



Perfect Optronics Limited

圓美光電有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8311

2024
INTERIM REPORT

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

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This report, 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 report 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 report misleading.

HIGHLIGHTS

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

FINANCIAL RESULTS

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

| | Note | Six months ended 30 June | |
|--|------|---------------------------------|---------------------------------|
| | | 2024 HK\$'000 (Unaudited) | 2023 HK\$'000 (Unaudited) |
| Revenue | 4 | 52,506 | 66,500 |
| Cost of sales | | (46,042) | (56,437) |
| Gross profit | | 6,464 | 10,063 |
| Other gains, net | 6 | 15,023 | 7,635 |
| Distribution and selling expenses | | (7,703) | (10,446) |
| General and administrative expenses | | (11,380) | (11,305) |
| Research and development expenses | | (496) | (469) |
| Operating profit/(loss) | | 1,908 | (4,522) |
| Finance income | | 59 | 144 |
| Finance costs | 7 | (131) | (165) |
| Finance costs, net | | (72) | (21) |
| Profit/(loss) before income tax | 8 | 1,836 | (4,543) |
| Income tax credit/(expense) | 9 | 36 | (1) |
| Profit/(loss) for the period | | 1,872 | (4,544) |
| Other comprehensive income/(loss): <i>Item that may be subsequently reclassified to income statement</i> | | | |
| Currency translation differences | | 296 | 127 |
| <i>Items that will not be subsequently reclassified to income statement</i> | | | |
| Change in value of financial asset at fair value through other comprehensive income | | (276) | 300 |
| Currency translation differences | | 91 | 20 |
| Total comprehensive income/(loss) for the period | | 1,983 | (4,097) |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2024

| | Note | Six months ended 30 June | |
|--|------|---------------------------------|---------------------------------|
| | | 2024 HK\$'000 (Unaudited) | 2023 HK\$'000 (Unaudited) |
| Profit/(loss) for the period attributable to: | | | |
| Equity holders of the Company | | 2,250 | (3,859) |
| Non-controlling interests | | (378) | (685) |
| | | 1,872 | (4,544) |
| Total comprehensive income/(loss) for the period attributable to: | | | |
| Equity holders of the Company | | 2,270 | (3,432) |
| Non-controlling interests | | (287) | (665) |
| | | 1,983 | (4,097) |
| Basic and diluted earnings/(loss) per share (HK cents) | 11 | 0.15 | (0.26) |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

| | Note | 30 June 2024 HK\$'000 (Unaudited) | 31 December 2023 HK\$'000 (Audited) |
|--|------|--|--|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 12 | 729 | 169 |
| Right-of-use assets | 13 | — | — |
| Intangible assets | 14 | 5,322 | 5,322 |
| Deferred income tax assets | | 69 | 69 |
| Financial asset at fair value through other comprehensive income | 3.4 | 1,224 | 1,500 |
| Financial asset at fair value through profit or loss | 3.4 | 50,930 | 35,848 |
| | | 58,274 | 42,908 |
| Current assets | | | |
| Inventories | | 10,935 | 17,907 |
| Trade and other receivables | 15 | 9,387 | 7,944 |
| Cash and cash equivalents | | 37,173 | 47,372 |
| | | 57,495 | 73,223 |
| Total assets | | 115,769 | 116,131 |
| EQUITY | | | |
| Equity attributable to equity holders of the Company | | | |
| Share capital | | 14,837 | 14,837 |
| Reserves | | 116,238 | 116,218 |
| Accumulated losses | | (36,510) | (38,760) |
| | | 94,565 | 92,295 |
| Non-controlling interests | | (3,806) | (3,519) |
| Total equity | | 90,759 | 88,776 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2024

| | Note | 30 June 2024 HK\$'000 (Unaudited) | 31 December 2023 HK\$'000 (Audited) |
|-------------------------------------|------|--|--|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Bank loan | | 3,446 | 3,810 |
| Lease liabilities | 13 | 158 | 623 |
| | | 3,604 | 4,433 |
| Current liabilities | | | |
| Trade and other payables | 16 | 18,542 | 19,034 |
| Current income tax liabilities | | — | 395 |
| Bank loan | | 722 | 709 |
| Lease liabilities | 13 | 2,142 | 2,784 |
| | | 21,406 | 22,922 |
| Total liabilities | | 25,010 | 27,355 |
| Total equity and liabilities | | 115,769 | 116,131 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

| | Attributable to equity holders of the Company | | | | | | | | | |
|---|---|--|--|---|---|---|---|----------------------------------|--|---|
| | Share capital HK\$'000 (Unaudited) | Share premium HK\$'000 (Unaudited) | Other reserves ¹ HK\$'000 (Unaudited) | Merger reserve HK\$'000 (Unaudited) | Revaluation reserve ² HK\$'000 (Unaudited) | Exchange reserve HK\$'000 (Unaudited) | Accumulated losses HK\$'000 (Unaudited) | Total HK\$'000 (Unaudited) | Non-controlling interests HK\$'000 (Unaudited) | Total equity HK\$'000 (Unaudited) |
| Balance at 1 January 2024 | 14,837 | 465,738 | 67,349 | (415,675) | (1,106) | (88) | (38,760) | 92,295 | (3,519) | 88,776 |
| Comprehensive income/(loss) | | | | | | | | | | |
| Profit for the period | — | — | — | — | — | — | 2,250 | 2,250 | (378) | 1,872 |
| Other comprehensive income/(loss) | | | | | | | | | | |
| Currency translation differences | — | — | — | — | — | 296 | — | 296 | 91 | 387 |
| Change in value of financial asset at fair value through other comprehensive income | — | — | — | — | (276) | — | — | (276) | — | (276) |
| Total other comprehensive income/(loss) | — | — | — | — | (276) | 296 | — | 20 | 91 | 111 |
| Total comprehensive income/(loss) | — | — | — | — | (276) | 296 | 2,250 | 2,270 | (287) | 1,983 |
| Balance at 30 June 2024 | 14,837 | 465,738 | 67,349 | (415,675) | (1,382) | 208 | (36,510) | 94,565 | (3,806) | 90,759 |
| Balance at 1 January 2023 | 14,837 | 465,738 | 67,349 | (415,675) | (1,306) | (46) | (19,656) | 111,241 | (1,903) | 109,338 |
| Comprehensive income/(loss) | | | | | | | | | | |
| Loss for the period | — | — | — | — | — | — | (3,859) | (3,859) | (685) | (4,544) |
| Other comprehensive income | | | | | | | | | | |
| Currency translation differences | — | — | — | — | — | 127 | — | 127 | 20 | 147 |
| Change in value of financial asset at fair value through other comprehensive income | — | — | — | — | 300 | — | — | 300 | — | 300 |
| Total other comprehensive income | — | — | — | — | 300 | 127 | — | 427 | 20 | 447 |
| Total comprehensive income/(loss) | — | — | — | — | 300 | 127 | (3,859) | (3,432) | (665) | (4,097) |
| Balance at 30 June 2023 | 14,837 | 465,738 | 67,349 | (415,675) | (1,006) | 81 | (23,515) | 107,809 | (2,568) | 105,241 |

- Other reserves include: (1) the difference between the share capital issued by the Company for acquisition of the subsidiaries pursuant to a reorganisation for the listing of the Company and the aggregate capital of the subsidiaries being acquired at the time of the reorganisation; and (2) the amount of the loan waived by the controlling shareholder upon completion of a common control combination.
- Revaluation reserve represents fair value reserve for financial asset at fair value through other comprehensive income.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

| | Note | Six months ended 30 June | |
|---|------|---------------------------------|---------------------------------|
| | | 2024 HK\$'000 (Unaudited) | 2023 HK\$'000 (Unaudited) |
| Net cash used in operating activities | | (6,996) | (11,102) |
| Cash flows from investing activities | | | |
| Purchases of property, plant and equipment | 12 | (622) | (44) |
| Interest received | | 59 | 144 |
| Net cash (used in)/generated from investing activities | | (563) | 100 |
| Cash flows from financing activities | | | |
| Payments of principal element of lease liabilities | 13 | (1,611) | (2,115) |
| Repayments of bank loan | | (351) | (342) |
| Net cash used in financing activities | | (1,962) | (2,457) |
| Net decrease in cash and cash equivalents | | (9,521) | (13,459) |
| Cash and cash equivalents at beginning of period | | 47,372 | 85,709 |
| Exchange differences on cash and cash equivalents | | (678) | (383) |
| Cash and cash equivalents at end of period | | 37,173 | 71,867 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

A number of new and amended standards became applicable for the current reporting period and they did not have material impacts on the Group. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments.

For those new standards, amendment to standards and interpretations which have been issued but are not yet effective and have not been early adopted in prior accounting periods, the Group is in the process of assessing their impact on the Group's results and financial position.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

3.1 Financial instruments by category

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

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

3.2 Financial risk factors

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

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

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

3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

3.3 Liquidity risk

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

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

3.4 Fair value measurements

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

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

3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

3.4 Fair value measurements (Continued)

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

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

Notes:

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

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

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

3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

3.4 Fair value measurements (Continued)

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

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

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

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

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

3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

3.4 Fair value measurements (Continued)

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

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

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

4. REVENUE

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

5. SEGMENT INFORMATION

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

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

5. SEGMENT INFORMATION (CONTINUED)

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

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

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

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

5. SEGMENT INFORMATION (CONTINUED)

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

| | Six months ended 30 June | |
|------------|---------------------------------|---------------------------------|
| | 2024 HK\$'000 (Unaudited) | 2023 HK\$'000 (Unaudited) |
| Customer A | 15,189 | 201 |
| Customer B | 5,385 | 13,996 |

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

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

6. OTHER GAINS, NET

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

7. FINANCE COSTS

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

8. PROFIT/(LOSS) BEFORE INCOME TAX

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

| | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|
| | 2024 HK\$'000 (Unaudited) | 2023 HK\$'000 (Unaudited) |
| Cost of inventories sold | 45,347 | 55,766 |
| Write back of provision for obsolete inventories, net | (348) | (791) |
| Depreciation of property, plant and equipment (Note 12) | 55 | 41 |
| Depreciation of right-of-use assets (Note 13) | 122 | 2,092 |
| Provision for impairment of right-of-use assets (Note 13) | 387 | — |

9. INCOME TAX CREDIT/(EXPENSE)

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

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

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

10. DIVIDEND

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

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

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

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

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

12. PROPERTY, PLANT AND EQUIPMENT

| | HK\$'000 (Unaudited) |
|--------------------------------------|-------------------------|
| Six months ended 30 June 2024 | |
| <i>Net book value</i> | |
| Opening amount as at 1 January 2024 | 169 |
| Depreciation (Note 8) | (55) |
| Addition | 622 |
| Currency translation differences | (7) |
| Closing amount as at 30 June 2024 | 729 |
| Six months ended 30 June 2023 | |
| <i>Net book value</i> | |
| Opening amount as at 1 January 2023 | 104 |
| Depreciation (Note 8) | (41) |
| Addition | 44 |
| Currency translation differences | (2) |
| Closing amount as at 30 June 2023 | 105 |

13. LEASES

| | Right-of-use assets — Properties HK\$'000 (Unaudited) | Lease liabilities HK\$'000 (Unaudited) |
|-----------------------------------|--|---|
| As at 1 January 2024 | — | 3,407 |
| Additions | 509 | 509 |
| Depreciation expense (Note 8) | (122) | — |
| Provision for impairment (Note 8) | (387) | — |
| Interest expense (Note 7) | — | 52 |
| Payments of principal element | — | (1,611) |
| Payments of interest element | — | (52) |
| Exchange realignment | — | (5) |
| As at 30 June 2024 | — | 2,300 |
| Current | — | 2,142 |
| Non-current | — | 158 |
| | — | 2,300 |
| As at 1 January 2023 | 4,261 | 4,347 |
| Additions | 3,308 | 3,308 |
| Depreciation expense (Note 8) | (2,092) | — |
| Interest expense (Note 7) | — | 77 |
| Payments of principal element | — | (2,115) |
| Payments of interest element | — | (77) |
| Exchange realignment | (19) | (20) |
| As at 30 June 2023 | 5,458 | 5,520 |
| Current | — | 3,607 |
| Non-current | 5,458 | 1,913 |
| | 5,458 | 5,520 |

The Group recognised rent expense from short-term leases of HK\$1,106,000 for the six months ended 30 June 2024 (six months ended 30 June 2023: HK\$1,034,000).

14. INTANGIBLE ASSETS

During the six months ended 30 June 2024, there were no movements in the Group's intangible assets (six months ended 30 June 2023: Nil).

15. TRADE AND OTHER RECEIVABLES

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

Note:

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

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

16. TRADE AND OTHER PAYABLES

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

16. TRADE AND OTHER PAYABLES (CONTINUED)

Note:

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

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

17. RELATED PARTY TRANSACTIONS

(a) Key management compensation

Key management includes directors and senior management. The compensation paid or payable to key management for employee services is shown below:

| | Six months ended 30 June 2024 HK\$'000 (Unaudited) | 2023 HK\$'000 (Unaudited) |
|---|---|---------------------------------|
| Short-term employee benefits | 3,845 | 3,863 |
| Post-employment benefits — defined contribution plans | 34 | 34 |
| | 3,879 | 3,897 |

(b) Guarantee provided by a director

The Group's bank loan as at 30 June 2024, 31 December 2023 and 30 June 2023 was secured by personal guarantee from Mr. Cheng Wai Tak.

18. MAJOR NON-CASH TRANSACTION

During the six months ended 30 June 2024, the Group entered into lease arrangements in respect of properties and right-of-use assets of HK\$509,000 (six months ended 30 June 2023: HK\$3,308,000) were recognised.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

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

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

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

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

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

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

Prospects

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

Financial Review

Revenue

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

Gross profit

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

Other gains, net

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

Expenses

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

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

The Group's research and development expenses for the Period amounted to approximately HK\$496,000, which increased by approximately 6% as compared with approximately HK\$469,000 for the six months ended 30 June 2023. The increase was mainly due to the increase in staff costs.

Finance costs

The Group's finance costs for the Period mainly represented interest expenses on lease liabilities and bank loan of approximately HK\$52,000 (six months ended 30 June 2023: HK\$77,000) and HK\$79,000 (six months ended 30 June 2023: HK\$84,000), respectively.

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

| | 30 June 2024 HK\$'000 | 31 December 2023 HK\$'000 |
|-------------------------------|--------------------------------------|---------------------------------|
| United States dollars ("USD") | 16,311 | 15,818 |
| Renminbi | 12,683 | 11,500 |
| HK\$ | 7,735 | 19,404 |
| New Taiwan dollars | 444 | 650 |
| | 37,173 | 47,372 |

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

| | 30 June 2024 HK\$'000 | 31 December 2023 HK\$'000 |
|--|--------------------------------------|---------------------------------|
| 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 | 285 | 705 |
| | 4,168 | 4,519 |

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 have 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 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).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2024, 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 shares of the Company:

| 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 | 62.24% |
| | | (Note) | |
| | Beneficial owner | 2,220,000 | 0.15% |
| | | 925,647,151 | 62.39% |
| Mr. Kan Man Wai | Beneficial owner | 320,000 | 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 30 June 2024, 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors are aware, as at 30 June 2024, other than the Directors and chief executive of the Company, the following persons/entities have an interest or a short position in the shares or the underlying shares of the Company 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 position in shares of the Company:

| Name | Nature of interests | Number of shares held | Percentage of the Company's issued shares |
|--------------------|-----------------------------|-----------------------|---|
| Winful Enterprises | Directly beneficially owned | 923,427,151 (Note) | 62.24% |

Note: 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 30 June 2024, no other person had any interests or short positions in the shares or underlying shares of the Company 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.

SHARE OPTION SCHEMES

The Company had a share option scheme (the "2014 Share Option Scheme") which was approved and adopted by the then sole shareholder of the Company by way of written resolutions passed on 20 January 2014. The 2014 Share Option Scheme expired on 19 January 2024 and a new share option scheme of the Company (the "2024 Share Option Scheme") was approved and adopted at the annual general meeting of the Company held on 18 June 2024.

No share option has been granted under the 2024 Share Option Scheme and the 2014 Share Option Scheme (collectively, the "Share Option Schemes") since their adoptions.

As at 1 January 2024, the number of share options available for grant under the 2014 Share Option Scheme was 132,000,000. The 2014 Share Option Scheme expired on 19 January 2024.

As at 30 June 2024, the number of share options available for grant under the 2024 Share Option Scheme and the service provider sublimit was 148,368,715 and 14,836,871 respectively.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the Share Option Schemes, at no time during the Period was the Company, its parent company, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

COMPLIANCE OF CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the Period.

NON-COMPETITION UNDERTAKING

On 20 January 2014, each of Mr. Cheng Wai Tak and Winful Enterprises, the controlling shareholders of the Company (collectively, the "Covenantors") entered into a deed of non-competition undertaking (the "Non-Competition Deed") in favour of the Company (for itself and for and on behalf of all members of the Group), pursuant to which each of the Covenantors, irrevocably and unconditionally, undertakes and covenants with the Company that with effect from the listing date of the Company and for as long as the shares of the Company remain so listed on the Stock Exchange and he/it, individually or collectively with any other Covenantor(s), is, directly or indirectly, interested in 30% or more of the shares of the Company in issue, or is otherwise regarded as a controlling shareholder (as defined under the GEM Listing Rules from time to time) of the Company, he/it shall not, and shall procure that none of his/its associates (for the purpose of the Non-Competition Deed, shall have the meaning as defined under Rule 1.01 of the GEM Listing Rules but excluding the Group) shall:

- (a) directly or indirectly (other than through the Group) engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with existing business activity of the Group and any business activities undertaken by the Group from time to time (the "Restricted Business") except for the holding of not more than 5% shareholding interests (individually or any of the Covenantors with their associates collectively) in any publicly listed company; and

- (b) take any direct or indirect action which constitutes an interference with or a disruption to the Restricted Business including, but not limited to, solicitation of the Group's customers, suppliers or staff.

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

COMPETING INTERESTS

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

LEGAL PROCEEDINGS INVOLVING THE COMPANY AND THE DIRECTORS

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

As detailed in the Company's announcement dated 25 September 2020, with effect from 25 September 2020, pending the outcome of the legal proceedings of the Petition, the Director Respondents have been suspended from their duties as Directors. Mr. Cheng Wai Tak has also been suspended from his duties as the Chairman of the Board and the Chief Executive Officer ("CEO") of the Company. Mr. Kan Man Wai, an independent non-executive Director, has been appointed as the acting Chairman in place of Mr. Cheng Wai Tak. The function of the CEO is shared among the management staff of the Company and other members of the Board.

* *for identification purpose only*

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

CORPORATE GOVERNANCE

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

DISCLOSURE OF INFORMATION ON DIRECTORS

Pursuant to Rule 17.50A of the GEM Listing Rules, the changes in information on Directors are as follows:

Mr. Cho Chi Kong had tendered his resignation as an independent non-executive director of the Company effective from 1 July 2024.

On 1 July 2024, Mr. Lau Ngai Kee Ricky was appointed as an independent non-executive director of the Company.

AUDIT COMMITTEE

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

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

Hong Kong, 6 August 2024