



# Perfect Optronics Limited

## 圓美光電有限公司

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

Stock Code : 8311

Interim Report **2015**



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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 the GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material aspects 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 a revenue of approximately HK\$488.0 million for the six months ended 30 June 2015 (six months ended 30 June 2014: approximately HK\$683.6 million).
- Profit attributable to equity holders of the Company for the six months ended 30 June 2015 amounted to approximately HK\$6.0 million (six months ended 30 June 2014: approximately HK\$20.8 million).
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

## FINANCIAL RESULTS

The board of directors (the "Board") of Perfect Optronics Limited (the "Company") is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2015 together with the comparative unaudited figures for the corresponding period in 2014 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Note	Three months ended 30 June		Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited and restated)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited and restated)
<b>Revenue</b>	4	<b>265,096</b>	388,307	<b>487,969</b>	683,594
Cost of sales		<b>(247,787)</b>	(362,887)	<b>(450,269)</b>	(631,301)
<b>Gross profit</b>		<b>17,309</b>	25,420	<b>37,700</b>	52,293
Other losses, net	6	<b>(420)</b>	(60)	<b>(546)</b>	(1,158)
Distribution and selling expenses		<b>(4,505)</b>	(3,207)	<b>(9,244)</b>	(7,165)
General and administrative expenses		<b>(9,997)</b>	(7,989)	<b>(18,841)</b>	(16,071)
Other expenses		<b>(1,707)</b>	(600)	<b>(3,137)</b>	(700)
<b>Operating profit</b>		<b>680</b>	13,564	<b>5,932</b>	27,199
Finance income		<b>331</b>	192	<b>523</b>	270
Finance costs	7	<b>(229)</b>	(756)	<b>(487)</b>	(1,292)
Finance income/(costs), net		<b>102</b>	(564)	<b>36</b>	(1,022)
Share of loss of an associate	8	<b>—</b>	(370)	<b>—</b>	(680)
<b>Profit before income tax</b>	9	<b>782</b>	12,630	<b>5,968</b>	25,497
Income tax expense	10	<b>(364)</b>	(2,419)	<b>(1,479)</b>	(4,652)
<b>Profit for the period</b>		<b>418</b>	10,211	<b>4,489</b>	20,845
<b>Other comprehensive income</b>					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Change in value of available-for-sale financial assets		<b>(52)</b>	—	<b>(105)</b>	—
Currency translation differences		<b>37</b>	13	<b>86</b>	(29)
<b>Total comprehensive income for the period</b>		<b>403</b>	10,224	<b>4,470</b>	20,816

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2015

	Note	Three months ended 30 June		Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited and restated)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited and restated)
<b>Profit for the period attributable to:</b>					
Equity holders of the Company		1,137	10,211	5,994	20,845
Non-controlling interests		(719)	—	(1,505)	—
		<b>418</b>	<b>10,211</b>	<b>4,489</b>	<b>20,845</b>
<b>Total comprehensive income for the period attributable to:</b>					
Equity holders of the Company		1,148	10,224	6,027	20,816
Non-controlling interests		(745)	—	(1,557)	—
		<b>403</b>	<b>10,224</b>	<b>4,470</b>	<b>20,816</b>
<b>Basic and diluted earnings per share</b>	12	<b>HK0.08 cent</b>	HK0.69 cent	<b>HK0.40 cent</b>	HK1.47 cent

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Note	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Restated)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	5,132	4,781
Goodwill	13	7,062	7,062
Other intangible assets	13	6,554	6,832
Available-for-sale financial assets	14	24,639	1,344
		<b>43,387</b>	20,019
<b>Current assets</b>			
Inventories		140,508	135,261
Trade and other receivables	15	94,420	110,135
Tax recoverable		730	2,227
Restricted bank deposits		22,493	22,230
Cash and cash equivalents		99,549	133,837
		<b>357,700</b>	403,690
<b>Total assets</b>		<b>401,087</b>	423,709
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	16	14,837	13,200
Reserves		116,588	118,843
Retained earnings		105,675	107,099
		<b>237,100</b>	239,142
<b>Non-controlling interests</b>		<b>16,827</b>	18,384
<b>Total equity</b>		<b>253,927</b>	257,526

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2015

	Note	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Restated)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Note payable		10,000	—
Loan from a shareholder		—	27,769
Deferred income tax liabilities		727	745
		<b>10,727</b>	28,514
<b>Current liabilities</b>			
Trade and other payables	17	86,205	90,528
Note payable		10,000	—
Bank borrowings	18	40,228	47,141
		<b>136,433</b>	137,669
<b>Total liabilities</b>		<b>147,160</b>	166,183
<b>Total equity and liabilities</b>		<b>401,087</b>	423,709
<b>Net current assets</b>		<b>221,267</b>	266,021
<b>Total assets less current liabilities</b>		<b>264,654</b>	286,040

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to equity holders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Merger reserve	Revaluation reserve	Exchange reserve	Retained earnings	Total		
	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)
	Note (a)									
<b>Balance at 1 January 2015</b>										
As previously reported	13,200	77,800	38,000	—	—	(177)	113,976	242,799	—	242,799
Adjusted for common control combination										
— Note 1	—	—	—	3,900	10	(690)	(6,877)	(3,657)	18,384	14,727
As restated	13,200	77,800	38,000	3,900	10	(867)	107,099	239,142	18,384	257,526
Profit for the period	—	—	—	—	—	—	5,994	5,994	(1,505)	4,489
Other comprehensive income	—	—	—	—	(53)	86	—	33	(52)	(19)
<b>Total comprehensive income for the period</b>	—	—	—	—	(53)	86	5,994	6,027	(1,557)	4,470
Issue of new shares as consideration for common control combination										
— Note 1	1,637	387,938	—	(419,575)	—	—	—	(30,000)	—	(30,000)
Contribution from shareholder under common control combination										
— Notes 1 and 20	—	—	29,349	—	—	—	—	29,349	—	29,349
Dividend relating to 2014 paid in June 2015										
— Note 11	—	—	—	—	—	—	(7,418)	(7,418)	—	(7,418)
<b>Total transactions with equity holders, recognised directly in equity</b>	1,637	387,938	29,349	(419,575)	—	—	(7,418)	(8,069)	—	(8,069)
<b>Balance at 30 June 2015</b>	14,837	465,738	67,349	(415,675)	(43)	(781)	105,675	237,100	16,827	253,927

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2015

	Attributable to equity holders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Merger reserve	Revaluation reserve	Exchange reserve	Retained earnings	Total		
	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)
	Note (a)									
<b>Balance at 1 January 2014</b>										
As previously reported	—	—	38,000	—	—	(50)	100,785	138,735	—	138,735
Adjusted for common control combination	—	—	—	3,900	—	—	(34)	3,866	—	3,866
As restated	—	—	38,000	3,900	—	(50)	100,751	142,601	—	142,601
Profit for the period (as restated)	—	—	—	—	—	—	20,845	20,845	—	20,845
Other comprehensive income	—	—	—	—	—	(29)	—	(29)	—	(29)
<b>Total comprehensive income for the period (as restated)</b>	—	—	—	—	—	(29)	20,845	20,816	—	20,816
Issue of new shares by way of placing	3,300	95,700	—	—	—	—	—	99,000	—	99,000
Share issue expenses	—	(8,000)	—	—	—	—	—	(8,000)	—	(8,000)
Capitalisation issue	9,900	(9,900)	—	—	—	—	—	—	—	—
Dividend relating to 2013 paid in May 2014	—	—	—	—	—	—	(19,800)	(19,800)	—	(19,800)
<b>Total transactions with equity holders, recognised directly in equity</b>	13,200	77,800	—	—	—	—	(19,800)	71,200	—	71,200
<b>Balance at 30 June 2014 (as restated)</b>	13,200	77,800	38,000	3,900	—	(79)	101,796	234,617	—	234,617

Note:

- (a) 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 shareholder's loan waived by the vendor upon completion of the common control combination.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Note	Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited and restated)
Net cash generated from/(used in) operating activities		12,865	(40,778)
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	13	(1,348)	(287)
Additions of intangible assets	13	—	(2,000)
Investment in an associate		—	(11,550)
Purchases of available-for-sale financial assets		(23,400)	—
Decrease in non-pledged time deposits with original maturity of more than three months when acquired		2,548	—
Payment of cash as part of the consideration for common control combination	1	(10,000)	—
Interest received		523	270
Net cash used in investing activities		(31,677)	(13,567)
<b>Cash flows from financing activities</b>			
Proceeds from bank borrowings	18	34,917	129,427
Repayments of bank borrowings	18	(41,830)	(147,930)
Proceeds from issue of shares by way of placing		—	99,000
Professional service fees in respect of preparation for share placing		—	(3,426)
Increase in restricted bank deposits		(263)	(3,931)
Advances from a shareholder		1,580	12,524
Dividend paid	11	(7,418)	(19,800)
Net cash (used in)/generated from financing activities		(13,014)	65,864

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2015

	Note	Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited and restated)
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(31,826)</b>	11,519
Cash and cash equivalents at beginning of period		112,436	62,869
Exchange differences on cash and cash equivalents		86	(12)
<b>Cash and cash equivalents at end of period</b>		<b>80,696</b>	74,376
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents as stated in the condensed consolidated statement of financial position		99,549	74,376
Non-pledged time deposits with original maturity of more than three months when acquired		(18,853)	—
<b>Cash and cash equivalents at stated in the condensed consolidated statement of cash flows</b>		<b>80,696</b>	74,376



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 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 "Listing").

Pursuant to a group reorganisation (the "Reorganisation") and capitalisation of 989,990,000 shares (the "Capitalisation Issue") in preparation for the Listing, the Company became the holding company of the subsidiaries now comprising the Group (except for Perfect Shiny Technology Limited ("Perfect Shiny") and its subsidiaries) on 31 December 2013, the details of which were set out in the prospectus issued by the Company dated 24 January 2014 (the "Prospectus").

During the six months ended 30 June 2015, Rightone Resources Limited ("Rightone"), a wholly-owned subsidiary of the Company, entered into a sales and purchase agreement dated 22 January 2015 (the "Agreement") to acquire the entire equity interest in Perfect Shiny (the "Acquisition") from Mr. Cheng Wai Tak ("Mr. Cheng"), a director and a substantial shareholder of the Company. Pursuant to the Agreement, the consideration for the Acquisition was HK\$323,000,000, of which HK\$20,000,000 was satisfied by the issuing and delivering of a promissory note in favour of Mr. Cheng in the amount of HK\$20,000,000; HK\$10,000,000 was settled by cash to Mr. Cheng upon completion of the Acquisition; and the rest was satisfied by the allotment and issue by the Company of 163,687,151 shares (the "Consideration Shares") to the nominee of Mr. Cheng. Furthermore, pursuant to the Agreement, a shareholder's loan of approximately HK\$29,349,000 payable by Perfect Shiny to Mr. Cheng was waived upon completion of the Acquisition. Details of the Acquisition were set out in the Company's circular to its shareholders dated 6 March 2015. The Acquisition was approved by the ordinary resolution passed by the shareholders of the Company by way of poll at the extraordinary general meeting held on 17 April 2015. The Acquisition was completed and the Consideration Shares were issued on 30 April 2015, at which time the price of shares of the Company was HK\$2.38 per share.

In the preparation of the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2015 (the "2015 Interim Financial Statements"), it was determined that the Group and Perfect Shiny and its subsidiaries (the "Perfect Shiny Group") were ultimately controlled by Mr. Cheng before and after the Acquisition, and that control is not transitory. The Group and Perfect Shiny Group were regarded as continuing entities as at the date of business combination and hence the Acquisition was accounted for as a combination of entities under common control by applying the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger accounting for common control combinations" ("AG 5") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as if the Acquisition had occurred on the date when the combining entities first came under the control of the substantial shareholder. Accordingly, the assets and liabilities acquired in the common control combinations are stated at their carrying amounts as if they had been held or incurred by the Group from the later of the date on which the combining entities first came under the control of the substantial shareholder or the relevant transactions giving rise to the assets or liabilities arose.

## 1. BASIS OF PREPARATION (CONTINUED)

In accordance with AG 5, the comparative amounts of the financial statements of the Group have been restated to include the financial statement items of Perfect Shiny Group. The effect of the common control combination of Perfect Shiny Group on the Group's results for the six months ended 30 June 2014, and the condensed consolidated statement of financial position as at 31 December 2014 were as follows:

	<b>As previously reported</b> HK\$'000 (Unaudited)	<b>Perfect Shiny Group</b> HK\$'000 (Unaudited)	<b>Consolidation adjustment</b> HK\$'000 (Unaudited)	<b>As restated</b> HK\$'000 (Unaudited)
<b>Six months ended 30 June 2014</b>				
Revenue	683,594	—	—	683,594
Share of loss of an associate	—	(680)	—	(680)
Profit/(loss) for the period	22,228	(1,383)	—	20,845
	<b>As previously reported</b> HK\$'000 (Audited)	<b>Perfect Shiny Group</b> HK\$'000 (Unaudited)	<b>Consolidation adjustment</b> HK\$'000 (Unaudited)	<b>As restated</b> HK\$'000 (Unaudited)
<b>As at 31 December 2014</b>				
<b>ASSETS</b>				
Non-current assets	6,900	13,119	—	20,019
Current assets	370,349	33,341	—	403,690
<b>Total assets</b>	<b>377,249</b>	<b>46,460</b>	<b>—</b>	<b>423,709</b>
<b>LIABILITIES</b>				
Non-current liabilities	115	28,399	—	28,514
Current liabilities	134,335	3,334	—	137,669
<b>Total liabilities</b>	<b>134,450</b>	<b>31,733</b>	<b>—</b>	<b>166,183</b>
<b>EQUITY</b>				
Share capital	13,200	3,900	(3,900)	13,200
Reserves	115,623	(680)	3,900	118,843
Retained earnings	113,976	(6,877)	—	107,099
Non-controlling interests	—	18,384	—	18,384
<b>Total equity</b>	<b>242,799</b>	<b>14,727</b>	<b>—</b>	<b>257,526</b>

## 1. BASIS OF PREPARATION (CONTINUED)

The 2015 Interim Financial Statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the HKICPA and the disclosure requirements of the GEM Listing Rules. The 2015 Interim Financial Statements are presented in Hong Kong dollars (“HK\$”), unless otherwise stated; and have been prepared under the historical cost convention, except for certain available-for-sale financial assets which have been measured at fair value.

The 2015 Interim Financial Statements 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 these unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2014, except as described below.

The Group has adopted and applied, for the first time, the following new standards, amendments to standards and interpretations that have been issued and effective for the accounting periods beginning on 1 January 2015:

HKAS 19 (2011) Amendment	Defined Benefit Plans: Employee Contributions
Annual Improvements Project	Annual Improvements 2010–2012 Cycle
Annual Improvements Project	Annual Improvements 2011–2013 Cycle

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 2015 Interim Financial Statements in conformity with Hong Kong Financial Reporting Standards 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 2014.

### 3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

#### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk.

The 2015 Interim Financial Statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2014.

There have been no changes in the risk management policies since 31 December 2014.

#### 3.2 Liquidity risk

Compared to 31 December 2014, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

#### 3.3 Fair value estimation

Financial instruments carried at fair value are analysed by valuation method. The different levels have been defined as follows:

- (i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- (ii) Inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- (iii) Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 30 June 2015, the Group's available-for-sale financial assets at fair value amounted to approximately HK\$1,239,000 (31 December 2014: HK\$1,344,000) which are included in level 1. The Group did not have any financial assets measured at fair value which are included in level 2 or 3 as at 30 June 2015 (31 December 2014: Nil). The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the condensed consolidated statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price.

During the six months ended 30 June 2015, there were no transfers amongst levels 1, 2, and 3 (six months ended 30 June 2014: Nil).

### 3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

#### 3.3 Fair value estimation (Continued)

There were no other changes in valuation techniques during the period.

The fair value of the following financial assets and liabilities approximate their carrying amount:

- (i) Trade and other receivables
- (ii) Restricted bank deposits
- (iii) Cash and cash equivalents
- (iv) Trade and other payables
- (v) Note payable
- (vi) Bank borrowings

### 4. REVENUE

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

### 5. SEGMENT INFORMATION

The chief operating decision-maker of the Group has been identified as the directors of the Company. The directors review the Group's internal reporting in order to assess performance and allocate resources and have determined the operating segments based on these reports.

Due to the fact that the Group continued to diversify its product ranges, the directors no longer review and assess the performance of each individual product but managed the business in aggregate on entity level. During the six months ended 30 June 2015, the management changed the presentation of segment information and consolidated the unprocessed thin film transistor liquid crystal display ("TFT-LCD") panels and other unprocessed products, processed TFT-LCD panels, integrated circuits ("ICs") and polarisers into one single operating segment of display products, namely, the Display Products Segment. In addition, the Group's new business of optics-related products is considered as a new operating segment, namely, the Optics Products Segment. The management considered that such changes provide a more appropriate presentation of the Group's existing operating structure. Comparative information has been restated to conform with the current period's presentation.

The directors assess the performance of the operating segments based on a measure of revenue and results of each segment and do not assess the performance based on segment assets and liabilities.

## 5. SEGMENT INFORMATION (CONTINUED)

- (a) The segment information provided to the directors for the reportable segments for the six months ended 30 June 2015 and 2014 is as follows:

	Display Products		Optics Products		Total	
	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited and restated)	(Unaudited)	(Unaudited and restated)	(Unaudited)	(Unaudited and restated)
Segment revenue (all from external customers)	487,055	683,594	914	—	487,969	683,594
Segment results	39,167	52,293	(4,604)	(1,380)	34,563	50,913
Unallocated operating costs*					(28,631)	(24,394)
Finance income/(costs), net					36	(1,022)
Profit before income tax					5,968	25,497
Other segment information:						
Share of loss of an associate†	—	—	—	(680)	—	(680)

\* Unallocated operating costs include distribution and selling expenses, general and administrative expenses and other losses, net

† Share of loss of an associate is included in the segment results

- (b) The Group's revenue from its major products for the six months ended 30 June 2015 and 2014 are as follows:

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
TFT-LCD panels and modules	365,050	526,050
Driver ICs	98,236	133,030
Polarisers	17,970	10,985
Others	6,713	13,529
	487,969	683,594

## 5. SEGMENT INFORMATION (CONTINUED)

### (c) Segment revenue by customers' geographical location

During the six months ended 30 June 2015 and 2014, most of the Group revenues were derived in Hong Kong, where the Group's products were delivered by the Group to its customers.

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong	472,619	665,647
The People's Republic of China ("PRC")	14,454	17,947
Taiwan	896	—
	487,969	683,594

(d) Revenues from major customers who have individually contributed to 10% or more of the total revenue of the Group are disclosed as follows:

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Customer A	82,657	—
Customer B	74,766	168,235
	157,423	168,235

The two customers are included in the Display Products Segment.

## 5. SEGMENT INFORMATION (CONTINUED)

- (e) An analysis of the Group's non-current segment assets (other than deferred income tax assets and available-for-sale financial assets) by location of assets is as follows:

	Hong Kong HK\$'000 (Unaudited)	PRC HK\$'000 (Unaudited)	Taiwan HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>As at 30 June 2015:</b>				
<b>Non-current assets</b>				
Property, plant and equipment	2,680	1,212	1,240	5,132
Goodwill	—	—	7,062	7,062
Other intangible assets	2,000	1,122	3,432	6,554
	<b>4,680</b>	<b>2,334</b>	<b>11,734</b>	<b>18,748</b>

	Hong Kong HK\$'000 (Restated)	PRC HK\$'000 (Restated)	Taiwan HK\$'000 (Restated)	Total HK\$'000 (Restated)

### As at 31 December 2014:

#### Non-current assets

Property, plant and equipment	2,344	1,434	1,003	4,781
Goodwill	—	—	7,062	7,062
Other intangible assets	2,000	1,122	3,710	6,832
	<b>4,344</b>	<b>2,556</b>	<b>11,775</b>	<b>18,675</b>

## 6. OTHER LOSSES, NET

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Net exchange loss	655	1,158
Others	(109)	—
	<b>546</b>	<b>1,158</b>

## 7. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expense on:		
Bank advances from factored receivables	33	315
Bank borrowings wholly repayable within five years	47	202
Factoring charges	407	775
	487	1,292

## 8. SHARE OF LOSS OF AN ASSOCIATE

In January 2014, Perfect Shiny acquired 30.91% equity interest in Shinyoptics Corporation ("Shinyoptics"), a company incorporated in Taiwan with limited liability, from certain independent third parties. Shinyoptics was accounted for as an associate using equity method of accounting during the six months ended 30 June 2014. In September 2014, Perfect Shiny's shareholding in Shinyoptics further increased to 50.14% and Shinyoptics became a 50.14% owned subsidiary of Perfect Shiny Group.

## 9. PROFIT BEFORE INCOME TAX

The Group's profit before income tax is arrived at after charging:

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited and restated)
Cost of inventories sold	441,597	581,944
Provision for obsolete inventories	336	7,275
Depreciation of property, plant and equipment	997	266
Amortisation of other intangible assets	278	—
Professional service fees in respect of the Listing	—	1,084
Research and development costs (Note)	3,137	700

Note: Research and development costs were included in "Other expenses" in the condensed consolidated statement of comprehensive income

## 10. INCOME TAX EXPENSE

The amount of income tax charged to the profit or loss represents:

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited and restated)
Current income tax:		
Hong Kong profits tax	1,497	4,667
Deferred income tax	(18)	(15)
	<b>1,479</b>	4,652

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2014: 16.5%) on the estimated assessable profit during the period arising in or derived from Hong Kong. The Group's subsidiaries in the PRC are subject to PRC corporate income tax at a standard rate of 25% during the period (six months ended 30 June 2014: 25%). No PRC corporate income tax has been provided as the Group has available tax losses to offset the assessable profit generated during the period (six months ended 30 June 2014: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

## 11. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

Final dividend for the year ended 31 December 2014 of approximately HK\$7,418,000 was paid in June 2015.

## 12. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares deemed to be in issue during the six months ended 30 June 2015 and 2014.

In determining the weighted average number of ordinary shares deemed to be in issue during the six months ended 30 June 2015 and 2014, the 163,687,151 ordinary shares with par value of HK\$0.01 each issued during the six months ended 30 June 2015 as part of the consideration of the common control combination as mentioned in note 1 above have been regarded as if these shares were in issue since 1 January 2014.

Furthermore, in determining the weighted average number of ordinary shares deemed to be in issue during the six months ended 30 June 2014, the 989,990,000 shares with par value of HK\$0.01 each issued upon the Capitalisation Issue have been regarded as if these shares were in issue since 1 January 2014.

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited and restated)
Profit attributable to equity holders of the Company (HK\$'000)	5,994	20,845
Weighted average number of ordinary shares in issue (thousands)	1,483,687	1,416,228
Basic and diluted earnings per share (HK cent per share)	0.40	1.47

No adjustment has been made to the basic earnings per share amount for the six months ended 30 June 2015 and 2014 as the Group had no potentially dilutive ordinary shares in issue during these periods.

### 13. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	<b>Property, plant and equipment</b>	<b>Goodwill</b>	<b>Other intangible assets</b>
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
<b>Six months ended 30 June 2015</b>			
<i>Net book value</i>			
Opening amount as at 1 January 2015	4,781	7,062	6,832
Additions	1,348	—	—
Depreciation and amortisation	(997)	—	(278)
Closing amount as at 30 June 2015	5,132	7,062	6,554
<b>Six months ended 30 June 2014</b>			
<i>Net book value</i>			
Opening amount as at 1 January 2014	1,537	—	—
Additions	287	—	2,000
Depreciation and amortisation	(266)	—	—
Currency translation difference	(17)	—	—
Closing amount as at 30 June 2014	1,541	—	2,000

### 14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>30 June 2015 HK\$'000 (Unaudited)</b>	31 December 2014 HK\$'000 (Restated)
Unlisted equity investment, at cost (Note)	23,400	—
Unlisted equity investment, at quoted price	1,239	1,344
	<b>24,639</b>	1,344

Note: The balance represents the Group's investment in unlisted equity securities issued by a private entity. It is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably. The Group does not intend to dispose of it in the near future.

## 15. TRADE AND OTHER RECEIVABLES

	<b>30 June 2015 HK\$'000 (Unaudited)</b>	31 December 2014 HK\$'000 (Restated)
Trade receivable (Note)	<b>36,742</b>	54,097
Bills receivable (Note)	<b>52,752</b>	52,840
	<b>89,494</b>	106,937
Prepayments, deposits and other receivables	<b>4,926</b>	3,198
	<b>94,420</b>	110,135

Note:

The Group generally grants credit periods of 30 to 120 days. The ageing analysis of trade and bills receivables based on invoice dates is as follows:

	<b>30 June 2015 HK\$'000 (Unaudited)</b>	31 December 2014 HK\$'000 (Restated)
1–30 days	<b>44,557</b>	67,095
31–60 days	<b>38,174</b>	26,500
61–90 days	<b>5,150</b>	6,981
91–180 days	<b>1,613</b>	6,361
	<b>89,494</b>	106,937

## 16. SHARE CAPITAL

	30 June 2015		31 December 2014	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
<b>Authorised:</b>				
Ordinary shares of HK\$0.01 each	5,000,000,000	50,000	5,000,000,000	50,000
			<b>Number of shares</b>	<b>Share capital HK\$'000</b>
<b>Ordinary shares, issued and fully paid:</b>				
<b>Opening balance as at 1 January 2015</b>		<b>1,320,000,000</b>		<b>13,200</b>
Issue of new shares as consideration for common control combination (Note)		<b>163,687,151</b>		<b>1,637</b>
<b>Closing balance as at 30 June 2015</b>		<b>1,483,687,151</b>		<b>14,837</b>
<b>Opening balance as at 1 January 2014</b>			10,000	—
Issue of shares by way of placing			330,000,000	3,300
Capitalisation Issue			989,990,000	9,900
<b>Closing balance as at 30 June 2014</b>			1,320,000,000	13,200

Note: As part of the consideration of the Acquisition pursuant to the Agreement, 163,687,151 Consideration Shares were issued on 30 April 2015, at which time the share price was HK\$2.38 per share.

## 17. TRADE AND OTHER PAYABLES

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Restated)
Trade payable (Note)	76,050	72,526
Deposits received from customers	5,920	6,747
Accruals and other payables	4,235	11,255
	<b>86,205</b>	<b>90,528</b>

## 17. TRADE AND OTHER PAYABLES (CONTINUED)

Note:

The ageing analysis of trade payable based on invoice dates is as follows:

	<b>30 June 2015 HK\$'000 (Unaudited)</b>	31 December 2014 HK\$'000 (Restated)
1–30 days	52,215	46,347
31–60 days	21,268	19,653
61–90 days	2,567	6,525
91–180 days	—	1
	<b>76,050</b>	<b>72,526</b>

## 18. BANK BORROWINGS

	<b>30 June 2015 HK\$'000 (Unaudited)</b>	31 December 2014 HK\$'000 (Restated)
Bank advances for factored receivables	1,228	31,541
Short-term bank loans	39,000	15,600
	<b>40,228</b>	<b>47,141</b>

Movement in bank borrowings is analysed as follows:

	<b>HK\$'000 (Unaudited)</b>
<b>Six months ended 30 June 2015</b>	
Opening amount as at 1 January 2015	47,141
Proceeds from new borrowings	34,917
Repayments of borrowings	(41,830)
Closing amount as at 30 June 2015	<b>40,228</b>
<b>Six months ended 30 June 2014</b>	
Opening amount 1 January 2014	75,531
Proceeds from new borrowings	129,427
Repayments of borrowings	(147,930)
Closing amount as at 30 June 2014	57,028

## 18. BANK BORROWINGS (CONTINUED)

As at 30 June 2015, the Group factored trade receivables of approximately HK\$1,228,000 (31 December 2014: HK\$31,541,000) to a bank. As the Group still retained risks and rewards associated with the default and delay in payment by the debtors, the proceeds from the factoring of these trade receivables have been accounted for as the Group's liabilities and included in "Bank advances for factored receivables".

## 19. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these unaudited condensed consolidated interim financial statements, the Group had the following transactions with related parties:

- (a) During the six months ended 30 June 2015, the Group acquired the entire equity interest in Perfect Shiny from Mr. Cheng, a director and a substantial shareholder of the Company. Further details of the Acquisition are set out in note 1 above and in the Company's circular to its shareholders dated 6 March 2015.
- (b) During the six months ended 30 June 2015, rental expenses of approximately HK\$408,000 (six months ended 30 June 2014: HK\$408,000) were paid to Earn Master Limited, a related company wholly owned by the spouse of Mr. Cheng.

### Key management compensation

Key management includes directors and senior management. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	3,814	4,600
Post-employment benefits		
— defined contribution plans	33	38
	3,847	4,638

## 20. MAJOR NON-CASH TRANSACTION

During the six months ended 30 June 2015, Mr. Cheng waived a shareholder's loan of approximately HK\$29,349,000 payable by Perfect Shiny upon completion of the Acquisition, pursuant to the Agreement.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Group is principally engaged in the trading of display components of electronics, which are the major components of display technology used for mobile phones. It also processes some of the products which it trades.

The slowdown of China's economy and the changing marketing strategies of the telecommunication operators in the PRC in relation to their subsidies to end users for mobile phones purchases continuously affected the market demand of mobile phones, including those installed with the components sold by the Group. According to the recent figures published by the Ministry of Industry and Information Technology of the People's Republic of China, the production volume of mobile phones in the telecommunication equipment industry during January to June 2015 recorded a 4.5% decrease as compared to the same period in 2014. Such weak demand adversely affected the Group's performance during the six months ended 30 June 2015. Revenue of the Group amounted to approximately HK\$487,969,000 during the six months ended 30 June 2015, representing a decrease of approximately 29% as compared with that of the corresponding period in 2014. Profit attributable to equity holders of the Company for the six months ended 30 June 2015 was approximately HK\$5,994,000, representing a decrease of approximately 71% as compared with the corresponding period in 2014. The decrease in profit attributable to equity holders of the Company for the six months ended 30 June 2015 was mainly due to the drop in sales volume of TFT-LCD panels, increase in staff costs and larger amounts of professional fees incurred for investment and acquisition activities of the Group during the period.

Affected by the weak demand and keen competition in the market, the Group's sales of TFT-LCD panels and modules, including both traded and processed by the Group, amounted to approximately HK\$365,050,000 for the six months ended 30 June 2015, decreased by 31% as compared to approximately HK\$526,050,000 of the corresponding period in 2014. Revenue from sales of driver ICs decreased by 26%, from approximately HK\$133,030,000 for the six months ended 30 June 2014 to approximately HK\$98,236,000 for the six months ended 30 June 2015. To alleviate the negative impact of the decrease in demand of small sized TFT-LCD panels for mobile phones, during the period, the Group attempted to widen its revenue base and began to trade more unprocessed new products, such as TFT-LCD modules and medium sized display products used on tablets, notebooks and monitors. Thanks to the improvement in technology of the polarisers sold during the period, sales of polarisers increased to approximately HK\$17,970,000 during the period, representing a 64% increase as compared with approximately HK\$10,985,000 for the six months ended 30 June 2014.



To further enhance the product mix of the Group, the Group has entered into the optics-related products market, which received much attention and support in capital markets recently. To develop the Group's new optics-related products business, the Group acquired the entire equity interest of Perfect Shiny during the period. Perfect Shiny Group primarily focuses on the design, development, production and sales of liquid crystal on silicon ("LCoS") microprojector optical engines, and the design and development of applied optics-related products including virtual reality gaming headsets/head-mount display ("HMD") and head-up display ("HUD") devices. Since the Group's optics-related products business was still in developing stage, the Group's revenue from optics products business amounted to approximately HK\$914,000.

Furthermore, in view of the opportunity to share in and gain from the development potential of Mobvoi Inc. ("Mobvoi"), the Group subscribed for certain preferred shares of Mobvoi in January 2015. As at 30 June 2015, the preferred shares held by the Group represent approximately 2.5% of the share capital (on a fully diluted and as converted basis) of Mobvoi. Mobvoi is an investment holding company incorporated under the laws of the Cayman Islands. Mobvoi and its subsidiaries are principally engaged in the business of developing and providing voice search systems on mobile, smart wearable, and other devices. The core technology includes voice recognition, natural language processing, mobile search, and recommendation system. The current products are Chumenwenwen (a mobile intelligent voice search app that can be used on Android, iOS, Google Glass, and Android Wear smart watches), and Ticwear (a Chinese smart watch operating system). In February 2015, the Group and Perfect Shiny Group also established strategic cooperation with Mobvoi for designing, developing and launching smart glasses and head up displays products in the market. The technologies of voice search, linguistic analysis and big data transmission offered by Mobvoi will be a good complement to the developing new products of the Group. With the well-established direct marketing and strong sales network in the PRC market of Mobvoi, the management believes that the overall competitiveness of the Group can be greatly enhanced and consolidated by such cooperation. Subsequent to 30 June 2015, the Group's shareholding in Mobvoi was diluted to approximately 2.12% (on a fully diluted and as converted basis) as a result of, among other things, the issue of additional preferred shares by Mobvoi to another investor in July 2015.

## Prospects

Looking forward, smartphone is becoming essential and mainstream in the market with more functions to be developed for daily use of consumers. It is believed that the related display panel industry in China will rebound along with the more mature development of 4G services and related technologies. The Group will closely monitor market changes and continue to develop and further enhance its product mix, improve its profit margin and expand its business to new trendy product markets. The new acquisition of Perfect Shiny and development of the new products such as virtual reality HMD and HUD devices installed in motor vehicles are expected to be the remarkable steps for the Group to a splendid future in the market.



## Financial Review

### *Revenue*

For the six months ended 30 June 2015, total revenue of the Group amounted to approximately HK\$487,969,000, which decreased by about 29% as compared with the corresponding period in 2014 of approximately HK\$683,594,000. The decrease in total revenue was mainly due to the decrease in revenue from the sales of TFT-LCD panels and driver ICs as a result of the weak demand in the market.

### *Gross profit*

Due to the significant decrease in revenue, gross profit for the six months ended 30 June 2015 decreased by about 28% to approximately HK\$37,700,000. Gross profit margin increased slightly by 0.1 percentage point to 7.7% as compared with the corresponding period in 2014.

### *Other losses, net*

Net other losses of approximately HK\$546,000 was recorded for the six months ended 30 June 2015 (six months ended 30 June 2014: HK\$1,158,000). The balance mainly comprised of exchange losses during the period.

### *Expenses*

The Group's distribution and selling expenses for the six months ended 30 June 2015 amounted to approximately HK\$9,244,000, representing an approximately 29% increase as compared with the corresponding period in 2014 of approximately HK\$7,165,000. The increase was mainly attributable to the expansion of the Group's sales office in the PRC and increase in staff costs during the period.

The Group's general and administrative expenses for the six months ended 30 June 2015 amounted to approximately HK\$18,841,000, representing an approximately 17% increase as compared with the corresponding period in 2014 of approximately HK\$16,071,000. The increase was mainly due to the increase in staff costs for additional staff recruited and larger amounts of professional fees incurred in relation to the investment in Mobvoi and the acquisition of Perfect Shiny during the period.

Other expenses represent the research and development costs incurred by the Group, which amounted to approximately HK\$3,137,000 for the six months ended 30 June 2015, representing an approximately 348% increase as compared with the corresponding period in 2014 of approximately HK\$700,000. The increase was mainly due to the fact that Shinyoptics (being an associate at that time) was accounted for using the equity method during the six months ended 30 June 2014 such that the Group's other expenses for the six months ended 30 June 2014 did not include the research and development costs incurred by Shinyoptics.

### *Profit attributable to equity holders of the Company*

Profit attributable to equity holders of the Company for the six months ended 30 June 2015 amounted to approximately HK\$5,994,000, representing a decrease of approximately 71% as compared with the corresponding period in 2014 of approximately HK\$20,845,000, which was mainly attributable to the decrease in revenue and the increase in staff costs and professional fees incurred during the period.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group's principal sources of funds are used to finance working capital, and the growth and expansion of the Group's operations and sales network. The Group's principal sources of funds are cash generated from operations and bank borrowings. The Group had cash and cash equivalents of approximately HK\$99,549,000 as at 30 June 2015 (31 December 2014: HK\$133,837,000).

	<b>30 June 2015 HK\$'000</b>	31 December 2014 HK\$'000
Total bank deposits, bank balances and cash	<b>122,042</b>	156,067
Restricted bank deposits included in current assets	<b>(22,493)</b>	(22,230)
Cash and cash equivalents	<b>99,549</b>	133,837

The carrying amounts of the Group's cash and cash equivalents and restricted bank deposits are denominated in the following currencies:

	<b>30 June 2015 HK\$'000</b>	31 December 2014 HK\$'000
United States dollars	<b>58,415</b>	85,648
Renminbi	<b>42,372</b>	42,906
Hong Kong dollars	<b>3,722</b>	7,374
New Taiwan dollars	<b>17,533</b>	20,139
	<b>122,042</b>	156,067

As at 30 June 2015, the Group's total bank borrowings comprised bank loans and bank advances for factored receivables of approximately HK\$39,000,000 (31 December 2014: HK\$15,600,000) and HK\$1,228,000 (31 December 2014: HK\$31,541,000) respectively. All of the Group's bank borrowings as at 30 June 2015 and 31 December 2014 were

denominated in United States dollars and were fixed interest rate borrowings. The scheduled repayment dates of the Group's bank borrowings, as set out in the loan agreements and without considering the effect of any repayment on demand clauses were as follows:

	<b>30 June 2015 HK\$'000</b>	31 December 2014 HK\$'000
Within 1 year	<b>40,228</b>	47,141

As at 30 June 2015, the Group's unutilised banking facilities restricted for trade finance purposes amounted to approximately HK\$251.2 million (31 December 2014: HK\$164.0 million).

## GEARING RATIO

As at 30 June 2015, the Group's gearing ratio was 15.8% (31 December 2014: 18.3%), which is calculated based on the Group's total interest-bearing debt of approximately HK\$40,228,000 (31 December 2014: HK\$47,141,000) and the Group's total equity of approximately HK\$253,927,000 (31 December 2014: HK\$257,526,000).

## CAPITAL STRUCTURE

The Company's shares were successfully listed on GEM on 7 February 2014. There has been no change in the capital structure of the Group during the six months ended 30 June 2015. The capital of the Company only comprises of ordinary shares.

## TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period.

The Group strives to reduce exposure to credit risk by monitoring on an ongoing basis with reference to the financial position of the debtors, past experience and other factors. The Group performs regular credit evaluations of its major customers. To manage liquidity risk, the management closely monitors the Group's liquidity position and maintain sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to settle the payables of the Group.

## CONTINGENT LIABILITIES

As at 30 June 2015, the Group had no material contingent liabilities (31 December 2014: Nil).

## **CHARGE ON ASSETS**

As at 30 June 2015, the Group had pledged its bank deposits of approximately HK\$22,493,000 (31 December 2014: HK\$22,230,000) to certain banks in Hong Kong to secure the banking facilities granted to the Group.

## **FOREIGN CURRENCY RISK**

As most of the Group's business transactions, assets and liabilities are principally denominated in United States dollars, Hong Kong dollars, Renminbi and new Taiwan dollars, the Group's exposure to exchange rate risk is limited. The Group currently does not have a foreign currency hedging policy. However, the Board will continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## **CAPITAL COMMITMENTS**

As at 30 June 2015, the Group did not have any significant capital commitments (31 December 2014: Nil).

## **SIGNIFICANT INVESTMENTS HELD**

The Group subscribed for certain preferred shares of Mobvoi in January 2015. The preferred shares held by the Group represented approximately 2.5% of the share capital (on a fully diluted and as-converted basis) of Mobvoi as at 30 June 2015. Save as disclosed above, the Group did not hold any significant investment in equity interest in any other company as at 30 June 2015.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

Save as disclosed in the Prospectus, the Group does not have other plans for material investments and capital assets.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

During the six months ended 30 June 2015, the Group acquired the entire equity interest in Perfect Shiny from Mr. Cheng, a director and a substantial shareholder of the Company, as detailed in note 1 above. Further details of the Acquisition are set out in the Company's circular to its shareholders dated 6 March 2015.

Save as disclosed, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies during the six months ended 30 June 2015.



## INFORMATION ON EMPLOYEES

The Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to employees including medical benefits, social insurance, provident funds, bonuses and a share option scheme.

As at 30 June 2015, the employee headcount of the Group was 154 (31 December 2014: 149) and the total staff costs, including directors' emoluments, amounted to approximately HK\$18,131,000 for the six months ended 30 June 2015 (six months ended 30 June 2014: HK\$11,426,000).

## DISCLOSURE OF INFORMATION ON DIRECTORS

Pursuant to Rule 17.50A of the GEM Listing Rules, the changes in information on directors of the Company are as follows:

On 28 May 2015, Mr. Tse Ka Wing retired as an independent non-executive director of China Jicheng Holdings Limited (formerly known as Jicheng Umbrella Holdings Limited) (stock code: 1027), a company whose shares are listing on the Stock Exchange.

## COMPARISON BETWEEN FUTURE PLANS WITH ACTUAL BUSINESS PROGRESS

A comparison of the Group's business plan as set out in the Prospectus with actual business progress for the period from 14 January 2014 (being the Latest Practicable Date as defined in the Prospectus) to 30 June 2015 (the "Review Period") is set out below. Capitalised terms used herein shall have the same meanings as those defined in the Prospectus unless the content requires otherwise.

<b>Business objectives for the Review Period</b>	<b>Actual Business Progress for the Review Period</b>
<b>(a) Establishment or acquisition of panel processing plants in the PRC to expand our business vertically</b>	
<ul style="list-style-type: none"><li>• Perform technology and capacity forecasts and planning</li></ul>	Technology and capacity forecasts and planning had been performed
<ul style="list-style-type: none"><li>• Perform due diligence studies on target panel processing plant(s) or rules and compliance of operating panel processing plant(s) in the PRC</li></ul>	A potential existing panel processing plant had been identified and related due diligence work had commenced
<ul style="list-style-type: none"><li>• Identify potential equipment supplier and carrying out evaluation</li></ul>	The Group was identifying potential equipment supplier
<ul style="list-style-type: none"><li>• Confirm expansion plan for cutting processing plant</li></ul>	The Group had decided to expand through acquisition of panel processing plant
<ul style="list-style-type: none"><li>• Commence acquisition or establishment of cutting processing plant</li></ul>	
<ul style="list-style-type: none"><li>• Purchase equipment (if establish cutting processing plant)</li></ul>	
<ul style="list-style-type: none"><li>• Recruit staff</li></ul>	
<ul style="list-style-type: none"><li>• Perform trial run for cutting processing plant</li></ul>	
<ul style="list-style-type: none"><li>• Commence acquisition or establishment of slimming processing plant(s)</li></ul>	
<ul style="list-style-type: none"><li>• Purchase equipment (if establish slimming processing plant)</li></ul>	
<ul style="list-style-type: none"><li>• Purchase additional equipment for the cutting processing plant</li></ul>	



**Business objectives for the Review Period**

**Actual Business Progress for the Review Period**

**(b) Expansion of our sales support team in the PRC to provide high quality services to our customers**

- |  |  |
|--|--|
| <ul style="list-style-type: none"><li>• Recruit staff</li><li>• Continue to recruit staff if necessary</li><li>• Arrange training to staff</li><li>• Organise marketing activities</li></ul> | <p>The Group had recruited additional sales and engineering staff to strengthen its sales support team in the PRC</p> <p>Relevant training activities had been provided to new and existing staff</p> <p>The Group had continuously organised various marketing activities to promote sales and strengthen its market position</p> |
|--|--|

**(c) Expansion of our product portfolio to strengthen our product offerings**

- |   |  |
|---|--|
| <ul style="list-style-type: none"><li>• Explore new products and suppliers</li><li>• Evaluate new products and perform due diligence on new supplier if necessary</li></ul> | <p>The Group had introduced new products, such as medium sized display products for automotives and tablets; and new suppliers in the PRC</p> <p>Due diligence works on new suppliers had been performed</p> |
|---|--|

## USE OF PROCEEDS

The Company offered 330,000,000 shares for subscription by way of placing in 2014 (the "Placing").

The net proceeds from the Placing were approximately HK\$76 million. During the Review Period, the net proceeds from the Placing had been applied as follows:

	<b>Planned use of proceeds as stated in the Prospectus during the Review Period</b>	<b>Actual use of proceeds during the Review Period</b>
	HK\$'million	HK\$'million
Establishment or acquisition of panel processing plants in the PRC to expand our business vertically	33	—
Repayment of bank loans	17	17
Expansion of the sales support team in the PRC to provide high quality services to customers	6	6
Expansion of the product portfolio to strengthen product offerings	3	3
General working capital	7	7
	<b>66</b>	<b>33</b>

Notes:

The business objectives as stated in the Prospectus were based on the best estimation of the future market conditions made by the Group at the time of preparing the Prospectus. The uses of proceeds were applied in accordance with the actual development of the market:

1. The Group had identified a potential existing panel processing plant and related due diligence work and negotiations with the target plant were in progress. During the financial due diligence process conducted by the Group, additional time is required in obtaining for financial information from such target plant. Therefore, proceeds applied in this area were less than expected.
2. The remaining net proceeds as at 30 June 2015 had been placed on interest-bearing deposits in banks in Hong Kong.

## 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 30 June 2015, 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 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 share capital
Mr. Cheng Wai Tak	Interest in controlled corporation	902,687,151 (Note)	60.84%
	Beneficial owner	1,950,000	0.13%

### Long positions in shares of associated corporation:

Name of Director	Name of associated corporation	Capacity	Number of shares held	Percentage of the associated corporation's issued share capital
Mr. Cheng Wai Tak	Winful Enterprises Limited ("Winful Enterprises")	Directly beneficially owned (Note)	1	100%

Note: These 902,687,151 shares are held by 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 902,687,151 shares held by Winful Enterprises.

Save as disclosed above, as at 30 June 2015, none of the Directors and chief executives of the Company had registered an interest or short position 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 30 June 2015, other than the Director 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 share capital</b>
Winful Enterprises	Directly beneficially owned	902,687,151 (Note)	60.84%

Note: Mr. Cheng Wai Tak is deemed under the SFO to be interested in these 902,687,151 shares held by Winful Enterprises.

Save as disclosed above, as at 30 June 2015, 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

At no time during the six months ended 30 June 2015 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2015, 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 six months ended 30 June 2015.

## COMPLIANCE WITH 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 (“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 are set out in the section headed “Relationship with the Controlling Shareholders” of the Prospectus.

## 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) have any business or interest which competes or may compete with the business of the Group, or have any other conflict of interest which any such person has or may have with the Group throughout the six months ended 30 June 2015.



## INTERESTS OF THE COMPLIANCE ADVISER

As notified by Grand Vinco Capital Limited (“Vinco”), the compliance adviser of the Company, neither Vinco nor its directors or employees or associates had any interest in the securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities) as at 30 June 2015. Pursuant to the compliance adviser agreement, Vinco received and will receive fees for acting as the compliance adviser of the Company.

## 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 six months ended 30 June 2015, the Company has complied with all the code provisions of the CG Code, except the deviation stipulated below.

According to the code provision A.2.1 of the CG Code, the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Under the current management structure of the Company, Mr. Cheng Wai Tak (“Mr. Cheng”) is the Chairman of the Board (the “Chairman”) and Chief Executive Officer of the Company (the “Chief Executive Officer”). With Mr. Cheng’s extensive experience in the industry, the Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person would provide the Company with strong and consistent leadership, allow for effective and efficient planning and implementation of business decisions and strategies, and would be beneficial to the business prospects and management of the Group. Although Mr. Cheng performs both the roles of Chairman and Chief Executive Officer, the division of responsibilities between the Chairman and Chief Executive Officer is clearly established. In general, the Chairman is responsible for supervising the functions and performance of the Board, while the Chief Executive Officer is responsible for the management of the business of the Group. The two roles are performed by Mr. Cheng distinctly. The Board also considers that the current management structure does not impair the balance of power and authority between the Board and the management of the Company given the appropriate delegation of the power of the Board and the effective functions of the independent non-executive Directors. However, it is the long-term objective of the Company to have these two roles performed by separate individuals when suitable candidates are identified.

## 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 Mr. Wong Yik Chung John, who has the appropriate accounting and financial related management expertise and serves as the chairman of the audit committee, Mr. Wong Chi Chiu and Mr. Li Shui Yan. The audit committee has reviewed this report and has provided advice and comments thereon.

## BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy (the “Diversity Policy”) which sets out the approach to achieve diversity in the Board. The Company embraces the benefits of having a diverse Board to enhance the quality of its performance. Pursuant to the Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of aspects, including (but not limited to) gender, regional and industry experience, skills, knowledge and educational background.

The Board will consider to set measurable objectives to implement the Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. At present, the Board has not set any measurable objectives. The nomination committee of the Company will review the Diversity Policy, as appropriate, to ensure its effectiveness.

By Order of the Board  
**Perfect Optronics Limited**  
**Cheng Wai Tak**  
*Chairman*

Hong Kong, 10 August 2015