



Perfect Optronics Limited  
圓美光電有限公司

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

Stock Code: 8311

2022

FIRST QUARTERLY REPORT

## 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.

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

*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 revenue of approximately HK\$144.1 million for the three months ended 31 March 2022 (three months ended 31 March 2021: approximately HK\$105.7 million).
- Profit attributable to equity holders of the Company for the three months ended 31 March 2022 amounted to approximately HK\$23.1 million (three months ended 31 March 2021: loss of approximately HK\$150,000).
- The Board does not declare an interim dividend for the three months ended 31 March 2022 (three months ended 31 March 2021: Nil).

## FINANCIAL RESULTS

The board of directors (the “Board”) of Perfect Optronics Limited (the “Company”) is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2022 together with the comparative unaudited figures for the corresponding period in 2021 as follows:

### UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2022

	Note	Three months ended 31 March	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>Revenue</b>	3	<b>144,125</b>	105,662
Cost of sales		<b>(101,954)</b>	(95,498)
<b>Gross profit</b>		<b>42,171</b>	10,164
Other gains, net	4	<b>871</b>	259
Distribution and selling expenses		<b>(9,371)</b>	(4,553)
General and administrative expenses		<b>(7,232)</b>	(6,075)
Research and development expenses		<b>(253)</b>	(204)
<b>Operating profit/(loss)</b>		<b>26,186</b>	(409)
Finance income		<b>9</b>	8
Finance costs	5	<b>(107)</b>	(118)
Finance costs, net		<b>(98)</b>	(110)
<b>Profit/(loss) before income tax</b>		<b>26,088</b>	(519)
Income tax expense	6	<b>(3,219)</b>	(13)
<b>Profit/(loss) for the period</b>		<b>22,869</b>	(532)
<b>Other comprehensive income/(loss):</b> <i>Item that may be subsequently reclassified to income statement</i>			
Currency translation differences		<b>73</b>	(9)
<b>Total comprehensive income/(loss) for the period</b>		<b>22,942</b>	(541)

# UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the three months ended 31 March 2022

	Note	Three months ended 31 March	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>Profit/(loss) for the period attributable to:</b>			
Equity holders of the Company		23,093	(150)
Non-controlling interests		(224)	(382)
		<b>22,869</b>	<b>(532)</b>
<b>Total comprehensive income/(loss) for the period attributable to:</b>			
Equity holders of the Company		23,125	(159)
Non-controlling interests		(183)	(382)
		<b>22,942</b>	<b>(541)</b>
<b>Basic and diluted earnings/(loss) per share (HK cents)</b>	8	<b>1.56</b>	<b>(0.01)</b>

# UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2022

	Attributable to equity holders of the Company									
	Share capital	Share premium	Other reserves <sup>1</sup>	Merger reserve	Revaluation reserve <sup>2</sup>	Exchange reserve	(Accumulated losses)/	Total	Non-controlling interests	Total equity
							retained earnings			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
<b>Balance at 1 January 2022</b>	14,837	465,738	67,349	(415,675)	(954)	(291)	(23,694)	107,310	(1,451)	105,859
<b>Comprehensive income/(loss)</b>										
Profit/(loss) for the period	—	—	—	—	—	—	23,093	23,093	(224)	22,869
<b>Other comprehensive income</b>										
Currency translation differences	—	—	—	—	—	32	—	32	41	73
<b>Total comprehensive income/(loss)</b>	—	—	—	—	—	32	23,093	23,125	(183)	22,942
<b>Balance at 31 March 2022</b>	14,837	465,738	67,349	(415,675)	(954)	(259)	(601)	130,435	(1,634)	128,801
<b>Balance at 1 January 2021</b>	14,837	465,738	67,349	(415,675)	(730)	(321)	20,163	151,361	(245)	151,116
<b>Comprehensive loss</b>										
Loss for the period	—	—	—	—	—	—	(150)	(150)	(382)	(532)
<b>Other comprehensive loss</b>										
Currency translation differences	—	—	—	—	—	(9)	—	(9)	—	(9)
<b>Total comprehensive loss</b>	—	—	—	—	—	(9)	(150)	(159)	(382)	(541)
<b>Balance at 31 March 2021</b>	14,837	465,738	67,349	(415,675)	(730)	(330)	20,013	151,202	(627)	150,575

- 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.

# 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, as well as trading of health-related products and other products. The Group also processes some of the products which it sells.

The unaudited consolidated financial results of the Group for the three months ended 31 March 2022 (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 2021.

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 2021.

### 3. REVENUE

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

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

	Three months ended 31 March	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Thin film transistor liquid crystal display ("TFT-LCD") panels and modules	73,569	79,655
Health-related products	55,029	7,763
Polarisers	10,462	11,096
Electronic signage	2,521	2,632
Integrated circuits	1,263	2,454
Optics products	183	—
Others	1,098	2,062
	<b>144,125</b>	105,662

### 4. OTHER GAINS, NET

	Three months ended 31 March	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Fair value changes in financial asset at FVTPL	913	118
Exchange losses	(43)	(83)
Others	1	224
	<b>871</b>	259

The Group's fair value changes in financial asset at FVTPL for the three months ended 31 March 2022 and 2021 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. During the three months ended 31 March 2022, Mobvoi disposed of part of/all of the shares in certain of its subsidiaries in exchange for the repurchase by Mobvoi of certain of its shares, which were treated as treasury shares of Mobvoi ("Treasury Shares") as at 31 March 2022 to be cancelled. Upon cancellation of such Treasury Shares, the Group's shareholding proportion in Mobvoi will be increased to approximately 1.31% (on a fully diluted and as converted basis) (31 December 2021: 1.24%). The fair value of the Group's financial asset at FVTPL as at 31 March 2022 amounted to approximately HK\$39,374,000 (unaudited) (31 December 2021: HK\$38,461,000), 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.

## 5. FINANCE COSTS

	<b>Three months ended 31 March</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Interest expenses on:		
Lease liabilities	<b>66</b>	118
Bank loan	<b>40</b>	—
Factoring charges	<b>1</b>	—
Finance costs	<b>107</b>	118

## 6. INCOME TAX EXPENSE

The amount of income tax charged to the unaudited consolidated statement of comprehensive income represents:

	Three months ended 31 March	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Current income tax — Hong Kong profits tax	3,220	—
Deferred income tax	(1)	13
	<b>3,219</b>	13

Pursuant to the enactment of two-tiered profits tax rates by the Inland Revenue Department of Hong Kong from the year of assessment 2018/19 onwards, the Group's first HK\$2 million of assessable profits during the three months ended 31 March 2022 under Hong Kong profits tax is subject to tax rate of 8.25%. The Group's remaining assessable profits during the three months ended 31 March 2022 above HK\$2 million will continue to be subject to a tax rate of 16.5%. No profits tax has been provided for the three months ended 31 March 2021 as the Group has no estimated assessable profit arising in or derived from Hong Kong during the three months ended 31 March 2021. Taxation on profits assessable elsewhere has 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 three months ended 31 March 2022 (three months ended 31 March 2021: Nil).

## 8. 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.

	Three months ended 31 March	
	2022 (Unaudited)	2021 (Unaudited)
Profit/(loss) attributable to equity holders of the Company (HK\$'000)	23,093	(150)
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)	1.56	(0.01)

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 three months ended 31 March 2022 and 2021 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 health-related products and other products. The Group also processes some of the products that it sells.

Having stepped into 2022, the omicron variant of COVID-19 continues to rage around the world and brought unprecedented challenges to the global economy. As the Group has successfully turned the risks into opportunity with its vast product diversity and flexible business strategy, the Group recorded a turnaround of its results for the three months ended 31 March 2022 (the "Period"). The Group's consolidated profit attributable to equity holders of the Company for the Period amounted to approximately HK\$23,093,000 as compared to a consolidated loss attributable to equity holders of the Company of approximately HK\$150,000 for the three months ended 31 March 2021. Revenue of the Group for the Period amounted to approximately HK\$144,125,000, representing an increase of approximately 36% as compared to approximately HK\$105,662,000 for the corresponding period in 2021.

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 main revenue driver of the Group. The strong demand of display panels driven by the trend of distance learning and work-from-home mode has been significantly cooled down, resulting in an over-supply situation and price drop in the market. The Group's sales of TFT-LCD panels and modules amounted to approximately HK\$73,569,000 during the Period, representing a decrease of approximately 8% as compared with approximately HK\$79,655,000 for the three months ended 31 March 2021. The Group's sales of integrated circuits and optics products remained weak during the Period, which amounted to approximately HK\$1,263,000 (three months ended 31 March 2021: HK\$2,454,000) and HK\$183,000 (three months ended 31 March 2021: Nil). Meanwhile, primarily due to the Group's supplier experienced a tight supply of raw materials during the Period, the Group's revenue from the sales of polarisers decreased by approximately 6% from approximately HK\$11,096,000 during the three months ended 31 March 2021 to approximately HK\$10,462,000 during the Period.

The Group's revenue from electronic signage, which include digital information signages, electronic shelf displays and electronic white boards, etc., amounted to approximately HK\$2,521,000 during the Period, representing a decrease of approximately 4% as compared with approximately HK\$2,632,000 for the corresponding period in 2021. Despite the drop in revenue, the demand for electronic signage products is expected to increase as retail outlets and shopping malls are increasingly adopting digital signage to promote and distribute content. The Group will continue to capture the rising electronic signage market.

Although the decreases in revenues from the major products as mentioned above, the Group's health-related products recorded a revenue of approximately HK\$55,029,000 during the Period, representing a significant increase of approximately HK\$47,266,000 as compared to approximately HK\$7,763,000 for the corresponding period in 2021. The Group introduced a personal hygiene and disinfectant product line in Taiwan branded "K-clean" to the Hong Kong market in 2020. Through the Group's effort in marketing K-clean during the past two years, the Group has penetrated K-clean to customers from different sectors and built a wide customer base which includes corporate clients, public sectors and consumers. K-clean also received commendation for its high performance in both bacteria kill rate and reduction of viral infectivity. The occurrence of the 5th wave of COVID-19 in Hong Kong boosted the demand for the Group's health-related products, which include personal hygiene and disinfectant products and rapid antigen test kits for COVID-19. Health-related products became the Group's another key revenue driver during the Period. The brand reputation and customer base of K-clean have been further strengthened during the Period. In addition to personal hygiene and disinfectant products, the Group also captured the market opportunities for the sale of rapid antigen test kits for COVID-19 during the Period through its diversified business networks. Health-related products propelled the improvement of the Group's gross margin and was a major factor of the Group's results turnaround during the Period, which also demonstrated the success of the Group's flexible strategies.

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 fair value through profit or loss. Mobvoi actively seized the opportunity to expand high-growth business and acquired two companies ("Education Cos") 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, the PRC education system has been reforming, various new policies were introduced in 2021 and negatively affected the Education Cos. To mitigate the negative impacts of the Education Cos, Mobvoi disposed of part of/all of the shares in the Education Cos during the Period in exchange for the repurchase by Mobvoi of certain of its shares, which were treated as treasury shares of Mobvoi ("Treasury Shares") as at 31 March 2022 to be cancelled. Upon cancellation of such Treasury Shares, the Group's shareholding proportion in Mobvoi will be increased to approximately 1.31% (on a fully diluted and as converted basis) (31 December 2021: 1.24%). Fair value of the Group's investment in Mobvoi as at 31 March 2022 increased to approximately HK\$39,374,000 (unaudited) from approximately HK\$38,461,000 as at 31 December 2021. Fair value gain of approximately HK\$913,000 (three months ended 31 March 2021: HK\$118,000) was recognised during the Period.

Looking forward, despite the uncertainties of downward panel pricing and the far-reaching and unprecedented impacts brought by COVID-19, the Group will continue to keep abreast of the market dynamics by exploring more high investment value business to seize the market opportunity. The Group will continue to deploy the market for health-related products with its flexible and innovative operating strategies, while continuing to widen its product diversity to minimise the adverse impact arising from any individual product, and explore opportunities with new suppliers and customers from various areas or industries to create greater value for the Group and its shareholders.

## **Financial review**

### ***Revenue***

The 5th wave of COVID-19 in Hong Kong occurred during the Period had driven huge demand for the Group's health-related products. As compared with the three months ended 31 March 2021, there was a significant increase in the sales of the Group's health-related products, which outweighed the decrease in the sales of the Group's other major products, such as TFT-LCD panels and modules, polarisers, integrated circuits and electronic signage, during the Period. Total revenue of the Group for the Period amounted to approximately HK\$144,125,000, representing an increase of approximately 36% as compared with approximately HK\$105,662,000 for the three months ended 31 March 2021.

### ***Gross profit***

The Group's gross profit for the Period amounted to approximately HK\$42,171,000, which increased by approximately HK\$32,007,000 as compared with approximately HK\$10,164,000 for the three months ended 31 March 2021. The increase in gross profit was mainly due to the increase in revenue from the Group's health-related products, which have higher gross profit margins as compared with the Group's other major products, during the Period.

### ***Expenses***

The Group's distribution and selling expenses for the Period amounted to approximately HK\$9,371,000, which increased by approximately 106% as compared with approximately HK\$4,553,000 for the three months ended 31 March 2021. The increase was mainly attributable to the increase in staff costs, sales commissions, transportation and promotion expenses incurred for the Group's health-related products.

The Group's general and administrative expenses for the Period amounted to approximately HK\$7,232,000, representing an approximately 19% increase as compared with approximately HK\$6,075,000 for the three months ended 31 March 2021. The increase was mainly attributable to the increase in staff costs and bank charges.

The Group's research and development ("R&D") expenses amounted to approximately HK\$253,000 for the Period, which increased by approximately 24% as compared with approximately HK\$204,000 for the three months ended 31 March 2021. The increase was mainly due to the increase in staff costs incurred for R&D during the Period.

### ***Finance costs***

The Group's finance costs for the Period mainly represented interest expenses on lease liabilities and bank loan of approximately HK\$66,000 (three months ended 31 March 2021: HK\$118,000) and HK\$40,000 (three months ended 31 March 2021: Nil), respectively. New bank loan was borrowed in the last quarter of the year ended 31 December 2021.

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

Primarily due to the significant increase in profit generated by the Group's health-related products, the Group recorded a turnaround of its results during the Period, profit attributable to equity holders of the Company for the Period amounted to approximately HK\$23,093,000, as compared to loss attributable to equity holders of the Company of approximately HK\$150,000 for the three months ended 31 March 2021.

## **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 31 March 2022, 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:**

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of shares held</b>	<b>Percentage of the Company's issued shares</b>
Mr. Cheng Wai Tak	Interest in controlled corporation Beneficial owner	923,427,151 (Note)	62.24%
		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 31 March 2022, 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 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 31 March 2022, 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:**

<b>Name</b>	<b>Nature of interests</b>	<b>Number of shares held</b>	<b>Percentage of the Company's issued shares</b>
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 31 March 2022, 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 SCHEME**

The Company has a share option scheme (the "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.

No share option has been granted under the Share Option Scheme since its adoption.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as the Share Option Scheme, 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, undertook and covenanted 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. 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.

\* *for identification purpose only*

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

## **AUDIT COMMITTEE**

The Company has established an audit committee with written terms of reference in compliance with the code provision D.3.3 of the CG Code. The audit committee consists of three independent non-executive Directors, namely Ms. Hsu Wai Man Helen, who has the appropriate accounting and related financial management expertise and serves as the chairperson of the audit committee, Mr. Cho Chi Kong and Mr. Kan Man Wai. 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 May 2022