



Perfect Optronics Limited

圓美光電有限公司

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

Stock Code: 8311

# 2023

## FIRST QUARTERLY REPORT

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

## HIGHLIGHTS

- The Group recorded revenue of approximately HK\$36.8 million for the three months ended 31 March 2023 (three months ended 31 March 2022: approximately HK\$144.1 million).
- Loss attributable to equity holders of the Company for the three months ended 31 March 2023 amounted to approximately HK\$4.7 million (three months ended 31 March 2022: profit of approximately HK\$23.1 million).
- The Board does not declare an interim dividend for the three months ended 31 March 2023 (three months ended 31 March 2022: Nil).

## FINANCIAL RESULTS

The board of directors (the "Board") of Perfect Optronics Limited (the "Company") hereby announces the unaudited consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the three months ended 31 March 2023 together with the comparative unaudited figures for the corresponding period in 2022 as follows:

### UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2023

	Note	Three months ended 31 March	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
<b>Revenue</b>	3	<b>36,734</b>	144,125
Cost of sales		<b>(30,493)</b>	(101,954)
<b>Gross profit</b>		<b>6,241</b>	42,171
Other (losses)/gains, net	4	<b>(301)</b>	871
Distribution and selling expenses		<b>(4,993)</b>	(9,371)
General and administrative expenses		<b>(5,627)</b>	(7,232)
Research and development expenses		<b>(219)</b>	(253)
<b>Operating (loss)/profit</b>		<b>(4,899)</b>	26,186
Finance income		<b>75</b>	9
Finance costs	5	<b>(81)</b>	(107)
Finance costs, net		<b>(6)</b>	(98)
<b>(Loss)/profit before income tax</b>		<b>(4,905)</b>	26,088
Income tax	6	<b>2</b>	(3,219)
<b>(Loss)/profit for the period</b>		<b>(4,903)</b>	22,869
<b>Other comprehensive (loss)/income:</b>			
<i>Item that may be subsequently reclassified to income statement</i>			
Currency translation differences		<b>(79)</b>	73
<i>Item that will not be subsequently reclassified to income statement</i>			
Currency translation differences		<b>(40)</b>	—
<b>Total comprehensive (loss)/income for the period</b>		<b>(5,022)</b>	22,942

# UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the three months ended 31 March 2023

	Note	Three months ended 31 March	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
<b>(Loss)/profit for the period attributable to:</b>			
Equity holders of the Company		(4,685)	23,093
Non-controlling interests		(218)	(224)
		(4,903)	22,869
<b>Total comprehensive (loss)/income for the period attributable to:</b>			
Equity holders of the Company		(4,764)	23,125
Non-controlling interests		(258)	(183)
		(5,022)	22,942
<b>Basic and diluted (loss)/earnings per share (HK cents)</b>	8	(0.32)	1.56

# UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2023

	Attributable to equity holders of the Company							Total	Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves <sup>1</sup>	Merger reserve	Revaluation reserve <sup>2</sup>	Exchange reserve	Accumulated losses			
	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 2023</b>	14,837	465,738	67,349	(415,675)	(1,306)	(46)	(19,656)	111,241	(1,903)	109,338
<b>Comprehensive loss</b>										
Loss for the period	—	—	—	—	—	—	(4,685)	(4,685)	(218)	(4,903)
<b>Other comprehensive loss</b>										
Currency translation differences	—	—	—	—	—	(79)	—	(79)	(40)	(119)
<b>Total comprehensive loss</b>	—	—	—	—	—	(79)	(4,685)	(4,764)	(258)	(5,022)
<b>Balance at 31 March 2023</b>	14,837	465,738	67,349	(415,675)	(1,306)	(125)	(24,341)	106,477	(2,161)	104,316
<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</b>										
Profit 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</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

- 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 2023 (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 2022.

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 2022.

### 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:

	<b>Three months ended 31 March</b>	
	<b>2023</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2022 HK\$'000 (Unaudited)
Thin film transistor liquid crystal display ("TFT-LCD") panels and modules	<b>25,994</b>	73,569
Health-related products	<b>6,856</b>	55,029
Electronic signage	<b>3,460</b>	2,521
Integrated circuits	<b>309</b>	1,263
Polarisers	<b>115</b>	10,462
Optics products	<b>—</b>	183
Others	<b>—</b>	1,098
	<b>36,734</b>	144,125

### 4. OTHER (LOSSES)/GAINS, NET

	<b>Three months ended 31 March</b>	
	<b>2023</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2022 HK\$'000 (Unaudited)
Fair value changes in financial asset at FVTPL	<b>(514)</b>	913
Net exchange gains/(losses)	<b>183</b>	(43)
Others	<b>30</b>	1
	<b>(301)</b>	871



The Group's fair value changes in financial asset at FVTPL for the three months ended 31 March 2023 and 2022 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. Upon cancellation of the treasury shares arising from the repurchase of ordinary shares by Mobvoi in exchange for Mobvoi's disposals of part of/all of the shares in certain of its subsidiaries in 2022, the Group's shareholding proportion in Mobvoi as at 31 March 2023 would be amounted to approximately 1.57% (on a fully diluted and as converted basis) (31 December 2022: 1.57%). The fair value of the Group's financial asset at FVTPL as at 31 March 2023 amounted to approximately HK\$24,687,000 (unaudited) (31 December 2022: HK\$25,201,000), 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

	Three months ended 31 March	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Interest expenses on:		
Bank loan	42	40
Lease liabilities	35	66
Factoring charges	4	1
Finance costs	81	107

## 6. INCOME TAX

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

	Three months ended 31 March	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Current income tax — Hong Kong profits tax	—	(3,220)
Deferred income tax	2	1
	<b>2</b>	<b>(3,219)</b>

No Hong Kong profits tax has been provided for the three months ended 31 March 2023 as the Group has no estimated assessable profit arising in or derived from Hong Kong during the three months ended 31 March 2023. 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 was continued to be subject to a tax rate of 16.5%. 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 2023 (three months ended 31 March 2022: Nil).

## 8. BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit 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	
	2023 (Unaudited)	2022 (Unaudited)
(Loss)/profit attributable to equity holders of the Company (HK\$'000)	<b>(4,685)</b>	23,093
Weighted average number of ordinary shares in issue (thousands)	<b>1,483,687</b>	1,483,687
Basic and diluted (loss)/earnings per share (HK cents per share)	<b>(0.32)</b>	1.56

For the purpose of determining the diluted (loss)/earnings per share amount, no adjustment has been made to the basic (loss)/earnings per share amount for the three months ended 31 March 2023 and 2022 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.

Stepping into 2023, the global anti-epidemic measures relaxed while the ongoing geographical conflict, high inflation and other unfavorable factors continued to bring challenges and uncertainties to the global economy. These pose negative impacts to the Group's business. Revenue of the Group for the three months ended 31 March 2023 (the "Period") amounted to approximately HK\$36,734,000, representing a decrease of approximately 75% as compared to approximately HK\$144,125,000 for the corresponding period in 2022. Primarily due to the significant drop in revenue, the Group recorded a consolidated loss attributable to equity holders of the Company for the Period which amounted to approximately HK\$4,685,000, as compared to a consolidated profit attributable to equity holders of the Company of approximately HK\$23,093,000 for the three months ended 31 March 2022.

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. However, the demand for display panels declined with the fall in the need for remote work and online studying and the uncertain economic factors had suppressed consumers' motivation to buy. The significant drop in demand resulted in the piling up of inventories in the market and a continuous drop in market prices of display panels. Facing the decrease in demand, the Group's supplier reduced its supply of TFT-LCD panels and modules to the Group, which could be a measure of the supplier to stabilise market prices, and among others, led to the significant decrease in the Group's sales of such products. Sales of the Group's TFT-LCD panels and modules amounted to approximately HK\$25,994,000 during the Period, representing a decrease of approximately 65% as compared to approximately HK\$73,569,000 for the corresponding period in 2022. The Group's polarisers are mainly used in certain models of mobile phones. As the shipment of such mobile phones decreased during the Period, the Group's sales of polarisers amounted to approximately HK\$115,000 during the Period, representing a decrease of approximately HK\$10,347,000 as compared to the corresponding period in 2022 of approximately HK\$10,462,000. Meanwhile, the Group's sales of integrated circuits and optics products also remained weak during the Period.

Despite the decrease in the sales of the Group's other major products during the Period, thanks to the increase in popularity of electronic signage, the Group's electronic signage products, which include digital information signages, electronic shelf displays and electronic white boards, etc., recorded an approximately 37% increase in revenue from approximately HK\$2,521,000 during the three months ended 31 March 2022 to approximately HK\$3,460,000 during the Period.

Another main revenue driver of the Group, health-related products, also recorded a significant decrease in revenue during the Period as compared to the corresponding period in 2022. The fifth wave of COVID-19 pandemic in Hong Kong, which occurred in early 2022, had driven huge demand for the Group's health-related products, including rapid antigen test kits for COVID-19 ("RAT") and the Group's personal hygiene and disinfectant products with brand "K-clean". However, as Hong Kong has returned from having various anti-epidemic measures back to normalcy since January 2023, the demand for the Group's health-related products, in particular, the RAT, has been significantly reduced. Sales of the Group's health-related products amounted to approximately HK\$6,856,000 during the Period, representing a decrease of approximately 88% as compared to approximately HK\$55,029,000 for the corresponding period in 2022.

The Group's financial asset at fair value through profit or loss represented the Group's holding of 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. Fair value of such investment amounted to approximately HK\$24,687,000 as at 31 March 2023, which slightly decreased by around 2% as compared to approximately HK\$25,201,000 as at 31 December 2022. A fair value loss of approximately HK\$514,000 was recognised during the Period as compared to the fair value gain of approximately HK\$913,000 recognised during the corresponding period in 2022. The Company understands that Mobvoi will continue developing new products and exploring more opportunities and widening its revenue base to enhance its value. Recently, Mobvoi has developed and announced its AI foundation model, namely, Sequence Monkey. Meanwhile, Mobvoi has also rolled out a series of artificial intelligence-generated content ("AIGC") products.

Another investment of the Group was classified as financial asset at fair value through other comprehensive income, being the Group's investment in a Taiwan private company that engages in the separator (a key component in lithium batteries) business. During the Period, such company allotted additional shares to raise capital and the Group's shareholding therein was diluted to approximately 1.53% as at 31 March 2023 (31 December 2022: 2%). Subsequent to 31 March 2023, further shares have been allotted by this company and the Group's shareholding is diluted to approximately 1.21%.

Looking ahead, the global economy is still full of uncertainties, and it is expected that the display panels market will remain challenging. On the other hand, although recent relaxation of anti-epidemic measures in Hong Kong had significantly affected the sales of the Group's RAT during the Period, the pandemic has increased the health consciousness of the public. In addition to promoting the existing personal hygiene and disinfection products, the Group will continue to introduce more health care products to meet today's consumers' pursuit of health, which will help to further expand the Group's health-related products business. The Group will also widen its product diversity

to minimize the adverse impact arising from any individual product. The Group will also explore opportunities with new suppliers and customers from various areas or industries to create greater value for the Company and its shareholders.

## **Financial review**

### ***Revenue***

Total revenue of the Group for the Period amounted to approximately HK\$36,734,000, representing an approximately 75% decrease as compared to approximately HK\$144,125,000 for the three months ended 31 March 2022. Except for electronic signage, the Group's major products, including health-related products, TFT-LCD panels and modules, polarisers and integrated circuits, recorded a significant drop in revenue during the Period as compared to the corresponding period in 2022.

### ***Gross profit***

The Group's gross profit for the Period amounted to approximately HK\$6,241,000, representing a decrease of approximately HK\$35,930,000 as compared with approximately HK\$42,171,000 for the three months ended 31 March 2022, which was mainly due to the significant decrease in the Group's revenue.

### ***Expenses***

The Group's distribution and selling expenses for the Period amounted to approximately HK\$4,993,000, which decreased by approximately 47% as compared with approximately HK\$9,371,000 for the three months ended 31 March 2022. The decrease was mainly attributable to the decrease in sales commissions, transportation and promotion expenses incurred for the Group's health-related products as the sales decreased.

The Group's general and administrative expenses for the Period amounted to approximately HK\$5,627,000, representing an approximately 22% decrease as compared with approximately HK\$7,232,000 for the three months ended 31 March 2022. The decrease was mainly attributable to the decrease in staff costs and bank charges.

The Group's research and development expenses amounted to approximately HK\$219,000 for the Period, which decreased by approximately 13% as compared with approximately HK\$253,000 for the three months ended 31 March 2022. The decrease was mainly due to the decrease in staff costs incurred for research and development during the Period.

### ***Finance costs***

The Group's finance costs for the Period mainly represented interest expenses on bank loan and lease liabilities of approximately HK\$42,000 (three months ended 31 March 2022: HK\$40,000) and HK\$35,000 (three months ended 31 March 2022: HK\$66,000), respectively.

### ***(Loss)/profit for the period attributable to equity holders of the Company***

Primarily due to the significant decrease in sales of the Group's health-related products and TFT-LCD panels and modules, the Group recorded a loss attributable to equity holders of the Company for the Period which amounted to approximately HK\$4,685,000, as compared to a profit attributable to equity holders of the Company of approximately HK\$23,093,000 for the three months ended 31 March 2022.

### **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 2023, 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 2023, 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 2023, 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 2023, 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. Kan Man Wai and Mr. Cho Chi Kong. 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, 9 May 2023