



Perfect Optronics Limited
圓美光電有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8311

2021

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\$105.7 million for the three months ended 31 March 2021 (three months ended 31 March 2020: approximately HK\$19.5 million).
- Loss attributable to equity holders of the Company for the three months ended 31 March 2021 amounted to approximately HK\$150,000 (three months ended 31 March 2020: approximately HK\$7.7 million).
- The Board does not declare an interim dividend for the three months ended 31 March 2021 (three months ended 31 March 2020: Nil).

FINANCIAL RESULTS

The board of directors (the "Board") of Perfect Optronics Limited (the "Company") hereby announces the unaudited consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the three months ended 31 March 2021 together with the comparative unaudited figures for the corresponding period in 2020 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2021

	Note	Three months ended 31 March	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	3	105,662	19,498
Cost of sales		(95,498)	(19,338)
Gross profit		10,164	160
Other gains, net	4	259	107
Distribution and selling expenses		(4,553)	(2,300)
General and administrative expenses		(6,075)	(5,653)
Research and development expenses		(204)	(367)
Operating loss		(409)	(8,053)
Finance income		8	7
Finance costs	5	(118)	(190)
Finance costs, net		(110)	(183)
Loss before income tax		(519)	(8,236)
Income tax	6	(13)	1
Loss for the period		(532)	(8,235)
Other comprehensive loss:			
<i>Item that may be subsequently reclassified to income statement</i>			
Currency translation differences		(9)	(142)
Total comprehensive loss for the period		(541)	(8,377)

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the three months ended 31 March 2021

	Note	Three months ended 31 March	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Loss for the period attributable to:			
Equity holders of the Company		(150)	(7,743)
Non-controlling interests		(382)	(492)
		(532)	(8,235)
Total comprehensive loss for the period attributable to:			
Equity holders of the Company		(159)	(7,880)
Non-controlling interests		(382)	(497)
		(541)	(8,377)
Basic and diluted loss per share	8	HK(0.01) cent	HK(0.52) cent

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2021

	Attributable to equity holders of the Company									
	Share capital	Share premium	Other reserves ¹	Merger reserve	Revaluation reserve ²	Exchange reserve	Retained earnings	Total	Non-controlling interests	Total equity
	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)
Balance at 1 January 2021	14,837	465,738	67,349	(415,675)	(730)	(321)	20,163	151,361	(245)	151,116
Comprehensive loss										
Loss for the period	—	—	—	—	—	—	(150)	(150)	(382)	(532)
Other comprehensive loss										
Currency translation differences	—	—	—	—	—	(9)	—	(9)	—	(9)
Total comprehensive loss	—	—	—	—	—	(9)	(150)	(159)	(382)	(541)
Balance at 31 March 2021	14,837	465,738	67,349	(415,675)	(730)	(330)	20,013	151,202	(627)	150,575
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	—	—	—	—	—	—	(7,743)	(7,743)	(492)	(8,235)
Other comprehensive loss										
Currency translation differences	—	—	—	—	—	(137)	—	(137)	(5)	(142)
Total comprehensive loss	—	—	—	—	—	(137)	(7,743)	(7,880)	(497)	(8,377)
Balance at 31 March 2020	14,837	465,738	67,349	(415,675)	67	(552)	29,303	161,067	913	161,980

- 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 and trading of other products. The Group also processes some of the products which it sells.

The unaudited consolidated financial results of the Group for the three months ended 31 March 2021 (the "Consolidated Financial Results") have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the GEM Listing Rules. The Consolidated Financial Results are presented in Hong Kong dollars ("HK\$"), unless otherwise stated, and have been prepared under the historical cost convention, except for financial asset at fair value through other comprehensive income and financial asset at fair value through profit or loss ("FVTPL") which have been measured at fair value.

The Consolidated Financial Results have been reviewed by the audit committee of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of the Consolidated Financial Results are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

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

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

The preparation of the Consolidated Financial Results in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

3. REVENUE

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

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

	Three months ended 31 March	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Thin film transistor liquid crystal display ("TFT-LCD") panels and modules	79,655	9,397
Polarisers	11,096	4,736
Health-related products	7,763	286
Electronic signage	2,632	2,326
Integrated circuits	2,454	13
Optics products	—	81
Others	2,062	2,659
	105,662	19,498

4. OTHER GAINS, NET

	Three months ended 31 March	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Fair value changes in financial asset at FVTPL	118	207
Exchange losses	(83)	(112)
Others	224	12
	259	107

The Group's fair value changes in financial asset at FVTPL for the three months ended 31 March 2021 and 31 March 2020 represented the changes in fair value of the Group's investment in certain preferred shares in Mobvoi Inc. ("Mobvoi"), a private company principally engaged in the business of developing and providing voice search artificial intelligence ("AI") systems on mobile, smart wearable, automotive and other devices. There have been no addition to or disposal of such investment since the Group made the investment in January 2015. No dividend has been received by the Group from Mobvoi. The Group's shareholding proportion in Mobvoi as at 31 March 2021 is approximately 1.23% (on a fully diluted and as converted basis) (31 December 2020: 1.23%). The fair value of the Group's financial asset at FVTPL as at 31 March 2021 amounted to approximately HK\$59,665,000 (unaudited) (31 December 2020: HK\$59,547,000), which is based on market comparable companies and equity value allocation with option-pricing method performed by an independent valuer. The fair value is within level 3 of the fair value hierarchy.

5. FINANCE COSTS

	Three months ended 31 March	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interest expense on lease liabilities	118	190

6. INCOME TAX

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

	Three months ended 31 March	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Current income tax	—	—
Deferred income tax	13	(1)
	13	(1)

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 three months ended 31 March 2021 (three months ended 31 March 2020: Nil). 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 2021 (three months ended 31 March 2020: Nil).

8. BASIC AND DILUTED LOSS PER SHARE

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

	Three months ended 31 March	
	2021 (Unaudited)	2020 (Unaudited)
Loss attributable to equity holders of the Company (HK\$'000)	(150)	(7,743)
Weighted average number of ordinary shares in issue (thousands)	1,483,687	1,483,687
Basic and diluted loss per share	HK(0.01) cent	HK(0.52) cent

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 three months ended 31 March 2021 and 2020 as the Group had no potentially dilutive ordinary shares in issue during these periods.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and prospects

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

The outbreak of Coronavirus Disease 2019 (“COVID-19”) in early 2020 had led to market uncertainties and temporary disruption to the operations of the Group during the three months ended 31 March 2020. As the disruption caused by COVID-19 began to alleviate and the economy is gradually improving, the Group recorded a significant increase in revenue during the three months ended 31 March 2021 (the “Period”) as compared with the three months ended 31 March 2020. Revenue of the Group for the Period amounted to approximately HK\$105,662,000, representing an increase of approximately HK\$86,164,000 as compared to approximately HK\$19,498,000 for the corresponding period in 2020. Benefiting from the significant increase in revenue and the improvement in gross profit during the Period, the consolidated loss attributable to equity holders of the Company narrowed down by approximately 98% from approximately HK\$7,743,000 for the three months ended 31 March 2020 to approximately HK\$150,000 for the Period.

During the Period, sales of medium-to-large sized display products, including display panels and modules for computer notebooks, monitors and televisions, continued to be the key revenue driver of the Group. The COVID-19 pandemic acted as a catalyst for the use of the work-from-home model and distance learning, which drove the market demand for laptops, PC monitors and tablets, and thus increased the demand for related display components. Furthermore, the recent gradual retreats of TFT-LCD panel production capacity of Korean large manufacturers tighten the supply in the market. These factors contributed to the increase in sales and gross profit margins of the Group’s display products. The Group’s sales of TFT-LCD panels and modules amounted to approximately HK\$79,655,000 during the Period, representing an increase of approximately 7.5 times of that of approximately HK\$9,397,000 for the three months ended 31 March 2020. Meanwhile, the Group also continued its rising trend on the sales of polarisers during the Period. Sales of polarisers amounted to approximately HK\$11,096,000 during the Period, which increased by approximately 134% as compared with approximately HK\$4,736,000 for the corresponding period in 2020.

With digital information signages becoming more popular, the Group’s electronic signage products, which include digital information signages, electronic shelf displays and electronic white boards, etc., recorded a revenue of approximately HK\$2,632,000 during the Period, representing an increase of approximately 13% as compared with approximately HK\$2,326,000 for the corresponding period in 2020. The Group is further exploring Taiwan and overseas markets for its electronic signage products.

For optics products, the shortage in supply of certain optics products components in the market had boosted the Group's sales of optics products in the last quarter of 2020. However, the Group's sales of optics products remained weak during the Period.

The Group has introduced a personal hygiene and disinfectant product line in Taiwan branded "K-clean" to Hong Kong market as a swift response to the outbreak of COVID-19 in 2020. The Group has marketed K-clean to both corporate clients and consumers. Marketing measures including online sales platforms, TV advertisements, retail kiosks in shopping malls, and participation in large exhibition events were implemented. The Group also continuously broadened its sales channels to various large-scale retail outlets, including large department stores. Recently, K-clean has also received commendation for its high performance in both bacteria kill rate and reduction of viral infectivity. Through the aforesaid marketing efforts and the proven effectiveness of K-clean, K-clean has gained recognition in the market. The Group's sales of health-related products remarkably reached approximately HK\$7,763,000 during the Period.

As for the Group's investment in Mobvoi which is classified as financial asset at FVTPL, there was no material change in fair value during the Period. Mobvoi launched a new model of smart watch that includes a skin temperature sensor and 10-day battery life. As an AI company focusing on advanced voice interaction and hardware-software integration, Mobvoi always keeps up with market demand, and steadily updates the product technology.

Looking forward, the roll out of COVID-19 vaccine may help to gradually spur economic recovery, however, the global economy is still susceptible to many market uncertainties. The Group will continue to adopt different strategies to seize market opportunities and expand revenue base. In view of the encouraging performance of the Group's K-clean and related products business, the Group will continue to explore opportunities in health-related products and expand its product diversity in order to create greater value for the Group and its shareholders.

Financial review

Revenue

As the disruption caused by the COVID-19 began to alleviate, together with the increase in demand of medium-to-large sized display panels and contribution from the sales of the Group's new products, total revenue of the Group for the Period amounted to approximately HK\$105,662,000, representing a significant increase of approximately HK\$86,164,000 as compared with approximately HK\$19,498,000 for the three months ended 31 March 2020. Sales of TFT-LCD panels and modules, polarisers, integrated circuits, as well as the Group's newly introduced personal hygiene and disinfectant products showed significant increase during the Period as compared to the corresponding period in 2020.

Gross profit

The Group's gross profit for the Period amounted to approximately HK\$10,164,000, which increased by approximately HK\$10,004,000 as compared with approximately HK\$160,000 for the three months ended 31 March 2020. The increase in gross profit was mainly due to the increase in revenue and the gross profit margin of the Group's products sold during the Period.

Expenses

The Group's distribution and selling expenses for the Period amounted to approximately HK\$4,553,000, which increased by approximately 98% as compared with approximately HK\$2,300,000 for the three months ended 31 March 2020. The increase was mainly attributable to the increase in staff costs, sales commissions, transportation and promotion expenses incurred for the Group's new products.

The Group's general and administrative expenses for the Period amounted to approximately HK\$6,075,000, representing an approximately 7% increase as compared with approximately HK\$5,653,000 for the three months ended 31 March 2020. The increase was mainly attributable to the increase in staff costs.

The Group's research and development ("R&D") expenses amounted to approximately HK\$204,000 for the Period, which decreased by approximately 44% as compared with approximately HK\$367,000 for the three months ended 31 March 2020. The decrease was mainly due to the decrease in staff costs incurred for R&D during the Period.

Finance costs

The Group's finance costs for the Period represented interest expense on lease liabilities of approximately HK\$118,000 (three months ended 31 March 2020: HK\$190,000).

Loss for the period attributable to equity holders of the Company

Due to the significant increase in revenue and gross profit of the Group, loss attributable to equity holders of the Company for the three months ended 31 March 2021 amounted to approximately HK\$150,000, representing a decrease in loss of approximately 98% as compared with approximately HK\$7,743,000 for the three months ended 31 March 2020.

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 2021, interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors set out in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long positions in shares of the Company:

Name of Director	Capacity	Number of shares held	Percentage of the Company's issued shares
Mr. Cheng Wai Tak	Interest in controlled corporation Beneficial owner	923,427,151	62.24%
		(Note)	
	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 2021, 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 2021, other than the Directors and chief executive of the Company, the following persons/entities have an interest or a short position in the shares or the underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO:

Long position in shares of the Company:

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

Note: Mr. Cheng Wai Tak is deemed under the SFO to be interested in these 923,427,151 shares held by Winful Enterprises.

Save as disclosed above, as at 31 March 2021, 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 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 Securities and Futures Ordinance against certain Directors, namely Mr. Cheng Wai Tak ("Mr. Cheng"), Mr. Liu Ka Wing, Mr. Tse Ka Wing, Mr. Wong Yik Chung John, Mr. Wong Chi Chiu and Mr. Li Shui Yan (collectively "the Director Respondents"), and the Company. The SFC alleged in the Petition that the Director Respondents had breached their duties as directors of the Company in relation to the disposal of a subsidiary of the Company holding an approximately 50.14% shareholding in 尚立光電股份有限公司 (Shinyoptics Corporation*) (details of such disposal were disclosed in the announcement of the Company dated 22 December 2016). As the Company is only a nominal respondent to the Petition and pursuant to the order of the High Court, the Company is not required to actively participate in the legal proceedings in respect of the Petition.

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

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

* *for identification purpose only*

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 C.3.3 of the CG Code. The audit committee consists of three independent non-executive Directors, namely Ms. Hsu Wai Man Helen, who has the appropriate accounting and related financial management expertise and serves as the chairperson of the audit committee, Mr. 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, 7 May 2021