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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)

**THIRD QUARTERLY RESULTS ANNOUNCEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2021**

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 enquires, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

HIGHLIGHTS

- The Group recorded a revenue of approximately HK\$377.5 million for the nine months ended 30 September 2021 (nine months ended 30 September 2020: HK\$101.8 million).
- Loss attributable to equity holders of the Company for the nine months ended 30 September 2021 amounted to approximately HK\$39.7 million (nine months ended 30 September 2020: HK\$17.6 million).
- The Board does not declare an interim dividend for the nine months ended 30 September 2021 (nine months ended 30 September 2020: 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 (the “Group”) for the nine months ended 30 September 2021 together with the comparative unaudited figures for the corresponding period in 2020 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2021

	Note	Three months ended 30 September		Nine months ended 30 September	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	3	146,294	64,045	377,462	101,778
Cost of sales		<u>(152,613)</u>	<u>(60,641)</u>	<u>(366,042)</u>	<u>(99,948)</u>
Gross (loss)/profit		(6,319)	3,404	11,420	1,830
Other (losses)/gains, net	4	(19,653)	6,126	(18,843)	6,993
Distribution and selling expenses		(4,207)	(2,997)	(13,023)	(8,053)
General and administrative expenses		(6,102)	(6,495)	(18,288)	(18,222)
Research and development expenses		(438)	(284)	(1,206)	(941)
Operating loss		(36,719)	(246)	(39,940)	(18,393)
Finance income		8	7	27	23
Finance costs	5	(123)	(153)	(369)	(513)
Finance costs, net		<u>(115)</u>	<u>(146)</u>	<u>(342)</u>	<u>(490)</u>
Loss before income tax		(36,834)	(392)	(40,282)	(18,883)
Income tax	6	(1)	(1)	(15)	5
Loss for the period		(36,835)	(393)	(40,297)	(18,878)
Other comprehensive income/(loss):					
<i>Item that may be subsequently reclassified to income statement</i>					
Currency translation differences		—	87	21	30
<i>Item that will not be subsequently reclassified to income statement</i>					
Change in value of financial asset at fair value through other comprehensive income		—	(660)	(107)	(741)
Total comprehensive loss for the period		<u>(36,835)</u>	<u>(966)</u>	<u>(40,383)</u>	<u>(19,589)</u>
Loss for the period attributable to:					
Equity holders of the Company		(36,644)	(164)	(39,676)	(17,638)
Non-controlling interests		<u>(191)</u>	<u>(229)</u>	<u>(621)</u>	<u>(1,240)</u>
		<u>(36,835)</u>	<u>(393)</u>	<u>(40,297)</u>	<u>(18,878)</u>
Total comprehensive loss for the period attributable to:					
Equity holders of the Company		(36,644)	(733)	(39,753)	(18,345)
Non-controlling interests		<u>(191)</u>	<u>(233)</u>	<u>(630)</u>	<u>(1,244)</u>
		<u>(36,835)</u>	<u>(966)</u>	<u>(40,383)</u>	<u>(19,589)</u>
Basic and diluted loss per share	8	<u>HK(2.47) cents</u>	HK(0.01) cents	<u>HK(2.67) cents</u>	HK(1.19) cents

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the nine months ended 30 September 2021

	Attributable to equity holders of the Company									
	Share capital	Share premium	Other reserves ¹	Merger reserve	Revaluation reserve ²	Exchange reserve	Retained earnings/ (Accumulated losses)	Total	Non-controlling interests	Total equity
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Balance at 1 January 2021	14,837	465,738	67,349	(415,675)	(730)	(321)	20,163	151,361	(245)	151,116
Comprehensive loss										
Loss for the period	—	—	—	—	—	—	(39,676)	(39,676)	(621)	(40,297)
Other comprehensive income/(loss)										
Currency translation differences	—	—	—	—	—	30	—	30	(9)	21
Change in value of financial asset at fair value through other comprehensive income	—	—	—	—	(107)	—	—	(107)	—	(107)
Total other comprehensive income/(loss)	—	—	—	—	(107)	30	—	(77)	(9)	(86)
Total comprehensive income/(loss)	—	—	—	—	(107)	30	(39,676)	(39,753)	(630)	(40,383)
Balance at 30 September 2021	<u>14,837</u>	<u>465,738</u>	<u>67,349</u>	<u>(415,675)</u>	<u>(837)</u>	<u>(291)</u>	<u>(19,513)</u>	<u>111,608</u>	<u>(875)</u>	<u>110,733</u>
Balance at 1 January 2020	14,837	465,738	67,349	(415,675)	67	(415)	37,046	168,947	1,410	170,357
Comprehensive loss										
Loss for the period	—	—	—	—	—	—	(17,638)	(17,638)	(1,240)	(18,878)
Other comprehensive income/(loss)										
Currency translation differences	—	—	—	—	—	34	—	34	(4)	30
Change in value of financial asset at fair value through other comprehensive income	—	—	—	—	(741)	—	—	(741)	—	(741)
Total other comprehensive income/(loss)	—	—	—	—	(741)	34	—	(707)	(4)	(711)
Total comprehensive income/(loss)	—	—	—	—	(741)	34	(17,638)	(18,345)	(1,244)	(19,589)
Balance at 30 September 2020	<u>14,837</u>	<u>465,738</u>	<u>67,349</u>	<u>(415,675)</u>	<u>(674)</u>	<u>(381)</u>	<u>19,408</u>	<u>150,602</u>	<u>166</u>	<u>150,768</u>

- 1 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.
- 2 Revaluation reserve represents fair value reserve for financial asset at fair value through other comprehensive income.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

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 sale of display and optics products and related electronic components and trading of other products. The Group also processes some of the products which it sells.

The unaudited consolidated financial results of the Group for the nine months ended 30 September 2021 (the "Consolidated Financial Results") have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the GEM Listing Rules. The Consolidated Financial Results 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 and financial asset at fair value through profit or loss ("FVTPL") which have been measured at fair value.

The Consolidated Financial Results 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 Consolidated Financial Results are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

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

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

The preparation of the Consolidated Financial Results 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 2020.

3. REVENUE

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

The Group's revenue from its major products are as follows:

	Three months ended		Nine months ended	
	30 September		30 September	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Thin film transistor liquid crystal display ("TFT-LCD") panels and modules	123,427	46,778	297,644	66,874
Polarisers	13,753	10,795	37,683	18,668
Health-related products	3,446	1,556	15,628	2,810
Electronic signage	3,904	1,778	11,697	5,497
Integrated circuits	376	40	6,291	53
Optics products	981	942	2,867	1,452
Others	407	2,156	5,652	6,424
	<u>146,294</u>	<u>64,045</u>	<u>377,462</u>	<u>101,778</u>

4. OTHER (LOSSES)/GAINS, NET

	Three months ended		Nine months ended	
	30 September		30 September	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Fair value (loss)/gain in financial asset at FVTPL — <i>Note (a)</i>	(19,762)	5,665	(19,251)	5,870
Net exchange gains/(losses)	4	(36)	42	(130)
Others — <i>Note (b)</i>	105	497	366	1,253
	<u>(19,653)</u>	<u>6,126</u>	<u>(18,843)</u>	<u>6,993</u>

Notes:

- (a) The Group's fair value (loss)/gain in financial asset at FVTPL for the nine months ended 30 September 2021 and 30 September 2020 represented the changes in fair value of the Group's investment in 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, automotive and other devices. There have been no addition to or disposal of such investment since the Group made the investment in January 2015. No dividend has been received by the Group from Mobvoi. As at 30 September 2021, the Group's shareholding proportion in Mobvoi was approximately 1.24% (on a fully diluted and as converted basis). The fair value of the Group's financial asset at FVTPL as at 30 September 2021 amounted to approximately HK\$40,296,000 (unaudited) (31 December 2020: HK\$59,547,000), which is based on market comparable companies and equity value allocation with option-pricing method performed by an independent valuer. The fair value is within level 3 of the fair value hierarchy.
- (b) Such balance for the nine months ended 30 September 2020 mainly included subsidy received by the Group under the Employment Support Scheme of the Hong Kong SAR Government.

5. FINANCE COSTS

	Three months ended		Nine months ended	
	30 September		30 September	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest expense on lease liabilities	<u>123</u>	<u>153</u>	<u>369</u>	<u>513</u>

6. INCOME TAX

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current income tax	—	1	—	6
Deferred income tax	<u>(1)</u>	<u>(2)</u>	<u>(15)</u>	<u>(1)</u>
	<u>(1)</u>	<u>(1)</u>	<u>(15)</u>	<u>5</u>

No Hong Kong profits tax has been provided as the Group has no estimated assessable profit arising in or derived from Hong Kong during the nine months ended 30 September 2021 (nine months ended 30 September 2020: Nil). Taxation on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

7. INTERIM DIVIDEND

The Board does not declare an interim dividend for the nine months ended 30 September 2021 (nine months ended 30 September 2020: Nil).

8. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share 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 period.

	Nine months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
Loss attributable to equity holders of the Company (<i>HK\$'000</i>)	<u>(39,676)</u>	<u>(17,638)</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	<u>HK(2.67) cents</u>	<u>HK(1.19) cents</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 nine months ended 30 September 2021 and 2020 as the Group had no potentially dilutive ordinary shares in issue during these periods.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and prospects

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

Following a flourishing year for display panels market, the market prices of display panels has begun to drop in the third quarter of 2021, resulting in decrease of the Group's gross margin during the third quarter of 2021. Although the overall revenue of the Group during the nine months ended 30 September 2021 (the "Period") reached approximately HK\$377,462,000, which increased by about 2.7 times as compared to approximately HK\$101,778,000 for the corresponding period in 2020, the fair value loss recognised for the Group's investment in certain preferred shares of Mobvoi led to the increase in consolidated loss attributable to equity holders of the Company for the Period. During the Period, the consolidated loss attributable to equity holders of the Company amounted to approximately HK\$39,676,000, representing an increase in loss by about 125% as compared to approximately HK\$17,638,000 for the corresponding period in 2020.

During the Period, sales of medium-to-large sized display products, including display panels and modules for computer notebooks, monitors and televisions, continued to be the key revenue driver of the Group. The trends of distance learning and work-from-home mode during the Coronavirus Disease 2019 (“COVID-19”) pandemic have driven the market demand for laptops, PC monitors and tablets, and thus increased the demand for related display components. Such demand began to cool down due to the gradual relaxation of COVID-19 restrictive measures in various areas. Meanwhile, as shortage of display panel supplies have continued to improve, television brands have regained greater bargaining power and brands have adopted cautious attitude in ordering display panels and modules with regarded to the prolonged shortage of other components and parts arising from the disrupted global supply chain. The Group’s gross margin was significantly affected in the third quarter of 2021. Nevertheless, the Group’s revenue showed a significant improvement during the Period as compared with the nine months ended 30 September 2020. The Group’s sales of TFT-LCD panels and modules during the Period amounted to approximately HK\$297,644,000, representing an increase of approximately 3.5 times as compared with approximately HK\$66,874,000 for the corresponding period in 2020. Revenue from the sales of polarisers continued to improve, which doubled the amount of approximately HK\$18,668,000 during the nine months ended 30 September 2020 to approximately HK\$37,683,000 during the Period. Sales of integrated circuits amounted to approximately HK\$6,291,000 during the Period, representing an increase of approximately HK\$6,238,000 as compared to approximately HK\$53,000 for the corresponding period in 2020.

Retailed outlets and shopping malls have progressively adopted new technologies to enhance shoppers’ experience, driving the demands of digital information signages. With the growing popularity of digital information signages and the Group’s efforts in developing the Taiwan market, the Group’s electronic signage products, which include digital information signages, electronic shelf displays and electronic white boards, etc., recorded a revenue of approximately HK\$11,697,000 during the Period, representing an increase of approximately HK\$6,200,000 as compared to approximately HK\$5,497,000 for the corresponding period in 2020. The Group is continuing to develop overseas markets for its electronic signage products.

The Group’s sales of optics products during the Period, which mainly comprised sales of optics products components, amounted to approximately HK\$2,867,000, representing an increase of approximately 97% as compared with approximately HK\$1,452,000 for the corresponding period in 2020.

At the outbreak of COVID-19, the Group promptly reacted to the widespread shortage of disinfectant products in Hong Kong and introduced a personal hygiene and disinfectant product line in Taiwan branded “K-clean” to the Hong Kong market in 2020. The Group has marketed K-clean to corporate clients, public sectors and consumers. During the Period, the Group implemented a variety of marketing initiatives, including TV advertisements, electronic media promotions, retail kiosks in shopping malls and participation in large exhibition events, and at the same time broadened its sales channels to various online sales platforms, large-scale chained retail outlets, department stores and drugstores. In early 2021, K-clean also received commendation for its high performance in both bacteria kill rate and reduction of viral infectivity. Through the aforesaid marketing efforts and the proven effectiveness of K-clean, K-clean has gained recognition in the market and received brand awards from various media platforms. The Group’s sales of health-related products amounted to approximately HK\$15,628,000 during the Period, representing an increase of approximately HK\$12,818,000 as compared to approximately HK\$2,810,000 for the corresponding period in 2020.

The Group’s holding of certain preferred shares in Mobvoi through its subsidiary is classified as financial asset at FVTPL of the Group. Besides continuing to keep up with market demand and to launch new and upgraded products, Mobvoi has also tried to expand its business through entering into other high-growth business sectors which can apply its AI technology so as to accelerate its revenue growth and gain synergy. Mobvoi acquired two companies which provide education and training services to students (including children) in the People’s Republic of China (the “PRC”) in 2020 by the issues of new ordinary shares of Mobvoi. However, recently the PRC government has been reforming the PRC education system, and a new policy (the “Policy”) was issued in July 2021 to alleviate the workload of students from after-school trainings. The Policy requires that a sound ecological environment of education shall be created to effectively ease parental anxiety and facilitate all-round development and healthy growth of the students in compulsory education. Being participants in the education sector in the PRC, those two companies were negatively affected as PRC government moves to ease the financial burdens of parenting, following the introduction of the Three-Child Policy. Fair value of the Group’s investment in Mobvoi dropped significantly during the Period and amounted to approximately HK\$40,296,000 as at 30 September 2021 (31 December 2020: HK\$59,547,000). Accordingly, a fair value loss of approximately HK\$19,251,000 was recognised during the Period, as compared to a fair value gain of approximately HK\$5,870,000 recognised during the corresponding period in 2020. Mobvoi will continue to develop technology, widen product portfolio and expand business in order to alleviate any negative impacts.

Looking forward, with disruptions of the global supply chain, energy shortage and concerns over possible stagflation, economic recovery from COVID-19 pandemic continues to be susceptible to many market uncertainties. The Group will continue to keep abreast of the market dynamics and adopt flexible and innovative strategies to capture market opportunities and widen its revenue base. In view of the remarkable performance of the Group's K-clean and related products business, the Group will continue to explore opportunities in health-related products and expand its product diversity in order to create greater value for the Group and its shareholders.

Financial review

Revenue

The trends of distance learning and work-from-home mode during the COVID-19 pandemic have driven the market demand for laptops, PC monitors and tablets, and thus increased the demand for related display components during the Period. Total revenue of the Group for the Period amounted to approximately HK\$377,462,000, which increased by approximately 271% from approximately HK\$101,778,000 for the corresponding period in 2020. Sales of TFT-LCD panels and modules, polarisers, electronic signage, integrated circuits, optics products, as well as the Group's newly introduced personal hygiene and disinfectant products showed significant increase during the Period as compared to the corresponding period in 2020.

Gross profit

Gross profit of the Group during the Period amounted to approximately HK\$11,420,000, represented an increase of approximately HK\$9,590,000 as compared to approximately HK\$1,830,000 for the corresponding period in 2020. The improvement in gross profit was mainly attributable to the increase in revenue and gross profit margins of the Group's products sold during the Period.

Other (losses)/gains, net

Net other losses of approximately HK\$18,843,000 was recorded for the Period, while net other gains of approximately HK\$6,993,000 was recorded for the corresponding period in 2020. The balance for the Period mainly included the fair value loss on the Group's investment in Mobvoi of approximately HK\$19,251,000, while that for the corresponding period in 2020 mainly included fair value gain on the Group's investment in Mobvoi of approximately HK\$5,870,000 and subsidy received by the Group under the Employment Support Scheme of the Hong Kong SAR Government.

Expenses

The Group's distribution and selling expenses for the Period amounted to approximately HK\$13,023,000, representing an approximately 62% increase as compared with approximately HK\$8,053,000 for the corresponding period in 2020. The increase was mainly attributable to the increase in sales commissions, staff costs, transportation and promotion expenses incurred for the Group's new products.

The Group's general and administrative expenses for the Period amounted to approximately HK\$18,288,000, which was comparable to approximately HK\$18,222,000 for the corresponding period in 2020.

The Group's research and development expenses for the Period amounted to approximately HK\$1,206,000, which increased by approximately 28% as compared to approximately HK\$941,000 for the corresponding period in 2020. The increase was mainly due to the increase in staff costs.

Finance costs

The Group's finance costs for the Period represented interest expense on lease liabilities of approximately HK\$369,000 (nine months ended 30 September 2020: HK\$513,000).

Loss for the period attributable to equity holders of the Company

Loss attributable to equity holders of the Company for the Period amounted to approximately HK\$39,676,000, representing an increase in loss of approximately HK\$22,038,000 as compared with the loss in the corresponding period in 2020 of approximately HK\$17,638,000, which was mainly attributable to the fair value loss on the Group's investment in Mobvoi recognised during the Period.

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.

LEGAL PROCEEDINGS INVOLVING THE COMPANY AND THE DIRECTORS

Reference is made to the announcements of the Company dated 26 September 2019, 4 October 2019, 10 January 2020, 9 April 2020, 10 July 2020 and 25 September 2020. On 25 September 2019, the Company received a sealed copy of a petition (the “Petition”) issued by the High Court of the Hong Kong Special Administrative Region (the “High Court”) which was taken out by the Securities and Futures Commission (the “SFC”) pursuant to section 214 of the Securities and Futures Ordinance against certain Directors, namely Mr. Cheng Wai Tak (“Mr. Cheng”), 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 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. The function of the CEO is shared among the management staff of the Company and other members of the Board.

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

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 15 of the GEM Listing Rules. Throughout the Period, the Company has complied with all the code provisions of the CG Code.

* *for identification purpose only*

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the code provision C.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. Cho Chi Kong. The audit committee has reviewed this announcement and has provided advice and comments thereon.

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

Hong Kong, 8 November 2021

As at the date of this announcement, the Board comprises four executive directors, namely, Mr. Cheng Wai Tak (suspended), Mr. Liu Ka Wing (suspended), Mr. Tse Ka Wing (suspended) and Mr. Chang Huan Chia; and five independent non-executive directors, namely, Mr. Wong Yik Chung John (suspended), Mr. Wong Chi Chiu (suspended), Mr. Kan Man Wai (acting Chairman), Mr. Cho Chi Kong and Ms. Hsu Wai Man Helen.

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