June 2023</b>			
Opening balance as at 1 January 2023	25,201	1,300	26,501
Unrealised gain recognised in other gains, net ( <i>Note 6</i> )	7,551	—	7,551
Gain recognised in other comprehensive income	—	300	300
	<u>—</u>	<u>300</u>	<u>300</u>
Closing balance as at 30 June 2023	<u>32,752</u>	<u>1,600</u>	<u>34,352</u>

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

Description	Valuation technique	Significant unobservable inputs	Value	Relationship of unobservable inputs to fair value
Ordinary shares issued by a private entity	Discounted cash flow method	Weighted average cost of capital (“WACC”)	16.91%	10% increase/(decrease) in WACC would result in (decrease)/increase in fair value by approximately (HK\$216,000)/HK\$240,000

Valuation of the above financial asset held by the Group as at the end of the reporting period was performed by independent valuer. There were no changes made to any of the valuation techniques applied as of 31 December 2023.

#### 4. REVENUE

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

#### 5. SEGMENT INFORMATION

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

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

(a) The Group’s revenues from its major products for the six months ended 30 June 2024 are as follows:

	Six months ended 30 June	
	2024 HK\$’000 (Unaudited)	2023 HK\$’000 (Unaudited)
Thin film transistor liquid crystal display (“TFT-LCD”) panels and modules	21,372	48,398
Optics products	16,176	39
Electronic signage	7,332	5,023
Health-related products	6,884	11,913
Others	742	1,127
	<u>52,506</u>	<u>66,500</u>

- (b) Revenue from external customers of the Group by geographical location for the six months ended 30 June 2024 is shown as follows:

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Hong Kong	46,991	60,259
Mainland China	3,208	5,888
Taiwan	2,307	353
	<u>52,506</u>	<u>66,500</u>

- (c) Revenue from major customers who have individually contributed 10% or more of the total revenue of the Group for the six months ended 30 June 2024 are disclosed as follows:

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Customer A	15,189	201
Customer B	5,385	13,996
	<u>5,385</u>	<u>13,996</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:

	<b>Hong Kong</b>	<b>Mainland</b>	<b>Taiwan</b>	<b>Total</b>
	<b>HK\$'000</b>	<b>China</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>As at 30 June 2024 (Unaudited):</b>				
<b>Non-current assets</b>				
Property, plant and equipment	601	6	122	729
Right-of-use assets	—	—	—	—
Intangible assets	4,200	1,122	—	5,322
	<u>4,801</u>	<u>1,128</u>	<u>122</u>	<u>6,051</u>
<b>As at 31 December 2023 (Audited):</b>				
<b>Non-current assets</b>				
Property, plant and equipment	—	10	159	169
Right-of-use assets	—	—	—	—
Intangible assets	4,200	1,122	—	5,322
	<u>4,200</u>	<u>1,132</u>	<u>159</u>	<u>5,491</u>

## 6. OTHER GAINS, NET

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Fair value changes in financial asset at FVTPL (Note 3.4)	15,082	7,551
Government subsidies	129	129
Net exchange loss	(233)	(48)
Others	45	3
	<u>15,023</u>	<u>7,635</u>

## 7. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expenses on:		
Lease liabilities	52	77
Bank loan	79	84
Factoring charges	—	4
	<u>131</u>	<u>165</u>

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

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	45,347	55,766
Write back of provision for obsolete inventories, net	(348)	(791)
Depreciation of property, plant and equipment	55	41
Depreciation of right-of-use assets	122	2,092
Provision for impairment of right-of-use assets	387	—
	<u>45,563</u>	<u>56,908</u>

## 9. INCOME TAX CREDIT/(EXPENSE)

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax — Hong Kong profits tax:		
Adjustments in respect of prior years	36	—
Deferred income tax	—	(1)
	<u>36</u>	<u>(1)</u>

No Hong Kong profits tax has been provided for the six months ended 30 June 2024 and 2023 as the Group has no estimated assessable profit arising in or derived from Hong Kong during the six months ended 30 June 2024 and 2023. Taxation on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

## 10. DIVIDEND

The Board does not declare an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

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

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

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to equity holders of the Company (HK\$'000)	<u>2,250</u>	<u>(3,859)</u>
Weighted average number of ordinary shares in issue (thousands)	<u>1,483,687</u>	<u>1,483,687</u>
Basic and diluted earnings/(loss) per share (HK cents per share)	<u>0.15</u>	<u>(0.26)</u>

For the purpose of determining the diluted earnings/(loss) per share amount, no adjustment has been made to the basic earnings/(loss) per share amount for the six months ended 30 June 2024 and 2023 as the Group had no potentially dilutive ordinary shares in issue during these periods.

## 12. TRADE AND OTHER RECEIVABLES

	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
Trade and bills receivables ( <i>Note</i> )	5,052	3,772
Prepayments, deposits and other receivables	4,335	4,172
	<u>9,387</u>	<u>7,944</u>

*Note:*

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

	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
0–30 days	3,419	3,063
31–60 days	1,211	419
61–90 days	190	112
Over 90 days	232	178
	<u>5,052</u>	<u>3,772</u>

## 13. TRADE AND OTHER PAYABLES

	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
Trade payables ( <i>Note</i> )	8,604	7,717
Deposits received from customers	4,362	5,258
Accruals and other payables	5,576	6,059
	<u>18,542</u>	<u>19,034</u>

*Note:*

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

	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
0–30 days	1,548	5,431
31–60 days	6,851	2,256
61–90 days	125	—
Over 90 days	80	30
	<u>8,604</u>	<u>7,717</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

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

Entering 2024, the display panel market continues to fluctuate due to the weak domestic demand in China, which affected the sales of the Group's display panels. In addition, following the end of pandemic phase of COVID-19 in Hong Kong, the demand for the Group's health-related products also significantly decreased. The Group recorded an approximately 21% decrease in revenue, dropped from approximately HK\$66,500,000 during the six months ended 30 June 2023 to approximately HK\$52,506,000 during the six months ended 30 June 2024 (the "Period"). On the other hand, the Group recognised a fair value gain on its financial assets at FVTPL in relation to its investment in Mobvoi of approximately HK\$15,082,000 during the Period, which led to a turnaround of the Group's financial results from loss to profit during the Period. Nevertheless, such fair value gain was significantly offset by the loss incurred by the Group in its business operations primarily due to the continuing weak performance of the sales of the Group. During the Period, the Group recorded a profit attributable to equity holders of the Company of approximately HK\$2,250,000, as compared to the loss attributable to equity holders of the Company of approximately HK\$3,859,000 for the six months ended 30 June 2023.

Sales of medium-to-large sized display products, including display panels and modules for computer notebooks, monitors and televisions continued to be a major revenue driver of the Group during the Period. However, considering the fluctuation in the market prices, the Group inclined to clear the inventories on hand and purchased less inventories of TFT-LCD panels and modules, which affected the sales of the Group's TFT-LCD panels and modules. During the Period, the Group's sales of TFT-LCD panels and modules amounted to approximately HK\$21,372,000, representing an approximately 56% decrease as compared to approximately HK\$48,398,000 for the corresponding period in 2023.

The Group's health-related products mainly included the "K-clean" brand personal hygiene and disinfectant products. As the demand for disinfectant products decreased drastically after the end of the pandemic in Hong Kong, sales of the Group's health-related products dropped to approximately HK\$6,884,000 during the Period, representing a decrease of approximately 42% as compared to approximately HK\$11,913,000 for the corresponding period in 2023. To alleviate the impact of the decrease in demand, the Group has expanded its product portfolio to various combination rapid antigen test kits and health supplements products. Furthermore, the Group has begun to explore the market opportunities in the pet economy and introduced health food for pets during the Period.

Notwithstanding the aforementioned drop in sales of the Group's TFT-LCD panels and modules and health-related products, optics products has become another revenue driver of the Group during the Period. Sales of the Group's optics products amounted to approximately HK\$16,176,000 during the Period (six months ended 30 June 2023: HK\$39,000). These optics products mainly represented motor vehicles' head-up display components. The recent surge in demand and production of electric vehicles in China boosted the demand for motor vehicles' head-up display components and the Group benefited from such a trend during the Period.

Electronic signage has become more and more popular. Through electronic signage, interactive displays and dynamic content delivery can be implemented, thereby enhancing customer engagement and driving sales. Electronic signage also benefits the education sector by facilitating the adoption of interactive whiteboards, digital learning aids, and immersive educational displays. The Group's sales of electronic signage products, including digital information signage, electronic shelf displays, and electronic white boards, etc., recorded a revenue of approximately HK\$7,332,000 during the Period, representing an increase of approximately 46% as compared to approximately HK\$5,023,000 during the corresponding period in 2023. The increase was mainly due to the wider application of the Group's electronic signage products in different sectors.

The Group held certain preferred shares of Mobvoi since 2015. Mobvoi is principally engaged in the rendering of AI software solutions and the sale of smart devices and other accessories to enterprise and individual customers. During the Period, Mobvoi was successfully listed on the Stock Exchange (stock code: 2438) in April 2024 and the preferred shares of Mobvoi held by the Group were converted to 25,213,220 ordinary shares of Mobvoi. To facilitate the carrying out of the Mobvoi IPO, the Group, as well as other pre-IPO investors of Mobvoi, had entered into a deed of lock-up undertaking with Mobvoi and the sponsors and the underwriters of the Mobvoi IPO, pursuant to which each of the pre-IPO investors agrees, whether directly or indirectly, at any time during the period of six months from the listing date of Mobvoi (the "Lock-up Period"), not to dispose of any of the Mobvoi Shares it held. The Lock-up Period will expire on 23 October 2024. The Group's shareholding proportion in Mobvoi was approximately 1.68% as at 30 June 2024. The Mobvoi Shares held by the Group was classified as financial asset at FVTPL. As at 30 June 2024, the fair value of such financial asset at FVTPL amounted to approximately HK\$50,930,000, which is determined based on the market price of the Mobvoi Shares. A fair value gain on such financial asset of approximately HK\$15,082,000 was recognised during the Period accordingly.



## **Prospects**

Looking ahead, facing the challenges in global environments, economies and consumer markets, the Group will execute flexible strategies to stabilize operations and maximize revenue streams. The Group will continue to diversify its business to mitigate external threats and increase income sources. The Group will actively explore new products and business opportunities with new suppliers and customers across various sectors, aiming to create greater value for shareholders of the Company.

## **Financial Review**

### ***Revenue***

Total revenue of the Group for the Period amounted to approximately HK\$52,506,000, representing an approximately 21% decrease as compared to approximately HK\$66,500,000 for the six months ended 30 June 2023. Amongst the Group's major products, both TFT-LCD panels and modules and health-related products recorded a significant drop in revenue during the Period as compared to the corresponding period in 2023.

### ***Gross profit***

The Group's gross profit for the Period amounted to approximately HK\$6,464,000, which decreased by approximately 36% as compared with approximately HK\$10,063,000 for the six months ended 30 June 2023. The decrease in gross profit was mainly due to the decrease in revenue during the Period.

### ***Other gains, net***

Net other gains of approximately HK\$15,023,000 was recorded for the Period (six months ended 30 June 2023: HK\$7,635,000). The balance mainly included the fair value gain of approximately HK\$15,082,000 recognised for the Group's financial asset at FVTPL in respect of its investment in Mobvoi during the Period (six months ended 30 June 2023: HK\$7,551,000).

### ***Expenses***

The Group's distribution and selling expenses for the Period amounted to approximately HK\$7,703,000, which decreased by approximately 26% as compared with approximately HK\$10,446,000 for the six months ended 30 June 2023. The decrease was mainly due to the decrease in depreciation of right-of-use assets during the Period attributable to the impairment made in prior year, as well as the decrease in sales commissions, transportation and promotion expenses incurred for the Group's health-related products as the sales decreased.

The Group's general and administrative expenses for the Period amounted to approximately HK\$11,380,000, which is comparable to approximately HK\$11,305,000 for the six months ended 30 June 2023.

The Group's research and development expenses for the Period amounted to approximately HK\$496,000, which increased by approximately 6% as compared with approximately HK\$469,000 for the six months ended 30 June 2023. The increase was mainly due to the increase 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\$52,000 (six months ended 30 June 2023: HK\$77,000) and HK\$79,000 (six months ended 30 June 2023: HK\$84,000), respectively.

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

Although the Group recorded a fair value gain of approximately HK\$15,082,000 (six months ended 30 June 2023: HK\$7,551,000) on its financial asset at FVTPL during the Period, this was however substantially offset by the loss incurred by the Group in its business operations during the Period primarily due to the continuing weak performance in the sales of the Group's display panels and health-related products. Profit attributable to equity holders of the Company during the Period amounted to approximately HK\$2,250,000, as compared to loss attributable to equity holders of the Company for the six months ended 30 June 2023 of approximately HK\$3,859,000.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group's principal sources of funds are used to finance working capital, and the growth and expansion of the Group's operations and sales network. The Group's principal sources of funds are cash generated from operations and bank borrowings. The Group's cash and cash equivalents as at 30 June 2024 and 31 December 2023 comprised bank deposits, bank balances and cash.

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

	<b>30 June 2024</b>	31 December 2023
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
United States dollars	<b>16,311</b>	15,818
Renminbi	<b>12,683</b>	11,500
HK\$	<b>7,735</b>	19,404
New Taiwan dollars	<b>444</b>	650
	<b>37,173</b>	47,372

As at 30 June 2024, the Group's total bank borrowings comprised bank loan of approximately HK\$4,168,000 (31 December 2023: HK\$4,519,000), which was obtained under the SME Financing Guarantee Scheme launched by the Government of HKSAR, will mature in 2029. The bank loan was denominated in HK\$ and carried a floating interest rate of prime rate minus 2.5% per annum. The scheduled repayment date of the Group's bank loan, as set out in the loan agreement and without considering the effect of any repayment on demand clauses were as follows:

	<b>30 June 2024</b>	31 December 2023
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
On demand or within a period not exceeding 1 year	<b>721</b>	709
Within a period of more than 1 year but not exceeding 2 years	<b>748</b>	735
Within a period of more than 2 years but not exceeding 5 years	<b>2,414</b>	2,370
Within a period of more than 5 years	<b>285</b>	705
	<b><u>4,168</u></b>	<u>4,519</u>

## **GEARING RATIO**

The Group's gearing ratio (calculated based on the Group's total interest-bearing bank borrowings divided by the Group's total equity) was 4.6% as at 30 June 2024 (31 December 2023: 5.1%).

## **CONTINGENT LIABILITIES**

As at 30 June 2024, the Group had no material contingent liabilities (31 December 2023: Nil).

## **CHARGE OF ASSETS**

The Group had no charge of assets as at 30 June 2024 (31 December 2023: Nil).

## **CAPITAL COMMITMENTS**

As at 30 June 2024, the Group did not have any significant capital commitments (31 December 2023: Nil).

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

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

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

## **COMPETING INTERESTS**

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

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

\* *for identification purpose only*

## **CORPORATE GOVERNANCE**

The Company has adopted the principles and the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix C1 of the GEM Listing Rules. Throughout the Period, the Company had complied with all the code provisions of the CG Code.

## **AUDIT COMMITTEE**

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

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

Hong Kong, 6 August 2024

*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 three independent non-executive directors, namely, Mr. Kan Man Wai (acting Chairman), Ms. Hsu Wai Man Helen and Mr. Lau Ngai Kee Ricky.*

*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>.*