
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Perfect Optronics Limited, you should at once hand this circular together with the enclosed proxy form to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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This circular, for which the directors of Perfect Optronics Limited 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 for the purpose of giving information with regard to Perfect Optronics Limited. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular 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 circular misleading.



Perfect Optronics Limited 圓美光電有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8311)

POSSIBLE VERY SUBSTANTIAL DISPOSAL IN RELATION TO DISPOSAL MANDATE OF SHARES OF MOBVOI INC.

A notice convening the extraordinary general meeting of Perfect Optronics Limited to be held at Flat 903, 9/F., New Lee Wah Centre, No. 88 Tokwawan Road, Tokwawan, Kowloon, Hong Kong on Tuesday, 21 January 2025 at 3:00 p.m. is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you intend to attend the meeting, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed (i.e. Sunday, 19 January 2025 at 3:00 p.m. (Hong Kong time)) for the holding of the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude shareholders from attending and voting at the meeting, or any adjourned meeting, should they so wish and, in such event, the proxy form shall be deemed to be revoked.

This circular will remain on the GEM website at <http://www.hkgem.com> on the "Latest Listed Company Announcements" page for at least 7 days from the date of its publication and on the Company's website at <http://www.perfect-optronics.com>. The English version of this circular shall prevail in case of any discrepancy or inconsistency between the English version and the Chinese version.

CHARACTERISTICS OF GEM

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.

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DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context requires otherwise:

“Announcement”	the announcement of the Company dated 13 December 2024 in relation to the Mobvoi Shares Disposal and the Disposal Mandate
“Board”	the board of Directors
“Company”	Perfect Optronics Limited (圓美光電有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability, the Shares of which are listed on GEM (Stock Code: 8311)
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal Mandate”	the specific mandate to be granted by the Shareholders to the Directors to effect the Mobvoi Shares Disposal during the Mandate Period of up to 25,213,220 Mobvoi Shares held by Skyteam
“EGM”	the extraordinary general meeting to be held by the Company at Flat 903, 9/F., New Lee Wah Centre, No. 88 Tokwawan Road, Tokwawan, Kowloon, Hong Kong on Tuesday, 21 January 2025 at 3:00 p.m. to consider and, if thought fit, to approve the Disposal Mandate
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	27 December 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mandate Period”	the period of 12 months from the date of passing of the resolution approving the Disposal Mandate at the EGM

DEFINITIONS

“Minimum Selling Price”	HK\$0.70 per Mobvoi Share
“Mobvoi”	Mobvoi Inc. (出門問問有限公司), an exempted company with limited liability incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2438)
“Mobvoi Group”	Mobvoi and its subsidiaries
“Mobvoi Share(s)”	ordinary share(s) of nominal value of US\$0.0000479889 each in the share capital of Mobvoi
“Mobvoi Shares Disposal”	the disposal of Mobvoi Shares by Skyteam from time to time under the Disposal Mandate
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Remaining Group”	the Group excluding the Mobvoi Shares
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Skyteam”	Skyteam Resources Limited, a limited liability company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$” or “USD”	United States dollars, the lawful currency of the United States of America
“%”	per cent

References to times and dates in this circular are to Hong Kong local times and dates.



Perfect Optronics Limited

圓美光電有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8311)

Executive Directors:

Mr. Cheng Wai Tak *(suspended)*
Mr. Liu Ka Wing *(suspended)*
Mr. Tse Ka Wing *(suspended)*
Mr. Chang Huan Chia

Registered Office:

Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Independent Non-executive Directors:

Mr. Kan Man Wai *(Acting Chairman)*
Ms. Hsu Wai Man Helen
Mr. Lau Ngai Kee Ricky

*Headquarters and principal place of
business in Hong Kong:*

Flat 903, 9/F., New Lee Wah Centre
No. 88 Tokwawan Road, Tokwawan
Kowloon, Hong Kong

31 December 2024

To the Shareholders

Dear Sir or Madam,

**POSSIBLE VERY SUBSTANTIAL DISPOSAL
IN RELATION TO
DISPOSAL MANDATE OF SHARES OF MOBVOI INC.**

INTRODUCTION

Reference is made to the Announcement.

The purpose of this circular is to provide you with further details of the Mobvoi Shares Disposal and the Disposal Mandate and other information as required under the GEM Listing Rules and to give you notice of the EGM.

LETTER FROM THE BOARD

MOBVOI SHARES DISPOSAL

Skyteam, a subsidiary of the Company, holds an aggregate of 25,213,220 Mobvoi Shares, representing approximately 1.66% of the issued share capital of Mobvoi as at the Latest Practicable Date. The Board announces that, depending on prevailing market conditions, Skyteam may from time to time dispose of up to all of the 25,213,220 Mobvoi Shares.

As disclosed in the announcement of the Company dated 29 January 2015, on 29 January 2015, Skyteam, the Mobvoi Group, Mr. Li Zhifei (the founder of the Mobvoi Group) and other investors entered into the series A-2 preferred share purchase agreement, pursuant to which Skyteam conditionally agreed to subscribe for 25,213,220 series A-2 preferred shares of Mobvoi for a consideration of US\$3,000,000 so as to provide an opportunity to the Group to share in and gain from the development potential of the Mobvoi Group and their products and technology, while facilitating future business cooperation and strategic alliance between the Group and the Mobvoi Group.

Since the acquisition of shareholding interest in Mobvoi by Skyteam, the Group had intended that the investment in Mobvoi would be held for long-term investment purpose in the hope that the value of the shares of Mobvoi would increase over time and that Mobvoi will go public through an initial public offering, which eventually materialised in April 2024. Following the conversion of the 25,213,220 series A-2 preferred shares of Mobvoi into 25,213,220 Mobvoi Shares on the listing on the Stock Exchange in April 2024 and the expiry of the lock-up undertaking on such Mobvoi Shares on 23 October 2024, the Company thus determined to make arrangements for disposing of up to all of the 25,213,220 Mobvoi Shares held by Skyteam.

When the Group made its investment in Mobvoi in early 2015, Mobvoi was an unlisted private company. As the shareholding interest in Mobvoi acquired by Skyteam had been intended to be a long-term and strategic investment of the Group, the Company had not attempted to dispose of the Mobvoi Shares since the acquisition until after the Mobvoi Shares became listed on the Stock Exchange in April 2024, upon which the Company considers that the shareholding interest in Mobvoi held by Skyteam would be able to achieve a better price and valuation.

Given the volatility of the stock market, disposing of the Mobvoi Shares at the best possible price requires prompt actions at the right timing and it would not be practicable to seek prior Shareholders' approval for each disposal of the Mobvoi Shares. To allow flexibility in effecting the Mobvoi Shares Disposal of the Mobvoi Shares at appropriate time(s) and price(s) so as to maximise the returns to the Group, the Company proposes to seek approval for the Disposal Mandate from the Shareholders at the EGM.

As the Mobvoi Shares are publicly traded on the Stock Exchange, the Board considers that it will be quicker and more cost effective to dispose of the Mobvoi Shares in the open market or through block trade(s) in the manner as set out in the sub-section headed "Disposal Mandate — Manner of disposal(s)" below. Depending on market conditions and disposal opportunities that may arise, the Group may also adopt other manner of

LETTER FROM THE BOARD

disposal(s), including but not limited to, private placing or similar arrangements, for disposing of the Mobvoi Shares at the best available price as and when the target purchaser(s) is/are identified.

In the event that the Group disposes of the Mobvoi Shares through other manner of disposal(s), the Company will make further announcement(s) and (where applicable) seek Shareholders' approval in accordance with the requirements under the GEM Listing Rules.

DISPOSAL MANDATE

The Disposal Mandate will be subject to the following parameters:

1. Mandate Period

12 months from the date of passing the resolution approving the Disposal Mandate at the EGM.

2. Maximum number of Mobvoi Shares to be disposed of

Up to 25,213,220 Mobvoi Shares, representing approximately 1.66% of the issued share capital of Mobvoi as at the Latest Practicable Date, subject to adjustments as set out in the sub-section headed "Capital Changes of Mobvoi" below.

3. Scope of authority

The Board shall be authorised and empowered to determine, decide, execute and implement with full discretion all matters relating to the Mobvoi Shares Disposal, including but not limited to (i) the timing; (ii) the number of batches of disposals; (iii) the number of Mobvoi Shares to be sold in each disposal; (iv) the manner of disposal (subject to the parameters set out under the sub-section headed "Manner of disposal(s)" below); (v) the target purchaser(s); and (vi) the selling price (subject to the parameters set out under the sub-section headed "Selling price" below).

It is expected that the purchaser(s) of the Mobvoi Shares to be disposed of under the Disposal Mandate and their ultimate beneficial owner(s) will be third parties independent of and not connected with the Company and its connected persons. In the event that any purchaser of the Mobvoi Shares Disposal is a connected person of the Company, the Company will strictly comply with the applicable reporting, announcement and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

4. Manner of disposal(s)

The Board shall be authorised and empowered to determine and decide with full discretion the manner of disposal, whether by way of sale in the open market or through block trade(s). If the Board decides to dispose of the Mobvoi Shares through placing agent(s), broker(s) or otherwise, the Company may appoint reputable placing agent(s) or broker(s) which is/are licensed to carry on Type 1 (Dealing in securities)

LETTER FROM THE BOARD

regulated activity under the Securities and Futures Ordinance to identify purchaser(s) for Mobvoi Shares depending on, among others, the relevant past experience and exposure of the placing agent(s) or broker(s), having regard to the transaction size and the intended placee(s) of the Mobvoi Shares Disposal concerned, and the terms and conditions of the placing or brokerage agreement shall be negotiated on an arm's length basis. It is expected that the placing agent(s) or broker(s) appointed by the Company (if any) for the purpose of the Mobvoi Shares Disposal and their ultimate beneficial owner(s) will be third parties independent of and not connected with the Company and its connected persons. As at the Latest Practicable Date, the Board has not yet appointed or identified any placing agent or broker in respect of the Mobvoi Shares Disposal.

5. Selling price

If the disposal of the Mobvoi Shares is made in the open market, each transaction shall be at the market price. If the disposal of the Mobvoi Shares is made through block trade(s), each transaction shall be at a price no more than 20% discount to the average closing price of the Mobvoi Shares in the five (5) trading days immediately prior to the date of any definitive agreement.

The Board shall ensure that regardless of the manner of disposal, the selling price per Mobvoi Share under the Disposal Mandate shall in no event be lower than the Minimum Selling Price of HK\$0.70, which represents the lowest closing price per Mobvoi Share as quoted on the Stock Exchange during the period from the date of listing of the Mobvoi Shares on the Stock Exchange (i.e. 24 April 2024) up to the trading day immediately prior to the date of the Announcement. In the event of Capital Changes of Mobvoi as set out under the sub-section headed "Capital Changes of Mobvoi" below, the Minimum Selling Price will be adjusted accordingly.

The Minimum Selling Price of HK\$0.70 represents:

- (i) a discount of approximately 17.6% to the average closing price of the Mobvoi Shares for the last five (5) trading days immediately prior to the date of the Announcement;
- (ii) a discount of approximately 18.6% to the average closing price of the Mobvoi Shares for the last thirty (30) trading days immediately prior to the date of the Announcement; and
- (iii) approximately 2.1 times the net asset value per Mobvoi Share of approximately HK\$0.33 per Mobvoi Share, calculated based on the unaudited consolidated net asset value of Mobvoi of RMB455,678,000 (equivalent to approximately HK\$492,933,948 at an exchange rate of HK\$1 to RMB0.92442) as at 30 June 2024 and 1,516,586,882 Mobvoi Shares in issue as at the date of the Announcement.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors, but excluding Mr. Cheng Wai Tak, Mr. Liu Ka Wing and Mr. Tse Ka Wing (collectively, the “**Suspended Directors**”) who have been suspended from their duties as Directors as disclosed in the announcement of the Company dated 25 September 2020) consider that the Minimum Selling Price will allow flexibility for the Group to accommodate fluctuation in the market conditions in the exercise of the Disposal Mandate and at the same time reflect the lowest acceptable price to the Group to dispose of the Mobvoi Shares and is thus fair and reasonable as far as the Company and the Shareholders are concerned.

The maximum 20% discount to the average closing price of the Mobvoi Shares in the five (5) trading day period is determined with reference to, among other factors, the trading volume of the Mobvoi Shares and the discount levels of other block trades undertaken on the Stock Exchange. It represents the maximum discount to the referenced average closing price of the Mobvoi Shares which the Company may consider in the exercise of the Disposal Mandate in the context of block trade(s), having regard to the then prevailing share price performance and market sentiment.

During the period from the date of listing of the Mobvoi Shares on the Stock Exchange (i.e. 24 April 2024) up to the trading day immediately prior to the date of the Announcement, the highest closing price was HK\$4.24 and the lowest closing price was HK\$0.70, and the average closing price was approximately HK\$1.73. The highest daily trading volume of the Mobvoi Shares was 61,942,500 Mobvoi Shares and the lowest daily trading volume of the Mobvoi Shares was 94,000 Mobvoi Shares, while the average trading volume of the Mobvoi Shares was approximately 3,359,745 Mobvoi Shares. The total number of 25,213,220 Mobvoi Shares to be disposed of under the Disposal Mandate represents approximately 7.5 times the average daily trading volume of the Mobvoi Shares during the said period. In order to make the Mobvoi Shares held by the Group more attractive in block trade(s), the Directors (excluding the Suspended Directors) consider that it is fair and reasonable for the Company to offer certain percentage of discount to the market price. For illustration purpose, using the five-day average closing price of the Mobvoi Shares of approximately HK\$0.85 per Mobvoi Share immediately prior to the date of the Announcement, if the Mobvoi Shares are sold at a maximum 20% discount to the five-day average closing price of the Mobvoi Shares, the selling price would be approximately HK\$0.68 per Mobvoi Share, and in which case, the Group will dispose of the Mobvoi Shares at a price not lower than the Minimum Selling Price of HK\$0.70 per Mobvoi Share.

As at the Latest Practicable Date, Skyteam held approximately 1.66% of the issued share capital of Mobvoi. Given the sizeable amount of the Mobvoi Shares held by the Group, it is a usual market practice to offer certain percentage of discounts to the prevailing market price in block trade(s). The maximum 20% discount range would give the Board room to decide the level of discounts to apply to each disposal with reference to the market conditions and market sentiments at the material time.

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Having taken into account the amount of the Mobvoi Shares held by the Group and the trading price fluctuations of the Mobvoi Shares, the Board considers that a maximum 20% discount would enable the Company to act promptly to changing market conditions. For instance, in the event that the market sentiments about the share price performance of Mobvoi and/or the market conditions are not favourable, the Company is likely to have to dispose of such a large amount of Mobvoi Shares at a discount to the prevailing market price. On the other hand, the Minimum Selling Price would also safeguard the interests of the Company that the Mobvoi Shares will not be disposed of at a price lower than the lowest acceptable price to the Group. In any event, the Company will exercise all reasonable endeavours to achieve the best available price in disposing of the Mobvoi Shares at the time of execution of each disposal.

The proposed maximum discount of 20% to the five-day average closing price of the Mobvoi Shares will allow flexibility for the Group in disposing of the Mobvoi Shares within a reasonable price range and promptly if needed in light of the volume of the Mobvoi Shares held by the Group. Having considered the above, the Directors (excluding the Suspended Directors) consider that the terms of the Disposal Mandate are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The Company will report on the progress of the Mobvoi Shares Disposal in the forthcoming annual report of the Company in compliance with the GEM Listing Rules. The Company will make appropriate announcement(s) in compliance with the GEM Listing Rules in the event that the Mobvoi Shares Disposal cannot be completed within the Mandate Period.

6. Capital Changes of Mobvoi

If and when there shall be any alteration to the nominal value of Mobvoi Shares as a result of consolidation, subdivision or reclassification, or any issue of new Mobvoi Shares to Skyteam by way of capitalisation of profits or reserves or by way of a scrip dividend (collectively, the “**Capital Changes**”) during the Mandate Period, the number of Mobvoi Shares approved under the Disposal Mandate shall be adjusted accordingly to include such new Mobvoi Shares issued and the Minimum Selling Price shall be adjusted by multiplying HK\$0.70 by the total number of the Mobvoi Shares in issue immediately before the Capital Changes and divided by the total number of the Mobvoi Shares in issue immediately thereafter.

The Company will publish announcement(s) on the Capital Changes of Mobvoi, including the revised number of Mobvoi Shares approved under the Disposal Mandate, the revised Minimum Selling Price and the effective date of such changes under each of the above circumstances.

LETTER FROM THE BOARD

INFORMATION ON SKYTEAM AND THE GROUP

Skyteam is a limited liability company incorporated under the laws of the British Virgin Islands and is principally engaged in investment holding. As at the Latest Practicable Date, Skyteam is indirectly wholly owned by the Company.

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

INFORMATION ON MOBVOI

Mobvoi is an investment holding company. The Mobvoi Group is principally engaged in the rendering of artificial intelligence software solutions and sale of smart devices and other accessories to enterprises and individual customers. The Mobvoi Shares are listed on the Main Board of the Stock Exchange (Stock Code: 2438).

Based on the prospectus of Mobvoi dated 16 April 2024, the audited consolidated financial results of the Mobvoi Group for each of the two financial years ended 31 December 2022 and 31 December 2023 were as follows:

	For the year ended 31 December 2022 RMB'000	For the year ended 31 December 2023 RMB'000
Loss before taxation from continuing operations	(683,683)	(800,807)
Loss after taxation from continuing operations	(684,979)	(802,602)

Based on the 2024 interim report of Mobvoi issued on 23 August 2024, the unaudited consolidated net asset value of the Mobvoi Group as at 30 June 2024 was approximately RMB455,678,000.

FINANCIAL IMPACT AND USE OF PROCEEDS

The Mobvoi Shares held by the Group were classified as financial assets at fair value through profit or loss in the consolidated financial statements of the Group. The audited carrying amount of the 25,213,220 Mobvoi Shares held by the Group as at 31 December 2023 was approximately HK\$35,848,000. As compared with the original acquisition cost of approximately HK\$23,954,000 in 2015, the fair value changes in respect of the shareholding interest in Mobvoi held by Skyteam up to 31 December 2023 amounted to approximately HK\$11,894,000. Other than fair value changes recognised, no impairment had been made in the consolidated financial statements of the Group in respect of the shareholding interest in Mobvoi held by Skyteam since the acquisition.

LETTER FROM THE BOARD

Based on the Minimum Selling Price of HK\$0.70 per Mobvoi Share, the aggregate market value of the 25,213,220 Mobvoi Shares held by the Group was approximately HK\$17,649,000. For illustration purpose, on the assumption that all the 25,213,220 Mobvoi Shares held by the Group are to be disposed of during the year ending 31 December 2024 with reference to the Minimum Selling Price of HK\$0.70 per Mobvoi Share, it is estimated that the Group will record an unaudited loss of approximately HK\$18,199,000 from the Mobvoi Shares Disposal on its consolidated statement of comprehensive income for the year ending 31 December 2024, being the deficit of the estimated gross sale proceeds (excluding transaction costs and taxes) of approximately HK\$17,649,000 arising from the disposal of all the 25,213,220 Mobvoi Shares at the Minimum Selling Price of HK\$0.70 per Mobvoi Share from the carrying amount of the 25,213,220 Mobvoi Shares held by the Group as at 31 December 2023 of approximately HK\$35,848,000. On such basis and upon settlement of the Mobvoi Shares Disposal, the assets of the Group will be reduced by approximately HK\$35,848,000, being the carrying amount of all the 25,213,220 Mobvoi Shares, and increased by approximately HK\$17,649,000, being the gross sale proceeds from the Mobvoi Shares Disposal (excluding transaction costs and taxes). The Mobvoi Shares Disposal will have no effect on the Group's liabilities.

Based on the original acquisition cost of approximately HK\$23,954,000 of the shareholding interest in Mobvoi and the estimated gross sale proceeds (excluding transaction costs and taxes) of approximately HK\$17,649,000 arising from the disposal of all the 25,213,220 Mobvoi Shares at the Minimum Selling Price of HK\$0.70 per Mobvoi Share, there would be a deficit of approximately HK\$6,305,000.

The actual amount of the proceeds, the accounting gain or loss to be recognised in the consolidated financial statements of the Group and the effects on the net assets and earnings of the Group in relation to the Mobvoi Shares Disposal would depend on the actual selling price(s) of the relevant Mobvoi Shares and the actual number of the Mobvoi Shares to be disposed of and will be subject to final audit by the auditors of the Group. The net proceeds from the Mobvoi Shares Disposal will be used as general working capital of the Group. Cash and cash equivalents of the Group as at 30 June 2024 amounted to approximately HK\$37,173,000. With a view to strengthening the financial position of the Group, the Board is of the view that the Mobvoi Shares Disposal will improve the Group's liquidity and increase the available cash resources for the business operations and continuing development of the Group. As at the Latest Practicable Date, the Company did not have any specific plan for the use of proceeds from the Mobvoi Shares Disposal, nor has any negotiation for future acquisitions been undertaken by the Company.

REASONS AND BENEFITS OF THE MOBVOI SHARES DISPOSAL

The Group made its investment in Mobvoi in January 2015 and has held such investment since then. In light of the listing of the Mobvoi Shares on the Stock Exchange earlier this year, the expiry of the lock-up undertaking by Skyteam in respect of the Mobvoi Shares held, as well as the current market condition, the Board considers that the Mobvoi Shares Disposal presents a good opportunity for the Group to realise its investment in

LETTER FROM THE BOARD

Mobvoi and reallocate its resources to other business needs. The Mobvoi Shares Disposal will enable the Group to enhance its cash flow position, which in turn will improve liquidity and solidify the financial position of the Group.

In view of the number of the Mobvoi Shares held by the Group and the volatility of the stock market, the Board considers that the Disposal Mandate will give flexibility to the Directors to dispose of the Mobvoi Shares at appropriate time(s) and price(s) in order to maximise the returns to the Group. The Mobvoi Shares Disposal will be made with reference to the then prevailing market price of the Mobvoi Shares. The Directors (excluding the Suspended Directors) are of the view that the Mobvoi Shares Disposal and the Disposal Mandate are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

On the assumption that all of the 25,213,220 Mobvoi Shares are sold at the average closing price of the Mobvoi Shares of approximately HK\$1.73 during the period from the date of listing of the Mobvoi Shares on the Stock Exchange (i.e. 24 April 2024) up to the trading day immediately prior to the date of the Announcement, one or more of the applicable percentage ratios (as defined under Rule 19.07 of the GEM Listing Rules) in respect of the Mobvoi Shares Disposal may exceed 75%, the Mobvoi Shares Disposal may constitute a very substantial disposal of the Company under Chapter 19 of the GEM Listing Rules and shall be subject to the reporting, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

Pursuant to Rule 19.68(2)(a)(i) of the GEM Listing Rules, for a circular issued in relation to a very substantial disposal, it is required that financial information of either (a) Mobvoi; or (b) the Group with Mobvoi being shown separately, be included in the circular in relation to the Mobvoi Shares Disposal, where such financial information must be reviewed by the Company's auditors or reporting accountants according to the relevant standards as specified under Rule 19.68(2)(a)(i) of the GEM Listing Rules (the "**Rules Requirements**"). According to Note 2 to Rule 19.68(2)(a)(i) of the GEM Listing Rules, the Stock Exchange may be prepared to relax the Rules Requirements if the assets of Mobvoi are not consolidated in the Group's accounts before the Mobvoi Shares Disposal.

In this connection, the Company has applied to the Stock Exchange for a waiver from strict compliance with the Rules Requirements on the following grounds:

- (1) As at the Latest Practicable Date, the Company holds only a minority interest of approximately 1.66% in Mobvoi through Skyteam, and the Group is merely a passive investor. The investments in Mobvoi held by the Group have been classified as a financial asset at fair value through profit or loss in the consolidated financial statements of the Group and the financial results of Mobvoi have never been consolidated with the financial results of the Group. As such, it is impractical for the Company to prepare the financial information of Mobvoi as required under Rule 19.68(2)(a)(i) of the GEM Listing Rules which would be of minor importance only for the assessment of the impact of the Mobvoi Shares Disposal and the Disposal Mandate.

LETTER FROM THE BOARD

- (2) Since:
- (a) Mobvoi has a large number of subsidiaries, carrying on various types of business activities in different locations in Mainland China, the United States, the Netherlands, Singapore and Taiwan, which would entail a review of tremendous volume of accounting books and records should GEM Listing Rules 19.68(2)(a)(i) be required to be strictly complied with; and
 - (b) Skyteam is only a small minority shareholder of Mobvoi, and the Company has not and would not be given access to the non-public financial information (including the underlying accounting books and records) of the Mobvoi Group that would be necessary for the preparation of an accountants' report or any review work to be undertaken by the Company's auditors,

it would thus warrant substantial time and resources to be incurred by the Company far beyond the capacity of the Company to prepare the relevant financial information of Mobvoi and for the Company's auditors to issue a review opinion. Hence, the Company considers it would be unduly burdensome and impracticable for the Company to strictly comply with Rule 19.68(2)(a)(i) of the GEM Listing Rules in relation to the Disposal Mandate.

- (3) The financial results of Mobvoi, being a company listed on the Stock Exchange, are publicly available under the relevant Listing Rules based on which the Shareholders and/or investors of the Company can make an informed assessment of the Mobvoi Shares Disposal and the Disposal Mandate. The non-inclusion of the financial information of Mobvoi in accordance with requirements under Rule 19.68(2)(a)(i) of the GEM Listing Rules is therefore not likely to mislead or cause other undue risks to the Shareholders and/or investors of the Company.
- (4) As a minority shareholder of Mobvoi, the Group has not and would not be given access to the financial information (or the underlying accounting books and records) of Mobvoi other than those disclosed to the public by Mobvoi under the Listing Rules. However, the Company would need access to the underlying accounting books and records of Mobvoi for the review work to be undertaken by the Company's auditors. Strict compliance with Rule 19.68(2)(a)(i) of the GEM Listing Rules would not be practicable or possible for the Company.
- (5) The financial statements of Mobvoi for each of the past three years ended 31 December 2021, 2022 and 2023 were prepared in accordance with all applicable International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and were audited with unqualified audit opinion issued by the auditors of Mobvoi, KPMG Huazhen LLP.

LETTER FROM THE BOARD

- (6) To the best of the Directors' knowledge, information and belief (and concurred by the audit committee of the Company), there are no material differences between IFRS, being the accounting standards adopted by Mobvoi in its audited consolidated financial statements, and Hong Kong Financial Reporting Standards, being the accounting standards adopted by the Company in its audited consolidated financial statements.

The Stock Exchange has granted a waiver to the Company from strict compliance with the Rules Requirements in this circular.

As alternative disclosure, this circular will include and disclose extracts of (i) the consolidated statement of financial position; (ii) the consolidated statement of profit or loss and other comprehensive income; (iii) the consolidated cash flow statement or (in respect of the six months ended 30 June 2024) the condensed consolidated cash flow statement; and (iv) the consolidated statement of changes in equity of Mobvoi for the past three financial years ended 31 December 2023 and the six months ended 30 June 2024, and the accompanying notes thereto via hyperlinks.

EGM

None of the Directors has a material interest in the Disposal Mandate. Save for the Suspended Directors who have been suspended from their duties as Directors, and accordingly, had abstained from voting on the Board resolution(s) approving the Disposal Mandate, no Director had abstained or was required to abstain from voting on the Board resolution(s) approving the Disposal Mandate at the relevant Board meeting.

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the Disposal Mandate by way of a poll. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholders have a material interest in the Disposal Mandate. Accordingly, no Shareholder is required to abstain from voting at the EGM.

A notice of the EGM is set out on pages EGM-1 to EGM-3 of this circular. A proxy form for use at the EGM is enclosed herein. Whether or not you intend to attend the EGM, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed (i.e. Sunday, 19 January 2025 at 3:00 p.m. (Hong Kong time)) for the holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM, or any adjourned meeting, should you so wish and, in such event, the proxy form shall be deemed to be revoked.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors believe that the Mobvoi Shares Disposal and the Disposal Mandate are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Shareholders should vote in favour of the resolution to be proposed at the EGM to approve the Disposal Mandate.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

There is no assurance that the Company will proceed with the Mobvoi Shares Disposal after obtaining the Disposal Mandate. Whether and when the Company will proceed with the Mobvoi Shares Disposal depends on a number of factors including, without limitation, the then prevailing market prices and market conditions. As such, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

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

1. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for each of the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024 was disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.perfect-optronics.com):

- annual report of the Company for the year ended 31 December 2021 (pages 100 to 163) (www1.hkexnews.hk/listedco/listconews/gem/2022/0330/2022033000819.pdf)
- annual report of the Company for the year ended 31 December 2022 (pages 99 to 175) (www1.hkexnews.hk/listedco/listconews/gem/2023/0330/2023033001515.pdf)
- annual report of the Company for the year ended 31 December 2023 (pages 105 to 175) (www1.hkexnews.hk/listedco/listconews/gem/2024/0429/2024042903673.pdf)
- interim report of the Company for the six months ended 30 June 2024 (pages 3 to 22) (www1.hkexnews.hk/listedco/listconews/gem/2024/0829/2024082900380.pdf)

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 November 2024, being the latest practicable date for the purpose of this indebtedness statement prior to the publication of this circular, the Group had the following outstanding indebtedness:

Bank loan

The Group had a bank loan of approximately HK\$3,870,000 at a floating interest rate of prime rate minus 2.5% per annum, which is secured by a guarantee from HKMC Insurance Limited and a personal guarantee from Mr. Cheng Wai Tak, a substantial Shareholder.

Lease liabilities

The Group had lease liabilities with a carrying amount of approximately HK\$1,057,000.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of the business of the Group, as at the close of business on 30 November 2024, the Group did not have any other material debt securities, issued or outstanding, or authorised or otherwise created but unissued, term loan, other borrowing or indebtedness in the nature of borrowing of the Group including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits or hire purchase commitments, mortgages, charges, covenants, other contingent liabilities or guarantees.

3. WORKING CAPITAL STATEMENT

Taking into account the financial resources available to the Group, including the internally generated funds, the existing cash and cash equivalents and banking facilities and the expected financial impact of the Mobvoi Shares Disposal, the Directors are of the opinion that the working capital available to the Group is sufficient for its present requirements for at least 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

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.

A slowdown in the global economy, including the economic climate in the PRC, which has been one of the major markets for display products, would affect the results of the Group. A decrease in market demand may put significant downward pressure on the average selling prices. Reduced corporate and commercial activities also have a negative impact on the demand for and prices of the Group's products. If the economy continues to grow at a slow rate, or experiences a prolonged recession, the Group's business and results of operations will continue to be adversely affected.

Looking forward, despite the uncertainties in the global economy and market challenges, the Group will closely analyse the market dynamics, flexibly adjust its business strategies, and respond to the market challenges with a diversified business strategy. The Group will not only actively explore product diversity, but will also commit to explore business opportunities with new suppliers and customers from various areas in order to strive for stability in an uncertain future. Meanwhile, the Group will continue to maintain a sustainable win-win relationship with its suppliers and customers, foster mutual growth and create greater value for the Shareholders.

6. MANAGEMENT DISCUSSION AND ANALYSIS

Reproduced below is the management discussion and analysis of the Group's operations for the three financial years ended 31 December 2021, 2022 and 2023 respectively and the six months ended 30 June 2024. The information reproduced below is principally extracted from various sections including but not limited to the sub-sections headed "Business Review" and "Financial Review" under the section headed "Management Discussion and Analysis" of the annual report of the Company for the three financial years ended 31 December 2021, 2022 and 2023 respectively and the interim report of the Company for the six months ended 30 June 2024 to provide further information relating to the financial conditions and results of operations of the Group during the respective periods stated.

(a) For the year ended 31 December 2021

Business Review

In 2021, the global economy continued its uneven recovery amid lingering COVID-19-related disruptions. The persistence of COVID-19 has brought unprecedented challenges to the global economy, which led to market uncertainties. The Group recorded revenue growth during 2021. However, the market prices of display panels began to drop in the second half of 2021, which continuously affected the Group's margin and diminished the contribution from revenue growth. On the other hand, the fair value of the Group's investment in Mobvoi dropped significantly during the year ended 31 December 2021, as affected by the new policies of education sector in the PRC. Furthermore, there was an increase in the Group's distribution and selling expenses during the year ended 31 December 2021 as the Group's health-related products business grew. These were the principal factors which led to the increase in loss of the Group during the year ended 31 December 2021 as compared with 2020.

The Group's revenue for the year ended 31 December 2021 amounted to approximately HK\$528,350,000 representing an increase of approximately HK\$321,377,000 as compared with approximately HK\$206,973,000 in 2020. Loss attributable to equity holders of the Company for the year ended 31 December 2021 amounted to approximately HK\$43,857,000 representing an increase in loss of approximately HK\$26,974,000 as compared with approximately HK\$16,883,000 for the year ended 31 December 2020.

The 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 ended 31 December 2021. Due to the COVID-19 pandemic, the trend of distance learning and work-from-home mode continued to drive the market demand for laptops, PC monitors and tablets, and thus the demand for related display components. However, such demand began to cool down due to the gradual relaxation of COVID-19 restrictive measures in various areas. Moreover, some of the major TV manufacturers tuned down their sale targets, which resulted in the oversupply of display panels. The

rising inventories of panels created pressure on and caused the prices to drop. The drop in market price of panels in the second half of the year ended 31 December 2021 had directly impacted the Group's gross profit margin and affected the Group's financial performance during the year ended 31 December 2021. Nevertheless, the Group's sales of thin film translocator liquid crystal display ("TFT-LCD") panels and modules amounted to approximately HK\$431,770,000 during the year ended 31 December 2021, representing an increase of approximately HK\$293,304,000 as compared with approximately HK\$138,466,000 in 2020. Sales of integrated circuits amounted to approximately HK\$7,428,000 during the year ended 31 December 2021, representing an increase of approximately HK\$6,232,000 as compared with approximately HK\$1,196,000 in 2020.

The Group continued to make a strategic layout on polariser business actively, which brought a significant increase in the Group's sales of polarisers in 2021. The Group's sales of polarisers during the year ended 31 December 2021 amounted to approximately HK\$44,865,000, representing an increase of approximately 25% as compared with approximately HK\$35,794,000 in 2020. For electronic signage products, retail outlets and shopping malls have progressively adopted new technologies to enhance shoppers' experience to keep pace with digital transformation, which increases the demand for digital information signages products. With the Group actively seizing the market opportunity, expanding its customer base, and developing the Taiwan and overseas market during the year ended 31 December 2021, the Group's sales of electronic signage products, which include digital information signages, electronic shelf displays and electronic white boards, etc., amounted to approximately HK\$15,266,000, representing an increase of approximately 30% as compared with approximately HK\$11,774,000 in 2020. The Group will continue to develop its electronic signage business, explore the application of electronic signage in different areas, to capture the rising electronic signage market.

Similar to 2020, the Group's sales of optics products mainly include optics products components, however, such revenue dropped during the year ended 31 December 2021. The Group's sales of optics products during the year ended 31 December 2021 amounted to approximately HK\$3,171,000, representing a decrease of approximately 50% as compared with approximately HK\$6,353,000 in 2020.

Despite the Group having faced different challenges and market uncertainties, the Group still took advantage of its vast product diversity and flexible business strategy to capture more market opportunities. Since the outbreak of COVID-19 in early 2020, the global demand for personal disinfectant products has increased rapidly. The Group actively seized the opportunity to introduce the Taiwanese brand "K-clean" personal hygiene and disinfection product line to the Hong Kong market in 2020. The Group has implemented a variety of marketing initiatives through online and offline mutual drainage, including TV advertisements, electronic media promotions, retail kiosks

in shopping malls, and at the same time broadened its sales channels to various online sales platforms, large-scale chained retail outlets, department stores and drugstores, in order to increase market penetration of K-clean. The effectiveness of K-clean has also gained recognition in the market during the year ended 31 December 2021. Meanwhile, due to the COVID-19 pandemic situation remaining volatile, the demand for personal hygiene and disinfectant products continued to grow in the market, which propelled K-clean products demand even further. Sales of the Group's health-related products during the year ended 31 December 2021 amounted to approximately HK\$19,162,000, representing an increase of approximately HK\$14,655,000 as compared with approximately HK\$4,507,000 for 2020. As the pandemic has changed the people's way of life, health-related products have taken on a greater importance. The awareness about home and personal hygiene and the need for health-related products is expected to continue to increase.

The Group holds certain preferred shares of Mobvoi, which is principally engaged in the business of developing and providing voice search artificial intelligence ("AI") systems on mobile, smart wearable, automotive and other devices. Such investment is classified as financial asset at fair value through profit or loss. During the year ended 31 December 2021, Mobvoi continues to launch new and upgraded products to keep up with market demand. Besides that, Mobvoi also actively seizes the opportunity to expand high-growth business. Mobvoi acquired two companies which provide education and training services to students (including children) in the PRC in 2020 by the issues of new ordinary shares of Mobvoi. However, the PRC education system has been reforming, and various new policies were introduced during the year ended 31 December 2021. "Double reduction" policy, which seeks to ease students' homework and after-school tutoring burdens, was issued. Being participants in the education sector in the PRC, those two companies were also negatively affected by such policies. Fair value of the Group's investment in Mobvoi dropped significantly and amounted to approximately HK\$38,461,000 as at 31 December 2021 as compared to approximately HK\$59,547,000 as at 31 December 2020. Fair value loss of approximately HK\$21,086,000 was recognised during the year ended 31 December 2021, as compared to a fair value gain of approximately HK\$2,009,000 recognised in 2020. To reduce the negative impact of the aforementioned two education companies, the Company has been informed by Mobvoi that it has disposed of part of the shares in one of the aforesaid two companies which provide education and training services subsequent to 31 December 2021. Furthermore, Mobvoi will continue developing new products and exploring more opportunities and widening its revenue base to enhance its value.

The Group's another investment was classified as financial asset at fair value through other comprehensive income, representing the Group's investment in a Taiwan private company that engages in the separator's business (a key component in lithium batteries). Such company allotted additional shares to raise capital during the year ended 31 December 2021 and the Group's shareholding was diluted from approximately 2.22% as at 31 December 2020 to

2% as at 31 December 2021. The fair value of such investment decreased to approximately HK\$1,652,000 as at 31 December 2021 (31 December 2020: HK\$1,876,000).

Financial Review

Revenue

Total revenue of the Group for the year ended 31 December 2021 amounted to approximately HK\$528,350,000, which increased by approximately HK\$321,377,000 as compared to approximately HK\$206,973,000 in 2020. Increase in total revenue was attributable to the increase in revenue from the Group's sales of TFT-LCD panels and modules, polarisers, integrated circuits and electronic signage products, as well as the Group's health-related products.

Cost of sales

Cost of sales of the Group mainly consisted of purchase costs, staff costs, provision for obsolete inventories and other direct costs. Due to the increase in revenue, purchase costs and other direct costs increased during the year ended 31 December 2021 as compared with 2020. However, the write back of provision for obsolete inventories during the year ended 31 December 2021 decreased as compared with 2020. Total cost of sales for the year ended 31 December 2021 amounted to approximately HK\$510,795,000, which increased by approximately HK\$320,926,000 as compared to approximately HK\$189,869,000 in 2020.

Gross profit

Despite the significant increase in the Group's revenue during the year ended 31 December 2021, the Group's gross profit amounted to approximately HK\$17,555,000, which was comparable to that of approximately HK\$17,104,000 in 2020. It was mainly attributable to the decrease in gross profit margins of the products sold, in particular the display panels and modules, during the year ended 31 December 2021.

Other (losses)/gains, net

Net other losses of approximately HK\$19,486,000 (2020: net gains of HK\$3,256,000) was recorded during the year ended 31 December 2021. The balance mainly included the fair value loss in the Group's investment in Mobvoi of approximately HK\$21,086,000 (2020: fair value gain of HK\$2,009,000) during the year ended 31 December 2021.

Distribution and selling expenses

The Group's distribution and selling expenses for the year ended 31 December 2021 amounted to approximately HK\$15,843,000, representing an approximately 57% increase as compared to approximately HK\$10,119,000 in

2020. 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 ended 31 December 2021 amounted to approximately HK\$25,472,000, which decreased by approximately 5% as compared with approximately HK\$26,747,000 in 2020. The decrease was mainly attributable to the decrease in depreciation expense and professional fees.

Research and development expenses

The Group's research and development expenses amounted to approximately HK\$1,301,000 for the year ended 31 December 2021, which was comparable to approximately HK\$1,394,000 in 2020.

Finance costs

The Group's finance costs for the year ended 31 December 2021 represented interest expenses of approximately HK\$469,000 (2020: HK\$678,000) on lease liabilities and bank loan interest of approximately HK\$27,000 (2020: Nil). New bank loan was borrowed during the year ended 31 December 2021.

Income tax

No Hong Kong profits tax was provided by the Group for the year ended 31 December 2021 (2020: Nil). Income tax during the years ended 31 December 2021 and 2020 mainly represented deferred income tax (charged)/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 ended 31 December 2021 amounted to approximately HK\$43,857,000, representing an increase in loss of approximately HK\$26,974,000 as compared with the loss of approximately HK\$16,883,000 in 2020, which was mainly attributable to the fair value loss on the Group's investment in Mobvoi recognised and the increase in distribution and selling expenses during the year ended 31 December 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 2021, the Group's cash and cash equivalents, represented by bank deposits, bank balances and cash, amounted to

approximately HK\$88,512,000 (2020: HK\$76,403,000). The carrying amounts of the Group's bank deposits, bank balances and cash are denominated in the following currencies:

	As at 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
United States dollars (“USD”)	68,952	59,560
Renminbi (“RMB”)	9,006	8,805
Hong Kong dollars (“HK\$”)	8,135	7,478
New Taiwan dollars (“TWD”)	<u>2,419</u>	<u>560</u>
	<u><u>88,512</u></u>	<u><u>76,403</u></u>

As at 31 December 2021, the Group's total bank borrowings comprised bank loan of approximately HK\$5,888,000 (2020: Nil). The scheduled repayment date of the Group's bank borrowings, as set out in the loan agreement and without considering the effect of any repayment on demand clauses were as follows:

	As at 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
On demand or within a period not exceeding 1 year	683	—
Within a period of more than 1 year but not exceeding 2 years	702	—
Within a period of more than 2 years but not exceeding 5 years	2,226	—
Within a period of more than 5 years	<u>2,277</u>	<u>—</u>
	<u><u>5,888</u></u>	<u><u>—</u></u>

As at 31 December 2021, the Group's bank loan was floating interest rate loan denominated in HK\$. As at 31 December 2021, the Group's unutilised banking facilities restricted for trade finance purposes amounted to approximately HK\$15.6 million.

Gearing Ratio

The Group's gearing ratio as at 31 December 2021 was 5.6% (2020: 0%), which is calculated based on the Group's total interest-bearing bank borrowings divided by the Group's total equity.

Capital Structure

The capital of the Company only comprises ordinary shares. There has been no change in the capital structure of the Group during the year ended 31 December 2021.

Treasury Policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 December 2021.

The Group strives to reduce exposure to credit risk by monitoring on an ongoing basis with reference to the financial position of the debtors, past experience and other factors. The Group performs regular credit evaluations of its major customers. To manage liquidity risk, the management closely monitors the Group's liquidity position and maintains sufficient cash and an adequate amount of committed credit facilities to settle the payables of the Group.

Relationships with Employees, Suppliers and Customers

The Group's management policies, working environment, career prospects and employees' benefits have contributed to building good employee relations and employee retention of the Group. The Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to employees including medical benefits, social insurance, mandatory provident funds, bonuses and a share option scheme. The management regularly reviews its employees' remuneration packages to ensure they are up to prevailing market standards.

As at 31 December 2021, the employee headcount of the Group was 65 (2020: 66) and the total staff costs, including directors' emoluments, amounted to approximately HK\$25,331,000 during the year ended 31 December 2021 (2020: HK\$23,911,000). The Group has established long term business relationships with its major suppliers for over ten years. The Group has entered into long term supply framework agreements with these suppliers. The Group will endeavor to maintain its established relationship with these existing suppliers.

The Group has a well-established business relationship with its customers and has gained recognition in the TFT-LCD panel industry in the PRC. Some of its customers have over ten-year business relationships with the Group. To deal with the downturn in the Group's business in recent years, the Group endeavours to secure the business with existing customers and at the same time devotes to develop new reliable customers in new markets.

Contingent Liabilities

As at 31 December 2021, the Group had no material contingent liabilities (2020: Nil).

Charge of Assets

As at 31 December 2021, the Group had charged its trade receivables of approximately HK\$5,377,000 (2020: Nil) in favour of a bank to secure the banking facilities granted to the Group.

Foreign Currency

The Group's business transactions, assets and liabilities are principally denominated in USD, HK\$, RMB and TWD. HK\$ are reasonably stable against the USD under the Linked Exchange Rate System. In addition, the management considers that the impact on exchange differences for RMB and TWD is not significant as at 31 December 2021. The Group currently does not have a foreign currency hedging policy. However, the Board will continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Capital Commitments

As at 31 December 2021, the Group did not have any significant capital commitments (2020: Nil).

Significant Investments Held

In January 2015, the Group subscribed for 25,213,220 Series A-2 Preferred Shares of Mobvoi at a consideration of USD3,000,000. Mobvoi is principally engaged in the business of developing and providing voice search AI systems on mobile, smart wearable, automotive and other devices. The Company considers that the investment in Mobvoi, which is intended to be held by the Group for long-term investment purpose, will provide an opportunity to the Group to share in and gain from the development potentials of Mobvoi and its products and technology. The Group does not have any management or operational role in Mobvoi. There has been no addition to or disposal of such investment by the Group since it made the investment in January 2015. Mobvoi has undertaken several rounds of fundraising in recent years. As at 31 December 2021, the Group's shareholding proportion in Mobvoi was approximately 1.24% (on a fully diluted and as converted basis).

The Group's investment in Mobvoi is classified as financial asset at fair value through profit or loss. As at 31 December 2021, the fair value of the Group's investment in Mobvoi was approximately HK\$38,461,000, representing approximately 19.6% of the Group's total assets. No dividend has been received by the Group from Mobvoi since making its investment. A fair value loss of approximately HK\$21,086,000 was recognised on such investment during the year ended 31 December 2021.

Save for the abovementioned, the Group did not hold any significant investment in equity interest in any other company as at 31 December 2021.

Future Plans for Material Investments and Capital Assets

The Group did not have plans for material investments and capital assets as at 31 December 2021.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

The Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies during the year ended 31 December 2021.

(b) For the year ended 31 December 2022

Business Review

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 ended 31 December 2022 as compared with 2021. The Group's revenue for the year ended 31 December 2022 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 ended 31 December 2022. Profit attributable to equity holders of the Company for the year ended 31 December 2022 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 ended 31 December 2022. 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 ended 31 December 2022. The Group's sales of polarisers amounted to approximately HK\$36,554,000 during the year ended 31 December 2022, 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 ended 31 December 2022. Sales of integrated circuits amounted to approximately HK\$1,883,000 during the year ended 31 December 2022, 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 ended 31 December 2022, 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 ended 31 December 2022, 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 ended 31 December 2022, 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 ended 31 December 2022 through its diversified business networks. Sales of the Group's health-related products amounted to approximately HK\$87,876,000 during the

year ended 31 December 2022, 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 ended 31 December 2022 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 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. The 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 the Mobvoi Group and the 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 the 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 the VW Group (the "**JV Equity Disposal**"); and (iii) the repurchase of all the preferred shares and ordinary shares held by the VW Group (the "**Share Repurchase**"). Such transactions amounted to an exit by the VW Group of its investment in and a termination of its joint venture arrangement with the 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. The 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 ended 31 December 2022, 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 of Mobvoi as at 31 December 2022 to be cancelled. The aforementioned Share Repurchase from the VW Group led to

the increase in the Group's shareholding proportion in Mobvoi. In addition, following the cancellation of the treasury shares of Mobvoi, 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 ended 31 December 2022, 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 ended 31 December 2022 (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 ended 31 December 2022, while additional shares were allotted by the company subsequent to 31 December 2022 and diluted the Group's shareholding to approximately 1.53%.

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 ended 31 December 2022 had offset the contribution from health-related products. Total revenue of the Group for the year ended 31 December 2022 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 ended 31 December 2022 as compared with 2021. Total cost of sales of the Group for the year ended 31 December 2022 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 ended 31 December 2022 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 have higher gross profit margins as compared with the Group's other major products, during the year ended 31 December 2022.

Other losses, net

Net other losses of approximately HK\$12,862,000 was recorded for the year ended 31 December 2022, 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 fair value through profit or loss in respect of its investment in Mobvoi during the year ended 31 December 2022. 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 ended 31 December 2022 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 ended 31 December 2022 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 ended 31 December 2022, 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 ended 31 December 2022 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 ended 31 December 2022 mainly represented Hong Kong profits tax provided for the year ended 31 December 2022, 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 fair value through profit or loss, the Group recorded a turnaround of its results from loss in 2021 to profit during the year ended 31 December 2022. Profit attributable to equity holders of the Company for the year ended 31 December 2022 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).

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

	As at 31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
United States dollars ("USD")	39,487	68,952
Hong Kong dollars ("HK\$")	39,005	8,135
Renminbi ("RMB")	6,510	9,006
New Taiwan dollars ("TWD")	<u>707</u>	<u>2,419</u>
	<u>85,709</u>	<u>88,512</u>

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). The scheduled repayment date of the Group's bank borrowings, as set out in the loan agreement and without considering the effect of any repayment on demand clauses were as follows:

	As at 31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
On demand or within a period not exceeding 1 year	690	683
Within a period of more than 1 year but not exceeding 2 years	712	702
Within a period of more than 2 years but not exceeding 5 years	2,288	2,226
Within a period of more than 5 years	<u>1,516</u>	<u>2,277</u>
	<u>5,206</u>	<u>5,888</u>

As at 31 December 2022 and 2021, the Group's bank loan was floating interest rate loan denominated in HK\$.

As at 31 December 2022, the Group's unutilised banking facilities restricted for trade finance purposes amounted to approximately HK\$15.6 million (2021: HK\$15.6 million).

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.

Capital Structure

The capital of the Company only comprises ordinary shares. There has been no change in the capital structure of the Group during the year ended 31 December 2022.

Treasury Policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 December 2022.

The Group strives to reduce exposure to credit risk by monitoring on an ongoing basis with reference to the financial position of the debtors, past experience and other factors. The Group performs regular credit evaluations of its

major customers. To manage liquidity risk, the management closely monitors the Group's liquidity position and maintains sufficient cash and an adequate amount of committed credit facilities to settle the payables of the Group.

Relationships with Employees, Suppliers and Customers

The Group's management policies, working environment, career prospects and employees' benefits have contributed to building good employee relations and employee retention of the Group. The Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to employees including medical benefits, social insurance, mandatory provident funds, bonuses and a share option scheme. The management regularly reviews its employees' remuneration packages to ensure they are up to prevailing market standards.

As at 31 December 2022, the employee headcount of the Group was 65 (2021: 65) and the total staff costs, including directors' emoluments, amounted to approximately HK\$26,495,000 during the year ended 31 December 2022 (2021: HK\$25,331,000).

The Group has established long term business relationships with its major suppliers for over ten years. The Group has entered into long term supply framework agreements with these suppliers. The Group will endeavor to maintain its established relationship with these existing suppliers.

The Group has a well-established business relationship with its customers and has gained recognition in the TFT-LCD panel industry in the PRC. Some of its customers have over ten-year business relationships with the Group. The Group endeavours to secure the business with existing customers and at the same time devotes to develop new reliable customers in new markets.

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.

Foreign Currency

The Group's business transactions, assets and liabilities are principally denominated in USD, HK\$, RMB and TWD. HK\$ are reasonably stable against the USD under the Linked Exchange Rate System. In addition, the management considers that the impact on exchange differences for RMB and TWD is not

significant as at 31 December 2022. The Group currently does not have a foreign currency hedging policy. However, the Board will continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Capital Commitments

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

Significant Investments Held

In January 2015, the Group subscribed for 25,213,220 Series A-2 preferred shares of Mobvoi at a consideration of USD3,000,000. Mobvoi is principally engaged in the business of developing and providing voice search AI systems on mobile, smart wearable, automotive and other devices. The Company considers that the investment in Mobvoi, which is intended to be held by the Group for long-term investment purpose, will provide an opportunity to the Group to share in and gain from the development potentials of Mobvoi and its products and technology. The Group does not have any management or operational role in Mobvoi. There has been no addition to or disposal of such investment by the Group since it made the investment in January 2015. Mobvoi has undertaken several rounds of fundraising in recent years. During the year ended 31 December 2022, Mobvoi (i) repurchased certain of its preferred shares and ordinary shares from a substantial shareholder (those ordinary shares repurchased were issued to another shareholder of Mobvoi); and (ii) disposed of part of/all of the shares in certain of its subsidiaries in exchange for the repurchase by Mobvoi of certain of its ordinary shares, which were treated as treasury shares of Mobvoi as at 31 December 2022 to be cancelled. Upon cancellation of the treasury shares of Mobvoi, the Group's shareholding proportion in Mobvoi will be increased to approximately 1.57% (on a fully diluted and as converted basis) (31 December 2021: 1.24%).

The Group's investment in Mobvoi is classified as financial asset at fair value through profit or loss. As at 31 December 2022, the fair value of the Group's investment in Mobvoi was approximately HK\$25,201,000, representing approximately 16.4% of the Group's total assets. No dividend has been received by the Group from Mobvoi since making its investment. A fair value loss of approximately HK\$13,260,000 was recognised on such investment during the year ended 31 December 2022.

Save for the abovementioned, the Group did not hold any significant investment in equity interest in any other company as at 31 December 2022.

Future Plans for Material Investments and Capital Assets

The Group did not have plans for material investments and capital assets as at 31 December 2022.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

The Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies during the year ended 31 December 2022.

(c) For the year ended 31 December 2023*Business Review*

As the COVID-19 pandemic dissipates, the demand for work-from-home decreases, the wave of purchases of work-from-home end products like computer notebooks and monitors comes to an end, and the effect of the stay-at-home economy subsided during the year ended 31 December 2023. Coupled with global high inflation and unstable macroeconomic environment, the demand for display panels continued to shrink and the display panel industry faced a challenging year in 2023. In addition, the demand for the Group's health-related products declined significantly following the subsidence of the COVID-19 pandemic in Hong Kong. These unfavourable factors adversely affected the Group's business during the year ended 31 December 2023. Revenue of the Group during the year ended 31 December 2023 amounted to approximately HK\$124,255,000, representing a significant decrease of approximately 59% as compared with approximately HK\$301,318,000 for the year ended 31 December 2022. Mainly due to such significant decrease in revenue, the financial results of the Group turned from profit in 2022 to loss during the year ended 31 December 2023. Although the Group recognised a fair value gain on its financial assets at fair value through profit or loss ("FVTPL") of approximately HK\$10,647,000, the Group still recorded a loss attributable to equity holders of the Company of approximately HK\$19,104,000 during the year ended 31 December 2023, as compared to a profit attributable to equity holders of the Company of approximately HK\$4,038,000 for the year ended 31 December 2022.

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 ended 31 December 2023. However, as mentioned above, the display panel industry encountered a challenging business cycle with shrinking consumer demand, the Group's supplier reduced its supply which could have served as a market stabilisation measure. Also, the Group purchased less inventories of TFT-LCD panels and modules considering the fluctuation in the market prices. As a result, the Group recorded a significant decrease in sales of TFT-LCD panels and modules during the year ended 31 December 2023. Sales of the Group's TFT-LCD panels and modules amounted to approximately HK\$83,992,000 during the year ended 31 December 2023, representing a decrease of approximately 46% as compared with approximately HK\$155,896,000 in 2022. On the other hand, as one of the display components, the Group's polarisers are applied on certain models of mobile phones. Due to the reduced shipments of such mobile phones during the year ended 31 December 2023, the Group also recorded a significant decrease in sales

of polarisers during the year ended 31 December 2023. Sales of polarisers amounted to approximately HK\$782,000, representing a decrease of approximately 98% as compared with approximately HK\$36,554,000 in 2022. Sales of integrated circuits during the year ended 31 December 2023 amounted to approximately HK\$1,786,000 during the year ended 31 December 2023, representing a decrease of approximately 5% as compared with approximately HK\$1,883,000 in 2022.

The Group's sales of electronic signage products, which include digital information signages, electronic shelf displays and electronic white boards, etc., recorded a revenue of approximately HK\$14,029,000 during the year ended 31 December 2023, representing a decrease of approximately 14% as compared with approximately HK\$16,396,000 in 2022. The Group continued to develop the electronic signage market in various areas as electronic signage products became more and more popular in retail outlets and shopping malls. Nevertheless, the decrease in sales of such products was mainly due to the decrease in revenue generated from Taiwan in 2023 following the completion of a chained drugstore electronic signage project in 2022.

Notwithstanding the decrease in sales of the abovementioned major electronic products, there was significant improvement in the sales of the Group's optics products. Sales of the Group's optics products amounted to approximately HK\$4,994,000 during the year ended 31 December 2023, representing an increase of approximately HK\$4,404,000 as compared with approximately HK\$590,000 in 2022. Sales of the Group's optics products during the year ended 31 December 2023 mainly comprised motor vehicles' head-up display components, which benefited from the recent rapid development in electric vehicles industry in China.

For the Group's health-related products, the Group continued to develop its health-related products business, "K-clean" brand personal hygiene and disinfection products were actively promoted. However, mainly due to the ease of the COVID-19 pandemic and Hong Kong's return to normalcy from having various anti-epidemic measures, the demand for rapid antigen test kits for COVID-19 and the Group's personal hygiene and disinfectant products dropped significantly during the year ended 31 December 2023 as compared with 2022. Sales of the Group's health-related products amounted to approximately HK\$18,209,000 during the year ended 31 December 2023, representing a significant decrease of approximately 79% as compared with approximately HK\$87,876,000 in 2022. Nevertheless, with the public's health awareness heightened and as an implementation of the Group's product diversification and flexible business strategy, the Group captured such opportunity to introduce health supplements products to the market during the year ended 31 December 2023.

The Group's financial asset at FVTPL represented the Group's holding of certain preferred shares of Mobvoi, which is principally engaged in the rendering of AI software solutions and sale of artificial intelligence of things ("AIoT") smart devices to enterprise and individual customer. Fair value of such investment amounted to approximately HK\$35,848,000 as at 31 December 2023, which increased by approximately 42% as compared to approximately HK\$25,201,000 as at 31 December 2022. A fair value gain of approximately HK\$10,647,000 was recognised by the Group during the year ended 31 December 2023 as compared to the fair value loss of approximately HK\$13,260,000 recognised during the year ended 31 December 2022, which the Company understands mainly benefited from capital market's favour towards stocks of the AI sector during the year ended 31 December 2023. The Group's shareholding proportion in Mobvoi was approximately 1.57% (on a fully diluted and as converted basis) as at 31 December 2023 (31 December 2022: 1.57%). Mobvoi captured the opportunities presented by the latest global AI trends to iterate and upgraded its core technologies. In 2023, Mobvoi's large language model, "Sequence Monkey", which possesses the capabilities in natural language processing and generation, was launched making it a versatile tool for understanding text, generating content, engaging in dialogue, performing logical operations, and leveraging its trained knowledge base to provide global content creators, enterprises and consumers with information and insights. Mobvoi has also rolled out a series of artificial intelligence-generated content products during the year ended 31 December 2023. Mobvoi submitted its listing application to the Stock Exchange in May 2023 and the vetting of the application is still in progress as of the date of the annual report for the year ended 31 December 2023.

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 amounted to approximately HK\$1,500,000 as at 31 December 2023 (31 December 2022: HK\$1,300,000). During the year ended 31 December 2023, additional shares were allotted by the company for fundraising purposes. The Group's shareholding in such company was diluted to approximately 0.96% as at 31 December 2023 (31 December 2022: 2%).

Financial Review

Revenue

Total revenue of the Group for the year ended 31 December 2023 amounted to approximately HK\$124,255,000, representing an approximately 59% decrease as compared with approximately HK\$301,318,000 in 2022. As affected by the ease of COVID-19 pandemic in Hong Kong and the shrinking display panel market in 2023, the Group's major products, including TFT-LCD panels and modules and health-related products suffered a significant drop in revenue during the year ended 31 December 2023 as compared with 2022.

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 health-related products and TFT-LCD panels and modules, purchase costs decreased and thus cost of sales decreased during the year ended 31 December 2023 as compared with 2022. Total cost of sales of the Group for the year ended 31 December 2023 amounted to approximately HK\$108,961,000 which decreased by approximately 53% as compared to approximately HK\$231,649,000 in 2022.

Gross profit

Gross profit of the Group during the year ended 31 December 2023 amounted to approximately HK\$15,294,000, which decreased by approximately HK\$54,375,000 as compared with approximately HK\$69,669,000 in 2022. The decrease in gross profit during the year ended 31 December 2023 was mainly due to the decrease in revenue, in particular, revenue from the Group's health-related products which have higher gross profit margin as compared with the Group's other major products.

Other gains/(losses), net

Net other gains of approximately HK\$10,956,000 was recorded for the year ended 31 December 2023, while net other losses of approximately HK\$12,862,000 was recorded in 2022. The balance mainly included the fair value gain of approximately HK\$10,647,000 recognised for the Group's financial asset at FVTPL in respect of its investment in Mobvoi during the year ended 31 December 2023 (2022: fair value loss of HK\$13,260,000).

Distribution and selling expenses

The Group's distribution and selling expenses for the year ended 31 December 2023 amounted to approximately HK\$22,087,000, representing an approximately 10% decrease as compared with approximately HK\$24,657,000 in 2022. The decrease was mainly attributable to the decrease in sales commissions, transportation expenses and promotion expenses incurred for the Group's health-related products as the sales decreased. Nevertheless, impairment loss on right-of-use assets related to the leases of warehouses of approximately HK\$2,382,000 was recognised and included in the Group's distribution and selling expenses during the year ended 31 December 2023 (2022: Nil).

General and administrative expenses

The Group's general and administrative expenses for the year ended 31 December 2023 amounted to approximately HK\$23,890,000, representing an approximately 11% decrease as compared with approximately HK\$26,969,000 in 2022. The decrease was mainly attributable to the decrease in staff costs and bank charges. Nevertheless, impairment loss on right-of-use assets related to the leases of offices of approximately HK\$981,000 was recognised and included in the Group's general and administrative expenses during the year ended 31 December 2023 (2022: Nil).

Research and development expenses

The Group's research and development expenses for the year ended 31 December 2023 amounted to approximately HK\$938,000, which decreased by approximately 6% as compared to approximately HK\$996,000 in 2022. The decrease was due to the decrease in staff costs.

Finance costs

The Group's finance costs for the year ended 31 December 2023 mainly represented interest expenses on bank loan and lease liabilities of approximately HK\$169,000 (2022: HK\$156,000) and HK\$152,000 (2022: HK\$196,000), respectively.

(Loss)/profit attributable to equity holders of the Company

Mainly attributable to the significant decrease in revenue from the Group's health-related products and TFT-LCD panels and modules, which offset the positive effect of the fair value gain of the Group's investment in Mobvoi, the Group recorded a loss attributable to equity holders of the Company for the year ended 31 December 2023 amounted to approximately HK\$19,104,000, as compared to a profit attributable to equity holders of the Company of approximately HK\$4,038,000 for 2022.

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 2023, the Group's cash and cash equivalents, represented by bank deposits, bank balances and cash, amounted to approximately HK\$47,372,000 (2022: HK\$85,709,000).

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

	As at 31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong dollars (“ HK\$ ”)	19,404	39,005
United States dollars (“ USD ”)	15,818	39,487
Renminbi (“ RMB ”)	11,500	6,510
New Taiwan dollars (“ TWD ”)	650	707
	<u>47,372</u>	<u>85,709</u>

As at 31 December 2023, the Group's total bank borrowings comprised bank loan of approximately HK\$4,519,000 (2022: HK\$5,206,000). The scheduled repayment date of the Group's bank borrowings, as set out in the loan agreement and without considering the effect of any repayment on demand clauses were as follows:

	As at 31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
On demand or within a period not exceeding 1 year	709	690
Within a period of more than 1 year but not exceeding 2 years	735	712
Within a period of more than 2 years but not exceeding 5 years	2,370	2,288
Within a period of more than 5 years	705	1,516
	<u>4,519</u>	<u>5,206</u>

As at 31 December 2023 and 2022, the Group's bank loan was floating interest rate loan denominated in HK\$. As at 31 December 2023, the Group did not have any unutilised banking facilities restricted for trade finance purposes (2022: HK\$15.6 million).

Gearing Ratio

The Group's gearing ratio as at 31 December 2023 was 5.1% (2022: 4.8%), which is calculated based on the Group's total interest-bearing bank borrowings divided by the Group's total equity.

Capital Structure

The capital of the Company only comprises ordinary shares. There has been no change in the capital structure of the Group during the year ended 31 December 2023.

Treasury Policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 December 2023.

The Group strives to reduce exposure to credit risk by monitoring on an ongoing basis with reference to the financial position of the debtors, past experience and other factors. The Group performs regular credit evaluations of its major customers. To manage liquidity risk, the management closely monitors the Group's liquidity position and maintains sufficient cash and an adequate amount of committed credit facilities to settle the payables of the Group.

Relationships with Employees, Suppliers and Customers

The Group's management policies, working environment, career prospects and employees' benefits have contributed to building good employee relations and employee retention of the Group. The Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to employees including medical benefits, social insurance, mandatory provident funds, bonuses and a share option scheme. The management regularly reviews its employees' remuneration packages to ensure they are up to prevailing market standards.

As at 31 December 2023, the employee headcount of the Group was 67 (2022: 65) and the total staff costs, including directors' emoluments, amounted to approximately HK\$24,713,000 during the year ended 31 December 2023 (2022: HK\$26,495,000).

The Group has established long term business relationships with its major suppliers for over ten years.

The Group has entered into long term supply framework agreements with these suppliers. The Group will endeavor to maintain its established relationship with these existing suppliers.

The Group has a well-established business relationship with its customers and has gained recognition in the TFTLCD panel industry in China. Some of its customers have over ten-year business relationships with the Group. The Group endeavours to secure the business with existing customers and at the same time devotes to develop new reliable customers in new markets.

Contingent Liabilities

As at 31 December 2023, the Group had no material contingent liabilities (2022: Nil).

Charge of Assets

As at 31 December 2023, the Group had charged its trade receivables of HK\$nil (2022: HK\$480,000) in favour of a bank to secure the banking facilities granted to the Group.

Foreign Currency

The Group's business transactions, assets and liabilities are principally denominated in USD, HK\$, RMB and TWD. HK\$ are reasonably stable against the USD under the Linked Exchange Rate System. In addition, the management considers that the impact on exchange differences for RMB and TWD is not significant as at 31 December 2023. The Group currently does not have a foreign currency hedging policy. However, the Board will continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Capital Commitments

As at 31 December 2023, the Group did not have any significant capital commitments (2022: Nil).

Significant Investments Held

In January 2015, the Group subscribed for 25,213,220 Series A-2 Preferred Shares of Mobvoi at a consideration of USD3,000,000. Mobvoi is principally engaged in the rendering of AI software solutions and sale of AIoT smart devices to enterprise and individual customers. The Company considers that the investment in Mobvoi, which is intended to be held by the Group for long-term investment purpose, will provide an opportunity to the Group to share in and gain from the development potentials of Mobvoi and its products and technology. The Group does not have any management or operational role in Mobvoi. There has been no addition to or disposal of such investment by the Group since it made the investment in January 2015. Mobvoi has undertaken several rounds of fundraising in recent years. The Group's shareholding proportion in Mobvoi was approximately 1.57% as at 31 December 2023 (on a fully diluted and as converted basis) (2022: 1.57%).

The Group's investment in Mobvoi is classified as financial asset at fair value through profit or loss. As at 31 December 2023, the fair value of the Group's investment in Mobvoi was approximately HK\$35,848,000, representing approximately 30.9% of the Group's total assets. No dividend has been

received by the Group from Mobvoi since making its investment. A fair value gain of approximately HK\$10,647,000 was recognised on such investment during the year ended 31 December 2023.

Save for the abovementioned, the Group did not hold any significant investment in equity interest in any other company as at 31 December 2023.

Future Plans for Material Investments and Capital Assets

The Group did not have plans for material investments and capital assets as at 31 December 2023.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

The Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies during the year ended 31 December 2023.

(d) For the six months ended 30 June 2024

Business Review

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.

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:

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

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:

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

Capital Structure

The capital of the Company only comprises of ordinary shares. There has been no change in the capital structure of the Group during the Period.

Treasury Policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Period. The Group strives to reduce exposure to credit risk by monitoring on an ongoing basis with reference to the financial position of the debtors, past experience and other factors. The Group performs regular credit evaluations of its major customers. To manage liquidity risk, the management closely monitors the Group's liquidity position and maintains sufficient cash to settle the payables of the Group.

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).

Foreign Currency

The Group's business transactions, assets and liabilities are principally denominated in USD, HK\$, Renminbi and New Taiwan dollars. The Group currently does not have a foreign currency hedging policy. However, the Board will continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Capital Commitments

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

Significant Investments Held

In January 2015, the Group subscribed for 25,213,220 Series A-2 preferred shares of Mobvoi at a consideration of USD3,000,000. 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. The Group does not have any management or operational role in Mobvoi. There has been no addition to or disposal of such investment by the Group since it made the investment in January 2015. During the Period, Mobvoi completed the initial public offering of its ordinary shares and the Mobvoi Shares were listed on the Stock Exchange (stock code: 2438) in April 2024. Meanwhile, the Preferred Shares held by the Group were converted to 25,213,220 Mobvoi Shares upon the closing of the initial public offering of Mobvoi (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), as an effort to facilitate the carrying out of the Mobvoi IPO.

The Group's investment in Mobvoi is classified as financial asset at FVTPL. As at 30 June 2024, the fair value of the Group's investment in Mobvoi was approximately HK\$50,930,000, representing approximately 44.0% of the Group's total assets. No dividend has been received by the Group from Mobvoi since the Group made the investment. A fair value gain of approximately HK\$15,082,000 was recognised on such financial asset during the Period.

The Company considers that the investment in Mobvoi provides an opportunity to the Group to share in and gain from the development potentials of Mobvoi and its products and technology.

Save for the abovementioned, the Group did not hold any significant investment in equity interest in any other company as at 30 June 2024.

Future Plans for Material Investments and Capital Assets

The Group did not have plans for material investments and capital assets as at 30 June 2024.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

The Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies during the Period.

Information on Employees

The Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to employees including medical benefits, social insurance, provident funds, bonuses and share option scheme. As at 30 June 2024, the employee headcount of the Group was 56 (31 December 2023: 67) and the total staff costs, including directors' emoluments, amounted to approximately HK\$11,692,000 for the Period (six months ended 30 June 2023: HK\$12,379,000).

Set out below are (i) the consolidated statement of financial position; (ii) the consolidated statement of profit or loss and other comprehensive income; (iii) the consolidated cash flow statement or (in respect of the six months ended 30 June 2024) the condensed consolidated cash flow statement; and (iv) the consolidated statement of changes in equity of Mobvoi for each of the three financial years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024, which were extracted from the prospectus and the interim report for the six months ended 30 June 2024 of Mobvoi respectively.

Such published financial information of Mobvoi for each of the financial years ended 31 December 2021, 2022 and 2023 has been reviewed by the independent auditors of Mobvoi. In the opinions of the independent auditors of Mobvoi as stated in the prospectus of Mobvoi, the consolidated financial statements of the Mobvoi Group for each of the financial years ended 31 December 2021, 2022 and 2023 give a true and fair view of the financial position of the Mobvoi Group and of the consolidated financial performance and cash flows of the Mobvoi Group for each of the years then ended.

The financial information of Mobvoi contained in this appendix appears for information purposes only. The Directors take no responsibility for the financial information of Mobvoi, 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 financial information of Mobvoi contained in this appendix.

The full text of the accompanying notes to the consolidated financial statements of Mobvoi for the financial years ended 31 December 2021, 2022 and 2023 respectively was published on pages I-13 to I-102 of the prospectus of Mobvoi and is available on the website of the Stock Exchange (www1.hkexnews.hk/listedco/listconews/sehk/2024/0416/2024041600025.pdf).

The full text of the accompanying notes to the condensed consolidated financial statements of Mobvoi for the six months ended 30 June 2024 was published on pages 36 to 57 of the interim report of Mobvoi for the six months ended 30 June 2024 and is available on the website of the Stock Exchange (www1.hkexnews.hk/listedco/listconews/sehk/2024/0926/2024092600685.pdf).

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at December 31,			As at
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
				(Unaudited)
Non-current assets				
Property, plant and equipment	2,409	1,403	2,343	3,170
Right-of-use assets	15,632	9,035	3,293	10,748
Intangible assets	2,543	4,474	5,291	4,053
Goodwill	130,660	—	—	—
Interest in a joint venture	77,021	—	—	—
	<u>228,265</u>	<u>14,912</u>	<u>10,927</u>	<u>17,971</u>
Current assets				
Inventories	123,944	94,918	66,734	90,360
Trade receivables	45,464	40,024	57,981	31,412
Prepayments, deposits and other receivables	48,237	34,368	44,484	79,598
Financial assets measured at fair value through profit or loss	7,707	124,119	34,844	30,822
Financial assets measured at fair value through other comprehensive income	—	—	47,066	47,647
Time and restricted deposits	21,081	70,903	780	766
Cash and cash equivalents	131,758	40,250	144,324	385,884
	<u>378,191</u>	<u>404,582</u>	<u>396,213</u>	<u>666,489</u>
Current liabilities				
Trade payables	29,535	17,694	24,552	36,047
Other payables and accruals	54,387	54,224	63,312	54,157
Contract liabilities	151,842	60,873	53,131	62,324
Bank loans	20,000	20,000	—	20,000
Lease liabilities	6,336	6,831	3,148	3,273
Contingently redeemable preferred shares and ordinary shares	3,240,626	3,536,115	4,353,833	—
Current taxation	1,781	1,343	975	983
Warranty provisions	15,423	16,467	18,479	18,540
Deferred income	—	7,800	—	—
Other current liabilities	—	—	—	3,781
	<u>3,519,930</u>	<u>3,721,347</u>	<u>4,517,430</u>	<u>199,105</u>
Net current (liabilities)/assets	<u>(3,141,739)</u>	<u>(3,316,765)</u>	<u>(4,121,217)</u>	<u>467,384</u>
Total assets less current liabilities	<u>(2,913,474)</u>	<u>(3,301,853)</u>	<u>(4,110,290)</u>	<u>485,355</u>

	As at December 31,			As at
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
				(Unaudited)
Non-current liabilities				
Lease liabilities	9,574	2,743	313	7,892
Other non-current liabilities	—	—	19,738	21,785
	<u>9,574</u>	<u>2,743</u>	<u>20,051</u>	<u>29,677</u>
NET (LIABILITIES)/ASSETS	<u>(2,923,048)</u>	<u>(3,304,596)</u>	<u>(4,130,341)</u>	<u>455,678</u>
CAPITAL AND RESERVES				
Share capital	138	138	138	494
Reserves	<u>(2,923,186)</u>	<u>(3,304,734)</u>	<u>(4,130,479)</u>	<u>455,184</u>
TOTAL (DEFICIT)/EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF MOBVOI	<u>(2,923,048)</u>	<u>(3,304,596)</u>	<u>(4,130,341)</u>	<u>455,678</u>

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

	Year ended December 31,			Six months ended
	2021 RMB'000	2022 RMB'000	2023 RMB'000	June 30, 2024 RMB'000 (Unaudited)
Continuing operations				
Revenue	397,914	500,194	507,060	162,670
Cost of sales	<u>(248,718)</u>	<u>(164,043)</u>	<u>(180,981)</u>	<u>(57,364)</u>
Gross profit	149,196	336,151	326,079	105,306
Research and development expenses	(91,505)	(118,663)	(154,746)	(55,814)
Selling and marketing expenses	(105,938)	(97,120)	(150,711)	(91,291)
Administrative expenses	(48,701)	(55,169)	(88,987)	(55,881)
Other income and loss, net	35,650	7,584	24,708	(694)
(Impairment losses)/reversal of impairment losses recognized on trade receivables	<u>(461)</u>	<u>(1,195)</u>	<u>(3,885)</u>	<u>255</u>
(Loss/profit from operations)	(61,759)	71,588	(47,542)	(98,119)
Finance costs	(1,008)	(1,003)	(253)	(171)
Share of losses of a joint venture	(18,567)	(9,362)	—	—
Gain on disposal of interest in a joint venture/ a subsidiary	—	28,999	773	—
Changes in fair value of financial assets	—	1,179	—	—
Changes in the carrying amount of contingently redeemable preferred shares and ordinary shares	<u>(98,893)</u>	<u>(775,084)</u>	<u>(753,785)</u>	<u>(480,455)</u>
Loss before taxation from continuing operations	(180,227)	(683,683)	(800,807)	(578,745)
Income tax	<u>(1,753)</u>	<u>(1,296)</u>	<u>(1,795)</u>	<u>(11)</u>
Loss for the year/period from continuing operations	(181,980)	(684,979)	(802,602)	(578,756)
Discontinued operations				
Loss for the year/period from discontinued operations	<u>(94,316)</u>	<u>15,174</u>	<u>—</u>	<u>—</u>
Loss for the year/period	<u>.....(276,296)</u>	<u>.....(669,805)</u>	<u>.....(802,602)</u>	<u>.....(578,756)</u>

	Year ended December 31,			Six months ended
	2021 RMB'000	2022 RMB'000	2023 RMB'000	June 30, 2024 RMB'000 (Unaudited)
Other comprehensive income for the year/period (after tax):				
Item that will not be reclassified to profit or loss:				
Exchange differences on translation of financial statements	35,877	(195,647)	(38,803)	(3,206)
Items that may be reclassified subsequently to profit or loss:				
Changes in the fair value of financial assets measured at fair value through other comprehensive income	—	—	1,783	(375)
Exchange differences on translation of financial statements of overseas subsidiaries	<u>35,272</u>	<u>(120,100)</u>	<u>(27,821)</u>	<u>(2,047)</u>
Other comprehensive income for the year/period	<u>71,149</u>	<u>(315,747)</u>	<u>(64,841)</u>	<u>(5,628)</u>
Total comprehensive income for the year/period attributable to equity shareholders of Mobvoi	<u>(205,147)</u>	<u>(985,552)</u>	<u>(867,443)</u>	<u>(584,384)</u>
Loss per share				
Basic and diluted (RMB)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>(0.55)</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,			Six months ended
	2021 RMB'000	2022 RMB'000	2023 RMB'000	June 30, 2024 RMB'000 (Unaudited)
Operating activities				
Cash (used in)/generated from operations	(37,197)	74,104	30,555	(49,170)
Tax paid	(41)	(1,669)	(2,163)	(4)
Net cash (used in)/generated from operating activities	<u>(37,238)</u>	<u>72,435</u>	<u>28,392</u>	<u>(49,174)</u>
Investing activities				
Payment for the purchase of property, plant and equipment and intangible assets	(2,870)	(5,163)	(6,474)	(3,622)
Proceeds from sale of property, plant and equipment	68	34	91	203
Net (increase)/decrease in deposits with banks	(10,270)	(50,176)	19,947	—
Loans to third parties	(5,230)	—	—	(45,299)
Loans repaid by third parties	3,000	1,000	—	11,127
Interest and investment income received	1,120	2,490	5,075	4,424
Disposal of discontinued operations, net of cash disposed of	—	(5,032)	—	—
Proceeds from disposal of a joint venture	—	104,469	—	—
Disposal of a subsidiary, net of cash disposed	—	—	(2,793)	—
Investment in an unlisted equity securities	—	—	—	(10,690)
Payment for purchase of financial assets	(7,707)	(100,000)	(207,297)	(122,154)
Proceeds from sale of financial assets	—	11,931	300,286	131,605
Net cash (used in)/generated from investing activities	<u>(21,889)</u>	<u>(40,447)</u>	<u>108,835</u>	<u>(34,406)</u>

	Year ended December 31,			Six months ended
	2021	2022	2023	June 30, 2024
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Financing activities				
Proceeds from issuance of shares by initial public offering, net of share issuance expenses	—	—	—	306,864
Costs paid in connection with the proposed listing of Mobvoi's shares	—	—	(1,666)	—
Proceeds from new bank loans	20,000	20,000	—	20,000
Repayment of bank loans	(31,752)	(20,000)	(20,000)	—
Capital element of lease rentals paid	(9,299)	(6,336)	(7,065)	(2,968)
Interest element of lease rentals paid	(462)	(486)	(234)	(111)
Borrowing costs paid	(603)	(517)	(19)	(60)
Payment for repurchase of ordinary shares and preferred shares	—	(118,398)	—	—
Net cash (used in)/generated from financing activities	<u>(22,116)</u>	<u>(125,737)</u>	<u>(28,984)</u>	<u>323,725</u>
Net (decrease)/increase in cash and cash equivalents	(81,243)	(93,749)	108,243	240,145
Cash and cash equivalents at beginning of year/period	215,342	131,758	40,250	144,324
Effect of foreign exchange rate changes	<u>(2,341)</u>	<u>2,241</u>	<u>(4,169)</u>	<u>1,415</u>
Cash and cash equivalents at end of year/period	<u>131,758</u>	<u>40,250</u>	<u>144,324</u>	<u>385,884</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity shareholders of Mobvoi							Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Share-based payments reserve RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	
Balance at January 1, 2021	138	—	(1,249,619)	50,452	91,428	—	(1,619,948)	(2,727,549)
Changes in equity for 2021:								
Loss for the year	—	—	—	—	—	—	(276,296)	(276,296)
Other comprehensive income	—	—	—	—	71,149	—	—	71,149
Total comprehensive income	—	—	—	—	71,149	—	(276,296)	(205,147)
Equity settled share-based transactions	—	—	—	9,648	—	—	—	9,648
Balance at December 31, 2021	<u>138</u>	<u>—</u>	<u>(1,249,619)</u>	<u>60,100</u>	<u>162,577</u>	<u>—</u>	<u>(1,896,244)</u>	<u>(2,923,048)</u>
Balance at January 1, 2022	138	—	(1,249,619)	60,100	162,577	—	(1,896,244)	(2,923,048)
Changes in equity for 2022:								
Loss for the year	—	—	—	—	—	—	(669,805)	(669,805)
Other comprehensive income	—	—	—	—	(315,747)	—	—	(315,747)
Total comprehensive income	—	—	—	—	(315,747)	—	(669,805)	(985,552)
Repurchase of ordinary shares and preferred shares	—	—	586,682	—	—	—	—	586,682
Equity settled share-based transactions	—	—	—	17,322	—	—	—	17,322
Balance at December 31, 2022	<u>138</u>	<u>—</u>	<u>(662,937)</u>	<u>77,422</u>	<u>(153,170)</u>	<u>—</u>	<u>(2,566,049)</u>	<u>(3,304,596)</u>
Balance at January 1, 2023	138	—	(662,937)	77,422	(153,170)	—	(2,566,049)	(3,304,596)
Changes in equity for 2023:								
Loss for the year	—	—	—	—	—	—	(802,602)	(802,602)
Other comprehensive income	—	—	—	—	(66,624)	1,783	—	(64,841)
Total comprehensive income	—	—	—	—	(66,624)	1,783	(802,602)	(867,443)
Equity settled share-based transactions	—	—	—	41,698	—	—	—	41,698
Balance at December 31, 2023	<u>138</u>	<u>—</u>	<u>(662,937)</u>	<u>119,120</u>	<u>(219,794)</u>	<u>1,783</u>	<u>(3,368,651)</u>	<u>(4,130,341)</u>
Balance at January 1, 2024 (Unaudited)	138	—	(662,937)	119,120	(219,794)	1,783	(3,368,651)	(4,130,341)
Changes in equity for the six months ended June 30, 2024 (Unaudited):								
Loss for the period	—	—	—	—	—	—	(578,756)	(578,756)
Other comprehensive income	—	—	—	—	(5,253)	(375)	—	(5,628)
Total comprehensive income	—	—	—	—	(5,253)	(375)	(578,756)	(584,384)
Equity settled share-based transactions	—	—	—	13,487	—	—	—	13,487
Termination of Mobvoi's contractual obligation to repurchase ordinary shares	94	—	2,158,496	—	—	—	—	2,158,590
Conversion of contingently redeemable preferred shares to ordinary shares	229	551,417	2,137,660	—	—	—	—	2,689,306
Issuance of ordinary shares by initial public offering and over-allotment option	33	308,987	—	—	—	—	—	309,020
Balance at June 30, 2024 (Unaudited)	<u>494</u>	<u>860,404</u>	<u>3,633,219</u>	<u>132,607</u>	<u>(225,047)</u>	<u>1,408</u>	<u>(3,947,407)</u>	<u>455,678</u>

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP**Introduction**

The following is the unaudited pro forma financial information of the Remaining Group, comprising the unaudited pro forma condensed consolidated statement of financial position as at 30 June 2024 and the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2023 and related notes (collectively, the “**Unaudited Pro Forma Financial Information**”).

The Unaudited Pro Forma Financial Information presented below is prepared by the Directors in accordance with Rule 7.31 of the GEM Listing Rules and with reference to Accounting Guideline 7 “*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), for the purpose of illustrating the effect of the Mobvoi Shares Disposal as described in the section headed “Letter from the Board” in this circular, including (i) the condensed consolidated statement of financial position of the Group as at 30 June 2024 as if the Mobvoi Shares Disposal had been completed on 30 June 2024; and (ii) the consolidated statement of comprehensive income and the consolidated statement of cash flows of the Group for the year ended 31 December 2023 as if the Mobvoi Shares Disposal had been completed on 1 January 2023.

The Unaudited Pro Forma Financial Information is based upon the unaudited condensed consolidated statement of financial position as at 30 June 2024 of the Group which has been derived from the Company’s published interim report for the six months ended 30 June 2024 and the audited consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended 31 December 2023 of the Group which have been derived from the Company’s published annual report for the year ended 31 December 2023, after taking into account pro forma adjustments as summarised in the accompanying notes that are clearly shown and explained, factually supportable and directly attributable to the Mobvoi Shares Disposal.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and is based on certain assumptions, estimates and current available information. Accordingly, because of its nature, it may not give a true picture of the financial results and cash flows had the Mobvoi Shares Disposal been completed as at 1 January 2023 or for any future period, nor the financial position of the Group had the Mobvoi Shares Disposal been completed as at 30 June 2024 or any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the published annual report of the Company for the year ended 31 December 2023 and the published interim report of the Company for the six months ended 30 June 2024, and other financial information included elsewhere in this circular.

1. *Unaudited Pro Forma Condensed Consolidated Statement of Financial Position as at 30 June 2024*

	Unaudited condensed consolidated statement of financial position of the Group as at 30 June 2024 <i>HK\$'000</i> <i>Note (a)</i>	Pro forma adjustment <i>HK\$'000</i> <i>Note (b)</i>	Unaudited pro forma condensed consolidated statement of financial position of the Remaining Group as at 30 June 2024 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	729		729
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	1,224		1,224
Financial asset at fair value through profit or loss	<u>50,930</u>	(50,930)	<u>—</u>
	<u>58,274</u>		<u>7,344</u>
Current assets			
Inventories	10,935		10,935
Trade and other receivables	9,387		9,387
Cash and cash equivalents	<u>37,173</u>	17,119	<u>54,292</u>
	<u>57,495</u>		<u>74,614</u>
Total assets	<u><u>115,769</u></u>		<u><u>81,958</u></u>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	14,837		14,837
Reserves	116,238		116,238
Accumulated losses	<u>(36,510)</u>	(33,811)	<u>(70,321)</u>
	94,565		60,754
Non-controlling interests	<u>(3,806)</u>		<u>(3,806)</u>
Total equity	<u>90,759</u>		<u>56,948</u>

	Unaudited condensed consolidated statement of financial position of the Group as at 30 June 2024 <i>HK\$'000</i> <i>Note (a)</i>	Pro forma adjustment <i>HK\$'000</i> <i>Note (b)</i>	Unaudited pro forma condensed consolidated statement of financial position of the Remaining Group as at 30 June 2024 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Bank loan	3,446		3,446
Lease liabilities	<u>158</u>		<u>158</u>
	<u>3,604</u>		<u>3,604</u>
Current liabilities			
Trade and other payables	18,542		18,542
Current income tax liabilities	—		—
Bank loan	722		722
Lease liabilities	<u>2,142</u>		<u>2,142</u>
	<u>21,406</u>		<u>21,406</u>
Total liabilities	<u>25,010</u>		<u>25,010</u>
Total equity and liabilities	<u><u>115,769</u></u>		<u><u>81,958</u></u>

Note (a):

The amounts have been extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2024 included in the published interim report of the Company for the six months ended 30 June 2024.

Note (b):

The adjustment represents the derecognition of all Mobvoi Shares held by the Group pursuant to the Disposal Mandate as if the completion of the Mobvoi Shares Disposal had taken place on 30 June 2024 and the details of the calculation of the net loss on disposal of the Mobvoi Shares are as follows:

Estimated selling price per each Mobvoi Share (<i>note i</i>)	HK\$0.7
Maximum number of Mobvoi Shares to be disposed	25,213,220
	<i>HK\$'000</i>
Estimated gross cash proceeds from the Mobvoi Shares Disposal	17,649
Less: Estimated transaction costs (<i>note ii</i>)	<u>(530)</u>
Estimated net cash proceeds from the Mobvoi Shares Disposal	17,119
Less: Carrying amount of the Mobvoi Shares as at 30 June 2024	<u>(50,930)</u>
Net loss on Mobvoi Shares Disposal (<i>note iii</i>)	<u><u>(33,811)</u></u>

The final amount of cash proceeds would be subject to the actual selling price of the Mobvoi Shares and actual number of the Mobvoi Shares to be disposed of, which may be different from the estimated gross cash proceeds calculated using the Minimum Selling Price and the Maximum number of the Mobvoi Shares to be disposed of in this unaudited pro forma financial information. As a result, the net loss on disposal of the Mobvoi Shares may be different from the amount described above.

Note (i): The estimated selling price of HK\$0.70 per Mobvoi Share is determined assuming the Mobvoi Shares are sold at the Minimum Selling Price.

Note (ii): The estimated transaction costs of approximately HK\$530,000 in connection with the Mobvoi Shares Disposal are based on the various parties' professional fees and handling fees directly attributable to the Mobvoi Shares Disposal.

Note (iii): The net loss on Mobvoi Shares Disposal of approximately HK\$33,811,000 includes (i) the reversal of the fair value gain on financial asset at fair value through profit or loss of approximately HK\$15,082,000, presenting within "other gains, net" on the unaudited condensed consolidated statement of comprehensive income of the Group for the six months ended 30 June 2024; (ii) estimated transaction costs of approximately HK\$530,000; and (iii) disposal loss of approximately HK\$18,199,000 by comparing the estimated gross cash proceeds from the Mobvoi Shares Disposal with the carrying amount of the financial asset at fair value through profit or loss as at 31 December 2023.

Note (iv): Apart from the above, no other adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 30 June 2024.

2. *Unaudited Pro Forma Consolidated Statement of Comprehensive Income for the year ended 31 December 2023*

	Audited consolidated statement of comprehensive income of the Group for the year ended 31 December 2023 <i>HK\$'000</i> <i>Note (c)</i>	Pro forma adjustment <i>HK\$'000</i> <i>Note (d)</i>	Pro forma adjustment <i>HK\$'000</i> <i>Note (e)</i>	Unaudited pro forma consolidated statement of comprehensive income of the Remaining Group for the year ended 31 December 2023 <i>HK\$'000</i>
Revenue	124,255			124,255
Cost of sales	<u>(108,961)</u>			<u>(108,961)</u>
Gross profit	15,294			15,294
Other gains/(losses), net	10,956	(10,647)	(8,082)	(7,773)
Distribution and selling expenses	(22,087)			(22,087)
General and administrative expenses	(23,890)			(23,890)
Research and development expenses	<u>(938)</u>			<u>(938)</u>
Operating loss	(20,665)			(39,394)
Finance income	280			280
Finance costs	<u>(325)</u>			<u>(325)</u>
Finance costs, net	<u>(45)</u>			<u>(45)</u>
Loss before income tax	(20,710)			(39,439)
Income tax expense	<u>(10)</u>			<u>(10)</u>
Loss for the year	(20,720)			(39,449)
Other comprehensive (loss)/income:				
<i>Item that may be subsequently reclassified to income statement</i>				
Currency translation differences	(42)			(42)
<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	200			200
Currency translation differences	<u>—</u>			<u>—</u>
Total comprehensive loss for the year	<u><u>(20,562)</u></u>			<u><u>(39,291)</u></u>

3. *Unaudited Pro Forma Consolidated Statement of Cash Flows for the year ended 31 December 2023*

	Audited consolidated statement of cash flows of the Group for the year ended 31 December 2023 <i>HK\$'000</i> <i>Note (f)</i>	Pro forma adjustment <i>HK\$'000</i> <i>Note (d)</i>	Pro forma adjustment <i>HK\$'000</i> <i>Note (e) and note (g)</i>	Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2023 <i>HK\$'000</i>
Cash flows from operating activities				
Loss before income tax	(20,710)	(10,647)	(8,082)	(39,439)
Adjustments for:				
— Depreciation of property, plant and equipment	79			79
— Depreciation of right-of-use assets	4,196			4,196
— Provision for obsolete inventories	1,333			1,333
— Finance income	(280)			(280)
— Finance costs	325			325
— Fair value changes on financial asset at fair value through profit or loss	(10,647)	10,647		—
— Loss on disposal of financial asset at fair value through profit or loss	—		8,082	8,082
— Provision for impairment of right-of-use assets	<u>3,363</u>			<u>3,363</u>
Operating loss before changes in working capital	(22,341)			(22,341)
Changes in working capital				
— Inventories	2,502			2,502
— Trade and other receivables	2,104			2,104
— Trade and other payables	<u>(15,632)</u>			<u>(15,632)</u>
Cash used in operations	(33,367)			(33,367)
Interest paid	(173)			(173)
Payments of interest element of lease liabilities	<u>(152)</u>			<u>(152)</u>
Net cash used in operating activities	<u>(33,692)</u>			<u>(33,692)</u>

	Audited consolidated statement of cash flows of the Group for the year ended 31 December 2023 <i>HK\$'000</i> <i>Note (f)</i>	Pro forma adjustment <i>HK\$'000</i> <i>Note (d)</i>	Pro forma adjustment <i>HK\$'000</i> <i>Note (e) and note (g)</i>	Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2023 <i>HK\$'000</i>
Cash flows from investing activities				
Purchases of property, plant and equipment	(144)			(144)
Disposal of financial asset at fair value through profit or loss	—		17,119	17,119
Interest received	<u>280</u>			<u>280</u>
Net cash generated from investing activities	<u>136</u>			<u>17,255</u>
Cash flows from financing activities				
Repayments of bank loan	(687)			(687)
Payments of principal element of lease liabilities	<u>(4,238)</u>			<u>(4,238)</u>
Net cash used in financing activities	<u>(4,925)</u>			<u>(4,925)</u>
Net decrease in cash and cash equivalents				
Cash and cash equivalents at beginning of year	85,709			85,709
Exchange differences on cash and cash equivalents	<u>144</u>			<u>144</u>
Cash and cash equivalents at end of year	<u><u>47,372</u></u>			<u><u>64,491</u></u>

Note (c):

The amounts have been extracted from the audited consolidated statement of comprehensive income of the Group for the year ended 31 December 2023 included in the published annual report of the Company for the year ended 31 December 2023.

Note (d):

The adjustment reflects the reversal of the fair value changes in financial asset at fair value through profit or loss of approximately HK\$10,647,000 in respect of the Mobvoi Shares for the year ended 31 December 2023, assuming that the Mobvoi Shares Disposal had taken place on 1 January 2023. The fair value changes on the Mobvoi Shares classified as financial asset at fair value through profit or loss of approximately HK\$10,647,000 is calculated based on the difference between (i) the fair value of the Mobvoi Shares amounting to approximately HK\$25,201,000 as at 1 January 2023, which is based on the carrying amount of the Mobvoi Shares as at 31 December 2022 as extracted from the audited consolidated statement of financial position of the Group as at 31 December 2023; and (ii) the fair value of the Mobvoi Shares amounting to approximately HK\$35,848,000 as at 31 December 2023.

Note (e):

The adjustment represents the recognition of the Mobvoi Shares Disposal as if completion of the Mobvoi Shares Disposal had taken place on 1 January 2023 and the details of the calculation of the net loss on disposal of the Mobvoi Shares are as follows:

Estimated selling price per each Mobvoi Share (<i>note i</i>)	HK\$0.7
Maximum number of Mobvoi Shares to be disposed	25,213,220
	<i>HK\$'000</i>
Estimated gross cash proceeds from the Mobvoi Shares Disposal	17,649
Less: Estimated transaction costs (<i>note ii</i>)	<u>(530)</u>
Estimated net cash proceeds from the Mobvoi Shares Disposal	17,119
Less: Carrying amount of the Mobvoi Shares as at 1 January 2023	<u>(25,201)</u>
Net loss on Mobvoi Shares Disposal	<u><u>(8,082)</u></u>

The final amount of cash proceeds would be subject to the actual selling price of the Mobvoi Shares and actual number of the Mobvoi Shares to be disposed of, which may be different from the estimated gross cash proceeds calculated using the Minimum Selling Price and the Maximum number of the Mobvoi Shares to be disposed of in this unaudited pro forma financial information. As a result, the net loss on disposal of the Mobvoi Shares may be different from the amount described above.

Note (i): The estimated selling price of HK\$0.70 per Mobvoi Share is determined assuming the Mobvoi Shares are sold at the Minimum Selling Price.

Note (ii): The estimated transaction costs of approximately HK\$530,000 in connection with the Mobvoi Shares Disposal are based on the various parties' professional fees and handling fees directly attributable to the Mobvoi Shares Disposal.

Note (f):

The amounts have been extracted from the audited consolidated statement of cash flows of the Group for the year ended 31 December 2023 included in the published annual report of the Company for the year ended 31 December 2023.

Note (g):

The adjustment represents the pro forma effect of the net cash inflow arising from the Mobvoi Shares Disposal on the cash flow of the Group, details of which are set out in Note (e).

Note (h):

Apart from the above, no other adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 31 December 2023. The above pro forma adjustments are not expected to have a continuing effect on financial performance and cash flows of the Remaining Group.

The following is the text of a report on the unaudited pro forma financial information of the remaining Group received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Perfect Optronics Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Perfect Optronics Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) excluding the ordinary shares of Mobvoi Inc. held by the Group (the “**Disposal Asset**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma condensed consolidated statement of financial position as at 30 June 2024, the unaudited pro forma consolidated statement of comprehensive income for the year ended 31 December 2023 and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2023, and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out on pages III-1 to III-9 of the Company’s circular dated 31 December 2024, in connection with the possible very substantial disposal of the Disposal Asset (the “**Transaction**”) by a subsidiary of the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages III-1 to III-9 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Transaction on the Group’s financial position as at 30 June 2024 and the Group’s financial performance and cash flows for the year ended 31 December 2023 as if the Transaction had taken place at 30 June 2024 and 1 January 2023 respectively. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s interim financial information for the period ended 30 June 2024 set out in the interim report, on which no audit or review report has been published, while information about the Group’s financial performance and cash flows has been extracted by the Directors from the Group’s financial statements for the year ended 31 December 2023, on which an audit report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 30 June 2024 or 1 January 2023 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 31 December 2024

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 circular 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 circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and Chief Executives

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

Long positions in the Shares

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

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

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

(b) Interests of Substantial Shareholders

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

Long positions in the Shares

Name	Nature of interests	Number of shares held	Percentage of the Company's issued shares
Winful Enterprises	Directly beneficially owned	923,427,151 <i>(Notes 1 and 2)</i>	62.24%

Notes:

- (1) Mr. Cheng Wai Tak is deemed under the SFO to be interested in these 923,427,151 shares held by Winful Enterprises.
- (2) Mr. Cheng Wai Tak is also a director of Winful Enterprises.

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had an existing or proposed service contract with any member of the Group which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

5. INTERESTS IN ASSETS AND/OR CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to any member(s) of the Group, or were proposed to be acquired or disposed of by or leased to, any member(s) of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which is significant in relation to the business of the Group.

6. LEGAL PROCEEDINGS INVOLVING THE COMPANY AND THE DIRECTORS

On 25 September 2019, the Securities and Futures Commission (the “SFC”) filed a petition (the “**Petition**”) at the High Court of the Hong Kong Special Administrative Region (the “**High Court**”) pursuant to section 214 of the SFO against Mr. Cheng Wai Tak, Mr. Liu Ka Wing and Mr. Tse Ka Wing, all of whom are executive Directors, certain other then Directors (collectively, the “**Director Respondents**”) and the Company for the alleged breach of fiduciary duties of the Director Respondents as directors in relation to the disposal of a subsidiary of the Company holding approximately 50.14% shares in 尚立光電股份有限公司 (Shinyoptics Corporation*) on 22 December 2016. Details of the legal proceedings were set out in the announcements of the Company dated 4 October 2019, 9 April 2020, 10 July 2020 and 25 September 2020 respectively and the section headed “Legal Proceedings Involving the Company and the Directors” on page 20 of the annual report of the Company for the year ended 31 December 2023. 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. The Company understands that the Director Respondents disagree with the allegations of the SFC in the Petition, and intend to vigorously contest the Petition. As at the Latest Practicable Date, the legal proceedings of the Petition are ongoing.

* *for identification purpose only*

Save as disclosed above, as at the Latest Practicable Date, none of the members of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group or to which any member of the Group may become a party.

7. MATERIAL CONTRACTS

None of the members of the Group has entered into any material contract, not being a contract in the ordinary course of business, within two years immediately preceding the date of this circular.

8. EXPERT AND CONSENT

The following is the qualification of the expert who has given its opinion which is contained in this circular:

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Cap. 50) and Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Cap. 588)

As at the Latest Practicable Date, PricewaterhouseCoopers:

- (a) did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (b) did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up; and
- (c) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report and references to its name in the form and context in which they respectively appear.

9. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Tse Ka Wing, an associate of the HKICPA and a member of the Association of Chartered Certified Accountants.
- (b) The compliance officer of the Company is Mr. Chang Huan Chia, an executive Director.

- (c) The head office and principal place of business in Hong Kong of the Company is at Flat 903, 9/F, New Lee Wah Centre, No. 88 Tokwawan Road, Tokwawan, Kowloon, Hong Kong. The registered office of the Company is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.
- (d) The principal share registrar and transfer office of the Company in the Cayman Islands is Ocorian Trust (Cayman) Limited at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.
- (e) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (f) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

10. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee of the Company consists of three independent non-executive Directors, namely Ms. Hsu Wai Man Helen (Chairperson), Mr. Kan Man Wai and Mr. Lau Ngai Kee Ricky.

The primary duties of the audit committee of the Company are (but without limitation) to assist the Board in providing an independent view of the effectiveness of the Company's financial reporting process and internal control and to review the Company's risk management and internal control systems, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

Ms. Hsu Wai Man Helen, aged 54, was appointed as an independent non-executive Director on 25 September 2020 and is responsible for providing independent judgment on issues of strategy, performance, resources and standard of conduct of the Company. Ms. Hsu graduated from The Chinese University of Hong Kong with a bachelor's degree in business administration. Ms. Hsu is a fellow member of the HKICPA and a member of the American Institute of Certified Public Accountants. She has more than 20 years of experience in accounting. Ms. Hsu had been working with Ernst & Young for 18 years and was a partner of Ernst & Young before she retired from the firm in February 2011. Ms. Hsu is currently an independent non-executive director of Richly Field China Development Limited (stock code: 313), China Display Optoelectronics Technology Holdings Limited (stock code: 334), Perfect Medical Health Management Limited (stock code: 1830) and Beijing Gas Blue Sky Holdings Limited (stock code: 6828), the shares of which are listed on the Main Board of the Stock Exchange.

Mr. Kan Man Wai, aged 61, was appointed as an independent non-executive Director on 1 January 2020 and is responsible for providing independent judgment on issues of strategy, performance, resources and standard of conduct of the Company. Mr. Kan obtained a Diploma in Management Studies awarded by The Hong Kong Polytechnic University and the Hong Kong Management Association, and subsequently obtained a Master's Degree of Business Administration in International Management from the Royal Melbourne Institute of Technology in Australia. He has over 30 years of experience in the electronics manufacturing services industry, including over 20 years of experience at management level of sales and business development and 4 years of experience at management level of business operations. Mr. Kan is currently a Deputy Sales Director of PC Partner Group Limited (a company listed on the Stock Exchange (stock code: 1263) and the Singapore Exchange Securities Trading Limited (stock code: PCT)) which he joined in November 2024. Mr. Kan had previously served as a Vice President of Business Development for Great China and Korea of Sanmina Corporation, a leading electronics manufacturing services provider in the world that serves original equipment manufacturers in communications, medical, automotive, industrial and defense and aerospace fields which is headquartered in San Jose, California, USA and is listed on the Nasdaq Stock Market.

Mr. Lau Ngai Kee Ricky, aged 57, was appointed as an independent non-executive Director on 1 July 2024. Mr. Lau has been serving as an independent non-executive director of Macau Legend Development Limited (澳門勵駿創建有限公司), a company listed on the Stock Exchange (stock code: 1680) since December 2020, and New Horizon Health Limited (諾輝健康), a company listed on the Stock Exchange (stock code: 6606) since April 2024, respectively. Mr. Lau obtained a professional diploma in accountancy from Hong Kong Polytechnic in November 1989. Mr. Lau is a Practising Certified Public Accountant and a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has over 30 years of experience in auditing and accounting with extensive experience in areas of initial public offering, merger and acquisition and corporate finance exercise. He had served Deloitte Touche Tohmatsu for 25 years from 1993 to 2018 and had been a partner thereof for 17 years. He is currently a senior director of Moore CPA Limited.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.perfect-optronics.com) for a period of 14 days from the date of this circular:

- (a) the report on the unaudited pro forma financial information of the Remaining Group from PricewaterhouseCoopers, the text of which is set out in Appendix III of this circular;
- (b) the written consent of expert referred to in the paragraph headed "Expert and consent" in this Appendix IV;
- (c) the annual reports of the Company for the three financial years ended 31 December 2021, 2022 and 2023;
- (d) the interim report of the Company for the six months ended 30 June 2024; and
- (e) this circular.



Perfect Optronics Limited
圓美光電有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8311)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Perfect Optronics Limited (the “**Company**”) will be held at Flat 903, 9/F., New Lee Wah Centre, No. 88 Tokwawan Road, Tokwawan, Kowloon, Hong Kong on Tuesday, 21 January 2025 at 3:00 p.m. for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolution as an ordinary resolution of the Company by way of special business:

ORDINARY RESOLUTION

“**THAT:**

- (1) the disposal(s) (the “**Disposal(s)**”) by Skyteam Resources Limited (“**Skyteam**”) from time to time in the open market or through block trade(s) of up to 25,213,220 ordinary shares (the “**Approved Sale Shares**”) in the share capital of Mobvoi Inc. (the “**Mobvoi Share(s)**”), a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 2438) during the period of 12 months from the date of passing of this resolution (unless revoked or varied by ordinary resolution(s) of the shareholders in general meeting of the Company) (the “**Mandate Period**”) be and are hereby approved subject to the following conditions:
 - (a) if the Disposal is made in the open market, each transaction shall be sold at the market price, and if the Disposal is made through block trade(s), each transaction shall be sold at a price no more than 20% discount to the average closing price of the Mobvoi Shares in the five (5) trading days immediately prior to the date of any definitive agreement;
 - (b) the selling price per Mobvoi Share to be disposed of by Skyteam as approved under this resolution shall in no event be lower than HK\$0.70 (the “**Minimum Selling Price**”); and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (c) if and when there shall be any alteration to the nominal value of Mobvoi Shares as a result of consolidation, subdivision or reclassification, or any issue of new Mobvoi Shares to Skyteam by way of capitalisation of profits or reserves or by way of a scrip dividend during the Mandate Period, the number of Approved Sale Shares and the Minimum Selling Price shall be adjusted accordingly; and
- (2) the directors of the Company (the “**Directors**”) be and are hereby authorised and empowered to determine, decide, execute and implement with full discretion all matters relating to the Disposal(s) from time to time during the Mandate Period, including but not limited to, the timing of each Disposal, the number of batches of the Disposal(s), the number of Approved Sale Shares to be sold in each Disposal, the manner of each Disposal in the open market or through block trade(s), the target purchaser(s) and the selling price (subject to the parameters set out above) and to do all such acts and things, including but not limited to execution of all documents which the Directors deem necessary, appropriate or desirable to implement and give effect to the Disposal(s) and the transactions contemplated thereunder or in connection with the exercise of the Disposal(s).”

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

Hong Kong, 31 December 2024

Notes:

1. The Meeting will be held in form of a physical meeting. Any member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies (if a member who is the holder of two or more shares of the Company) to attend and vote in his stead. A proxy need not be a member of the Company.
2. To be valid, the proxy form, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours before the time appointed (i.e. Sunday, 19 January 2025 at 3:00 p.m. (Hong Kong time)) for holding the Meeting or any adjournment thereof.
3. The register of members of the Company will be closed from Thursday, 16 January 2025 to Tuesday, 21 January 2025, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attendance and voting at the Meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 15 January 2025.

NOTICE OF EXTRAORDINARY GENERAL MEETING

4. As at the date of this notice, the board of the Company 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.
5. If a tropical cyclone warning signal no. 8 or above is hoisted or “extreme conditions” caused by super typhoons or a black rainstorm warning signal is in force at 12:00 noon on Tuesday, 21 January 2025, the Meeting will be adjourned in accordance with the articles of association of the Company and further announcement for details of alternative meeting arrangements will be made. The Meeting will be held as scheduled even when a tropical cyclone warning signal no. 3 or below is hoisted, or an amber or red rainstorm warning signal is in force. You should make your own decision as to whether you would attend the Meeting under bad weather conditions and if you should choose to do so, you are advised to exercise care and caution.
6. All times and dates specified herein refer to Hong Kong local times and dates.