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**Perfect Optronics Limited**  
**圓美光電有限公司**

*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 8311)**

**ANNUAL RESULTS ANNOUNCEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

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

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

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

## **FINANCIAL HIGHLIGHTS**

- Revenue for the year ended 31 December 2019 amounted to approximately HK\$166.6 million, representing a decrease of 34% as compared with that of approximately HK\$254.1 million in 2018.
- Loss attributable to equity holders of the Company for the year ended 31 December 2019 amounted to approximately HK\$34.1 million, representing a decrease in loss of approximately HK\$21.7 million as compared with the loss for 2018 of approximately HK\$55.8 million.
- The board of directors of the Company (the “Board”) does not recommend declaring any final dividend for the year ended 31 December 2019.

## RESULTS

The Board announces the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2019, together with the comparative figures for the previous year as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2019*

	<i>Note</i>	<b>2019</b> <i>HK\$'000</i>	<b>2018</b> <i>HK\$'000</i>
<b>Revenue</b>	4	<b>166,607</b>	254,072
Cost of sales		<u><b>(166,902)</b></u>	<u>(268,428)</u>
<b>Gross loss</b>		<b>(295)</b>	(14,356)
Other gains, net	5	<b>3,069</b>	865
Distribution and selling expenses		<b>(8,680)</b>	(11,761)
General and administrative expenses		<b>(26,916)</b>	(26,867)
Research and development expenses		<u><b>(1,972)</b></u>	<u>(3,365)</u>
<b>Operating loss</b>		<b>(34,794)</b>	(55,484)
Finance income		<b>170</b>	106
Finance costs		<u><b>(1,165)</b></u>	<u>(460)</u>
Finance costs, net		<u><b>(995)</b></u>	<u>(354)</u>
<b>Loss before income tax</b>	6	<b>(35,789)</b>	(55,838)
Income tax credit	7	<u><b>141</b></u>	<u>58</u>
<b>Loss for the year</b>		<b>(35,648)</b>	(55,780)
<b>Other comprehensive income/(loss):</b>			
<i>Items that may be subsequently reclassified to income statement</i>			
Currency translation differences		<b>23</b>	(265)
<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		<u><b>21</b></u>	<u>(26)</u>
<b>Total comprehensive loss for the year</b>		<u><u><b>(35,604)</b></u></u>	<u><u>(56,071)</u></u>

	<i>Note</i>	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Loss for the year attributable to:</b>			
Equity holders of the Company		(34,078)	(55,780)
Non-controlling interests		<u>(1,570)</u>	<u>—</u>
		<u><b>(35,648)</b></u>	<u><b>(55,780)</b></u>
<b>Total comprehensive loss for the year attributable to:</b>			
Equity holders of the Company		(34,050)	(56,071)
Non-controlling interests		<u>(1,554)</u>	<u>—</u>
		<u><b>(35,604)</b></u>	<u><b>(56,071)</b></u>
<b>Basic and diluted loss per share</b>	<b>8</b>	<u><b>HK(2.30) cents</b></u>	<u><b>HK(3.76) cents</b></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2019*

	<i>Note</i>	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		1,732	3,031
Right-of-use assets	10	12,292	—
Intangible assets		5,322	3,122
Deferred tax assets		155	8
Financial asset at fair value through other comprehensive income		2,673	2,652
Financial asset at fair value through profit or loss	11	57,538	54,988
		79,712	63,801
<b>Current assets</b>			
Inventories		32,445	81,890
Trade and other receivables	12	21,198	13,351
Tax recoverable		—	265
Restricted bank deposits		—	10,335
Cash and cash equivalents		70,308	71,153
		123,951	176,994
<b>Total assets</b>		<b>203,663</b>	<b>240,795</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	13	14,837	14,837
Reserves		117,064	117,036
Retained earnings		37,046	72,092
		168,947	203,965
<b>Non-controlling interests</b>		<b>1,410</b>	<b>—</b>
<b>Total equity</b>		<b>170,357</b>	<b>203,965</b>

	<i>Note</i>	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities	10	<u>8,692</u>	<u>—</u>
		<u>8,692</u>	<u>—</u>
<b>Current liabilities</b>			
Trade and other payables	14	<b>19,514</b>	27,850
Bank borrowings		—	8,979
Lease liabilities	10	<b>5,098</b>	—
Current income tax liabilities		<u>2</u>	<u>1</u>
		<u>24,614</u>	<u>36,830</u>
<b>Total liabilities</b>		<u><b>33,306</b></u>	<u>36,830</u>
<b>Total equity and liabilities</b>		<u><b>203,663</b></u>	<u>240,795</u>

## Notes:

### 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 13 June 2013, as an exempted company with limited liability under the Companies Law (as Revised) of the Cayman Islands. The address of its registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The Company's shares are listed on the GEM.

The Company is an investment holding company and the Group is principally engaged in the trading, development and sale of display and optics products and related electronic components. The Group also processes some of the products which it sells.

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

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, except for financial asset at fair value through other comprehensive income and financial asset at fair value through profit or loss ("FVTPL") which have been measured at fair value.

- (a) New standard, amendments to standards and interpretation adopted by the Group:

The Group has applied the following standard, amendments and interpretation for the first time for their annual reporting period commencing on 1 January 2019:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to Hong Kong Accounting Standard ("HKAS") 19	'Employee Benefits' on Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

The Group had to change its accounting policies as a result of adopting HKFRS 16 Leases ("HKFRS 16"). The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in Note 2.2. Most of the other amendments and interpretation listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New standards and amendments to standards not yet adopted:

		<b>Effective for accounting periods beginning on or after</b>
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 17	Insurance Contracts	1 January 2021
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform	1 January 2020

The Group will adopt the above new or revised standards and amendments to existing standards as and when they become effective. Management has performed preliminary assessment and does not anticipate any significant impact on the Group's financial position and results of operations upon adopting these standards and amendments to existing HKFRSs.

## **2.2 Changes in accounting policies**

This note explains the impact of the adoption of HKFRS 16 on the Group's financial statements.

As indicated in Note 2.1 above, the Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.7%.



**(i) Practical expedients applied**

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review — there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

**(ii) Measurement of lease liabilities**

	<b>2019</b>
	<b>HK\$'000</b>
Operating lease commitments disclosed as at 31 December 2018	5,135
Discounted using the lessee's incremental borrowing rate as at the date of initial application	4,940
Less: short-term leases recognised on a straight-line basis as expense	(660)
Add: adjustments as a result of a different treatment of extension and termination options	<u>11,686</u>
Lease liabilities recognised as at 1 January 2019	<u><u>15,966</u></u>
Of which are:	
Current lease liabilities	4,065
Non-current lease liabilities	<u>11,901</u>
	<u><u>15,966</u></u>

**(iii) Measurement of right-of-use assets**

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied.

(iv) *Adjustments recognised in the consolidated statement of financial position on 1 January 2019*

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 January 2019:

- Right-of-use assets — increase by HK\$14,943,000
- Deferred tax assets — increase by HK\$55,000
- Lease liabilities — increase by HK\$15,966,000

The net impact on retained earnings on 1 January 2019 was a decrease of HK\$968,000.

### 3. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the directors of the Company. The directors review the Group's internal reporting in order to assess performance and allocate resources and determine the operating segments based on these reports.

The directors determine that the Group has two reportable operating segments as follows:

- (a) Display products segment; and
- (b) Optics products segment

The directors assess the performance of the operating segments based on a measure of revenue and results of each segment and do not assess the performance based on segment assets and liabilities.

- (a) The segment information provided to the directors for the reportable segments for the years ended 31 December 2019 and 2018 is as follows:

	Display products		Optics products		Total	
	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue (all from external customers)	<u>164,149</u>	<u>249,518</u>	<u>2,458</u>	<u>4,554</u>	<u>166,607</u>	<u>254,072</u>
Segment results	<u>(1,592)</u>	<u>(15,781)</u>	<u>(675)</u>	<u>(1,940)</u>	<u>(2,267)</u>	<u>(17,721)</u>
Unallocated operating costs					<u>(32,527)</u>	<u>(37,763)</u>
Finance costs, net					<u>(995)</u>	<u>(354)</u>
Loss before income tax					<u>(35,789)</u>	<u>(55,838)</u>
<b>Other segment information:</b>						
(Write back of provision)/ provision for obsolete inventories	<u>(26,636)</u>	<u>(8,473)</u>	<u>(213)</u>	<u>707</u>	<u>(26,849)</u>	<u>(7,766)</u>

- (b) The Group's revenues from its major products for the years ended 31 December 2019 and 2018 are as follows:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Thin film transistor liquid crystal display (“TFT-LCD”) panels and modules	<b>135,040</b>	226,154
Electronic signage	<b>7,749</b>	397
Integrated circuits (“ICs”)	<b>5,325</b>	3,268
Polarisers	<b>4,721</b>	5,208
Light guide plates	<b>2,332</b>	9,174
Optics products	<b>2,458</b>	4,554
Others	<b>8,982</b>	5,317
	<b>166,607</b>	254,072

- (c) Segment revenue by customers' geographical location

The amount of the Group's revenue from external customers by locations where the Group's products are delivered to its customers is shown in the table below.

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong	<b>126,768</b>	178,626
The People's Republic of China (the “PRC”)	<b>31,350</b>	72,802
Taiwan	<b>8,489</b>	2,644
	<b>166,607</b>	254,072

- (d) Revenues from major customer who has individually contributed 10% or more of the total revenue of the Group for the year ended 31 December 2019 are disclosed as follows:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Customer A	<b>18,777</b>	2,647

The above customer is included in the display products segment. Revenue from this customer contributed less than 10% of the total revenue of the Group during the year ended 31 December 2018.

- (e) An analysis of the Group's non-current assets (other than financial assets and deferred tax assets) by location of assets is as follows:

	<b>Hong Kong</b> <i>HK\$'000</i>	<b>The PRC</b> <i>HK\$'000</i>	<b>Taiwan</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>As at 31 December 2019:</b>				
<b>Non-current assets</b>				
Property, plant and equipment	253	1,386	93	1,732
Intangible assets	4,200	1,122	—	5,322
Right-of-use assets	3,402	8,698	192	12,292
	<u>7,855</u>	<u>11,206</u>	<u>285</u>	<u>19,346</u>
<b>As at 31 December 2018:</b>				
<b>Non-current assets</b>				
Property, plant and equipment	767	2,264	—	3,031
Intangible assets	2,000	1,122	—	3,122
	<u>2,767</u>	<u>3,386</u>	<u>—</u>	<u>6,153</u>

#### 4. REVENUE

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

#### 5. OTHER GAINS, NET

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Fair value changes in financial asset at FVTPL	2,550	719
Net exchange gain/(loss)	261	(76)
Gain/(loss) on disposal of property, plant and equipment	10	(12)
Written-off of property, plant and equipment	(58)	—
Others	306	234
	<u>3,069</u>	<u>865</u>

## 6. LOSS BEFORE INCOME TAX

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Cost of inventories sold	188,306	269,056
Write back of provision for obsolete inventories	(26,849)	(7,766)
Depreciation of property, plant and equipment	1,403	2,078
Depreciation of right-of-use assets	5,464	—
	<u>188,306</u>	<u>269,056</u>

## 7. INCOME TAX CREDIT

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

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current income tax:		
— Outside Hong Kong	4	19
— Adjustments in respect of prior years	(51)	—
	<u>4</u>	<u>19</u>
Total current income tax	(47)	19
Deferred income tax		
— Origination and reversal of temporary differences	(94)	(77)
	<u>(94)</u>	<u>(77)</u>
Income tax credit	<u>(141)</u>	<u>(58)</u>

## 8. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share for the year is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2019	2018
Loss attributable to equity holders of the Company ( <i>HK\$'000</i> )	<u>(34,078)</u>	<u>(55,780)</u>
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	<u>1,483,687</u>	<u>1,483,687</u>
Basic and diluted loss per share ( <i>HK cents per share</i> )	<u>(2.30)</u>	<u>(3.76)</u>

For the purpose of determining the diluted loss per share amount, no adjustment has been made to the basic loss per share amount for the years ended 31 December 2019 and 2018 as the Group had no potentially dilutive ordinary shares in issue during these years.

## 9. DIVIDEND

The Board did not declare any dividend for the year ended 31 December 2019 (2018: Nil).

## 10. LEASES

The Group leases various offices, warehouses and a staff quarter. The leases run for periods up to 6 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Amounts recognised in the consolidated statement of financial position:

	<b>Right-of-use assets — Properties</b> <i>HK\$'000</i>	<b>Lease liabilities</b> <i>HK\$'000</i>
<b>As at 1 January 2019</b>	14,943	15,966
Additions	2,968	2,968
Depreciation expense	(5,464)	—
Interest expense	—	890
Payments of principal element	—	(4,963)
Payments of interest element	—	(890)
Exchange realignment	(155)	(181)
<b>As at 31 December 2019</b>	<u>12,292</u>	<u>13,790</u>
Current		5,098
Non-current		<u>8,692</u>
		<u>13,790</u>

## 11. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group's financial asset at FVTPL comprises the holding of certain preferred shares in Mobvoi Inc. ("Mobvoi"), a private company principally engaged in the business of developing and providing voice search artificial intelligence ("AI") systems on mobile, smart wearable and other devices. The balance is denominated in United States dollar ("USD"). There have been no addition to or disposal of such investment since the Group made the investment in January 2015. The most recent issue by Mobvoi of new preferred shares to investors took place in September 2019 and the Group's shareholding in Mobvoi (on a fully diluted and as converted basis) was diluted from approximately 1.53% to approximately 1.50%.

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Balance at 1 January</b>	<b>54,988</b>	54,269
Gain recognised in other gains, net	<u>2,550</u>	<u>719</u>
<b>Balance at 31 December</b>	<b><u>57,538</u></b>	<b><u>54,988</u></b>

## 12. TRADE AND OTHER RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables	17,460	8,218
Bills receivables	<u>298</u>	<u>—</u>
	17,758	8,218
Prepayments, deposits and other receivables	<u>3,440</u>	<u>5,133</u>
	<b><u>21,198</u></b>	<b><u>13,351</u></b>

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0–30 days	6,810	5,930
31–60 days	7,286	955
61–90 days	3,371	450
Over 90 days	<u>291</u>	<u>883</u>
	<b><u>17,758</u></b>	<b><u>8,218</u></b>

### 13. SHARE CAPITAL

	<b>31 December 2019 and 31 December 2018</b>	
	<b>Number of shares (thousands)</b>	<b>Amount HK\$'000</b>
<b>Authorised:</b>		
Ordinary shares of HK\$0.01 each	<u>5,000,000</u>	<u>50,000</u>
	<b>Number of shares</b>	<b>Ordinary shares of HK\$0.01 each HK\$'000</b>
<b>Issued and fully paid:</b>		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	<u>1,483,687,151</u>	<u>14,837</u>

There were no movements in the Company's share capital during the year (2018: Nil).

### 14. TRADE AND OTHER PAYABLES

	<b>2019 HK\$'000</b>	<b>2018 HK\$'000</b>
Trade payables	14,467	15,370
Deposits received from customers	1,872	9,032
Accruals and other payables	<u>3,175</u>	<u>3,448</u>
	<u>19,514</u>	<u>27,850</u>

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

	<b>2019 HK\$'000</b>	<b>2018 HK\$'000</b>
0–30 days	8,349	14,341
31–60 days	3,653	762
61–90 days	2,465	59
Over 90 days	<u>—</u>	<u>208</u>
	<u>14,467</u>	<u>15,370</u>

### 15. EVENT OCCURRING AFTER THE REPORTING PERIOD

After the outbreak of Coronavirus Disease 2019 (“COVID-19 outbreak”) in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/ regions in which the Group has business operations. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.



## **BUSINESS REVIEW**

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

2019 was a turbulent year for the global economy. The Sino-American trade frictions continued and uncertainties of the economy increased. China's domestic mobile phone shipments dropped by 6.2% to 388.6 million units in 2019 as compared with 2018, according to a report issued by the China Academy of Information and Communications Technology. The demand for mobile phones was shrinking. Furthermore, the market concentration of China mobile phones in certain dominating major brands continued in 2019, which continuously affected the Group being an upstream mobile phone component supplier for those scattered non-mainstream or second tier mobile phone manufacturers. All these unfavourable factors adversely affected the Group's performance during the year ended 31 December 2019 (the "Year"). Sales of the Group remained weak even though the Group's financial performance had improved during the Year. The Group recorded an approximately 34% decrease in revenue to approximately HK\$166,607,000 for the Year as compared to approximately HK\$254,072,000 for 2018. Loss for the Year attributable to equity holders of the Company amounted to approximately HK\$34,078,000, represented a decrease in loss of approximately HK\$21,702,000 as compared to the loss of approximately HK\$55,780,000 for 2018.

### **Display Products Segment**

Under the continuously weak performance of the sales of the Group's mobile phone display panels in the small-sized display panel market, the sales of the medium-to-large sized display products, including display modules for computer notebooks, monitors and televisions, remained as the key revenue driver of the Group during the Year. However, the sales of medium-to-large sized display products also declined during the Year as compared with 2018 as the Group inclined to be more prudent in the procurement of products in light of the uncertainties in China's economy and the oversupply situation in the display panels market during the Year. During the Year, the Group recorded a revenue of approximately HK\$164,149,000 from its display products segment, represented a decrease of approximately 34% as compared with approximately HK\$249,518,000 for 2018. Sales of TFT-LCD panels and modules amounted to approximately HK\$135,040,000 during the Year, represented a drop of approximately 40% from that for the year ended 31 December 2018 of approximately HK\$226,154,000. Sales of polarisers and light guide plates during the Year amounted to approximately HK\$4,721,000 (2018: HK\$5,208,000) and approximately HK\$2,332,000 (2018: HK\$9,174,000) respectively, which represented a decrease of approximately HK\$487,000 and approximately HK\$6,842,000 respectively as compared with those for 2018. Such decreases offset the increase in the Group's sales of ICs and electronic signage during the Year. Sales of ICs during the Year amounted to approximately HK\$5,325,000, which represented an increase of approximately HK\$2,057,000 as compared with 2018.

The Group has introduced its latest display products, namely electronic signage, to the market, which include digital information signage, electronic shelf displays and electronic white board, etc. Beyond targeting on the retailers, the Group has strived to promote its electronic signage products to different industries' customers, such as introducing electronic white boards in classrooms to the academy field. To attract the market attention and interest in electronic signage products, the Group showcased its electronic signage products in the Learning & Teaching Expo 2019 and Retail Asia Conference & Expo in Hong Kong, one of the Hong Kong's premier retail conferences, in 2019. Through the Group's efforts on products development and promotion, electronic signage began to contribute revenue of approximately HK\$7,749,000 (2018: HK\$397,000) during the Year. Most importantly, Innolux Corporation ("Innolux") and Novatek Microelectronics Corp. ("Novatek"), both listed on the Taiwan Stock Exchange, invested in the Group's electronic signage business through their subsidiaries during the Year. Each of Innolux and Novatek, through their subsidiaries, respectively invested USD190,000 and holds a 19% equity interest in Perinnova Limited, a subsidiary of the Group engaging in the electronic signage business. Both Innolux and Novatek are suppliers of the Group and have expertise in developing, manufacturing and supplying display components and IC solutions. The Group believes their participation will help the Group capture the rising market in electronic signage. Furthermore, the Group established a branch in Taiwan in late 2019 to expand its electronic signage business in the region.

### **Optics Products Segment**

In 2019, the Group continued encountering many challenges in its sales of optics products. During the Year, the Group's optics products segment recorded a revenue of approximately HK\$2,458,000, represented a decrease of approximately HK\$2,096,000 as compared with approximately HK\$4,554,000 for 2018. The Group's sales of optics products underwent a hard time due to many market uncertainties, fierce pricing and competition from similar products in the market.

### **Investment**

The Group holds certain preferred shares of Mobvoi, which is principally engaged in the business of developing and providing voice search AI systems on mobile, smart wearable, automotive and other devices. Such investment is classified as financial asset at FVTPL. During the Year, Mobvoi continued to launch new products, including new models of smart watches and portable assistant speaker. Mobvoi has joint hands with various telecom leaders in China, such as China Mobile and China Unicom to promote their eSIM solutions. In the overseas market, Mobvoi also cooperated with Verizon to launch its smart watches supporting 4G/LTE service in the United States in July 2019. The Group understands that Mobvoi will continue to enrich its product diversity, extend its business to various enterprise-level applications, enhance its technologies and expand its global footprint. Mobvoi completed a further round of issuance of new preferred shares to investors during the Year and the Group's shareholding in Mobvoi (on a fully diluted

and as converted basis) was diluted from approximately 1.53% to approximately 1.50%. The fair value of the Group's investment in Mobvoi further increased following the new round of fundraising, and a fair value gain in financial asset at FVTPL of approximately HK\$2,550,000 (2018: HK\$719,000) was recognised during the Year. The Group believes that such fundraising exercise of Mobvoi enabled Mobvoi to obtain new capital to further enhance its research and development activities, which may generate good investment returns to the Group.

The Group's another investment was classified as financial asset at fair value through other comprehensive income, representing its investment in a Taiwan private company which engages in the business of the separator (a key component in lithium batteries). The Group invested approximately HK\$2,606,000 in 2017 which represented an approximately 3.33% shareholding of such company. Such company allotted additional shares to raise capital during the Year and the Group's shareholding was diluted slightly to approximately 3.03%.

## **PROSPECTS**

Looking ahead, the economic landscape will continue to be clouded by uncertainties. Trade frictions and the existing dominance by major brands in the mobile phone market may continue to pose impact on the Group's performance. The COVID-19 outbreak in early 2020, which has caused disruption to businesses and market uncertainties in the affected regions, may further impose a negative impact on the economy. Sales of electronic components and products are expected to be weak in the first half of 2020. Nevertheless, to deal with these challenges, the Group will continue to take different strategies to enlarge its revenue base and seize new business opportunities to limit the adverse impact on any individual product market. Meanwhile, the Group will continue to widen its product diversity and explore all kinds of opportunities with new suppliers and customers from various areas or industries.

## **FINANCIAL REVIEW**

### **Revenue**

Total revenue of the Group for the year ended 31 December 2019 amounted to approximately HK\$166,607,000, decreased by approximately 34% as compared to approximately HK\$254,072,000 in 2018. Decrease in total revenue was attributable to the decrease in revenue from the Group's sales of TFT-LCD panels and modules, polarisers, light guide plates, and optics products.

## **Cost of sales**

Cost of sales of the Group mainly consisted of purchase costs, processing and subcontracting charges, staff costs, scrap loss, provision for obsolete inventories and other direct costs. Due to the decrease in revenue, purchase costs, processing and subcontracting charges, scrap loss and other direct costs decreased during the year ended 31 December 2019 as compared with 2018. Meanwhile, provision for obsolete inventories during the year ended 31 December 2019 also decreased as compared with 2018. Total cost of sales for the year ended 31 December 2019 amounted to approximately HK\$166,902,000, decreased by approximately 38% as compared to approximately HK\$268,428,000 in 2018.

## **Gross loss**

Gross loss amounting to approximately HK\$295,000 was recorded for the year ended 31 December 2019 (2018: HK\$14,356,000). The drop in the Group's revenue and low gross profit margins of the products sold during the year ended 31 December 2019 led to the gross loss. Nevertheless, the amount of gross loss decreased in 2019 when compared with 2018.

## **Other gains, net**

Net other gains of approximately HK\$3,069,000 (2018: HK\$865,000) was recorded during the year ended 31 December 2019. The balance mainly included the fair value gain in the Group's investment in Mobvoi of approximately HK\$2,550,000 (2018: HK\$719,000).

## **Distribution and selling expenses**

The Group's distribution and selling expenses for the year ended 31 December 2019 amounted to approximately HK\$8,680,000, representing an approximately 26% decrease as compared to approximately HK\$11,761,000 in 2018. The decrease was mainly attributable to the decrease in warehouse storage costs during the year ended 31 December 2019.

## **General and administrative expenses**

The Group's general and administrative expenses for the year ended 31 December 2019 amounted to approximately HK\$26,916,000, which is comparable to approximately HK\$26,867,000 in 2018.

## **Research and development expenses**

The Group's research and development expenses amounted to approximately HK\$1,972,000 for the year ended 31 December 2019, which decreased by approximately HK\$1,393,000 as compared with 2018 of approximately HK\$3,365,000. The decrease was mainly due to the decrease in staff costs and development fees incurred for products development.

## **Finance costs**

The Group's finance costs for the year ended 31 December 2019 included bank loans interest expenses of approximately HK\$275,000 (2018: HK\$456,000) and the interest expenses of approximately HK\$890,000 (2018: Nil) on lease liabilities recognised under the new accounting standard, HKFRS 16. Please refer to Note 2.2 above for details of the adoption of HKFRS 16.

## **Income tax**

No Hong Kong profits tax was provided by the Group for the year ended 31 December 2019 (2018: Nil). Income tax during the years ended 31 December 2019 and 2018 mainly represented deferred income tax credited to the consolidated statement of comprehensive income.

## **Loss attributable to equity holders of the Company**

Loss attributable to equity holders of the Company for the year ended 31 December 2019 amounted to approximately HK\$34,078,000, representing a decrease in loss of approximately HK\$21,702,000 as compared with the loss for 2018 of approximately HK\$55,780,000, which was mainly attributable to the increase in fair value gain on investment, the decrease in the provision for obsolete inventories and the reduction of distribution and selling expenses, and research and development expenses during the year ended 31 December 2019.

## **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. The Group had unrestricted bank deposits, bank balances and cash in aggregate of approximately HK\$70,308,000 as at 31 December 2019 (2018: HK\$71,153,000).

The Group had no bank borrowings as at 31 December 2019. As at 31 December 2018, the Group's bank borrowings comprised fixed interest rate bank loans of approximately HK\$8,979,000, which were denominated in Renminbi and repayable within a period not exceeding one year.

## **GEARING RATIO**

The Group's gearing ratio as at 31 December 2019 was 0% (2018: 4.4%), which is calculated based on the Group's total interest-bearing bank borrowings divided by the Group's total equity.

## **CONTINGENT LIABILITIES**

As at 31 December 2019, the Group had no material contingent liabilities (2018: Nil).

## **CHARGE OF ASSETS**

The Group had no charge of assets as at 31 December 2019. As at 31 December 2018, the Group had pledged its bank deposits of approximately HK\$10,335,000 to bank to secure the banking facilities granted to the Group.

## **CAPITAL COMMITMENTS**

As at 31 December 2019, the Group did not have any significant capital commitments (2018: Nil).

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

During the year ended 31 December 2019, the Company did not redeem any of its shares, and neither did the Company nor any of its subsidiaries purchase or sell any of the Company's shares.

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

As announced by the Company in its announcement dated 4 October 2019, on 25 September 2019, the Company received a sealed copy of a petition (the "Petition") issued by the High Court of the Hong Kong Special Administrative Region which was taken out by the Securities and Futures Commission (the "SFC") pursuant to section 214 of the Securities and Futures Ordinance against six Directors, namely, Mr. Cheng Wai Tak, Mr. Liu Ka Wing, Mr. Tse Ka Wing, Mr. Wong Yik Chung John, Mr. Wong Chi Chiu and Mr. Li Shui Yan (collectively "the Director Respondents"), and the Company. The SFC alleged in the Petition that the Director Respondents had breached their duties as directors of the Company in relation to the disposal of a subsidiary of the Company holding an approximately 50.14% shareholding in 尚立光電股份有限公司 (Shinyoptics Corporation\*) (details of such disposal were disclosed in the announcement of the Company dated 22 December 2016). The Company understands the Director Respondents disagree with the allegations of the SFC in the Petition, and intend to vigorously contest the Petition.

\* *For identification purposes only*

Trading in the shares of the Company on GEM has been suspended since 9:00 a.m. on 26 September 2019 until further notice. As announced by the Company in its announcement dated 10 January 2020, the Company has received resumption guidance from the Stock Exchange, and the Company is seeking advice on the guidance issued by the Stock Exchange and is actively considering and taking appropriate steps to resolve the issues in connection with its trading suspension, including the appointment of two new independent non-executive directors as disclosed in the announcement of the Company dated 30 December 2019.

## **CORPORATE GOVERNANCE PRACTICES**

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of its shareholders. To accomplish this, save as set out below, the Company has adopted the principles and the code provisions of the Corporate Governance Code (the “CG Code”) contained in Appendix 15 of the GEM Listing Rules.

Throughout the year ended 31 December 2019, the Company had complied with all the code provisions of the CG Code, except for the deviation as disclosed under the section headed “Chairman and Chief Executive Officer” below.

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

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

Under the current management structure of the Company, Mr. Cheng Wai Tak (“Mr. Cheng”) is the Chairman and Chief Executive Officer. With Mr. Cheng’s extensive experience in the industry, the Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person would provide the Company with strong and consistent leadership, allow for effective and efficient planning and implementation of business decisions and strategies, and would be beneficial to the business prospects and management of the Group.

Although Mr. Cheng performs both the roles of Chairman and Chief Executive Officer, the division of responsibilities between the Chairman and Chief Executive Officer is clearly established. In general, the Chairman is responsible for supervising the functions and performance of the Board, while the Chief Executive Officer is responsible for the management of the business of the Group. The two roles are performed by Mr. Cheng distinctly. The Board also considers that the current management structure does not impair the balance of power and authority between the Board and the management of the Company given the appropriate delegation of the power of the Board and the effective functions of the independent non-executive directors. However, it is the long-term objective of the Company to have these two roles performed by separate individuals when suitable candidates are identified.

## AUDIT COMMITTEE

The Company has established an audit committee on 20 January 2014 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and code provision C.3 of the CG Code. The audit committee consists of five independent non-executive directors, namely, Mr. Wong Yik Chung John, who has the appropriate accounting and financial related management expertise and serves as the chairman of the audit committee, Mr. Wong Chi Chiu, Mr. Li Shui Yan, Mr. Cho Chi Kong and Mr. Kan Man Wai. Mr. Cho Chi Kong and Mr. Kan Man Wai were appointed as members of the audit committee with effect from 1 January 2020. The audited annual results of the Group for the year ended 31 December 2019 have been reviewed by the audit committee.

## ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting of the Company (the “AGM”) will be held on Thursday, 7 May 2020. A notice convening the AGM will be published and despatched to the shareholders of the Company in the manner required by the GEM Listing Rules in due course.

## CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 29 April 2020 to Thursday, 7 May 2020, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers of shares documents, accompanied by the relevant share certificates, must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 28 April 2020.

By order of the Board  
**Perfect Optronics Limited**  
**Cheng Wai Tak**  
*Chairman*

Hong Kong, 18 March 2020

*As at the date of this announcement, the Board comprises three executive directors, namely, Mr. Cheng Wai Tak, Mr. Liu Ka Wing and Mr. Tse Ka Wing and five independent non-executive directors, namely, Mr. Wong Yik Chung John, Mr. Wong Chi Chiu, Mr. Li Shui Yan, Mr. Cho Chi Kong and Mr. Kan Man Wai.*

*This announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for at least 7 days from the day of its publication and on the Company’s website at <http://www.perfect-optronics.com>.*