

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



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 2023**

**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 enquiries, 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\$93.6 million for the nine months ended 30 September 2023 (nine months ended 30 September 2022: HK\$257.3 million).
- Loss attributable to equity holders of the Company for the nine months ended 30 September 2023 amounted to approximately HK\$11.3 million (nine months ended 30 September 2022: profit of approximately HK\$6.2 million).
- The Board does not declare an interim dividend for the nine months ended 30 September 2023 (nine months ended 30 September 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 (the “Group”) for the nine months ended 30 September 2023 together with the comparative unaudited figures for the corresponding period in 2022 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2023

	Note	Three months ended 30 September		Nine months ended 30 September	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	3	27,095	47,483	93,595	257,337
Cost of sales		<u>(24,035)</u>	<u>(38,922)</u>	<u>(80,472)</u>	<u>(196,575)</u>
Gross profit		3,060	8,561	13,123	60,762
Other (losses)/gains, net	4	(337)	5,741	7,298	(12,300)
Distribution and selling expenses		(4,881)	(4,950)	(15,327)	(18,951)
General and administrative expenses		(5,433)	(5,502)	(16,738)	(19,494)
Research and development expenses		(217)	(221)	(686)	(748)
Operating (loss)/profit		(7,808)	3,629	(12,330)	9,269
Finance income		87	16	231	31
Finance costs	5	(85)	(82)	(250)	(291)
Finance income/(costs), net		<u>2</u>	<u>(66)</u>	<u>(19)</u>	<u>(260)</u>
(Loss)/profit before income tax		(7,806)	3,563	(12,349)	9,009
Income tax	6	1	(237)	—	(3,758)
(Loss)/profit for the period		(7,805)	3,326	(12,349)	5,251
Other comprehensive income/(loss):					
<i>Item that may be subsequently reclassified to income statement</i>					
Currency translation differences		44	277	171	522
<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		—	—	300	(300)
Currency translation differences		47	—	67	—
Total comprehensive (loss)/income for the period		(7,714)	3,603	(11,811)	5,473
(Loss)/profit for the period attributable to:					
Equity holders of the Company		(7,448)	3,683	(11,307)	6,198
Non-controlling interests		(357)	(357)	(1,042)	(947)
		<u>(7,805)</u>	<u>3,326</u>	<u>(12,349)</u>	<u>5,251</u>
Total comprehensive (loss)/income for the period attributable to:					
Equity holders of the Company		(7,404)	3,891	(10,836)	6,268
Non-controlling interests		(310)	(288)	(975)	(795)
		<u>(7,714)</u>	<u>3,603</u>	<u>(11,811)</u>	<u>5,473</u>
Basic and diluted (loss)/earnings per share (HK cents)	8	(0.50)	0.25	(0.76)	0.42

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the nine months ended 30 September 2023

	Attributable to equity holders of the Company							Total	Non-controlling interests	Total equity	
	Share capital	Share premium	Other reserves ¹	Merger reserve	Revaluation reserve ²	Exchange reserve	Accumulated losses				Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>				<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Balance at 1 January 2023	14,837	465,738	67,349	(415,675)	(1,306)	(46)	(19,656)	111,241	(1,903)	109,338	
Comprehensive income/(loss)											
Loss for the period	—	—	—	—	—	—	(11,307)	(11,307)	(1,042)	(12,349)	
Other comprehensive income											
Currency translation differences	—	—	—	—	—	171	—	171	67	238	
Change in value of financial asset at fair value through other comprehensive income	—	—	—	—	300	—	—	300	—	300	
Total other comprehensive income	—	—	—	—	300	171	—	471	67	538	
Total comprehensive income/(loss)	—	—	—	—	300	171	(11,307)	(10,836)	(975)	(11,811)	
Balance at 30 September 2023	<u>14,837</u>	<u>465,738</u>	<u>67,349</u>	<u>(415,675)</u>	<u>(1,006)</u>	<u>125</u>	<u>(30,963)</u>	<u>100,405</u>	<u>(2,878)</u>	<u>97,527</u>	
Balance at 1 January 2022	14,837	465,738	67,349	(415,675)	(954)	(291)	(23,694)	107,310	(1,451)	105,859	
Comprehensive income/(loss)											
Profit for the period	—	—	—	—	—	—	6,198	6,198	(947)	5,251	
Other comprehensive income/(loss)											
Currency translation differences	—	—	—	—	—	370	—	370	152	522	
Change in value of financial asset at fair value through other comprehensive income	—	—	—	—	(300)	—	—	(300)	—	(300)	
Total other comprehensive income/(loss)	—	—	—	—	(300)	370	—	70	152	222	
Total comprehensive income/(loss)	—	—	—	—	(300)	370	6,198	6,268	(795)	5,473	
Balance at 30 September 2022	<u>14,837</u>	<u>465,738</u>	<u>67,349</u>	<u>(415,675)</u>	<u>(1,254)</u>	<u>79</u>	<u>(17,496)</u>	<u>113,578</u>	<u>(2,246)</u>	<u>111,332</u>	

- 1 Other reserves include: (1) the difference between the share capital issued by the Company for acquisition of the subsidiaries pursuant to a reorganisation for the listing of the Company and the aggregate capital of the subsidiaries being acquired at the time of the reorganisation; and (2) the amount of the loan waived by the controlling shareholder upon completion of a common control combination.
- 2 Revaluation reserve represents fair value reserve for financial asset at fair value through other comprehensive income.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

1. BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands on 13 June 2013, as an exempted company with limited liability under the Companies Law (as Revised) of the Cayman Islands. The Company's shares are listed on the GEM since 7 February 2014.

The Company is an investment holding company and its subsidiaries are principally engaged in the trading, development and sale of display and optics products and related electronic components, as well as and trading of health-related and other products. The Group also processes some of the products which it sells.

The unaudited consolidated financial results of the Group for the nine months ended 30 September 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 ("FVOCI") 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:

	Three months ended		Nine months ended	
	30 September		30 September	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Thin film transistor liquid crystal display ("TFT-LCD") panels and modules	17,451	25,143	65,849	135,210
Health-related products	2,910	10,127	14,823	76,318
Electronic signage	2,466	1,698	7,489	5,687
Optics products	3,065	58	3,104	590
Integrated circuits	440	—	1,211	1,829
Polarisers	307	10,039	663	35,864
Others	456	418	456	1,839
	<u>27,095</u>	<u>47,483</u>	<u>93,595</u>	<u>257,337</u>

4. OTHER (LOSSES)/GAINS, NET

	Three months ended		Nine months ended	
	30 September		30 September	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Fair value (loss)/gain in financial asset at FVTPL — <i>Note (a)</i>	(148)	5,632	7,403	(12,581)
Net exchange losses	(210)	(129)	(258)	(355)
Others — <i>Note (b)</i>	21	238	153	636
	<u>(337)</u>	<u>5,741</u>	<u>7,298</u>	<u>(12,300)</u>

Notes:

- (a) The Group's fair value (loss)/gain in financial asset at FVTPL for the nine months ended 30 September 2023 and 30 September 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 rendering of artificial intelligence ("AI") software solutions and sale of artificial intelligence of things ("AIoT") smart devices to enterprise and individual customers. 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 2023, Mobvoi cancelled the treasury shares arising from the repurchase of its ordinary shares by Mobvoi in exchange for Mobvoi's disposals of part/all of the shares in certain of its subsidiaries in 2022. The Group's shareholding proportion in Mobvoi was approximately 1.57% (on a fully diluted and as converted basis) as at 30 September 2023. The fair value of the Group's financial asset at FVTPL as at 30 September 2023 amounted to approximately HK\$32,604,000 (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.

- (b) Such balance for the nine months ended 30 September 2022 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	
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest expenses on:				
Bank loan	43	38	127	117
Lease liabilities	42	40	119	159
Factoring charges	—	4	4	15
	<u>85</u>	<u>82</u>	<u>250</u>	<u>291</u>

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	
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current income tax —				
Hong Kong profits tax	—	234	—	3,755
Deferred income tax	(1)	3	—	3
	<u>(1)</u>	<u>237</u>	<u>—</u>	<u>3,758</u>

No profits tax has been provided for the nine months ended 30 September 2023 as the Group has no estimated assessable profit arising in or derived from Hong Kong during the nine months ended 30 September 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 nine months ended 30 September 2022 under Hong Kong profits tax was subject to tax rate of 8.25%. The Group's remaining assessable profits during the nine months ended 30 September 2022 above HK\$2 million 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 nine months ended 30 September 2023 (nine months ended 30 September 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.

	Nine months ended	
	30 September	
	2023	2022
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to equity holders of the Company <i>(HK\$'000)</i>	<u><u>(11,307)</u></u>	<u><u>6,198</u></u>
Weighted average number of ordinary shares in issue <i>(thousands)</i>	<u><u>1,483,687</u></u>	<u><u>1,483,687</u></u>
Basic and diluted (loss)/earnings per share <i>(HK cents per share)</i>	<u><u>(0.76)</u></u>	<u><u>0.42</u></u>

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 nine months ended 30 September 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.

Affected by the unstable macroeconomic environment, the market demand for display panels remains weak during the nine months ended 30 September 2023 (the “Period”). In addition, the demand for the Group’s health-related products declined following the subsidence of the COVID-19 pandemic in Hong Kong. As a result, the Group’s business came under pressure and its financial performance was adversely affected during the Period. Revenue of the Group for the Period amounted to approximately HK\$93,595,000 representing a decrease of approximately 64% as compared to approximately HK\$257,337,000 for the corresponding period in 2022. Mainly due to such significant decrease in revenue, the financial results of the Group turned from profit during the nine months ended 30 September 2022 to loss during the Period. Nevertheless, the Group recorded a fair value gain on financial asset at FVTPL of approximately HK\$7,403,000 which offset part of the loss of the Group during the Period. Consolidated loss attributable to equity holders of the Company for the Period amounted to approximately HK\$11,307,000, as compared to the consolidated profit attributable to equity holders of the Company of approximately HK\$6,198,000 for the nine months ended 30 September 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 lackluster demand for consumer electronics under the prevailing unstable macroeconomic environment, together with the reduction in supply by the Group’s supplier which could have served as a market stabilisation measure during the Period, led to a significant decrease in sales of the Group’s TFT-LCD panels and modules during the Period as compared with the corresponding period in 2022. The Group’s sales of TFT-LCD panels and modules during the Period amounted to approximately HK\$65,849,000, representing a decrease of approximately 51% as compared with approximately HK\$135,210,000 for the corresponding period in 2022. The Group also recorded a significant drop in sales of polarisers from approximately HK\$35,864,000 during the nine months ended 30 September 2022 to approximately HK\$663,000 during the Period. Such significant decrease was mainly attributed to the reduced shipment of mobile phones which the Group’s polarisers applied on during the Period. Sales of integrated circuits also remained feeble during the Period.

During the Period, the Group's sales of health-related products amounted to approximately HK\$14,823,000, representing a significant decrease of approximately 81% as compared with approximately HK\$76,318,000 for the corresponding period in 2022. This was mainly due to the ease of COVID-19 pandemic and Hong Kong's return to normalcy from having various anti-epidemic measures, the demand for rapid antigen test kits for COVID-19 and the Group's personal hygiene and disinfectant products with brand "K-clean" had dropped significantly as compared to the period of the fifth wave of COVID-19 pandemic outbreak in Hong Kong last year. Nevertheless, public's health awareness has been improved and the Group captured such opportunity to introduce health supplements products to the market during the Period. It is expected that the good reputation built-up by K-clean amongst its consumers group may benefit the promotion of the Group's health supplements products.

Notwithstanding the abovementioned, there were improvements in the sales of the Group's optics products and electronic signage products during the Period as compared with the corresponding period in 2022. Mainly attributable to the increase in sales of motor vehicles' head-up display components, the Group's sales of optics products amounted to approximately HK\$3,104,000 during the Period, representing an increase of approximately HK\$2,514,000 as compared with approximately HK\$590,000 for the corresponding period in 2022. For the electronic signage products, as electronic signage products become more popular and the increase in contribution in Taiwan area, the Group's sales of electronic signage products amounted to approximately HK\$7,489,000 during the Period, representing an approximately 32% increase as compared with approximately HK\$5,687,000 for the corresponding period in 2022.

The Group's financial asset at FVTPL represented the Group's holding of certain preferred shares of Mobvoi, which is principally engaged in the rendering of AI software solutions and sale of AIoT smart devices to enterprise and individual customer. Fair value of such investment amounted to approximately HK\$32,604,000 as at 30 September 2023, which increased by approximately 29% as compared to approximately HK\$25,201,000 as at 31 December 2022. A fair value gain of approximately HK\$7,403,000 was recognised during the Period as compared to the fair value loss of approximately HK\$12,581,000 recognised during the corresponding period in 2022, which the Company understands mainly benefited from capital market's favour towards stocks of the AI sector during the Period. During the Period, Mobvoi cancelled the treasury shares arising from the repurchase of its ordinary shares by Mobvoi in exchange for Mobvoi's disposals of part/all of the shares in certain of its subsidiaries in 2022. The Group's shareholding proportion in Mobvoi was approximately 1.57% (on a fully diluted and as converted basis) as at 30 September 2023. Mobvoi has developed and announced its AI foundation model, namely, Sequence Monkey and it has also rolled out a series of artificial intelligence-generated content products. Mobvoi has submitted its listing application to the Stock Exchange in May 2023.

Another investment of the Group was classified as financial asset at FVOCI, 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 0.96% as at 30 September 2023 (31 December 2022: 2%).

Looking ahead, despite the display panel market remains challenging, there are signs of stabilisation and a gradual bottoming out. On the other hand, the pandemic has raised the public's health awareness, making the Group's diversifying strategy into health-related products in line with the market demand. The Group will continue to widen and optimise its products portfolio to minimise the adverse impact arising from any individual product. From a long-term perspective, the Group will keep exploring business opportunities with new suppliers and customers from various areas to create greater value for the shareholders of the Company.

Financial review

Revenue

Total revenue of the Group for the Period amounted to approximately HK\$93,595,000, representing an approximately 64% decrease as compared to approximately HK\$257,337,000 for the corresponding period in 2022. Mainly due to the decrease in demand, the Group's major products, including TFT-LCD panels and modules, health-related products, polarisers and integrated circuits, recorded a significant drop in revenue during the Period as compared to the corresponding period in 2022.

Gross profit

Gross profit of the Group during the Period amounted to approximately HK\$13,123,000, which decreased by approximately HK\$47,639,000 as compared with approximately HK\$60,762,000 for the nine months ended 30 September 2022. The decrease in gross profit was mainly due to the decrease in revenue during the Period.

Other (losses)/gains, net

Net other gains of approximately HK\$7,298,000 was recorded for the Period, while net other losses of approximately HK\$12,300,000 was recorded for the nine months ended 30 September 2022. The balance mainly included the fair value gain of approximately HK\$7,403,000 recognised for the Group's financial asset at FVTPL in respect of its investment in Mobvoi during the Period (nine months ended 30 September 2022: fair value loss of HK\$12,581,000).

Expenses

The Group's distribution and selling expenses for the Period amounted to approximately HK\$15,327,000, representing an approximately 19% decrease as compared with approximately HK\$18,951,000 for the corresponding period in 2022. The decrease was mainly attributable to the decrease in sales commissions and transportation 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\$16,738,000, representing an approximately 14% decrease as compared with approximately HK\$19,494,000 for the corresponding period in 2022. The decrease was mainly attributable to the decrease in staff costs and bank charges.

The Group's research and development expenses for the Period amounted to approximately HK\$686,000, which decreased by approximately 8% as compared to approximately HK\$748,000 for the corresponding period in 2022. The decrease was mainly due to the decrease in staff costs.

Finance costs

The Group's finance costs for the Period mainly represented interest expenses on bank loan and lease liabilities of approximately HK\$127,000 (nine months ended 30 September 2022: HK\$117,000) and HK\$119,000 (nine months ended 30 September 2022: HK\$159,000), respectively.

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

Mainly attributable to the significant decrease in revenue from 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 amounted to approximately HK\$11,307,000, as compared to a profit attributable to equity holders of the Company of approximately HK\$6,198,000 for the nine months ended 30 September 2022.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Period, the Company did not redeem any of its shares, and neither did the Company nor any of its subsidiaries purchase or sell any shares of the Company.

COMPLIANCE OF CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the Period.

LEGAL PROCEEDINGS INVOLVING THE COMPANY AND THE DIRECTORS

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

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

* *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 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 announcement and has provided advice and comments thereon.

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

Hong Kong, 8 November 2023

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>.