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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 2020**

**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\$101.8 million for the nine months ended 30 September 2020 (nine months ended 30 September 2019: HK\$140.0 million).
- Loss attributable to equity holders of the Company for the nine months ended 30 September 2020 amounted to approximately HK\$17.6 million (nine months ended 30 September 2019: HK\$25.9 million).
- The Board does not declare an interim dividend for the nine months ended 30 September 2020 (nine months ended 30 September 2019: 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 2020 together with the comparative unaudited figures for the corresponding period in 2019 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2020

	Note	Three months ended 30 September		Nine months ended 30 September	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	3	64,045	30,658	101,778	139,951
Cost of sales		<u>(60,641)</u>	<u>(30,376)</u>	<u>(99,948)</u>	<u>(141,086)</u>
Gross profit/(loss)		3,404	282	1,830	(1,135)
Other gains, net	4	6,126	2,752	6,993	3,271
Distribution and selling expenses		(2,997)	(2,588)	(8,053)	(6,736)
General and administrative expenses		(6,495)	(6,585)	(18,222)	(20,013)
Research and development expenses		(284)	(487)	(941)	(1,448)
Operating loss		(246)	(6,626)	(18,393)	(26,061)
Finance income		7	50	23	148
Finance costs	5	(153)	(247)	(513)	(961)
Finance costs, net		<u>(146)</u>	<u>(197)</u>	<u>(490)</u>	<u>(813)</u>
Loss before income tax		(392)	(6,823)	(18,883)	(26,874)
Income tax	6	(1)	59	5	85
Loss for the period		(393)	(6,764)	(18,878)	(26,789)
Other comprehensive income/(loss):					
<i>Items that may be subsequently reclassified to income statement</i>					
Currency translation differences		87	(192)	30	(185)
<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		(660)	—	(741)	(260)
Total comprehensive loss for the period		<u>(966)</u>	<u>(6,956)</u>	<u>(19,589)</u>	<u>(27,234)</u>
Loss for the period attributable to:					
Equity holders of the Company		(164)	(6,153)	(17,638)	(25,883)
Non-controlling interests		(229)	(611)	(1,240)	(906)
		<u>(393)</u>	<u>(6,764)</u>	<u>(18,878)</u>	<u>(26,789)</u>
Total comprehensive loss for the period attributable to:					
Equity holders of the Company		(733)	(6,345)	(18,345)	(26,328)
Non-controlling interests		(233)	(611)	(1,244)	(906)
		<u>(966)</u>	<u>(6,956)</u>	<u>(19,589)</u>	<u>(27,234)</u>
Basic and diluted loss per share	8	<u>HK(0.01) cents</u>	HK(0.41) cents	<u>HK(1.19) cents</u>	HK(1.74) cents

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the nine months ended 30 September 2020

	Attributable to equity holders of the Company								Non- controlling interests HK\$'000 (Unaudited)	Total equity HK\$'000 (Unaudited)
	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)	Retained earnings HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)		
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)										
Change in value of financial asset at fair value through other comprehensive income	—	—	—	—	(741)	—	—	(741)	—	(741)
Currency translation differences	—	—	—	—	—	34	—	34	(4)	30
Total other comprehensive loss	—	—	—	—	(741)	34	—	(707)	(4)	(711)
Total comprehensive loss	—	—	—	—	(741)	34	(17,638)	(18,345)	(1,244)	(19,589)
Balance at 30 September 2020	14,837	465,738	67,349	(415,675)	(674)	(381)	19,408	150,602	166	150,768
Balance at 1 January 2019	14,837	465,738	67,349	(415,675)	46	(422)	71,124	202,997	—	202,997
Comprehensive loss										
Loss for the period	—	—	—	—	—	—	(25,883)	(25,883)	(906)	(26,789)
Other comprehensive loss										
Change in value of financial asset at fair value through other comprehensive income	—	—	—	—	(260)	—	—	(260)	—	(260)
Currency translation differences	—	—	—	—	—	(185)	—	(185)	—	(185)
Total other comprehensive loss	—	—	—	—	(260)	(185)	—	(445)	—	(445)
Total comprehensive loss	—	—	—	—	(260)	(185)	(25,883)	(26,328)	(906)	(27,234)
Contributions from non- controlling interests — Note 9	—	—	—	—	—	—	—	—	2,964	2,964
Balance at 30 September 2019	14,837	465,738	67,349	(415,675)	(214)	(607)	45,241	176,669	2,058	178,727

- 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. 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 2020 (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 ("FVOCI") and financial asset at fair value through profit or loss ("FVTPL") which have been measured at fair value.

The Consolidated Financial Results 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 2019.

A number of 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 2019.

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	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Thin film transistor liquid crystal display ("TFT-LCD") panels and modules	46,778	21,684	66,874	120,353
Polarisers	10,795	1,502	18,668	1,990
Electronic signage	1,778	2,579	5,497	5,401
Optics products	942	294	1,452	1,983
Light guide plates	375	128	1,440	1,837
Integrated circuits	40	948	53	1,976
Others	3,337	3,523	7,794	6,411
	<u>64,045</u>	<u>30,658</u>	<u>101,778</u>	<u>139,951</u>

4. OTHER GAINS, NET

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Fair value changes in financial asset at FVTPL — <i>Note (a)</i>	5,665	2,736	5,870	2,996
Net exchange (losses)/gains	(36)	(8)	(130)	131
Others — <i>Note (b)</i>	497	24	1,253	144
	<u>6,126</u>	<u>2,752</u>	<u>6,993</u>	<u>3,271</u>

Notes:

- (a) The Group's fair value changes in financial asset at FVTPL for the nine months ended 30 September 2020 and 30 September 2019 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 nine months ended 30 September 2020, Mobvoi acquired two companies (the "Acquisitions") by the issues of new ordinary shares of Mobvoi as consideration. In addition, Mobvoi reserved additional ordinary shares of Mobvoi for its employee stock ownership plan ("ESOP"). Upon completion of the aforesaid issues of ordinary shares of Mobvoi and the reservation of additional ordinary shares of Mobvoi for its ESOP, the Group's shareholding proportion in Mobvoi is reduced from approximately 1.50% to approximately 1.23% (on a fully diluted and as converted basis). The fair value of the Group's financial asset at FVTPL as at 30 September 2020 amounted to approximately HK\$63,408,000 (unaudited) (31 December 2019: HK\$57,538,000), which is based on market multiple method 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	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest expense on lease liabilities	153	225	513	684
Interest expense on bank borrowings	—	22	—	277
	153	247	513	961

6. INCOME TAX

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current income tax	1	51	6	49
Deferred income tax	(2)	8	(1)	36
	<u>(1)</u>	<u>59</u>	<u>5</u>	<u>85</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 2020 (nine months ended 30 September 2019: 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. DIVIDEND

The Board does not declare an interim dividend for the nine months ended 30 September 2020 (nine months ended 30 September 2019: 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	
	2020	2019
	(Unaudited)	(Unaudited)
Loss attributable to equity holders of the Company (<i>HK\$'000</i>)	<u>(17,638)</u>	<u>(25,883)</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u>1,483,687</u>	<u>1,483,687</u>
Basic and diluted loss per share (<i>HK cents per share</i>)	<u>(1.19)</u>	<u>(1.74)</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 2020 and 2019 as the Group had no potentially dilutive ordinary shares in issue during these periods.

9. CONTRIBUTIONS FROM NON-CONTROLLING INTERESTS

In March 2019, the Group entered into a subscription and shareholders' agreement with two independent third parties (the "Investors") for investments in shares of Perinnova Limited ("Perinnova"), a subsidiary of the Group. The subscription was completed in April 2019 and each of the Investors invested USD190,000 (approximately HK\$2,964,000 in aggregate) and each holds 19% equity interest, with the Group holding the remaining 62% equity interest, in Perinnova.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and prospects

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

The outbreak of the Coronavirus Disease 2019 (the “COVID-19”) has taken a heavy toll on the global economy and disrupted the supply chains. During the nine months ended 30 September 2020 (the “Period”), a series of stringent precautionary and control measures have been implemented by governments of various countries and regions, in some of which the Group has business operations, to control the spread of the COVID-19, which led to market uncertainties and drastic drop of demands for the Group’s products. The Group recorded a significant decrease in revenue during the first half of 2020 which however rebounded in the third quarter of 2020 as the disruption caused by COVID-19 began to alleviate. Despite such rebound, the Group’s revenue for the Period continued to decrease as compared with the nine months ended 30 September 2019. The Group’s revenue for the Period amounted to approximately HK\$101,778,000, representing a decrease of approximately 27% as compared to the revenue in the corresponding period in 2019 of approximately HK\$139,951,000. Nevertheless, the improvement in gross profit, the reduction of general and administrative expenses of the Group and the receipt of government subsidies had alleviated the negative impacts of the drop in the Group’s revenue. Moreover, a fair value gain of approximately HK\$5,870,000 was recognised during the Period due to the increase in the fair value of the Group’s investment in Mobvoi. These factors led to the significant decrease in loss during the Period. Loss attributable to equity holders of the Company for the Period amounted to approximately HK\$17,638,000, representing a decrease in loss of approximately HK\$8,245,000 as compared with the loss of approximately HK\$25,883,000 for the nine months ended 30 September 2019.

The Group’s small-sized display panel business was continuously affected by the concentrated situation in the mobile phone market, which is dominated by the major brands. Sales of medium-to-large sized display products, including display modules for computer notebooks, monitors and televisions, remained as the key revenue driver of the Group during the Period, but as affected by the COVID-19 pandemic and market uncertainties, the Group’s sales of TFT-LCD panels and modules during the Period amounted to approximately HK\$66,874,000, representing a decrease of approximately 44% as compared with approximately HK\$120,353,000 for the nine months ended 30 September 2019.

Although the Group's total revenue decreased during the Period, taking advantage of the marketing strategy of its longstanding supplier, the Group's sales of polarisers amounted to approximately HK\$18,668,000 during the Period, which increased significantly by approximately HK\$16,678,000 as compared with approximately HK\$1,990,000 for the corresponding period in 2019. In addition, the Group's electronic signage products, which include digital information signage, electronic shelf displays and electronic white boards, etc., through expanding its customer base, maintained a revenue of approximately HK\$5,497,000 during the Period, which is comparable to that of approximately HK\$5,401,000 for the corresponding period in 2019.

As constrained by limited contents and applications in the virtual reality market, the Group continued to take a precautionous approach towards the development of its optics products. During the Period, revenue from optics products amounted to approximately HK\$1,452,000, representing a decrease of approximately 27% as compared with the corresponding period in 2019 of approximately HK\$1,983,000.

As for the Group's investment through its subsidiary in Mobvoi which is classified as financial asset at FVTPL, Mobvoi continued to launch new models of its existing products such as smart watches and developed various new lines of products. Mobvoi's automotive AI voice interactive system has been applied to certain new car models launched in China during the Period. Mobvoi has also developed strategic co-operations with other well-known companies in China for application of its AI products to smart home development. Furthermore, Mobvoi has recently completed the Acquisitions by the issues of new ordinary shares of Mobvoi as consideration; and Mobvoi has also reserved additional ordinary shares of Mobvoi for its ESOP. Upon completion of the aforesaid issues of ordinary shares of Mobvoi and the reservation of additional ordinary shares of Mobvoi for its ESOP, the Group's shareholding proportion in Mobvoi is reduced from approximately 1.50% to approximately 1.23% (on a fully diluted and as converted basis). Notwithstanding the dilution in shareholding, the fair value of the Group's investment in Mobvoi increased to approximately HK\$63,408,000 as at 30 September 2020 (31 December 2019: HK\$57,538,000) following the Acquisitions; and a fair value gain of approximately HK\$5,870,000 was recognised during the Period (nine months ended 30 September 2019: HK\$2,996,000). The Company considers that the Acquisitions will potentially enhance the value of Mobvoi and thus benefit the Group's subsidiary as its shareholder.

For the Group's financial asset at FVOCI, representing the Group's investment in a Taiwan private company which engages in the business of the separator (a key component in lithium batteries), such company allotted additional shares to raise capital during the Period and the Group's shareholding was diluted from approximately 3.03% to approximately 2.22%. The fair value of such investment decreased to approximately HK\$1,932,000 as at 30 September 2020 (31 December 2019: HK\$2,673,000).

Looking forward, the economic uncertainties coupling with the COVID-19 pandemic and the escalating China-U.S. tension will continuously affect the Group's performance. To overcome these challenges and difficulties, the Group will endeavor to widen its revenue base, enhance its product diversity, widen its customer base and introduce new products and new suppliers from different industries or areas. The Group will also maintain a flexible business strategy to explore new business opportunities for its development.

Financial review

Revenue

For the nine months ended 30 September 2020, total revenue of the Group amounted to approximately HK\$101,778,000, which decreased by approximately 27% from approximately HK\$139,951,000 for the corresponding period in 2019. The sales of products such as TFT-LCD panels and modules, optics products, light guide plates and integrated circuits decreased, while there was an increase in revenue from polarisers during the Period.

Gross profit/loss

The Group made a gross profit of approximately HK\$1,830,000 during the nine months ended 30 September 2020, while gross loss of approximately HK\$1,135,000 was recorded for the nine months ended 30 September 2019. The improvement was mainly attributable to the increase in gross profit margins of the products sold during the Period.

Other gains, net

Net other gains of approximately HK\$6,993,000 was recorded for the nine months ended 30 September 2020 (nine months ended 30 September 2019: HK\$3,271,000). The balance mainly includes the fair value gain in the Group's investment in Mobvoi of approximately HK\$5,870,000 during the nine months ended 30 September 2020 (nine months ended 30 September 2019: HK\$2,996,000) 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 nine months ended 30 September 2020 amounted to approximately HK\$8,053,000, representing an approximately 20% increase as compared with approximately HK\$6,736,000 for the corresponding period in 2019. The increase was mainly attributable to the increase in expenses incurred for the Group's Taiwan branch which was newly established in late 2019 and the increase in promotion expenses for the Group's new products.

The Group's general and administrative expenses for the nine months ended 30 September 2020 amounted to approximately HK\$18,222,000, which decreased by approximately 9% as compared with approximately HK\$20,013,000 for the corresponding period in 2019. The decrease was mainly attributable to the decrease in professional fees and travelling expenses during the Period.

The Group's research and development expenses amounted to approximately HK\$941,000 for the nine months ended 30 September 2020, which decreased by approximately HK\$507,000 as compared with approximately HK\$1,448,000 for the corresponding period in 2019. The decrease was mainly due to the decrease in staff costs.

Finance costs

The Group's finance costs for the nine months ended 30 September 2020 represented interest expense on lease liabilities of approximately HK\$513,000 (nine months ended 30 September 2019: HK\$684,000). Since the Group's bank loans had been fully repaid in 2019, no interest expense on bank loans was incurred during the nine months ended 30 September 2020 (nine months ended 30 September 2019: HK\$277,000).

Loss for the period attributable to equity holders of the Company

Loss attributable to equity holders of the Company for the nine months ended 30 September 2020 amounted to approximately HK\$17,638,000, representing a decrease of approximately HK\$8,245,000 as compared with the corresponding period in 2019 of approximately HK\$25,883,000, which was mainly attributable to the improvement in gross profit, the increase in fair value gain in the Group's financial asset at FVTPL, the decrease in general and administrative expenses, as well as government subsidies received.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the nine months ended 30 September 2020, 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.

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 and 10 July 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 six Directors, namely Mr. Cheng Wai Tak, Mr. Liu Ka Wing, Mr. Tse Ka Wing, Mr. Wong Yik Chung John, Mr. Wong Chi Chiu and Mr. Li Shui Yan (collectively “the Director Respondents”), and the Company. The SFC alleged in the Petition that the Director Respondents had breached their duties as directors of the Company in relation to the disposal of a subsidiary of the Company holding an approximately 50.14% shareholding in 尚立光電股份有限公司 (Shinyoptics Corporation*) (details of such disposal were disclosed in the announcement of the Company dated 22 December 2016). As the Company is only a nominal respondent to the Petition and pursuant to the order of the High Court, the Company is not required to actively participate in the legal proceedings in respect of the Petition.

The Company understands 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.

As announced by the Company in its announcement dated 25 September 2020, trading in the shares of the Company on GEM has resumed with effect from 9:00 a.m. on 28 September 2020.

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, except the deviation stipulated below.

According to the code provision A.2.1 of the CG Code, the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Mr. Cheng Wai Tak (“Mr. Cheng”) had been the Chairman of the Board (the “Chairman”) and Chief Executive Officer of the Company (the “Chief Executive Officer”). With Mr. Cheng’s extensive experience in the industry, the Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person would provide the Company with strong and consistent leadership, allow for effective and efficient planning and implementation of business decisions and strategies, and would be beneficial to the business prospects and management of the Group. Although Mr. Cheng has performed both the roles of Chairman and Chief Executive Officer, the division of responsibilities between the Chairman and Chief Executive Officer is clearly established.

* for identification purpose only

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

As announced by the Company in its announcement dated 25 September 2020, with effect from 25 September 2020, pending the outcome of the legal proceedings of the Petition, Mr. Cheng has been suspended from his duties as an executive Director, the Chairman and the Chief Executive Officer. Furthermore, Mr. Kan Man Wai, an independent non-executive Director, has been appointed as the acting Chairman in place of Mr. Cheng.

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 or 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, 9 November 2020

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>.