



Perfect Optronics Limited
圓美光電有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8311



THIRD QUARTERLY
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 Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

HIGHLIGHTS

- The Group recorded a revenue of approximately HK\$850.6 million for the nine months ended 30 September 2015 (nine months ended 30 September 2014: approximately HK\$977.5 million).
- Profit attributable to equity holders of the Company for the nine months ended 30 September 2015 amounted to approximately HK\$16.3 million (nine months ended 30 September 2014: approximately HK\$27.7 million).
- The Board does not declare an interim dividend for the nine months ended 30 September 2015 (nine months ended 30 September 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 nine months ended 30 September 2015 together with the comparative unaudited figures for the corresponding period in 2014 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2015

| | Note | Three months ended 30 September | | Nine months ended 30 September | |
|---|------|------------------------------------|---|-----------------------------------|---|
| | | 2015 HK\$'000 (Unaudited) | 2014 HK\$'000 (Unaudited and restated) | 2015 HK\$'000 (Unaudited) | 2014 HK\$'000 (Unaudited and restated) |
| Revenue | 3 | 362,656 | 293,929 | 850,625 | 977,523 |
| Cost of sales | | (334,980) | (268,763) | (785,249) | (900,064) |
| Gross profit | | 27,676 | 25,166 | 65,376 | 77,459 |
| Other gains/(losses), net | | (621) | 391 | (1,167) | (767) |
| Distribution and selling expenses | | (3,496) | (3,785) | (12,740) | (10,950) |
| General and administrative expenses | | (9,370) | (8,815) | (28,211) | (24,886) |
| Other expenses | | (1,681) | (1,324) | (4,818) | (2,024) |
| Operating profit | | 12,508 | 11,633 | 18,440 | 38,832 |
| Finance income | | 398 | 72 | 921 | 342 |
| Finance costs | | (401) | (674) | (888) | (1,966) |
| Finance income/(costs), net | | (3) | (602) | 33 | (1,624) |
| Share of loss of an associate | 4 | — | (273) | — | (953) |
| Loss on re-measurement of associate to acquisition date fair value in business combination achieved in stages | 4 | — | (2,028) | — | (2,028) |
| Profit before income tax | | 12,505 | 8,730 | 18,473 | 34,227 |
| Income tax expense | 5 | (2,482) | (2,050) | (3,961) | (6,702) |
| Profit for the period | | 10,023 | 6,680 | 14,512 | 27,525 |
| Other comprehensive income | | | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | | | |
| Change in value of available-for-sale financial assets | | 86 | 24 | (19) | 24 |
| Currency translation differences | | (2,650) | 11 | (2,564) | (18) |
| Total comprehensive income for the period | | 7,459 | 6,715 | 11,929 | 27,531 |

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the nine months ended 30 September 2015

| | Note | Three months ended 30 September | | Nine months ended 30 September | |
|---|------|------------------------------------|---|-----------------------------------|---|
| | | 2015 HK\$'000 (Unaudited) | 2014 HK\$'000 (Unaudited and restated) | 2015 HK\$'000 (Unaudited) | 2014 HK\$'000 (Unaudited and restated) |
| Profit for the period attributable to: | | | | | |
| Equity holders of the Company | | 10,300 | 6,900 | 16,294 | 27,745 |
| Non-controlling interests | | (277) | (220) | (1,782) | (220) |
| | | 10,023 | 6,680 | 14,512 | 27,525 |
| Total comprehensive income for the period attributable to: | | | | | |
| Equity holders of the Company | | 8,936 | 6,923 | 14,963 | 27,739 |
| Non-controlling interests | | (1,477) | (208) | (3,034) | (208) |
| | | 7,459 | 6,715 | 11,929 | 27,531 |
| Basic and diluted earnings per share | 7 | HK0.70 cent | HK0.46 cent | HK1.10 cent | HK1.93 cent |

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2015

| | Attributable to equity holders of the Company | | | | | | | Total | Non-controlling interests | Total equity |
|--|---|---------------|----------------|----------------|---------------------|------------------|-------------------|-------------|---------------------------|--------------|
| | Share capital | Share premium | Other reserves | Merger reserve | Revaluation reserve | Exchange reserve | Retained earnings | | | |
| | 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) | |
| | Note (a) | | | | | | | | | |
| Balance at 1 January 2015 | | | | | | | | | | |
| 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 | — | — | — | — | — | — | 16,294 | 16,294 | (1,782) | 14,512 |
| Other comprehensive income | — | — | — | — | (10) | (1,321) | — | (1,331) | (1,252) | (2,583) |
| Total comprehensive income for the period | — | — | — | — | (10) | (1,321) | 16,294 | 14,963 | (3,034) | 11,929 |
| 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 — Note 1 | — | — | 29,349 | — | — | — | — | 29,349 | — | 29,349 |
| Dividend relating to 2014 paid in June 2015 — Note 6 | — | — | — | — | — | — | (7,418) | (7,418) | — | (7,418) |
| Total transactions with equity holders, recognised directly in equity | 1,637 | 387,938 | 29,349 | (419,575) | — | — | (7,418) | (8,069) | — | (8,069) |
| Balance at 30 September 2015 | 14,837 | 465,738 | 67,349 | (415,675) | — | (2,188) | 115,975 | 246,036 | 15,350 | 261,386 |

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the nine months ended 30 September 2015

| | Attributable to equity holders of the Company | | | | | | | Total | Non-controlling interests | Total equity |
|--|---|---------------|----------------|----------------|---------------------|------------------|-------------------|-------------|---------------------------|--------------|
| | Share capital | Share premium | Other reserves | Merger reserve | Revaluation reserve | Exchange reserve | Retained earnings | | | |
| | 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) | |
| | Note (a) | | | | | | | | | |
| Balance at 1 January 2014 | | | | | | | | | | |
| 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) | — | — | — | — | — | — | 27,745 | 27,745 | (220) | 27,525 |
| Other comprehensive income (as restated) | — | — | — | — | 12 | (18) | — | (6) | 12 | 6 |
| Total comprehensive income for the period (as restated) | — | — | — | — | 12 | (18) | 27,745 | 27,739 | (208) | 27,531 |
| Acquisition of a subsidiary (as restated) | — | — | — | — | — | — | — | — | 20,036 | 20,036 |
| 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) |
| Total transactions with equity holders, recognised directly in equity (as restated) | 13,200 | 77,800 | — | — | — | — | (19,800) | 71,200 | 20,036 | 91,236 |
| Balance at 30 September 2014 (as restated) | 13,200 | 77,800 | 38,000 | 3,900 | 12 | (68) | 108,696 | 241,540 | 19,828 | 261,368 |

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.



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 "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 as set out in the prospectus issued by the Company dated 24 January 2014 (the "Prospectus").

During the nine months ended 30 September 2015, Rightone Resources Limited, 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 closing price of shares of the Company was HK\$2.38 per share.

In the preparation of the unaudited consolidated financial results of the Group for the nine months ended 30 September 2015 ("Consolidated Financial Results"), 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 nine months ended 30 September 2014 was as follows:

| | As previously reported HK\$'000 (Unaudited) | Perfect Shiny Group HK\$'000 (Unaudited) | Consolidation adjustment HK\$'000 (Unaudited) | As restated HK\$'000 (Unaudited) |
|---|---|--|---|--|
| Revenue | 977,413 | 110 | — | 977,523 |
| Share of loss of an associate | — | (953) | — | (953) |
| Loss on re-measurement of associate to acquisition date fair value in business combination achieved in stages | — | (2,028) | — | (2,028) |
| Profit/(loss) for the period attributable to: | | | | |
| Equity holders of the Company | 32,451 | (4,706) | — | 27,745 |
| Non-controlling interests | — | (220) | — | (220) |
| | 32,451 | (4,926) | — | 27,525 |

The Consolidated Financial Results have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA 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 certain available-for-sale financial assets which have been measured at fair value.

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

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of the Consolidated Financial Results are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014, except as described below.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

| | |
|---|---|
| Hong Kong Accounting Standard 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 Consolidated Financial Results in conformity with HKFRS 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. REVENUE

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

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

| | Three months ended 30 September | | Nine months ended 30 September | |
|--|------------------------------------|--------------------------|-----------------------------------|--------------------------|
| | 2015 HK\$'000 | 2014 HK\$'000 | 2015 HK\$'000 | 2014 HK\$'000 |
| | (Unaudited) | (Unaudited and restated) | (Unaudited) | (Unaudited and restated) |
| Thin film transistor liquid crystal display ("TFT-LCD") panels and modules | 314,970 | 228,140 | 680,020 | 754,190 |
| Driver integrated circuits ("ICs") | 32,604 | 54,477 | 130,840 | 187,507 |
| Polarisers | 10,929 | 7,097 | 28,899 | 18,082 |
| Others | 4,153 | 4,215 | 10,866 | 17,744 |
| | 362,656 | 293,929 | 850,625 | 977,523 |

4. SHARE OF LOSS OF AN ASSOCIATE/LOSS ON RE-MEASUREMENT OF ASSOCIATE TO ACQUISITION DATE FAIR VALUE IN BUSINESS COMBINATION ACHIEVED IN STAGES

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 then accounted for as an associate using equity method of accounting. 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. Perfect Shiny’s 30.91% equity interest in Shinyoptics, which was previously accounted for as an associate, was then re-measured to its fair value, resulting in a loss of approximately HK\$2,028,000.

5. INCOME TAX EXPENSE

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

| | Three months ended 30 September | | Nine months ended 30 September | |
|-----------------------|------------------------------------|-----------------------------|-----------------------------------|-----------------------------|
| | 2015 HK\$’000 | 2014 HK\$’000 | 2015 HK\$’000 | 2014 HK\$’000 |
| | | (Unaudited and restated) | (Unaudited and restated) | (Unaudited and restated) |
| Current income tax: | | | | |
| Hong Kong profits tax | 2,529 | 1,870 | 4,026 | 6,537 |
| Deferred income tax | (47) | 180 | (65) | 165 |
| | 2,482 | 2,050 | 3,961 | 6,702 |

Hong Kong profits tax has been provided at the rate of 16.5% (nine months ended 30 September 2014: 16.5%) on the estimated assessable profit during the period arising in or derived from Hong Kong. The Group’s subsidiaries in the People’s Republic of China (the “PRC”) are subject to PRC corporate income tax at a standard rate of 25% during the period (nine months ended 30 September 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 (nine months ended 30 September 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.

6. INTERIM DIVIDEND

The Board does not declare an interim dividend for the nine months ended 30 September 2015 (nine months ended 30 September 2014: Nil).

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

7. 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 nine months ended 30 September 2015 and 2014.

In determining the weighted average number of ordinary shares deemed to be in issue during the nine months ended 30 September 2015 and 2014, the 163,687,151 ordinary shares with par value of HK\$0.01 each issued during the nine months ended 30 September 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 nine months ended 30 September 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.

| | Nine months ended | |
|--|--------------------------|-----------------------------|
| | 30 September | |
| | 2015 | 2014 |
| | (Unaudited) | (Unaudited and restated) |
| Profit attributable to equity holders of the Company (HK\$'000) | 16,294 | 27,745 |
| Weighted average number of ordinary shares in issue (thousands) | 1,483,687 | 1,438,962 |
| Basic and diluted earnings per share (HK cent per share) | 1.10 | 1.93 |

No adjustment has been made to the basic earnings per share amount for the nine months ended 30 September 2015 and 2014 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 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.

Looking back to the first nine months of 2015, China has gone through economy downturn pressure with its GDP growth rate hitting six years low during first half of 2015. Mobile phone industry went through a hard period under the impact of crisis-ridden economy, keen competition, and the cut back of subsidies on the purchase of mobile phones by main telecommunications services providers in the PRC.

During the nine months ended 30 September 2015 (the "Period"), the Group recorded a revenue of approximately HK\$850,625,000, which decreased by approximately 13% as compared with the corresponding period in 2014. Profit attributable to equity holders of the Company for the Period amounted to approximately HK\$16,294,000, representing a decrease of approximately 41% as compared with the corresponding period in 2014. Despite the overall decrease in revenue and profit in the Period, benefitting from the Group's effort on cultivating certain new models of panels in the market and diversifying its product mix during the first half of 2015, these new panels now becoming popular and widely used in the market, the Group managed to turnaround the previous downward trend in the third quarter of 2015. The Group's revenue for the three months ended 30 September 2015 amounted to approximately HK\$362,656,000, representing a 23% and 37% increase as compared with the third quarter of 2014 and the second quarter of 2015, respectively. Profit attributable to equity holders of the Company for the three months ended 30 September 2015 amounted to approximately HK\$10,300,000, representing an increase of approximately 49% as compared with the corresponding period in 2014.

During the Period, the Group's sales of TFT-LCD panels and modules, including products traded and processed by the Group, amounted to approximately HK\$680,020,000, which decreased by 10% as compared to the corresponding period in 2014 of approximately HK\$754,190,000. Revenue from sales of driver ICs decreased by 30%, from approximately HK\$187,507,000 during the nine months ended 30 September 2014 to approximately HK\$130,840,000 during the Period. These drops in revenue were attributable to the weak demand and keen competition in the market during the Period. To improve the Group's results, 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 during the Period. In addition, the Group's sales of polarisers showed a 60% increase, from approximately HK\$18,082,000 during the nine months ended 30 September 2014 to approximately HK\$28,899,000 during the Period, which was mainly attributable to the improvement in the technology of the polarisers sold.



To widen the Group's business, the Group also entered into the optics-related products market during the Period. 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. As a meaningful progress in the Group's development of the trendy optics-related products, Perfect Shiny Group introduced its products to the industry during The 35th HKTDC Hong Kong Electronics Fair (Autumn Edition) organised by Hong Kong Trade Development Council in October 2015, one of the world's largest electronics marketplaces, and attracted much attention among global buyers.

As a strategic investment, the Group subscribed for certain preferred shares of Mobvoi Inc. ("Mobvoi") in January 2015. Mobvoi and its subsidiaries are principally engaged in the business of developing and providing voice search systems on mobile, smart wearable, and other devices. Mobvoi's core technology includes voice recognition, natural language processing, mobile search, and recommendation system. In February 2015, the Group and Perfect Shiny Group also established strategic cooperation with Mobvoi for designing, developing and launching smart glasses and HUD products in the market. Leveraging on such strategic cooperation with Mobvoi, the Group is confident in enhancing the attractiveness of its own products by Mobvoi's mature technologies. The current products of Mobvoi such as Chumenwenwen (a mobile intelligent voice search app that can be used on Android, iOS, Google Glass, and Android Wear smart watches) will also be key and beneficial to the development of the Group's products. Furthermore, in October 2015, Mobvoi completed the subscription by Google Inc. ("Google") (through its affiliate) for another round of new preferred shares of Mobvoi which represent a minority shareholding in Mobvoi. The management believes that such investment by Google will enable Mobvoi to elevate its technologies, and the Group's overall competitiveness can also be greatly enhanced and consolidated through its cooperation with Mobvoi.

Looking forward, the management is confident about the mobile phone display components industry with the more mature development of 4G services and related technologies. Meanwhile, wearable technology and applied optics-related products are also considered to be under another spotlight in the China market. The Group will continue to develop and enhance its product mix, improve profit margin and expand its business to new trendy product markets so as to attain greater financial returns to the shareholders of the Company.

Financial Review

Revenue

For the nine months ended 30 September 2015, total revenue of the Group amounted to approximately HK\$850,625,000, which decreased by approximately 13% as compared with the corresponding period in 2014 of approximately HK\$977,523,000. 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 and keen competition in the market.

Gross profit

Gross profit for the nine months ended 30 September 2015 decreased by about 16% to approximately HK\$65,376,000, which was attributable to the decrease in the Group's revenue and a slight drop in gross profit margin by 0.2 percentage point to 7.7% as compared with the corresponding period in 2014.

Other gains/(losses), net

Net other losses of approximately HK\$1,167,000 was recorded for the nine months ended 30 September 2015 (nine months ended 30 September 2014: HK\$767,000). The balance mainly comprised of the exchange losses on the Group's Renminbi bank deposits arising from the depreciation of Renminbi against Hong Kong Dollars during the Period.

Expenses

The Group's distribution and selling expenses for the nine months ended 30 September 2015 amounted to approximately HK\$12,740,000, representing an approximately 16% increase as compared with the corresponding period in 2014 of approximately HK\$10,950,000. 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 nine months ended 30 September 2015 amounted to approximately HK\$28,211,000, representing an approximately 13% increase as compared with the corresponding period in 2014 of approximately HK\$24,886,000. 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\$4,818,000 for the nine months ended 30 September 2015, representing an approximately 138% increase as compared with the corresponding period in 2014 of approximately HK\$2,024,000. The increase was mainly due to the fact that Shinyoptics (being an associate at that time) was accounted for using the equity method upto the point that it became a subsidiary of Perfect Shiny Group in early September 2014 such that the Group's other expenses for the nine months ended 30 September 2014 did not include most of the research and development costs incurred by Shinyoptics.

Share of loss of an associate/Loss on re-measurement of associate to acquisition date fair value in business combination achieved in stages

Share of loss of an associate of approximately HK\$953,000 and loss on re-measurement of associate to acquisition date fair value in business combination achieved in stages in the amount of approximately HK\$2,028,000 recorded during the nine months ended 30 September 2014 were related to Shinyoptics. No such balances were recorded during the Period because Shinyoptics had been accounted for as a subsidiary of the Group since September 2014 in these Consolidated Financial Results.

Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company for the nine months ended 30 September 2015 amounted to approximately HK\$16,294,000, representing a decrease of approximately 41% as compared with the corresponding period in 2014 of approximately HK\$27,745,000 which was mainly attributable to the decrease in revenue and the increase in staff costs and professional fees incurred during the Period.

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 September 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 | 2,220,000 | 0.15% |

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 September 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 September 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:

| Name | Nature of interests | Number of shares held | Percentage of the Company's issued share capital |
|--------------------|-----------------------------|------------------------------|---|
| 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 September 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 were 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 nine months ended 30 September 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 September 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 nine months ended 30 September 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.

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

Hong Kong, 9 November 2015