圓美光電有限公司

PERFECT OPTRONICS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8311

BY WAY OF PLACING

Sole Sponsor and Lead Manager

VINCO 域高

Grand Vinco Capital Limited

(A wholly-owned subsidiary of Vinco Financial Group Limited)

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

圓美光電有限公司
PERFECT OPTRONICS LIMITED

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LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING

Number of Placing Shares	:	**330,000,000 Placing Shares**
Placing Price	:	**HK$0.30 per Placing Share, plus brokerage fee of 1%, SFC transaction levy of 0.003%, and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars)**
Nominal value	:	**HK$0.01 per Share**
Stock code	:	**8311**

Sole Sponsor	**Lead Manager**
VINCO 域高	VINCO 域高
Grand Vinco Capital Limited	**Grand Vinco Capital Limited**
(a wholly-owned subsidiary of Vinco Financial Group Limited)	(a wholly-owned subsidiary of Vinco Financial Group Limited)

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix VI to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Registrar of Companies in Hong Kong and the Securities and Futures Commission of Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including but not limited to the risk factors set out in the section headed "Risk factors" of this prospectus.

Prospective investors of the Placing Shares should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreement by notice in writing given by the Lead Manager (for itself and on behalf of the Underwriters) upon the occurrence of any of the events set forth under the paragraph headed "Grounds for termination" in the section headed "Underwriting" in this prospectus, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date.

24 January 2014

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to higher market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the HKEx website at www.hkexnews.hk in order to obtain up-to-date information on GEM-listed issuers.

	2014 *(Note 1)*
Announcement of the level of indication of interest in the Placing to be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.perfect-optronics.com on or before	Thursday, 6 February 2014
Allotment of Placing Shares to placees on or before	Thursday, 6 February 2014
Deposit of share certificates for the Placing Shares into CCASS on or before *(Note 2)*	Thursday, 6 February 2014
Dealings in the Shares on GEM to commence on	Friday, 7 February 2014

Notes:

1. In this prospectus, unless otherwise stated, all times and dates refer to Hong Kong local times and dates, except as otherwise stated.

2. The share certificates for the Placing Shares to be distributed via CCASS are expected to be deposited into CCASS on or before Thursday, 6 February 2014 for credit to the relevant CCASS Participants' stock accounts designated by the Lead Manager, the placees or their respective agents (as the case may be). No temporary documents or evidence of title will be issued.

3. If there is any change to the above expected timetable, our Company will make an appropriate announcement to inform investors accordingly.

4. All share certificates will only become valid certificates of title when the Placing has become unconditional in all respects and the Underwriting Agreement has not been terminated in accordance with its terms at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date.

Details of the structure of the Placing, including the conditions thereto, are set out in the section headed "Structure and conditions of the Placing" in this prospectus.

This prospectus is issued by our Company solely in connection with the Placing and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Placing Shares offered by this prospectus pursuant to the Placing. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction other than Hong Kong or in any other circumstances. No action has been taken to permit a Placing of the Placing Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus to make your investment decision.

Our Company, the Sponsor, the Lead Manager and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus.

Any information or representation not made nor contained in this prospectus must not be relied on by you as having been authorised by our Company, the Sponsor, the Lead Manager, the Underwriters, any of their respective directors, officers, employees, advisers, agents, representatives or affiliates of any of them or any other persons or parties involved in the Placing.

The contents of our Company's website at www.perfect-optronics.com do not form part of this prospectus.

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This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Placing Shares. These are risks associated with any investment. Some of the particular risks in investing in the Placing Shares are set out in the section headed "Risk factors" of this prospectus. You should read that section carefully before you decide to invest in the Placing Shares.

OVERVIEW

Headquartered in Hong Kong, we are principally engaged in the trading of display components of electronics, namely TFT-LCD panels, driver ICs and polarisers since 2004, 2004 and 2006 respectively. We also process some of the TFT-LCD panels that we trade. Most of our products are sold to TFT-LCD module manufacturers. TFT-LCD modules are then used by mobile phone manufacturers to produce mobile phones.

We source most of our TFT-LCD panels from our largest supplier, the InnoLux Group, with whom we have entered into a long term supply framework agreement. Of all the TFT-LCD panels we sold during the Track Record Period, the unprocessed panels accounted for approximately 63.7%, 67.7% and 67.6% of our revenue generated from the sales of TFT-LCD panels for each of the two years ended 31 December 2012 and the eight months ended 31 August 2013 respectively and the remainder were sold after having been processed by our Processing Service Providers. During the Track Record Period, we engaged independent Processing Service Providers to carry out panel processing work such as cutting into individual units, slimming down, and injecting liquid crystals.

For panels that require processing, the materials imported by our Processing Service Providers under processing trade are under bonded supervision by the PRC customs. The processed panels are then exported and transported back to Hong Kong by our Processing Service Providers where we make delivery to our customers. This is our usual delivery arrangement as it does not attract any PRC duties or tariffs on the part of our Group. On the other hand, should we make delivery in the PRC, we will have to pay VAT of 17% and the import duties at the rate of 5% for LCD panels, 12% for LCD modules, 0% for ICs and 8% for polarisers.

The driver ICs and polarisers we trade are mainly purchased from the Himax Group and the Chi Mei Materials Group respectively. No processing work is performed on the driver ICs and polarisers before they are sold to our customers. We have also entered into long term supply framework agreements with the Himax Group and the Chi Mei Materials Group. It is our Directors' understanding that it is not the market practice in this industry to enter into such long term supply framework agreements.

As these long term supply framework agreements are basically agreements to agree and our suppliers are not bound to provide minimum or priority supply to our Group, we are not entitled to special rights under the long term supply framework agreements that set us apart from other purchasers. Our Directors believe that these agreements reflect the type of relationship we have established with our suppliers, distinguish our Group as a recognised trader of our suppliers' products and demonstrate the parties' intention to continue such relationship.

It is to our Directors' understanding that our major suppliers' marketing efforts have been devoted to customers with major brands and that they do not have any technical support staff stationed in the PRC. Other white-box manufacturers in the PRC, whose order quantities are usually small and less likely to be placed directly with those major suppliers, are left to be handled and served by intermediate enterprises such as our Group. As a Hong Kong based company with technical support functions in the PRC, we possess a proximity advantage in handling and supporting these scattered white-box manufacturers. Therefore, these PRC customers purchase from us instead of from our suppliers directly.

For further information on the InnoLux Group, the Himax Group and the Chi Mei Materials Group, please refer to the section headed "Business" in this prospectus.

Set out below is a breakdown of our revenue by products for each of the two years ended 31 December 2012 and the eight months ended 31 August 2013:

	Year ended 31 December				**Eight months ended 31 August**	
	2011		**2012**		**2013**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Unprocessed TFT-LCD panels and other unprocessed products	853,937	52	619,089	45	648,325	57
Processed TFT-LCD panels	466,936	29	274,780	20	300,929	27
Driver ICs	255,486	16	429,271	31	150,613	13
Polarisers	50,763	3	59,443	4	31,710	3
	1,627,122	100	1,382,583	100	1,131,577	100

The following table sets out the sales volume and average selling price by products for each of the two years ended 31 December 2012 and the eight months ended 31 August 2013:

	Year ended 31 December 2011	Year ended 31 December 2012	Eight months ended 31 August 2013
Sales volume (thousand pieces)			
TFT-LCD panels			
Unprocessed panels *(Note)*	76,014	74,370	46,672
Processed panels	24,700	11,605	9,182
Driver ICs	71,504	70,793	28,507
Polarisers			
Polarisers — Cropped	2,247	1,062	254
Polarisers — Original	196	271	156
Average selling price (HK$)			
TFT-LCD panels			
Unprocessed panels *(Note)*	10.76	7.75	13.45
Processed panels	18.90	23.68	32.77
Driver ICs	3.57	6.06	5.28
Polarisers			
Polariser — Cropped	3.68	3.47	6.15
Polariser — Original	216.85	206.03	193.91

Note: Our unprocessed panels are sold in the form as they are sourced and are not further processed by us. For illustration purpose, the unprocessed panels are assumed to be divided into the number of pieces that the panels could have been cut into.

OUR CUSTOMERS AND SUPPLIERS

Our customers are mainly TFT-LCD module manufacturers based in the PRC and most of them place purchase orders with us in Hong Kong. We also make delivery of our products to them in Hong Kong. It is our Directors' understanding that such customers will make their own arrangements to transport the products to their manufacturing facilities in the PRC. Where sales are carried out by Yuan Mei Xin Technology, our subsidiary established in the PRC, delivery will be made in the PRC. For each of the two years ended 31 December 2012 and the eight months ended 31 August 2013, sales to our Group's five largest customers accounted for approximately 44.2%, 48.1% and 50.0% respectively of our total turnover. Sales to our largest customer accounted for approximately 12.7%, 24.3% and 21.1% respectively of our turnover for the corresponding periods.

Our suppliers are mainly TFT-LCD panel, driver IC and polariser manufacturers based in Taiwan. For each of the two years ended 31 December 2012 and the eight months ended 31 August 2013, purchases from our five largest suppliers accounted for approximately 97.4%, 96.8% and 97.0% of our total purchases respectively, and purchases from our largest supplier, the InnoLux Group, accounted for approximately 74.7%, 58.7% and 79.2% of our total purchases, respectively.

None of our Directors, their respective associates or our existing Shareholders has any interest in any of our five largest customers or suppliers. None of our five largest customers or suppliers has any past or present relationship with our Company, our Company's subsidiaries, our shareholders, directors or senior management, or any of their respective associates.

We substantially rely on certain suppliers, namely the InnoLux Group, the Himax Group and the Chi Mei Materials Group for the products we trade. While we endeavor to maintain our established relationships with our existing suppliers, we also plan to expand our product portfolio by introducing new products sourced from new suppliers in an attempt to diversify our revenue sources and reduce our reliance on these major suppliers. Please refer to the paragraph headed "Our business strategies" under the section headed "Business" in this prospectus for further details.

COMPETITIVE LANDSCAPE

There is a high concentration of TFT-LCD component traders in the PRC, with the top five TFT-LCD panel traders accounting for almost 80% of the total mobile phone display panel value consumption by LCM manufacturers in the PRC, and the top four TFT-LCD driver IC traders accounting for 60% of the total mobile phone TFT-LCD driver IC value consumption by LCM manufacturers in the PRC. According to Euromonitor, we were the fourth largest trader of TFT-LCD panels used in mobile phones in the PRC market, representing a market share of approximately 11% and the third largest trader of driver ICs used in mobile phones in the PRC, representing a market share of approximately 11% in 2012. The total consumption value of mobile phone-based TFT-LCD panels and driver ICs is expected to grow at CAGR of 10.8% and 12.0% respectively from 2013 to 2017.

Of the two prominent types of display technologies used in mobile phones, namely LCD and OLED, LCD is the prevailing technology due to its relative maturity and cost-efficiency. Taking into consideration the advances in LCD technology and consumption trends, to the best of our Directors' knowledge having made all reasonable enquiries, consider that TFT-LCD technology will remain the main stream display technology in the next five years and there are no other potential new products or technologies to be introduced in the market in the near future which could affect the market demand for the products we trade.

OUR COMPETITIVE STRENGTHS

Our Directors believe that our success is attributable to, among other things, the following competitive strengths: (1) we are one of the top five traders of TFT-LCD panels and driver ICs used in mobile phones in the PRC market; (2) we have a stable, dedicated and experienced staff force; and (3) we have a product portfolio with well-known brands. Please refer to the paragraph headed "Our competitive strengths" under the section headed "Business" in this prospectus for further details.

BUSINESS OBJECTIVE AND STRATEGIES

We intend to strengthen our market position and increase our market share by pursuing the following strategies:

Establishment or acquisition of panel processing plants in the PRC to expand our business vertically

We intend to use HK$40 million to expand our business vertically by establishing or acquiring panel processing plants to take up the slimming down and cutting work which is currently undertaken by the Processing Service Providers. We plan to establish or acquire panel processing plants situated in Guangdong Province due to the fact that many of our major customers are situated in its vicinity. We expect the panel processing plants to have the capacity of two million pieces per month and a workforce of about 260 workers. We expect to commence the acquisition or establishment of the panel processing plants by December 2014. We expect that the cutting and slimming processing plants will commence full operation in October 2015 and July 2016 respectively. As of the Latest Practicable Date, we had not identified any acquisition target. Potential risks of our expansion plan include, among others, failure to pass on all the increase in operating costs to our customers, failure to comply with environmental and other rules and regulations, failure to make sufficient profits to cover recurring expenses from operating the panel processing plants, and failure to carry out our expansion plan as envisaged. Our Group's profitability and future growth may be adversely affected should any of such risks materialise.

Expansion of our sales and support team in the PRC to provide high quality services to our customers

In April 2013, we established Yuan Mei Xin Technology, a wholly foreign-owned enterprise in Shenzhen, the PRC to provide sales and technical support services for our customers and to carry out sales and marketing activities in the PRC. We plan to (a) recruit additional sales and marketing personnel and carry out sales and marketing activities in the PRC through Yuan Mei Xin Technology; (b) complement our sales through Yuan Mei Xin Technology by expanding our customer base in the PRC; (c) expand our supplier base by sourcing products from new suppliers in the PRC through Yuan Mei Xin Technology; and (d) employ more staff with related expertise to provide technical support to our customers.

Expansion of our product portfolio to strengthen our product offerings

We plan to broaden our product portfolio with premium panels which will lead to higher selling prices and better profit margins. We also intend to source TFT-LCD panels, driver ICs, polarisers and other products with high growth potential from other suppliers.

Please refer to the paragraph headed "Our business strategies" under the section headed "Business" in this prospectus for further details.

FUTURE PLANS AND USE OF PROCEEDS

Based on the Placing Price of HK$0.30 per Placing Share, we estimate that the net proceeds from the Placing (after deducting the underwriting fees and estimated expenses payable by us in connection with the Placing) will be approximately HK$76 million. We intend to apply such net proceeds from the Placing for several purposes, including the establishment or acquisition of panel processing plant(s), expanding our sales and support team in the PRC, and expansion of our product portfolio.

We intend to allocate the net proceeds from the Placing for the purposes and in the amounts set out below:

- HK$40 million, representing approximately 52.6% of the net proceeds, for establishing or acquiring panel processing plants to expand our business vertically;
- HK$17 million, representing approximately 22.4 % of the net proceeds, for repayment of bank loans;
- HK$8 million, representing approximately 10.5% of the net proceeds, for expanding our sales and support team in the PRC to provide high quality customer services to our customers;
- HK$4 million, representing approximately 5.3% of the net proceeds, for expanding our product portfolio to strengthen our product offerings; and
- HK$7 million, representing approximately 9.2% of the net proceeds, for working capital and other general corporate purposes.

Please refer to the paragraph headed "Reasons for the Placing and use of proceeds" under the section headed "Future plans and use of proceeds from the Placing" in this prospectus for further details.

REASONS FOR APPLICATION FOR LISTING ON GEM

Our Directors chose to apply for listing of the Shares on GEM after taking into account the following factors:

(i) As a trading company, most of the products we trade are sold on an "as-is" basis with relatively limited value-added input provided for our customers, leading to relatively thin net profit margins. During the Track Record Period, our net profit margin was 2.1%, 2.5% and 4.9% respectively.

(ii) As set out in the section headed "Risk factors" in this prospectus, the performance of our Group is subject to a number of factors that, during the Track Record Period, gave rise to fluctuations in our Group's profits.

(iii) Our Group operates its business in a highly volatile market. The demand for our Group's products is influenced by the mobile handset market trend which may shift quickly and is subject to factors beyond our control, such as government policies in terms of government subsidies.

Having considered the nature of our present business, the current state of our development and the fact that we operate in a highly volatile market, our Directors believe that the risks associated with investment in our Company would make our Company more suitable for listing on GEM than on the Main Board.

CONTROLLING SHAREHOLDERS' INFORMATION

Mr. Cheng Wai Tak, through Winful Enterprises, will be deemed interested in 75% of the total issued share capital of our Company upon completion of the Placing and the Capitalisation Issue, without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

Please refer to the section headed "Relationship with the Controlling Shareholders" in this prospectus for further details.

SELECTED FINANCIAL INFORMATION

The following sets out selected items from the combined financial information as at and for the two years ended 31 December 2012 and the eight months ended 31 August 2012 and 2013, extracted from the Accountant's Report set out in Appendix I to this prospectus and should be read in conjunction with it.

Selected combined statements of comprehensive income

	Year ended 31 December		Eight months ended 31 August	
	2011	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	1,627,122	1,382,583	901,222	1,131,577
Gross profit	77,318	74,990	36,990	105,144
Operating profit	42,421	44,084	15,755	69,446
Profit before income tax	40,717	42,147	14,462	68,079
Profit for the year/period	33,999	35,193	12,076	55,143
Other comprehensive income/(loss)	—	—	—	(77)
Total comprehensive income for the year/period	33,999	35,193	12,076	55,066
Profit and total comprehensive income for the year/period attributable to:				
Equity holders of our Company	33,999	35,193	12,076	55,066

Selected combined statements of financial position

	As at 31 December		As at 31 August
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets	927	1,524	1,174
Current assets	336,721	345,583	375,238
Non-current liabilities	—	2	—
Current liabilities	217,189	249,453	223,694
Net current assets	119,532	96,130	151,544
Total assets less current liabilities	120,459	97,654	152,718

Gross profit, gross profit margin by segments and net profit margin

	Year ended 31 December		Eight months ended 31 August
	2011	**2012**	**2013**
Gross profit *(HK$ million)*	77.3	75.0	105.1
Gross profit margin			
Unprocessed TFT-LCD panels and other unprocessed products	5.8%	5.8%	10.5%
Processed TFT-LCD panels	4.5%	7.2%	10.5%
Driver ICs	1.0%	3.5%	2.5%
Polarisers	8.4%	6.7%	5.5%
Overall gross profit margin	4.8%	5.4%	9.3%
Net profit margin	2.1%	2.5%	4.9%

The amount of gross profit decreased from approximately HK$77.3 million during the year ended 31 December 2011 to HK$75.0 million during the year ended 31 December 2012, representing a slight drop of approximately 3.0%. This was mainly attributable to the overall decrease in sales volume of TFT-LCD panels in 2012. Despite the decrease in the amount of gross profit, the amount of net profit and total comprehensive income increased from approximately HK$34.0 million for the year ended 31 December 2011 to approximately HK$35.2 million for the year ended 31 December 2012. This was mainly attributable to (i) the unrealised gain on changes in fair value of unit trust funds of approximately HK$0.5 million (2011: loss of approximately HK$0.8 million) recorded during the year ended 31 December 2012; and (ii) the decrease in bank charges and distribution and selling expenses resulted from the decrease in sales activities. Sales began to pick up in the fourth quarter of 2012 as a 3G solution addressing mid to entry-level smart phone market was made available by a semiconductor company in the PRC market and the demand for large-size and high-resolution panels grew quickly as a result of the booming smart phone market in the PRC. Riding on this, our gross profit reached HK$105.1 million for the eight months ended 31 August 2013.

Despite the slight drop in the amount of gross profit in 2012, the overall gross profit margin increased slightly from approximately 4.8% during the year ended 31 December 2011 to 5.4% during the year ended 31 December 2012, for the reasons that our Group maintained its gross profit margin for the unprocessed panels and other unprocessed products and improved its gross profit margin for the processed panels and the driver ICs. We recorded a relatively higher gross profit margin and net profit margin as we sold more high resolution and large panels particularly in the fourth quarter of 2012. Such panels were generally sold at higher than average selling prices, and our customers tended to rely on us to carry out panel processing work on these high-end panels which added to our bargaining power for a higher profit margin. The gross profit margins for driver ICs and polarisers for the eight months ended 31 August 2013 deteriorated due to keen market competition in the driver ICs market and a provision for obsolete inventories of approximately HK$463,000 that was made to the polarisers segment.

Please refer to the paragraph headed "Gross profit and gross profit margin" under the section headed "Financial information" in this prospectus for further details.

The net profit margin for each of the two years ended 31 December 2012 and eight months ended 31 August 2013 was 2.1%, 2.5% and 4.9%, respectively. Such low profit margins were generally in line with the business nature of our Group. As a trading company, most of the products we trade are sold as is with relatively limited value-added services for our customers, leading to relatively thin net profit margins.

Impact on our financial results due to expenses incurred in relation to the Listing

Our Directors estimate that the total listing expenses are approximately HK$23.0 million, of which approximately HK$15.2 million is chargeable to combined profit or loss and approximately HK$7.8 million will be charged to equity upon Listing during the year ending 31 December 2014.

For the listing expenses of approximately HK$15.2 million which are chargeable to combined profit or loss, approximately HK$8.9 million and HK$4.5 million were recognised as expenses during the eight months ended 31 August 2013 and four months ended 31 December 2013, respectively; and approximately HK$1.8 million will be recognised as expenses during the year ending 31 December 2014.

Key financial ratios

The following table sets out the key financial ratios for our Group during the Track Record Period:

	As at 31 December		As at 31 August
	2011	2012	2013
Current ratio	1.55 times	1.39 times	1.68 times
Quick ratio	0.92 times	0.87 times	0.96 times
Gearing ratio	24.5%	64.8%	29.1%
Debt to equity ratio	-16.0%	13.5%	2.4%

	For the year ended 31 December	
	2011	2012
Return on assets	10.1%	10.1%
Return on equity	28.2%	36.0%

Note: Return on assets and return on equity for the eight months ended 31 August 2013 are not presented as the net profit used in calculating the ratios only consisted of eight months results which is not comparable with those of the year ended 31 December 2011 and 2012.

Please refer to the paragraph headed "Other key financial ratios" under the section headed "Financial information" in this prospectus for further details.

MATERIAL ADVERSE CHANGE

Please refer to the listing expenses as set out under the paragraph headed "Impact on our financial results due to expenses incurred in relation to the Listing" under the section headed "Financial information" in this prospectus for further details.

Save for the above, our Directors confirm that there had been no other material adverse change in the financial or trading position of our Group since 31 August 2013, being the date to which our latest audited financial statements were prepared, and up to the date of this prospectus.

DIVIDENDS AND DIVIDEND POLICY

Following the Listing, our Shareholders will be entitled to receive dividends declared by our Company. We do not have any pre-determined dividend distribution ratio. The declaration of future dividends will be subject to our Directors' decision and will depend on, among other things, our earnings, financial condition, cash requirements and availability, and any other factors that our Directors may consider relevant. Any final dividend for a financial year will be subject to our Shareholders' approval.

Perfect Display, the principal operating subsidiary of our Group, declared dividends of HK$18 million, HK$58 million and nil amount during the year ended 31 December 2011, the year ended 31 December 2012 and the eight months ended 31 August 2013 respectively, to Mr. Cheng Wai Tak, the then sole shareholder of Perfect Display. On 29 November 2013, Perfect Display declared a dividend of HK$30 million to Mr. Cheng Wai Tak which had been settled in cash in the same month.

RISK FACTORS

There are risks involved in our operations, many of which are beyond our control. In particular, we rely almost entirely on our top five suppliers to supply key products to us. Any shortage or delay in the supply of products from our suppliers may materially or adversely affect our business. We cannot assure you that we are able to find alternative suppliers within a short period of time.

Further, as our Group is not the sole and exclusive seller for products of the InnoLux Group, the Himax Group and the Chi Mei Materials Group in the PRC or Hong Kong, we may face competition from other sellers and there is a risk that our suppliers may sell their products to customers without going through our Group.

A detailed discussion of the risk factors that we believe are particularly relevant to us is set out in the section headed "Risk factors" in this prospectus.

RECENT DEVELOPMENTS SUBSEQUENT TO 31 AUGUST 2013

The following is a summary of our selected unaudited financial information for the three months ended 30 November 2013 which was prepared on the same basis as our audited financial information in Appendix I to this prospectus. As far as we are aware, there was no material change in the general conditions in the display component of electronics market in which we operate in Hong Kong and the PRC that had affected or would affect our business operations or financial conditions materially and adversely.

Based on our unaudited financial information, the revenue generated for the three months ended 30 November 2013 increased by approximately 18.9% compared to that for the three months ended 30 November 2012. The increase was primarily due to the increasing demand for panels of larger size and of higher resolution as a result of the booming smart phone market in the PRC, with those larger-size and higher-resolution panels being generally sold at higher prices. For the three months ended 30 November 2013, there was no material adverse change in our Group's gross profit margin as compared to that for the three months ended 30 November 2012. Due to the drop in market price of certain models of our unprocessed panels, we experienced a slight decrease in gross profit margin for the three months ended 30 November 2013 as compared with that for the eight months ended 31 August 2013.

Our Directors confirm that we did not have any material non-recurring income or expenses for the three months ended 30 November 2013 save for certain expenses incurred in relation to the Listing. As at 31 December 2013, all of the trade and bills receivables as at 31 August 2013 had been settled. The subsequent usage of our Group's inventories as at 31 August 2013 was 88.9% up to 31 December 2013.

PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2013

Estimated combined profit attributable to equity holders of our Company for the year ended 31 December 2013 *(Note 1)*	not less than HK$70.0 million
Unaudited pro forma estimated earnings per Share for the year ended 31 December 2013 *(Note 2)*	not less than HK$0.05

Notes:

1. The bases on which the above profit estimate has been prepared are set out in Appendix III to this prospectus. Our Directors have prepared the estimated combined profit attributable to equity holders of our Company for the year ended 31 December 2013 based on the audited combined results of our Group for the eight months ended 31 August 2013 and the unaudited combined results of our Group based on management accounts for the four months ended 31 December 2013. The profit estimate has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by our Group as set out in Note 2 of Section II in Appendix I to this prospectus.

2. The unaudited pro forma estimated earnings per Share was calculated based on 1,320,000,000 Shares expected to be in issue immediately following the completion of the Placing and the Capitalisation Issue, but takes no account of any Shares which may be allotted and issued or repurchased by our Company pursuant to a general mandate.

PLACING STATISTICS

	Based on the Placing Price of HK$0.30 per Share
Number of Placing Shares	330,000,000
Board lot	10,000 Shares
Market capitalisation *(Note 1)*	HK$396 million
Unaudited pro forma adjusted net tangible asset value per Share *(Note 2)*	HK$0.18

Notes:

1. The calculation of market capitalisation at the Placing Price is based on 330,000,000 Shares expected to be in issue immediately following completion of the Placing and the Capitalisation Issue.

2. The adjusted net tangible asset value per Share is based on the net tangible asset attributable to equity holders of our Company, estimated net proceeds from the Placing and 1,320,000,000 Shares expected to be in issue immediately following completion of the Placing and the Capitalisation Issue.

The unaudited pro forma adjusted net tangible assets of our Group does not take into account the dividend of approximately HK$30.0 million declared by our Group in November 2013. For illustrative purpose only, the unaudited pro forma net tangible assets per Share would have been HK$0.16 per Share based on the Placing Price of HK$0.30, after taking into account the declaration of dividend in the sum of approximately HK$30.0 million.

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:

"Articles"	the articles of association of our Company adopted on 20 January 2014 and as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
"associate(s)"	has the meaning as ascribed thereto under the GEM Listing Rules
"Board"	the board of Directors
"business day"	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate, a method of assessing the average growth of a value over time
"Capitalisation Issue"	the issue of Shares to be made upon the capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the paragraph headed "Written resolutions of the sole shareholder of our Company passed on 20 January 2014" in Appendix V to this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Broker Participant"	a person admitted to participate in CCASS as a broker participant
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Broker Participant, a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant

"Chi Mei Materials Group"	Chi Mei Materials Technology Corporation (奇美材料科技股份有限公司), a company incorporated in Taiwan on 17 May 2005, and its group of companies, all of which are Independent Third Parties
"Chi Mei Materials Polarisers"	polarisers produced by the Chi Mei Materials Group
"Companies Law"	the Companies Law (as Revised) of the Cayman Islands, as amended, supplemented and/or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Company"	Perfect Optronics Limited (圓美光電有限公司), a company incorporated in the Cayman Islands on 13 June 2013 as an exempted company with limited liability
"connected person(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the GEM Listing Rules and, in the context of this prospectus, refers to Mr. Cheng Wai Tak and Winful Enterprises
"Deed of Indemnity"	the deed of indemnity dated 20 January 2014 executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries) in relation to certain liabilities, further details of which are set out in the section headed "Other information"in Appendix V to this prospectus
"Director(s)"	the director(s) of our Company
"DisplaySearch"	NPD Display Search, an Independent Third Party and a provider of information, analysis and industry events especially focused on the display supply chain and display-related industry
"Euromonitor"	Euromonitor International Limited, a market research firm commissioned by our Group for the preparation of the industry report in relation to, among others, the PRC's TFT-LCD panels and driver ICs markets which are set out in the section headed "Industry overview" in this prospectus and an Independent Third Party
"GDP"	gross domestic product
"GEM"	the Growth Enterprise Market of the Stock Exchange

"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"GEM website"	the internet website www.hkgem.com operated by the Stock Exchange for the purposes of GEM
"Group", "our Group", "we" or "us"	our Company and its subsidiaries, or any of them or, where the context so required, in respect of the period before our Company became the holding company, the present subsidiaries of our Company or, where the context otherwise specifies or so requires in respect of financial or accounting information, our Company and its subsidiaries
"HIBOR"	Hong Kong Inter-bank Offered Rate
"Himax Driver IC(s)"	driver IC(s) produced by the Himax Group, which are used in small and medium-sized TFT-LCD panels for mobile phones and other consumer electronics products
"Himax Group"	Himax Technologies, Inc., a company incorporated in the Cayman Islands on 26 April 2005, and its group of companies, all of which are Independent Third Parties
"HKEx"	Hong Kong Exchanges and Clearing Limited
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are independent of and not connected with the directors, chief executive and substantial shareholders (as defined under the GEM Listing Rules) of our Company and its subsidiaries or any of their respective associates, and not a connected person (as defined under the GEM Listing Rules) of our Company
"InnoLux Group"	InnoLux Corporation (群創光電股份有限公司), a company incorporated in Taiwan on 14 January 2003, and its group of companies, all of which are Independent Third Parties
"InnoLux TFT-LCD Panel(s)"	TFT-LCD panel(s) produced by the InnoLux Group
"Latest Practicable Date"	14 January 2014, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus

"Lead Manager"	Grand Vinco Capital Limited, a wholly-owned subsidiary of Vinco Financial Group Limited (stock code: 8340) and a licensed corporation for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
"Listing"	the proposed listing of the Shares on GEM
"Listing Date"	the date on which dealings in the Shares first commence on GEM
"Macau"	the Macao Special Administrative Region of the PRC
"Main Board"	the stock exchange (excluding the option markets) operated by the Stock Exchange which is independent from and operated in parallel with GEM
"Main Board Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Memorandum of Association" or "Memorandum"	the memorandum of association of our Company (as amended from time to time)
"Mr. Cheng Wai Tak"	Mr. Cheng Wai Tak (鄭偉德), an executive Director, the chairman and chief executive officer of our Company and a Controlling Shareholder
"NPC" or "National People's Congress	National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"OEM"	original equipment manufacturer
"Perfect Display"	Perfect Display Limited, a company incorporated in Hong Kong on 20 March 2000 and an indirect wholly-owned subsidiary of our Company
"Placing"	the conditional placing by the Underwriters of the Placing Shares for cash at the Placing Price, as further described under the section headed "Structure and conditions of the Placing" in this prospectus
"Placing Price"	HK$0.30 per Placing Share
"Placing Shares"	the 330,000,000 new Shares being offered by our Company for subscription at the Placing Price under the Placing
"PMI"	purchasing managers index

"PRC" or "China" or "Mainland China"	the People's Republic of China, save that, for the purpose of this prospectus and unless the context otherwise requires references in this prospectus to the PRC do not include Hong Kong, Macau and Taiwan
"PRC Government"	the central government of the PRC including all government subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
"PRC Legal Adviser"	King & Wood Mallesons, the legal adviser to our Company as to PRC laws
"PRC Service Provider(s)"	the PRC-based service provider(s) we engaged during the Track Record Period to provide sales and technical support services
"Processing Service Providers"	service providers in the PRC that provide panel processing services to our Group
"Reorganisation"	the corporate reorganisation in preparation for Listing as more particularly described in the paragraph headed "Reorganisation" under the section headed "History, Reorganisation and Group Structure" in this prospectus
"Rightone Resources"	Rightone Resources Limited, a company incorporated in the BVI on 23 January 2013 and a direct wholly-owned subsidiary of our Company
"Securities Ordinance"	the repealed Securities Ordinance (Chapter 333 of the Laws of Hong Kong)
"SFC"	the Securities and Futures Commission
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	share(s) of HK$0.01 each in the share capital of our Company
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 20 January 2014, the principal terms of which are summarised in the paragraph headed "Share Option Scheme" in Appendix V to this prospectus
"Shareholder(s)"	holder(s) of the Shares

"Sponsor" or "Vinco Capital"	Grand Vinco Capital Limited, a wholly-owned subsidiary of Vinco Financial Group Limited (stock code: 8340) and a licensed corporation for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholder(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"Track Record Period"	the two financial years ended 31 December 2012 and the eight months ended 31 August 2013
"Underwriters"	the Underwriters of the Placing named in the paragraph headed "Underwriters" in the section headed "Underwriting' in this prospectus
"Underwriting Agreement"	the underwriting agreement dated 22 January 2014 relating to the Placing and entered into by our Company, Mr. Cheng Wai Tak, Mr. Cheng Cheung Wai, Mr. Liu Ka Wing, the Controlling Shareholders, the Sponsor and Lead Manager and the Underwriters, details of which are set out in the section headed "Underwriting" of this prospectus
"US"	the United States of America
"VAT"	the PRC value-added tax (中華人民共和國增值稅)
"Winful Enterprises"	Winful Enterprises Limited, a company incorporated in the BVI on 18 January 2013 and the issued share of which is entirely and beneficially owned by Mr. Cheng Wai Tak
"Yuan Mei Xin Technology"	Yuan Mei Xin Technology (Shenzhen) Company Limited* (圓美鑫科技(深圳)有限公司), a wholly foreign owned enterprise incorporated in the PRC with limited liability on 25 April 2013 and an indirect wholly-owned subsidiary of our Company
"%"	per cent
"HK$" and "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"NT$"	new Taiwan dollars
"RMB" or "Renminbi"	Chinese Yuan Renminbi, the lawful currency of the PRC
"US$"	United States dollars, the lawful currency of the US

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

In this prospectus, unless otherwise stated, certain amounts denominated in Renminbi, NT$ or US$ have been translated into HK dollars at exchange rates of RMB0.7810 = HK$1.00, NT$3.88 = HK$1.00 and US$1.00 = HK$7.75 for illustration purpose only. Such conversions shall not be construed as representations that amounts in Renminbi were or could have been or could be converted into HK dollars at such rates or any other exchange rates on such date or any other date.

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese or another language which are marked with "" and the Chinese translation of company names in English which are marked with "*" is for identification purpose only.*

This glossary contains explanations of certain terms, definitions and abbreviations used in this prospectus in connection with our Group and our business. The terms and their meanings may not correspond to standard industry meaning or usage of those terms.

"2G"	second generation of mobile telecommunications technology
"3G"	third generation of mobile telecommunications technology
"Colour depth"	colour depth refers to the number of bits per pixel on a display to represent a specific colour. The more bits per pixel, the more colour variety and quality the screen will display
"Colour filter"	an optical element that partially absorbs incident light, consisting of a pane of glass or other partially transparent material, or of films separated by narrow layers; the absorption may be either selective or nonselective with respect to wavelength
"DC"	direct current
"FHD"	a display resolution of 1920 x 1080 pixels
"firmware"	the combination of persistent memory and programme code and data stored in a device
"G3.5 – G8.5" technology	technologies of glass substrate of different generations ("G") whereby different size of mother glass is used at the very beginning of the manufacturing process. The size of mother glass used in G3.5 is approximately 60cm x 72cm; G4 is approximately 68cm x 88cm; G5 is approximately 110cm x 130cm; G6 is approximately 150cm x 185cm; G7.5 is approximately 195cm x 225cm; and G8.5 is approximately 220cm x 250cm but the glass thickness is less than 1mm. New generation requires higher process technology
"HD720"	a display resolution of 1280 x 720 pixels
"HVGA"	a display resolution of 480 x 320 pixels
"IC"	integrated circuit, a microelectronic semiconductor device consisting of many interconnected transistors and other components built onto a single piece of substrate and enclosed in a small package
"IECQ"	International Electrotechnical Commission Quality Assessment System for Electronic Components

"IPS"	an abbreviation for "in-plane switching", being a display technology used for LCDs. It was designed to solve the main limitations of TN LCDs, such as relatively slow response time, strong viewing angle dependence and low-quality colour reproduction
"ITO"	an abbreviation for "indium tin oxide", a widely used transparent conducting oxide because of its electrical conductivity and optional transparency, as well as the case with which it can be deposited as a thin film
"LCD"	liquid crystal display
"LCM" or "TFT-LCD module"	a component of mobile phones consisting of TFT-LCD panel, driver IC(s), polarisers and backlight
"Liquid crystal(s)" or "LC"	are matter in a state that has properties between those of conventional liquid and those of solid crystal. They are injected into panels where different patterns of twisting can control the intensity of light
"LTPS"	an abbreviation for "low temperature poly silicon", a type of material used in TFT-LCD screens
"MEMS"	an abbreviation for "microelectromechanical systems", some tiny mechanical devices built onto semiconductor chips which are responsible for, among others, sensors, actuators and optical mechanics
"OLED"	an abbreviation for "organic light-emitting diode", being a type of display technology that does not require a backlight as the light source
"pixel"	a physical point in a raster image in digital imaging, or the smallest addressable element in a display device; it is the smallest controllable element of a picture represented on the screen
"polariser"	an optical filter that passes light of a specific polarisation and blocks waves of other polarisations. It can convert a beam of light of undefined or mixed polarisation into a beam with well-defined polarisation
"qHD"	a display resolution of 960 x 540 pixels
"QQVGA"	a display resolution of 160 x 120 pixels
"QVGA"	a display resolution of 320 x 240 pixels

"RAM"	random access memory
"RGB"	red, green and blue colours, being the primary colours
"TFT"	thin film transistor
"TN"	an abbreviation for "twisted nematic". TN-LCD is the primary type of LCD panel and is commonly used by entry-level and budget displays. The ITO electrodes are placed on opposite panels so as to allow liquid crystals to twist at a 90 degree angle
"touch on display IC(s)"	IC(s) used for touch on display panel(s) to control the touch-sensitive function
"touch on display panel(s)"	a type of touch-sensitive display that has a separate touch-sensitive layer fitted with the colour filter within the TFT-LCD panel, beneath the top/horizontal polariser; also known as on-cell touch
"touch panel(s)" or "touch screen"	a display device which allows the user to interact with a device by touching areas of the screen
"touch panel glass(es)"	a type of glass that has an ITO layer for further touch panel processing, being a raw glass material of a touch panel
"white-box manufacturer(s)"	non-mainstream or second-tier manufacturer(s)
"WQVGA"	a display resolution of 400 x 240 pixels
"WVGA"	a display resolution of 800 x 480 pixels
"WXGA"	a display resolution of 1280 x 768 pixels

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- the business strategies and plans of operations;
- the capital expenditure plans;
- the amount and nature of, and potential for, future development of our Group's business;
- the operations and business prospects;
- our profit estimate and other prospective financial information;
- the dividend policy;
- the projects under planning;
- the regulatory environment of the relevant industry in general;
- the future development in relevant industry; and
- other factors referenced in this prospectus, including, without limitation, under the sections entitled "Risk factors", "Industry overview", "Business", and "Financial information".

The words "anticipate", "believe", "could", "expect", "intend", "may", "plan", "project", 'seek", "will", "would" and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflecting our Group's current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. One or more of these risks or uncertainties may materialise, or underlying assumptions may prove incorrect.

Subject to the requirements of the GEM Listing Rules, our Company does not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way our Company expects, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the following risks associated with an investment in our Company before making any investment decision in relation to our Company. The trading price of the Shares could decline due to any of these risks, and you may lose part or all of your investment.

RISKS RELATING TO OUR BUSINESS

Our plan to engage in new panel processing business may not yield the expected benefits to us and we will be subject to PRC taxes as a result of the new business. There is also no assurance that we can achieve our planned expansion and that we can pass on all the increase in operating costs to our customers

We intend to allocate HK$40 million, representing approximately 52.6% of the net proceeds of the Placing, for establishing or acquiring two panel processing plants to expand our business vertically. Our Group has not been engaged in the panel processing business in the past and there is no assurance that this new business will be successful or yield the expected benefits as the intended business activities are expected to be substantially different from our current business activities. In addition, if we set up our own enterprise for the purpose of panel processing, we will be mainly subject to PRC enterprise income tax of 25% on its taxable profit and 17% VAT with respect of its panel processing operations in the PRC. If dividends are distributed, they will be subject to a withholding tax rate of 5% provided that we have obtained the approval from the competent tax authority and enjoy the treaty treatment under the Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排). Our overall profit margin may also be reduced by the depreciation charge on our panel processing plants and other fixed costs arising from the operation of the panel processing plants. In the event that the new panel processing business fails to yield the expected benefits to us or we are not be able to pass on all the increase in operating costs to our customers, our Group's business and financial performance may be adversely affected. There is also no assurance that we will be able to comply with environmental and other rules and regulations relating to the operations of panel processing plants to be acquired or established.

As at the Latest Practicable Date, we had not identified any acquisition targets nor had we commenced the establishment of any panel processing plants. Our ability to establish or acquire panel processing plants will depend on, among others, whether we can obtain all the requisite license(s), permit(s) and approval(s) for operation of the plants and whether we can obtain the necessary manpower, technical know-how and equipment. There is no assurance that our expansion plan will be successful as it may be affected by many factors including the above and other factors which are beyond our control, such as economic conditions and changes in PRC laws and regulations. If we fail to deal with any of these difficulties that may arise, we may not be able to achieve our planned expansion. Failure to enhance our operations through vertical expansion could strain our operational, financial and managerial resources and may result in limited growth.

We rely almost entirely on our top five suppliers to supply key products and most of them are located in Taiwan, meaning they may be vulnerable to natural disasters. Any shortage or delay in the supply of products from them may materially or adversely affect our results of operations

During the Track Record Period, the amount of purchases from the five largest suppliers of our Group accounted for approximately 97.4%, 96.8% and 97.0% of our Group's total purchases for each of the two years ended 31 December 2012 and the eight months ended 31 August 2013 respectively. During the same periods, purchases from the InnoLux Group being our largest supplier accounted for approximately 74.7%, 58.7% and 79.2% respectively of our Group's total purchases. Accordingly, we heavily rely on the continued supply of products from a few selected suppliers. There is no assurance that there will be no deterioration in our relationships with these suppliers which could affect our ability to secure future supply.

Further, most of our major suppliers are located in Taiwan, which is vulnerable to natural disasters. As a result of this geographical concentration, disruption of operations at our suppliers' facilities could cause delays in manufacturing and shipments of our products.

Any shortage of or delay in the supply of the products we trade may materially and adversely affect our results of operations. We cannot assure you that we are able to find alternative suppliers within a short period of time and as such, our customers may source products from alternative suppliers, resulting in a shortfall in sales that could materially and adversely affect our business.

As our Group is not the sole and exclusive seller for products of the InnoLux Group, the Himax Group and the Chi Mei Materials Group in the PRC and Hong Kong, we may face competition from other sellers and there is a risk that our suppliers may sell their products to customers without going through our Group

Though our Group has entered into long term supply framework agreements with our major suppliers namely the InnoLux Group, the Himax Group and the Chi Mei Materials Group, there is no restriction in the agreements on the supply by our suppliers of the same products to our competitors or on their sale of products directly to our customers without going through our Group. It is possible for our customers to deal with our suppliers directly and we cannot assure you that our major suppliers will not sell their products to our competitors and/or other third parties or sell their products directly to the markets in which we currently and/or in the future operate in. Should that happen, our business performance and profitability may be materially and adversely affected.

Our suppliers may change their existing marketing strategy by, among others, changing their production volume, product roadmap or reducing their selling prices, which may materially and adversely affect our business, financial condition and results of operations

Our suppliers may change their existing marketing strategy in respect of the products we trade by, among others, changing their production volume, product road map or reducing their selling prices. Any sudden reduction in production volume by our suppliers may affect our ability to fulfil our customers' demand. A shortened product life cycle or a reduction in selling prices may also have a negative impact on our inventory and revenue. There is no assurance that we can respond to their new marketing strategy quickly enough or that their new marketing strategy would be well-received by our existing customers.

In the event that any of our major suppliers, namely the InnoLux Group, the Himax Group or the Chi Mei Materials Group, changes its marketing strategy, our business, results of operations and financial performance could be materially and adversely affected.

Competing or alternative display technologies may render our products uncompetitive

We currently trade products relating to TFT-LCD technology, which is now the mainstream display technology. We face changes in the TFT-LCD industry as well as shifts in mainstream display technology to alternative or competing technologies. In addition, there are other display technologies currently in the research and development stage or initial commercial promotion stage. If any of these technologies are developed and brought to the market successfully, they may compete with the TFT-LCD technology and render our products uncompetitive.

If we cannot anticipate these changes in technologies and introduce new technologies to our customers, we may not be able to provide advanced display technology on competitive terms and some of our customers may buy from our competitors instead. We cannot assure you that we will be able to successfully identify new products or obtain purchase orders for new technologies that are accepted by the market and as such, our business and results of operations could be materially and adversely affected.

We depend on a small number of customers for a substantial portion of our revenue and a loss of any one of these customers, or a significant decrease in orders from any of them, would adversely affect our revenue

During the Track Record Period, our top five customers accounted for 44.2%, 48.1% and 50.0% of our revenue for each of the two years ended 31 December 2012 and the eight months ended 31 August 2013 respectively. Sales to our largest customer accounted for approximately 12.7%, 24.3% and 21.1% respectively of our turnover for the corresponding periods. Our ability to maintain a close and satisfactory relationship with our customers is important. If any of our key customers reduces, delays or cancels its orders or the financial condition of our key customers deteriorates, our business could be seriously harmed. If our customers lose market share, they may reduce their orders from us. We cannot assure you that we will be able to obtain orders from other customers to offset a reduction in orders from any of our major customers and a failure to do so would materially and adversely affect our business. On the other hand, a failure to purchase sufficient quantities of products to meet customers' demands may also cause us to lose customers, thus affecting our operations.

We have not entered into long-term agreements with customers and cannot assure our sales volumes will remain consistent

We have not entered into long-term agreements with our customers and our sales are made on the basis of individual purchase orders. Despite our demand forecasts, the volume and timing of our customers' orders are relatively unpredictable. We cannot assure you that the volumes of our customers' orders will be consistent with our forecasts. The results of our operations may thus be materially and adversely affected.

As a trading company, we have thin profit margins and we may not be able to sustain our historical profitability

As a company principally engaged in the trading of display components, we have had thin profit margins. During the Track Record Period, our gross profit margin was 4.8%, 5.4% and 9.3%, respectively and our net profit margin was 2.1%, 2.5% and 4.9%, respectively. Our gross and net profit margins mainly depend on the selling prices of our products and the volumes. As most of these factors are outside our control, we cannot assure you that we will be able to maintain the current level of profit margins in the future.

More than 30% of the TFT-LCD panels we sold were processed by our Processing Service Providers, any disruption to the production facilities of our Processing Service Providers may adversely affect our operations

During the Track Record Period, in terms of total sales amount of TFT-LCD panels, approximately 36.3%, 32.3% and 32.4% respectively of the TFT-LCD panels we sold were processed by our Processing Service Providers.

The processing work performed on the processed TFT-LCD panels which we trade is carried out by our Processing Service Providers in the PRC. Our Processing Service Providers mainly have factories in the PRC. There are no assurances that the Processing Service Providers' capacities will be sufficient to meet increased orders from our Group, that our Processing Service Providers will continue to carry on business in the PRC or that our agreements with the Processing Service Providers will be renewed on the same terms. There is also no assurance that our Processing Service Providers have been and will remain in compliance with existing or future environment laws and regulations that may affect their operations and processing costs. If we are unable to secure the services of Processing Service Providers or find a suitable replacement on a timely basis, our business may be disrupted and adversely affected.

Our products may be found to have defects, which could affect our sales or lead to product liability claims

Despite the systematic manufacture and inspection process of our products by our suppliers, sometimes our products have minor deviations that result in a decrease in quality or discrepancies from product specifications. As we do not manufacture the products, we cannot control the quality of the products we sell. If products are found to be defective, we will have to spend additional time to work with suppliers to replace the batch of products. That may result in delays in the availability of our products. If our suppliers are unable to meet our customers' demand for our products at the requested price, it could adversely affect our sales, sales margins and damage our relationship with customers and our reputation.

We may be subject to product liability claims if products we trade are found to be defective. While we are not aware of any instances where the products we trade are unfit for consumption, there is no assurance that the products we trade will not be subject to any product liability claims in the future.

We have not maintained any product liability insurance. As at the Latest Practicable Date, we had not encountered any material third party claims in respect of product liability. To the best knowledge of our Directors, it is not an industry norm for TFT-LCD components traders to maintain product liability insurance. As we have not maintained any product liability insurance, our Group runs the risk of being adversely affected by potential product liability claims.

If we are unable to rely on the services and connections of our key personnel, or retain the current key personnel, our business could be harmed

We rely on key employees such as our executive Directors, Mr. Cheng Wai Tak, Mr. Cheng Cheung Wai and Mr. Liu Ka Wing. These key personnel manage our Group, develop and execute our business strategies and manage our relationship with key suppliers, customers and subcontractors. Any of these employees could leave our Group and would be free to work for a competitor. We do not have "key person" insurance policies covering any of our employees. The loss of any of our key personnel or our inability to attract or retain qualified personnel, could have an adverse effect on our ability to sell our products and our overall growth prospects.

As we order products from our suppliers based on forecasts, any unanticipated drop in sales could cause our inventory to accumulate and become obsolete

For the two years ended 31 December 2012 and the eight months ended 31 August 2013, our inventory turnover days were 30, 35 and 31 days respectively and our provision for obsolete inventories amounted to approximately HK$12.9 million, HK$7.9 million and HK$4.8 million as at 31 December 2011, 31 December 2012 and 31 August 2013, respectively.

We place orders with our suppliers based on our forecast of future procurement, customers' intentions and indicated orders, customers' recent purchase orders and our existing inventory levels. Any unanticipated drop in sales could cause our inventory to accumulate. As technology evolves quickly, our inventory may become obsolete and may adversely affect our financial position and results of operations.

As the demand for our products fluctuates, comparison of past results may not be necessarily meaningful and track record shall not be relied upon

The demand for our products is influenced by the mobile handset market trend which changes quickly. As a result, the demand for our products fluctuates from time to time, the comparison of past results may not be necessarily meaningful and our track record shall not be relied on as indicators of our Group's future performance. If we fail to respond to changes in customers' preferences and market trends and to adjust supplies of products, our Group's performance may be adversely affected.

The operations of Yuan Mei Xin Technology are exposed to additional income tax, VAT and transfer pricing adjustments

Historically we were only subject to Hong Kong profits tax of 16.5%. We established Yuan Mei Xin Technology on 25 April 2013 in the PRC to provide sales and technical support services for our customers and to carry out sales and marketing activities in the PRC. The financial performance of Yuan Mei Xin Technology will be mainly subject to the PRC enterprise income tax of 25%, VAT of 17% on its sales of goods and VAT of 6% on certain business activities including quality control, troubleshooting and sales and technical support pursuant to the PRC tax circular Caishui [2013] No. 106. Further, where the products are sold by Perfect Display to Yuan Mei Xin Technology which then on-sells the products to its customers in the PRC, or where Yuan Mei Xin Technology is engaged by Perfect Display to provide sales and technical support services, such intra-group transactions are regarded as related parties transactions. According to the 特別納稅調整實施辦法(試行) (New Enterprise Income Tax law and the Implementation Regulations for Special Tax Adjustments (Trial)) of the PRC, related parties transactions should comply with the arm's length principle (獨立交易原則); and if the failure of compliance with such principle results in reduction of the income or taxable income of the enterprise of its related parties, the tax authority has the power to make an adjustment in accordance with reasonable methods. If our Group is deemed not to be in compliance with the transfer pricing rules in relation to the related parties transactions, the tax authority would have the power to make adjustment to the tax payable by our Group in respect of such related party transactions. Our Group would therefore be exposed to additional tax liabilities and transfer pricing adjustments which may adversely affect our financial condition and results of operation. There is no assurance that future changes to PRC tax policies will not have a material adverse impact on our financial condition and results of operations.

Our Group may experience weak liquidity positions as we had recorded negative cashflow from operating activities in the past

For the year ended 31 December 2012, we recorded negative cashflow from operating activities of approximately HK$2.4 million, largely due to the increase in trade and other receivables of approximately HK$50.4 million and the decrease in trade and other payables of approximately HK$34.5 million. Please refer to the paragraph headed "Liquidity and capital resources" of the "Financial information" section of this prospectus for a more detailed discussion. We cannot assure you that our Group will not experience another period of negative cashflow from operating activities in the future.

Fluctuations in selling prices and raw materials prices could adversely affect our Group's gross profit and net profit

Our Group has experienced fluctuations in selling prices and raw material prices in the past due to mobile handset trends, industry trends and other factors beyond our control. Based on a sensitivity analysis of the impacts of hypothetical fluctuations in selling price and raw material price on our Group's gross profit and net profit, fluctuations in the aforesaid prices could have a drastic and adverse effect on our Group's operational results. For further details, please refer to the paragraph headed "Sensitivity analysis" under the "Financial information" section of this prospectus.

RISKS RELATING TO OUR INDUSTRY

Slowdown in the global economy could have an adverse impact on our financial conditions and results of operations

A slowdown in the global economy due to the ongoing sovereign debt crisis in Europe has shown signs of affecting the Asian economies, including the PRC which has been one of the major markets for display products. A decrease in market demand may put significant downward pressure on the average selling prices. Reduced corporate and commercial activity also has a negative impact on the demand for and prices of our products. It is possible that financing may be affected by financial market volatility and credit tightening and when we need additional cash resources, financing will only be available to us in amounts or on terms that would not be acceptable to us or financing will not be available at all. If the economies continue to grow at a slower rate, or experience a prolonged recession, our business, financial condition and results of operations would be adversely affected.

Political tension between Taiwan and the PRC could result in constraints on importing our products to the PRC

Our business may be affected by changes in government policies and political and social instability between Taiwan and the PRC.

The PRC Government asserts sovereignty over the PRC and Taiwan, and does not recognise the legitimacy of the Taiwan government. The PRC Government has indicated that it may use military force to gain control over Taiwan if Taiwan declares independence or refuses to accept the PRC's "One China" policy. On 14 March 2005, the NPC passed what is widely recognised to as the "Anti-Secession" Law, which authorises the PRC military to respond to effects by Taiwan to seek independence. Although economic and cultural relations between Taiwan and the PRC have improved in recent years, the PRC Government has never renounced the use of force to achieve reunification. Any increased tensions between Taiwan and the PRC could affect the import of Taiwan products to the PRC, hence our operations.

The demand for mobile phones display components is influenced by the demand for mobile phones from telecommunication operators and we may not be able to accurately forecast the demand from the telecommunication operators

The demand for mobile phone display components goes hand in hand with the demand for mobile phones which is largely influenced by the telecommunication operators. As the telecommunication operators have been facing intense competitions and challenges, different telecommunication operators adopt different operation and development strategies and these strategies may be adjusted pursuant to various factors such as technology development and competition landscape. Their demand for mobile phones may fluctuate accordingly. As a result, we may not be able to accurately forecast the demand for mobile phones from the telecommunication operators and this would make our forecast on demand for mobile phone display components inaccurate.

Unfavourable changes in the PRC's policies towards TFT-LCD industry could cause decline in the demand for our products, which could adversely affect our business, results of operations and financial condition

The PRC Government has adopted various policies to support the development of TFT-LCD industry. In particular, the "12th Five-Year Plan (2011–2015)" of the national information industry puts forward the PRC Government's plan to cultivate and develop new-generation information technology industries in the PRC and both the IC and panel display industries are included under this strategic plan. However, there is no assurance that the PRC Government will continue to support the development of TFT-LCD industry in the future. Since most of our TFT-LCD panels are consumed by customers based in the PRC, we depend heavily on the demand for display components in the PRC for our continued growth. Unfavourable changes in the PRC Government's policies towards TFT-LCD industry could cause decline in the demand for our products, which could adversely affect our business, results of operations and financial condition.

RISKS RELATING TO THE PRC

The PRC legal system is not fully developed and has inherent uncertainties that may limit the legal protection available to our Group

The PRC legal system is based on written statutes and interpretations by the Standing Committee of the NPC. Court decisions may be cited for reference but may only have limited precedential value. While the PRC Government has been developing a comprehensive system of commercial laws, thereby introducing laws and regulations dealing with economic matters such as foreign investment, corporate organisation and government, commence, taxation and trade, these laws and regulations are relatively new. Due to the limited volume of cases and their non-binding nature, interpretation and enforcement of these laws and regulations involve uncertainties and may limit the legal protection available to our Group.

Foreign exchange control and foreign investment regulations in the PRC may adversely affect the efficiency or results of operations of the subsidiaries of our Group in the PRC

RMB is not a freely convertible currency at present. The PRC Government regulates conversion between RMB and foreign currencies. Under the PRC foreign exchange rules and regulations, payments of current account items, including profit distributions, service of foreign debts, interest payments and expenditures related to business operations, are permitted to be made in foreign currencies without prior government approval but are subject to certain procedural requirements. However, there can be no assurance that the current PRC foreign exchange policies regarding debt service and payment of dividends in foreign exchange will continue in the future, and that our Group will be able to meet all of our payment obligations denominated in foreign currencies or to remit profits to our Shareholders in the form of dividends. In addition, changes in PRC foreign exchange policies may have a negative impact on the ability of Yuan Mei Xin Technology to distribute dividends in foreign currencies.

Strict foreign exchange controls continue to apply to capital account transactions in the PRC. Capital account transactions in foreign currencies are subject to significant exchange controls and generally require the approval of PRC Government authorities including SAFE. Repayments of loan principal, distributions of returns on direct capital investment and investments in negotiable instruments are also subject to restrictions. Subsequent to the Placing, our Group may have the choice, as permitted by the PRC foreign investment regulations, to invest the net proceeds from the Placing into Yuan Mei Xin Technology, either through increasing registered capital or through increasing investment amount to finance our operations in the PRC. In either case, Yuan Mei Xin Technology would be required to obtain the prior approval of and make registration with the relevant PRC authorities. These regulations may limit the ability to transfer funds or delay the transfer of funds from our Company to Yuan Mei Xin Technology, which may have adverse impact on our business operations.

Withholding tax on dividends received from Yuan Mei Xin Technology may affect our Company's ability to pay dividends to our Shareholders

Our Company is incorporated under the laws of the Cayman Islands and indirectly holds interests in Yuan Mei Xin Technology. Under the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) and the Implementation Rules of the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法實施條例) promulgated by the State Council, dividends payable to a foreign investors that are "derived from sources within the PRC" may be subject to income tax at the rate of 10% by way of withholding, unless otherwise entitled to certain tax reductions or exemptions, for example, under certain tax treaties.

According to the Arrangements Between the Mainland of the PRC and Hong Kong Special Administrative Region for Avoidance of Double Taxation and the Preventing of Fiscal Evasion with respect of Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排), a withholding tax at the rate of 5% applies to dividends paid by a PRC enterprise to a Hong Kong resident, provided that the dividend recipient is an enterprise that holds at least 25% of the capital of the PRC subsidiary.

Pursuant to the Notices on Issues relating to the Administration of the Dividend Provision in Tax Treaties (關於執行稅收協議股息條款有關問題的通知), the qualification for dividend recipient to enjoy preferential treatment of tax being levied at 5% rate is as follows: (i) the recipient of the dividend must be a corporation; (ii) the recipient's ownership in the Chinese company must meet the prescribed 25% direct ownership thresholds at all times during the 12 consecutive months preceding the receipt of the dividends; and (iii) the deal or arrangement is not mainly for the purpose of obtaining the tax preferential treatment. Since Yuan Mei Xin Technology has not yet distributed any dividend, whether the withholding tax rate for its dividends is 5% will depend, in part, on how the PRC tax authorities apply or enforce the PRC Enterprise Income Tax Law and the Implementation Rules. Such withholding tax will in turn reduce the amount of dividends or other distributions our Company may receive and restrict our ability to pay dividends to the Shareholders.

RISK RELATING TO THE PLACING AND THE SHARES

There has been no prior public market for our Shares. If an active trading market for our Shares does not develop, the price of our Shares may be adversely affected and may decline below the Placing Price

Prior to the Listing, there has been no public market for our Shares. The Placing Price was the result of negotiations between us and the Lead Manager (for itself and on behalf of the Underwriters), and the Placing Price may differ significantly from the market price for the Shares following the Placing.

In addition, we cannot assure you that an active trading market will develop or be maintained following the completion of the Placing or the Listing, or that the market price of our Shares will not decline below the Placing Price.

The liquidity and market price of our Shares following the Placing may be volatile

The price and trading volume of our Shares may be highly volatile. Factors such as variations in our revenues, earnings and cash flows and announcements of major contracts awarded could cause the market price of our Shares to change substantially. Any such developments may result in large and sudden changes in the volume and price at which our Shares will trade.

Volatility in the trading price of our Shares may be caused by factors outside our Group's control and may be unrelated to our Group's operating results. Factors affecting the volatility of the trading price of shares may include: (i) investors' perception of us and our business plans; (ii) fluctuation in our Group's operating results; (iii) changes in pricing policy adopted by us and our competitors; (iv) changes in our senior management personnel; and (v) general economic factors.

The shareholders' interests in our Company may be diluted as a result of additional equity fund raising

We may issue additional Shares to raise additional funds in the future to finance our business expansion. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company, other than on a pro rata basis to existing Shareholders, then (i) the percentage ownership of those existing Shareholders may be reduced, and they may experience subsequent dilution, and/or (ii) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of the existing Shareholders.

Historical dividends do not guarantee future dividends

Dividends declared by our Group for the two years ended 31 December 2012 and the eight months ended 31 August 2013 were HK$18 million, HK$58 million and nil, respectively. On 29 November 2013, Perfect Display declared a divided of HK$30 million. Dividends to be declared and paid in the future will be subject to, among others, the full discretion of our Directors, and would depend on our Group's future earnings, capital requirements and surplus, the general financial condition and any other factors which our Directors may consider relevant. Accordingly, the historical dividends of our Group should not be treated as an indication of future dividend distributions. Further details on the dividend policy of our Group are set out in the paragraph headed "Dividend and dividend policy" under the section headed "Financial Information" in this prospectus.

Termination of the Underwriting Agreement

Prospective investors should note that the Lead Manager (for itself and on behalf of the Underwriters) is entitled to terminate their obligations under the Underwriting Agreement by giving notice in writing to us upon the occurrence of any of the events set out in the paragraph "Grounds for termination" in the section headed "Underwriting" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. In the event of termination of the Lead Manager's obligations, the Placing will not proceed and no Placing Shares will be allotted to any prospective investors.

RISKS RELATING TO THE STATEMENTS MADE IN THIS PROSPECTUS AND FROM OTHER SOURCES

Forward-looking statements may not be accurate or reliable

This prospectus contains forward-looking statements and information which use terms such as "will", "may", "could", "expect", "believe", "should" or "anticipate". Those statements include, among others, discussion of our Group's plans, objectives, expectations and intentions. Investors should be cautious against placing undue reliance on any forward-looking statements as it may involve risks and uncertainties and the assumptions upon which the forward-looking statements are based on could turn out to be inaccurate despite our Group's belief that the assumptions are reasonable. Forward-looking statements should not be regarded as representations by us and prospective investors should not place undue reliance on such statements. We are not obliged to update or revise any forward-looking statements in this prospectus, whether by reason of new information, future events or otherwise.

Investors should not unduly rely on any industry statistics derived from governmental sources

Certain statistical and other publicly available information including those relating to the PRC and our industry have been derived or compiled from publicly available official governmental sources as well as industry reports we commissioned from independent industry consultants. We believe that the sources of such information are appropriate and we have taken reasonable care in the selection and reproduction of such information in this prospectus. However, none of our Company, the Sponsor, Lead Manager, the Underwriters nor any other parties involved in the Placing has independently verified such information and it may be inaccurate, incomplete or outdated. We make no representation as to the accuracy or completeness of such information available and there is no assurance that such information is prepared to the same standard of level of accuracy with similar information available in other publications or jurisdictions. Therefore, prospective investors should not place undue reliance on information obtained from various governmental sources in this prospectus.

We strongly caution you not to place any reliance on any information contained in press articles, media coverage and/or research analyst reports regarding us, our industry or the Placing

There may be press articles, media coverage and/or research analyst reports regarding us, our industry or the Placing, which may include certain financial information, financial projections and other information about us that do not appear in this prospectus. We have not authorised the disclosure of any such information in the press, media or research analyst report. We do not accept any responsibility for any such press articles, media coverage or research analyst report or the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the financial, operational and other information included in this prospectus.

WAIVER FROM STRICT COMPLIANCE WITH RULES 7.03(1) AND 11.10 OF GEM LISTING RULES AND EXEMPTION FROM STRICT COMPLIANCE WITH PARAGRAPHS 27 AND 31 OF THE THIRD SCHEDULE OF THE COMPANIES ORDINANCE

Pursuant to Rules 7.03(1) and 11.10 of the GEM Listing Rules, the accountant's report of our Company that is required to be included in this prospectus must contain the financial results of our Group covering at least the two financial years immediately preceding the issue of the listing document (or such shorter period as may be acceptable to the Stock Exchange).

Paragraph 27 of the Third Schedule to the Companies Ordinance requires, inter alia, a statement as to the gross trading income or sales turnover (as may be appropriate) of our Group during each of the three financial years immediately preceding the issue of this prospectus including an explanation of the method used for the computation of such income or turnover and a reasonable break-down between the more important trading activities to be specified in this prospectus.

Paragraph 31 of the Third Schedule to the Companies Ordinance requires the report by the auditors of our Company set out in the accountant's report to include profits and losses and assets and liabilities of our Group for the three financial years immediately preceding the issue of this prospectus.

Pursuant to section 5(3) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), all references to "3 preceding years", "3 financial years" and "3 years" in paragraphs 27 and 31 of the Third Schedule of the Companies Ordinance are substituted by a reference to "2 preceding years", "2 financial years" and "2 years", respectively, for a prospectus issued in relation to an application for the listing of securities on GEM.

The accountant's report set out in Appendix I to this prospectus contains the combined results of our Group for the two financial years ended 31 December 2012 and the eight months ended 31 August 2013. Our Directors consider that the inclusion of the audited financial results for the year ended 31 December 2013 in the prospectus would be unduly burdensome as there was insufficient time for our Company and our reporting accountants to prepare such full year audited accounts prior to the issue of this prospectus within such short period of time after the year end date. In the circumstances, strict compliance with Rules 7.03(1) and 11.10 of the GEM Listing Rules and paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance would inevitably delay the listing timetable of our Company.

An application was made to the Stock Exchange to grant to our Company a waiver from strict compliance with Rules 7.03(1) and 11.10 of the GEM Listing Rules in relation to the inclusion of the accountant's report for the full financial year ended 31 December 2013, and such waiver was granted by the Stock Exchange on the following conditions:

(i) the Shares are listed on the Stock Exchange on or before 28 February 2014;

(ii) our Company obtains a certificate of exemption from the SFC under section 342A of the Companies Ordinance from similar requirements under paragraphs 27 and 31 of Third Schedule to the Companies Ordinance;

(iii) this prospectus contains a statement from our Directors that, other than the listing expenses incurred or to be incurred after 31 August 2013, there is no material adverse change to our Group's financial and trading positions or prospect with reference to the results from 1 September 2013 to 31 December 2013; and

(iv) this prospectus includes a profit estimate for the year ended 31 December 2013 which complies with Rules 14.29 to 14.31 of the GEM Listing Rules.

An application was also made to the SFC to grant to our Company a certificate of exemption pursuant to section 342A of the Companies Ordinance from strict compliance with paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance in relation to the inclusion of our financial results for the full financial year ended 31 December 2013 in this prospectus. A certificate of exemption was granted by the SFC under section 342A of the Companies Ordinance on the conditions that (i) the particulars of the exemption are set out in this prospectus; and (ii) this prospectus is issued on or before 24 January 2014.

Our Directors confirm that after having performed sufficient due diligence, other than the listing expenses incurred or to be incurred after 31 August 2013, there is no material adverse change in the financial and trading positions or prospects of our Group with reference to the results from 1 September 2013 to 31 December 2013.

In addition, our Directors consider that the above exemption and waiver granted by the SFC and the Stock Exchange respectively will not prejudice the interests of the investing public, as the information relating to our financial results that is reasonably necessary for potential investors to make an informed assessment of the activities or financial position of our Group has already been included in this prospectus.

In accordance with Guidance Letter HKEx-GL25-11, a profit estimate of our Group for the year ended 31 December 2013 has been included in this prospectus. For further details, please refer to the paragraph headed "Profit estimate for the year ended 31 December 2013" of the "Financial information" section of this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus 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 document misleading.

PLACING SHARES ARE FULLY UNDERWRITTEN

This prospectus is published in connection with the Placing for which Vinco Capital is the Sponsor and the Lead Manager. The Placing Shares are fully underwritten by the Underwriters pursuant to the Underwriting Agreement. Information relating to the underwriting arrangement is set out in the section headed "Underwriting" of this prospectus.

RESTRICTIONS ON SALE OF THE PLACING SHARES

Each person acquiring the Placing Shares will be required to confirm that he/she is aware of the restrictions on offers and sales of the Placing Shares described in this prospectus.

No action has been taken to permit any public offering of the Placing Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it circulated to invite to solicit offers in any jurisdiction other than Hong Kong or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. Persons who possess this prospectus are deemed to have confirmed with our Company, the Sponsor, the Lead Manager and the Underwriters that such restrictions have been observed.

The Placing Shares are offered solely on the basis of the information contained and representations made in this prospectus. No person is authorised to give any information in connection with the Placing or to make any representation not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Sponsor, the Lead Manager, the Underwriters, any of their respective directors, agents, employees or advisers or any other person involved in the Placing.

Prospective applicants for Placing Shares should consult their financial advisers and take legal advice, as appropriate to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Placing Shares should inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

STRUCTURE AND CONDITIONS OF THE PLACING

Further details of the structure and conditions of the Placing are set out under the section headed "Structure and conditions of the Placing" of this prospectus.

REASONS FOR APPLICATION FOR LISTING ON GEM

Our Directors chose to apply for listing of the Shares on GEM after taking into account the following factors:

(i) As a trading company, most of the products we trade are sold on an "as-is" basis with relatively limited value-added input provided for our customers, leading to relatively thin net profit margins. During the Track Record Period, our net profit margin was 2.1%, 2.5% and 4.9% respectively.

(ii) As set out in the section headed "Risk factors" section in this prospectus, the performance of our Group is subject to a number of factors that, during the Track Record Period, gave rise to fluctuations in our Group's profits.

(iii) Our Group operates its business in a highly volatile market. The demand for our Group's products is influenced by the mobile handset market trend which may shift quickly and is subject to factors beyond our control, such as government policies in terms of government subsidies.

Having considered the nature of our present business, the current state of our development and the fact that we operate in a highly volatile market, our Directors believe that the risks associated with investment in our Company would make our Company more suitable for listing on GEM than on the Main Board.

APPLICATION FOR LISTING ON GEM

Application has been made to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Placing (including Shares which may be issued pursuant to options to be granted under the Share Option Scheme).

No part of the share capital of our Company is listed or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.

Under section 44B(1) of the Companies Ordinance, any allotment made in respect of any application for the Placing Shares will be invalid if the listing of, and permission to deal in, the Placing Shares on GEM is refused before the expiration of three weeks from the date of the closing of the Placing, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange. In that event, any allotment made on application by subscribers for the Placing Shares in pursuance of this prospectus shall, whenever made, be void.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of at least 25% of the total issued share capital of our Company in the hands of the public.

Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence on or about 7 February 2014. Shares will be traded in board lots of 10,000 Shares each. The GEM stock code for the Shares is 8311.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on GEM or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek the advice from your stockbrokers or other professional advisers.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of the subscription for, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to the Shares, you should consult your professional adviser. It is emphasised that none of our Company, the Sponsor, the Lead Manager, the Underwriters, any of their respective directors, agents or advisers or any other person involved in the Placing accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to the Shares.

REGISTER OF MEMBERS AND STAMP DUTY

The Shares may be registered on the principal register of members in the Cayman Islands or on the branch register of members of our Company in Hong Kong. Only Shares registered on the branch register of members maintained in Hong Kong may be traded on GEM, unless the Stock Exchange otherwise agrees.

Dealings in the Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

Unless our Company determines otherwise, dividends payable in HK dollars in respect of the Shares will be paid by cheque sent at the Shareholder's risk to the registered address of each Shareholder or, in the case of joint holders, the first-named holder.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

Name	Address	Nationality
Executive Directors		
Mr. Cheng Wai Tak (鄭偉德)	51/F, Apartment No. 10 Celestial Heights No. 80 Sheung Shing Street Ho Man Tin, Kowloon Hong Kong	Chinese
Mr. Cheng Cheung Wai (鄭長偉)	Room 1504, 15/F Fu Ning House, Block B 8 Fu Mei Street Fu Keung Court Wang Tau Hom Kowloon Hong Kong	Chinese
Mr. Liu Ka Wing (廖嘉榮)	Flat H, 37/F, Block 2 Well On Garden Tseung Kwan O New Territories Hong Kong	Chinese
Independent non-executive Directors		
Mr. Wong Yik Chung John (黃翼忠)	G27, Block C DB Plaza Discovery Bay Hong Kong	Chinese
Mr. Wong Chi Chiu (黃智超)	Flat C, 10/F Sky Garden 223 Prince Edward Road West Kowloon Hong Kong	Chinese
Mr. Li Shui Yan (李瑞恩)	Flat C, 11/F Tower 10, Yee Lai Court South Horizons, Phase 2 Ap Lei Chau Hong Kong	Chinese

Please refer to the section headed "Directors, senior management and staff" in this prospectus for further information.

Sponsor	Grand Vinco Capital Limited Units 4909–10, 49/F The Center 99 Queen's Road Central Hong Kong
Lead Manager	Grand Vinco Capital Limited Units 4909–10, 49/F The Center 99 Queen's Road Central Hong Kong
Underwriters	Success Securities Limited Suite 1603–5 16/F, Great Eagle Centre 23 Harbour Road Wanchai Hong Kong
	Grand Investment (Securities) Limited Unit A3, 32/F United Centre 95 Queensway Hong Kong
	CMB International Capital Limited Room 1803–4 18/F, Bank of America Tower 12 Harcourt Road Central Hong Kong
	China Investment Securities International Brokerage Limited 63/F Bank of China Tower 1 Garden Road Central Hong Kong

Legal adviser to our Company as to Hong Kong law	Woo, Kwan, Lee & Lo 26/F, Jardine House 1 Connaught Place Central Hong Kong
Legal adviser to our Company as to Cayman Islands law	Appleby 2206–19, Jardine House 1 Connaught Place Central Hong Kong
Legal adviser to our Company as to PRC law	King & Wood Mallesons 40th Floor, Office Tower A Beijing Fortune Plaza 7 Dongsanhuan Zhongbu Chaoyang District Beijing 10020 the PRC
Legal adviser to the Sponsor and the Underwriters as to Hong Kong law	Fairbairn Catley Low & Kong 23/F, Shui On Centre 6–8 Harbour Road Hong Kong
Reporting Accountant	PricewaterhouseCoopers 22/F, Prince's Building Central Hong Kong

Registered office	Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Headquarters and principal place of business in Hong Kong	Flat 905, 9/F Tower B Hung Hom Commercial Centre No. 37 Ma Tau Wai Road Kowloon Hong Kong
Company secretary	Mr. Tse Ka Wing, *ACCA, HKICPA* Flat 905, 9/F Tower B Hung Hom Commercial Centre No. 37 Ma Tau Wai Road Kowloon Hong Kong
Compliance officer	Mr. Liu Ka Wing Flat H, 37/F, Block 2 Well On Garden Tseung Kwan O New Territories Hong Kong
Members of the audit committee	Mr. Wong Yik Chung John *(chairman)* Mr. Wong Chi Chiu Mr. Li Shui Yan
Members of the remuneration committee	Mr. Wong Chi Chiu *(chairman)* Mr. Cheng Wai Tak Mr. Wong Yik Chung John
Members of the nomination committee	Mr. Cheng Wai Tak*(chairman)* Mr. Wong Yik Chung John Mr. Li Shui Yan
Authorised representatives	Mr. Cheng Wai Tak 51/F, Apartment No. 10 Celestial Heights No. 80 Sheung Shing Street Ho Man Tin, Kowloon Hong Kong

	Mr. Tse Ka Wing Flat 905, 9/F Tower B Hung Hom Commercial Centre No. 37 Ma Tau Wai Road Kowloon Hong Kong
Principal share registrar and transfer office	Appleby Trust (Cayman) Ltd. Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Principal bankers	Bank of China (Hong Kong) Limited Bank of China Tower 1 Garden Road Hong Kong The Hongkong and Shanghai Banking Corporation Limited 40 Des Voeux Road West Hong Kong
Compliance Adviser	Grand Vinco Capital Limited Units 4909–10, 49/F The Center 99 Queen's Road Central Hong Kong
Company website *(Note)*	www.perfect-optronics.com

Note: The information on the website of our Company does not form part of this prospectus.

This section contains certain information which is derived from official government publications and industry sources as well as a report we commissioned from Euromonitor, an Independent Third Party. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information derived from the above sources has not been independently verified by us, the Sponsor, the Lead Manager, the Underwriters or any other party involved in the Placing.

The information from official government publications may not be consistent with information available from other sources within or outside the PRC. We, our affiliates or our advisers, the Underwriters or their affiliates or advisers, Euromonitor or any party involved in the Placing do not make any representation as to the accuracy, completeness or fairness of such information from official government publications and, accordingly, you should not unduly rely on such information from official government publications.

This section contains information extracted from the commissioned report from Euromonitor which reflects research estimates of the market size, rankings and performance from publicly available secondary sources and trade survey analysis of the opinions and perspectives of leading industry players, and is prepared primarily as a market research tool. Research by Euromonitor should not be considered as the opinion of Euromonitor as to the value of any security or the advisability of investing in our Company and accordingly, such information should not be relied upon.

COMMISSION REPORT FROM EUROMONITOR

We commissioned Euromonitor, an Independent Third Party, to conduct a detailed analysis of and produce a report on, among other things, the PRC's TFT-LCD panel and driver IC markets for inclusion in this prospectus. The report commissioned has been prepared by Euromonitor independent from our influence. We paid Euromonitor fees of about HK$550,000. Euromonitor is established in 1972 and has offices around the world and analysts in 80 countries. Euromonitor performs market research on industry key trends and drivers, provides strategy research to support corporate strategic reviews, new business planning, product and brand management, competition strategies and supplier relationships.

The report has been compiled after thorough and diligent independent research conducted by Euromonitor's Singapore and Shanghai offices.

The TFT-LCD panel and driver IC industries are challenging to research due to constantly changing demand in the type and size of the display panels, in turn driven by rapidly changing mobile phone technologies and models. Establishing average unit prices and reaching an industry consensus on market size (in value terms), shares and growth is thus a challenging task and one that requires direct contact with the key operators in the market by way of trade interviews.

The market research process for this study involved:

a. Detailed desk research using information from Euromonitor's Passport database, regulatory authorities in the PRC (e.g. National Bureau of Statistics of the People's Republic of China; China Federation of Logistics & Purchasing), trade associations, companies' annual reports, import and export statistics for electronic products shipped into and out of the PRC. Where national statistics are quoted in this review, data were taken from the most updated published official statistics when available.

b. Trade interviews with trade associations, leading panel manufacturers, driver IC manufacturers, component traders and LCM manufacturers, and others.

For this industry overview, Euromonitor utilised information obtained from both primary and secondary sources. Furthermore, a test of each respondent's information and views against those of others was applied to ensure reliability and to eliminate bias from these sources.

Market size, rankings and performance data provided in this report were estimated via an aggregation of opinions and facts gathered during Euromonitor's trade interviews. Sources interviewed were asked for their opinion on the market trends going into the forecast period.

Euromonitor confirms that it has carried out research as per Euromonitor's standard trade research methodology which involves taking an intelligent approach to speaking to as many contacts in leading companies as needed to build an industry consensus on the market's size, outlook, industry trends and developments (not based on sampling techniques). Euromonitor is of the opinion that trade interviews with the industry is the closest measure and best estimate of how the market is expected to perform in the forecast period based on historic as well as current trends.

MACROECONOMIC ENVIRONMENT OF CHINA

GDP of China

GDP in 2012 reached RMB51.9 trillion

According to the National Bureau of Statistics, China realised a nominal CAGR of 13.4% over the past five years (2008–2012). At the end of 2012, the national GDP reached RMB51.9 trillion, an increase of 9.8% (7.8% in real term) compared to the previous year, which was slightly slower than that of 2011. However, this growth rate is comparatively faster than other major states and regions in the world. It is worth noting that China surpassed Japan as the world's second biggest economy in the second quarter of 2010 in terms of nominal GDP.

However, according to the National Bureau of Statistics, in terms of per capita GDP world ranking, China ranked 107th in the world in 2009, rising to 95th in 2010, ranking among the top 100; it rose again in 2011 to 87th in the world. However, compared to the world's average, China's per capita GDP still has a long way to catch up. In 2012, China's per capita GDP was US$6,100, far below the world's per capita GDP of US$10,035.

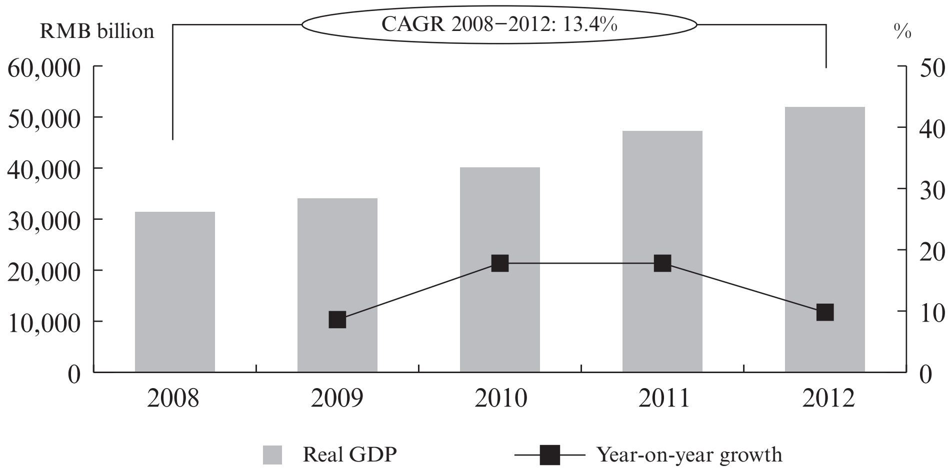
GDP of manufacturing industries accounted for 32.5% in 2010

China's economy is classified into three economic sectors: primary, secondary, and tertiary (services). Over the course of 2012, the primary sector, which includes: agriculture, forestry, animal husbandry and fishing, accounted for 10.1% of the GDP in 2012. The secondary sector, which includes: mining, manufacturing, power, gas, water production and supply, and construction, accounted for 45.3% of the GDP when combined, declining by 1.3 percentage points from the previous year. The tertiary sector, which includes all industries not mentioned in the previous two, accounted for 44.6% of the GDP, rising by 1.2 percentage points from the previous year. Manufacturing industries contributed 32.5% to the GDP in 2010. It is clear that the contribution of the tertiary (service) sector to economic growth has significantly grown. However, the decline in the growth of the secondary sector mainly came from the slowdown of the global economic recovery, which further deteriorated China's exports, a downturn in the real estate industry due to government real estate policies, and the tightening of the monetary policy to curb inflation.

GDP expected to be moderate

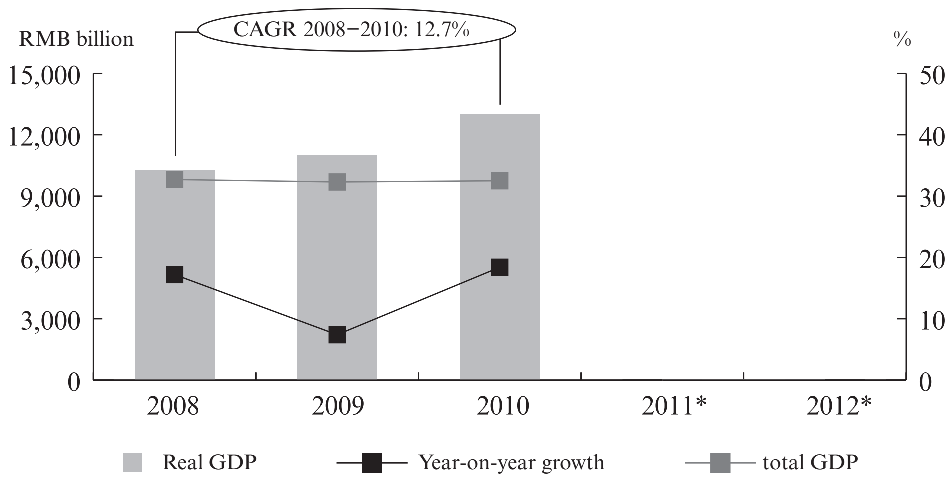
The growth in China's economy is expected to be moderate, due to the slow recovery of the global economy and government policies which were set to achieve moderate but sustained economic growth. The central government has proposed the following main measures for deepening economic reform, including the removal of interest rates and energy price controls, introducing a competition mechanism in the state-owned enterprise oriented market, increasing land supply for construction, treating migrant workers equally with local workers, the levying of carbon taxes, and further adjusting and optimising the economic structure, which are all key factors for increasing domestic consumption. These will help China's economy to continue to grow.

The chart below sets forth China's GDP and its growth rate during the periods indicated:



Source: National Bureau of Statistics of the PRC

The chart below sets forth China's GDP contribution from manufacturing and its growth rate during the periods indicated:



Source: National Bureau of Statistics of the PRC

* *Data are not available.*

PMI

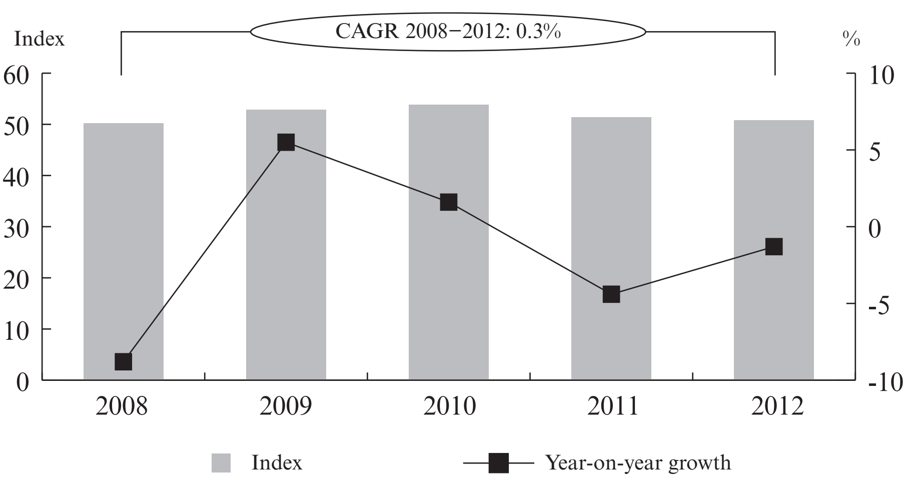
PMI indicates that China's manufacturing sector is expanding

PMI is an economic indicator derived from monthly surveys of private sector companies on five different fields, namely, production level, new orders from customers, speed of supplier deliveries, inventories and employment level. Respondents can report either better, same or worse conditions than the previous month. An index reading of 50.0 means that the variable is unchanged, a number over 50.0 indicates an improvement while anything below 50.0 suggests a decline.

Upon reviewing the PMI for China's manufacturing industry (during 2008–2012), there was a large fluctuation in 2008 (once reached as low as 38.8 in November caused by the global financial crisis), but it subsequently recovered to 56.6 in December 2009, indicating that the domestic manufacturing industry was expanding. It is clear that a series of measures to stimulate the economy by the PRC Government has come into effect in the manufacturing industry. However, the PMI in November of 2011 fell below 50, revealing that the economy had begun to contract and was no longer expanding. The principal factor was the influence of the global economic crisis. For example, the European debt crisis lasted approximately 3 years and was still the primary issue affecting Europe's economic situation in 2012.

Although the index average in 2012 was only 50.8, which is both 3.0 points lower than the historical mean, and trending lower for the second consecutive year, it was still above 50, indicating that manufacturing enterprises in China expanded albeit slowly in 2012.

The chart below sets forth China's PMI and its growth rate during the periods indicated:



Source: China Federation of Logistics & Purchasing

Number of enterprises in manufacturing industry

The majority of large enterprises in China are from the manufacturing industry

According to the national statistics yearbook, the manufacturing sector in China involves 31 industries. Among enterprises where the annual main business income exceeds RMB20 million, more than 90% are enterprises in the manufacturing sector. The number of enterprises in the manufacturing sector reached 301,489 in 2011. In the last two years, especially in 2012, the increase in market demand slowed. However, along with the intended government policies to stimulate domestic demand, there are signs that market demand may increase steadily.

Steady development from computer, communication equipment, and other electronic equipment manufacturing industry enterprises

The number of computer, communication equipment and other electronic equipment manufacturing enterprises (with an annual business income exceeding RMB20 million) reached 11,364 in 2011. At present, the output of products in China like: cell-phones, stored program control exchanges (SPC), microcomputers, monitors, colour TV sets, and DVD players, rank first in the world.

However, industry monitoring and analysis reveals that within the last two years, small-sized enterprises in this sector are facing difficulties in expanding and continuing operations in China. Customer orders for medium-sized and large scale enterprises have been increasing since 2011, while orders for the small enterprises decreased. Competitive advantages of small enterprises decreased while medium-sized and large scale enterprises became more competitive due to increased R&D investment and sufficient working capital.

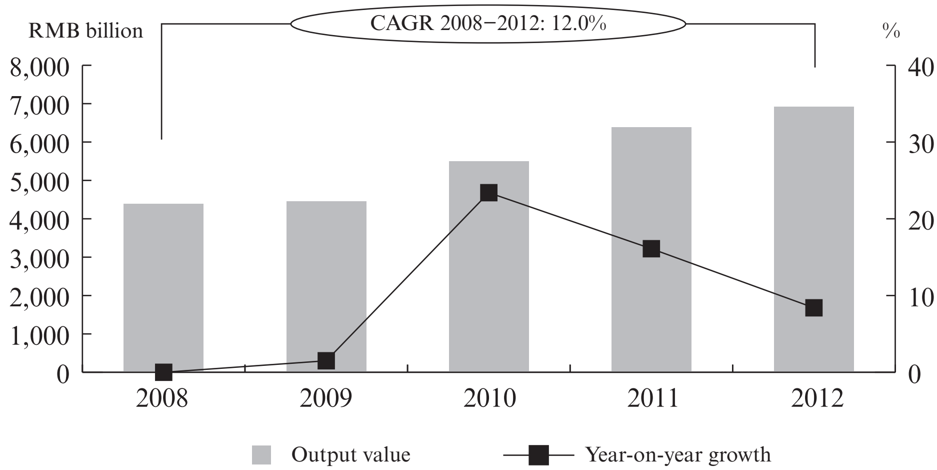
Gross industrial output value

Computer, communication equipment and other electronic equipment manufacturing industry realised an annual gross industrial output value of RMB6,916.7 billion in 2012

According to the National Bureau of Statistics, in 2012, the computer, communication equipment and other electronic equipment manufacturing industry realised an annual gross industrial output value of RMB6,916.7 billion which accounted for 8.5% of the total revenue of the manufacturing industry. It had a year-on-year growth rate of 8.4%, which was 7.7 percentage points lower than the previous year due to reduced market demand.

Over the past five years from 2008 to 2012, the computer, communication equipment and other electronic equipment manufacturing industry, realised a CAGR of 12.0%. In 2009, the government issued a series of policies to support the development of this industry, such as, the integration of industrialisation and informatisation, building 3G mobile communication networks, and the introduction of the China Multimedia Media Broadcasting (CMMB) mobile TV, which contributed to the high industry output growth in 2010 and 2011.

The chart below sets forth China's Gross industrial output value of enterprises in the manufacturing of communication equipment, computers and other electronics equipment and its growth rate during the periods indicated:



Source: National Bureau of Statistics of the PRC

MAJOR STRUCTURE AND COMPONENTS OF DISPLAY TECHNOLOGY

TFT-LCD is the main stream display technology

Display technology is widely used in electronic products such as TV sets, monitors, notebooks, tablet PCs and mobile phones. Currently the most commonly used display technology is TFT-LCD technology. The display product is called a TFT-LCD module (the "LCM"). It mainly consists of TFT-LCD panel, one or more driver ICs, polarisers and a backlight system. TFT-LCD panels are made of two pieces of glass substrate (a TFT-LCD array substrate and a colour filter substrate) with liquid crystal sealed in between and a colour filter under the upper colour filter substrate. A TFT-LCD array substrate consists of millions of TFT-LCD devices. Between panels of the same size, the more TFT-LCD devices it has, the higher definition (or resolution) the panel is.

Typically, a LCM will work in the following way. The backlight system provides a source of light for the LCM as the TFT-LCD panel cannot generate light itself. Light generated by the backlight system is focused forward. When the light reaches the first polariser, only some of the light directed toward the TFT-array substrate will go through, and the polarisation causes them to be parallel. These lights enter the liquid crystals. The second polariser is on top of the upper colour filter substrate and is vertically oriented against the first polariser. Liquid crystals rotate according to voltage from the driver ICs which guides some of the light to the colour filter and then goes through the vertical polariser. This allows colour to be seen from the viewer's perspective. This constant process controls the degree of light for each TFT-LCD device. On top of the polariser, there is a protective glass, or a touch panel for touch function.

Comparing mobile phone display technologies: LCD vs OLED

Pertaining to mobile phones, the two prominent display types currently observed within the mobile phone market are LCDs and OLED technology. Essentially, unlike LCD displays which are non-light emitting, OLEDs are made from organic light-emitting materials and do not require any backlight and filtering systems.

Between the two display types, LCD is commonly installed on most feature phones and on smartphones emulating Apple's iPhones-based innovation. Recognised as a more mature and cost-effective technology as compared to the relative infancy of OLED displays, LCD panels are thus the prevailing display technology in relation to mobile phones. Nevertheless, OLED displays recently gained some market traction with the successful launch of the "Samsung Galaxy" series of mobile phones by Korean electronics maker Samsung.

Based on information consolidated from numerous technology-related articles and forums which compares the pros and cons between LCD vs OLED displays for mobile phones, it is the consensus that the benefits associated with LCD display panels include:

- screens having a longer life span
- screens being easier for viewing under the glare of direct sunlight
- currently low costs of manufacturing due to technology maturity
- multiple panel suppliers

Likewise, the benefits associated with OLED display panels include:

- screens being more energy efficient (i.e. better battery usage)
- screens capable of being made thinner in design
- screens colours capable of being more vibrant (depending on resolution settings)
- screens having faster refresh rates

Whilst there is certainly the potential for OLED displays to gain greater traction, the technology is still relatively new to smartphones and as such, from a manufacturing standpoint, OLED displays are more costly to produce. This inadvertently results in higher prices of end products (to be borne by consumers) or the tightening of manufacturers' profit margins. Furthermore, with the supply of OLED display panels being rather limited coupled by the continued technological advances in the mature LCD display panel market (e.g. super-LCD), industry experts believe that LCD panels used for mobile phones would likely continue to dominate the market in the next five years.

Further insights supporting these performance trends and drivers for TFT-LCD display market are discussed in the paragraph headed "TFT-LCD panel for all applications" under this section of the prospectus.

TFT-LCD PANEL INDUSTRY IN CHINA

TFT-LCD panel for all applications

Overview

China's LCD panel industry off to a good start with great geographic concentration, but weak on core technologies

Like the rest of the world, China's LCD technology research first started in 1969, however its LCD panel industry was only formed after 1980. Despite the rapid development of the industry, a lack of core technologies and a weak capacity for technical development forced China's LCD panel products to be concentrated within the low and medium markets.

China makes up a large portion of the TFT-LCD module assembly field, but TFT-LCD panels used in China are mostly imported from Korea, Japan and Taiwan. Almost all 30+ inch TFT-LCD TV panels are imported. The country's Panel Display Industry Development Plan (2010–2012) clearly lists the Yangtze River Delta, the Pearl River Delta, as well as cities like Beijing, Chengdu and Hefei as representative cluster areas of the panel display industry.

To date, the Yangtze River Delta, specifically Shanghai, Nanjing, Wuxi and Wuhu, the Pearl River Delta, led by Shenzhen and Guangzhou, as well as the Bohai Rim, have become major production bases for TFT-LCD modules. These are also cluster areas that support industries all over the world, predominantly world-class Japanese, Korean and Taiwanese joint ventures, which have formed a huge and relatively integrated midstream and downstream panel display industry chain.

National policies supporting the TFT-LCD industry

As a capital and technology-intensive industry, the TFT-LCD panel industry has a short product life cycle and requires fast upgrading of production lines and technology. Therefore, this industry is difficult to establish without governmental or large capital support.

Chinese government institutions have played a significant role during the development of China's TFT-LCD industry. The development of the TFT-LCD industry has gained strong support from national industrial policies, and governments of several provinces and cities like Guangdong, Jiangsu and Shenzhen have also taken the panel display industry as a strategic position for regional economic development. In 2009, the country released the Plan for the Adjustment and Revitalisation of the Electronic Information Industry. In the same year, the central government appropriated a special fund of RMB20 billion for technical renovation in the form of subsidised loans, with priority to six fields, including the transformation of the new display and coloured TV industry.

In order to encourage and promote the development of the new display device industry, China released preferential import tax policies to support new display device domestic manufacturers. The National Development and Reform Commission and the Ministry of Industry and Information Technology also jointly released the Panel Display Industry Development Plan (2010–2012). Driven by these government policies, the consumption value in the Chinese market soared by 55.3% in 2008 to US$10.8 billion, despite a sharp drop in global TFT-LCD panel consumption due to the global financial crisis.

Based on the PRC Government's "12th Five-Year Plan (2011–2015)" to cultivate and develop new-generation information technology industries in China, both the IC and panel display industries have been included under this strategic plan. For the TFT-LCD industry, this meant the support to build 6th generation large-sized TFT-LCD panel production lines to meet the demand of large-sized TFT-LCD TV sets. It also included the support to build medium and small-sized LCM production lines. The government also supported the development and industrialisation of key TFT-LCD components such as colour filters, glass substrates, polarisers and new backlights. Currently, the panel display industry has been identified as a key field in emerging strategic national industries.

Domestic consumption of TFT-LCD panels

China has a robust demand for small & medium-sized panels

From 2008 to 2012, the CAGR of the total consumption value of TFT-LCD panels in China stood at 26.5%, associated with the surge in demand for smart phones and tablet PCs as well as the demand for large-sized TFT-LCD TVs.

In 2008, the consumption value of TFT-LCD panels was only US$6.8 billion in China. Demand from Europe and America plummeted because of the severe impact of the global financial crisis, and key TFT-LCD panel manufacturers all over the world suffered from overcapacity.

In 2009, the National Development and Reform Commission and the Ministry of Industry and Information Technology jointly released the Panel Display Industry Development Plan (2010–2012). Represented by a major domestic panel manufacturer, TFT-LCD panel enterprises in Mainland China began contra-cyclical expansion, propelling other domestic manufacturers to re-launch their investment plans that were suspended, amidst the financial crisis.

To support the development of China's home appliance industry and expand domestic demand, the Chinese government released a series of subsidy policies such as "bringing home appliances to the countryside," "trading in old home appliances for new ones," and "incentives for people with energy-conserving products". In 2009, the consumption value of TFT-LCD panels soared to US$10.7 billion, up 56.0%.

In 2012, TFT-LCD panel production lines built in the previous two years came into use, leading to substantial increases in TFT-LCD technologies and production capacity. The Chinese government has also increased its attention on China's TFT-LCD panel industry.

On 1 April 2012, the country officially raised import tariffs on TFT-LCD panels, directly driving up price of imported panels and the demand for homemade panels from foreign and domestic panel TV manufacturers. In this context, the consumption value of TFT-LCD panels rose to US$17.6 billion, up 22.1% from the previous year. The growth was mostly attributed to the growth in the smart TV, tablet PC and smart phone productions.

Demand for polarisers is expected to grow in tandem to the demand for TFT-LCD panels

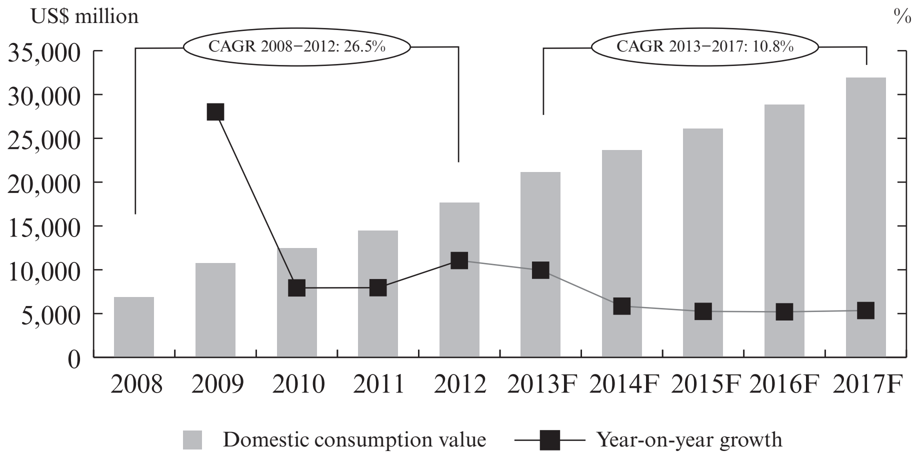
Polarisers are intrinsic components required in the manufacturing of TFT-LCD panels. On a technical note, these polarisers regulate the dispersion of the display panel's backlight, to create the controlled emission of light beams that are channeled through colour filters (red, green, blue), which in turn form the images we see on a TFT-LCD screen. This applies to all electronic gadgets that use TFT-LCD display panels (e.g. TV monitors, smart phones etc.). Generally, without the installation of these filters against the back and front sides of the liquid crystal layer, any image projected would only appear as a bright white screen to the naked eye.

Given the technical specifications and the function these polarising filters play in the production of TFT-LCD display panels, the market for polarisers in China is expected to grow in tandem with that of the TFT-LCD display panels market. This would also mean that the growth in production of the same electronic gadgets that are expected to drive the demand for TFT-LCD display panels (i.e. smart TV, tablet PC, smart phone) would inadvertently fuel the demand for polarisers just the same.

Future growth of total panel consumption is expected to slow down

In the next five years, the pattern of overcapacity of the world TFT-LCD panel industry, especially for large-sized TFT-LCD panels, is expected to continue. All panel manufacturers have scrambled to deploy new technologies, thus intensifying competition in high-end products and bringing down profits. The Chinese domestic consumption value of TFT-LCD panels is expected to reach US$21.1 billion in 2013, up from some 19.9% from the previous year. Beginning in 2014, growth will gradually slow down. By 2017, the consumption value of TFT-LCD panels is likely to reach US$31.9 billion and the CAGR is expected to be 10.8% over 2013 to 2017.

The chart below sets forth the domestic consumption value of TFT-LCD panels in China and its growth rate for the periods indicated:



Source: Euromonitor, after desk research and trade interviews with leading panel manufacturers, component traders and LCM manufacturers

TFT-LCD panels for mobile phones

Domestic consumption

Domestic mobile phone production drives the shipments of TFT-LCD panels

China is estimated to produce approximately more than half of the world's mobile phones in volume each year. Since the launch of the first iPhone in 2008, the mobile phone industry has shifted rapidly from focusing mainly on feature phone productions to more on smart phone productions. New mobile phone screens have increased in size each year, thus raising demand for larger sized TFT-LCD panels.

Led by several of China's major smart phone manufacturers, China's low-cost smart phone manufacturers have developed rapidly and will further drive the shipments of TFT-LCD panel for smart phones. The growth of smart phone production in China is expected to be robustly driven by both domestic consumption and exports. In China's domestic market, local-brand smart phones priced at less than RMB2,000 increased rapidly in 2011, while mobile phones priced at less than RMB1,000 also increased rapidly in the second quarter of 2012.

TFT-LCD panel consumption for mobile phones reached US$869.3 million in 2012

The sales of mobile phone-based TFT-LCD panels in China in 2012 reached US$869.3 million with a growth of 46.8% from the previous year. The growth rate is mainly attributed to an increase of market demands for smart phones and the amount accounts for 4.9% of the whole TFT-LCD panel consumption in China.

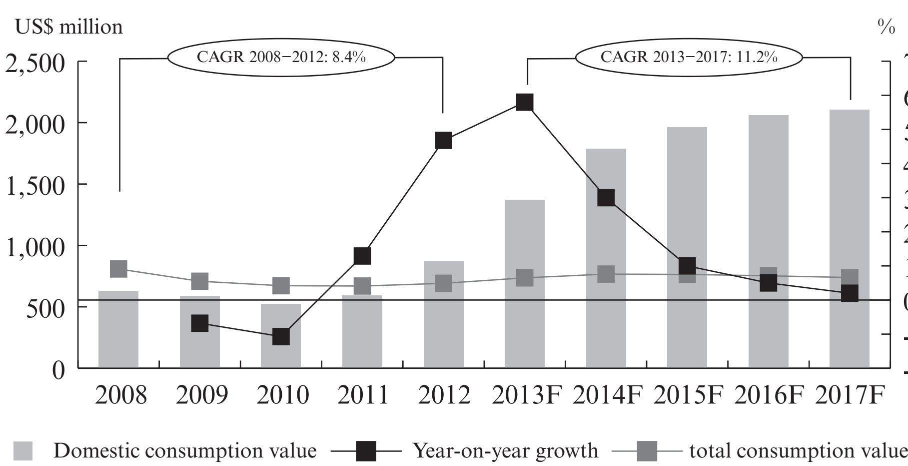
The market price of the TFT-LCD panel is determined by both demand in the end products market and supply from panel manufacturers. Because of overcapacity in the past 5 years, the price of panels of the same size and same type has been on a downward trend even during times of high demand. In general, the larger the panel size, the slower the price decline; however, since the end of 2011, smart phone production demands have driven up the price of some small-sized TFT-LCD panels. This is because demand for smart phones with larger screens caused a supply shortage of small-sized panels. The shortage of small-sized panels worsened in 2012 and 2013 as the supply could not be increased in a short period of time. Therefore an upward trend of mobile phone panel price is expected to continue in 2013.

Promising market outlook for TFT-LCD panels for mobile phones

According to data from the Ministry of Industry and Information of the People's Republic of China, at the end of 2011, the number of mobile phone users in China reached 980 million with a consumer penetration rate of 72.8% and a growth rate of 13.6% compared with that in 2010. The number of 3G users was 128 million with a consumer penetration rate of 13.1%. According to industry analysis, China has the largest number of mobile phone users in the world, and the population of mobile phone users in China is expected to exceed 1.2 billion persons in 2014. The massive number of mobile phone users provides a foundation and condition for the expansion of smart phone user scale. China will be an important market with a rapidly growing smart phone industry.

Looking forward into the next 5 years (2013–2017), the total consumption value of mobile phone-based TFT-LCD panels will continue to grow at a CAGR of 11.2%, higher than that of the total TFT-LCD panel consumption. Apart from growing domestic demand, the growth will also be fuelled by demands from emerging markets, where entry-level smart phones (priced below US$200) are gaining momentum.

The chart below sets forth the domestic consumption value of TFT-LCD panels used in mobile phones in China and its growth rate for the periods indicated:



Source: Euromonitor, after desk research and trade interviews with leading panel manufacturers, component traders and LCM manufacturers

Competitive Landscape

Highly concentrated development of TFT-LCD panel industry

Currently, the TFT-LCD panel industry in the PRC is highly concentrated with a number of Chinese TFT-LCD panel manufacturers. As to imported panels, the PRC mainly imports panels from Taiwanese manufacturers such as the InnoLux Group.

Traders control the upper-stream resources for Chinese LCM makers

Taiwanese panel manufacturers typically produce LCMs after the panels have been manufactured, particularly for large-sized LCMs. They normally require clients to make advanced payments for products and are not willing to deal directly with smaller LCM manufacturers in China. There are many small LCM assembly companies in China that often lack working capital and need favourable payment terms. These companies' clients comprise primarily of domestic-brand or white-box mobile phone manufacturers. LCM manufacturers rely on TFT-LCD component traders, being stockholders within the supply chain that buy and sell the specified component parts to other intermediaries or end-users along the products' value chains, for access to resources such as panels and driver ICs which are made mostly in Taiwan. In this way, TFT-LCD component traders are agents of panel and driver IC manufacturers. The traders often provide 30- to 60-day payment terms to LCM manufacturers when necessary, and plan out logistics. They keep large amount of stocks to meet LCM makers' urgent production needs and some even provide field application engineer support.

Traders monitor the market for panel and driver IC manufacturers

The relationship between traders, manufacturers of panels and driver ICs, and manufacturers of LCMs is critical for traders' success. Traders collect information, feedback, and product trends within the Chinese market to help the Taiwanese panel and driver IC manufacturers with production and innovation decisions. Advice and product solutions based on product demand forecasts are provided by the traders, who also conduct product combination tests. Traders not only need to secure resources for their LCM clients but also need to manage price-drop risks as they always have stocks at hand. Additionally, sensitivity to market trends is vital because the clients may cancel orders when market demands change. Each trader has a pool of clients to share available resources and to avoid dull sales.

Top 5 TFT-LCD panel traders account for almost 80% of total consumption of Chinese LCM manufacturers

The top five TFT-LCD panel traders account for almost 80% of the total mobile phone display panel value consumption by LCM manufacturers in China.

Perfect Display has been in this business since 2004. It has a good and stable relationship with the major Taiwanese TFT-LCD panel manufacturer, InnoLux Corporation and offers technical support to LCM manufacturers in China. Perfect Display was the only agent of InnoLux Corporation (formerly Chimei InnoLux Corporation) in China including Hong Kong from 2004 to 2008 and it is currently still a major agent of InnoLux Corporation.

Top five traders of TFT-LCD panels (used in mobile phones) to China in 2012

Rank	**Company**	**Headquarters**	**Share of total domestic consumption**
1	Road-Well (H.K.) Electronics Limited	Hong Kong	33%
2	WPG Holdings	Taiwan	14%
3	Suprume Electronic Co., Ltd	Taiwan	12%
4	Perfect Display	Hong Kong	11%
5	Zenitron Corporation	Taiwan	9%
	Others		21%

Source: Euromonitor, after desk research and trade interviews with leading panel manufacturers, component traders and LCM manufacturers

Note: The market share data reported above has been estimated via a fieldwork program consisting of desk research and trade interviews. While audited data was available for some of the companies, they typically do not break the revenue numbers into the relevant categories which were covered in this study. For these companies as well as those companies that are included in the market shares but are not publicly listed, Euromonitor estimated the markets shares based on estimates provided by various trade sources (i.e. not just the companies themselves) and seeking a consensus on these estimates as much as possible.

TFT-LCD DRIVER IC INDUSTRY IN CHINA

TFT-LCD driver IC for all applications

Overview

Driver IC enterprises in Mainland China are growing slowly

The prosperity of the TFT-LCD industry has stimulated progress in the entire supply chain, which is obvious in the growing demand for TFT-LCD driver ICs. However, due to the high technical threshold of TFT-LCD driver ICs and the high relevancy between the upstream and downstream of products, China's TFT-LCD driver IC enterprises have long underperformed. For instance, TFT-LCD driver ICs used on large-sized TFT-LCD products (e.g. laptop computers, desktop computers and TFT-LCD TVs) in China are mainly imported from Japan, Korea and Taiwan. For a long time, the driver IC manufacturing technology of the Chinese mainland's semiconductor manufacturers had not been recognised. It was not until late 2002 when a semiconductor manufacturing company worked as an OEM for a Samsung TFT-LCD driver IC that the Chinese mainland's TFT-LCD driver IC industry took a favourable turn.

Therefore, though there have been over 400 IC design companies in China, few of them specialised in TFT-LCD driver IC research and development. There were a few TFT-LCD driver IC makers in Mainland China and their products have just been launched. Compared to mature products by foreign enterprises, there is a wide gap in terms of market application and shipments, stable shipment scales and downstream customers have yet to be formed. As such, China mainly depends on import for TFT-LCD driver IC products and domestic supply is grossly inadequate.

Domestic consumption

Consumption is closely related to the LCD panel market

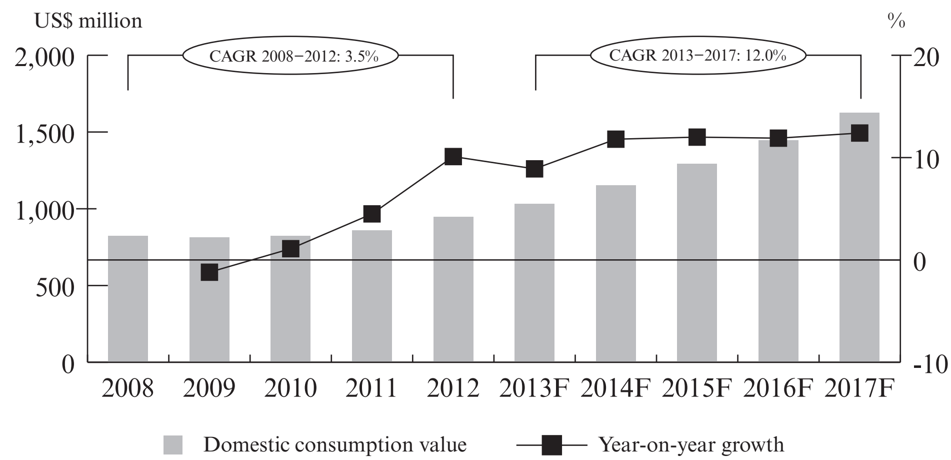
The market scale of TFT-LCD driver ICs is positively correlated to panel shipments as well as the quantity of driver ICs per panel. In recent years, driver IC enterprises have been committed to developing more complex electronic circuit architectures that can display higher-quality images. Panel manufacturers have been committed to the multi-channelisation of driver ICs and reducing the use of driver ICs under the same resolution. Therefore, the domestic TFT-LCD driver IC market is relatively complex.

TFT-LCD driver ICs are mainly connected to TFT-LCD modules. In recent years, TFT-LCD electronic products have grown rapidly to become indispensable consumer goods in day to day life, from TFT-LCD monitors, laptop computers to TFT-LCD TVs, mobile phones, portable media players and digital photo frames. Amid the continuous global economic slump in 2009, the demand for large-sized TFT-LCD monitors fell slightly, the integration of driver ICs increased and the quantity of driver ICs used reduced. The growth of the TFT-LCD driver IC consumption decreased by 1.2%, and the annual consumption of TFT-LCD driver ICs stood at US$814.5 million in 2009.

Big market potential

The TFT-LCD driver IC market entered a period of accelerated growth in recent years and this was due to the gradual recovery of the economy, the adjustment of China's electronic information industry, the implementation of the Plan for the Adjustment and Revitalisation of the Electronic Information Industry, the popularisation of digital TV and panel display, and the gradual maturation of 3G applications. In 2011, the consumption of the TFT-LCD driver IC in China reached US$860.4 million, up 4.5% from the previous year. In 2012, the consumption value of TFT-LCD driver ICs in China stood at US$947.5 million and the CAGR for the review period of 2008 to 2012 was 3.5%. It is expected that the use of TFT-LCD driver ICs will grow with the rapid development and technical upgrading of the TFT-LCD panel industry in the coming years. By 2017, the consumption value of TFT-LCD driver ICs is expected to reach US$1.6 billion, with a CAGR of 12% from 2013 to 2017.

The chart below sets forth the domestic consumption value of TFT-LCD driver IC in China and its growth rate for the periods indicated:



Source: Euromonitor, after desk research and trade interviews with leading driver IC manufacturers, component traders and LCM manufacturers

Small and medium-sized panel driver ICs favoured with a high proportion of them being imported

The large-sized TFT-LCD driver IC field is a difficult one to enter. Apart from the high technical threshold and process threshold, large-sized driver ICs must be supported by large-sized TFT-LCD panel manufacturers and top TFT-LCD OEMs. However, there are a few panel production lines in the Mainland China, and the right to purchase driver ICs lies in foreign hands. Currently, all driver IC design companies are associated or partnered with panel manufacturers.

In recent years, the small & medium-sized driver IC markets have outperformed the large-sized market. First, the explosion in the number of medium-sized driver ICs is attributable to the rapid increase in tablet PC shipments. Second, the resolution of small & medium-sized panels has become increasingly high, bringing up the driver IC cost, therefore slowing the decline of sale prices as compared to large-sized panel driver ICs. Third, the smart phone market is hot and the number of mobile phones with high-resolution panels has soared. Smart phone sales growth has given impetus to the growth of TFT-LCD driver ICs.

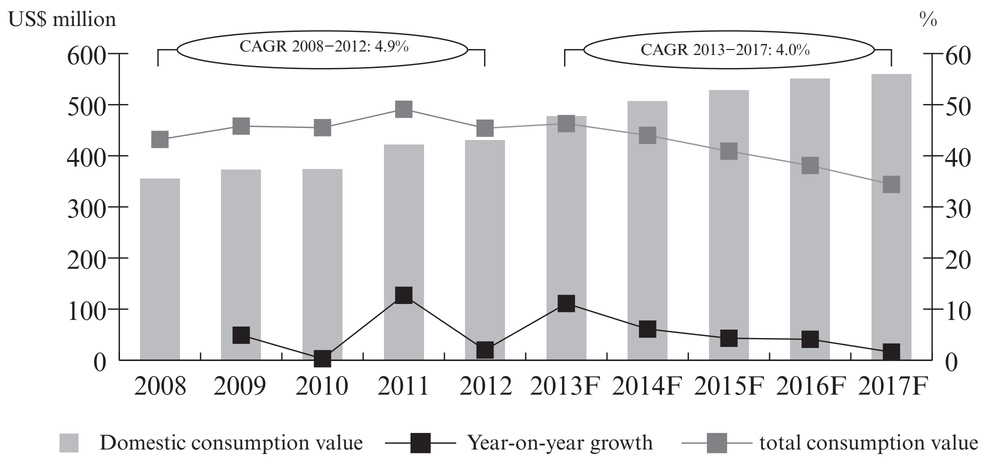
TFT-LCD driver IC for mobile phones

Domestic consumption

Stable growth in domestic consumption of TFT-LCD mobile phone driver ICs

The domestic consumption of TFT-LCD driver ICs used in mobile phones reached US$430.4 million in 2012. From 2008 to 2012, the CAGR of this market was 4.9%, corresponding to a slightly higher level than the 3.5% CAGR of the overall TFT-LCD driver IC market for all electronic applications. Owing to a low market capacity and the explosive demand growth for smart phones, driver ICs used in mobile phones reached a high growth rate of 12.7% in 2011.

The chart below sets forth the domestic consumption value of TFT-LCD driver IC used in mobile phones in China and its growth rate for the periods indicated:



Source: Euromonitor, after desk research and trade interviews with leading driver IC manufacturers, component traders and LCM manufacturers

Consumption of TFT-LCD mobile phone driver ICs accounts for a significant share in overall driver IC market

Domestic consumption of TFT-LCD driver ICs used in mobile phones accounted for a significant share (45.4%) in the overall driver IC market in 2012. This is because the production volume of mobile phones in China is much higher than the production volume of all the other electronic products using TFT-LCDs, even though a single mobile phone uses only one driver IC in its LCM.

Tablet instead of mobile phone productions will drive the consumption of driver IC in the future

In the forecast period of 2013–2017, since the annual growth rate of Chinese consumption of TFT-LCD driver ICs used in mobile phones is expected to be lower than the overall driver IC market, the market share is expected to gradually decline to 34.1% in 2017. This is because the consumption of driver ICs by new electronic products, such as Windows 8 products and tablet PCs, will grow more significantly. Tablet production in China will continue to grow and a tablet on average uses 4 or 6 driver ICs compared to only 1 driver IC for a mobile phone.

Competitive landscape

Taiwanese mobile phone driver IC manufacturers are market leaders

Taiwanese manufacturers are the leaders of the Chinese mobile phone driver IC market, which reacts flexibly to product upgrading trends by focusing on product development and cooperating closely and efficiently with upstream wafer plants, downstream IC packaging, and testing plants. They have advantages both in technologies used and in operations. In contrast, Mainland China mobile phone driver IC manufacturers are subject to relatively backward technologies, featuring a product line that focuses only on feature phones and low-end smart phone modules.

Top four traders account for 60% of the total mobile phone TFT-LCD driver IC consumption

In 2012, the top four traders accounted for 60% of the total mobile phone TFT-LCD driver IC value consumption by LCM manufacturers in China. Due to the "Top-heavy" phenomenon in the industry, the leading players are likely to keep their dominating positions.

Top four traders of TFT-LCD driver IC (used in mobile phones) to China in 2012

Rank	Company	Headquarters	Share of total domestic consumption
1	Road-Well (H.K.) Electronics Limited	Hong Kong	27%
2	WPG Holdings	Taiwan	13%
3	Perfect Display	Hong Kong	11%
4	Wisewheel Electronics Company Limited	Hong Kong	10%
	Others		39%

Source: Euromonitor, after desk research and trade interviews with leading driver IC manufacturers, component traders and LCM manufacturers

Note: The market share data reported above has been estimated via a fieldwork program consisting of desk research and trade interviews. While audited data was available for some of the companies, they typically do not break the revenue numbers into the relevant categories which were covered in this study. For these companies as well as those companies that are included in the market shares but are not publicly listed, Euromonitor estimated the markets shares based on estimates provided by various trade sources (i.e. not just the companies themselves) and seeking a consensus on these estimates as much as possible.

CONSUMER DEMAND FOR MOBILE PHONES IN CHINA

Status of mobile phone penetration in China

Overall, the household penetration of mobile phones in China reached 93% in 2013. The penetration rate was high even in rural areas, which accounted for about 28% share of retail volume sales in 2013.

In 2013, the possession rate for smartphones reached 45% of households with retail volume sales growing at an estimated 40% year-on-year. This accounted for an estimated 81% share of retail volume sales of mobile phones in 2013.

Consumption trends for smartphones vs. feature phones

In recent years, the demand for smartphones in China has been growing rapidly against the demand for feature phones as the prices for smartphones have progressively declined. The stepping-up of consumer education by manufacturers, in terms of advertising and marketing campaigns, coupled by the changing fast-paced lifestyles of consumers, encouraged more people to switch from feature phones to smartphones.

Whilst feature phones are increasingly eschewed by urban consumers, nonetheless they still account for the lion's share of mobile phone sales within the rural consumer segment.

With the declining costs of mobile phone components including chips, memory cards and display panels, in addition to manufacturers' price-cutting strategies to stimulate product replacements, this inadvertently exerted downward pressure on unit prices for both smart phones and feature phones to the benefit of consumers.

Growing consumer uptake of smartphones

Increasingly, more consumers are using their smartphones to fulfil daily tasks on the go, including checking of e-mails, updating of social media profiles, accessing internet resources, sending text messages, amongst other functions. The growth in mobile phone uptake has seen the overall replacement cycle falling from 22 months in 2011 to 21 months in 2013.

By the end of 2012, the number of mobile telecommunication users in China reached 1.1 billion, with an estimated 234 million being 3G users. As consumer acceptance grows, fuelled by advanced product features and decreasing unit prices, smartphones sales in particular is projected to grow at a CAGR of 19% (in retail volume terms) over the next 5 years.

HONG KONG LAWS AND REGULATIONS

Our Company is incorporated under the laws of the Cayman Islands as an exempted company and is registered as a non-Hong Kong company under Part XI of the Companies Ordinance. Perfect Display, the principal operating subsidiary of our Group, is a company incorporated in Hong Kong. The Companies Ordinance, as supplemented by the common law and the rules of equity, the Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) and the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) are therefore applicable to our Group's business operations in Hong Kong.

Further, the following Hong Kong laws and regulations are also relevant to our Group's operations and business:

Employment Ordinance (Chapter 57 of the Laws of Hong Kong)

The Employment Ordinance is the main piece of Hong Kong legislation governing conditions of employment in Hong Kong. It provides for various employment-related benefits and entitlements to employees. All employees covered by the Employment Ordinance, irrespective of their hours of work, are entitled to basic protection under such Ordinance including payment of wages, restrictions on wages deductions and the granting of statutory holidays, etc. Employees who are employed under a continuous contract are further entitled to such benefits as rest days, paid annual leave, sickness allowance, severance payment and long service payment, etc.

Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)

The Employees' Compensation Ordinance establishes a no-fault, non-contributory employee compensation system for work injuries. The Employees' Compensation Ordinance in general applies to employees who are employed under a contract of service or apprenticeship. Employees who are injured while working outside Hong Kong are also covered if they are employed in Hong Kong by local employers. An employer is liable to pay compensation in respect of injuries sustained by his employees as a result of an accident arising out of and in the course of employment; or in respect of occupational diseases specified in the Employees' Compensation Ordinance suffered by the employees.

Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)

Mandatory Provident Fund ("MPF") is an employment-based retirement protection system under the Mandatory Provident Fund Schemes Ordinance. Except for exempt persons, employees (regular or casual) and self-employed persons who are at least 18 but under 65 years of age and is normally residing and working in Hong Kong are required to join an MPF scheme. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Mandatory contributions made by both the employer and employee are fully and immediately vested once they are paid to the trustee. Under the MPF scheme, the employer and, where the monthly income is HK$7,100 or more, the employee are both required to contribute 5% of the employee's monthly relevant income as mandatory contributions for and in respect of the employee, subject to a statutory maximum cap of HK$1,250 per month.

Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)

The Minimum Wage Ordinance provides the wages payable to an employee in respect of any wage period, when averaged over the total number of hours worked in the wage period, should be no less than the statutory minimum wage rate. The statutory minimum wage with effect from 1 May 2013 is HK$30 per hour and it applies to all employees being engaged under a contract of employment under the Employment Ordinance, except those employed as domestic workers in, or in connection with, a household and who dwell in that household free of charge, student interns and work experience students during a period of exempt student employment.

PRC LAWS AND REGULATIONS

Establishment, Operation and Management of a Wholly Foreign-owned Enterprise

The establishment, operation and management of corporate entities in China is governed by the Company Law of the PRC (中華人民共和國公司法) (the "PRC Company Law"), which was promulgated by the Standing Committee of the NPC on 29 December 1993 and became effective on 1 July 1994. It was subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013. The latest amended PRC Company Law will come to be effective on 1 March 2014. The PRC Company Law generally governs two types of companies — limited liability companies and joint stock limited companies. Both types of companies have the status of legal persons, and the liability of shareholders of a limited liability company and a joint stock limited company is limited to the amount of registered capital they have contributed. The PRC Company Law shall also apply to foreign-invested companies. Where laws on foreign investment have other stipulations, such stipulations shall apply.

The approval, establishment operation and other issues of a wholly foreign-owned enterprise are governed by the Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法) (the "Wholly Foreign-owned Enterprise Law"), which was promulgated on 12 April 1986 and amended on 31 October 2000, and Implementation Regulation under the Wholly Foreign-owned Enterprise Law, which was promulgated on 12 December 1990 and amended on 12 April 2001.

Investment in the PRC conducted by foreign investors and foreign-owned enterprises shall comply with the Guidance Catalogue of Industries for Foreign Investment (外商投資產業指導目錄) (the "Catalogue"), which was jointly issued by the Ministry of Commerce (商務部) and the National Development and Reform Commission (國家發展和改革委員會) in 2002, as amended in 2004, 2007 and 2011. The current effective Catalogue was issued on 24 December 2011, and came into force on 30 January 2012. The Catalogue contains specific provisions guiding market access of foreign capital, stipulating in detail the areas of entry pertaining to the categories of encouraged foreign-invested industries, restricted foreign-invested industries and prohibited foreign investment. Any industry not listed in the Catalogue is a permitted industry. Pursuant to the Catalogue (2011 Revision), the distribution of display components of electronics, namely TFT-LCD panels, driver ICs and polarisers does not fall into the "restricted" or "prohibited" categories. Thus, the wholly foreign-owned enterprises are permitted to engage in distributing the display components in the PRC.

FOREIGN EXCHANGE REGULATION

Pursuant to the Foreign Currency Administration Rules of the PRC (中華人民共和國外匯管理條例) promulgated by the State Council on 29 January 1996 as amended on 14 January 1997 and 1 August 2008 and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (結匯、售匯及付匯管理規定) promulgated by the People's Bank of China ("PBOC") on 20 June 1996 and became effective on 1 July 1996 and other PRC rules and regulations on currency conversion, foreign invested enterprises are permitted to convert their after tax dividends into foreign exchange and to remit such foreign exchange out of their foreign exchange bank accounts in the PRC. If foreign invested enterprises require foreign exchange for transactions relating to current account items, they may, without approval of SAFE, effect payment from their exchange account or convert and pay at the designated foreign exchange banks, upon provision of valid receipts and proof. However, convertibility of foreign exchange in respect of capital account items, such as direct investment and capital contributions, is still subject to restriction, and prior approval from SAFE or its relevant branches must be sought.

TAXATION

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the "PRC EIT Law"), which is promulgated on 16 March 2007 and became effective on 1 January 2008, the income tax rate for both domestic and foreign-invested enterprises is 25%, and the existing tax exemptions, reductions and preferential treatment which had been enjoyed by foreign-invested enterprises were abolished unless otherwise specified.

Pursuant to the PRC EIT Law, enterprises established outside the PRC whose "de facto management bodies" are located in the PRC are considered "resident enterprises" and subject to the uniform 25% enterprise income tax rate for their global income.

VAT

Pursuant to the Provisional Regulations on Value-Added Tax of the PRC (中華人民共和國增值稅暫行條例), which were promulgated on 13 December 1993 and amended on 10 November 2008 and its implementation rules, entities or individuals in the PRC engaged in the sale of goods, provision of specific services and importation of goods are required to pay a VAT, on the value added during the course of the sale of goods or provision of services. Unless otherwise specified, the applicable VAT rate for the sale or importation of goods and provision of processing, repair and maintenance services is 17%.

According to the Notice on VAT and Consumption Tax Policies for Exported Goods and Labour Services (關於出口貨物勞務增值稅和消費稅政策的通知) promulgated by the Ministry of Finance and the State Administration of Taxation on 25 May 2012, the self-produced goods and goods regarded as self-produced and exported by production enterprises, the processing, maintenance and repair Labour services provided to overseas, and the non-self-produced goods exported by the named production enterprises shall be exempted from VAT, the corresponding input VAT (if any) shall be credited against the VAT payable (if any) (excluding VAT payable to which the VAT policy of "refund immediately after payment" or "refund after payment" applies), and the remainder shall be refunded. The tax refund rates for processing, maintenance and repair expenses for the goods from processing, maintenance and repair authorised by export enterprises shall be the tax refund rates for exported goods. Under the Administrative Measures for Value-added Tax and Consumption Tax on Export Goods and Labour Services (出口貨物勞務增值稅和消費稅管理辦法) issued by the State Administration of Taxation on 14 June 2012 together with the relevant regulations, in order to enjoy the refund or exemption of value-added tax levied on export goods or processing, maintenance and repair Labour services provided to overseas customers, the export enterprises shall provide a series of materials to the competent tax authorities for the eligibility for export tax refund and make application for the tax refund in accordance with the relevant regulations.

On 14 September 2006, the Ministry of Finance, National Development and Reform Commission, Ministry of Commerce, General Administration of Customs, State Administration of Taxation together promulgated the Notice on Adjusting the Tax Refund Rates of Certain Commodities and Supplementing the Catalogue of Prohibited Commodities in Processing Trade (關於調整部份商品出口退稅率和增補加工貿易禁止類商品目錄的通知), under which the export tax refund rate for the LCD was raised to 17%.

The Ministry of Finance and the State Administration of Taxation promulgated the Pilot Proposals for Levying the VAT in Lieu of Business Tax (營業稅改徵增值稅試點方案) (the "Pilot Proposals") on 16 November 2011 and the Notice on the Pilot Work of Levying VAT in Lieu of Business Tax in the Transportation Industry and Some Modern Service Industries in Beijing and Other Seven Provinces and Cities (財政部、國家稅務總局關於在北京等8省市開展交通運輸業和部份現代服務業營業稅改徵增值稅試點的通知) on 31 July 2012. Pursuant to the Pilot Proposals, since 1 January 2012, certain economic regions of the PRC have been selected as pilot areas to carry out the change from business tax to VAT for productive services industries such as transportation and part of the modern service industries. For taxpayers providing services in modern service industries (excluding tangible personal property rental services), the tax rate shall be 6%. Since 1 August 2012, the selected pilot areas have been extended from Shanghai to 8 other provinces and cities, including Shenzhen. On 24 May 2013, the Tax Policies for Implementing across the Country the Pilot Program of Levying Value-Added Tax in Lieu of Business Tax on the Transportation Industry and Some Modern Service Industries (關於在全國開展交通運輸業和部份現代服務業營業稅改徵增值稅試點稅收政策的通知) ("Caishui [2013] No. 37") was promulgated by the Ministry of Finance and the State Administration of Taxation, which repealed and replaced the relevant notices and provisions with respect to the pilot program issued before. Pursuant to Caishui [2013] No. 37, the pilot program of levying VAT in lieu of business tax on the transportation industry and some modern service industries shall be implemented across the PRC as of 1 August 2013.

According to the Annex III of the Caishui [2013] No. 37 — the Provisions on the Transitional Policies for the Pilot Work of Levying VAT in Lieu of Business Tax on the Transportation Industry and Some Modern Service Industries (交通運輸業和部份現代服務業營業稅改徵增值稅試點過渡政策的規定), taxable services provided by the pilot taxpayers registered in China's service outsourcing exemplary cities while engaging in the offshore service outsourcing business from the date of implementation of the pilot program in the local area to 31 December 2013 shall be exempt from VAT. "Engaging in the offshore service outsourcing business", according to these provisions, has the meaning that an enterprise, according to the entrustment contract concluded with an entity outside China, provides or directly subcontracts to an enterprise to provide information technology outsourcing ("ITO") services, technical business process outsourcing ("BPO") services or technical knowledge process outsourcing ("KPO") services.

On 12 December 2013, the Ministry of Finance and the State Administration of Taxation issued the Notice for Adding the Railway Transportation and Postal Industries into the Pilot Program of Levying Value-Added Tax in Lieu of Business Tax (關於將鐵路運輸和郵政業納入營業稅改徵增值稅試點的通知) ("Caishui [2013] No. 106"), which repealed and replaced the Caishui [2013] No. 37. According to Annex III of the Caishui [2013] No. 106 — the Provisions on the Transitional Policies for the Pilot Work of Levying VAT in Lieu of Business Tax (營業稅改徵增值稅試點過渡政策的規定), the terms of exemption from VAT for the taxable services provided by the pilot taxpayers which engaging in the offshore service outsourcing business was extended to 31 December 2018.

LAWS AND REGULATIONS RELATING TO DIVIDEND DISTRIBUTION

Under the Wholly Foreign-owned Enterprise Law and the Law of the PRC on Sino-foreign Equity Joint Ventures (中華人民共和國中外合資經營企業法), which was amended by the Standing Committee of the NPC on 15 March 2001, and their respective Implementation Regulations, foreign-invested enterprises may not distribute after-tax profits unless they have contributed to the funds as required by PRC laws and regulations and have set off financial losses of previous accounting years. According to the PRC EIT Law and the Implementation Rules of the PRC EIT Law (中華人民共和國企業所得稅法實施條例), dividends paid to its foreign investors are subject to a withholding tax rate of 10%, unless relevant tax agreements entered into by the PRC Government provide otherwise.

Pursuant to the Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) entered into between the PRC and Hong Kong on 21 August 2006, the withholding tax rate on dividends paid by a PRC company to a Hong Kong resident is 5%, provided that such Hong Kong resident directly holds at least 25% of the equity interests in the PRC company, and 10% if the Hong Kong resident holds less than 25% of the equity interests in a PRC company.

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (國家稅務總局關於執行稅收協定股息條款有關問題的通知), effective on 2 February 2009, all of the following requirements shall be satisfied where a fiscal resident of the other party to a tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a Chinese resident company: (i) the non-Chinese resident company must be a fiscal resident of the other side to the tax agreement; (ii) the non-Chinese resident company must be the beneficial owner of the dividends; (iii) the dividends must be dividend or profit distribution determined in accordance with the relevant laws and regulations of China; and (iv) any other criteria set out by the State Administration of Taxation shall be satisfied. Where a fiscal resident of the other contracting party to the tax agreement directly owns a certain proportion (generally 25% or 10%) of share capital of the Chinese resident company which pays dividends, the withholding income tax on the dividends paid to the fiscal resident of the other contracting party may be levied at the withholding income tax rate prescribed in the tax agreement. To enjoy this treatment under the tax agreement, the fiscal resident of the other contracting party shall meet all of the following requirements: (i) the fiscal resident of the other contracting party who receives dividends shall be limited to a company according to the tax agreement; (ii) both the proportion of all beneficial interest and the proportion of all voting shares in the Chinese resident company owned by the fiscal resident of the other contracting party shall meet the prescribed proportions; and (iii) the proportion of share capital of the Chinese resident company directly owned by the fiscal resident of the other contracting party shall meet the proportion prescribed in the tax agreement at any time during 12 consecutive months before dividends are obtained.

According to the Administrative Measures for Non-resident Enterprises to Enjoy Treatments under Tax Treaties (Trial) (非居民享受稅收協定待遇管理辦法(試行)) which came into force on 1 October 2009, where a non-resident enterprise (as defined under the PRC tax laws) that receives dividends from a PRC resident enterprise wishes to enjoy the favorable tax benefits under the tax arrangements, it shall submit an application for approval to the competent tax authority. Without being approved, the non-resident enterprise may not enjoy the favorable tax treatments provided in the tax agreements.

LABOUR AND SOCIAL INSURANCE

Pursuant to the Labour Law of the PRC (中華人民共和國勞動法) promulgated by the Standing Committee came into effect on 1 January 1995 (the "Labour Law") and other relevant laws, workers are entitled to fair employment, choice of occupation, labour remuneration, leave, a safe workplace, a sanitation system, social insurance and welfare and certain other rights. The working time for workers may not exceed eight hours a day and no more than 44 hours a week on average. According to the Labour Law, the policy of the wages shall be paid according to the performance, equal pay for equal work, lowest wage protection and special labour protection for female worker and juvenile workers shall be implemented. The Labour Law also requires the employer to establish and perfect an occupational safety and sanitation system, and enter into employ agreements with its employees.

The Labour Contract Law of the PRC (中華人民共和國勞動合同法) was promulgated by the Standing Committee on 29 June 2007 and came into effect on 1 January 2008 (the "Labour Contract Law") and its implementation regulations were implemented on 18 September 2008. According to the Labour Contract Law, enterprises established in the PRC shall enter into employment agreements with their employees to provide for the term, job duties, working time, holidays, payments, social insurance and other matters that shall be included as required by laws and regulations. Both employers and employees shall duly perform their duties in accordance with the employment agreements.

Further, under the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which became effective on 1 January 2008, employees who have served more than one year with an employer are entitled to a paid vacation ranging from 5 to 15 days save for certain circumstances, depending on their length of service. Employees who waive such vacation at the request of employers shall be compensated at three times their daily wage income for each waived vacation day.

Pursuant to the Social Insurance Law of the PRC (中華人民共和國社會保險法) (the "Social Insurance Law") promulgated by the Standing Committee on 28 October 2010, which became effective on 1 July 2011, employers in the PRC must register with the relevant social authority and make contributions, on behalf of their employees, to a number of social security funds, including the basic pension insurance fund, unemployment insurance fund, basic medical insurance fund, work-related injury insurance fund and maternity insurance fund. According to the Social Insurance Law, basic pension insurance, basic medical insurance and unemployment insurance contributions must be paid by both employers and employees, while work-related injury insurance and maternity insurance contributions must be paid solely by employers. An employer must declare and make social insurance contributions in full and on time. The social insurance contributions payable by employees must be withheld and paid by employers on behalf of the employees. Employers who fail to register with the social insurance authority may be ordered to rectify the failure within a specific time period. If the employer fails to rectify the failure to register within a specified time period, a fine of one to three times the actual premium may be imposed. If the employer fails to make social insurance contributions on time and in full, the social insurance collecting agency shall order the employer to make up the shortfall with the prescribed time period and impose a late payment fee amounting to 0.05% of the unpaid amount for each day overdue. If the non-compliance continues, the employer may be subject to a fine ranging from one to three times the unpaid amount owed to the relevant administrative agency.

Pursuant to the Regulations on the Administration of Housing Provident Funds (住房公積金管理條例) which was amended and came into effective on 24 March 2002, employers are required to register with the local housing fund management center and set up a special housing fund account with an entrusted bank. Employers are also required to contribute no less than 5% of each employee's average monthly salary in previous year to the housing fund on behalf of their employees on a timely basis.

PRODUCT QUALITY

Pursuant to the General Principles of the Civil Law of the PRC (中華人民共和國民法通則), promulgated on 12 April 1986 and amended on 27 August 2009, a defective product which causes property damage or physical injury to any person could subject the manufacturer or seller of such product to civil liability for such damage or injury. In the event that the carrier or warehouseman is responsible for the damage or injury, the manufacturer or seller is entitled to demand compensation for its losses.

Furthermore, the General Principles of the Civil Law of the PRC was supplemented by the Product Quality Law of the PRC (中華人民共和國產品質量法) (the "Product Quality Law"), which was promulgated by the Standing Committee on 22 February 1993 and as amended on 8 July 2000, and the Law of the PRC on the Protection of Consumer Rights and Interests (中華人民共和國消費者權益保護法) promulgated on 31 October 1993 and amended on 27 August 2009 and 25 October 2013 to protect the legitimate rights and interests of end-users and strengthen the supervision and control of the quality of products. If the product sold is sub-standard but not defective, the retailer will be responsible for the repair, exchange, or refund of the sub-standard product and for the compensation to the consumer for its losses (if any). In addition, the manufacturer is liable for the sub-standard product. The retailer is entitled to claim reimbursement from the manufacturer for the compensation paid by the retailer to the consumer. If the product is defective and has caused personal injury or damage to assets, the consumer has the option to claim compensation from either the manufacturer, or the distributor or the retailer. A retailer or distributor who has already compensated the consumer is entitled to claim reimbursement from the liable manufacturer.

Moreover, the Tort Law of the PRC (中華人民共和國侵權責任法) promulgated on 26 December 2009 and effective on 1 July 2010, further provides that where a defective product causes damage or physical injury to any person, the victim may claim compensation from either the manufacturer or the seller. If the defect of the product is caused by the manufacturer and the seller has made the compensation for the defect, the seller shall be entitled to claim reimbursement from the manufacturer. If the product defect is caused by the fault of the seller and the manufacturer has made the compensation for the defect, the manufacturer shall be entitled to claim reimbursement from the seller.

BUSINESS DEVELOPMENT

Perfect Display is the principal operating subsidiary of our Group and a company incorporated in Hong Kong with limited liability on 20 March 2000. Since 2004, our Group has been principally engaged in the display components trading business and Mr. Cheng Wai Tak is principally responsible for our Group's business operations. Since the early stage of development, our Group has been focusing on the trading of TFT-LCD panels and driver ICs. In 2006, the trading of polarisers became included in our Group's business. With a view to expanding our operations, Yuan Mei Xin Technology was set up in the PRC in April 2013 and principally provides sales and technical support services in respect of our Group's products.

CORPORATE DEVELOPMENT

Perfect Display

Perfect Display was incorporated in Hong Kong with limited liability on 20 March 2000. Upon establishment, Perfect Display was owned as to 30% by Mr. Cheng Wai Tak, the chairman and an executive Director and as to 70% by another individual shareholder (the "Other Founding Shareholder").

In December 2003, the Other Founding Shareholder transferred his entire shareholding interests in Perfect Display to Mr. Cheng Wai Tak and an individual acquainted with Mr. Cheng Wai Tak who wanted to have business collaboration with him ("Independent Shareholder"), at a nominal consideration on the basis that Perfect Display had no activities and no assets at that time. As a result of such transfers, Perfect Display became owned as to 50% by Mr. Cheng Wai Tak and as to 50% by the Independent Shareholder. The Independent Shareholder acquired such 50% shareholding interest in Perfect Display with a view to developing the business of trading in electronic display components together with Mr. Cheng Wai Tak.

In April 2005, each of Mr. Cheng Wai Tak and the Independent Shareholder transferred 5 shares in Perfect Display to Mr. Cheng Cheung Wai (the chief technical officer of Perfect Display responsible for its technology and engineering functions) at a total consideration of HK$10 which is equal to the par value of such shares. The consideration was determined after arm's length negotiation among these parties and had been settled. After such transfers, Perfect Display became owned as to 45% by Mr. Cheng Wai Tak, 45% by the Independent Shareholder and 10% by Mr. Cheng Cheung Wai.

In July 2007, the issued share capital of Perfect Display was increased from HK$100 to HK$38,000,000 by the allotment of a total of 37,999,900 shares at par value of HK$1.00 each to its then shareholders on a pro-rata basis. The then shareholders of Perfect Display considered such increase of issued share capital would provide more assurance to the suppliers on the financial position of Perfect Display and would encourage the suppliers to provide more supplies and more favourable credit terms to Perfect Display.

On 6 September 2010, Mr. Cheng Cheung Wai and the Independent Shareholder respectively entered into a share transfer agreement with Mr. Cheng Wai Tak for the transfer of their entire shareholdings in Perfect Display to Mr. Cheng Wai Tak at a total consideration of HK$31,500,000. The consideration was determined after arm's length negotiation and had been settled. The transfer was completed on 6 September 2010 and the entire issued share capital of Perfect Display became owned by Mr. Cheng Wai Tak. Mr. Cheng Cheung Wai and the Independent Shareholder disposed of their entire shareholding interests in Perfect Display to Mr. Cheng Wai Tak due to their different perspectives in terms of investment.

Yuan Mei Xin Technology

In April 2013, Yuan Mei Xin Technology was established as a limited liability company under the laws of the PRC with registered capital and total investment of US$500,000. Perfect Display is the sole shareholder of Yuan Mei Xin Technology and owns its entire equity interest.

REORGANISATION

In preparation for the Listing, we carried out the Reorganisation which involved the following steps:

1. On 18 January 2013, Winful Enterprises was incorporated in the BVI, and 1 share of no par value was issued and allotted for cash at US$1.00 to Mr. Cheng Wai Tak on 28 May 2013.

2. On 23 January 2013, Rightone Resources was incorporated in the BVI, and 1 share of no par value was issued and allotted for cash at US$1.00 to Winful Enterprises on 4 June 2013.

3. On 13 June 2013, our Company was incorporated under the laws of the Cayman Islands with an authorised share capital of HK$390,000 consisting of 39,000,000 Shares, of which 1 Share was issued and allotted to Reid Services Limited as subscriber paid in full at par value on 13 June 2013. The issued Share was transferred to Winful Enterprises on the same date in consideration of HK$0.01.

4. On 31 December 2013, our Company entered into a deed for sale and purchase with Winful Enterprises, pursuant to which our Company acquired 1 share of no par value in Rightone Resources (representing its entire issued share) from Winful Enterprises. In consideration of the share transfer, our Company issued and allotted 1 Share to Winful Enterprises credited as fully paid.

5. On 31 December 2013, Mr. Cheng Wai Tak entered into a deed for sale and purchase with Rightone Resources pursuant to which Rightone Resources acquired 38,000,000 shares of HK$1.00 in Perfect Display (representing its entire issued share capital) from Mr. Cheng Wai Tak. The consideration for the share transfer was HK$136,082,421, which was determined based on the combined net asset value of Perfect Display and its subsidiary as of 31 October 2013, and after an adjustment made for the dividends declared by Perfect Display (being HK$30,000,000) after 31 October 2013 and before the transfer. In consideration of the share transfer, Rightone Resources issued and allotted 9,999 shares of no par value to our Company (as directed by Mr. Cheng Wai Tak) credited as fully paid.

6. As a result of our Company being allotted 9,999 shares of no par value in Rightone Resources at the direction of Mr. Cheng Wai Tak as stated in step 5 above, our Company became indebted to Mr. Cheng Wai Tak in an amount of HK$136,082,421 (the "Loan"), equivalent the amount of consideration for the transfer of the entire issued share capital in Perfect Display to Rightone Resources.

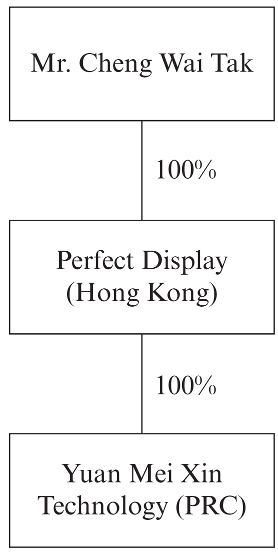
   Mr. Cheng Wai Tak as assignor assigned the Loan, which was due from our Company to himself, to Winful Enterprises as assignee at a consideration of HK$136,082,421.

7. 9,998 Shares were allotted and issued on 31 December 2013 by our Company to Winful Enterprises as fully paid at the total consideration of HK$136,082,421, which was settled by way of setting off against the Loan due from our Company to Winful Enterprises.

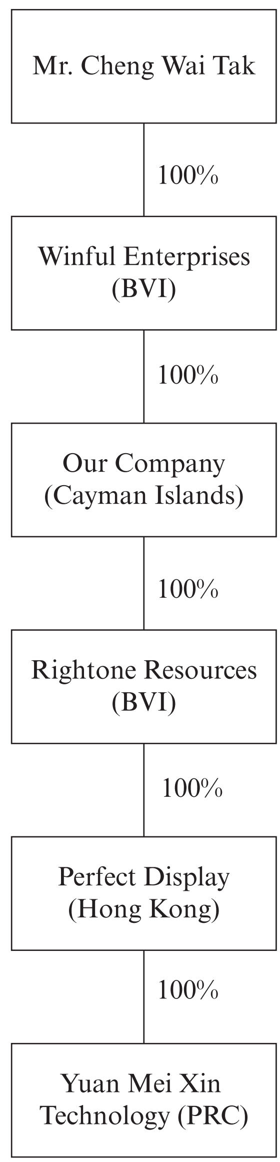
GROUP STRUCTURE

As a result of the Reorganisation, our Company became the holding company of our Group.

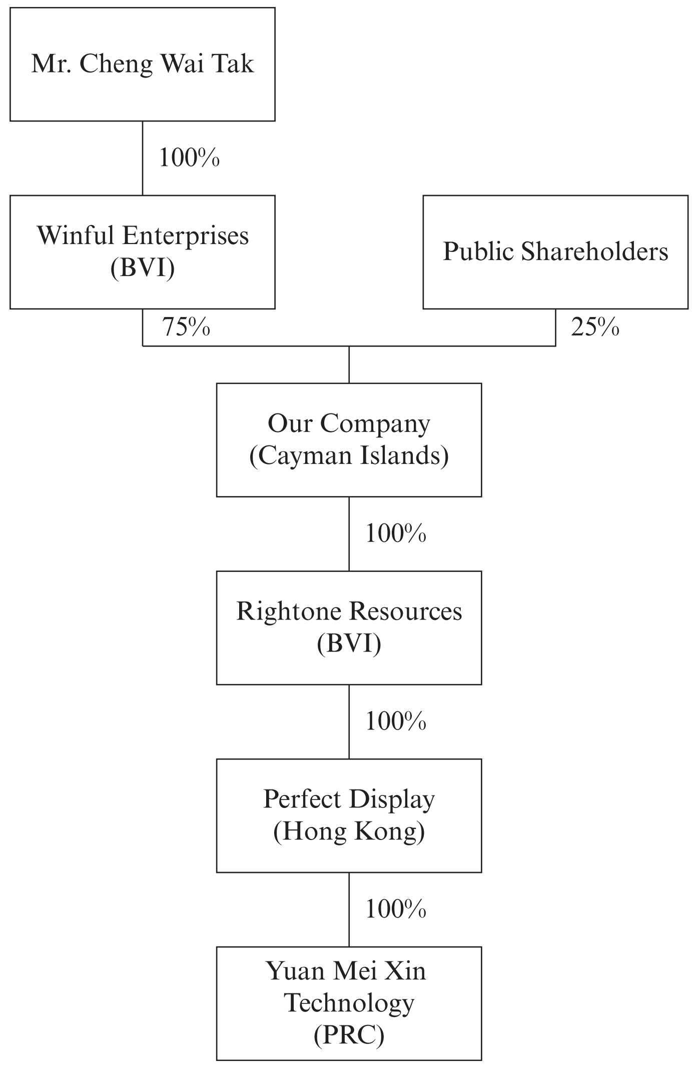
The following chart sets out the shareholding and corporate structure of our Group immediately before the Reorganisation:



The following chart sets out the shareholding and corporate structure of our Group immediately after the Reorganisation but before the Placing and Capitalisation Issue:



The following chart sets out the shareholding and corporate structure of our Group immediately after the Placing and the Capitalisation Issue:



DESCRIPTION OF BUSINESS

Overview

Headquartered in Hong Kong, we are principally engaged in the trading of display components of electronics, namely TFT-LCD panels, driver ICs and polarisers since 2004, 2004 and 2006 respectively. We also process some of the TFT-LCD panels that we trade. Most of our products are sold to TFT-LCD module manufacturers. TFT-LCD modules are then used by mobile phone manufacturers to produce mobile phones.

We source most of our TFT-LCD panels from our largest supplier, the InnoLux Group, with whom we have entered into a long term supply framework agreement. Of all the TFT-LCD panels we sold during the Track Record Period, unprocessed panels accounted for approximately 63.7%, 67.7% and 67.6% of the sales amount of our TFT-LCD panels for each of the two years ended 31 December 2012 and the eight months ended 31 August 2013 respectively and the remainder were sold after having been processed by our Processing Service Providers. During the Track Record Period, we engaged independent Processing Service Providers to carry out panel processing work such as cutting into individual units, slimming down, and injecting liquid crystals.

The driver ICs and polarisers we trade are mainly purchased from the Himax Group and the Chi Mei Materials Group respectively. No processing work is performed on the driver ICs and polarisers before they are sold to customers. We have also entered into long term supply framework agreements with the Himax Group and the Chi Mei Materials Group.

Revenue contributed by each product segment

Set out below is a breakdown of our revenue by products for each of the two years ended 31 December 2012 and eight months ended 31 August 2013:

	Year ended 31 December				**Eight months ended 31 August**			
	2011		**2012**		**2012**		**2013**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Unprocessed TFT-LCD panels and other unprocessed products	853,937	52	619,089	45	392,906	44	648,325	57
Processed TFT-LCD panels	466,936	29	274,780	20	161,920	18	300,929	27
Driver ICs	255,486	16	429,271	31	307,590	34	150,613	13
Polarisers	50,763	3	59,443	4	38,806	4	31,710	3
	1,627,122	100	1,382,583	100	901,222	100	1,131,577	100

General price range of each product segment

The following table sets out the general price range of each product segment for each of the two years ended 31 December 2012 and eight months ended 31 August 2013:

	Year ended 31 December		Eight months ended 31 August
	2011	**2012**	**2013**
	HK$	*HK$*	*HK$*
TFT-LCD panels			
— Unprocessed TFT-LCD panels	6.6 to 4,555.2	3.9 to 3,455.4	4.5 to 1,973.1
— Processed TFT-LCD panels	3.9 to 234.0	1.8 to 167.7	3.9 to 132.6
Driver ICs	1.6 to 24.2	0.9 to 25.0	1.1 to 27.3
Polarisers	1.9 to 259.6	1.2 to 335.4	3.0 to 223.1

We have a rather wide price range for our products as they encompass a variety of products of different sizes and technologies. Both our panels and polarisers may be traded in individual units that have been cut and normally can be used directly on the end products, or in large pieces that are required to be cut into units before use on the end products. Our Directors consider that the fluctuation in prices is in line with the norm in the rapidly changing technology industry.

OUR COMPETITIVE STRENGTHS

Our Directors believe that our success is attributable to, among other things, the following competitive strengths:

We are one of the top five traders of TFT-LCD panels and driver ICs used in mobile phones in the PRC market

We have been engaged in the trading of the InnoLux TFT-LCD Panels since 2004 and were the only agent of InnoLux Corporation in China and Hong Kong from 2004 to 2008. In 2012, our Group was the fourth largest trader of TFT-LCD panels used in mobile phones in the PRC market, representing a market share of 11.3%. We have also been engaged in the trading of driver ICs since 2004. In 2012, we were the third largest trader of driver ICs used in mobile phones in the PRC, representing a market share of approximately 11%.

Stable, dedicated and experienced staff force

Most integral to the success of our Group is Mr. Cheng Wai Tak, our chairman, chief executive officer and executive Director, who has been managing the business of trading TFT-LCD panels for over 10 years and has established close relationships with our suppliers. His experience, coupled with in-depth knowledge of the PRC market, enables him to understand consumer preferences, market demands and trends for TFT-LCD panel products.

Apart from the senior management members, our Group's success also relies considerably upon our stable and dedicated staff force at different levels. As at 31 August 2013, 12 staff had stayed with our Group for more than three years. Their extensive market know-how and industry knowledge acquired and accumulated over the years have and will continue to be beneficial to our business and prospects.

Product portfolio with well-known brands

The products traded by us can be broadly divided into 3 categories: the TFT-LCD panels manufactured by the InnoLux Group, the driver ICs manufactured by the Himax Group and the polarisers from the Chi Mei Materials Group. Our Directors understand that the InnoLux Group is one of the leading TFT-LCD panel manufacturers based in Taiwan. It is capable of delivering a broad and advanced product portfolio in high volumes and a cost competitive manner. Our Directors believe that the Himax Group has established a leadership position in the display driver IC market. The Himax Group is highly skilled in the design of customised, high-performance and cost-effective display drivers. It offers driver ICs that support a wide range of resolutions, panel sizes and various interface technologies. According to the Chi Mei Materials Group, it was the second largest polariser manufacturer in Taiwan in 2011. It is capable of manufacturing polarisers of various sizes for a wide spectrum of electronic devices.

OUR BUSINESS STRATEGIES

We intend to strengthen our market position and increase our market share by pursuing the following strategies:

Establishment or acquisition of panel processing plants in the PRC to expand our business vertically

During the Track Record Period, we engaged the Processing Service Providers to carry out panel processing work for our customers, namely cutting the TFT-LCD panels into individual units, slimming down the TFT-LCD panels, and injecting liquid crystals for our customers. We intend to expand our business vertically by establishing or acquiring panel processing plants to take up the slimming down and cutting work which is currently undertaken by the Processing Service Providers. We intend to allocate approximately HK$40 million, representing approximately 52.6% of the net proceeds of the Placing, for establishing or acquiring one cutting processing plant and one slimming processing plant. Based on our historical sales volumes of processed panels of approximately an average of around 1.5 million pieces per month during the Track Record Period, we expect the panel processing plants to have a capacity of two million pieces per month. We may continue to engage the services of the Processing Service Providers after the commencement of operation of our own panel processing plants on occasions when our processing capacity may not be able to fully fulfil our customers' increased demand, and we will still rely on them to carry out types of processing work for our customers that we do not intend to take up, namely chemical strengthening and liquid crystal injection. We expect that our reliance on these Processing Service Providers will be reduced in the future when we have our own panel processing plants. Our Directors are of the opinion that the business relationship between our Group and the Processing Service Providers will remain positive as we will still engage them for other processing work, such as chemical strengthening and liquid crystal injection, after we have our own panel processing plants. Our panel processing plants are expected to process all of the panel types we trade including TFT-LCD panels and touch panels.

The technologies involved in the forepart of the panel manufacturing process, such as the fabrication of glass substrates and TFT arrays, are rapidly changing, leading TFT-LCD products to have a relatively short life cycle. However, the technologies and know-how involved in the post-processing of TFT-LCD panels, namely, the cutting and slimming down process that we intend to take up, are only subject to small changes. Our Directors expect that our new processing plants can be utilised or adjusted to process new products which are frequently introduced by our suppliers to meet new requirements as a result of technological developments of TFT-LCD products. Our Directors do not expect that any new technology in the near future, which will require an alternative method of processing, will replace the mainstream panels that our intended panel processing plants can process.

Reasons and benefits

This expansion strategy aims to streamline our existing business, achieve better control over the dissemination of technical know-how within our Group, achieve better quality control and inventory management, secure panel processing capacity, and enhance customer satisfaction. Our Directors believe that by establishing or acquiring two panel processing plants, we will be able to provide one-stop services to our customers. This will further strengthen our competitive advantage and differentiate ourselves from other competitors in the market which do not carry out any value-added services to customers.

With our own panel processing plants, we will have better control over the dissemination of technical know-how within our Group. In order to meet the demand of high-end customers, the InnoLux Group continues to release new products to the market, such as thinner panels and panels with wider viewing angle. Processing these new and sophisticated products generally require a higher skill-set and may require specific processing techniques, which require continuous testing and development, to ameliorate their yield rate. With our own processing plants, we can ensure that the dissemination of technical know-how will be restricted to our Group and thus substantially lower the risk of leaking technical know-how to the competitors. It will also allow us to enjoy more flexibility and quicker response time in adjusting our processing techniques in order to conform to the panel specifications of the InnoLux Group. We believe that this will give the InnoLux Group confidence in letting us handle and process new and advanced products and passing us first-hand technical know-how. It is to our Director's understanding that the InnoLux Group currently does not have plans to establish processing plants for panels used in mobile phones. Given our established relationship with the InnoLux Group, we will be able to grasp this opportunity to take part in developing new products with our own panel processing plants.

Further, the processing turnaround time will be reduced by eliminating any communications with our Processing Service Providers that would otherwise be necessary, making us more efficient and more responsive to customers' requests. The inspection and testing work performed by our Processing Service Providers and PRC Services Providers will then be handled by ourselves. In addition, since the capacities of our Processing Service Providers have been increasingly utilised by other PRC panel manufacturers, we have a need to secure panel processing capacity, especially during the busy seasons, which will allow us to take up more orders. As we process the panels by ourselves, inventory management would be simpler and more efficient. We believe that through first hand involvement in the panel processing work, not only will we be able to save the costs of the Processing Service Providers, but we will also be able to improve our quality control over the panels and enhance customer satisfaction.

We have carried out a feasibility study on the new panel processing business assessing the necessary resources and equipment. Taking into consideration our Group's existing business model and operation scale, our Directors and the Sponsor are of the view that our Group's expansion plan is feasible and commercially viable and the business development strategies devised would enhance our Group's future development.

Capital expenditure

The capital expenditure for the establishment or acquisition of one cutting processing plant is estimated at approximately HK$15 million. The capital expenditure for the establishment or acquisition of one slimming processing plant is estimated at approximately HK$24 million. The estimated capital expenditure is made with reference to, among others, the cost of machineries, water treatment, renovation fees and plant operating fees. The costs of acquiring or establishing the panel processing plants will be funded entirely from the net proceeds of the Placing. According to our accounting policies, the capital expenditures in connection with the establishment or acquisition of the panel processing plants will depreciate over an estimated useful life of such plants as soon as they are put into operation. It is expected that the overall profit margin may initially be affected during the trial run by the depreciation charge on these capital expenditures. We also expect an increase of operating expenses.

Upon commencement of full operation, we do not expect a significant change to our working capital requirements as potential working capital required for operating our own processing plants will be comparable to service fees we paid to our Processing Service Providers during the Track Record Period.

Location

We plan to establish or acquire panel processing plants situated in the bonded areas of Guangdong Province in order to enjoy the exemption from import VAT and custom duty on the bonded materials under the relevant PRC tax regulations. For further details of the tax impact of the new panel processing business, please refer to the paragraph headed "Tax impact" of this section.

Production capacity

Based on our historical sales volumes of processed panels during the Track Record Period of an average of approximately 1.5 million pieces per month, we expect each of the panel processing plants has a capacity of two million pieces per month.

Approvals, permits and licences

As advised by our PRC Legal Adviser, while there is no specific licence or permit regarding environmental protection required for the operation of a cutting processing plant, the slimming processing plant, which will discharge pollutants during the slimming process, will be required to register with the relevant PRC environmental protection authority and a Licence for Emission of Pollutants (污染物排放許可證) may be issued by the local environmental protection authority in some cities (the "Registration and Environmental Licence").

If we are to establish the slimming processing plant ourselves, we will need to prepare and file an environmental impact report (環境影響評價報告) setting forth the impact that the proposed project may have on the environment and the measures to prevent or mitigate the impact for approval by the relevant PRC environmental protection authority prior to commencement of construction of the plant. Once the construction work pursuant to this approval is completed, the processing plant will only be permitted to operate after the relevant environmental protection authority has performed an inspection and is satisfied that the facilities are in compliance with environmental standards.

Once the Registration and Environmental Licence has been obtained, we will be subject to a pollutant emissions levy. Pursuant to the relevant environmental laws and regulations, our Group will be required to submit information relating to emissions to the relevant PRC environmental protection authority every month. The relevant PRC environmental protection authority will then determine the levy amount based on, among other things, the type and amount of emissions, and then issue a notice of levy to our Group. Our Group will then be required to pay the levy within 7 days. As we had not acquired or set up a processing plant as at the Latest Practicable Date, we cannot accurately estimate the pollutant emissions levy that would likely be imposed by the relevant PRC environmental protection authority going forward.

If we are to acquire an existing slimming processing plant, one of our selection criteria will be that the acquisition target has obtained the Registration and Environment Licence and other relevant licence(s), permit(s) and approval(s) for its operation and business, such as the business licence (營業執照) and certificate of approval (批准證書) for foreign-funded enterprise issued by the local government.

Workforce and expertise

We expect that the panel processing plants will have a workforce of about 260 production line workers with experiences of about six months to two years. Further, in order to supervise our rather large workforce of 260 production line workers, we intend to employ eight supervisors with at least six years of experience in factory operation and management in the PRC on a comparable scale. As panel cutting and slimming down work does not involve sophisticated technical skills and knowledge, our Directors believe that our Group should not experience any particular difficulty in recruiting suitable workers in the PRC with the relevant experience and expertise. We have employed a factory director with over 15 years' experience in panel processing factory operation and management, who commenced work in December 2013 and assisted in the implementation of all factory matters prior to the operation of the factories. Having worked for a major electronics brand in Hong Kong and a Taiwan-based, multinational electronics manufacturer, our factory director has acquired extensive experience in project management, operation management and factory operation. The intended role of our existing executive Directors and technical staff (including the factory director) will mainly be supervision and quality control of the production process.

Given that (i) the new panel processing business is not entirely unfamiliar to our Group as we have been working with the Processing Service Providers for approximately six years; (ii) the panel processing business is not overly complex; (iii) our executive Directors have adequate management experience and (iv) we have a team of technical staff (including our factory director) that possesses relevant expertise to monitor the quality of panel processing work, our Directors are of the view, and the Sponsor concurs with their view, that our Group has sufficient expertise to manage and operate the new panel processing business.

Tax impact

If we are to establish or acquire a panel processing plant through Hong Kong or off-shore companies, the enterprise that operates the plant would be a wholly foreign-owned enterprise. Pursuant to PRC laws, the establishment of an enterprise will not attract any taxation, but stamp duty at the rate of 0.05% will be imposed on the registered capital or the sale and purchase contract in the case of an acquisition.

If we acquire an enterprise, subject to the nature of its pre-acquisition business remaining the same, the applicable tax rate would remain the same after the acquisition. If we set up our own enterprise for the purpose of panel processing, such enterprise would be subject to PRC enterprise income tax of 25% on its taxable profit, 17% VAT with respect of its panel processing operations in the PRC. If dividends are distributed by such enterprise, the dividends will be subject to a withholding tax rate of 5% provided that the enterprise has obtained approval from the competent tax authority and enjoys the treaty treatment under the Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排). As our new panel processing plants are intended to be located in the bonded areas of Guangdong Province, under import processing arrangement, raw materials for production of panel will be imported to our own PRC enterprise under bonded status. Import VAT and custom duty on the bonded raw material will be exempt under the prevailing tax regulation. All panels manufactured with the bonded raw materials in our own enterprise in the PRC will be exported to Hong Kong for onward sales to third parties. Under the current PRC export VAT refund regime (i.e. the Exempt, Credit and Refund method or ECR method), output VAT of 17% on the export sales can be exempt if our own PRC enterprise has been identified as eligible for ECR by the competent tax authorities and succeeds in applying for ECR in accordance with the relevant tax regulations.

In addition, our own PRC enterprise will be subject to input VAT for purchase of materials and/or services during the operation of panel processing plants. Under the ECR method, input VAT will be creditable or refundable after taking into consideration the output VAT and applicable export refund rate of the relevant products. Given that the applicable export refund rate for LCD panel is 17%, input VAT incurred by our own PRC enterprise for the import processing arrangement is creditable or refundable.

For further details of applicable PRC laws, please refer to the section headed "Regulatory overview" in this prospectus. The operations of our Group as a whole would therefore be subject to both Hong Kong taxes and PRC taxes.

The PRC enterprise income tax of 25% has all along been borne by our PRC Processing Service Providers and reflected in the processing and subcontracting charges. Our Directors therefore consider that the tax impact of PRC enterprise income tax on us will effectively be the same when we operate our own processing plants. We do not expect the tax impact of our intended panel processing business to have a material effect on our profit margin. Our Directors are of the view that the envisaged benefits of having our own panel processing factories, including achieving better inventory management and securing panel processing capacity, will allow our Group to have better control over the profit margins as opposed to relying on third party panel processing service providers. We have taken into account potential tax impact of our expansion plan in estimating the expected breakeven and payback period for our Group's internal reference.

Breakeven and payback period

The following are major assumptions for the breakeven and payback period analysis:

1) Based on current market prices, current monthly operating costs, including factory and staff quarters rental, depreciation of plant and machinery, utilities, transportation, staff costs and general and administrative expenses, the total operating costs under the full production capacity of the cutting and slimming processing plants will be approximately RMB1.8 million and RMB1.9 million respectively, adjusted for an annual inflation rate of 5%.

2) The average cutting price per piece and average slimming price per piece are based on the actual average unit price paid by our Group to third party Processing Service Providers during the eight months ended 31 August 2013, adjusted for an annual price increment of 3%.

3) The cutting and slimming processing plants will commence trial run production (expected to last for around six months) in the first quarter of 2015 and the final quarter of 2015, respectively. Each of the cutting and slimming processing plants will reach its full production capacity of two million pieces per month in the fourth quarter of 2015 and the third quarter of 2016 respectively.

Based on the above, the expected breakeven for the cutting processing plant and the slimming processing plant will be reached at approximately 66% (expected to be in around the third quarter of 2015) and 58% (expected to be in around the second quarter of 2016) of their respective full production capacity. The expected payback period for both the cutting processing plant and the slimming processing plant is around 4 years.

Risk profile

As panel processing business would be a vertical expansion of our Group, our Directors do not consider that our Group would be subject to a risk profile completely different from that of our business model during the Track Record Period. Risks that apply to our Processing Service Providers as disclosed in the section headed “Risk factors” in this prospectus including disruption to production facilities, inability to meet the expected production capacities and non-compliance with environmental laws and regulations, would similarly apply to us should we take up panel processing ourselves. For risks pertaining to our expansion plan, please refer to the paragraph headed “Our plan to engage in new panel processing business may not yield the expected benefits to us and we will be subject to PRC taxes as a result of the new business. There is also no assurance that we can achieve our planned expansion and that we can pass on all the increase in operating costs to our customers” in the section headed “Risk factors” of this prospectus. The operational and financial impact of our expansion plan are also set out in the paragraph headed “Establishment or acquisition of panel processing plants in the PRC to expand our business vertically” of this section.

Our Directors confirm that establishing or acquiring panel processing plants is not a change of business focus for our Group, but merely a plan for vertical expansion. We currently do not have plans to offer panel processing service to the market and the panel processing plants to be established or acquired will only be utilised for processing panels sold by us. We expect that our Group's business model will remain substantially unchanged and the focus will still be on the trading of display components of electronics.

In order to manage the risks arising from vertical expansion and ensure our Group's compliance with applicable rules and regulations, we will carry out the following measures upon the establishment or acquisition of our own panel processing plants:

- Our accounting and finance department will prepare a quarterly budget plan and closely monitor the capital and operating expenditure of the panel processing plants. Our chief financial officer will ensure that the capital and operating expenditure will be within our budget and will report to the Directors any deviations.

- Our accounting and finance department will closely monitor the operational results of the panel processing plants including production and report to our chief financial officer quarterly. Our chief financial officer will assess the profitability of the panel processing plants and report to our Directors on a quarterly basis.

- We will engage an external PRC legal adviser to advise our Group on compliance with the relevant PRC environmental and other rules and regulations relating to the operation of panel processing plants.

- Our factory director will produce a report to our Directors every month reviewing the status of facilities, procurement, panel grading of processed panels and market changes.

- On a monthly basis, our sales and marketing team will provide our factory director with feedback on the production capacity and production time based on customers' requirements.

Implementation and timing

In view of the new panel processing business, our Group will carry out the following measures:

- We will establish a designated team headed by Mr. Cheng Wai Tak, an executive Director, to oversee the overall implementation of the business plan and operations of the panel processing plants. For details of Mr. Cheng's qualification and experience, please refer to the section headed "Directors, senior management and staff" of this prospectus.

- Our technical staff in the PRC will support the panel processing business.

- We plan to recruit experienced personnel to strengthen our team in managing and operating the new panel processing business.
- We plan to arrange training to staff for the new panel processing business.
- We will regularly review the market responses, revenue, turnover rate, costs of operations and other relevant factors in relation to the new panel processing business and evaluate the on-going panel processing operations and development.

We expect that the cutting and slimming processing plants will commence full operation in October 2015 and July 2016 respectively. As at the Latest Practicable Date, we had not identified any specific acquisition target, nor had we entered into any legally binding agreement or arrangement relating to the same. Selection of such acquisition target will depend on factors such as (i) whether the target has obtained all the requisite licence(s), permits(s) and approval(s) for its operation and business; (ii) whether the target possesses the relevant manpower, technical know-how and equipment; (iii) the target's reputation in the industry; and (iv) the prospects of expanding our market share as a result of the acquisition.

Expansion of our sales and support team in the PRC to provide high quality services to our customers

We aim to provide high quality customer services and maintain close relationships with our customers. In April 2013, we established Yuan Mei Xin Technology, a wholly-owned foreign enterprise in Shenzhen, the PRC to provide sales and technical support services for our customers and to carry out sales and marketing activities in the PRC. Our Directors believe that having our own sales and support office strengthens the communication channel with our customers based in the PRC and allows us to address their needs more efficiently.

Yuan Mei Xin Technology is mainly subject to PRC enterprise income tax of 25% and VAT. Where sales of products are made by Yuan Mei Xin Technology to its customers in the PRC, the income arising from the sales of goods would be subject to VAT at 17%. We have established Yuan Mei Xin Technology to provide sales and technical support services to Perfect Display. Pursuant to the PRC tax circular Caishui [2013] No.37 effective from 1 August 2013 and the Caishui [2013] No. 106, where sales and technical support services are provided, the services income of Yuan Mei Xin Technology is subject to VAT at the rate of 6%. Where products are sold by Perfect Display to Yuan Mei Xin Technology which then on-sells the products to its customers in the PRC, or where Yuan Mei Xin Technology has been engaged by Perfect Display to provide sales and technical support services, such intra-group transactions are regarded as related parties transactions and failure to comply with the arm's length principle (獨立交易原則) may result in tax adjustment by the tax authority. For our measures to manage risks associated with transfer pricing, please refer to the paragraph headed "Internal control" under the section headed "Business" in this prospectus.

From 1 January 2012 to 31 December 2013, revenue derived from contracts signed with offshore entities for providing services under ITO, BPO and KPO may be exempted from the 6% VAT for enterprises in 21 designated service outsourcing exemplary cities, including Shenzhen, subject to the fulfillment of relevant requirements of offshore outsourcing services, the PRC Ministry of Commerce's approval on the offshore outsourcing service provider status and the in-charge tax authority's approval on the entitlement of this VAT exemption.

Yuan Mei Xin Technology performed record filing with its in-charge tax authority for the VAT exemption in respect of the related parties transactions involving the provision of the sales and technical support services between Perfect Display and Yuan Mei Xin Technology after 1 December 2013, and obtained the acknowledgement receipts from the tax authority. The service income generated from the provision of sales and technical support services by Yuan Mei Xin Technology to Perfect Display is therefore exempted from VAT from 1 December 2013 according to the acknowledgement receipts obtained from the tax authority.

On 12 December 2013, the Ministry of Finance and the State Administration of Taxation issued the Notice for Adding the Railway Transportation and Postal Industries into the Pilot Program of Levying Value-Added Tax in Lieu of Business Tax (關於將鐵路運輸和郵政業納入營業稅改徵增值稅試點的通知) ("Caishui [2013] No. 106"), which repealed and replaced the Caishui [2013] No. 37. Pursuant to the Provisions on the Transitional Policies for the Pilot Work of Levying VAT in Lieu of Business Tax (營業稅改徵增值稅試點過渡政策的規定), Annex III of the Caishui [2013] No. 106, the pilot taxpayers could enjoy the exemption from VAT until 31 December 2018 while engaging in the offshore service outsourcing business. The corresponding input VAT amount should be separately accounted for and not creditable against the output VAT.

In order to enhance our presence among the existing and potential customers, we plan to recruit additional sales and marketing personnel. We intend to carry out sales and marketing activities through our Shenzhen office. We plan to promote our products through various marketing methods, for instance, visiting potential customers, sharing industry intelligence on technological development trend with customers, providing assistance to them on product development, participating in industry exhibitions and distributing marketing materials such as corporate and product brochures.

Our Group intends to complement our sales through Yuan Mei Xin Technology by expanding our customer base in the PRC. We also intend to expand our supplier base by sourcing products from new suppliers in the PRC. Yuan Mei Xin Technology will generate sales through trading products which are sourced from new suppliers in the PRC alongside with products which are provided by Perfect Display.

As there is a growing market for smart phones in the PRC, touch display panels are expected to play an important role in the market. Each touch display requires a firmware to control. In order to optimise the panel's performance, the firmware in the touch ICs has to be fine-tuned by taking account of different hardware and operating systems. Therefore, we intend to employ more staff with related expertise to provide such technical support to our customers. We may send our technicians to provide on-site application support and provide technical assistance upon customers' request.

Expansion of our product portfolio to strengthen our product offerings

We plan to broaden our product portfolio with premium panels which will lead to higher selling prices and better profit margins. Given the increasing penetration rate of smart phones in the PRC, our Directors believe that the PRC market has a growing demand for premium products. The gap between the PRC markets and other developed markets has narrowed in terms of consumer acceptance and preferences for premium products. Our Directors are of the view that the demand of Chinese smart phone and module manufactures for premium products will increase in the next few years, as Chinese smart phone manufacturers are moving their targets from the lower end market to higher end market in order to enhance the values of their products.

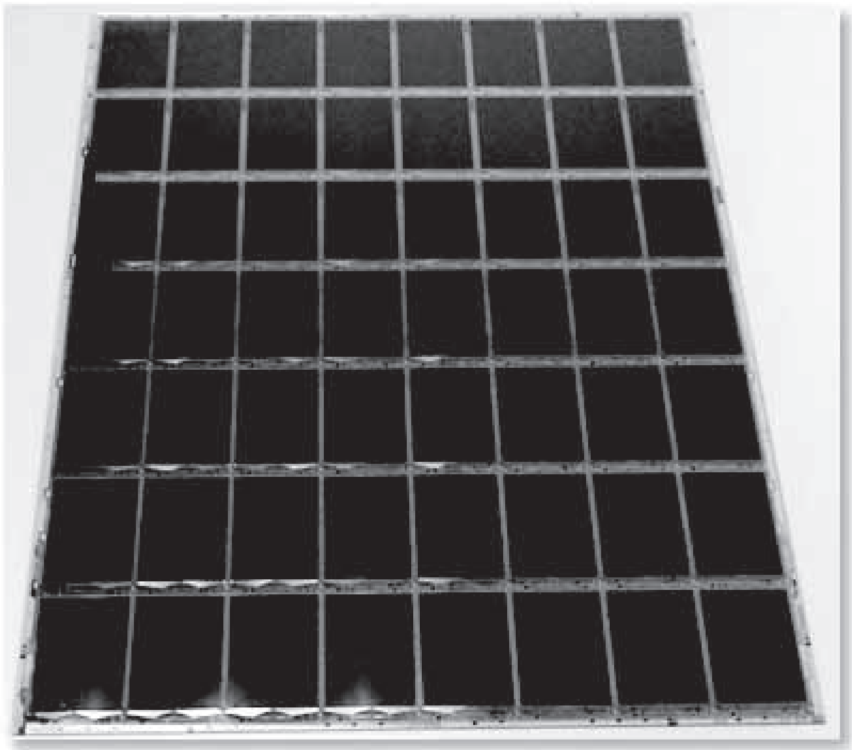
Being one of the leading suppliers of TFT-LCD panels, the InnoLux Group possesses advanced technologies for premium level application, such as IPS technology and LTPS technology. Currently, the TFT-LCD panels provided by the InnoLux Group are mainly for the production of entry-level smart phones to middle-high end products, having resolutions of QQVGA (160 x 128 pixels) to HD720 (1280 x 720 pixels). We plan to source from the InnoLux Group premium panels with higher resolution, such as FHD (1920 x 1080 pixels) and introduce them to the PRC market.

Our Directors believe that our revenue, profit margins and market shares will be increased by transitioning our product portfolio to comprise products targeting premium smart phones and module manufacturers.

We aim to maintain an optimal product mix that will enable us to capture the high growth markets across various product categories, such as premium TFT-LCD panels, touch display and touch ICs. We also intend to source TFT-LCD panels, driver ICs, polarisers and other products with high growth potential from other suppliers. These strategies would allow our Group to (i) source other products to complement the current product portfolio offered by our existing suppliers and (ii) reduce our reliance on major suppliers. We will explore new products and new suppliers based on market intelligence collected from industry exhibitions and feedback from existing and potential customers. Evaluation will be performed on the new products and if necessary, due diligence on new suppliers will also be carried out. We will also attempt to introduce new products and new suppliers to our customers by increasing our marketing efforts and providing technical assistance to our customers on the application of the new products.

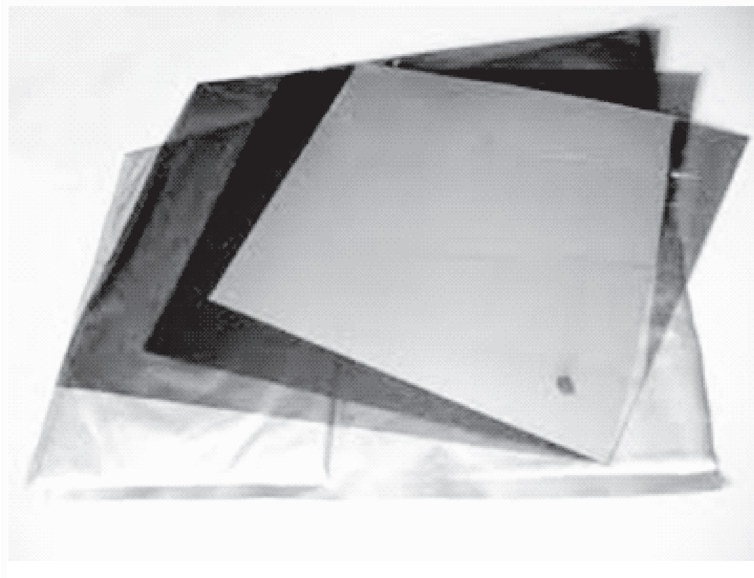
PRODUCTS WE TRADE

The products we trade mainly include the InnoLux TFT-LCD Panels, the Himax Driver ICs and the Chi Mei Materials Polarisers.



TFT-LCD Panel

Driver IC



Polariser

In July 2013, we entered into a long term supply framework agreement with the InnoLux Group. Before that, our Group entered into a one-year term supply framework agreement with the InnoLux Group, which was automatically renewed every year. We have not failed to renew the supply framework agreement in the past.

We entered into long term supply framework agreements with the Himax Group and the Chi Mei Materials Group in May 2013 and June 2013 respectively. We have not experienced any material disruption in the supply of products from the InnoLux Group, the Himax Group and the Chi Mei Materials Group in the past.

These long term supply framework agreements provide the arrangements for the making of specific orders for sale and purchases to be placed as well as the delivery and inspection of products. There is no minimum purchase requirement imposed on us or any commitment by the suppliers to provide minimum or priority supply to our Group under these long term supply framework agreements. Other salient terms of the agreements are summarised as follows:

Suppliers	**Salient terms**
1. The InnoLux Group	**(a) Product:** TFT **(b) Geographical coverage:** the PRC, Hong Kong and Macau. **(c) Term:** 1 May 2013 to 31 December 2018. **(d) Termination:** Either party can terminate the agreement by giving the other party prior written notice of not less than 6 months.

(e) **Return policy:** If defects are found during the quality inspection conducted by us and such defects are attributable to the supplier's manufacturing process, the parties shall discuss such quality issues and negotiate product replacements.

(f) **Product warranty:** the supplier shall warrant that the products sold are free from any defect in quality attributable to the supplier's manufacturing process which may affect their usage or intended functions within six months after delivery of the products.

2. The Himax Group

(a) **Product:** IC

(b) **Geographical coverage:** the PRC and Hong Kong.

(c) **Term:** 1 May 2013 to 30 April 2018, the agreement will be renewed for a five-year term automatically after the end of the term unless either party gives written notice of non-renewal to the other party on or before 31 March 2018.

(d) **Termination:** Either party can terminate the agreement by giving the other party prior written notice of not less than six months.

(e) **Return policy:** If defects are found during the quality inspection conducted by us, the supplier is obligated to immediately replace the defective products at the supplier's expense. The supplier shall also compensate us for any losses incurred as a result of the delay. If the defects do not affect the safety and proper use of the products, or impair their fitness for ordinary purposes, or the intended purposes under the agreement, based on the negotiation of the parties, we may accept the products supplied at a reduced price.

(f) **Product warranty:** the supplier shall warrant that the products sold are free from any defect in quality which may affect their usage or intended functions within two years after delivery of the products. However, the supplier shall not be responsible for any defects caused by improper usage or natural wastage.

3. The Chi Mei Materials Group

- **(a) Product:** Polariser
- **(b) Geographical coverage:** the PRC and Hong Kong.
- **(c) Term:** 1 May 2013 to 30 April 2018, the agreement will be renewed for a five-year term automatically after the end of the term unless either party gives written notice of non-renewal to the other party on or before 31 March 2018.
- **(d) Termination:** Either party can terminate the agreement by giving the other party prior written notice of not less than six months.
- **(e) Return policy:** If defects are found during the quality inspection conducted by us, the supplier is obligated to replace the defective products. If the defects do not affect the safety and proper use of the products, or impair their fitness for ordinary purposes, or the intended purposes under the agreement, based on the negotiation of the parties, we may accept the products supplied at a reduced price.
- **(f) Product warranty:** the supplier shall warrant that the products sold are free from any defect in quality which may affect their usage or intended functions within two years after delivery of the products. However, the supplier shall not be responsible for any defects caused by improper usage or natural wastage.

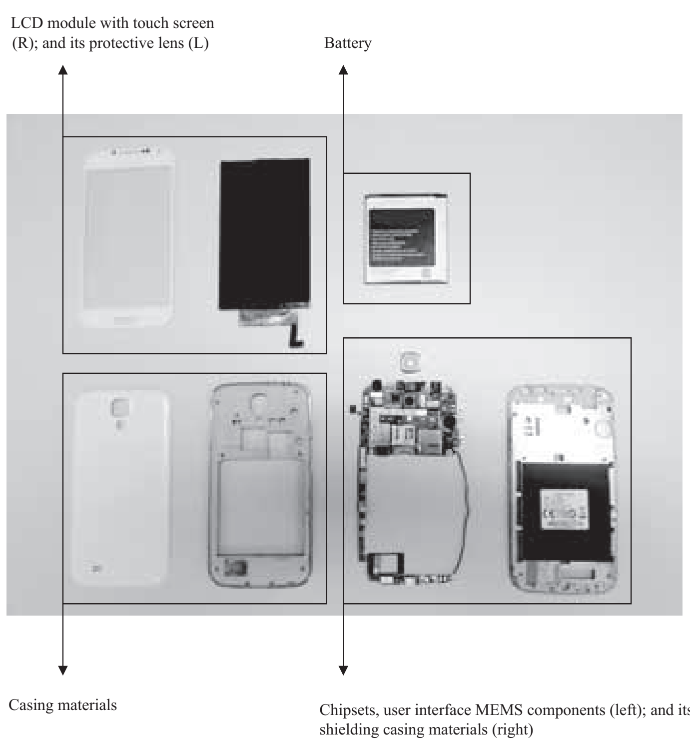
As our suppliers are not bound to provide minimum or priority supply to our Group, we are not entitled to special rights under the long term supply framework agreements that set us apart from other purchasers of our suppliers' products. It is our Directors' understanding that it is not the market practice in this industry to enter into such long term supply framework agreements, and that suppliers in this industry do not commit to provide minimum or priority supply as the technology is rapidly changing and TFT-LCD products have relatively short life cycles ranging from about six months to three years. On the other hand, neither are we bound by responsibilities towards the suppliers such as minimum purchase requirements under these agreements. While these long term supply framework agreements are basically agreements to agree and do not secure committed supply from our major suppliers, our Directors believe that these agreements (i) reflect the established, healthy and long-term relationship that we enjoy with our suppliers; (ii) distinguish our Group as a recognised trader of our suppliers' products, thus strengthening our customers' confidence in us; and (iii) demonstrate the parties' intention to continue such relationship.

Despite having established a business relationship with the InnoLux Group, Himax Group and the Chi Mei Materials Group for over nine, nine and six years respectively, with the exception of the InnoLux Group that had an annually renewed supply agreement with us since 2004, we had not entered into any long term agreements with our major suppliers until 2013. It is to our Directors' understanding that our major suppliers do not easily enter into long term agreements with just any transient customer. It has taken us years to cultivate business relationship with them before they agreed to enter into long term framework agreements to demonstrate our established relationship which is intended to continue.

We generally place separate purchase orders with our suppliers for each purchase we make and we do not enter into separate sale and purchase agreements for each transaction. The type, pricing, quantity of the products and the delivery schedules are generally negotiated between our Group and the respective suppliers on an order-by-order basis.

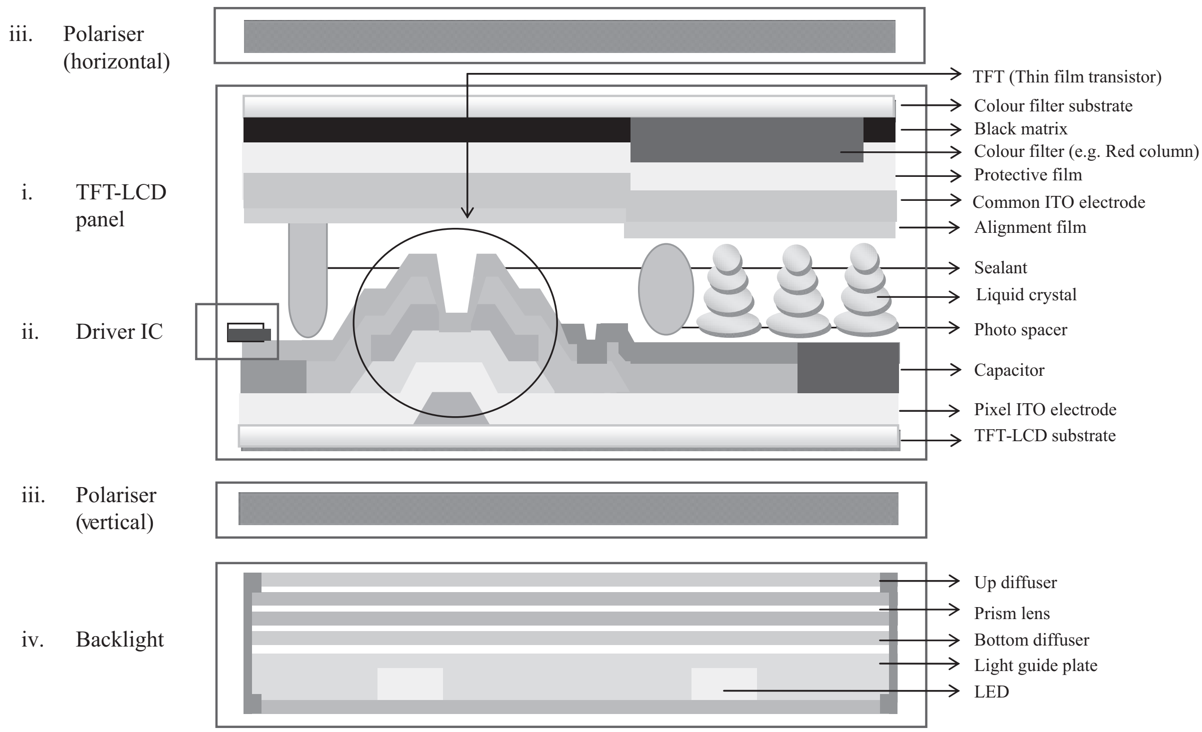
Overview of mobile phone and module components

The five main components of a typical mobile phone are (i) LCD module and touch screen (if any); (ii) printed circuit board containing chipsets responsible for functions such as communication, application processing, power management and memory control; (iii) user interface MEMS components including the camera, speaker, microphone and various sensors; (iv) battery; and (v) casing materials. Of the five components, the LCD module is a key component, accounting for approximately 12–15% of the cost of a typical mobile phone. Our Group mainly trades the components of a LCD module.



Overview of LCD modules

A LCD module comprises four main components, namely (i) TFT-LCD panel, (ii) driver IC, (iii) polariser, and (iv) backlight. Aside for the backlight, we trade all the other components of the LCD module.



We source most of our TFT-LCD panels from the InnoLux Group, our driver ICs from the Himax Group and our polarisers from the Chi Mei Materials Group.

Information on the InnoLux Group

InnoLux Corporation was incorporated under the laws of Taiwan as a company limited by shares in 2003. Its common shares have been listed on the Taiwan Stock Exchange Corporation Limited since 2006 with each of Chi Mei Corporation and Hon Hai Precision Industry Company Limited being among its top ten shareholders as at 21 April 2013. Its London global depositary shares have been listed on the London Stock Exchange since 2007 and its global depositary receipts became listed on the Luxembourg Stock Exchange in 2013.

The technology capabilities and products know-how of the InnoLux Group are mostly developed by itself. In particular, it is one of the few display suppliers with the capability to produce ultra-slim 2.3mm TFT-LCD panels with touch function which preserve high touch performance and without limiting display resolution.

The lnnoLux Group's panel fabrication facilities are located in Taiwan and most of their module assembly facilities are located in the PRC. With production facilities utilising G3.5, G4, G4.5, G5, G5.5, G6, G7.5 and G8.5 technologies, they have the flexibility to produce a wide range of panels of different sizes.

According to the annual reports and other financial information published by the InnoLux Corporation, the turnover of the InnoLux Group slightly decreased from approximately NT$485,403 million in the year ended 31 December 2011 to NT$471,524 million for the year ended 31 December 2012. The InnoLux Group recorded net loss after tax of approximately NT$64,440 million for the year ended 31 December 2011, primarily due to (i) the global economic downturn, such as the general slow-down of economic growth in the US after the financial crisis in 2008 and the tightening of fiscal policy of European countries as a result of the sovereign debt crisis, which led to a drop in consumer spending and demands in the major sales markets of the InnoLux Group; and (ii) significant downward pressure on pricing for the large-size panels as a result of the weakened demand for LCD TV and LCD monitors globally.

For the year ended 31 December 2012, the net loss after tax decreased approximately 54.7% from the previous year, amounting to approximately NT$29,205 million. Such improvement was mainly attributable to (i) the steady economic recovery and (ii) the synergistic effect following a merger with Chi Mei Optoelectronics Corporation and TPO Displays Corporation in March 2010. The earning results of the InnoLux Group further improved in the first half of 2013. In particular, the net income for the second quarter of 2013 was approximately NT$4,069 million, representing an increase from approximately NT$9,567 million of net loss for the second quarter of 2012.

According to InnoLux Corporation's annual report 2012, it was the largest panel manufacturer for small to medium sized panels worldwide, representing a market share of 10.5% and the third largest LCD panel supplier of large sized panels worldwide, representing a market share of 17%. To the best knowledge of our Directors, we face competition from another company trading similar products from the InnoLux Group in the PRC.

Information on the Himax Group

Headquartered in Taiwan, the then holding company of the Himax Group, Himax Technologies Limited was listed on the Emerging Stock Board of the Taiwan Stock Exchange Corporation Limited from 2003 to 2005. Its American depositary receipts have been listed on the NASDAQ Global Select Market since 2006.

The Himax Group principally designs, develops and markets semiconductors components of flat panel displays. Its principal products are display drivers for large-sized TFT-LCD panels, which are primarily used in desktop monitors, notebook computers and televisions, and display drivers for small and medium-sized TFT-LCD panels, which are primarily used in mobile handsets and consumer electronics products such as tablet PCs, netbook computers (typically ten inches or below in diagonal measurement), digital cameras, mobile gaming devices, portable DVD players, digital photo frames, head-mounted-displays and car navigation displays.

The Himax Group offers display drivers for mobile handset displays that combine source driver, gate driver, timing controller, frame buffer and DC to DC circuits into a single chip in various display technologies including TFT-LCD. By designing a finer channel pitch that features cost efficient processes, the Himax Group has offered a smaller chip size and endeavoured to provide handset display driver products with fewer external components to reduce the cost of materials for our customers. The Himax Group has integrated their proprietary low power driving circuits and content adaptive brightness control, or technology into display drivers in order to extend the battery life of mobile handsets.

The Himax Group offered WVGA (864 x 480 pixels), qHD (960 x 540 pixels), and HD720 (1280 x 720 pixels)/WXGA (1280 x 800 pixels) display driver ICs for mobile handsets. The Himax Group continued to update new products for this mainstream smart phone segment with new features, such as colour enhancement and sunlight readability enhancement functions. According to the Himax Group's publication, they have developed the first HD720/WXGA display driver with compressed RAM technology for higher resolution displays and lower power consumption. As of 31 March 2013, the Himax Group had over 1,800 patents on its technologies.

Our Directors understand that the Himax Group is one of the market leaders in display driver ICs. According to the annual reports and other financial information published by Himax Technologies, Inc., the revenue of the Himax Group increased by 16.5% to US$737.3 million for the year ended 31 December 2012 from US$633.0 million for the year ended 31 December 2011. The growth was mainly attributable to a 16.6% increase in revenues from sales of display driver ICs for mobile handsets and consumer electronics applications to US$328.9 million in 2012 from US$282.1 million in 2011. Small and medium-size driver ICs generated impressive sales growth primarily due to the increasing demand for smart phones, which tend to require better displays and thus higher end driver ICs. As the result of the foregoing, the net income of the Himax Group increased to US$50.1 million in 2012 from US$9.5 million in 2011.

In the second quarter of 2013, the total revenue of the Himax Group increased by 9.2% year-over-year to US$207.0 million. In particular, sales of small and medium-size driver ICs amounted to US$110.9 million, up 32.3% from that of the second quarter of 2012, which was mainly due to the fast-growing smart phone, tablet and automotive display application sectors. According to the Himax Technologies, Inc.'s investor presentation in September 2013, they are one of the leading players in display driver ICs, representing a market share of 10.4% in the first quarter of 2013. To the best knowledge of our Directors, we face competition from two other companies trading similar products from the Himax Group in the PRC.

Information on the Chi Mei Materials Group

Chi Mei Materials Technology Corporation, a subsidiary of Chi Mei Corporation, was incorporated under the laws of Taiwan in 2005 and its stocks became listed on the Taiwan Stock Exchange Corporation Limited in 2011. Its principal business is manufacturing and selling of polarisers.

The Chi Mei Materials Group began mass producing polarisers in 2007. It mainly sources its raw materials from Japan. It currently has production lines in Taiwan and a production line in the PRC for post processing. It applies an occupational health and safety management system that is in conformity with OHSAS 18001:2007 and a management system that is in conformity with ISO 14001:2004 and ISO 9001:2008. It has also been awarded with the IECQ certificate of conformity for hazardous substance process management and verified for greenhouse gas emissions.

The Chi Mei Materials Group offers polarisers of various sizes, ranging from less than 10 inches to 55 inches, for different electronic devices such as mobile phones, cameras and televisions.

According to the financial information published by Chi Mei Materials Technology Corporation on the market observation post system of the Taiwan Stock Exchange Corporation Limited, the net sales of the Chi Mei Materials Group grew approximately 6.2% from approximately NT$19,001 million for the year ended 31 December 2011 to approximately NT$20,172 million for the year ended 31 December 2012, with the net income after tax also increased from approximately NT$1,429 million to approximately NT$1,603 million during the corresponding periods.

According to the prospectus of Chi Mei Materials Technology Corporation dated 1 August 2012, it was the second largest polariser manufacturer in Taiwan in 2011. To the best knowledge of our Directors, we face competition from two other companies trading similar products from the Chi Mei Materials Group in the PRC.

Save as disclosed above, our Directors are not aware that our major suppliers, namely, the InnoLux Group, the Himax Group and the Chi Mei Materials Group have experienced any material downward trend in recent years.

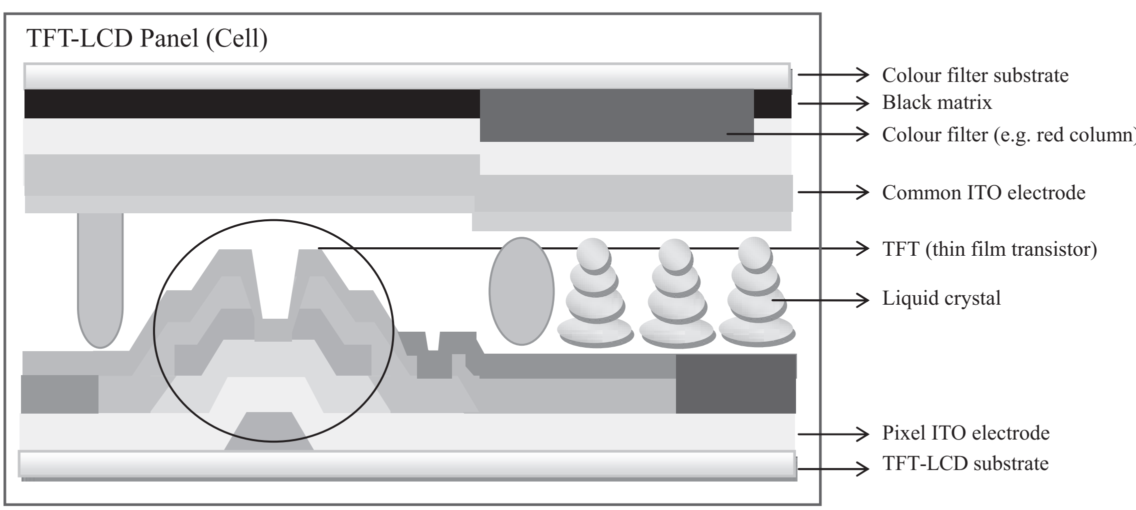
The products of InnoLux Group, the Himax Group and the Chi Mei Materials Group are fabricated in Taiwan and they do not have production plants in the PRC although some have post production facilities. As at the Latest Practicable Date, the InnoLux Group had module assembly facilities and the Chi Mei Materials Group had a production line for post processing in the PRC, while the Himax Group did not have a manufacturing facility in the PRC. The InnoLux Group's module assembly facilities in the PRC assemble components including panels, ICs and polarisers into modules, and our customers mainly purchase panels and not the modules manufactured by the InnoLux Group. It is to our Directors' understanding that the InnoLux Group does not sell panels to customers in the PRC directly from its module assembly factories in the PRC and that Chi Mei Materials Group does not sell polarisers from its post production facility in the PRC. Instead, our suppliers rely on us to handle the logistics and communications with the PRC customers. It is also to our Directors' understanding that our major suppliers' marketing efforts have been devoted to customers with major brands and that they do not have any technical supporting staff stationed in the PRC. Other white-box manufacturers in the PRC, whose order quantities are usually small and less likely to be placed directly with those major suppliers, are left to be handled and served by intermediate enterprises such as our Group. As a Hong Kong based group with technical support functions in the PRC, we possess a proximity advantage in handling and supporting these scattered white-box manufacturers. Therefore, these PRC customers purchase from us instead of from our suppliers directly. Our Directors believe that our Group has the capability to sustain our business by largely relying on a few major suppliers.

The InnoLux Group, the Himax Group and the Chi Mei Materials Group are all major players in the market in respect of their products. They have been investing in product development to cater for the rapidly changing technology trend and competition. We accordingly consider that it is advantageous to source mostly from these supplies, and believe that the chance of our major suppliers being driven out of competition is slim. We will closely monitor the market and should our major suppliers lose out in competition, we may source from other suppliers with other more competent technologies.

InnoLux TFT-LCD Panels

TFT-LCD panel technicality

TFT-LCD is the mainstream type of display panel (also referred to as a cell) used for smart phones. The TFT-LCD basically consists of two layers of glass substrates sandwiching a layer of liquid crystals. The top glass substrate is fitted with a colour filter and the bottom glass substrate has transistors fabricated on it. Polarisers are also attached to both sides of the panel.



Components and functions

TFT array

The bottom substrate is referred to as the TFT array. It is made of many individual transistors that are made of semiconductor materials, usually silicon. They function as a gatekeeper, controlling the amount of voltage generated by the driver IC that is passed between the ITO layers. The TFT array passes on voltage (electronic signals) through the liquid crystal layer so that the liquid crystals can be twisted by the voltage value trapped between the pixel ITO and common ITO.

Colour filters

An array of colour filters is coated on the inner surface of the upper glass panel (e.g. the panel facing the viewer) which allows the images to be displayed in colour. The colour filter acts as a light valve, controlling the transmission of light through an electric voltage.

An array of light valves are used to display monochrome images (e.g. with bright and dark pixels). To display colour information, an array of colour filters consisting of three primary colours, RGB, needs to be placed after the array of light valves. This divides each pixel of the display into three cells or subpixels which are coloured RGB. Each subpixel can be controlled to yield thousands or millions of possible colours for each pixel.

ITO electrode

The ITO electrode is a transparent material that exhibits good electrical conductivity. There are usually two ITOs — common ITO and pixel ITO that are placed on either side of the liquid crystal layer, acting as the electric field. It passes the voltage from the TFT array through the liquid crystals.

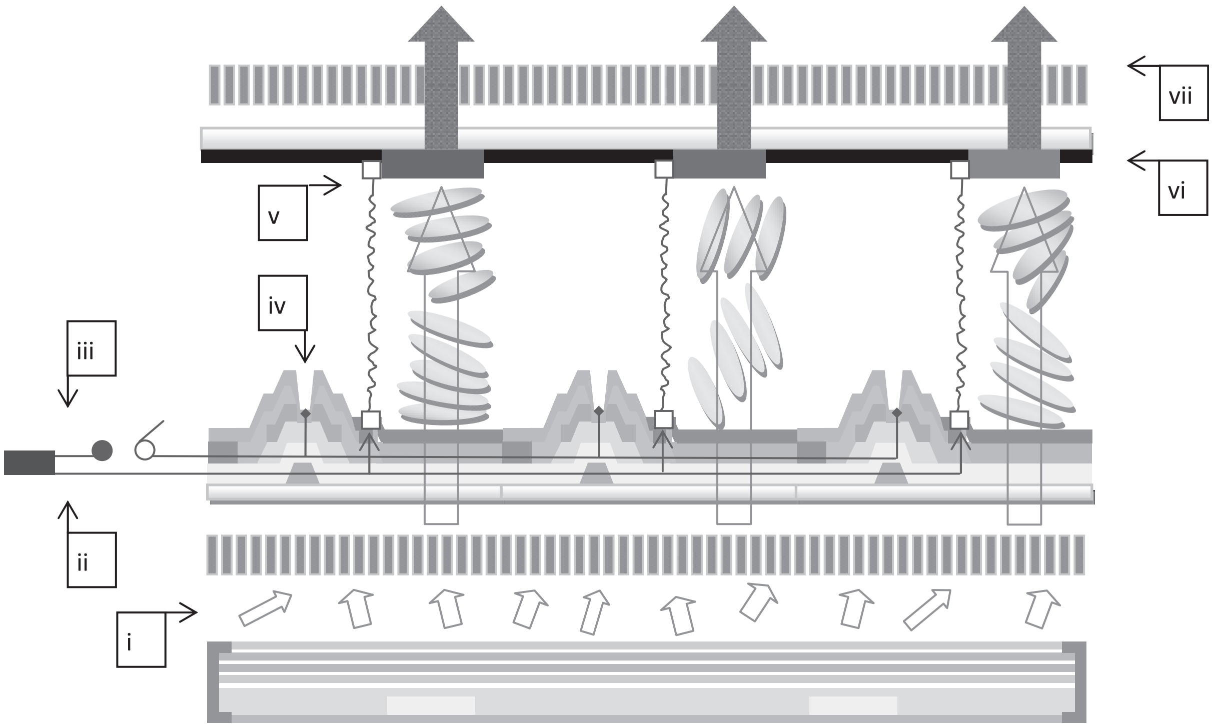
Liquid crystals

Liquid crystals are birefringent materials, meaning it can split light rays. When light travels through the liquid crystals, it undergoes a retardation, twisting to form a helical pattern, whereby the intensity of light can be modulated.

When voltage of different strengths are applied, the liquid crystals will go through different phase retardations, untwist, changing the polarisation and blocking the light's path. This creates gray scale, or lights of different intensity.

How the TFT-LCD works

Light, usually LED, emitted from the backlight is linearly polarised by the first polariser. Voltage generated by the source (data) circuit of the driver IC enters the ITO layer through the TFT gateway. The gate circuit of the driver IC is responsible for opening the TFT gateway. When the gate control signal is turned on, the TFT gateway opens and voltage is able to travel through the TFT so that it is stored between the ITOs. Different voltage values trapped between the ITO layers cause the liquid crystal molecules to twist in different angles. This will further polarise the light that has already been linearly polarised by the first polariser. The light travels through the colour filter whereby primary colours are mixed to form the desired colour, then when it goes through the second polariser, that light is modulated to produce a grayscale replicating the light intensity of the image. Each transistor forms a pixel of its own colour and a combination of pixels forms images on mobile phones.



i. Light emitted from the LED backlight is linearly polarised by the first polariser

ii. Source (data) line generates voltage value

iii. Gate (scan) line controls TFT switch

iv. TFT plays as a gateway to pass voltage through

v. Different voltage values trapped between ITO layers cause the LC molecules to twist accordingly

vi. The light travels through the colour filter whereby primary colour are mixed to form the desired colour

vii. The light intensity is modulated by the second polariser to produce a grayscale

Features of InnoLux TFT-LCD Panels

The following are some of the features of the TFT-LCD panels produced by InnoLux Group which differentiates them from panels produced by other companies:

1. Unlike conventional TFT-LCD panels that use the TN technology to twist the liquid crystals, some of InnoLux TFT-LCD Panels use the relatively new IPS technology. IPS panels place the ITO electrodes on the same side instead of opposite sides of the liquid crystal layer as in TN panels. This will affect the movement of the liquid crystals and therefore the response time and the quality of the display. Advantages of IPS panels include a more consistent display from a wide viewing angle and the lack of a light tail when a particular part of the panel is touched. Although Japanese and Korean manufacturers have historically been

able to produce IPS panels with the highest yield rates, InnoLux is gradually closing the gap. The InnoLux Group is one of the only four flat panel display manufacturers to supply IPS panels to one of the largest US-based technology companies for use on their phones and tablets.

2. Some of InnoLux's TFT-LCD panels use low temperature poly silicon ("LTPS") as the material of the TFT array instead of amorphous silicon ("a-Si"). The difference in the structure of silicon in a-Si and LTPS is that LTPS allows for electrons to move quicker, giving pixels a quicker response time. It also allows for the driver IC to be directly integrated onto the TFT-LCD substrate instead of having to connect the driver IC to the substrate separately. Overall, LTPS TFT-LCD allows devices to perform faster and lowers power consumption.

Our Group's purchases from the InnoLux Group

We purchase various types of TFT-LCD panels including TN, IPS and LTPS from the InnoLux Group. Panels we purchased during the Track Record Period included (i) small sized panels used for basic feature phones being 1.77 inches; (ii) small to medium sized panels used for middle end feature phones and a small number of smart phones ranging from 2.0 to 3.2 inches; (iii) medium sized panels used for smart phones ranging from 3.5 to 5.5 inches; and (iv) medium to large sized panels used for tablets ranging from 5.7 to 7.0 inches. Most panels we trade are small to medium sized and medium sized panels ranging from 2.0 to 5.0 inches which are used mainly for smart phones.

Himax Driver ICs

Function of driver IC

Driver ICs are critical components of TFT-LCD panels. The driver IC receives image data and delivers precise analog voltages or currents to activate the pixels on the display. When voltage is applied to the liquid crystal within each pixel cell, the liquid crystal is bent, thereby changing the intensity of light that passes through each individual pixel. Combined with the colour filter on the front glass substrate, each pixel generates its own colour which, together with other pixels, make up the whole image on the panel.

Driver ICs for mobile phones include gate drivers and source drivers. Gate drivers turn on the transistor within each pixel cell on the horizontal row on the panel. When the transistors are turned on, source drivers will generate voltages that are applied to the liquid crystal within each pixel cell on that row for data input. The combination determines the colours generated by each pixel. Small-sized panel applications, such as mobile phones, require one source driver and one gate driver, which are integrated into a single chip due to space and cost considerations. Large-sized panel applications, such as television display or desktop monitor, normally have multiple gate drivers and source drivers which are installed separately on the panel.

Driver ICs technicality

The following is a summary of certain display driver ICs characteristics and their relationship to panel performance:

Resolution and number of channels

Resolution refers to the number of pixels in width dimension multiplied by the number of pixels in height dimension. For example, a colour display screen with 1024 x 768 pixels has 1,024 pixels from side to side and 768 pixels from top to bottom, and therefore it has a total number of 786,432 pixels (1024 x 768 pixels). Each pixel is a sample of an original image and more samples typically provide more accurate representations of the original image. Therefore, resolution usually determines the level of fine detail within an image displayed on a panel.

Each pixel is usually made up of one red column, one green column and one blue column. These three primary colours are combined to make a wide range of colours. For example, a colour display screen with 1024 x 768 pixels has 1,024 red columns, 1,024 green columns and 1,024 blue columns for a total of 3,072 columns and 768 rows. Therefore, the display drivers ICs need to drive 3,072 column outputs and 768 row outputs.

Colour depth

Colour depth is the number of colours that can be displayed on a screen, which is determined by the number of shades of a colour, also known as grayscale, that can be shown by a panel. The number of distinct colours that can be generated by a pixel depends on the number of bits of the driver IC. For example, a 8-bit driver IC is capable of generating 2^8, or 256 different levels of voltages that are applied to the liquid crystal, resulting in different intensity of light that passes through the colour column. Thus, each red column is capable of generating 256 shades of red and each pixel (comprising three colour columns) is capable of generating 256 x 256 x 256, or approximately 16.8 million colours. Similarly, a 6-bit driver IC is capable of generating approximately 262,144 colours. TFT-LCD panels for mobile phones currently in commercial production are normally supported by 8-bit and 6-bit driver ICs and are capable of generating 16.8 million and 262,144 colours, respectively.

Higher level of integration

Due to the size constraint of mobile phones, the space available for components is usually limited. In order to stay competitive in the market, customers demand for higher levels of integration and simpler module assembly process to manufacture more compact panels and reduce unit costs. Small-sized panel applications require one source driver, one gate driver and one time controller which can be installed as separate semiconductors or as an integrated single-chip driver. Display driver IC manufacturers aim to offer highly integrated chips combining the source driver, gate driver and timing controller, as well as other functional circuits such as memory, power circuit and image processors, into one single chip. Due to the size and power constraints of such driver IC, single-chip driver IC is generally more complex to design.

Features of Himax Driver ICs

The following are some of the features of the driver ICs provided by Himax Group which differentiates them from driver ICs produced by other companies:

1. Himax Driver ICs are highly integrated as the source driver, gate driver, power circuit, timing controller and memory are put together into one single chip. Himax Group is able to offer driver ICs with high-speed interfaces and support high resolution, such as qHD (960 x 540 pixels) and HD720 (1280 x 720 pixels)/WXGA (1280 x 800 pixels).

2. The sunlight readability (SLR) technology of the Himax Group enhances the visibility of displays under bright sunlight for outdoor use. Driver ICs are using SLR technology to enhance the contrast of shadow, mid-tone and highlight grey level and improve the quality of image in ambient light.

3. With high compatibility, Himax Driver ICs are able to work with various chipsets manufactured by different major semiconductor companies and support a wide range of TFT-LCD panels with different resolutions, panel sizes and interface technologies.

Our Group's purchases from the Himax Group

We purchase various resolutions of driver ICs ranging from QQVGA (160 x 128 pixels) to HD720 (1280 x 720 pixels) from the Himax Group. Most driver ICs we trade are for small to medium-sized panel applications which are mainly used for mobile phones.

Chi Mei Materials Polarisers

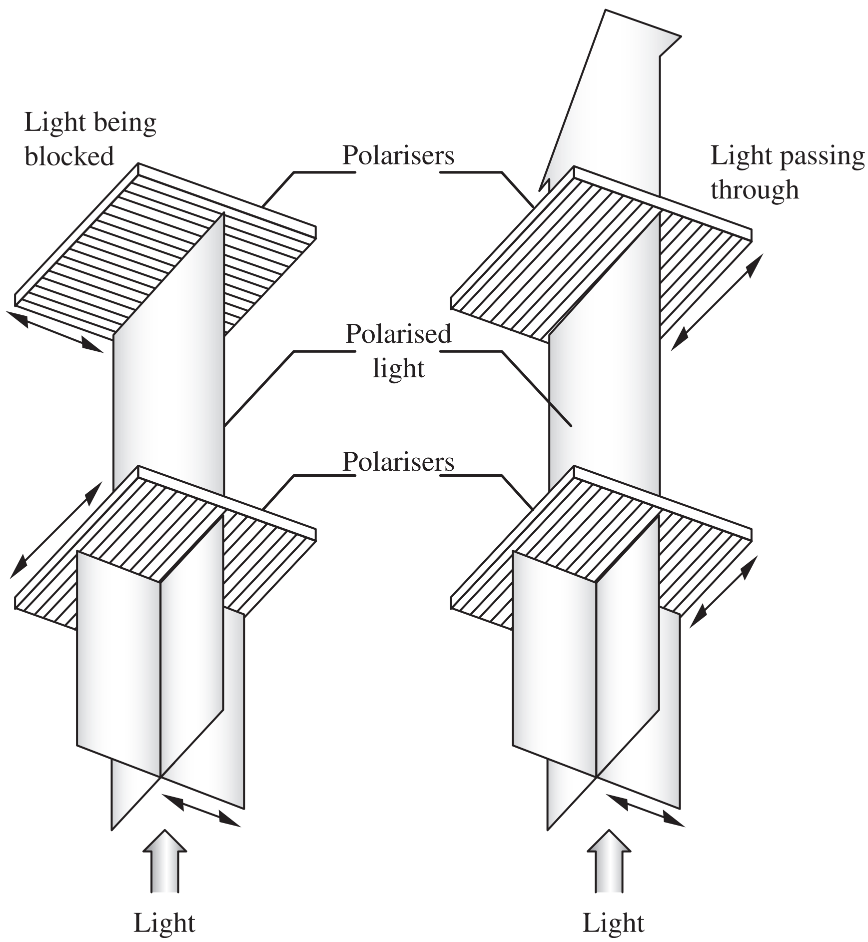
Polariser technicality

A polariser is an optical device that changes unpolarised light emitted from the backlight to linearly polarised light, meaning it transmits one component and blocks the other component. A pair of polarisers is placed perpendicular to each other, on either side of the panel, to control the intensity of the beams electronically. A pair of crossed polarisers would completely extinguish the transmission of light.

Polarisers are made of a thin sheet of anisotropic material that transmits one polarised component and absorbs the other component. This effect is known as optical dichroism. Dichroic material is usually synthesised by stretching polymer films, like polyvinyl acetate (PVA), that contain dichroic materials such as iodine.

How polarisers work

A pair of polarisers sandwiches the TFT-LCD panel. The polariser on the bottom of the TFT array is called the bottom or vertical polariser and the polariser on the top of the colour filter array is called the top or horizontal polariser. The top and bottom polarisers are placed perpendicular to each other. The bottom polariser channels light emitted from the backlight in one direction as it travels through the liquid crystal layer. The top polariser blocks any light that has deflected. Together, the pair of polarisers control the intensity of light that passes through the colour filter, creating different grayscales.



Features of Chi Mei Materials Polarisers

The following are some of the features of the polarisers produced by the Chi Mei Materials Group which differentiate them from polarisers produced by other companies:

1. The manufacturing process of polarisers involves various chemicals dyes, coatings, chemical and optics that may be hazardous to the environment. Polarisers produced by the Chi Mei Materials Group rely on an environmentally friendly design and manufacturing process. The Chi Mei Materials Group applies an occupational health and safety management system that is in conformity with OHSAS 18001:2007, a management system that is in conformity with ISO 14001:2004 and ISO 9001:2008. The Chi Mei Materials Group production process has also been awarded with the IECQ certificate of conformity for hazardous substance process management and verified for greenhouse gas emissions.

2. Their polarisers contain a layer of wide view film (WVF) which is a type of compensation film for LCDs. Because of the birefringent quality of the liquid crystal layer in the TFT-LCD panel, the quality of the display in terms of contrast, gray level stability and viewing angle depends on the angle the liquid crystals are being twisted in. The WVF is made of discotic materials which improves angular dependence and allows LCD devices to have a wider viewing angle. The Chi Mei Materials Group is able to manufacture WVF polarisers ranging from 2.4 to 26 inches.

3. The light leakage phenomenon (mura) is a problem where non-uniform bright dots may appear on the edge of the LCD. Chi Mei Materials Group's polarisers use a special technique of pressure sensitive adhesives (PSAs) which minimises mura. PSA relieves the stress between the polariser and the TFT-LCD panel so that the region of light leakage can be more evenly spread out and thus less noticeable to the human eye.

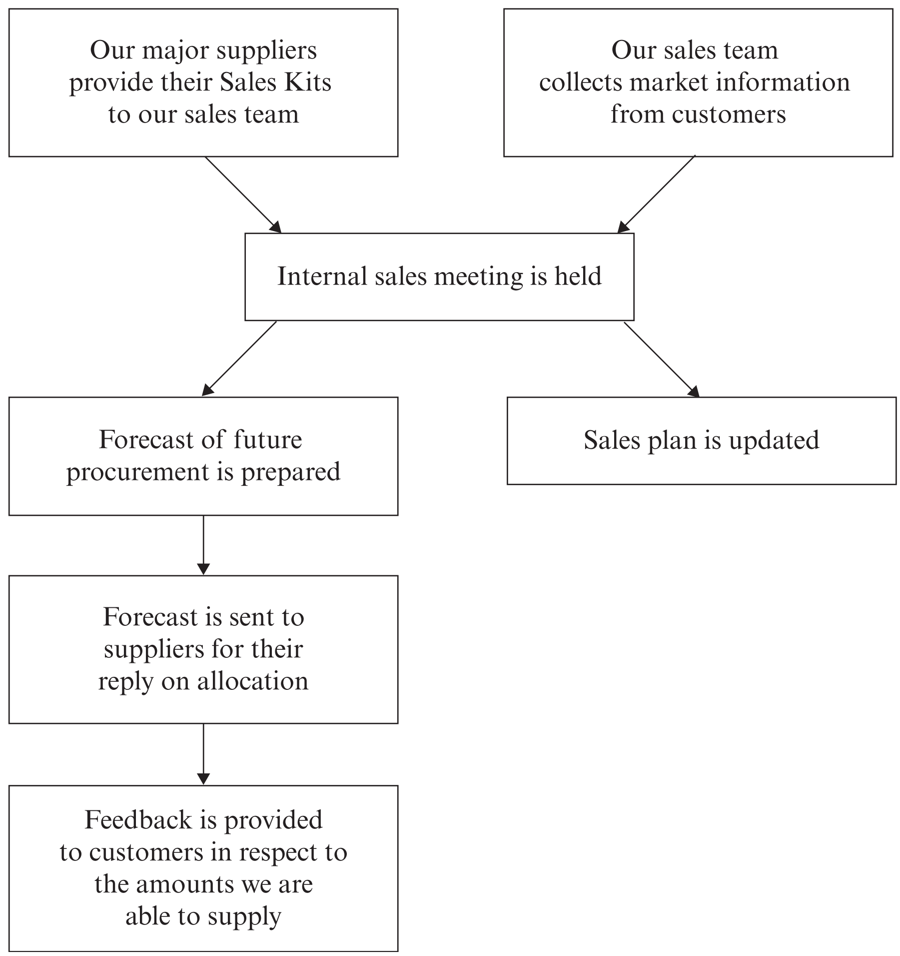
Our Group's purchases from the Chi Mei Materials Group

We purchase two sizes of large sheets of original polarisers, being 600 x 1000mm and 702.5 x 1000mm, from the Chi Mei Materials Group. The large sheets of original polarisers may be cut into smaller sizes by our customers to be used on various electronic devices including smart phones, desktop monitors, tablets and 3D eyeglasses, to name a few.

FORECAST AND ORDER PROCESSING

Forecast preparation process

The following chart illustrates our typical forecast preparation process:



Preparation of forecast

From time to time, our major suppliers provide us with information on their companies, their product lists and their production timetables (collectively, "Sales Kits"). The Sales Kits are used by our sales team when carrying out marketing activities. They allow our sales team to give our customers an idea of the types of products our suppliers intend to release in the near future and the specifications of those products. Our sales team will also communicate regularly with our major customers to get a sense of their inventory levels, the type of products they plan to purchase and the amount of products they plan to purchase (collectively, "Customer Information").

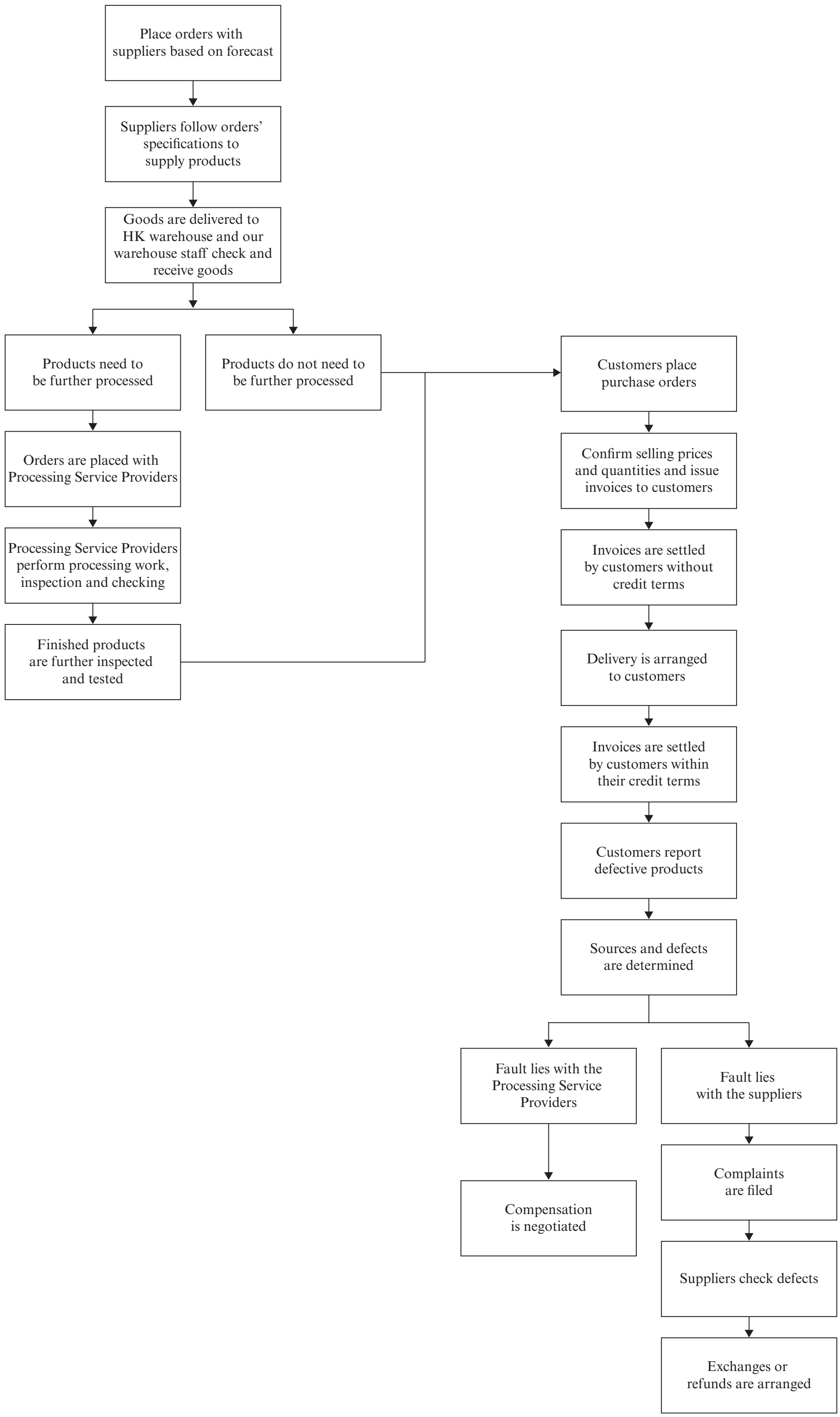
At internal sales meetings, our sales team will review and discuss the Sales Kits and Customer Information and, taking into consideration all the market information collected, prepare an initial monthly forecast of future procurement specifying the types of products and in what quantities they are required. Based on the forecast, our sales team also updates the sales plan which sets out the sales roadmap for various products including which customers plan to make purchases and what action has been undertaken by the sales team, for example sending samples to customers and handling product enquiries. Our forecast of future procurement is sent to our major suppliers for their reply on allocation. Our suppliers will let us know whether they are able to supply the quantities of products in our forecast at the specified price. Based on our suppliers' replies, our sales team will let individual customers know the amount of products we are able to sell them and at what price we are able to sell them for before they place orders with us. Our sales team updates the sales plan from time to time in order to keep track of the sales of each product up to the delivery of the products to customers or refund of the products, if applicable.

In respect of our forecast for January 2014, being the latest monthly procurement forecast we have made as at the Latest Practicable Date, our forecast of future procurement for TFT-LCD panels and driver ICs amounted to approximately HK$48.5 million which was arrived at after taking into account our inventory on hand and orders placed with suppliers but yet to be received. We continue to monitor the market after we have placed orders with our suppliers based on the monthly forecast. We may place additional orders with our suppliers after considering the market demand and inventory level.

Our Directors consider that we have in place a comprehensive system of preparing our forecast of future procurement which is reliable as we prepare the forecast after comparing information collected from our major suppliers and customers, identifying any discrepancies and making necessary adjustments. In order to keep track of the changing market conditions, we update our forecast from time to time based on information about market trends, customers' recent purchase orders and suppliers' feedback. Provision for obsolete inventories charged to the profit or loss only amounted to approximately 0.8%, 0.6% and 0.4% of our total sales respectively for the years ended 31 December 2011 and 2012 and the eight months ended 31 August 2013.

Order processing flow

The following chart illustrates our typical order processing flow:



Procurement

Our sales team and procurement team, subject to the final decision of our Directors, decides what products to purchase and in what quantities based on, among other things, our inventory level, customers' recent purchase orders and our forecast of future procurement.

Once our order is ready for delivery, our suppliers will issue to us their invoice and packing list. When the goods are delivered to Hong Kong, our freight forwarders will issue to us the arrival notice and air waybill. We will then transport the goods to our warehouse, check the receipt of the goods against the quantity shown on the packing list to ensure the goods are properly received and sign the packing list as an acknowledgement.

Supplier invoices are then settled in accordance with the payment terms granted by our suppliers.

Trading

Customers place orders with our Group by way of purchase orders containing the terms and conditions of sale. Our sales team will decide the selling price for the products ordered based on a price list that is updated by the sales team. Selling prices higher than the price set in our price list may be approved by the sales team head. Prices lower than our price list by a certain amount require written approval from the chief executive officer. As an additional precaution, all customer purchase orders are copied to the sales team head, accounting and finance department, as well as our chief executive officer who is entitled to object any one of our sales transactions. A sales invoice will be issued to the customer after the prices have been approved. As at the Latest Practicable Date, our outstanding sales orders amounted to approximately HK$94.7 million.

Most of our customers, save for those with credit terms, are required to settle the sales invoices before the delivery of goods. Once payment has been received, our staff will prepare the relevant invoice and packing list and engage logistics service providers to deliver the goods to our customers. Although a large number of our customers are based in the PRC, we usually make delivery to our customers in Hong Kong.

Logistics

Depending on the products we order with different suppliers, there are different shipping arrangements. In respect of driver ICs, the terms are usually cost, insurance freight (CIF) Hong Kong. The arrangement with polarisers is usually free on board (FOB) Taiwan. For panels, the terms are usually FOB Taiwan, free carrier (FCA) Taiwan or delivered duty unpaid (DDU) Hong Kong. We arrange for freight forwarders to handle the shipment of products from Taiwan to Hong Kong. After the goods are delivered to Hong Kong, they are normally first kept at the warehouses of the freight forwarders. We will then engage logistics service providers to deliver the goods to our warehouses.

Panels that are required to be further processed are transported from our warehouses and/or the freight forwarders' warehouse to a delivery point in Hong Kong for pick-up by the Processing Services Providers. After the Processing Services Providers have finished processing the panels in the PRC, they will deliver the goods from the processing factories to our warehouse. When delivery is made to our customers who place purchase orders in Hong Kong, our obligation to deliver the goods will be fulfilled once the goods are delivered to a pick-up point within Hong Kong. We have engaged logistics service providers to deliver goods from our warehouses and/or the freight forwarders' warehouse by truck to locations within Hong Kong. Our staff will accompany the truck driver in every delivery to ensure that goods are properly delivered to the designated locations.

Where sales are carried out by Yuan Mei Xin Technology, delivery will be made in the PRC.

Our Group usually makes delivery in Hong Kong instead of the PRC (including panels that have been processed in the PRC and transported back to Hong Kong for delivery) as such arrangements will not be subject to any import tariffs. There are no export tariffs applicable to exports from Taiwan to the best knowledge of our Directors. However, imports to the PRC (including sales by Yuan Mei Xin Technology) are subject to 17% VAT and import tariffs of varying amounts depending on the type of goods. As at the Latest Practicable Date, the import rates for LCD panels, LCD modules, ICs and polarisers were 5%, 12%, 0% and 8%, respectively. When our customers which are based in the PRC accept delivery of goods and proceed to import the goods from Hong Kong to the PRC, they will be subject to 17% VAT and importing tariffs.

The panels picked up by our Group's Processing Services Providers at pick-up points in Hong Kong would then be imported to the PRC for processing by our Processing Services Providers. Pursuant to the Measures of the Customs of the People's Republic of China on the Control of Processing Trade Goods (中華人民共和國海關對加工貿易貨物監管辦法) and the relevant laws and regulations, the panels imported by our Group's Processing Service Providers under processing trade are under bonded supervision by the PRC customs. After being processed, our Processing Service Providers would then transport panels back to Hong Kong for delivery to our customers. Since the panels are both imported and exported by our Processing Service Providers, such delivery arrangement will not attract any PRC duties or tariffs on the part of our Group.

Panel processing

Some of the panels purchased by our Group are further processed by our Processing Service Providers. Other products that we sell are sold as is without processing. When placing orders with our Processing Service Providers, we send an order to the relevant Processing Service Provider which includes the prices, quantities and terms and conditions. Our Processing Service Providers will affix their company chops to the orders as confirmation.

Depending on our customers' requests, panels delivered to us from our suppliers may be processed to different extents by our Processing Service Providers and may include a combination of cutting into individual units, slimming down, and injecting liquid crystals.

Quality control

During the panel processing stage, our Processing Service Providers are responsible for the first level of inspection and testing both before the commencement of their processing works and after the processing works have been completed. Our Processing Service Providers manually check all panels for defectiveness for example, chipped edges, rugged surfaces and scratched surfaces. Then, with the help of various instruments, technical testing is performed on the panels and the test results are compared against our internal quality control guidelines to determine whether products are up to the panel specifications and technical standards in terms of panel grading, with A grade panels being the best quality, followed by B grade being inferior but passable quality, and F grade and N grade panels representing sub-standard panels. During the Track Record Period, our Processing Service Providers reported irregularities discovered during the quality control process to the PRC Service Providers. Since May 2013, the quality control function has gradually been taken up by Yuan Mei Xin Technology.

Yuan Mei Xin Technology or the PRC Service Providers oversee the work of our Processing Service Providers and assist in troubleshooting during the panel processing process by sending technicians to the processing plants. They will also perform the second level of inspection and testing to check the quality of the panels after the processing work is completed. For further details of the functions of Yuan Mei Xin Technology, please refer to the paragraph headed "Sales and technical support in the PRC" in this section of the prospectus.

Product returns and warranty

In the event a significant product defect is discovered, the PRC Service Providers or Yuan Mei Xin Technology's technician will determine the source of the defect i.e. whether it is the supplier's fault or the Processing Service Providers' fault. In situations where the responsibility lies with the supplier, we will file a complaint with the supplier. Once the supplier has checked the defects, they will usually grant a deduction from our payment or replace the defective products at the supplier's expense. We will then credit towards the affected customers' next invoice. Where the responsibility lies with our Processing Service Providers, we will negotiate the amount of compensation with them on a case-by-case basis.

In the event defects are discovered after the sale of goods to our customers, we will go through the same process as described above to determine whose responsibility the defect lies with and deduct the refund amount from the affected customers' next invoice. The usual warranty period given to us by the InnoLux Group, the Himax Group and the Chi Mei Material Group is six months for TFT-LCD panels, two years for driver ICs and two years for polarisers respectively.

Our Directors consider that the amount of returned goods was insignificant and no provision on goods return had to be made during the Track Record Period.

Arrangement with our Processing Service Providers

During the Track Record Period, the processing work on TFT-LCD panels was outsourced to our Processing Service Providers which are Independent Third Parties. Our Processing Service Providers are mainly panel processing plants located in the PRC. Such arrangements enable us to provide panel processing services to our customers as value added services without incurring any capital investments on production facilities. We plan to establish or acquire our own panel processing plants in the future to enhance our profit-yielding ability, achieve better quality control and secure panel processing capacity. Please refer to the paragraph headed "Our business strategies" in this section of the prospectus for further details.

Our Processing Service Providers can be divided into two categories: (i) processing plants which provide panel cutting services (the "Cutting Service Providers") and (ii) processing plants which provide slimming services (the "Slimming Service Providers"). During the Track Record Period, we engaged approximately five Cutting Service Providers and six Slimming Service Providers. Among the five Cutting Service Providers, two of them also provide the liquid crystals injection services to our Group. The following table sets forth information regarding our five largest Processing Service Providers during the Track Record Period in terms of service fees paid:

For the year ended 31 December 2011

Processing Service Provider	Principal business activity	Type of services provided to our Group	Location of plant	Years of relationship (up to 31 August 2013)	Service fees paid *HK$' million*
A	Design, research, manufacturing, processing, sales and repair of optical products and the import/export of goods	Liquid crystal injection and cutting	Dongguan	3	22.0
B	LCD panel cutting; sales and manufacturing of touch panels and other electronic products and import/export of goods	Liquid crystal injection and cutting	Shenzhen	3.5	14.7
C	Research and manufacturing of optical products; sale of products; technical support and import/export of goods (that have obtained the requisite approvals)	Slimming	Guangzhou	3	10.3
D	Manufacturing and sales of LCD panels and modules; establishing research entities and research and development of LCD modules	Slimming	Dongguan	2	1.5
E	Research and development, manufacturing and sales of LCD panels, LCD modules and glass products; trading within the PRC and import/export of goods and technology (that have obtained the requisite approvals)	Cutting	Shenzhen	2	1.4
					49.9

For the year ended 31 December 2012

Processing Service Provider	Principal business activity	Type of services provided to our Group	Location of plant	Years of relationship (up to 31 August 2013)	Service fees paid *HK$' million*
E	Research and development, manufacturing and sales of LCD panels, LCD modules and glass products; trading within the PRC and import/export of goods and technology (that have obtained the requisite approvals)	Cutting	Shenzhen	2	5.5
A	Design, research, manufacturing, processing, sales and repair of optical products and the import/export of goods	Liquid crystal injection and cutting	Dongguan	3	5.5
B	LCD panel cutting; sales and manufacturing of touch panels and other electronic products and import/export of goods	Liquid crystal injection and cutting	Shenzhen	3.5	5.3
D	Manufacturing and sales of LCD panels and modules; establishing research entities and research and development of LCD modules	Slimming	Dongguan	2	4.6
F	Sales and manufacturing of LCD panels and modules and research and development of LCD modules	Slimming	Dongguan	1	3.5
					24.4

For the eight months ended 31 August 2013

Processing Service Provider	Principal business activity	Type of services provided to our Group	Location of plant	Years of relationship (up to 31 August 2013)	Service fees paid *HK$' million*
A	Design, research, manufacturing, processing, sales and repair of optical products and the import/export of goods	Liquid crystal injection and cutting	Dongguan	3	6.5
E	Research and development, manufacturing and sales of LCD panels, LCD modules and glass products; trading within the PRC and import/export of goods and technology (that have obtained the requisite approvals)	Cutting	Shenzhen	2	6.5
B	LCD panel cutting; sales and manufacturing of touch panels and other electronic products and import/export of goods	Liquid crystal injection and cutting	Shenzhen	3.5	3.9
F	Sales and manufacturing of LCD panels and modules and research and development of LCD modules	Slimming	Dongguan	1	1.5
D	Manufacturing and sales of LCD panels and modules; establishing research entities and research and development of LCD modules	Slimming	Dongguan	2	0.4
					18.8

Save for Processing Service Provider C which we did not engage during the eight months ended 31 August 2013, and a decrease in liquid crystal injection, we did not experience material fluctuations in the amount of service fees paid to our top five Processing Service Providers during the Track Record Period. Going forward, if we establish or acquire our own processing plants, service fees paid to our Processing Service Providers may be reduced.

We select the Processing Service Providers after taking into account of their technical capability, track records, experience, quality control measures, quoted service fees and whether they hold the Registration and Environment Licence (if applicable). For details of the environmental laws and regulations that apply to our Processing Service Providers, please refer to the paragraph headed "Approvals, permits and licences" of the "Business" section of this prospectus.

In order to ensure our Processing Service Providers comply with existing and future environmental laws and regulations, we have in place the following internal control measures:

- Before entering into service agreements with Processing Service Providers, we will request for a copy of their business licence (營業執照) and other relevant licence(s), permit(s) and approval(s) for its operation and business

- Before entering into service agreements with Slimming Service Providers, we will request for a copy of their Registration and Environment Licence

- Our PRC Service Providers or Yuan Mei Xin Technology visits the plants of our Slimming Service Providers annually to ensure facilities are in compliance with environmental standards

- We request our Processing Service Providers to notify us of any correspondences with the relevant PRC environmental protection authority and to provide us with a copy of written correspondences (if any)

- We will seek legal advice from PRC legal advisers if necessary

- Our PRC Service Providers or Yuan Mei Xin Technology will monitor the performance of our Processing Service Providers to ensure their services are up to the expected standard and quality

To the best knowledge of our Directors, there was no non-compliance with environmental laws and regulations on the part of our Processing Service Providers during the Track Record Period and up to the Latest Practicable Date. Further, should there be any non-compliance with PRC environmental laws and regulations on the part of our Processing Service Providers, our Group will not be held liable.

We have entered into written processing service agreements with three Cutting Service Providers and three Slimming Service Providers during the Track Record Period. The salient terms of the agreements are summarised as follows:

Term of the agreement		One year
Automatic renewal of the agreement	—	The agreement will be renewed automatically unless either party gives a notice of non-renewal in writing to the other party 30 days prior to the end of the agreement.
Quality requirement	—	The Processing Service Providers shall meet the production rate of finished products with satisfactory quality as stipulated in their respective agreements.
Quality control	—	The Processing Service Providers should maintain a documented quality assurance system. We may perform examinations and reviews on their quality assurance system.
	—	The Processing Service Providers would perform quality inspection on finished goods and enclose such inspection reports with the finished goods upon delivery.
	—	We would, if necessary, send quality control personnel to monitor their production processing and conduct on-site quality inspection upon the finished products.
Indemnity	—	The acceptance of finished products by us after checking does not discharge the Processing Service Providers from any liabilities over the defective products. We are entitled to claim compensation from the Processing Service Providers for any defects which are caused by the improper processing works.
	—	In the event that we incur losses as a result of customers' complaints in respect of any defects that are caused by improper processing works, we may claim damages from the relevant Processing Service Providers.

— If the amount of the defective products caused by the processing works (including defective products which are discovered after the sale of goods to our customers and lead to customers' complaints) exceeds guaranteed production rate, we have the right to seek compensation from the relevant Processing Service Providers.

Delivery arrangement — We would transport the unprocessed panels to pick-up points designated by the Processing Services Providers in Hong Kong. The Processing Services Providers are responsible for handling import/export procedures, transporting the panels from Hong Kong to their processing plants in the PRC and delivering the finished products from the processing factories to our warehouses.

— The Processing Service Providers are required to return and deliver the incoming material which do not meet the required standards and the defective products caused by the improper processing works to our warehouses.

There was no minimum annual production quantity/fee requirement under the processing service agreements. We would negotiate with the Processing Service Providers in advance in respect of the manufacturing schedule, including specification, quantity, unit price, delivery time, etc. Such terms will then be incorporated into a purchase order for the Processing Service Providers to follow. The fees payable to the Processing Service Providers were determined on arm's length negotiation with reference to the technical requirements, labour and overheads required to process the panels and the quantity of panels to be processed.

Depending on our customers' requests, panels to be processed may be first delivered to the Slimming Service Providers for slimming and then transported to the Cutting Service Providers for cutting and/or injection of liquid crystals. Upon the completion of all processing works, the Cutting Service Providers would deliver the finished panels to our warehouses in Hong Kong.

Pursuant to the processing service agreements, we reserve the right to conduct on-site quality inspection upon the finished products and monitor the manufacturing process of the Processing Services Providers. For details of the quality control on the Processing Services Providers, please refer to the paragraph headed "Quality control" in this section of the prospectus.

SALES AND MARKETING

Sales and technical support in the PRC

During the Track Record Period, we engaged two PRC Service Providers to provide sales and technical support to our Group, both of which are Independent Third Parties. The following table sets forth certain information regarding our two PRC Service Providers:

PRC Service Provider	Principal business activity	Location	Years of relationship (up to 31 August 2013)	Service fees paid for the Year ended 31 December 2011	Year ended 31 December 2012	Eight months ended 31 August 2013
				HK$' million	*HK$' million*	*HK$' million*
A	Technical development, sales and technical support for optical products, electronics, calculators and hard drives; trading within the PRC and import/export of goods and technology (that have obtained the requisite approvals)	Shenzhen	7	17.5	19.0	12.6
B	Sales and technical support in relation to electronic products, calculators and optical products	Shenzhen	5	8.7	5.2	—
				26.2	24.2	12.6

The service fees paid to our PRC Service Providers remained fairly constant throughout the Track Record Period save for PRC Service Provider B which we did not engage during the first eight months of 2013. Going forward, we expect the sales and technical support function to be gradually taken up by Yuan Mei Xin Technology. While we expect to continue engaging the PRC Service Providers, service fees paid to our PRC Service Providers may be reduced.

As at the Latest Practicable Date, there were no PRC environmental laws and regulations which applied to our PRC Service Providers as they provide sales and technical support.

Our sales and marketing team supervises the sales and technical support work of our PRC Service Providers as well as prepares the initial forecast of future procurement.

Our Directors consider that our two PRC Service Providers together with our 24 sales and marketing staff can adequately serve our Group's customers. Despite our seemingly large customer base of over 550 customers (accumulated from 1 January 2011 to 31 August 2013), some of our customers only enter into single transaction with us and are not considered active. For the years ended 31 December 2011 and 2012, our Group had approximately 264 and 327 customers respectively. Furthermore, revenue generated by the top 10 and top 20 customers for each of the years ended 31 December 2011 and 2012 and the eight months ended 31 August 2013 accounted for over at least 56% and 75% respectively of our Group's total turnover.

Our sales and marketing activities performed as part of our forecast preparation process, including sharing with customers the Sales Kits, communicating with and collecting Customer Information from customers and providing feedback to customers in relation to the goods we can sell, only applies to our major customers. For further details on our sales and marketing activities performed as part of our forecast preparation process, please refer to the paragraph headed "Forecast and order processing" in this section of the prospectus. For the majority of our customers, we do not direct any sales and marketing activities towards them as they will proactively contact our staff to purchase goods. On the other hand, we provide sales and technical support services to all customers.

The salient terms of the agreements with these PRC Service Providers are summarised as follows:

Term of the agreement	10 years
Expiry date	2 July 2016 (for PRC Service Provider A) 7 September 2018 (for PRC Service Provider B)
Automatic renewal of the agreement	— The agreement will be automatically renewed for a one-year term unless either party gives a notice of non-renewal in writing to the other party 30 days prior to the end of the agreement. — Upon the first term of renewal, the agreement will be renewed under the same terms.
Scope of work	— The PRC Service Provider will provide sales and technical support services such as the provision of personnel: (a) to communicate and contact with our customers and suppliers for designing and selling our electronic products; (b) to form an engineering team to handle electronic technological problems, including, but not limited to, product testing and problem solving; and (c) to provide other services relating to our business upon our request.

Termination	—	Either party can terminate the agreement at any time during the effective term of the agreement by giving the other party a prior written notice for not less than 30 days.
Basis of service fees	—	Service fees shall be determined based on factors such as scope of work, amount of work and the number of personnel that provide services to us.

Our PRC Service Providers also oversee the quality of our Processing Service Providers engaged by us to carry out processing work on the TFT-LCD panels. Our PRC Service Providers will send technicians to provide assistance to our Processing Service Providers and conduct on-site quality inspection upon the finished goods. Since May 2013, the quality control function has gradually been taken up by Yuan Mei Xin Technology. For further details, please refer to the paragraph headed "Quality control" in this section of the prospectus. As of the Latest Practicable Date, PRC Service Provider A continued to provide sales and technical support.

As most of our customers during the Track Record Period are based in the PRC, we believe a PRC-based sales and technical support team will reap the advantages of geographic proximity to foster business relationships with our customers in the PRC and capture further business opportunities with potential customers.

Pricing policy

Prices for our products are negotiated between our Group and respective customers on an order-by-order basis and our pricing policy is generally cost plus. For products not in our inventory, we will check with our suppliers for availability and cost before acknowledging customers' purchase orders. We may liaise with customers for price adjustments. Accordingly, we are able to pass on the increase in purchase costs to our customers in most cases. During the Track Record Period, we had not failed to pass on the increase in raw material costs to our customers. Pricing of our products takes into account of the prevailing market conditions, costs of sales, order sizes, business relationship with our customers and our inventory levels. New emerging products usually enjoy higher margins than the obsoleting ones.

Payment terms

During the Track Record Period, our sales were mostly denominated in US dollars. We normally grant credit periods of 30 days to 60 days to our customers. Our top five customers pay by telegraphic transfer or letters of credit. Aside from certain major customers, most of our customers are required to settle our sales invoices before delivery of goods.

In respect of customers with credit periods, the length of credit period granted varies on a case-by-case basis depending on the customer's reputation and credibility, payment history, ageing analysis and business relationship with our Group. The amount of credit granted to each of our customers is determined by our chief executive officer. Our sales team head ensures that the amount of credit granted to our customers for each sales order does not exceed the permitted amount. Once a customer has reached their permitted credit amount, our sales team will cease delivery of all orders to that customer pending the final decision of our chief executive officer.

We periodically review the credit terms and our customer's payment track record and, if necessary, we will revise the credit terms granted to our customers. We will also closely monitor any outstanding overdue debts and take measures to collect any outstanding debts.

Customers

Our Directors consider that we have a well-established business relationship with our customers and have gained recognition in the TFT-LCD panel industry in the PRC. Our Group accumulated a customer base of over 550 customers from 1 January 2011 to 31 August 2013. For the years ended 31 December 2011 and 2012, our Group had approximately 264 and 327 customers respectively. Although many of our customers are based in the PRC, as most of them place purchase orders with us in Hong Kong, we mainly made delivery of our products to them in Hong Kong during the Track Record Period. Subsequent to April 2013, where sales are carried out by Yuan Mei Xin Technology, we make delivery in the PRC. It is our Directors' understanding that they will make their own arrangements to transport the products to their manufacturing facilities in the PRC.

Our customers purchase our products that are imported products from Taiwan and make their own arrangements to transport the products to the PRC, instead of purchasing the products directly from manufacturers in the PRC because, in our Directors' opinion, they are very few alternative PRC suppliers with prices and quality of products comparable with those of Taiwanese suppliers in the market. China makes up a large portion of the TFT-LCD module assembly field, but TFT-LCD panels used in the PRC are mostly imported from other places such as Taiwan. Taiwanese manufacturers are also leading the Chinese mobile phone driver IC market. In contrast, mobile phone driver IC manufacturers are subject to relatively backward technologies, featuring a product line that focuses only on feature phones and low-end smart phone modules. For further details on the competitive landscape of the TFT-LCD market, please refer to the paragraph headed "Competitive landscape" under the section headed "Industry overview" in this prospectus.

During the two years ended 31 December 2012 and eight months ended 31 August 2013, sales to our Group's five largest customers accounted for approximately 44.2%, 48.1% and 50.0% respectively of total turnover. Sales to our largest customer accounted for approximately 12.7%, 24.3% and 21.1% respectively of our turnover for the corresponding periods. The PRC market of TFT-LCD modules is concentrated with a limited number of manufacturers producing TFT-LCD modules in high volumes, leading a concentration of sales to a limited number of customers. Our Directors consider that the concentration of sales to a few customers is common in the industry.

As at 31 August 2013, our business relationship with the top five customers ranged from 10 months to 9 years. The table below sets out the breakdown of our top five customers during the Track Record Period:

For the year ended 31 December 2011

Customer	**Principal business nature**	**Major products sold**	**Years of relationship (up to 31 August 2013)**	**Transaction amounts** *(HK$'000)*	**% to total revenue of our Group**
A	Manufacturing of various types of LCD modules and related accessories for small to medium sized devices	TFT-LCD panels/Driver ICs/Polarisers	9.4	207,070	12.7
B	Design and manufacturing of LCD modules and telecommunication products	TFT-LCD panels/Driver ICs/Polarisers	7.8	168,607	10.4
C	Manufacturing of electronic components for mobile phones, nickel batteries and lithium-ion batteries	TFT-LCD panels/Driver ICs	9.2	128,008	7.9
D	Manufacturing of TFT-LCD modules	TFT-LCD panels/Driver ICs	2.9	121,788	7.5
E	Design, manufacturing and sale of LCD modules and other communication products	TFT-LCD panels/Driver ICs	8.4	92,022	5.7
					44.2

For the year ended 31 December 2012

Customer	Principal business nature	Major products sold	Years of relationship (up to 31 August 2013)	Transaction amounts *(HK$'000)*	% to total revenue of our Group
B	Design and manufacturing of LCD modules and telecommunication products	TFT-LCD panels/Driver ICs/Polarisers	7.8	336,017	24.3
A	Manufacturing of various types of LCD modules and related accessories for small to medium sized devices	TFT-LCD panels/Driver ICs/Polarisers	9.4	133,315	9.6
C	Manufacturing of electronic components for mobile phones, nickel batteries and lithium-ion batteries	TFT-LCD panels/Driver ICs/Polarisers	9.2	89,074	6.4
E	Design, manufacturing and sale of LCD modules and other communication products	TFT-LCD panels/Driver ICs	8.4	56,640	4.1
F	Manufacturing of various types of LCD modules, touch panels, cover lens and 3D glasses	TFT-LCD panels/Driver ICs/Polarisers	7.8	51,702	3.7
					48.1

For the eight months ended 31 August 2013

Customer	**Principal business nature**	**Major products sold**	**Years of relationship (up to 31 August 2013)**	**Transaction amounts** *(HK$'000)*	**% to total revenue of our Group**
B	Design and manufacturing of LCD modules and telecommunication products	TFT-LCD panels/Driver ICs	7.8	238,500	21.1
A	Manufacturing of various types of LCD modules and related accessories for small to medium sized devices	TFT-LCD panels/Driver ICs/Polarisers	9.4	167,896	14.8
C	Manufacturing of electronic components for mobile phones, nickel batteries and lithium-ion batteries	TFT-LCD panels/Driver ICs/Polarisers	9.2	56,245	5.0
G	Research, manufacturing and sale of TFT-LCD modules	TFT-LCD panels	0.9	52,320	4.6
H	Manufacturing and sale of LCD modules	TFT-LCD panels/Driver ICs	2.8	50,573	4.5
					50.0

Customer A is a wholly owned subsidiary of a Hong Kong listed company ("Company A", together with its subsidiaries, the "Group A"). Headquartered in Hong Kong, Group A has manufacturing facilities with a total floor area of over 1,000,000 square metres in Guangdong Province of the PRC and has over 18,000 employees world-wide. According to the latest annual report of Company A, Group A is principally engaged in the manufacture and sale of LCD products and electronic consumer products including compact camera modules, personal health care products and electrical devices. The mobile phone brands which utilise its products include BBK, Coolpad, Gionee, Huawei, K-touch, Samsung, TCL and ZTE.

Customer C is a company incorporated in the PRC with its H shares listed on the Main Board. According to the latest annual report of Customer C, the principal businesses of Customer C and its subsidiaries are research, development, manufacture and sale of rechargeable batteries, automobiles and related products, handset components, LCDs and other electronic products. For the handset components and assembly business, its major customers include Nokia, Huawei, Apple, Motorola, HTC, Asus, Toshiba and other leading global manufacturers of electronic products.

Customer F is a PRC company with its shares listed on the Shenzhen Stock Exchange. Customer F is principally engaged in the manufacture and sale of LCD modules, optical finger navigation modules, capacitive touch panels, cover lens and 3D glasses. According to Display Search, the mobile phone brands which utilise Customer F's products include ZTE.

Customers B, D, E, G and H are private companies incorporated in Hong Kong or the PRC.

During the Track Record Period, none of our Directors, their respective associates or our existing Shareholders had any interest in any of our five largest customers and none of our five largest customers have any past or present relationship with our Company, our Company's subsidiaries, their shareholders, directors or senior management, or any of their respective associates.

Suppliers

The following table sets out our top five suppliers during the Track Record Period:

For the year ended 31 December 2011

Supplier	Principal business nature	Major products purchased/ services engaged	Years of relationship (up to 31 August 2013)	Transaction amounts *(HK$'000)*	% to total purchase of our Group
The InnoLux Group	Manufacturing of TFT-LCD panel modules and touch panels	TFT-LCD panels/ polarisers	9.3	1,177,982	74.7
The Himax Group	Design, development and marketing of semiconductors for flat panels	Driver ICs	9.3	281,903	17.9
The Chi Mei Materials Group	Manufacturing and distribution of polariser products	Polarisers	6.7	36,359	2.3
D	Manufacturing of TFT-LCD display panel components	Panel processing services	3.3	22,041	1.4
E	Provision of consultancy and technical support services and sale of optoelectronic display products, electronics products, computer software and hardware	Sales and technical support services	7.1	17,532	1.1
					97.4

For the year ended 31 December 2012

Supplier	**Principal business nature**	**Major products purchased/ services engaged**	**Years of relationship (up to 31 August 2013)**	**Transaction amounts** *(HK$'000)*	**% to total purchase of our Group**
The InnoLux Group	Manufacturing of TFT-LCD panel modules and touch panels	TFT-LCD panels/ polarisers	9.3	767,781	58.7
The Himax Group	Design, development and marketing of semiconductors for flat panels	Driver ICs	9.3	357,351	27.3
F	Manufacturing and trading of portable electronic appliances	Driver ICs/TFT-LCD panels and modules	1.1	69,769	5.3
The Chi Mei Materials Group	Manufacturing and distribution of polariser products	Polarisers	6.7	51,892	4.0
E	Provision of consultancy and technical support services and sale of optoelectronic display products, electronics products, computer software and hardware	Sales and technical support services	7.1	18,976	1.5
					96.8

For the eight months ended 31 August 2013

Supplier	Principal business nature	Major products purchased/ services engaged	Years of relationship (up to 31 August 2013)	Transaction amounts (*HK$'000*)	% to total purchase of our Group
The InnoLux Group	Manufacturing of TFT-LCD panel modules and touch panels	TFT-LCD panels	9.3	844,061	79.2
The Himax Group	Design, development and marketing of semiconductors for flat panels	Driver ICs	9.3	135,212	12.7
The Chi Mei Materials Group	Manufacturing and distribution of polariser products	Polarisers	6.7	28,208	2.7
F	Manufacturing and trading of portable electronic appliances	Driver ICs/TFT-LCD panels	1.1	13,575	1.2
E	Provision of consultancy and technical support services and sale of optoelectronic display products, electronics products, computer software and hardware	Sales and technical support services	7.1	12,641	1.2
					97.0

For each of the two years ended 31 December 2012 and the eight months ended 31 August 2013, total purchases made from the five largest suppliers accounted for approximately 97.4%, 96.8% and 97.0% of our total purchases, respectively, and purchases from our largest supplier accounted for approximately 74.7%, 58.7% and 79.2% of our total purchases, respectively. We mainly make purchases from suppliers based in Taiwan. Credit terms granted by our suppliers and subcontractors generally ranged from about 20 days to 60 days. We usually pay our top five suppliers by telegraphic transfer, bank transfer or cheque.

All of our top five suppliers are Independent Third Parties. None of our Directors, their associates, or any of our current Shareholders who, to the knowledge of our Directors, own more than 5% of our share capital, has an interest in any of our top five suppliers.

We had not experienced any material shortage or delay in the supply of products during the Track Record Period.

Sustainability of our business in view of our reliance on major suppliers

While we endeavour to maintain our established relationships with our existing suppliers, our Directors also recognise the importance of reducing our reliance on major suppliers for sustainable long-term growth. In this connection, we plan to expand our product portfolio by introducing new products which are sourced from new suppliers in an attempt to diversify our revenue sources and reduce our reliance on the major suppliers. Further expansion of our products portfolio is also one of the business strategies that we will focus on in our future plan.

Industry landscape and advantages of sourcing from major suppliers

According to Euromonitor, the PRC mainly imports panels for mobile phones from Taiwanese manufacturers and Taiwanese manufacturers are the leaders in the Chinese mobile phone driver IC market. Our Directors understand that the InnoLux Group is one of the dominating panel manufacturers in Taiwan and that the Himax Group is the second largest display driver IC manufacturer in Taiwan based on market share.

Our Directors consider that we will continue to purchase TFT-LCD panels from the InnoLux Group substantially, as there are few panel manufacturers with prices and quality of products comparable with those of the InnoLux Group in the market. We have established a relationship with the InnoLux Group, our largest supplier during the Track Record Period, since 2004 and our Directors consider that the InnoLux Group is a competitive and reliable panel supplier. Further, our Directors intend to leverage this relationship to get more supply of high-end premium TFT-LCD panels and touch panels from the InnoLux Group for expansion of our product portfolio.

Our Group's flexibility in sourcing from alternative suppliers

Under the long term supply framework agreements with the major suppliers, we are not bound to make purchases from the InnoLux Group, the Himax Group or the Chi Mei Materials Group. Our Group maintains flexibility in supplier selection and our Directors confirm that there are alternative suppliers in the market supplying products at comparable terms and volume and that we have the ability to purchase from these alternative suppliers. Based on the market information available to us, our Directors consider that there are around 8, 6 and 9 suppliers available in the PRC that are able to supply panels, driver ICs and polarisers respectively with prices and qualities comparable to those of our major suppliers. Given our established presence for about ten years in the market and being one of the top 5 traders of TFT-LCD panels and driver ICs in the PRC, our Directors believe that we are able to approach alternative suppliers and purchase from them on comparable prices as our major suppliers.

While we intend to maintain our relationships with the InnoLux Group, the Himax Group and the Chi Mei Materials Group and our Directors currently do not have the intention to shift to other suppliers substantially, we may also purchase products from alternative suppliers of comparable quality and price. For each of the two years ended 31 December 2012, the eight months ended 31 August 2013 and from 1 September 2013 up to the Latest Practicable Date, we made purchases from 3, 13, 10 and 4 new suppliers respectively. For each of the two years ended 31 December 2012 and the eight months ended 31 August 2013, the purchases from new suppliers accounted for approximately 0.02%, 5.64% and 0.38% of our total purchases respectively. Types of new products sourced from these new suppliers include touch panel glasses and touch on display ICs. Both touch panel glasses and touch on display panels are display technologies that allow panels to be touch-sensitive, and are commonly used in mobile phone displays nowadays. Touch on display IC is considered a new product of the display industry, while touch panel glass is not. Touch panel glasses and touch on display ICs are new products that our Group started sourcing from new suppliers during the Track Record Period.

During the second half of 2013 and up to the Latest Practicable Date, we recorded a strong growth in the sales of touch panel glasses. We expect its contribution to our Group's sales will continue to grow and a larger portion of our total purchases will come from touch panel glasses. On the other hand, as touch on display panels are thinner and have a higher yield rate than that of the touch panels currently sold in the market, we anticipate that the demand for touch on display panels and ICs will grow in the future. Based on the aforesaid factors, we expect that over 12% of our total purchases will be attributable to these new suppliers by December 2014.

We will continue to approach suitable suppliers to expand our supplier base and expand our product portfolio. Please refer to the paragraph headed "Our business strategies" in this section of this prospectus for further details.

Mutual and complementary reliance between our Group and our suppliers

It is to our Directors' understanding that our suppliers' marketing efforts have been devoted to customers with major brands and that they do not have any technical support staff stationed in the PRC. It is also our Directors' understanding that purchasers of display components in the PRC market are highly fragmented, with a large number of white-box manufacturers. To the knowledge of our Directors, large suppliers such as the InnoLux Group do not focus on serving smaller customers such as white-box manufacturers because (i) they do not place orders on a regular basis; (ii) their orders are for relatively small amounts compared to customers with major brands; and (iii) their orders may contain particular specifications that require suppliers to perform extra work in customising existing products and/or providing technical support. Due to these characteristics which orders of smaller customers have, suppliers will need to have technical support staff in the PRC in order to accommodate the various specific needs of smaller customers. As we have a proximity advantage, our suppliers rely on us instead to consolidate orders and provide technical support to white-box manufacturers in the PRC rather than marketing and selling their products to customers of this sector themselves. Further, to the best knowledge of our Directors, small-sized panels from the lnnoLux Group are only sold through us and another trading company in the PRC and we hold a larger market share. As such, our Directors believe it is difficult for our customers to surpass us and purchase from our suppliers directly. Our Directors also believe that, for economic reasons, our suppliers will continue to rely on us as efficient and cost effective means to handle those white-box manufacturers in the PRC. Furthermore, our Directors expect that the aforesaid market landscape in this industry is unlikely to change in the near future. Therefore, our Directors believe that there is a mutual and complementary reliance relationship between our suppliers and us.

Prospects of the industry and viability of our Group's business

As at the Latest Practicable Date, our Directors are of the view that the outlook of the TFT-LCD components industry will remain positive in the foreseeable future and thus our Group's business is viable even considering our reliance on major suppliers. For further information about the prospects of the industry, please refer to the section headed "Industry overview" of this prospectus.

Given our established relationship with our suppliers and customers in the PRC, and the mutual and complementary reliance between our suppliers and us, our Directors are of the view that the risk of our major suppliers terminating supply to our Group or selling directly to our customers without going through our Group is low.

Inventory control

Inventories held by our Group are mainly electronic display components, namely TFT-LCD panels, driver ICs and polarisers, including work in progress and finished goods. We had inventories of HK$137.2 million, HK$128.6 million and HK$160.1 million as of 31 December 2011, 2012 and 31 August 2013, respectively. Our inventories are kept at our warehouses or freight forwarders' warehouses in Hong Kong. Besides storage services, the two freight forwarders also provide overseas delivery services to our Group.

The inventory turnover days for each of the two years ended 31 December 2012 and the eight months ended 31 August 2013 were 30, 35 and 31 days respectively. According to Euromonitor, TFT-LCD displays will remain the main stream display product for the next five years. However, based on TFT-LCD technology, our suppliers frequently launch products with different specifications, such as different display resolutions, sizes, power consumption, etc. to accommodate the market needs and to compete with rivals. Our Directors believe that products, though utilising TFT-LCD technology, having such different and varying specifications have a relatively short product life cycle that is in line with other products in the rapidly changing technology market. Based on our Directors' experience and observation, generally, TFT-LCD panels and driver ICs have a product life cycle of six to twelve months while polarisers have a longer life cycle of two to three years. Our provisioning policy is to make assessment of impairment and identify individual obsolete items by regularly reviewing the subsequent sales and market prices of our products, taking into account the ageing position as reference. The amounts of provision for inventories charged to the profit and loss were HK$12.9 million, HK$7.9 million and HK$4.8 million for the years ended 31 December 2011 and 2012 and for the eight months ended 31 August 2013 respectively.

Our inventory level fluctuates with our forecasts of customer demands. We have set a maximum total inventory balance of HK$200 million. Purchases exceeding our maximum inventory level will require the written approval of our executive Directors. We identify and make provision for obsolete and slow-moving inventories in accordance with our provisioning policy as mentioned above.

We will utilise our existing inventory and adjust our procurement plan based on the above limit to avoid the possibility of building up any excessive inventory which will adversely affect our cash flow and liquidity. We aim to maintain an optimal level of inventory by increasing the accuracy of our monthly forecasts of future procurement, monitoring our inventory levels and adjusting our inventory level according to sales performance and expected demand. For details of our forecast of future procurement, please refer to the paragraph headed "Preparation of forecast" in this section of this prospectus.

We regularly update our inventory record in order to maintain a stable inventory level. We have established inventory control procedures to track in-coming and out-going inventory. Our staff maintain an inventory list for stock kept at the warehouses and updates the list upon receipt of the air waybills or arrival notice from freight forwarders. Our warehouse staff perform weekly inventory test counts on stock with movement. Our Group also performs two full stock counts each year and the results of the stock count are verified and reconciled against our inventory records by our accounting and finance department. There may be further spot checks that are to be performed as and when requested by our accounting and finance department.

In order to minimise the amount of obsolete inventories, we continue to keep track of the technology development and market condition closely and gather information from our customers frequently. We also closely monitor our stock ageing and may offer our products prone to obsolescence to our customers at a discount.

Internal control

Our internal control system and procedures are designed to meet our specific business needs and to minimise our risk exposure. We have adopted different internal guidelines, along with written policies and procedures to monitor and lessen the impact of risks which are relevant to our business and control our daily business operations. We have in place the following internal control policies and procedures:

- Our risk management system requires the management of our Group to collect information relating to the relevant risks in order to evaluate the impact of risks, formulate solution plan for each material risk and conduct performance reviews on our risk management works.

- We have a credit control policy to govern the granting of credit terms and limits and the evaluation of the same. For details, please refer to the paragraph headed "Payment terms" in this section.

- We have a system of approving purchase orders and issuing invoices. For details, please refer to the paragraph headed "Order processing flow" in this section.

- We have an inventory control policy. For details, please refer to the paragraph headed "Inventory control" in this section.

- Proposed material fixed asset acquisitions are reviewed by our chief financial officer and chief executive officer and our accounting and finance department maintains the fixed asset register.

- Related parties transactions are monitored by our chief financial officer for transfer pricing issues and where necessary, relevant tax advisers will be consulted.

- We have various treasury policies including procedures on the opening, changes to and closing of bank accounts, guidelines for our accounting and finance department staff to perform monthly reconciliation and annual accounts clearance, processes for submitting claims for expenses and approving payments, and guidelines covering petty cash and employee payroll matters.

- We have an investment policy. For details, please refer to the paragraph headed "Investment policy" in this section.

- We have measures to ensure our Processing Service Providers comply with existing or future environmental laws and regulations. Please refer to the paragraph headed "Arrangement with our Processing Service Providers" under this section of this prospectus for further details.

We will continuously monitor and improve our management procedures to ensure that effective operation of those internal controls are in line with the growth of our business and good corporate governance practice.

Investment policy

As purchases of our Group are primarily denominated in US dollars, which is pegged against the Hong Kong dollar, we have not seen the need to enter into any foreign exchange forward contracts and accordingly, we do not have a comprehensive foreign investment policy to manage foreign currency risk aside from the monitoring of the movement of foreign currency rates.

During the Track Record Period, our Group invested in certain investment products, namely unit trust funds. For details, please refer to the paragraph headed "Net cash used in/generated from investing activities" of the "Financial information" section in this prospectus. We disposed of unit trust funds during the eight months ended 31 August 2013 and do not intend to invest in similar investment products in the future. Our Group has in place an investment policy with the objective of minimising our risk exposure, protecting our investment values and optimising our investment operation.

Our senior management members identify potential investment opportunities and make investment proposals to our Directors. In support of the investment proposal, our accounting and finance department initiates due diligence against investment targets and compiles historical information provided by the relevant bank or investment product provider for our senior management's review. Investment proposals above HK$1.0 million would require approval by our Directors prior to execution. Once we have entered into an investment transaction, our chief executive officer would set internal stop loss limits for our Group's investment products to prevent major downside losses.

The performance of our investment products is closely monitored by our accounting and finance department by comparing various sources of information including articles from newspapers and daily valuation statements from banks. Our accounting and finance department records and updates our investment activities and conducts monthly checks of the accounting records against the investment projects' ledgers to ensure accuracy of the records. Every quarter, our executive Directors and chief executive officer will review our investment transaction records to ascertain our Group's investment risk exposure, check for unauthorised transactions and decide whether any changes need to be made to our Group's investment strategy. Furthermore, as a form of random spot check in addition to the regular reviews, our executive Directors and chief financial officer can also access the investment transaction records and request our accounting and finance department to report the latest investment positions from time to time.

EMPLOYEES

Our relationship with our employees

During the Track Record Period, our Group had not experienced any significant difficulties in recruiting employees, and had not experienced any significant staff or labour disputes. Our Directors confirm that our Group's relationship with our employees is satisfactory in general. Our Directors consider that the management policies, working environment, career prospects and benefits extended to our employees have contributed to building a good employee relations and employee retention. Our Group provides on-the-job training for the employees to equip them with the skills and knowledge relevant to their work.

Health and work safety

Our Group strives to provide employees with a safe and healthy environment. We have issued guidelines to employees to reinforce their awareness in this regard. Each employee that joins our Group is also given a copy of our code of conduct. Our employees maintain good hygiene standards and a safe working practices in the offices and warehouses where they work as well as on sales visits.

Our Directors confirm that there were no material accidents, health injuries or any non-compliance incidents with the relevant laws and regulations during the Track Record Period and up to the Latest Practicable Date.

Share Option Scheme

Our Group has conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the paragraph headed "Share Option Scheme" as set out in Appendix V to this prospectus.

Our Group did not have any outstanding share options, warrants, convertible instruments, prelisting share options or similar rights convertible into our Shares as at the Latest Practicable Date.

SEASONALITY

The demand for our products fluctuates and generally does not fall into any specific pattern during a year. Our Directors consider that the demand for our products is affected by the mobile handset trend which is not subject to seasonal factors.

MARKET AND COMPETITION

The PRC had a late start in LCD panel production in 1980 and today, it is still manufacturing panels for the low to medium markets. As for the LCD driver IC industry, the PRC's manufacturing business did not commence until 2002 and it still mainly depends on imports from Japan, Korea and Taiwan. Nevertheless, the PRC is estimated to produce more than half of the world's mobile phones in volume each year and has the largest number of mobile phone users in the world. The sales of mobile phone-based TFT-LCD panels and mobile phone TFT-LCD driver ICs in 2012 amounted to US$869.3 million and US$430.4 million respectively. The total consumption value of mobile phone-based TFT-LCD panels and driver ICs is expected to grow at CAGRs of 10.8% and 12.0% respectively from 2013 to 2017.

There is a concentration of TFT-LCD component traders with the top five TFT-LCD panel traders accounting for almost 80% of the total mobile phone display panel value consumption by LCM manufacturers in the PRC and the top four TFT-LCD driver IC traders accounting for 60% of the total mobile phone TFT-LCD driver IC value consumption by LCM manufacturers in the PRC. According to Euromonitor, we were the fourth largest trader of LCD panels used in mobile phones in the PRC market, representing a market share of approximately 11% and the third largest trader of driver ICs used in mobile phones in the PRC, representing a market share of 11% in 2012.

As Taiwanese suppliers generally are not willing to deal directly with smaller TFT-LCD module manufacturers in the PRC, many LCM manufacturers in the PRC rely on LCD component traders for access to panels and driver ICs. Our Directors consider that our prominent position as traders of TFT-LCD panels and driver ICs in the PRC market is relatively solid. We have been trading TFT-LCD panels, driver ICs and polarisers since 2004, 2004 and 2006 respectively and have established a close relationship with our suppliers in Taiwan which allows us to take up a considerable market share in the PRC. Our Directors believe that as an entry barrier, any incoming competitor would need to develop a relationship with the TFT-LCD components manufacturers in Taiwan.

For further details on the competitive landscape of the TFT-LCD market, please refer to the paragraph headed "Competitive landscape" under the section headed "Industry overview" in this prospectus.

To the best of our Directors' knowledge having made all reasonable enquiries, consider that TFT-LCD technology will remain the main stream display technology in the next five years and there are no other potential new products or technologies to be introduced in the market in the near future which could affect the market demand for the products we trade.

INSURANCE

Our operations are covered by various insurance policies which include:

Insurance for transportation of products in Hong Kong

Our Group has taken out insurance for potential loss and damage caused by accidents or natural hazards during delivery of products, the insurance policy is valid for one year covering all products during their transportation on land from warehouse to customers in Hong Kong.

Property all risks insurance

We have taken out property all risks insurance against loss of and damage to our inventories in our warehouses as well as our office properties.

Marine cargo insurance

We have taken out marine cargo insurance against loss of and damage to our products in connection with the shipment by vessel or aircraft from China and/or Taiwan to Hong Kong and vice versa. This policy is valid from 1 April 2013 to 31 March 2014 covering LCD monitor and spare parts for mobile phone.

In addition, we maintain employees' compensation insurance and medical insurance for our employees in Hong Kong.

We do not maintain any product liability insurance against product liabilities of our products, as our Group is principally engaged in the trading of display components of electronics to our customers which are mainly LCD module manufacturers but not the consuming public. We do not currently maintain, and do not expect to maintain, any insurance for losses caused by business disruption due to the discontinuation of service of our key staff. During the Track Record Period, we did not experience any material business disruption arising from or relating to the discontinuation of services of our senior management and key staff. Our Directors are of the view that the coverage from our current insurance is adequate to cover our operations and is generally in line with industry practice.

The insurance expenses paid by us in the two years ended 31 December 2012 and the eight months ended 31 August 2013 amounted to approximately HK$883,000, HK$855,000 and HK$1,034,000 respectively. We had not made nor been the subject of any material insurance claim since the commencement of the Track Record Period and up to the Latest Practicable Date.

INTELLECTUAL PROPERTY RIGHTS

Trademarks

As at the Latest Practicable Date, we had applied for registration of our trademarks in Hong Kong and the PRC. Details in relation to our trademarks are set out in the paragraph headed "Intellectual property rights" in Appendix V to this prospectus.

Domain names

As at the Latest Practicable Date, we registered five domain names. Details in relation to the domain names are set out in the paragraph headed "Intellectual property rights" in Appendix V to this prospectus.

LEASED/LICENCED PROPERTIES

As at the Latest Practicable Date, our Group leased or licenced nine properties in Hong Kong and the PRC as office premises, storage, carpark and staff quarters. Set out below is a summary of our leased or licensed premises:

Tenant	Location	Duration of lease/ licence	Monthly rental/licence fee	Gross area (Approximately)
Perfect Display	51/F, Apartment No. 10, Celestial Heights, 80 Sheung Shing Street, Ho Man Tin, Kowloon	From 1 September 2012 to 31 August 2015	HK$68,000.00	2,600 square feet
Perfect Display	Flat 905, 9th Floor, Tower B, Hung Hom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	From 2 July 2013 to 1 July 2015	HK$28,275.00	1,885 square feet
Perfect Display	Unit 704, 7/F, New Lee Wah Centre, No. 88 Tokwawan Road, Kowloon, Hong Kong	From 1 February 2012 to 31 January 2014	HK$8,740.80	1,821 square feet
Perfect Display	Units 901 to 904, 9/F, New Lee Wah Centre, No. 88 Tokwawan Road, Kowloon, Hong Kong	From 1 November 2012 to 31 October 2014	HK$64,883.10	7,547 square feet

Tenant	Location	Duration of lease/ licence	Monthly rental/licence fee	Gross area (Approximately)
Perfect Display	Unit B9, 10/F, Merit Industrial Centre, No. 94 Tokwawan Road, Kowloon, Hong Kong	From 1 April 2011 to 30 April 2014	HK$40,000.00	5,358 square feet
Perfect Display	Flat H, 53/F, Block 2, Grand Waterfront, No. 38 San Ma Tau Street, To Kwa Wan, Kowloon, Hong Kong	From 1 June 2013 to 31 May 2015	HK$12,300.00	504 square feet
Perfect Display	Unit 804, 8/F, New Lee Wah Centre, No. 88 Tokwawan Road, Kowloon, Hong Kong	Monthly licence	HK$8,740.80	1,821 square feet
Perfect Display	Carparking spaces No. L1 and No. L2, G/F, New Lee Wah Centre, No. 88 Tokwawan Road, Kowloon, Hong Kong	Monthly licence	HK$10,500.00	Not available
Yuan Mei Xin Technology	Unit 904, Block A, New Technology Plaza, Futian District, Shenzhen, PRC	From 19 April 2013 to 18 April 2014	RMB62,485.80	480.66 square metres

LEGAL COMPLIANCE

Historical non-compliance with the Companies Ordinance

The table below summarises the historical non-compliance incidents relating to our Group:

	Historical non-compliance	Relevant section of the ordinance	Reason for the non-compliance	Maximum Penalty	Rectification actions
1.	The written resolutions of the shareholders to approve matters at an annual general meeting of Perfect Display was passed on 14 November 2005 which was more than 15 months after the date of the corresponding set of written shareholders' resolutions passed in 2004.	Section 111 of the Companies Ordinance	Inadvertence of the then directors of Perfect Display, which included Mr. Cheng Wai Tak, the executive Director, chairman and chief executive officer of our Company, who at that time had not received any legal training or training in compliance matters and were unaware of the requirements of section 111 of the Companies Ordinance.	The company and every officer of the company who is in default shall be liable to a fine of HK$50,000.	On 15 July 2013, the director of Perfect Display applied to the High Court of Hong Kong for an order to rectify such non-compliance. On 23 October 2013, the High Court of Hong Kong granted an order to rectify such non-compliance by directing the annual general meeting of Perfect Display for the year 2005 be held on or before 30 October 2013 and to forward a copy of the resolution of such meeting to the Registrar of the Companies.

	Historical non-compliance	Relevant section of the ordinance	Reason for the non-compliance	Maximum Penalty	Rectification actions
2.	Perfect Display failed to lay the audited accounts at its relevant annual general meetings for the years from 2001 to 2004.	Section 122 of the Companies Ordinance	The then directors of Perfect Display, which included Mr. Cheng Wai Tak, the executive Director, chairman and chief executive officer of our Company, were under the belief that no audited accounts were required to be made when Perfect Display had no activities prior to commencement of its electronic products trading business.	Each director of the company shall be liable to a maximum fine of HK$300,000 and a maximum period of 12 months imprisonment.	On 15 July 2013, the director of Perfect Display applied to the High Court of Hong Kong for an order to rectify such non-compliance. On 30 July 2013, the High Court of Hong Kong granted an order to rectify such non-compliance by substituting the requirements under sections 122(1) and 122(2) of the Companies Ordinance and extending the time for the laying of the relevant audited accounts to 14 November 2005.
3.	The set of audited accounts of Perfect Display for the period from the date of incorporation up to 31 December 2004 was presented to the shareholders of Perfect Display in November 2005, thus breaching the requirement for a company to lay its audited accounts made up to a date falling not more than nine months before the date of the annual general meeting.	Section 122 of the Companies Ordinance	Inadvertence of the then directors of Perfect Display, which included Mr. Cheng Wai Tak, the executive Director, chairman and chief executive officer of our Company, who at that time had not received any legal training or training in compliance matters and were unaware of the requirements of section 122 of the Companies Ordinance.	Same as above	Same as above

The Board considers that there will be no significant financial impact on our Group's financial statements arising from the above non-compliance and as a result, our Group did not make any provision in our financial statements regarding the above non-compliance.

The Controlling Shareholders have undertaken to indemnify our Company against any losses, liabilities or damages suffered by or falling on any member of our Group in respect of and to the extent arising from or relating to the non-compliance of any legal and/or regulatory requirements of any jurisdiction prior to the Listing Date. For the details of the deed of indemnity, please refer to the paragraph headed "Other Information — Estate duty, tax indemnity and other indemnities" in Appendix V to this prospectus.

In order to prevent future or other non-compliance, our Group has taken and will take the following measures:

1. our company secretary, Mr. Tse Ka Wing, who is a qualified accountant with over 16 years of professional experience in accounting and a member of the Hong Kong Institute of Certified Public Accountants, has been appointed to oversee the company secretarial and accounting matters of our Group;

2. our compliance officer, Mr. Liu Ka Wing, being an executive Director will oversee the legal and regulatory compliance matters of our Group;

3. an audit committee will be established to review the financial reporting and internal control procedures of our Group to ensure compliance of laws, rules and regulations applicable to our Group;

4. we will appoint Grand Vinco Capital Limited as our compliance adviser upon Listing to advise us on the compliance matters and other issues under the GEM Listing Rules and other applicable laws and regulations in Hong Kong;

5. we will retain an external Hong Kong legal adviser to advise us on compliance requirements with the GEM Listing Rules and other applicable laws and regulations in Hong Kong.

Our Directors confirm that save as disclosed above, as at the Latest Practicable Date, our Group had complied with all applicable laws and regulations in the jurisdictions in which it operates and had obtained all the necessary permits, certificates and licences for its operation since the commencement of the Track Record Period.

Our Directors are of the view that the aforesaid remedial measures and the enhanced internal control measures are adequate and effective in preventing similar non-compliance incidents from re-occurring in the future. In fact, no other similar non-compliance incidents had occurred up to the Latest Practicable Date.

The Sponsor has considered the internal control system of our Company and the remedial actions taken by our Group to improve the internal control system. The Sponsor is of the view that (i) our Directors have taken appropriate steps and measures to rectify and avoid the previous non-compliance matters; (ii) such matters would not have any material adverse impact on our Group going forward; and (iii) the additional measures adopted by our Group, including but not limited to hiring qualified personnel, forming internal committee and engaging external professionals, are effective to ensure our Group's compliance with the relevant rules and regulations.

Moreover, the Sponsor has considered (i) the reason for the non-compliance incidents as disclosed in this section; (ii) the maximum penalty that may be imposed on the company and every officer who is in default; (iii) the fact that the non-compliance incidents are not uncommon for private companies whose officers have insufficient legal knowledge or have not received any training in compliance matters; and (iv) the rectification actions taken by our Group. In light of the above and based on the fact that the non-compliance matters do not involve any dishonesty on the part of our Directors and have been duly rectified by the High Court of Hong Kong, the Sponsor is of the view that our Directors have the character, experience and integrity to act as directors of a listed issuer, and these past non-compliance incidents do not cast any doubt on their integrity or competence and do not affect their suitability to act as directors of a listed issuer under Rules 5.01 and 5.02 of the GEM Listing Rules or the suitability for listing of our Company under Rule 11.06 of the GEM Listing Rules.

EXEMPTED CONTINUING CONNECTED TRANSACTION

Tenancy Agreement

Perfect Display has entered into a tenancy agreement as tenant with Earn Master Limited as landlord (the "Tenancy Agreement") to lease the premises at 51/F, Apartment No. 10, Celestial Heights, 80 Sheung Shing Street, Ho Man Tin, Kowloon, Hong Kong at an annual rental of HK$816,000 for a term of 3 years from 1 September 2012 to 31 August 2015 as staff quarters.

Earn Master Limited is wholly owned by Madam Chung Ting Wai, the spouse of Mr. Cheng Wai Tak, an executive Director. Earn Master Limited is therefore an associate of Mr. Cheng Wai Tak and will become a connected person of our Company upon Listing under the GEM Listing Rules.

Based on a valuation report issued by an independent qualified valuer, the rent payable under the Tenancy Agreement is consistent with the current market rents, and our Directors consider that the Tenancy Agreement is on normal commercial terms.

Since the annual rental payable by our Group pursuant to the Tenancy Agreement is less than HK$1 million and all of the applicable percentage ratios are less than 5%, the transactions contemplated under the Tenancy Agreement constitute continuing connected transactions exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

DISCONTINUED RELATED PARTY TRANSACTIONS

Previously during the Track Record Period, our Group also entered into the related party transactions below with parties that would be our connected persons after the Listing, the details of which are set out under note 29 of the Accountant's Report in Appendix I to this prospectus.

Transactions with J-Sky International Limited ("J-Sky")

J-Sky is a company incorporated in Hong Kong principally engaged in purchasing TFT-LCD display module components and selling TFT-LCD display modules after such TFT-LCD display modules components have been assembled by the subcontractors. As J-Sky is wholly-owned by Mr. Cheng Wai Tak, a Controlling Shareholder, J-Sky is a related party of our Company under the definition of Hong Kong Financial Reporting Standards ("HKFRSs") and the transactions with J-Sky constituted related party transactions for our Company.

During the Track Record Period, Perfect Display sold TFT-LCD panels and driver ICs to J-Sky in the amount of HK$10,707,000, HK$6,101,000 and HK$1,573,000 for each of the two years ended 31 December 2012 and the eight months ended 31 August 2013, respectively. During the Track Record Period, Perfect Display purchased TFT-LCD panels and TFT-LCD modules from J-Sky in the amount of HK$617,000, HK$1,004,000 and nil for each of the two years ended 31 December 2012 and the eight months ended 31 August

2013, respectively. Our Directors confirm that the transactions with J-Sky were entered into in the normal course of business of Perfect Display at mutually agreed prices and terms. These transactions had been discontinued. J-Sky had declared to be a dormant company under section 344A of the Companies Ordinance since 24 June 2013.

Transactions with Velog International Limited ("Velog")

Velog is a company incorporated in Hong Kong principally engaged in IC research and development, providing technical solutions and designs for display components of electronics. As Velog is wholly-owned by Mr. Cheng Wai Tak, a Controlling Shareholder, Velog is a related party of our Company under the definition of HKFRSs and the transactions with Velog constituted related party transactions for our Company.

During the Track Record Period, Perfect Display sold display components of electronics such as TFT-LCD panels, driver ICs, polarisers, 3D glasses and metal frame to Velog in the amount of HK$3,251,000, HK$1,332,000 and nil for each of the two years ended 31 December 2012 and the eight months ended 31 August 2013. During the Track Record Period, Perfect Display purchased driver ICs and TFT-LCD modules from Velog in the amount of HK$217,000, HK$416,000 and HK$315,000 for each of the two years ended 31 December 2012 and the eight months ended 31 August 2013. Our Directors confirm that the transactions with Velog were entered into in the normal course of business of Perfect Display at mutually agreed prices and terms. These transactions had been discontinued prior to the Listing. Velog has declared to be a dormant company under section 344A of the Companies Ordinance since 24 June 2013.

Save and except for the abovementioned exempted continuing connected transaction under the Tenancy Agreement, all other related party transactions disclosed under note 29 of the Accountant's Report in Appendix I to this prospectus had been discontinued.

OVERALL BUSINESS OBJECTIVES

We intend to strengthen our market position and increase our market share by pursuing the following strategies:

(a) establishment or acquisition of panel processing plants in the PRC to expand our business vertically;

(b) expansion of our sales support team in the PRC to provide high quality services to our customers; and

(c) expansion of our product portfolio to strengthen our product offerings.

Please refer to the paragraph headed "Our business strategies" in the section headed "Business" in this prospectus for a detailed description of our business strategies.

IMPLEMENTATION PLANS

In order to achieve the business objectives along with the strategies as set forth above, our Company has drawn up detailed implementation plans and expected timetable as set out below. Investors should note that the following implementation plans are formulated on the bases and assumptions as set out in the paragraph headed "Bases and key assumptions of the business plans" below.

(a) Establishment or acquisition of panel processing plants in the PRC to expand our business vertically

From the Latest Practicable Date to 30 June 2014	31 December 2014	For the six months ending 30 June 2015	31 December 2015
• Perform technology and capacity forecast and planning	• Confirm expansion plan for cutting processing plant	• Perform trial run for cutting processing plant	• Commence full operation of cutting processing plant(s)
• Perform due diligence studies on target panel processing plant(s) or rules and compliance of operating panel processing plant(s) in the PRC	• Commence acquisition or establishment of cutting processing plant	• Commence acquisition or establishment of slimming processing plant(s)	• Perform trial run for slimming processing plant
• Identify potential equipment supplier and carrying out evaluation	• Purchase equipment (if establish cutting processing plant)	• Purchase equipment (if establish slimming processing plant)	
	• Recruit staff	• Recruit staff	
		• Purchase additional equipment for the cutting processing plant	
Amount to be invested from the net proceeds of the Placing (HK$ million)			
1	10	22	7

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

From the Latest Practicable Date to 30 June 2014	For the six months ending 31 December 2014	30 June 2015	31 December 2015
• Recruit staff • Arrange training to staff • Organise marketing activities	• Continue to recruit staff if necessary • Arrange training to staff • Organise marketing activities	• Continue to recruit staff if necessary • Arrange training to staff • Organise marketing activities	• Continue to recruit staff if necessary • Arrange training to staff • Organise marketing activities
Amount to be invested from the net proceeds of the Placing (HK$ million)			
2	2	2	2

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

From the Latest Practicable Date to 30 June 2014	For the six months ending 31 December 2014	30 June 2015	31 December 2015
• Explore new products and suppliers • Evaluate new products and perform due diligence on new supplier if necessary	• Explore new products and suppliers • Evaluate new products and perform due diligence on new supplier if necessary	• Explore new products and suppliers • Evaluate new products and perform due diligence on new supplier if necessary	• Explore new products and suppliers • Evaluate new products and perform due diligence on new supplier if necessary
Amount to be invested from the net proceeds of the Placing (HK$ million)			
1	1	1	1

BASES AND KEY ASSUMPTIONS OF THE BUSINESS PLANS

Potential investors should note that the attainability of our business objective depends on the following assumptions:

(a) there will be no material changes in the existing political, legal, fiscal or economic conditions in Hong Kong and the PRC in which any members of our Group carries on or will carry on business and provides or will provide products;

(b) there will be no material changes in the bases or rates of taxation in Hong Kong and the PRC or in any other places in which any members of our Group operates or is incorporated;

(c) the Placing will be completed in accordance with as described in the section headed "Structure and conditions of the Placing" of this prospectus;

(d) we will be able to retain key staff in the management and the professional team;

(e) we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objective relates;

(f) our Group is not materially and adversely affected by any risk factor set out in the section headed "Risk factors" of this prospectus;

(g) there are no wars, military incidents, pandemic diseases or natural disasters that would have a material impact on our Group's business and operating activities; and

(h) we will be able to continue our operation in substantially the same way as we have been operating and we will also be able to carry out our development plans without disruptions.

REASONS FOR THE PLACING AND USE OF PROCEEDS

Our Directors believe that the Listing will enhance our Group's corporate profile and image which could strengthen our competitiveness. As our Group is actively exploring opportunities to expand our business and range of product offerings, the Listing will offer us access to capital markets for corporate finance exercise to assist in future business development. Furthermore, the net proceeds from the Placing will strengthen our financial position to implement the future plans set out in the paragraphs headed "Implementation plan" above.

Our Directors intend to apply the net proceeds from the Placing to finance the business expansion, capital expenditure and strengthen the capital base of our Group and improve our Group's overall financial position. Based on the Placing Price of HK$0.30 per Placing Share, the net proceeds from the Placing, after deducting underwriting commission and estimated expenses payable by our Company in connection thereto, are estimated to be approximately HK$76 million. Our Company presently intends to apply such net proceeds from the Placing as follows:

	From the Latest Practicable Date to 30 June 2014 *HK$* *(in million)*	For the six months ending 31 December 2014 *HK$* *(in million)*	For the six months ending 30 June 2015 *HK$* *(in million)*	For the six months ending 31 December 2015 *HK$* *(in million)*	Total *HK$* *(in million)*	Approximate percentage of net proceeds
Establishment or acquisition of panel processing plant(s) in the PRC to expand our business vertically	1	10	22	7	40	52.6%
Repayment of bank loans	17	0	0	0	17	22.4%
Expansion of our sales support team in the PRC to provide high quality services to our customers	2	2	2	2	8	10.5%
Expansion of our product portfolio to strengthen our product offerings	1	1	1	1	4	5.3%
Total	21	13	25	10	69	90.8%

We intend to use approximately HK$17 million (approximately 22.4% of the net proceeds) for repayment of our bank loans to reduce interest expense and better our gearing ratio. The bank loans were used for our Group's working capital. The interest rates charged to our bank loans range from HIBOR three month +2% to HIBOR one month +2.25%.

Our Directors plan to use the remaining net proceeds of approximately HK$7 million (approximately 9.2% of the net proceeds) for working capital and other general corporate purposes.

To the extent that the net proceeds from the Placing are not immediately required for the above purposes, it is the present intention of our Directors that such proceeds will be placed on short-term interest bearing deposits with authorised financial institutions in Hong Kong.

DIRECTORS

The Board is responsible and has general powers for the management and conduct of our Group's business. Saved as disclosed below, none of our Directors has any other directorship in listed public companies in the last three years. The table below shows certain information in respect of members of the board of Directors of our Company:

Name	Age	Position	Responsibilities	Date of appointment as Director
Mr. Cheng Wai Tak (鄭偉德)	44	Chairman, chief executive officer and executive Director	Formulating our Group's overall strategic planning and development, and management of our Group's business	13 June 2013
Mr. Cheng Cheung Wai (鄭長偉)	42	Executive Director	Responsible for our Group's sales and marketing; supervising our Group's technical support function	18 June 2013
Mr. Liu Ka Wing (廖嘉榮)	41	Executive Director	Overseeing our Group's administrative functions, financial management and compliance issue; assisting in the management of our Group's business	18 June 2013
Mr. Wong Yik Chung John (黃翼忠)	47	Independent non-executive Director	Providing independent judgment on issues of strategy, performance, resources and standard of conduct of our Company	20 January 2014
Mr. Wong Chi Chiu (黃智超)	43	Independent non-executive Director	Providing independent judgment on issues of strategy, performance, resources and standard of conduct of our Company	20 January 2014
Mr. Li Shui Yan (李瑞恩)	43	Independent non-executive Director	Providing independent judgment on issues of strategy, performance, resources and standard of conduct of our Company	20 January 2014

Executive Directors

Mr. Cheng Wai Tak (鄭偉德), aged 44, was appointed as Director on 13 June 2013. He is our chairman, chief executive officer and executive Director. Mr. Cheng is a founder of our Group. He has been in the business of trading TFT-LCD components for over 10 years and has established close relationships with various suppliers. He is responsible for formulating our Group's overall strategic planning and development, and management of our Group's business.

Mr. Cheng obtained his bachelor of science in combined sciences in mathematical science degree from The Hong Kong Baptist University in December 1993.

The following table summarises Mr. Cheng's professional experience prior to joining our Group:

Company name	Principal business activities of the company	Last position held	Responsibilities	Period of services
S.A.S. Electronic Co. Ltd.	Distribution of electronic products	Assistant sales manager	Responsible for handling sales activities and in charge of the audio and telecom division	March 1994 to April 1999

Mr. Cheng did not hold directorship in any listed public companies in the last three years prior to the date of this prospectus.

Mr. Cheng Cheung Wai (鄭長偉), aged 42, joined our Group in 2005 and was appointed as an executive Director on 18 June 2013. Mr. Cheng is responsible for our Group's sales and marketing and supervises our Group's technical support function.

Mr. Cheng obtained his bachelor of engineering in electronic engineering degree from The Hong Kong Polytechnic University in November 1996.

Mr. Cheng has about 22 years of experience in the field of electronic engineering. The following table summarises Mr. Cheng's professional experience prior to joining our Group:

Company name	Principal business activities of the company	Last position held	Responsibilities	Period of services
UDC Research Ltd.	Design and sale of network products	Technician	Responsible for trouble shooting and product design	October 1990 to December 1995

Company name	Principal business activities of the company	Last position held	Responsibilities	Period of services
Le Sonic Systems Ltd.	Trading for telecom equipment and power supply	Product sales engineer	Responsible for promotion, sales and technical support	July 1996 to June 1997
Sino Wealth Microelectronics Corp. Ltd.	Integrated circuit design	Assistant product planning & marketing manager	Responsible for planning new products and promotion	June 1997 to January 2004

Mr. Cheng did not hold directorship in any listed public companies in the last three years prior to the date of this prospectus.

Mr. Liu Ka Wing (廖嘉榮), aged 41, was appointed as an executive Director on 18 June 2013 and is responsible for overseeing our Group's administrative functions, financial management and compliance issue; and assisting in the management of our Group's business. He has also been the financial controller of our Group since November 2008 overseeing the financial and accounting issues of our Group.

Mr. Liu obtained a diploma in accountancy from Sha Tin Technical Institute of Vocational Training Council in August 1993 and was awarded certificate stage examinations in June 1996 by the Association of Chartered Certified Accountants.

Mr. Liu has about 20 years of experience in accounting. The following table summarises Mr. Liu's professional experience prior to joining our Group:

Company name	Principal business activities of the company	Last position held	Responsibilities	Period of services
T.K. Tong & Co.	Certified public accountants	Junior audit clerk	Responsible for providing audit service mainly	November 1993 to April 1997
International Airline Passengers Association (Far East) Ltd.	Travel services related business	Assistant accountant	Responsible for general accounting functions and maintaining full sets of books	October 1997 until May 2005
Priority Pass (A.P.) Limited	Travel services related business	Accountant	Responsible for general accounting functions and maintaining full sets of books	March 2006 to November 2008

Mr. Liu did not hold directorship in any listed public companies in the last three years prior to the date of this prospectus.

Independent non-executive Directors

Mr. Wong Yik Chung John (黃翼忠), aged 47, was appointed as an independent non-executive Director on 20 January 2014 and is responsible for providing independent judgment on issues of strategy, performance, resources and standard of conduct of our Company.

Mr. Wong graduated from the University of Melbourne, Australia with a degree of bachelor of commerce in January 1992. He was admitted as a member of the Australian Society of Certified Practising Accountants ("CPA Australia") in February 1992 and was admitted as an associate of the Hong Kong Institute of Certified Public Accountants ("HKICPA") in April 1997. Mr. Wong currently has not renewed his memberships with CPA Australia or HKICPA. He also obtained the Certificate of Completion for Senior Management of Listed Companies* (上市公司高級管理人員培訓結業證) issued by the Shenzhen Stock Exchange in November 2011.

Mr. Wong has more than 20 years of experience in auditing and corporate finance work. The following table summarises Mr. Wong's professional experience prior to joining our Group:

Company name	Principal business activities of the company	Last position held	Responsibilities	Period of services
PricewaterhouseCoopers	Certified public accountants	Senior auditor	Responsible for audit service	January 1990 to December 1992
Arthur Andersen & Co. SC.	Certified public accountants	Deputy manager	Responsible for audit service	January 1993 to September 1995
PricewaterhouseCoopers	Certified public accountants	Manager	Responsible for audit service	January 1996 to December 1996
Ernst & Young	Certified public accountants	Senior manager	Responsible for audit service	January 1997 to June 1998
Vantage Capitals	Provision of private equity fund management	Director	Responsible for providing private equity investment	July 1998 to December 1999
Deloitte & Touche Corporate Finance Limited	Investment banking	Director	Responsible for financial advisory services on initial public offering and merger and acquisition activities	January 2000 to March 2003
Vantage Consulting Group	Provision of corporate consultancy services	Partner and managing director	Responsible for providing corporate consultancy services services	April 2003 to June 2005
TMF Group (China)	Provision of corporate consultancy services	Director	Responsible for providing corporate consultancy services	July 2005 to December 2007

Mr. Wong is currently holding directorships in other Hong Kong listed companies as follows:

Name of listed company	Stock code	Position held	Month and year of appointment
EcoGreen Fine Chemicals Group Limited	2341	Independent non-executive director	February 2004
Golden Resources Development International Limited	677	Independent non-executive director	September 2004
Beijing North Star Company Limited	588	Independent non-executive director	May 2009
Biosino Bio-Technology and Science Incorporation	8247	Independent non-executive director	May 2011

He also holds and had held directorships in several foreign listed companies as follows:

Name of listed company	Securities exchange and stock code	Position held	Terms of office
CDW Holding Limited	Main Board of Singapore Exchange Limited: D38	Independent director	August 2004 to December 2011
General Steel Holdings Inc.	New York Stock Exchange, Inc.: GSI	Independent director	August 2005 to July 2010
Western Securities Co. Ltd.	Shenzhen Stock Exchange: 002673	Independent director	December 2007 to present
Yang Guang Co. Ltd	Shenzhen Stock Exchange: 000608	Independent director	November 2008 to present

Save as disclosed above, Mr. Wong has not held any directorship in any other listed public companies in the last three years prior to the date of this prospectus.

Mr. Wong Chi Chiu (黃智超), aged 43, was appointed as an independent non-executive Director on 20 January 2014 and is responsible for providing independent judgment on issues of strategy, performance, resources and standard of conduct of our Company.

Mr. Wong obtained a degree of bachelor of engineering in electrical engineering from The Hong Kong Polytechnic University in November 1993. He further received his master of science in engineering (building services engineering) degree from The University of Hong Kong in December 2004. Mr. Wong was registered as a chartered engineer (CEng) at the Engineering Council in April 1998 and was registered as a registered professional engineer in electrical discipline at the Engineers Registration Board in July 1999. He has been a member of The Institution of Engineering and Technology since February 1998 and the Hong Kong Institution of Engineers since May 1998.

Mr. Wong has about 22 years of experience in the engineering industry. The following table summarises Mr. Wong's professional experience prior to joining our Group:

Company name	Principal business activities of the company	Last position held	Responsibilities	Period of services
Parsons Brinckerhoff (Asia) Ltd.	Engineering consultancy	Engineer	Responsible for electrical engineering design	June 1993 to February 1995
FTB Tooling & Engineering Ltd, a subsidiary of FTB Packaging Limited	Can manufacturing	Electrical engineer	Responsible for monitoring new factory facilities	February 1995 to July 1996
Parsons Brinckerhoff (Asia) Ltd.	Engineering consultancy	Senior associate	Responsible for electrical engineering design and project management	July 1996 to August 2009
Evergo Holdings (China) Company Limited	Property investment, development and management	Senior building services manager (China)	Responsible for project management	August 2009 to October 2012
Hang Lung (Administration) Limited, a subsidiary of Hang Lung Group	Property investment, development and management	Manager	Responsible for project management	January 2013 to present

Mr. Wong did not hold directorship in any listed public companies in the last three years prior to the date of this prospectus.

Mr. Li Shui Yan (李瑞恩), aged 43, was appointed as an independent non-executive Director on 20 January 2014 and is responsible for providing independent judgment on issues of strategy, performance, resources and standard of conduct of our Company.

Mr. Li obtained a degree of bachelor of business administration from National Chengchi University in Taiwan in June 1994. Mr. Li has more than 17 years of experience in corporate finance. He was a dealer's representative and an investment representative from October 1995 to May 2001 and an investment adviser from May 2001 to March 2003 under the Securities Ordinance. The following table summarises Mr. Li's professional experience prior to joining our Group:

Company name	Principal business activities of the company	Last position held	Responsibilities	Period of services
TIS Taiwan International Securities (HK) Limited	Provision of corporate financial advisory and securities broking services	Senior manager	Responsible for initial public offerings and financial advisory projects	June 1995 to March 2001
Cinda International Capital Limited (transferred to Cinda (BVI) Limited in December 2001)	Provision of corporate finance advisory services	Managing director and responsible officer	Responsible for carrying on Type 1 (dealing in securities); Type 4 (advising on securities); and Type 6 (advising on corporate finance) activities	March 2001 to July 2011
Messis Capital Limited	Provision of corporate finance advisory services	Managing director and responsible officer	Responsible for carrying on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) activities	October 2011 to present

Mr. Li did not hold directorship in any listed public companies in the last three years prior to the date of this prospectus.

SENIOR MANAGEMENT

Mr. Tse Ka Wing (謝家榮), aged 38, joined our Group on 20 May 2013 and is the chief financial officer of our Group.

Mr. Tse graduated from The Chinese University of Hong Kong in December 1997 with a bachelor of business administration degree. He has been an associate of the Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants since April and January 2001 respectively.

Mr. Tse is a professional accountant with over 16 years of experience in accounting. The following table summarises Mr. Tse's professional experience prior to joining our Group:

Company name	Principal business activities of the company	Last position held	Responsibilities	Period of services
Ernst & Young	Certified public accountants	Senior manager of the assurance department	Responsible for providing audit service	September 1997 to November 2010
TransGlobal (Asia) Holdings Limited	Development, operation and management of expressways	Chief financial officer	Responsible for mergers and acquisitions activities of the group companies, as well as overseeing the group's financial management, financial reporting and corporate secretarial functions	December 2010 to May 2013

Company Secretary

Mr. Tse Ka Wing is the company secretary of our Company. For details of his biography, please refer to the paragraph headed "Senior management" of this section.

Compliance Officer

Mr. Liu Ka Wing is the compliance officer of our Company. For details of his biography, please refer to the paragraph headed "Executive Directors" of this section.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

Each of the executive Directors has respectively entered into a service contract with our Company for an initial fixed term of 3 years from their respective dates of appointment, which will continue thereafter until terminated by not less than three months' written notice or payment in lieu to the other party.

Each of our executive Directors will receive a fee which is subject to an annual adjustment at a rate to be determined at the discretion of the Board. The aggregate amount of fee, salaries, housing allowances, other allowances and benefits in kind paid by our Group to our Directors for each of the two financial years ended 31 December 2011 and 2012 was approximately HK$4,517,000 and HK$5,220,000 respectively.

The aggregate amount of contributions to retirement benefits scheme paid by our Group to our Directors for each of the two financial years ended 31 December 2011 and 2012 was HK$33,000 and HK$41,000 respectively.

Save as disclosed above, no other payments were made or were payable by our Group to our Directors during the Track Record Period. Our Directors estimate that under the current proposed arrangement, the aggregate basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits or any employer's contribution to retirement scheme) payable by our Group to the Directors will be approximately HK$5,280,000 for the year ending 31 December 2014.

Our Company's policy concerning the remuneration of our Directors is that the amount of remuneration is determined by reference to the relevant Director's experience, responsibilities, workload and the time devoted to our Group. Details of the terms of the service contracts are set out in the paragraph headed "Further information about directors, chief executive and substantial shareholders — particulars of our Directors' service agreements and letters of appointment" in Appendix V to this prospectus.

Our Group has adopted incentive bonus schemes, during the Track Record Period, and continues to maintain these schemes, seeking to align the financial well-being of our Group with that of the employees, and to retain our Directors and staff of high calibre. Staff are offered basic salaries commensurate with market levels.

The five highest paid individuals of our Group during the Track Record Period include three Directors for the year ended 31 December 2012 and two Directors for the year ended 31 December 2011 and the eight months ended 31 August 2013 respectively. Details of remuneration paid to the remaining highest paid individuals of our Group, which are individually below HK$1,000,000, are disclosed in the Accountant's Report in Appendix I to this prospectus.

RETIREMENT BENEFIT SCHEME

In Hong Kong, our Group participates in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance, Chapter 485 of the Laws of Hong Kong and has made the relevant contributions in accordance with the aforesaid laws and regulations. Save as the aforesaid, our Group did not participate in any other pension schemes during the Track Record Period.

HUMAN RESOURCES

Overview of staff number

As at the Latest Practicable Date, our Group had approximately 60 employees, including a total of 29 full time employees located in Hong Kong and 31 employees located in the PRC. The following table sets out a breakdown of the number of employees by principal functions as at the Latest Practicable Date:

Functions	Number of employees
Sales and marketing	24
Procurement and warehouse	17
Accounting and finance	9
General administration	4
Technical	6
Total:	60

CORPORATE GOVERNANCE

Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, save as set out below, our Company intends to comply with the code provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules after Listing.

Under paragraph A.2.1 of the Corporate Governance Code and Corporate Governance Report, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Under the current organisation structure of our Company, Mr. Cheng Wai Tak is our chairman and chief executive officer. With his extensive experience in the industry, the Board believes that vesting the roles of both chairman and chief executive officer in the same person provides our Company with strong and consistent leadership, allows for effective and efficient planning and implementation of business decisions and strategies, and is beneficial to the business prospects and management of our Group.

Although Mr. Cheng Wai Tak 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 our Group. The two roles are performed by Mr. Cheng Wai Tak distinctly. We also consider that the current structure does not impair the balance of power and authority between the Board and the management of our 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 our Company to have these two roles performed by separate individuals when suitable candidates are identified.

COMPLIANCE ADVISER

Our Company has appointed Grand Vinco Capital Limited as its compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules. Pursuant to Rule 6A.23 of the GEM Listing Rules, the compliance advisers will advise our Company in the following circumstances:

(1) before the publication of any regulatory announcement, circular or financial report;

(2) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(3) where our Company proposes to use the proceeds of the Placing in a manner different from that detailed in this prospectus or where our Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in this prospectus; and

(4) where the Stock Exchange makes an inquiry regarding unusual movements in the price or trading volume of the Shares.

The term of the appointment will commence on the Listing Date and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date.

BOARD COMMITTEES

Audit Committee

Our Company has established an audit committee on 20 January 2014 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraph C.3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 of the GEM Listing Rules. The audit committee consists of 3 independent non-executive Directors namely Mr. Wong Yik Chung John, a Director with the appropriate accounting and financial related management expertise who serves as the chairman of the audit committee, Mr. Wong Chi Chiu and Mr. Li Shui Yan.

The primary duties of the audit committee are to assist the Board in providing an independent view of the effectiveness of our Company's financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

Remuneration Committee

Our Company established a remuneration committee on 20 January 2014 with written terms of reference in compliance with paragraph B.1 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 of the GEM Listing Rules. The remuneration committee consists of 3 members, the majority of whom are independent non-executive Directors, namely Mr. Wong Chi Chiu, who serves as the chairman of the remuneration committee, Mr. Cheng Wai Tak and Mr. Wong Yik Chung John. The primary duties of the remuneration committee include (but without limitation): (i) making recommendations to our Directors on the policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) determining the terms of the specific remuneration package of our Directors and senior management; (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time.

Nomination Committee

Our Company also established a nomination committee on 20 January 2014 with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 of the GEM Listing Rules. The nomination committee consists of 3 members, the majority of whom are independent non-executive Directors, namely Mr. Cheng Wai Tak, who serves as the chairman of the nomination committee, Mr. Mr. Wong Yik Chung John and Mr. Li Shui Yan. The primary function of the nomination committee is to make recommendations to the Board to fill vacancies on the same.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Placing and the Capitalisation Issue, without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the following persons will have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name	Capacity/nature interest	Number of Shares	Approximate percentage of shareholding
Winful Enterprises	Beneficial owner	990,000,000	75%
Mr. Cheng Wai Tak	Interest in a controlled corporation	990,000,000 *(Note)*	75%

Note: These Shares are or will be registered under the name of Winful Enterprises, the entire issued share of which is legally and beneficially owned by Mr. Cheng Wai Tak. Under the SFO, Mr. Cheng Wai Tak is deemed to be interested in all the Shares held by Winful Enterprises.

Saved as disclosed herein, our Directors are not aware of any persons who will, immediately following completion of the Placing and the Capitalisation Issue, without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

CONTROLLING SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Placing and the Capitalisation Issue, without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, Winful Enterprises and Mr. Cheng Wai Tak will be the Controlling Shareholders (within the meaning of the GEM Listing Rules). Save and except for their respective interest in our Company, none of the Controlling Shareholders nor any of their respective associates had interests in any other companies which as at the Latest Practicable Date held interests in the business of our Company during Track Record Period.

UNDERTAKINGS

The Controlling Shareholders have given certain undertakings in respect of the Shares (including those as required by Rules 13.16A(1) and 13.19 of the GEM Listing Rules) to our Company, the Stock Exchange, the Sponsor and the Underwriters. For further details, please refer to the section headed "Underwriting — Undertakings".

THE CONTROLLING SHAREHOLDERS

The Controlling Shareholders, being Mr. Cheng Wai Tak and Winful Enterprises, will be interested and deemed interested in a total of 75% of the issued share capital of our Company upon completion of the Placing and the Capitalisation Issue without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

NON-COMPETITION UNDERTAKING

For the purpose of the Placing, the Controlling Shareholders (the "Covenantors") have entered into a deed of non-competition undertaking ("Non-Competition Deed") in favour of our Company (for itself and for and on behalf of all members of our Group), pursuant to which each of the Covenantors, irrevocably and unconditionally, undertakes and covenants with our Company that with effect from the Listing Date and for as long as the Shares 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 in issue, or is otherwise regarded as a controlling shareholder (as defined under the GEM Listing Rules from time to time) of our 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 our Group) shall:

(a) directly or indirectly (other than through our 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 our Group and any business activities undertaken by our 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 our Group's customers, suppliers or staff.

In addition, each of the Covenantors irrevocably and unconditionally undertakes and covenants that if any new business opportunity relating to any of the products and/or services of our Group (the "Business Opportunity") is made available to him/it or his/its associates or any company or entity (other than a company within our Group) in which a Covenantor is, or with any other Covenantors together are, directly or indirectly interested, so as to exercise more than 50% of the voting power at general meetings, or to control the composition of a majority of the board of its directors or its decision making body (a "Controlled Company"), he/it shall direct or procure the relevant Controlled Company to direct such Business Opportunity to our Company together with such reasonably required information to enable our Company to evaluate the merits of the Business Opportunity. The relevant Covenantor shall provide, or procure the relevant associates or Controlled Company to provide, our Company with all such assistance to secure the Business Opportunity as our Company or the relevant member of our Group may reasonably require.

None of the Covenantors, their associates and their relevant Controlled Companies shall pursue the Business Opportunity unless our Company decides not to pursue the Business Opportunity. Any decision of our Company as to whether to pursue the Business Opportunity shall have to be approved by the independent non-executive Directors. For the avoidance of doubt, our Company shall not be required to pay any fees to any of the Covenantors and/or their respective associates or Controlled Companies in relation to the direction of Business Opportunity.

Each of the Covenantors also represents and warrants that, other than his/its interests in our Group, neither he/it nor any of its Controlled Companies is currently carrying on or engaging in, directly or indirectly, any business that competes or may compete with our Group.

Each of the Covenantors irrevocably and unconditionally, further undertakes that he/it shall:

(i) provide to our Company all information necessary for the enforcement of the above undertakings or covenants in the Non-Competition Deed;

(ii) provide to our Company all information necessary for the annual review by the independent non-executive Directors and the enforcement of the Non-Competition Deed;

(iii) provide an annual confirmation to our Company confirming that each of the Covenantors and his/its associates have not breached the terms of the undertakings contained in the Non-Competition Deed; and

(iv) abstain from voting at any general meeting of our Company if there is any actual or potential conflict of interests.

The independent non-executive Directors will review, at least on an annual basis, the compliance with the Non-Competition Deed by the Covenantors and his/its respective Controlled Companies, the options, pre-emptive rights or first rights of refusal (if any) provided by the Covenantors and his/its respective Controlled Companies on their existing or future competing businesses. As and when appropriate, our Company will disclose decisions and the related basis on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the undertakings (for example, the exercise of options or first rights of refusal) either through the annual report, or by way of announcements to the public.

The Non-Competition Deed will cease to have effect on a Covenantor on the earliest of the date on which such Covenantor, individually or collectively with any other Covenantor(s), ceases to be interested, directly or indirectly, in 30% or more of the Shares in issue, or otherwise ceases to be regarded as a controlling shareholder (as defined from time to time under the GEM Listing Rules) of our Company or the Shares cease to be listed on the Stock Exchange.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the corporate governance measures with the following principles to avoid potential conflict of interests and safeguard the interests of our Shareholders:

(i) we have appointed three independent non-executive Directors to ensure the effective exercise of independent judgment on its decision-making process and provide independent advice to the Shareholders;

(ii) our independent non-executive Directors will review, at least on an annual basis, the compliance with the Non-Competition Deed by the Covenantors and their respective Controlled Companies. We will disclose any decision and the related basis on matters reviewed by our independent non-executive Directors relating to the enforcement of the Non-Competition Deed in our Company's annual report or by way of announcement to the public;

(iii) the Covenantors have undertaken provide to our Company all information necessary for the annual review by the independent non-executive Directors and the enforcement of the Non-Competition Deed;

(iv) the Covenantors have undertaken to provide an annual confirmation to our Company confirming that each of the Covenantors and his/its associates have not breached the terms of the undertakings contained in the Non-Competition Deed; and

(v) the Covenantors will abstain from voting at any general meeting of our Company if there is any actual or potential conflict of interests in relation to the Restricted Business and the Business Opportunity.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Our Directors consider that our Group is capable of carrying on our business independently of the Controlling Shareholders and their respective associates for the following reasons:

MANAGEMENT INDEPENDENCE

The Board comprises three executive Directors and three independent non-executive Directors.

Although the Controlling Shareholders will retain controlling interest in our Company upon completion of the Placing, the day-to-day management and operation of the business of our Group will be the responsibility of all our Directors and senior management of our Company.

Our Directors believe that the presence of Directors from different backgrounds provides a balance of opinions. Further, the Board acts collectively by majority decisions in accordance with the Articles and the laws, and no single Director is supposed to have any decision-making unless authorised by the Board.

Each of our Directors is aware of his fiduciary duties as a director which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a director and his personal interests. In the event that there is a potential conflict of interest in any transaction to be considered and approved by the Board, the interested Director(s) shall not vote (nor be counted in the quorum) on any resolution of the Board approving such transaction except permitted under the Articles and/or the GEM Listing Rules.

In addition, our Group will adopt corporate governance measures to avoid conflict of interests between the Controlling Shareholders and our Group. For further details, please refer to the above headed "Corporate Governance Measures".

OPERATIONAL INDEPENDENCE

Our Group has established our own organisational structure which comprises individual departments, each with specific areas of responsibilities. Our Group has independent access to its suppliers and customers. Our Group has also established internal control policies and procedures to facilitate effective operation of our business.

FINANCIAL INDEPENDENCE

Our Group has independent accounting and finance systems, and make financial decisions according to our Group's own business needs. Our Directors confirm that as at the Latest Practicable Date, our Group was not indebted to the Controlling Shareholders.

During the Track Record Period and up to the Latest Practicable Date, several bank borrowings of our Group and bank factoring facilities were secured by, among other things, unlimited guarantees given by Mr. Cheng Wai Tak and guarantees and/or securities given by a company, the entire issue share capital of which is owned by him. Please refer to note 29 to the Accountant's Report as set out in Appendix I to this prospectus.

During the Track Record Period and up to the Latest Practicable Date, several bank loans amounting to HK$18,632,000, HK$13,556,000 and HK$9,972,000 as at 31 December 2011, 31 December 2012 and 31 August 2013 respectively, were drawn under the SME Loan Guarantee Scheme and Special Loan Guarantee Scheme both sponsored by the Government of Hong Kong. Such bank loans were secured by limited guarantees given by Mr. Cheng Wai Tak up to HK$12,000,000 and limited guarantees given by the Government of Hong Kong up to HK$6,000,000 under the SME Loan Guarantee Scheme and up to HK$9,600,000 under the Special Loan Guarantee Scheme.

As at the Latest Practicable Date, consents from the relevant banks had been obtained and the personal guarantees given by Mr. Cheng Wai Tak mentioned above will be released and replaced by the corporate guarantee of our Company upon Listing and the guarantees and securities given by the company wholly-owned by Mr. Cheng Wai Tak mentioned above had been released and cancelled.

As at 31 December 2012 and 31 August 2013, bank loan amounting to approximately HK$11,200,000 and HK$9,600,000 respectively, were drawn under the SME Financing Guarantee Scheme operated by The Hong Kong Mortgage Corporation Limited (the "HKMC") and secured by limited guarantee given by Mr. Cheng Wai Tak up to HK$12,000,000 and limited guarantee given by the HKMC up to HK$9,600,000. As of the Latest Practicable Date, such loan had been repaid and settled in full and the personal guarantee given by Mr. Cheng Wai Tak had been released and cancelled.

Our Directors are of the view that our Group is able to obtain financing from external sources and there will be no financial dependence on the Controlling Shareholders or any of their respective associates.

SHARE CAPITAL

The authorised and issued share capital of our Company immediately following completion of the Placing and the Capitalisation Issue will be as follows:

Authorised share capital:		*HK$*
5,000,000,000	Shares	50,000,000
Issued and to be issued, fully paid or credited as fully paid:		
10,000	Shares in issue as at the date of this prospectus	100
989,990,000	Shares to be issued pursuant to the Capitalisation Issue	9,899,900
330,000,000	Shares to be issued pursuant to the Placing	3,300,000
1,320,000,000	Shares	13,200,000

ASSUMPTION

The above table assumes the Placing and the Capitalisation Issue become unconditional and the issue of Shares pursuant to the Placing is made. The table takes no account of any Shares which may be issued or repurchased under the general mandates given to our Directors to issue or repurchase Shares.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the "minimum prescribed percentage" of 25% of the total issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

RANKING

The Placing Shares are ordinary Shares in the share capital of our Company and will rank pari passu in all respects with all other Shares currently in issue or to be issued as mentioned in this prospectus and, will rank equally for all dividends and other distributions declared, paid or made on the Shares in respect of a record date which falls after the date of this prospectus save for any entitlement under the Capitalisation Issue.

GENERAL MANDATE TO ISSUE SHARES

Our Directors have been granted, upon the Placing become unconditional, a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value not exceeding the sum of:

(i) 20% of the total nominal value of the Shares in issue immediately following completion of the Placing and the Capitalisation Issue; and

(ii) the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate referred to in the paragraph headed "General mandate to repurchase Shares" in below.

Our Directors may, in addition to the Shares which they are authorised to issue under the mandate, allot, issue, or deal in the Shares under a rights issue, or any scrip dividend shares or similar arrangement providing for allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or upon the exercise of any options which may be granted under the Share Option Scheme or other similar arrangement.

This mandate will expire at the earliest of:

(a) the conclusion of the next annual general meeting of our Company; or

(b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held to hold its next annual general meeting; or

(c) the passing of any ordinary resolution of our Shareholders in a general meeting revoking, varying or renewing such mandate.

For further details of this general mandate, please see the section headed "Further information about our Company — Written resolutions of the sole shareholder of our Company passed on 20 January 2014" in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the total nominal amount of the shares capital of our Company in issue and to be issued immediately following completion of the Placing and the Capitalisation Issue.

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with all applicable laws and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraph headed "Further information about our Company — Repurchase by our Company of its own securities" in Appendix V to this prospectus.

This mandate will expire at the earliest of:

(a) the conclusion of the next annual general meeting of our Company; or

(b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held to hold its next annual general meeting; or

(c) the passing of any ordinary resolution of our Shareholders in a general meeting revoking, varying or renewing such mandate.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the section headed "Share Option Scheme" in Appendix V to this prospectus.

You should read the following discussion and analysis of our Group's financial condition and results of operations together with our combined financial information for each of the years ended 31 December 2011 and 2012 and the eight months ended 31 August 2013, and the accompanying notes ("Financial Information") included in the Accountant's Report set out in Appendix I to this prospectus. The Financial Information has been prepared in accordance with HKFRSs, which may differ in material respects from the generally accepted accounting principle in other jurisdiction. Potential investors should read the whole of the Accountant's Report set out in Appendix I to this prospectus and not rely merely on the information contained in this section. The following discussion and analysis may contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by our Company in light of our experience and perception of historical trends, current condition and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether actual outcome and developments will meet the expectations and predictions of our Company depends on a number of factors over which our Company has no control. For additional information, please refer to the section headed "Risk factors" in this prospectus.

OVERVIEW OF OUR OPERATIONS

Headquartered in Hong Kong, we are principally engaged in the trading of display components of electronics, namely TFT-LCD panels, driver ICs and polarisers since 2004, 2004 and 2006 respectively. We also process some of the TFT-LCD panels that we trade. Most of our products are sold to TFT-LCD module manufacturers. TFT-LCD modules are then used by mobile phone manufacturers to produce mobile phones.

We source most of our TFT-LCD panels from our largest supplier, the InnoLux Group, with whom we have entered into a long term supply framework agreement. Of all the TFT-LCD panels we sold during the Track Record Period, the unprocessed panels accounted for approximately 63.7%, 67.7% and 67.6% of our revenue generated from the sales of TFT-LCD panels for each of the years ended 31 December 2011 and 2012 and the eight months ended 31 August 2013 respectively and the remaining were sold after having been processed by our Processing Service Providers. Our Processing Service Providers carry out panel processing work such as cutting into individual units, slimming down, and injecting liquid crystals.

The driver ICs and polarisers we trade are mainly purchased from the Himax Group and the Chi Mei Materials Group respectively. No processing work is performed on the driver ICs and polarisers before they are sold to our customers. We have entered into long term supply framework agreements with the Himax Group and the Chi Mei Materials Group.

Set out below is a breakdown of our revenue by products for each of the years ended 31 December 2011 and 2012 and the eight months ended 31 August 2013:

	Year ended 31 December				Eight months ended 31 August			
	2011		2012		2012		2013	
	HK$'000	%	*HK$'000*	%	*HK$'000* (unaudited)	%	*HK$'000*	%
Unprocessed TFT-LCD panels and other unprocessed products	853,937	52	619,089	45	392,906	44	648,325	57
Processed TFT-LCD panels	466,936	29	274,780	20	161,920	18	300,929	27
Driver ICs	255,486	16	429,271	31	307,590	34	150,613	13
Polarisers	50,763	3	59,443	4	38,806	4	31,710	3
	1,627,122	100	1,382,583	100	901,222	100	1,131,577	100

BASIS OF PREPARATION

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law on 13 June 2013. Through a corporate reorganisation as more fully explained in the subsection headed "Reorganisation" under the section headed "History, reorganisation and group structure" in this prospectus, our Company became the holding company of the companies now comprising our Group on 31 December 2013. The combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the relevant periods which include the results, changes in equity and cash flows of the companies comprising our Group have been prepared as if the current Group structure had been in existence throughout the relevant periods, or since their respective dates of incorporation/establishment where it is a shorter period. The combined financial statements, which are presented in Hong Kong Dollars, have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the GEM Listing Rules. HKFRSs include Hong Kong Accounting Standards and interpretations.

The financial information has been prepared by our Directors based on the combined financial statements or, where appropriate, unaudited financial statements of the companies now comprising our Group.

SIGNIFICANT FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our financial condition and results of operations have been and will continue to be affected by a number of factors, including those discussed below.

Demand for TFT-LCD panels, driver ICs and polarisers

Our financial condition and results of operations are affected by the demand for the major products we trade, namely TFT-LCD panels, driver ICs and polarisers. Being some of the core components of mobile phones, the demand for our products is inherently affected by the demand for mobile phones. In the past, our business benefited from the booming mobile phone market, especially in the PRC. According to DisplaySearch, the year-to-year growth of number of mobile phones sold in the PRC was 27% and 11% in 2011 and 2012 respectively, reaching about 295 million units sold by the end of 2012. The mobile phone market in the PRC is expected to continue to grow. The total number of mobile phones sold in the PRC is expected to reach 330 million units in 2013 and 460 million units in 2016, according to DisplaySearch.

As our customers comprise mainly mobile phone TFT-LCD module manufacturers, we expect that our results of operations will continue to be affected by the growth of the mobile phone market.

Revenue mix

During the Track Record Period, the unprocessed TFT-LCD panels and other unprocessed products was the largest revenue contributing product segment among the four, with processed TFT-LCD panels and driver ICs being the second or third depending on the market demand. We sell an array of products across each product segment and the specifications, hence the selling prices, of the products vary among each other. As the revenue of each product differs, our profitability is affected by the mix of products we sell during the relevant period. Although our pricing policy is cost plus, the markup on our products depends on, among others, product types, market demand, the prevailing market conditions, cost of sales, order sizes, business relationships with our customers and our inventory levels. Due to these pricing considerations, there will be a fluctuation of revenue and profit margin of each individual product. In 2011, we engaged our Processing Service Providers for liquid crystal injection for our LTPS panels. The injection of liquid crystals into LTPS panels was found to have a high processing cost and have a rather low yield rate, and thus pulling down the gross profit margin of our processed TFT-LCD panel products. We have reduced injecting liquid crystals into LTPS panels for our customers in 2012 and ceased to engage our Processing Service Providers for liquid crystal injection for LTPS panels in 2013. Instead, we purchase LTPS panels with liquid crystals already injected by our supplier. In addition, since the demand for new products is generally higher, we can bargain for higher selling prices and enjoy higher profit margins for new products than those of outmoded ones. For instance, the increase in proportion of our sales of the recently released high resolution and large size TFT-LCD panels had significantly improved our Group's gross profit margin for the eight months ended 31 August 2013. Any change in our revenue mix will affect our results of operations from one year to another.

Reliance on our top five suppliers

During the Track Record Period, the five largest suppliers of our Group together accounted for approximately 97.4%, 96.8% and 97.0% of our Group's total purchases for each of the years ended 31 December 2011 and 2012 and the eight months ended 31 August 2013 respectively. During the same periods, our largest supplier, the InnoLux Group accounted for approximately 74.7%, 58.7% and 79.2% respectively of our Group's total purchases. Our results of operations and financial condition are significantly dependent on the continued supply of TFT-LCD panels, driver ICs and polarisers from our suppliers.

We have entered into long term supply framework agreements with our major suppliers, namely the InnoLux Group, the Himax Group and the Chi Mei Materials Group. However, the quantity and pricing of TFT-LCD panels, driver ICs and polarisers are subject to private and commercial negotiation between these suppliers and us for each order. Our Directors believe that the main factors these suppliers consider when they determine the quantity and pricing of the products sold to us include, but are not limited to, their production capacity, market demand and our relationships with them.

Our relationships with these suppliers are of utmost importance. Any decline or interruption in supply from these suppliers will materially and adversely affect our financial condition, results of operations and business prospects.

CRITICAL ACCOUNTING POLICIES

Our Group has identified certain accounting policies that are significant to the preparation of the combined financial statements in accordance with HKFRSs. These significant accounting policies are important for an understanding of the financial condition and results of operation of our Group and are set forth in the Accountant's Report in Appendix I to this prospectus. Some of the accounting policies involve subjective assumptions and estimates, as well as complex judgment related to accounting items such as assets, liabilities, income and expenses. We base our estimates on historical experience and other assumptions which our management believes to be reasonable under the circumstances. Results may differ under different assumptions and conditions. Our management has identified the following accounting policies that are most critical to the preparation of our combined financial statements.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. Our Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of our Group's activities as described below. Our Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Sales of goods are recognised when our Group has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

(b) Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to our Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Income taxes

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where our Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Our Group is subject to income taxes in the jurisdiction in which our Group operates. There are transactions and calculations for which the ultimate tax determination is uncertain. Our Group recognises liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax assets and liabilities in the period in which such determination is made.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials and other direct costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in consumer preferences and competitor actions in response to severe industry cycles. Our management reassesses these estimations by each date of the statement of financial position to ensure inventories are shown at the lower of cost and net realisable value.

It is our Group's policy to make assessment of impairment and identify individual obsolete items by regularly reviewing the subsequent sales and market prices of our Group's products, taking into account of the ageing position as reference.

Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Our Group makes provision for impairment of trade and other receivables based on an estimate of the recoverability of these receivables. It is our Group's policy to make allowance for doubtful debts based on assessments of the recoverability of the trade receivables, including the ageing analysis of the trade debts, the current creditworthiness and/or the past collection history of each debtor. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and the provision for impairment losses in the period in which such estimate has been changed.

RESULTS OF OPERATIONS

The table below sets out a summary of our Group's audited combined financial results for each of the year ended 31 December 2011, 31 December 2012 and the eight months ended 31 August 2013, and our Group's unaudited combined financial results for the eight months ended 31 August 2012. For more detailed information, please refer to the Accountant's Report in Appendix I to this prospectus.

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		Eight months ended 31 August	
	2011	2012	2012	2013
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	1,627,122	1,382,583	901,222	1,131,577
Cost of sales	(1,549,804)	(1,307,593)	(864,232)	(1,026,433)
Gross profit	77,318	74,990	36,990	105,144
Other losses, net	(1,773)	(323)	(972)	(519)
Distribution and selling expenses	(15,253)	(14,336)	(9,360)	(8,747)
General and administrative expenses	(17,871)	(16,247)	(10,903)	(26,432)
Operating profit	42,421	44,084	15,755	69,446
Finance income	111	112	64	36
Finance costs	(1,815)	(2,049)	(1,357)	(1,403)
Profit before income tax	40,717	42,147	14,462	68,079
Income tax expense	(6,718)	(6,954)	(2,386)	(12,936)
Profit for the year/period	33,999	35,193	12,076	55,143
Other comprehensive income/ (loss)				
Currency translation difference	—	—	—	(77)
Total comprehensive income for the year/period	33,999	35,193	12,076	55,066
Profit and total comprehensive income for the year/period attributable to:				
Equity holders of our Company	33,999	35,193	12,076	55,066

DESCRIPTION OF THE PRINCIPAL COMPONENTS OF THE PROFIT OR LOSS

Revenue

Revenue represents the sales of display panels and related components to external parties. Sales of goods are recognised when our Group has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured. Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts and returns.

Our Group's trading of display components of electronics can be categorised into: (i) unprocessed TFT-LCD panels and other unprocessed products (the "**Unprocessed Panel Segment**"); (ii) processed TFT-LCD panels (the "**Processed Panel Segment**"); (iii) driver ICs ("**IC Segment**"); and (iv) polarisers (the "**Polariser Segment**").

The following table sets out the revenue by segments during the Track Record Period:

	Year ended 31 December				Eight months ended 31 August			
	2011		2012		2012		2013	
	HK$'000	%	*HK$'000*	%	*HK$'000* (unaudited)	%	*HK$'000*	%
Unprocessed Panel Segment	853,937	52	619,089	45	392,906	44	648,325	57
Processed Panel Segment	466,936	29	274,780	20	161,920	18	300,929	27
IC Segment	255,486	16	429,271	31	307,590	34	150,613	13
Polariser Segment	50,763	3	59,443	4	38,806	4	31,710	3
	1,627,122	100	1,382,583	100	901,222	100	1,131,577	100

During the Track Record Period, we sourced from suppliers and sold TFT-LCD panels to TFT-LCD module manufacturers. The majority of our revenue during the Track Record Period was derived from the Unprocessed Panel Segment and the Processed Panel Segment together, which accounted for approximately 81%, 65% and 84% of our total revenue for each of the years ended 31 December 2012 and the eight months ended 31 August 2013 respectively.

Under the Processed Panel Segment, we sourced panels from suppliers, performed certain processing procedures through our Processing Service Providers and sold the processed TFT-LCD panels to TFT-LCD module manufacturers. The revenue generated from this segment accounted for approximately 29%, 20% and 27% of our total revenue for each of the years ended 31 December 2011 and 2012 and the eight months ended 31 August 2013 respectively.

Under the IC Segment, we sold driver ICs purchased from suppliers to TFT-LCD module manufacturers. The revenue generated from this segment accounted for approximately 16%, 31% and 13% of our total revenue for each of the years ended 31 December 2011 and 2012 and the eight months ended 31 August 2013 respectively.

Under the Polariser Segment, we sold polarisers purchased from suppliers to TFT-LCD module manufacturers. The revenue generated from this segment accounted for approximately 3%, 4% and 3% of our total revenue for each of the years ended 31 December 2011 and 2012 and the eight months ended 31 August 2013 respectively.

During the Track Record Period, almost all of our revenues were derived in Hong Kong, where our Group's products were delivered to our customers. According to our Directors' understanding, most of our Group's products were then transported by our customers themselves to their manufacturing facilities in the PRC for further processing.

Cost of sales

Cost of sales during the Track Record Period primarily consisted of: (i) purchase costs; (ii) processing and subcontracting charges; (iii) scrap loss; (iv) provision for obsolete inventories; (v) transportation charges; and (vi) other direct costs.

The following table sets out the summary of cost of sales by nature during the Track Record Period:

	Year ended 31 December				**Eight months ended 31 August**			
	2011		**2012**		**2012**		**2013**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Purchase costs	1,445,614	93%	1,239,827	94%	822,461	95%	941,806	92%
Processing and subcontracting charges	60,872	4%	36,749	3%	26,187	3%	24,965	2%
Scrap loss	19,130	1%	14,461	1%	8,793	1%	49,499	4%
Provision for obsolete stock	12,913	1%	7,942	1%	1,283	0%	4,803	1%
Transportation	10,503	1%	8,020	1%	4,951	1%	4,947	1%
Other direct costs	772	0%	594	0%	557	0%	413	0%
	1,549,804	100%	1,307,593	100%	864,232	100%	1,026,433	100%

The following table sets out the cost of sales by segments during the Track Record Period:

	Year ended 31 December				**Eight months ended 31 August**			
	2011		**2012**		**2012**		**2013**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Unprocessed Panel Segment	804,424	52	583,002	44	370,174	43	580,290	57
Processed Panel Segment	445,936	29	255,120	20	161,113	19	269,279	26
IC Segment	252,920	16	414,034	32	297,483	34	146,887	14
Polariser Segment	46,524	3	55,437	4	35,462	4	29,977	3
	1,549,804	100	1,307,593	100	864,232	100	1,026,433	100

Purchase costs mainly represented cost of inventories purchased by us from suppliers. The majority of our cost of sales during the Track Record Period was attributed to the purchase costs, which accounted for approximately 93%, 95% and 92% of our total cost of sales for each of the years ended 31 December 2011 and 2012 and the eight months ended 31 August 2013 respectively. Processing and subcontracting charges represented processing costs paid to the PRC Service Providers and Processing Service Providers. Scrap loss represented loss generated by our Group's processed panel business. During the panel processing stage, it is normal that a certain percentage of our processed panels are found defective or even needs to be scrapped. Our processed panels are tested to determine whether the products are up to the panel specifications and technical standards in terms of panel grading, with A grade panels being the best quality, followed by B grade being inferior but passable quality, and F grade and N grade panels representing sub-standard panels. B grade processed panels are usually sold at a price lower than its costs, while F grade and N grade panels are generally scrapped for nil consideration. These defective or scrapped products are measured at its estimated net realisable value at each balance sheet date in accordance with our Group's policies, and any write down in value is charged to our Group's profit and loss account.

The following table sets out the breakdown of our Group's scrap loss by grade during the Track Record Period:

	Year ended 31 December		**Eight months ended 31 August**	
	2011	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
B grade	4,238	3,251	2,361	24,100
F and N grades	14,892	11,210	6,432	25,399
Total scrap loss	19,130	14,461	8,793	49,499

Total scrap loss decreased by 24% from the year ended 31 December 2011 to the year ended 31 December 2012 as the sales of our processed panels dropped in 2012. Total scrap loss for the eight months ended 31 August 2013 increased by approximately 463% as compared to the total scrap loss of approximately HK$8,793,000 for the eight months ended 31 August 2012. It was primarily affected by the overall increase in our sales of IPS panels which in general has lower product yield rate provided by our supplier and the stringent processing requirement of larger and thinner panels resulting in more B, F and N grade panels.

Transportation charges represented the freight charges incurred. Other direct costs represented tooling charges and declaration charges and staff costs.

Other losses, net

Other losses, net during the Track Record Period comprised the following:

	Year ended 31 December		Eight months ended 31 August	
	2011	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Loss/(gain) on financial assets at fair value through profit or loss	806	(536)	137	17
Net exchange loss	968	955	891	418
Loss on disposal of property, plant and equipment	—	—	—	87
Others	(1)	(96)	(56)	(3)
	1,773	323	972	519

During the Track Record Period, our Group held certain unit trust funds, which are measured at fair value through profit or loss. Loss or gain on financial assets at fair value through profit or loss during the years ended 31 December 2011 and 2012, and the eight months ended 31 August 2012 represented the unrealised loss or gain recognised during the relevant period due to the changes in fair value of the underlying unit trust funds. During the eight months ended 31 August 2013, our Group disposed of all its unit trust funds and a loss on disposal was incurred. As at the Latest Practicable Date, our Group did not have plans to purchase further unit trust funds or enter into similar investment transactions nor did we identify any potential investment opportunities.

Distribution and selling expenses

Distribution and selling expenses primarily consisted of sales supporting fees, rental and rates, entertainment expenses and staff costs. The following table sets out the summary of distribution and selling expenses during the Track Record Period:

	Year ended 31 December		Eight months ended 31 August	
	2011	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Sales supporting fees	11,862	11,315	8,126	5,499
Rental and rates	871	1,555	799	1,108
Entertainment expenses	2,520	1,466	435	1,432
Staff costs	—	—	—	704
Others	—	—	—	4
	15,253	14,336	9,360	8,747

Sales supporting fees represented the amount paid to the PRC Service Providers, for supporting our Group's sales function.

Rental and rates mainly represented warehouses rental.

General and administrative expenses

General and administrative expenses mainly consisted of staff costs, bank charges, office expenses and professional service fees. The table below sets out the general and administrative expenses by nature during the Track Record Period:

	Year ended 31 December		Eight months ended 31 August	
	2011	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Staff costs	9,488	9,536	6,690	10,770
Bank charges	2,310	1,304	903	963
Office expenses	2,649	2,400	1,500	1,659
Rental and rates	1,308	1,094	795	1,137
Depreciation	445	575	315	282
Insurance	696	700	467	854
Travelling expenses	664	497	140	517
Legal and professional service fees	170	94	60	1,190
Professional service fees in respect of listing preparation	—	—	—	8,928
Others	141	47	33	132
	17,871	16,247	10,903	26,432

Staff costs mainly included basic salary and bonuses, pension costs, medical insurance and staff quarters expenses.

Bank charges mainly represented the charges paid to banks for providing letter of credit banking facilities to our Group.

Office expenses mainly represented utilities, telecommunication expenses and other general administrative expenses.

Depreciation represented depreciation expenses of our Group's leasehold improvements, motor vehicles, furniture and office equipment.

Insurance mainly included premium for warehouse insurance, marine cargo insurance and office general insurance.

Legal and professional service fees mainly consisted of audit fee. During the eight months ended 31 August 2013, professional service fees were incurred for advices and services provided by various professional parties in relation to the listing of our Company. We incurred professional service fees of approximately nil, nil and HK$11.9 million in relation to the listing of our Company during the years ended 31 December 2011 and 2012 and the eight months ended 31 August 2013, respectively, of which approximately HK$8.9 million was charged to the combined profit or loss during the eight months ended 31 August 2013.

Finance income

Finance income represented the bank interest income earned from our Group's bank deposits.

Finance costs

Finance costs consisted of factoring charges and interest expenses on bank advances from factored receivables and other bank borrowings. The table below sets out the breakdown of our Group's finance costs during the Track Record Period:

	Year ended 31 December		**Eight months ended 31 August**	
	2011	2012	2012	2013
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Factoring charges	1,017	1,104	797	820
Interest expenses on:				
Bank advances from factored receivables	358	392	201	222
Bank borrowings wholly repayable within five years	440	553	359	361
	1,815	2,049	1,357	1,403

Factoring charges represented the handling charges and interest paid to bank for factoring certain of our Group's receivables from customers.

Income tax expense

During the Track Record Period, our Group's revenue was mainly derived in Hong Kong, and our Group was subject to profits tax in Hong Kong. Provision for Hong Kong profits tax was provided at the statutory profits tax rate of 16.5% of the estimated assessable profits for the Track Record Period. Our Group's subsidiary in the PRC was subject to PRC corporate income tax at a standard rate of 25%. No PRC corporate income tax had been provided as our Group had no estimated assessable profits arising in or derived from the PRC during the Track Record Period. During the years ended 31

December 2011 and 2012, and the eight months ended 31 August 2013, the effective tax rate of our Group approximated to 16.5%, 16.5% and 19.0%, respectively. Increase in effective tax rate for the eight months ended 31 August 2013 was mainly due to certain professional service fees incurred in relation to the listing of our Company being not deductible for Hong Kong profits tax purpose. Our Directors confirm that our Group had paid all relevant taxes and was not subject to any disputes or tax issues during the Track Record Period.

SENSITIVITY ANALYSIS

The following is a sensitivity analysis of the impacts of hypothetical fluctuations in selling price and raw material price on our Group's gross profit and net profit for each period during the Track Record Period. The sensitivity analysis is performed for reasonably possible changes in assumptions regarding the selling price and raw material price of each product segment with all other assumptions held constant.

	Hypothetical fluctuation	Year ended 31 December 2011		Year ended 31 December 2012		Eight months ended 31 August 2013	
	Increase/ (decrease) in percentage	Increase/ (decrease) in gross profit	Increase/ (decrease) in net profit	Increase/ (decrease) in gross profit	Increase/ (decrease) in net profit	Increase/ (decrease) in gross profit	Increase/ (decrease) in net profit
		%	%	%	%	%	%
Selling price:							
Unprocessed Panel Segment	61%	674%	1,279%	504%	896%	376%	599%
	(61%)	(674%)	(1,512%)	(504%)	(1,053%)	(376%)	(694%)
Processed Panel Segment	52%	314%	596%	191%	339%	149%	237%
	(52%)	(314%)	(694%)	(191%)	(386%)	(149%)	(260%)
IC Segment	70%	231%	439%	401%	713%	100%	160%
	(70%)	(231%)	(506%)	(401%)	(834%)	(100%)	(168%)
Polariser Segment	79%	52%	98%	63%	111%	24%	38%
	(79%)	(52%)	(98%)	(63%)	(114%)	(24%)	(38%)
Raw material price:							
Unprocessed Panel Segment	51%	(517%)	(1,155%)	(387%)	(806%)	(277%)	(505%)
	(51%)	517%	981%	387%	689%	277%	441%
Processed Panel Segment	36%	(172%)	(371%)	(100%)	(194%)	(67%)	(105%)
	(36%)	172%	327%	100%	179%	67%	107%
IC Segment	65%	(208%)	(453%)	(353%)	(733%)	(89%)	(147%)
	(65%)	208%	395%	353%	628%	89%	142%
Polariser Segment	113%	(66%)	(131%)	(81%)	(153%)	(31%)	(50%)
	(113%)	66%	126%	81%	144%	31%	50%

The above sensitivity analysis illustrates analysis of the impacts of hypothetical fluctuations in selling price and raw material price on our Group's gross profit and net profit for each period during the Track Record Period. Fluctuations are determined with reference to the highest variance of the average selling price and the average cost of the products in each product segment.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 December 2012 compared with year ended 31 December 2011

Revenue

During the Track Record Period, we derived our revenue primarily from the Unprocessed Panel Segment and Processed Panel Segment, which together accounted for approximately 81% and 65% of our total revenue for the years ended 31 December 2011 and 2012 respectively. We experienced a 15% decrease in revenue from approximately HK$1,627.1 million during the year ended 31 December 2011 to approximately HK$1,382.6 million during the year ended 31 December 2012. The decrease in revenue was primarily attributable to the decrease in revenue from the Unprocessed Panel Segment and Processed Panel Segment, decreasing from approximately HK$853.9 million during the year ended 31 December 2011 to approximately HK$619.1 million during the year ended 31 December 2012, and from approximately HK$466.9 million during the year ended 31 December 2011 to approximately HK$274.8 million during the year ended 31 December 2012, respectively.

The decrease in revenue from the Unprocessed Panel Segment was mainly due to the decrease in average selling price and a slight decrease in sales quantity, while decrease in revenue from the Processed Panel Segment was mainly due to the decrease in sales quantity which outweighed the impact of an increase in average selling price. According to Display Search, the smart phone penetration rate in the PRC had grown from 29% to 58% in 2011 and 2012 respectively. However, the early 3G smart phone market was dominated by major brands and our target customers are mainly white-box manufacturers, therefore our sales tumbled. It also took time for our suppliers to produce new products to meet the growing demand for higher resolution and larger panels on 3G mobile phones in the PRC market which caused us to experience a dramatic drop in the sales of TFT-LCD panels, in particular the sales quantity of our processed panels in the first three quarters of 2012. Sales began to pick up in the fourth quarter of 2012 as a 3G smart phone solution addressing the mid to entry level smart phone market was made available by a semiconductor company in the PRC market and our customers began entering into the 3G smart phone market. The demand for large-size and high-resolution panels grew quickly as a result of the booming smart phone market in the PRC. Having envisaged the growth in the demand for 3G mobile phones in the PRC, we were able to readily provide our PRC customers with larger-size panels during the transition of consumer patterns from 2G mobile phones to 3G mobile phones in the final quarter of 2012. The increase in revenue contribution from the IC Segment and Polariser Segment had reduced the impact from the decrease in revenue from the Unprocessed Panel Segment and Processed Panel Segment.

Revenue from the IC Segment increased from HK$255.5 million during the year ended 31 December 2011 to HK$429.3 million during the year ended 31 December 2012, mainly due to the increase in sales of driver ICs for WVGA panels used on larger screen size mobile phones.

As to the Polariser Segment, we came under pricing pressure as more and more PRC manufacturers began producing polarisers in the market. Despite the pricing pressure, revenue from the Polariser Segment increased from HK$50.8 million during the year ended 31 December 2011 to HK$59.4 million during the year ended 31 December 2012 as we had lowered the selling price of our polarisers to drive sales. Our Directors believe that the Chi Mei Materials Polarisers are in favour with our customers for its quality and reliability.

During the Track Record Period, our Group experienced the change of consumer consumption from 2G to 3G mobile phones which was marked by the shift to larger-sized TFT-LCD panels. In order to adapt to changes in the market, we shifted from mainly selling TFT-LCD panels of 2.0 to 3.5 inches during the year ended 31 December 2011 to TFT-LCD panels of 3.2 to 5.0 inches during the first eight months of 2013. As at the Latest Practicable Date, we continued to sell some small-sized TFT-LCD panels ranging from 2.0 to 3.2 inches which are mainly used for 2G feature phones.

The following table sets out the sales volume and average selling price for each segment of our Group for each of the years ended 31 December 2011 and 2012:

	Year ended 31 December		**% of change**
	2011	**2012**	*(Decrease)/increase*
Sales volume (thousand pieces)			
TFT-LCD panels			
Unprocessed panels *(Note)*	76,014	74,370	(2)%
Processed panels	24,700	11,605	(53)%
Driver ICs	71,504	70,793	(1)%
Polarisers			
Polarisers — Cropped	2,247	1,062	(53)%
Polarisers — Original	196	271	38%
Average selling price (HK$)			
TFT-LCD panels			
Unprocessed panels *(Note)*	10.76	7.75	(28)%
Processed panels	18.90	23.68	25%
Driver ICs	3.57	6.06	70%
Polarisers			
Polariser — Cropped	3.68	3.47	(6)%
Polariser — Original	216.85	206.03	(5)%

Note: Our unprocessed panels are sold in the form as they are sourced and are not further processed by us. For illustration purpose, the unprocessed panels are assumed to be divided into the number of pieces that the panels could have been cut into.

Sales volume for the sales of unprocessed panels decreased from approximately 76.0 million pieces during the year ended 31 December 2011 to approximately 74.4 million pieces during the year ended 31 December 2012.

There was no significant decrease in sales volume of unprocessed panels despite the change of consumer consumption from 2G to 3G mobile phones because in 2012, our Group sold more low-end unprocessed panels, such as QQVGA, which are usually used in budget mobile phones. It is to our Directors' understanding that these low-end budget mobile phones are usually sold to developing countries or sold by telecommunication operators at deep discount to induce subscriptions, of which the market is less affected by the upsurge of 3G smart phones.

Sales volume for the sales of processed panels decreased drastically from approximately 24.7 million pieces during the year ended 31 December 2011 to approximately 11.6 million pieces during the year ended 31 December 2012.

With the continuous trend changing from 2G to 3G, certain of our target customers which are mainly white-box manufacturers, also started to change their production from 2G products to 3G products. However, the early 3G smart phone market was dominated by major brands and it took time for our suppliers to produce new products to meet the growing demand for higher resolution and larger panels on 3G mobile phones in the PRC market. Therefore, our sales volume of processed panels dropped significantly in the first three quarters of 2012. Our sales volume of processed panels began to pick up in the fourth quarter of 2012 as a 3G smart phone solution addressing the mid to entry level smart phone market was made available by a semiconductor company in the PRC market and as our customers began entering into the 3G smart phone market, we were able to readily provide our PRC customers with larger-size panels during the transition of consumer patterns from 2G mobile phones to 3G mobile phones in the final quarter of 2012. For the full year, the sales volume of processed panels in 2012 dropped by 53% as compared with 2011.

Sales volume for the sales of driver ICs was comparable over the two years ended 31 December 2011 and 2012.

Cropped polarisers refer to polarisers which have been cut into specific sizes by our suppliers tailored for different panel sizes, such as 2.5 inches, 3.5 inches panels, etc before shipment. Original polarisers refer to those factory size polarisers with dimensions such as 600mm x 1000mm or 702.5mm x 1000mm which need to be cut by our customers into the required sizes. Sales volume for the cropped polarisers dropped from approximately 2.2 million pieces during the year ended 31 December 2011 to approximately 1.1 million pieces during the year ended 31 December 2012, while sales volume for the original polarisers increased from approximately 196,000 pieces during the year ended 31 December 2011 to approximately 271,000 pieces during the year ended 31 December 2012. As the technical know-how required for cutting polarisers is low, our Directors believe that our customers preferred to purchase original polarisers for further processing by themselves to save cost in 2012.

Average selling price for unprocessed panels dropped from HK$10.76 per piece to HK$7.75 per piece in 2012. The decrease in average selling price was principally due to the fact that a larger portion of our sales in unprocessed panels was from low-end unprocessed panels, e.g. QQVGA panels, as compared to 2011. Our Group sold approximately 23.5

million (2011: 4.4 million) pieces of QQVGA panels with an average unit selling price of approximately HK$3.22 in 2012 (2011: HK$3.78), which significantly lowered the average unit selling price of unprocessed panels in 2012. QQVGA panels are usually used in budget mobile phones which are sold to customers at low price.

Average selling price for processed panels increased from HK$18.90 per piece to HK$23.68 per piece in 2012. The increase in average selling price was principally due to the increase in demand for panels of larger size and of higher resolution, particularly in the fourth quarter of 2012, as a semiconductor company has released reference solutions for 3G smart phones in the PRC addressing mid to entry-level smart phone market in 2012 and more LCD module manufacturers began to produce high-end LCD modules. Such panels were sold at higher average selling prices and our customers tend to rely on us to carry out panel processing work on these high-end panels.

Average selling price for driver ICs increased from HK$3.57 per piece to HK$6.06 per piece in 2012. The increase in average selling price was principally due to the increase in sales of driver ICs for WVGA panels, which were relatively more advanced and were sold at prices higher than the average selling price during the period.

Average selling price for polarisers decreased in 2012. The decrease of average selling price was principally due to the pricing pressure brought by PRC manufacturers in the market.

Cost of sales

Cost of sales decreased by approximately 16% to approximately HK$1,307.6 million for the year ended 31 December 2012, which is in line with the decrease in revenue during the year. The amounts of various cost items decreased at different degrees during the year ended 31 December 2012 as compared to that during the year ended 31 December 2011. Purchase costs decreased by approximately 14% to approximately HK$1,239.8 million during the year ended 31 December 2012, while processing and subcontracting charges, scrap loss, and transportation charges decreased by approximately 40%, 24% and 24% respectively in the same period.

The decrease in purchase costs was primarily due to the associated decrease in revenue of our Group. The decrease in purchase costs was in line with the decrease in sales amount. Decrease in processing and subcontracting charges was mainly due to the decrease in demand for processing work attributable to the decrease in sales volume. Processing and subcontracting charges decreased at a larger degree than the decrease in sales mainly because less liquid crystal injection work was performed by the Processing Service Providers as more advanced panels were purchased from suppliers with liquid crystals pre-injected. Further, we processed more advanced panels, which were generally sold at a higher price, during the year ended 31 December 2012. Therefore, the processing charges as a percentage of revenue decreased at a larger degree. Decrease in scrap loss was mainly due to the decrease in the sales volume of processed panels.

The following table sets out the average cost of sales of TFT-LCD panels, driver ICs and polarisers sold by our Group during each of the years ended 31 December 2011 and 2012:

	Year ended 31 December		% of change
	2011	**2012**	*Increase/(decrease)*
	HK$ per piece	*HK$ per piece*	
Average cost			
TFT-LCD panels			
Unprocessed panels	10.08	7.39	(27)%
Processed panels	18.05	21.98	22%
Driver ICs	3.54	5.85	65%
Polarisers			
Polarisers — Cropped	3.53	3.27	(7)%
Polarisers — Original	196.93	192.01	(2)%

Average cost for unprocessed panels mainly represented the purchase costs of TFT-LCD panels. The average cost of unprocessed TFT-LCD panels dropped from approximately HK$10.08 per piece during the year ended 31 December 2011 to HK$7.39 per piece during the year ended 31 December 2012 due to the increase in sales proportion of panels of smaller size and lower resolution, the price of which declined during 2012.

Average cost for processed panels mainly represented the purchase costs, and processing and subcontracting charges. The average cost increased from approximately HK$18.05 per piece during the year ended 31 December 2011 to HK$21.98 per piece during the year ended 31 December 2012 due to the fact that our Group processed more panels of larger size and higher resolution during 2012 as our customers tended to rely on us to process high-end panels for them and the purchase costs of these panels were generally higher.

Average cost for driver ICs mainly represented the purchase costs of driver ICs. The average cost of driver ICs increased from approximately HK$3.54 per piece during the year ended 31 December 2011 to HK$5.85 per piece during the year ended 31 December 2012 due to the increase in sales of driver ICs for WVGA panels, which is relatively more advanced and associated with higher costs.

Average cost for polarisers mainly represented the purchase costs. The average cost of polarisers decreased as our supplier had lowered the product price amid the pricing pressure.

Gross profit and gross profit margin

The amounts of gross profit decreased from approximately HK$77.3 million during the year ended 31 December 2011 to HK$75.0 million during the year ended 31 December 2012, representing a slight drop of approximately 3%, mainly attributable to the decrease in sales amount.

The following table sets out the gross profit margin by segments for each of the years ended 31 December 2011 and 2012:

	Year ended 31 December	
	2011	**2012**
Gross profit margin		
Unprocessed Panel Segment	5.8%	5.8%
Processed Panel Segment	4.5%	7.2%
IC Segment	1.0%	3.5%
Polariser Segment	8.4%	6.7%
Overall gross profit margin	4.8%	5.4%

Despite the slight drop in the amount of gross profit, the overall gross profit margin increased slightly from approximately 4.8% during the year ended 31 December 2011 to 5.4% during the year ended 31 December 2012, for the reasons that our Group maintained its gross profit margin for the Unprocessed Panel Segment and improved its gross profit margin for the Processed Panel Segment and the IC Segment.

Gross profit of the Unprocessed Panel Segment decreased from approximately HK$49.5 million during the year ended 31 December 2011 to approximately HK$36.1 million during the year ended 31 December 2012. It was mainly due to a drop in revenue resulting from both the slight decrease in sales volume as well as a drop in average selling price attributable to the increase in sales contributed from low-end unprocessed panels, such as QQVGA panels for budget mobile phones, with higher sales quantity but lower average selling price. Gross profit margin of Unprocessed Panel Segment in 2012 was maintained at similar level over 2011 through the corresponding decrease in purchase costs of the unprocessed panels.

Gross profit margin of the Processed Panel Segment was lower than that of the Unprocessed Panel Segment during the year ended 31 December 2011. This was due to the fact that some major products sold under the Processed Panel Segment, such as LTPS panels, during that year involved the liquid crystal injection process and had a high processing cost and low yield rate which pulled down the gross profit margin.

Gross profit of the Processed Panel Segment decreased from approximately HK$21.0 million during the year ended 31 December 2011 to approximately HK$19.7 million during the year ended 31 December 2012. It was mainly due to a drop in revenue attributable to the decrease in sales volume, which outweighed the positive impact of the increase in average selling price for high resolution and large panels in 2012.

For the gross profit margin, with the release and processing of high resolution and large panels in 2012, we enjoyed higher gross profit margin of the Processed Panel Segment, particularly in the fourth quarter of 2012. Such panels were generally sold at higher average selling prices, and our customers tended to rely on us to carry out panel processing work on these high-end panels which added to our bargaining power for a higher profit margin.

Due to the significant increase in revenue attributable to the increase in average selling price of driver ICs, gross profit of the IC Segment increased from approximately HK$2.6 million during the year ended 31 December 2011 to approximately HK$15.2 million during the year ended 31 December 2012. Driver ICs for high-end products can be traded at a relatively high profit margin. We sold more advanced driver ICs, such as driver ICs for WVGA panels, during the year ended 31 December 2012, which led to the increase in gross profit margin of the IC Segment.

Gross profit of the Polariser segment remained stable over 2011 and 2012. The decrease in gross profit margin offset the impact of increase in revenue of the Polariser Segment. Decrease in gross profit margin for the Polariser Segment was mainly due to the increase in market competition brought by PRC manufacturers.

Other losses, net

Our other losses, net amounted to approximately HK$1,773,000 and HK$323,000 respectively, accounting for approximately 0.11% and 0.02% of our total revenue for the respective periods. Decrease in other losses, net was mainly due to the fact that our Group recorded an unrealised loss on the changes in fair value of unit trust funds held during the year ended 31 December 2011, while unrealised gain was recorded during the year ended 31 December 2012.

Distribution and selling expenses

Our distribution and selling expenses mainly consist of sales supporting fees, rental and rates, and entertainment expenses. For each of the years ended 31 December 2011 and 2012, our distribution and selling expenses amounted to approximately HK$15,253,000 and HK$14,336,000 respectively, accounting for approximately 0.94% and 1.04% of our total revenue for the respective periods. Decrease in distribution and selling expenses was mainly due to the decrease in sales activities.

General and administrative expenses

Our general and administrative expenses mainly consist of staff costs, bank charges, office expenses and professional service fees.

The following table sets out our general and administrative expenses by nature for each of the years ended 31 December 2011 and 2012:

	Year ended 31 December		Fluctuations Increase/(decrease)	
	2011	2012	Amount	% change
	HK$'000	*HK$'000*	*HK$'000*	
Staff costs	9,488	9,536	48	1%
Bank charges	2,310	1,304	(1,006)	(44%)
Office expenses	2,649	2,400	(249)	(9%)
Rental and rates	1,308	1,094	(214)	(16%)
Depreciation	445	575	130	29%
Insurance	696	700	4	1%
Travelling expenses	664	497	(167)	(25%)
Legal and professional service fees	170	94	(76)	(45%)
Others	141	47	(94)	(67%)
	17,871	16,247	(1,624)	(9%)

For each of the years ended 31 December 2011 and 2012, our general and administrative expenses amounted to approximately HK$17,871,000 and HK$16,247,000 respectively, accounting for approximately 1.10% and 1.18% of our total revenue for the respective periods. General and administrative expenses slightly decreased from approximately HK$17.9 million during the year ended 31 December 2011 to HK$16.2 million during the year ended 31 December 2012, which was mainly due to the decrease in bank charges from HK$2.3 million to HK$1.3 million.

Staff costs

We had a steady workforce during the two years ended 31 December 2012. The staff costs were comparable during both years ended 31 December 2011 and 2012. For each of the years ended 31 December 2011 and 2012, our staff costs amounted to approximately HK$9,488,000 and HK$9,536,000 respectively, accounting for approximately 0.58% and 0.69% of our total revenue for the respective periods.

Bank charges

The decrease in bank charges was attributable to the decrease in sales and purchases activities in 2012, leading to a decrease in our reliance on banking facilities. For each of the years ended 31 December 2011 and 2012, our bank charges amounted to approximately HK$2,310,000 and HK$1,304,000 respectively, accounting for approximately 0.14% and 0.09% of our total revenue for the respective periods.

Finance income

Finance income represented bank interest income received during the years. The amounts recorded during each of the years ended 31 December 2011 and 2012 were both insignificant.

Finance costs

Finance costs of our Group increased from approximately HK$1,815,000 for the year ended 31 December 2011 to approximately HK$2,049,000 for the year ended 31 December 2012, accounting for approximately 0.11% and 0.15% of our total revenue for the respective years. The increase in finance costs was due to the increase in average bank loans balance during the year ended 31 December 2012.

Income tax expense

Our income tax expense primarily represent income tax we incur in Hong Kong where we operate as well as deferred income tax. Income tax expense of our Group increased from approximately HK$6.7 million for the year ended 31 December 2011 to approximately HK$7.0 million for the year ended 31 December 2012. The effective tax rate for each of the years ended 31 December 2011 and 2012 was both approximately 16.5%. The effective tax rate was stable over the two years. The increase in income tax expense was in line with the increase in profit before tax during the period.

Profit and total comprehensive income for the year

Despite the drop in revenue and gross profit, our Group's results of operation still improved as the profit for the year increased from approximately HK$34.0 million for the year ended 31 December 2011 to approximately HK$35.2 million for the year ended 31 December 2012, which was mainly due to (i) the unrealised gain on changes in fair value of unit trust funds of approximately HK$0.5 million (2011: loss of approximately HK$0.8 million) recorded during the year ended 31 December 2012; and (ii) the decrease in bank charges and distribution and selling expenses resulted from the decrease in sales activities during the year ended 31 December 2012.

Net profit margin

The net profit margin for each of the years ended 31 December 2011 and 2012 were 2.1% and 2.5%, respectively. The increase in the net profit margin was principally due to the improvement of gross profit margin from approximately 4.8% for the year ended 31 December 2011 to approximately 5.4% for the year ended 31 December 2012, which was mainly attributable to the increase in average selling price of processed panels and driver ICs that outweighed their corresponding increase in purchase costs as explained above; and the unrealised gain on changes in fair value of unit trust funds of approximately HK$0.5 million (2011: loss of approximately HK$0.8 million) recorded during the year ended 31 December 2012.

Eight months ended 31 August 2012 compared with eight months ended 31 August 2013

Revenue

Our Group's revenue increased sharply by approximately HK$230.4 million or 26% for the eight months ended 31 August 2013 as compared to that of the eight months ended 31 August 2012. The increase in revenue was mainly attributed to the growth of TFT-LCD panels sales under the Unprocessed Panel Segment and the Processed Panel Segment, increasing from approximately HK$392.9 million during the eight months ended 31 August 2012 to approximately HK$648.3 million during the eight months ended 31 August 2013, and from approximately HK$161.9 million during the eight months ended 31 August 2012 to approximately HK$300.9 million during the eight months ended 31 August 2013, respectively. The increase in revenue from the Unprocessed Panel Segment and the Processed Panel Segment was attributed to the increase in sales of higher resolution and larger panels due to the strong growth streak for the smart phone market continued in the PRC market. The decrease in revenue contribution from the IC Segment and Polariser Segment had partially offset the increase of our Group's revenue during the eight months ended 31 August 2013.

Revenue from the IC Segment decreased from approximately HK$307.6 million during the eight months ended 31 August 2012 to HK$150.6 million during the eight months ended 31 August 2013 as other semiconductor companies began to supply advanced driver ICs to the market at more attractive prices and competed with us.

Revenue from the Polariser Segment decreased from approximately HK$38.8 million during the eight months ended 31 August 2012 to HK$31.7 million during the eight months ended 31 August 2013 as the market competition intensified.

The following table sets out the sales volume and average selling price for each segment of our Group for each of the eight months ended 31 August 2012 and 2013:

	Eight months ended 31 August		% of change
	2012	**2013**	*Increase/(decrease)*
Sales volume (thousand pieces)			
TFT-LCD panels			
Unprocessed panels *(Note)*	43,959	46,672	6%
Processed panels	7,494	9,182	23%
Driver ICs	50,110	28,507	(43)%
Polarisers			
Polarisers — Cropped	962	254	(74)%
Polarisers — Original	170	156	(8)%
Average selling price (HK$)			
TFT-LCD panels			
Unprocessed panels *(Note)*	8.34	13.45	61%
Processed panels	21.61	32.77	52%
Driver ICs	6.14	5.28	(14)%
Polarisers			
Polarisers — Cropped	3.44	6.15	79%
Polarisers — Original	208.98	193.91	(7)%

Note: Our unprocessed panels are sold in the form as they are sourced and are not further processed by us. For illustration purpose, the unprocessed panels are assumed to be divided into the number of pieces that the panels could have been cut into.

Sales volume for the sales of unprocessed TFT-LCD panels increased from approximately 44.0 million pieces during the eight months ended 31 August 2012 to approximately 46.7 million pieces during the eight months ended 31 August 2013.

Sales volume for the sales of processed TFT-LCD panels increased from approximately 7.5 million pieces during the eight months ended 31 August 2012 to approximately 9.2 million pieces during the eight months ended 31 August 2013.

Our Directors consider that such an increase in sales of TFT-LCD panels was due to the increase in manufacturing activities of 3G mobile phone manufacturers in the PRC after a semiconductor company released 3G solutions addressing mid to entry level smart phones in the PRC in 2012. Local mobile phones manufacturers in the PRC can simply follow the reference solutions to produce 3G mobile phones with shortened product development time and lowered production costs.

Sales volume for the sales of driver ICs dropped by 43% during the eight months ended 31 August 2013 as compared with that for the eight months ended 31 August 2012. This is mainly due to the fact that other semiconductor companies rolled out aggressive pricing strategies in early 2013 to gain market share so that our Group's driver ICs became less price-attractive. Also, the release of new driver ICs by our main driver IC supplier, lagged behind its competitors in 2013. Such intense market competition led to the significant decrease in sales of driver ICs.

During the eight months ended 31 August 2013, sales volume of cropped polarisers continued to drop significantly, while sales volume of original polarisers dropped by 8%. It was mainly attributable to the increase in market competition brought by PRC manufacturers and our customers tended to process the original polarisers by themselves to save cost.

Average selling prices for the unprocessed TFT-LCD panels increased from HK$8.34 per piece to HK$13.45 per piece, and average selling prices for the processed panels increased from HK$21.61 per piece to HK$32.77 per piece. It was mainly due to the fact that our Group traded and processed more advanced panels with higher selling prices during the eight months ended 31 August 2013. Our customers tended to rely on us to process these high-end panels for them.

Except for the sales of cropped polarisers which was immaterial during the eight months ended 31 August 2013, average selling prices for both driver ICs and polarisers decreased. Such decrease of average selling prices were principally due to the keen competition in the market.

Cost of sales

During the eight months ended 31 August 2013, cost of sales increased by approximately 19% to approximately HK$1,026.4 million as compared with the eight months ended 31 August 2012, which was mainly due to the increase in purchase costs, and scrap loss associated with the increase in sales revenue. Purchase costs increased by approximately 15% to approximately HK$941.8 million during the eight months ended 31 August 2013, and scrap loss increased by approximately 463% in the same period. Increase in scrap loss was mainly due to the processing of more high-end panels by our Group under the Processed Panel Segment during the eight months ended 31 August 2013. Since the panel specifications and technical standards requirements for higher resolution and larger size panels are higher, the defective rate and scrap rate are higher than those with lower resolution and smaller size, which led to the significant increase in both the amount of scrap loss and the percentage of scrap loss to the total cost of sales.

The following table sets out the average cost of sales of TFT-LCD panels, driver ICs and polarisers sold by our Group during each of the eight months ended 31 August 2012 and 2013:

	Eight months ended 31 August		% of change
	2012	**2013**	*Increase/(decrease)*
	HK$ per piece	*HK$ per piece*	
Average cost			
TFT-LCD panels			
Unprocessed panels *(Note)*	7.98	12.03	51%
Processed panels	21.51	29.33	36%
Driver ICs	5.94	5.15	(13)%
Polarisers			
Polarisers — Cropped	3.27	6.96	(113)%
Polarisers — Original	190.32	181.52	(5)%

Note: Our unprocessed panels are sold in the form as they are sourced and are not further processed by us. For illustration purpose, the unprocessed panels are assumed to be divided into the number of pieces that the panels could have been cut into.

During the eight months ended 31 August 2013, average cost of processed panels increased from approximately HK$21.51 per piece to HK$29.33 per piece, and average cost of unprocessed panels increased from approximately HK$7.98 per piece to HK$12.03 per piece. It was mainly due to the increase in both trading and processing of more advanced panels with higher purchase costs during the eight months ended 31 August 2013.

The average cost of driver ICs decreased from approximately HK$5.94 per piece during the eight months ended 31 August 2012 to HK$5.15 per piece during the eight months ended 31 August 2013, which is in line with the decrease in average selling price.

Due to the increasing market supply and keen market competition, average cost of original size polarisers decreased.

Gross profit and gross profit margin

The amounts of gross profit sharply increased to HK$105.1 million during the eight months ended 31 August 2013, which is 284% of the amount of approximately HK$37.0 million during the eight months ended 31 August 2012, mainly attributable to the strong demand for large-size and high-resolution panels for smart phones in the PRC, leading to an increase in sales amount and improved gross profit margin in both the Unprocessed Panel Segment and the Processed Panel Segment.

The following table sets out the gross profit margin by segments for each of the eight months ended 31 August 2012 and 2013:

	Eight months ended 31 August	
	2012	**2013**
Gross profit margin		
Unprocessed Panel Segment	5.8%	10.5%
Processed Panel Segment	0.5%	10.5%
IC Segment	3.3%	2.5%
Polariser Segment	8.6%	5.5%
Overall gross profit margin	4.1%	9.3%

Overall gross profit margin increased significantly from approximately 4.1% during the eight months ended 31 August 2012 to 9.3% during the eight months ended 31 August 2013, for the reason that our Group improved its gross profit margin for the Unprocessed Panel Segment and Processed Panel Segment which offset the decrease in gross profit margin for the IC Segment and the Polariser Segment.

Gross profit margin of the Unprocessed Panels Segment increased during the eight months ended 31 August 2013 because more large-size, high-resolution panels with higher gross profit margin were traded as compared with that of the eight months ended 31 August 2012. Since the smart phone market in the PRC has been hot in 2013, mobile phone manufacturers strived to release their new model high resolution smart phones which used large size panels. As part of the supply chain of these advanced panels, our Group enjoyed a higher gross profit margin during the period.

The gross profit margin of the Processed Panel Segment was 0.5% for the eight months ended 31 August 2012 as we sold certain outmoded stock at a loss during the period. Similar to the Unprocessed Panel Segment, we benefited from the increase in demand for advanced large-size and high-resolution panels and the gross profit margin of the Processed Panel Segment increased significantly to 10.5% during the eight months ended 31 August 2013. As our customers were generally more cautious in processing these new panels themselves, they sought us to process these panels for them and thus we could bargain for higher gross profit margin for these new products.

After the outstanding performance of the driver IC sales in 2012, our driver IC products faced more competition in the market, which led to the decrease in gross profit margin for the IC Segment during the eight months ended 31 August 2013.

Significant decrease in gross profit margin for the Polariser Segment was mainly due to the intense market competition and the provision for obsolete inventories of approximately HK$463,000 made during the eight months ended 31 August 2013. Excluding the impact of provision for obsolete inventories, the gross profit margin of the Polariser Segment for the eight months ended 31 August 2012 and 2013 were 8.6% and 6.9%, respectively.

Other losses, net

Our other losses, net amounted to approximately HK$972,000 and HK$519,000 for each of the eight months ended 31 August 2012 and 2013, respectively, accounting for approximately 0.11% and 0.05% of our total revenue for the respective periods. During the eight months ended 31 August 2013, our Group disposed of all its unit trust funds and a loss on disposal of approximately HK$17,300 was incurred. Decrease in other losses, net was mainly due to the decrease in exchange losses. As at the Latest Practicable Date, our Group did not have plans to purchase further unit trust funds or enter into similar investment transactions.

Distribution and selling expenses

For each of the eight months ended 31 August 2012 and 2013, our distribution and selling expenses amounted to approximately HK$9,360,000 and HK$8,747,000 respectively, accounting for approximately 1.04% and 0.77% of our total revenue for the respective periods. The decrease in distribution and selling expenses was mainly due to the decrease in sales supporting fees paid to the PRC Service Provider, as a result of the establishment of Yuan Mei Xin Technology in April 2013 to partially take up the work previously subcontracted to the PRC Service Provider.

General and administrative expenses

The following table sets out our general and administrative expenses by nature during each of the eight months ended 31 August 2012 and 2013:

	Eight months ended 31 August		**Fluctuations Increase/(decrease)**	
	2012	**2013**	**Amount**	**% change**
	HK$'000 (unaudited)	*HK$'000*	*HK$'000*	
Staff costs	6,690	10,770	4,080	61%
Bank charges	903	963	60	7%
Office expenses	1,500	1,659	159	11%
Rental and rates	795	1,137	342	43%
Depreciation	315	282	(33)	(10)%
Insurance	467	854	387	83%
Travelling expenses	140	517	377	269%
Legal and professional service fees	60	1,190	1,130	1,883%
Professional service fees in respect of listing preparation	—	8,928	8,928	100%
Others	33	132	99	300%
	10,903	26,432	15,529	142%

For each of the eight months ended 31 August 2012 and 2013, our general and administrative expenses amounted to approximately HK$10,903,000 and HK$26,432,000 respectively, accounting for approximately 1.21% and 2.34% of our total revenue for the respective periods. Significant increase in general and administrative expenses was mainly due to expenses incurred for advices and services provided by various professional parties in relation to the listing of our Company, increase in audit fee and the increase in administrative expenses incurred for Yuan Mei Xin Technology which was established in April 2013.

Staff costs

For each of the eight months ended 31 August 2012 and 2013, our staff costs included in general and administrative expenses amounted to approximately HK$6,690,000 and HK$10,770,000 respectively, accounting for approximately 0.74% and 0.95% of our total revenue for the respective periods. Increase in staff costs during the eight months ended 31 August 2013 was mainly due to the increase in bonus and increase in headcount during the period.

Bank charges

For each of the eight months ended 31 August 2012 and 2013, our bank charges amounted to approximately HK$903,000 and HK$963,000 respectively, accounting for approximately 0.10% and 0.09% of our total revenue for the respective periods. The increase in bank charges during the eight months ended 31 August 2013 as compared with the eight months ended 31 August 2012 was mainly attributable to the increase in sales during the period.

Finance income

Finance income represented bank interest income received during the periods. The amounts recorded during each of the eight months ended 31 August 2012 and 2013 were both insignificant.

Finance costs

Finance costs of our Group increased from approximately HK$1,357,000 for the eight months ended 31 August 2012 to approximately HK$1,403,000 for the eight months ended 31 August 2013, accounting for approximately 0.15% and 0.12% of our total revenue for the respective periods. The increase in the amount of finance costs was mainly due to the increase in factoring charges and interest expense on bank advances from factored receivables during the eight months ended 31 August 2013 as compared with the eight months ended 31 August 2012.

Income tax expense

Our income tax expense during each of the eight months ended 31 August 2012 and 2013 primarily represent income tax we incurred in Hong Kong where we operate as well as deferred income tax. Income tax expense of our Group increased from approximately HK$2,386,000 for the eight months ended 31 August 2012 to approximately HK$12,936,000 for the eight months ended 31 August 2013. The increase in income tax expenses was in line with the increase in profit before tax during the period. The effective tax rate for each of the eight months ended 31 August 2012 and 2013 were approximately 16.5% and 19.0%, respectively. Increase in effective tax rate was mainly due to certain professional service fees incurred in relation to the Listing being not deductible for Hong Kong profits tax purpose during the eight months ended 31 August 2013.

Profit and total comprehensive income for the period

Our Group's results of operation experienced a great improvement as the profit for the period increased from approximately HK$12.1 million for the eight months ended 31 August 2012 to approximately HK$55.1 million for the eight months ended 31 August 2013, which was mainly attributable to the increase in sales from approximately HK$901.2 million during the eight months ended 31 August 2012 to approximately HK$1,131.6 million during the eight months ended 31 August 2013 and the improvement of gross profit margin from approximately 4.1% during the eight months ended 31 August 2012 to approximately 9.3% during the eight months ended 31 August 2013.

Net profit margin

The net profit margin for each of the eight months ended 31 August 2012 and 2013 were 1.3% and 4.9%, respectively. The increase in the net profit margin was principally due to the improvement of gross profit margin as explained above.

SUMMARY OF OUR COMBINED STATEMENTS OF FINANCIAL POSITION

	As at 31 December		As at 31 August
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment	888	1,524	1,140
Deferred income tax assets	39	—	34
	927	1,524	1,174
Current assets			
Inventories	137,243	128,593	160,111
Trade and other receivables	72,941	123,292	139,412
Amount due from a shareholder	9,336	—	—
Amounts due from related companies	35,079	8,758	—
Financial assets at fair value through profit or loss	4,057	4,593	—
Restricted bank deposits	29,200	30,246	34,877
Cash and cash equivalents	48,865	50,101	40,838
	336,721	345,583	375,238
Total assets	337,648	347,107	376,412

	As at 31 December		As at 31 August
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
EQUITY			
Capital	38,000	38,000	38,000
Retained earnings	82,459	59,652	114,718
Total equity	120,459	97,652	152,718
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	—	2	—
	—	2	—
Current liabilities			
Trade and other payables	187,345	152,861	165,985
Amount due to a shareholder	—	21,217	—
Amount due to a related company	—	11,859	—
Bank borrowings	29,537	63,287	44,508
Current income tax liabilities	307	229	13,201
	217,189	249,453	223,694
Total liabilities	217,189	249,455	223,694
Total equity and liabilities	337,648	347,107	376,412
Net current assets	119,532	96,130	151,544
Total assets less current liabilities	120,459	97,654	152,718

ANALYSIS OF SELECTED ITEMS OF COMBINED STATEMENTS OF FINANCIAL POSITION

Inventories

The balances of inventories as at the respective year/period end dates represented work in progress and finished goods. The following table sets forth the summary of inventories as at the end of each of the reporting periods:

	As at 31 December		As at 31 August
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Work in progress	8,819	41,262	17,358
Finished goods	141,337	95,273	147,556
	150,156	136,535	164,914
Less: Provision for obsolete inventories	(12,913)	(7,942)	(4,803)
	137,243	128,593	160,111

There was an increase in inventories as at 31 August 2013 as (i) the market outlook had been positive during the period and we have stocked up for upcoming sale and (ii) there was an increase in average price of our TFT-LCD panels, which generally had larger screen size and higher resolution. As at 31 August 2013, the carrying amount of small-sized TFT-LCD panels inventories ranging from 2.0 to 3.2 inches amounted to approximately HK$7.2 million (comprises gross inventory balance of approximately HK$8.3 million and provision for obsolete inventories of approximately HK$1.1 million based on our internal stock provision policy with reference to the ageing position of the inventories as well as the assessments made on the subsequent sales and market prices of our products). In our Directors' opinion, these panels are mainly, but not exclusively, used for 2G mobile phones. The actual application of these panels depends on our customers' marketing strategies.

The following table sets forth the inventory turnover days (calculated as the average of beginning and ending inventory balances for the period divided by revenue for the period, multiplied by the number of the days in the period) for the periods indicated:

	Year ended 31 December		Eight months ended 31 August
	2011	2012	2013
Inventory turnover days	30	35	31

The inventories as a percentage of revenue remained stable between year ended 31 December 2011 and year ended 31 December 2012, increased only slightly from approximately 8.4% in the year ended 31 December 2011 to approximately 9.3% in the year ended 31 December 2012. The balance of inventories decreased by approximately 6.3% to approximately HK$128.6 million as at 31 December 2012. The inventory turnover days showed an increase from 30 days in the year ended 31 December 2011 to 35 days in the year ended 31 December 2012 which was mainly attributable to the slow down in sales of our low-end products generally used in 2G mobile phones as a result of the growing 3G smart phone market in 2012 while inventories level was maintained at similar level. With the strong market demand for the TFT-LCD panels in 2013, the inventory turnover days for the eight months ended 31 August 2013 dropped to 31 days.

The following table illustrates the ageing analysis of inventories, net of provision as of the end of each of the reporting periods.

	As at 31 December		As at 31 August
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
0–90 days	127,246	110,889	136,192
91–180 days	7,122	7,184	23,314
Over 180 days	2,875	10,520	605
	137,243	128,593	160,111

As compared with 31 December 2011, our Group's inventory ageing position deteriorated as at 31 December 2012 but showed improvement as at 31 August 2013, which was mainly due to the slow down in sales in 2012 and the strong rebounce of sales during the eight months ended 31 August 2013.

Our Group made impairment of inventories in order to adjust for the value of slow-moving inventories with estimated realisable values falling below the then carrying amounts. It is our Group's policy to make assessment of impairment and identify individual obsolete items by regularly reviewing the subsequent sales and market prices of our Group's products, taking into account of the ageing position as reference.

During the Track Record Period, our impairment assessment policy had been consistently applied and we do not foresee any changes to it in the near future. The amounts of provision for inventories were HK$12,913,000, HK$7,942,000 and HK$4,803,000 as at 31 December 2011, 31 December 2012 and 31 August 2013 respectively. Our Directors consider such provisions for obsolete inventories were not significant because the amounts of provision for obsolete inventories only represented 0.8%, 0.6% and 0.4% of our total sales respectively for the corresponding periods. The inventories that were provided for provision as at each period end included those slow-moving TFT-LCD panels, driver ICs and polarisers of which their estimated net realisable value are lower than their costs and provisions were made in accordance with our provisioning policy as mentioned above. Most of them were fully written-off during the following year or period.

Our Directors are of the view that the provisions for obsolete inventories are sufficient. The amounts of provisions for obsolete inventories were estimated based on our internal stock provision policy with reference to the ageing position of its inventories as well as the assessments made on the subsequent sales and market prices of our products. To minimise the risk of building up obsolete inventories, we continue to keep track of the technology development and market conditions closely and to gather information from our customers on a monthly basis as well as regularly update our inventory record in order to maintain a stable inventory level.

Based on the Sponsor's understanding and review of the current provision policies and internal control measures in place for our Company and having considered the provision for obsolete inventories made in the past as well as the market practice, the Sponsor is of the view that the provisions for obsolete inventories are sufficient and not significant during the Track Record Period as it only represented approximately 0.8%, 0.6% and 0.4% of the Company's total sales respectively for the corresponding periods.

The subsequent usage of our Group's inventories as at 31 August 2013 was 88.9% up to 31 December 2013.

Trade and other receivables

The following table sets forth the breakdown of trade and other receivables as at the end of each reporting period:

	As at 31 December		**As at 31 August**
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	48,813	74,471	122,080
Bills receivables	22,803	34,930	13,270
	71,616	109,401	135,350
Prepayments for inventories	—	12,794	—
Deposits and other receivables	1,325	1,097	1,077
Deferred professional service fees in respect of listing preparation	—	—	2,985
	72,941	123,292	139,412

Trade and bills receivables

The following table sets forth the trade and bills receivables turnover days (calculated as the average of beginning and ending trade and bills receivable balances for the period divided by revenue for the period, multiplied by the number of days in the period) for the periods indicated:

	Year ended 31 December		Eight months ended 31 August
	2011	**2012**	**2013**
Trade and bills receivables turnover days	17	24	26

During the Track Record Period, the credit terms granted to our customers generally ranged from 30 days to 60 days. Trade and bills receivables turnover days increased from 17 days in the year ended 31 December 2011 to 24 days in the year ended 31 December 2012. Our trade and bills receivables turnover days were less than the credit terms generally granted to our customers because we requested for full settlement before delivery of goods for most of our customers. The increase in trade and bills receivable turnover days in 2012 was mainly due to the slow down in sales for the full year 2012 while the sales in the last month of 2012 started to grow, which amounted to approximately HK$150.0 million, and led to an increase in year end balance of trade and bills receivables. Our sale of panels increased sharply by over 50% from October 2012 to December 2012 due to the introduction of a 3G smart phone solution for the mid to entry level smart phone market which allowed our customers based in the PRC to enter the 3G smart phone market. Sales of our goods of other segments remained relatively stable during the same period. Trade and bills receivables turnover days slightly increased to 26 days during the eight months ended 31 August 2013, mainly due to the increase in proportion of sales to major customers with credit terms during the eight months ended 31 August 2013.

The following table illustrates the ageing analysis of the trade and bills receivables as of the end of each of the reporting period, presented based on invoice dates:

	As at 31 December		As at 31 August
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
1–30 days	44,213	83,517	74,367
31–60 days	22,692	21,293	60,877
61–90 days	2,590	3,939	1
91–180 days	1,179	652	105
Over 180 days	942	—	—
	71,616	109,401	135,350

During the Track Record Period, the ageing position of trade and bills receivables has been properly maintained. The percentages of trade and bills receivables ageing within 60 days as at 31 December 2011, 31 December 2012 and 31 August 2013, were 93%, 96% and nearly 100%, respectively.

Our Group has policy to make allowance for doubtful debts based on assessments of the recoverability of the trade receivables, including the ageing analysis of the trade debts, the current creditworthiness and/or the past collection history of each debtor. Impairment arises where events or changes in circumstances indicate that the balances may not be collectible.

As our Group trades with long-term relationship customers with good creditworthiness, no allowance for doubtful debts has been provided during the Track Record Period.

Trade and other payables

The following table sets forth the breakdown of trade and other payables as at the end of each reporting period:

	As at 31 December		As at 31 August
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	173,887	142,374	136,984
Bills payables	4,212	4,305	15,354
	178,099	146,679	152,338
Deposits received from customers	7,851	4,984	6,881
Accruals and other payables	1,225	1,118	1,376
Accrued auditors' remuneration	170	80	1,080
Accrued employee benefit expenses	—	—	2,310
Accrued professional service fees in respect of listing preparation	—	—	2,000
	187,345	152,861	165,985

Trade and bills payables

Trade and bills payables mainly comprise payables to TFT-LCD panels, driver ICs and polarisers suppliers and subcontractors. During the Track Record Period, credit terms granted by our suppliers and subcontractors generally ranged from 20 to 60 days.

The following table sets out the turnover days of trade and bills payables (calculated as the average of beginning and ending trade and bills payable balances due to all parties for the period, divided by revenue for the period, multiplied by the number of days in the period) for the period indicated:

	Year ended 31 December		Eight months ended 31 August
	2011	**2012**	**2013**
Trade and bills payables turnover days	36	43	32

The increase in the trade and bills payables turnover days from approximately 36 days in the year ended 31 December 2011 to 43 days in the year ended 31 December 2012 was mainly due to the fact that revenue for the full year ended 31 December 2012 decreased but relatively more purchases were made in the last month of 2012 as we anticipated a growing market which led to the increase in average trade and bills payables balance in 2012 and thus increased the trade and bills payables turnover days.

Trade and bills payables turnover days for the eight months ended 31 August 2013 dropped to 32 days mainly attributable to the increase in the proportion of purchases from the InnoLux Group which granted 15 to 30 days credit terms to us.

Subsequent settlement of trade receivables and trade payables and subsequent usage of inventories

The following table sets forth the information regarding the subsequent settlement of trade receivables and trade payables and subsequent usage of inventories:

	Balance as of 31 August 2013	Subsequent settlement/ usage as of 31 December 2013	Subsequent settlement/ usage as of 31 December 2013 as a percentage of the balance as of 31 August 2013
	HK$'000	*HK$'000*	
Trade and bills receivables	135,350	135,350	100%
Trade and bills payables	152,338	152,322	99.9%
Inventories	160,111	142,262	88.9%

OTHER KEY FINANCIAL RATIOS

	As at 31 December		As at 31 August
	2011	2012	2013
Current ratio	1.55 times	1.39 times	1.68 times
Quick ratio	0.92 times	0.87 times	0.96 times
Gearing ratio	24.5%	64.8%	29.1%
Debt to equity ratio	-16.0%	13.5%	2.4%

	For the year ended 31 December	
	2011	2012
Return on assets	10.1%	10.1%
Return on equity	28.2%	36.0%

Notes:

1. Current ratio is calculated based on the current assets divided by current liabilities.

2. Quick ratio is calculated based on the current assets less inventories, divided by current liabilities.

3. Gearing ratio is calculated based on the total interest-bearing debt divided by total equity multiplied by 100%.

4. Debt to equity ratio is calculated based on the total interest-bearing debt net of cash and cash equivalents divided by total equity.

5. Return on assets is calculated by the profit for the year/period divided by total assets multiplied by 100%.

6. Return on equity is calculated by the profit for the year/period divided by total equity multiplied by 100%.

7. Return on assets and return on equity for the eight months ended 31 August 2013 are not presented as the net profit used in calculating the ratios only consisted of eight months results which is not comparable with those of the years ended 31 December 2011 and 2012.

Current ratio

Our current ratio decreased from approximately 1.55 times as at 31 December 2011 to approximately 1.39 times as at 31 December 2012. The decrease was mainly due to an interim dividend payable of HK$30 million being declared but not paid as at 31 December 2012, which increased the current liabilities amount. Due to the improved result of operation of our Group during the eight months ended 31 August 2013, we generated net cash from operating activities of approximately HK$39.6 million. This cash inflow has been used to settle our Group's bank borrowings and unpaid dividend during the eight months ended 31 August 2013. As at 31 August 2013, the increase in our inventories, trade and other receivables and restricted bank deposits as compared with 31 December 2012, offset the decrease in cash and cash equivalent. With more current assets and less current liabilities, the current ratio increased significantly to 1.68 times as at 31 August 2013.

Quick ratio

Our quick ratio decreased slightly from approximately 0.92 times as at 31 December 2011 to approximately 0.87 times as at 31 December 2012. Such decrease was mainly due to the reason as mentioned in relation to current ratio above. Our quick ratio increased to 0.96 times as a result of our Group's improved operation result during the eight months ended 31 August 2013. Moreover, the net cash from operating activities of approximately HK$39.6 million during the eight months ended 31 August 2013 had been used to settle our Group's bank borrowings which consequently decreased the current liabilities of our Group.

Gearing ratio

Our gearing ratio as at 31 December 2011 and 2012 was 24.5% and 64.8% respectively. The increase of our gearing ratio was because we raised more bank advances from the factoring of certain bill receivables to banks, borrowed additional bank loans under the SME Financing Guarantee Scheme launched by The Hong Kong Mortgage Corporation Limited and short-term loans as at 31 December 2012. Our gearing ratio dropped to 29.1% as at 31 August 2013, mainly due to the repayment of bank borrowings during the eight months ended 31 August 2013.

Debt to equity ratio

Our debt to equity ratio as at 31 December 2011 and 2012 was -16.0% and 13.5% respectively. The increase of our debt to equity ratio was due to the fact that we raised more bank borrowings to finance our operations and we declared HK$58 million dividends to our shareholder in 2012. Our debt to equity ratio dropped to 2.4% as at 31 August 2013, mainly due to the increase in retained earnings derived and the repayments of bank borrowings by the cash generated from our operating activities during the eight months ended 31 August 2013.

Return on assets

Our return on assets remained stable over the two years ended 31 December 2012, being approximately 10.1% in 2011 and approximately 10.1% in 2012.

Return on equity

Our return on equity increased from approximately 28.2% for the year ended 31 December 2011 to approximately 36.0% for the year ended 31 December 2012. Such increase was mainly due to the declaration of dividends of HK$58 million in 2012 (2011: HK$18 million) which decreased our equity amount.

IMPACT ON OUR FINANCIAL RESULTS DUE TO EXPENSES INCURRED IN RELATION TO THE LISTING

Our Directors estimate that the total listing expenses is approximately HK$23.0 million, of which approximately HK$15.2 million is chargeable to combined profit or loss and approximately HK$7.8 million will be charged to equity upon listing during the year ending 31 December 2014.

For the listing expenses of approximately HK$15.2 million which are chargeable to combined profit or loss, approximately HK$8.9 million and HK$4.5 million were recognised as expenses during the eight months ended 31 August 2013 and four months ended 31 December 2013, respectively; and approximately HK$1.8 million will be recognised as expenses during the year ending 31 December 2014.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our principal sources of funds are used to finance working capital, and the growth and expansion of our operations and sales network. Our principal sources of funds are cash generated from our operations and bank borrowings. Going forward, we expect these sources to continue to be our principal sources of liquidity, and we expect the net proceeds of the Placing to increase our liquidity. As at 31 December 2011 and 2012 and 31 August 2013, we had cash and cash equivalents of approximately HK$48.9 million, HK$50.1 million and HK$40.8 million respectively. As at 31 August 2013 our bank borrowings amounted to approximately HK$44.5 million. As at 30 November 2013, our Group's unutilised banking facilities restricted for trade finance purposes amounted to approximately HK$153.1 million.

Our working capital is critical to our financial performance. We must maintain sufficient liquidity and financial flexibility to continue our daily operations. We experienced negative operating cashflow for the year ended 31 December 2012 but we did not experience net current liabilities and/or negative operating cash flows for most of the Track Record Period and do not have material capital commitments.

We may, however, need additional cash resources in the future if we experience changed business conditions or other developments. We may also need additional cash resources in the future if we find and wish to pursue opportunities for investment, acquisition, and collaborations of other similar action. If our existing cash resources are insufficient to meet our requirements, we may seek to obtain credit facilities, or sell or issue equity securities, which might result in dilution to the Shareholders. It is possible that financing may be affected by financial market volatility and credit tightening and, when we need additional cash resources, financing will only be available to us in amounts or on terms that would not be acceptable to us or financing will not be available at all.

The following table sets out a summary of our Group's combined statements of cash flows for each of the years ended 31 December 2011 and 2012, and each of the eight months ended 31 August 2012 and 2013:

	Year ended 31 December		Eight months ended 31 August	
	2011	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Net cash generated from/(used in) operating activities	71,687	(2,369)	14,052	39,597
Net cash (used in)/generated from investing activities	(5,524)	(1,099)	(633)	4,627
Net cash (used in)/generated from financing activities	(40,093)	4,704	(12,261)	(53,410)
Cash and cash equivalents at beginning of year/period	22,795	48,865	48,865	50,101
Exchange loss on cash and cash equivalents	—	—	—	(77)
Cash and cash equivalents at end of year/period	48,865	50,101	50,023	40,838

Net cash generated from/used in operating activities

Our net cash inflows from operating activities primarily represent profit before tax adjusted for non-cash items and movements in working capital.

For the year ended 31 December 2011, our net cash generated from operating activities was approximately HK$71.7 million. Our net cash generated from operating activities primarily consisted of operating profit before changes in working capital of approximately HK$43.7 million, net positive changes in working capital of approximately HK$36.8 million, income tax paid of approximately HK$7.0 million, and interest paid of approximately HK$1.8 million.

For the year ended 31 December 2012, our net cash used in operating activities was approximately HK$2.4 million. Our net cash used in operating activities primarily consisted of operating profit before changes in working capital of approximately HK$44.1 million, offsetting against net negative changes in working capital of approximately HK$37.5 million, income tax paid of approximately HK$7.0 million, and interest paid of approximately HK$2.0 million.

We experienced net cash outflow from operating activities for the year ended 31 December 2012, while net cash inflow from operating activities of approximately HK$71.7 million was recorded for the year ended 31 December 2011. These were primarily due to (i) the increase in trade and other receivables of approximately HK$50.4 million which was attributable to the increase in sales of advanced panels in the last month of 2012; and (ii) the decrease in trade and other payables of approximately HK$34.5 million which was attributable to fact that certain bills payable of approximately HK$14.8 million were converted to trust receipt loans near the end of 2012.

For the eight months ended 31 August 2012, our net cash generated from operating activities was approximately HK$14.1 million. Our net cash generated from operating activities primarily consisted of operating profit before changes in working capital of approximately HK$15.7 million, net negative changes in working capital of approximately HK$0.3 million, and interest paid of approximately HK$1.4 million.

For the eight months ended 31 August 2013, our net cash generated from operating activities was approximately HK$39.6 million. Our net cash generated from operating activities primarily consisted of operating profit before changes in working capital of approximately HK$69.8 million, net negative changes in working capital of approximately HK$28.8 million, and interest paid of approximately HK$1.4 million. We recorded a substantial growth in net cash generated from operating activities from the eight months ended 31 August 2012 to the same period in 2013 due to our growth in profit benefited from the booming 3G smart phone market.

Net cash used in/generated from investing activities

During the Track Record Period, our net cash used in investing activities mainly related to our Group's investments in certain unit trust funds and restricted bank deposits.

For the year ended 31 December 2011, our net cash used in investing activities was approximately HK$5.5 million. Our cash outflow for investing activities primarily consisted of cash used in the purchase of unit trust funds of approximately HK$4.9 million, purchase of property, plant and equipment of approximately HK$0.8 million and bank interest income received of approximately HK$0.1 million.

For the year ended 31 December 2012, our net cash used in investing activities was approximately HK$1.1 million. Our cash outflow for investing activities primarily consisted of cash used in the purchase of property, plant and equipment of approximately HK$1.2 million and bank interest income received of approximately HK$0.1 million.

For the eight months ended 31 August 2012, our net cash used in investing activities was approximately HK$0.6 million. Our cash outflow for investing activities primarily consisted of cash used in the purchase of property, plant and equipment of approximately HK$0.7 million and bank interest income received of approximately HK$64,000.

For the eight months ended 31 August 2013, our net cash generated from investing activities was approximately HK$4.6 million. Our cash inflow from investing activities primarily consisted of cash received from the disposal of unit trust funds of approximately HK$4.6 million, proceeds from disposal of property, plant and equipment of approximately HK$250,000, bank interest income received of approximately HK$36,000 and cash used on purchase of property, plant and equipment of approximately HK$235,000.

Net cash used in/generated from financing activities

Our net cash used in financing activities primarily represented proceeds from/ repayment of bank borrowings and dividends payment.

For the year ended 31 December 2011, our net outflow for financing activities was approximately HK$40.1 million. Our cash outflow for financing activities primarily consisted of cash used for repayment of bank borrowings of approximately HK$156.4 million and for payment of dividend of HK$18.0 million to Mr. Cheng Wai Tak, the then sole shareholder of Perfect Display. Our cash inflow for financing activities primarily consisted of proceeds from bank borrowings of approximately HK$129.3 million and decrease in restricted bank deposits of approximately HK$5.0 million.

For the year ended 31 December 2012, our net cash generated from financing activities was approximately HK$4.7 million. Our cash outflow for financing activities primarily consisted of cash used for repayment of bank borrowings of approximately HK$126.0 million, payment of dividend of HK$28.0 million to Mr. Cheng Wai Tak and increase in restricted bank deposits of approximately HK$1.0 million to obtain banking facilities. Our cash inflow for financing activities primarily consisted of proceeds from bank borrowings of approximately HK$159.8 million.

For the eight months ended 31 August 2012, our net cash used in financing activities was approximately HK$12.3 million. Our cash outflow for financing activities primarily consisted of cash used for repayment of bank borrowings of approximately HK$100.9 million, dividend paid of HK$28.0 million and increase in restricted bank deposits of approximately HK$63,000. Our cash inflow for financing activities primarily consisted of proceeds from bank borrowings of approximately HK$116.7 million.

For the eight months ended 31 August 2013, our net cash used in financing activities was approximately HK$53.4 million, which represented proceeds from bank borrowings of approximately HK$103.0 million, repayments of bank borrowings of approximately HK$121.7 million, dividend paid of HK$30.0 million and increase in restricted bank deposits of approximately HK$4.6 million.

Capital expenditure

We made capital expenditures of approximately HK$773,000, HK$1,211,000, HK$697,000 and HK$235,000 for each of the years ended 31 December 2011 and 2012 and each of the eight months ended 31 August 2012 and 2013 respectively. During the Track Record Period, our capital expenditures consisted primarily of purchases of motor vehicles, leasehold improvement and office equipment of our office premises.

Working capital

Our Directors are of the opinion and the Sponsor concurs, that, taking into account, among other things, the cash generated from operating activities, unutilised facilities restricted for trade finance purposes made available to us of approximately HK$153.1 million as at 30 November 2013 and the estimated net proceeds of the Placing, our Group has sufficient working capital for our present requirements, that is for at least the next 12 months from the date of this prospectus.

Net current assets

The table below sets forth our current assets and current liabilities as at the dates indicated:

	As at 31 December		As at 31 August	As at 30 November
	2011	**2012**	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Current assets				
Inventories	137,243	128,593	160,111	154,089
Trade and other receivables	72,941	123,292	139,412	152,269
Amount due from a shareholder	9,336	—	—	—
Amounts due from related companies	35,079	8,758	—	—
Financial assets at fair value through profit or loss	4,057	4,593	—	—
Restricted bank deposits	29,200	30,246	34,877	34,921
Cash and cash equivalents	48,865	50,101	40,838	12,950
	336,721	345,583	375,238	354,229
Current liabilities				
Trade and other payables	187,345	152,861	165,985	155,206
Amount due to a shareholder	—	21,217	—	—
Amount due to a related company	—	11,859	—	—
Bank borrowings	29,537	63,287	44,508	53,328
Current income tax liabilities	307	229	13,201	10,559
	217,189	249,453	223,694	219,093
Net current assets	**119,532**	**96,130**	**151,544**	**135,136**

We had net current assets of approximately HK$119.5 million, HK$96.1 million, HK$151.5 million and HK$135.1 million as at 31 December 2011, 31 December 2012, 31 August 2013 and 30 November 2013 respectively. Our current assets primarily consist of cash and cash equivalents, restricted bank deposits, inventories, trade and other receivables, amounts due from a shareholder and related companies and financial assets at fair value through profit or loss. Our current liabilities primarily consist of trade and other payables, bank borrowings, amount due to a shareholder and a related company and current income tax liabilities.

We had cash and cash equivalents of approximately HK$48.9 million, HK$50.1 million and HK$40.8 million as at 31 December 2011, 31 December 2012 and 31 August 2013, respectively. Cash and cash equivalents decreased by approximately HK$37.1 million from approximately HK$50.1 million as at 31 December 2012 to approximately HK$13.0 million as at 30 November 2013, mainly due to the payments of dividends by Perfect Display to Mr. Cheng Wai Tak, the then sole shareholder of Perfect Display. Perfect Display declared dividend of HK$58.0 million during the year ended 31 December 2012, of which HK$28.0 million was paid during the year ended 31 December 2012 and HK$30.0 million was fully paid during the eight months ended 31 August 2013. In addition, Perfect Display declared and paid a dividend of HK$30.0 million to Mr. Cheng Wai Tak on 29 November 2013.

Amount due from a Shareholder of approximately HK$9.3 million as at 31 December 2011 represents an advance to Mr. Cheng Wai Tak. This amount was fully settled by Mr. Cheng Wai Tak during the year ended 31 December 2012. Amounts due from related companies were fully settled during the eight months ended 31 August 2013.

Amount due to a Shareholder and the amount due to a related company were fully settled during the eight months ended 31 August 2013.

INDEBTEDNESS

Borrowings

As at 30 November 2013, our Group had outstanding indebtedness of approximately HK$53.3 million, representing secured short-term bank advances for factored receivables of approximately HK$35.6 million and secured long-term bank loans of approximately HK$17.7 million.

The following table sets out our indebtedness as at the end of each reporting period:

	As at 31 December		As at 31 August	As at 30 November
	2011	2012	2013	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Secured:				
Bank advances for factored receivables	10,905	23,770	13,271	35,625
Short-term bank loans	—	14,761	11,665	—
Long-term bank loans due for repayment within one year	9,876	7,476	7,476	7,476
Long-term bank loans due for repayment after one year which contain a repayment on demand clause	8,756	17,280	12,096	10,227
Wholly repayable within 5 year	29,537	63,287	44,508	53,328

Bank advances for factored receivables represented the fund advanced from a bank against the bank's purchase of certain trade receivables of our Group with recourse. The balance as at 31 December 2011, 31 December 2012, 31 August 2013 and 30 November 2013 arose from our Group factoring certain trade receivables of approximately HK$10.9 million, HK$23.8 million, HK$13.3 million and HK$35.6 million, respectively to a bank. As our Group still retained risks and rewards associated with the default and delay in payment by the debtors, the related amount was classified as our Group's bank borrowings as at each reporting period end.

The significant increase in bank borrowings as at 31 December 2012 was mainly due to (i) a HK$12.0 million bank loan under the SME Financing Guarantee Scheme operated by The Hong Kong Mortgage Corporation Limited granted to our Group in 2012 for general working capital purpose; (ii) conversion of more bills payables into trust receipt loans near the end of 2012; and (iii) more bills receivables of our Group factored to the bank, in order to enhance the cash position of our Group in preparation for the upward sales trend in 2013 which required more working capital.

During the Track Record Period, our Group's bank borrowings were secured by:

(i) bank deposits of HK$29,200,000, HK$30,246,000 and HK$34,877,000 as at 31 December 2011, 31 December 2012 and 31 August 2013 respectively;

(ii) corporate guarantees provided by Perfect Display and Velog, a related company of our Group; and

(iii) personal guarantees provided by Mr. Cheng Wai Tak, a Director and Controlling Shareholder.

The corporate guarantee provided by Velog had been released as at 31 August 2013.

In addition to the above, our Group has agreed to comply with certain loan covenants imposed by the banks.

Contingent liabilities

During the Track Record Period, Perfect Display, Velog and Mr. Cheng Wai Tak had collectively provided guarantee with unlimited extent in respect of banking facilities granted to Perfect Display and Velog. As at 31 December 2011 and 2012, these banking facilities were utilised by Velog to the extent of HK$556,000 and HK$1,440,000, respectively. All guarantees provided by or to Velog have been released as at 31 August 2013. As at the Latest Practicable Date, consents from the banks had been obtained and the personal guarantees provided by Mr. Cheng Wai Tak will be released and replaced by the corporate guarantee of our Company upon Listing. Release of the personal guarantees demonstrates our Group's capability to obtain financial resources independently from the Controlling Shareholders after listing.

Save as disclosed above, our Directors confirm that there has been no material contingent liabilities since 31 August 2013 up to the Latest Practicable Date.

Statement of indebtedness

As at 30 November 2013, being the latest practicable date for the purpose of this indebtedness statement, total indebtedness of our Group was HK$53.3 million.

Save as described in this section, as at 30 November 2013, our Group did not have any outstanding mortgages, charges, pledges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, acceptance liabilities, acceptance credits, any guarantees or other significant contingent liabilities.

Our Directors confirm that during the Track Record Period and as of the Latest Practicable Date:

(i) our Group was not in material breach of any covenants under our banking facilities or other payables and credit facilities;

(ii) our Group was not subject to any loan recall or early repayment request by our lenders;

(iii) our Group did not encounter any difficulty in obtaining external borrowing necessary for our operations;

(iv) there was no significant increase in the interest rates for its banking facilities; and

(v) there was no default in payment of trade and non-trade payables or bank borrowings.

Our Directors confirm that there has not been any material change in our indebtedness position since 30 November 2013 and up to the date of this prospectus.

CONTRACTUAL OBLIGATIONS

Capital commitment

As at 31 December 2011, 31 December 2012 and 31 August 2013, our Group had no material capital commitment.

Operating lease commitments

The table below sets forth our operating lease commitments as at 31 December 2011, 31 December 2012 and 31 August 2013:

	As at 31 December		As at 31 August
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Within 1 year	615	1,649	3,710
Later than 1 year and not later than 5 years	640	1,533	1,465
Total	1,255	3,182	5,175

All of the operating lease commitments are related to property leases.

OFF-BALANCE SHEET ARRANGEMENTS

Other than as described above, we did not have any outstanding off-balance sheet guarantees, interest rate swap transactions, foreign currency and commodity forward contracts or other off-balance sheet arrangements. We do not engage in trading activities involving non-exchange traded contracts. In our ongoing business, we do not enter into transactions involving, or otherwise form relationships with, unconsolidated entities or financial partnerships that are established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Foreign exchange risk

Our Group is primarily exposed to foreign exchange risk arising from USD. Foreign exchange risk primarily arises from future commercial transactions and recognised assets and liabilities denominated in a foreign currency.

Our Group manages its foreign exchange risk by closely monitoring the movement of the foreign currency rates. In the opinion of our Directors, HK$ is reasonably stable against the USD under the Linked Exchange Rate System, and accordingly, no sensitivity analysis with respect to the USD is performed.

Cash flow and fair value interest rate risk

Our Group's interest rate risk arises from long-term borrowings.

Borrowings issued at variable interest rates expose our Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings at fixed interest rates expose our Group to fair value interest rate risk.

Our Group's variable interest rate and fixed interest rate borrowings as at 31 December 2011 and 2012 and 31 August 2013 are as follows:

	As at 31 December		As at 31 August
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Variable interest rate borrowings	18,632	24,756	19,572
Fixed interest rate borrowings	10,905	38,531	24,936
	29,537	63,287	44,508

Other than short-term bank deposits, bank balances and bank borrowings, our Group does not have significant interest-bearing assets or liabilities. Our Group's exposure to interest rate risk associated with the effects of fluctuations in the prevailing levels of the market interest rates on its cash flows is not deemed to be substantial in the view of management based on the nature of the assets and liabilities.

As at 31 December 2011, 31 December 2012 and 31 August 2013, if the interest rates had been 50 basis-points higher/lower, with all other variables held constant, post-tax profit for the year/period would have been HK$165,000, HK$26,000 and HK$186,000 higher/lower respectively, mainly as a result of higher/lower interest income on bank deposits, and higher/lower interest expense on bank borrowings.

Credit risk

Credit risk is managed on a group basis. Credit risk arises from trade and other receivables, amounts due from related companies, amount due from a shareholder, restricted bank deposits and cash and cash equivalents. The carrying amounts of these balances represent our Group's maximum exposure to credit risk in relation to financial assets. The credit risk is monitored on an ongoing basis with reference to the financial position of the debtors, past experience and other factors.

Our Group has policies in place to ensure that the sales of products are made to customers with appropriate credit histories and our Group performs regular credit evaluations of its major customers.

The majority of our Group's trade receivables are due for maturity within 60 days and largely comprise amounts receivable from business customers. About 77%, 66% and 84% of total trade receivables as at 31 December 2011, 31 December 2012 and 31 August 2013, respectively, were due from our Group's largest five customers. No significant collectability issues have been identified in the past.

To manage the risk with respect to cash, our bank deposits are deposited in reputable banks.

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to settle the payables of our Group.

The table below analyses our Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Specifically, for bank loans contain a repayment on demand clause which can be exercised at the banks' sole discretions, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

	On demand	Less than 1 year	Total
	HK$'000	*HK$'000*	*HK$'000*
At 31 December 2011			
Bank borrowings	8,756	20,781	29,537
Trade and bills payables	—	178,099	178,099
Other payables	—	1,395	1,395
	8,756	200,275	209,031
At 31 December 2012			
Bank borrowings	17,280	46,007	63,287
Trade and bills payables	—	146,679	146,679
Other payables	—	1,198	1,198
Amount due to a shareholder	21,217	—	21,217
Amount due to a related company	11,859	—	11,859
	50,356	193,884	244,240
At 31 August 2013			
Bank borrowings	19,572	24,936	44,508
Trade and bills payables	—	152,338	152,338
Other payables	—	2,456	2,456
	19,572	179,730	199,302

We monitor our current and expected liquidity requirements to ensure that adequate reserves of cash in place and sufficient banking facilities from financial institutions were maintained in order to meet our liquidity requirements. We recorded net current assets of approximately HK$119.5 million, HK$96.1 million and HK$151.5 million as at 31 December 2011, 31 December 2012 and 31 August 2013, respectively. Included in the net current assets, we had cash and cash equivalents of approximately HK$48.9 million, HK$50.1 million and HK$40.8 million as at 31 December 2011, 31 December 2012 and 31 August 2013, respectively.

RELATED PARTY TRANSACTIONS

During the Track Record Period, our Group entered into certain related party transactions, details of which are set out in Note 29 headed "Related Party Transactions" to the Accountant's Report set out in Appendix I to this prospectus. Our Directors are of the view that the related party transactions were conducted on normal commercial terms and/or that such terms were no less favourable to our Group than terms available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole.

TAX

Our profits arising in or derived from Hong Kong are subject to Hong Kong profits tax. Hong Kong profits tax has been provided at the rate of 16.5%, 16.5% and 19.0% on the estimated assessable profits arising in Hong Kong for each of the years ended 31 December 2011 and 2012, and eight months ended 31 August 2013, respectively.

DIVIDEND AND DIVIDEND POLICY

We do not have any pre-determined dividend distribution ratio. The declaration of future dividends will be subject to our Directors' decision and will depend on, among other things, our earnings, financial condition, cash requirements and availability, and any other factors that our Directors may consider relevant. Any final dividend for a financial year will be subject to our Shareholders' approval.

Perfect Display declared dividends of HK$18.0 million, HK$58.0 million and nil during the year ended 31 December 2011, year ended 31 December 2012 and eight months ended 31 August 2013, respectively, to Mr. Cheng Wai Tak, the then sole shareholder of Perfect Display. On 29 November 2013, Perfect Display declared a dividend of HK$30.0 million to Mr. Cheng Wai Tak.

The dividends declared during the year ended 31 December 2011 in the amount of HK$18.0 million were paid in the same year. In respect of the dividends in the amount of HK$58.0 million declared during the year ended 31 December 2012, HK$28.0 million was paid during the year ended 31 December 2012 and HK$30.0 million was fully paid during the eight months ended 31 August 2013 by cash. The dividend of HK$30.0 million declared on 29 November 2013 was settled in cash in the same month.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 13 June 2013 and has not carried out any business since the date of our incorporation, save for the transactions related to the Reorganisation. Accordingly, there was no reserve available for distribution to our Shareholders as at 31 August 2013.

PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2013

Estimated combined profit attributable to equity holders of our Company for the year ended 31 December 2013 *(Note 1)*	not less than HK$70.0 million
Unaudited pro forma estimated earnings per Share for the year ended 31 December 2013 *(Note 2)*	not less than HK$0.05

Notes:

1. The bases on which the above profit estimate has been prepared are set out in Appendix III to this prospectus. Our Directors have prepared the estimated combined profit attributable to equity holders of our Company for the year ended 31 December 2013 based on the audited combined results of our Group for the eight months ended 31 August 2013 and the unaudited combined results of our Group based on management accounts for the four months ended 31 December 2013. The profit estimate has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by our Group as set out in Note 2 of Section II in Appendix I to this prospectus.

2. The unaudited pro forma forecast earnings per Share was calculated based on 1,320,000,000 Shares expected to be in issue immediately following the completion of the Placing and the Capitalisation Issue, but takes no account of any Shares which may be allotted and issued or repurchased by our Company pursuant to a general mandate.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted net tangible assets of our Group prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Placing on the net tangible assets of our Group attributable to equity holders of our Company as if the Placing had taken place on 31 August 2013. This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of our Group as at 31 August 2013 or any future dates following the Placing.

	Audited combined net tangible assets of our Group attributable to the equity holders of our Company as at 31 August 2013 *(Note 1)* *HK$'000*	**Estimated net proceeds from the Placing** *(Note 2)* *HK$'000*	**Unaudited pro forma adjusted net tangible assets attributable to the equity holders of our Company** *HK$'000*	**Unaudited pro forma adjusted net tangible assets per share** *(Note 3)* *HK$*
Based on an Placing Price of HK$0.30 per share	152,718	87,877	240,595	0.18

Notes:

(1) The unadjusted audited combined net tangible assets attributable to the equity holders of our Company as at 31 August 2013 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited combined net assets of our Group attributable to the equity holders of our Company as at 31 August 2013 of HK$152,718,000.

(2) The estimated net proceeds from the Placing are based on the indicative Placing Price of HK$0.30 per Share after deduction of the underwriting fees and other related expenses payable by our Company.

(3) The unaudited pro forma net tangible assets per Shares is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,320,000,000 Shares were in issue assuming that the Placing and the Capitalisation Issue have been completed on 31 August 2013 but takes no account of any Share which may be allotted and issued or repurchased by our Company pursuant to a general mandate.

(4) No adjustment has been made to reflect any trading result or other transaction of our Group entered into subsequent to 31 August 2013.

The unaudited pro forma net adjusted tangible assets of our Group does not take into account the dividend of approximately HK$30.0 million declared by our Group in November 2013. For illustrative purpose only, the unaudited pro forma net tangible assets per Share would have been HK$0.16 per Share based on the Placing Price of HK$0.30, after taking into account the declaration of dividend in the sum of approximately HK$30.0 million.

MATERIAL ADVERSE CHANGE

Our Directors estimate that the total listing expenses is approximately HK$23.0 million, of which approximately HK$15.2 million is chargeable to combined profit or loss and approximately HK$7.8 million will be charged to equity upon listing during the year ending 31 December 2014.

For the listing expenses of approximately HK$15.2 million which are chargeable to combined profit or loss, approximately HK$8.9 million and HK$4.5 million were recognised as expenses during the eight months ended 31 August 2013 and four months ended 31 December 2013, respectively; and approximately HK$1.8 million will be recognised as expenses during the year ending 31 December 2014.

Save for the above, our Directors confirm that there had been no other material adverse change in the financial or trading position of our Group since 31 August 2013, being the date to which our latest audited financial statements were prepared, and up to the date of this prospectus.

DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

UNDERWRITERS

Grand Vinco Capital Limited (Lead Manager)
Grand Investment (Securities) Limited
Success Securities Limited
CMB International Capital Limited
China Investment Securities International Brokerage Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting Agreement

Pursuant to the Underwriting Agreement, our Company has agreed to offer the Placing Shares for subscription at the Placing Price under the Placing. The Underwriters have agreed severally, but not jointly, subject to the terms and conditions of this prospectus and the Underwriting Agreement, to procure subscribers to subscribe for, or failing which they shall subscribe for, their respective proportions of the Placing Shares.

The Underwriting Agreement is subject to, among other conditions, the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may fall to be issued pursuant to the Capitalisation Issue and upon the exercise of any options granted under the Share Option Scheme). The Underwriting Agreement may be terminated for the reasons set out in the paragraph headed "Grounds for termination" in this section.

Grounds for termination

The obligations of the Underwriters to underwrite the Placing are subject to termination by the Lead Manager (for itself and on behalf of the Underwriters) by notice in writing given to our Company at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date ("**Termination Time**") if prior to the Termination Time, there comes to the notice of the Lead Manager or any of the Underwriters:

(a) any new law or regulation comes into force, or there is any change in existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdictions relevant to any member of our Group; or

(b) any material change (including any event or series of events concerning or relating to or otherwise having an effect on) in the PRC, Hong Kong, Taiwan, BVI, the Cayman Islands, national, regional or international financial, political, military, industrial, fiscal, legal, regulatory, economic or market conditions, currency exchange rates or exchange controls, stock or other financial market conditions, prospects, circumstances or matters; or

(c) any material change in the conditions of the Hong Kong or international securities markets (or in conditions affecting a sector only of such markets) including, for the avoidance of doubt, any significant adverse change in the index level or value of turnover of any such markets; or

(d) without prejudice to (b), (c) and (e) referred to in this sub-paragraph, there is imposed any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstance or otherwise, or minimum prices having been established for securities traded thereon; or

(e) without prejudice to (b), (c) and (d) referred to in this sub-paragraph, a general banking moratorium is declared by Taiwan, Hong Kong or PRC authorities; or

(f) a material change in the system under which the value of the Hong Kong currency is linked to that of the currency of the US; or

(g) a material change or development involving a prospective change in taxation or exchange controls in Taiwan, Hong Kong, BVI, PRC or the Cayman Islands; or

(h) any material investigation or litigation or claim being threatened or instituted against any executive Director or member of our Group; or

(i) any event or series of events of force majeure in Hong Kong or any other place relevant to any member of our Group (including, but without limitation, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lockout)

which in the sole opinion of the Lead Manager (for itself and on behalf of the Underwriters) has or could reasonably be expected to have a material adverse effect on the business or financial conditions or prospects of our Group taken as a whole or on the success of the Placing or the distribution of the Placing Shares; or

(j) the Lead Manager or any of the Underwriters becomes aware, or has reasonable cause to believe that:

   (i) any statement contained in this prospectus and certain other documents in relation to the Placing was, when any of such documents was issued, or has become, untrue, incorrect or misleading in any material respect; or

   (ii) any matter has arisen or has been discovered or alleged and not having been disclosed in this prospectus which would, had it arisen or been discovered or alleged immediately before the date of this prospectus, constitute an omission therefrom considered by the Lead Manager (for itself and on behalf of the Underwriters) to be material in the context of the Placing or the Listing; or

(iii) there has occurred any breach by any party (apart from the Lead Manager and/or any of the Underwriters) of any of the obligations and provisions, representations and warranties contained in the Underwriting Agreement which is reasonably considered by the Lead Manager to be material in the context of the Placing or the Listing; or

(iv) there has occurred any event, act or omission which gives or is likely to give rise to any material liability of any of our Company, our Directors and the Controlling Shareholders pursuant to the warranties or indemnities given in the Underwriting Agreement; or

(v) there has occurred any adverse change in the business or in the financial or trading positions or prospects of any member of our Group or any of its principal customers, suppliers or partners which in the sole opinion of the Lead Manager (for itself and on behalf of the Underwriters) is so material and adverse as to make it impracticable or inadvisable to proceed with the Placing and the Listing.

Undertakings

Each of the Controlling Shareholders undertakes to and covenants with our Company, the Stock Exchange, the Sponsor, the Lead Manager and the Underwriters that, without the prior written consent of the Sponsor and the Lead Manager (for itself and on behalf of the Underwriters) and unless in compliance with the requirements of the GEM Listing Rules, he/it shall not, and will procure that the relevant registered holder(s) of the Shares not to:

(a) at any time during the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares and securities of our Company in respect of which he/it is shown by this prospectus to be the beneficial owner (the "**Relevant Shares**"); and

(b) at any time during the period of six months commencing on the date immediately following the date on which the First Six-month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Relevant Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, the Controlling Shareholders, either individually or taken together with the other of them would cease to be a controlling shareholder (within the meaning of the GEM Listing Rules) of our Company;

Each of the Controlling Shareholders undertakes to and covenants with our Company, the Sponsor, the Lead Manager, the Underwriters and the Stock Exchange that:

(a) in the event that he/it pledges or charges any of his/its direct or indirect interest in the Relevant Shares under the circumstance set out in Rule 13.18(1) of the GEM Listing Rules or pursuant to any right, approval or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, he/it must inform our Company, the Sponsor, the Lead Manager (for itself and on behalf of the Underwriters) and the Stock Exchange immediately thereafter, disclosing the details as specified in Rule 17.43 (1) to (4) of the GEM Listing Rules; and

(b) having pledged or charged any of his/its interests in the Relevant Shares under sub-paragraph (a) above, he/it must inform our Company, the Sponsor and the Lead Manager (for itself and on behalf of the Underwriters) immediately in the event that he/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Relevant Shares so affected.

Our Company undertakes to and covenants with the Sponsor, the Lead Manager and the Underwriters that, and each of the Controlling Shareholders and the executive Directors undertakes and covenants with the Sponsor, the Lead Manager and the Underwriters to procure that, without the prior written consent of the Sponsor and the Lead Manager (for itself and on behalf of the Underwriters), our Company will not, save pursuant to the Placing, the grant of option under the Share Option Scheme, the issue of Shares pursuant to the Capitalisation Issue or the exercise of any option granted or to be granted under the Share Option Scheme or any capitalisation issue, within the First Six-month Period:

(a) save as permitted under the GEM Listing Rules (including but not limited to Rule 17.29 of the GEM Listing Rules) and the applicable laws, offer, allot or issue or agree to allot or issue any Shares or any other securities of our Company or grant or agree to grant any options, warrants or other rights carrying the rights to subscribe for, or otherwise convert into, or exchange for, any Shares or any other securities of our Company; and

(b) purchase any Shares or any other securities of our Company.

Commissions, fees and expenses

The Lead Manager (on behalf of the Underwriters) will receive an underwriting commission of 3% of the aggregate Placing Price of all the Placing Shares, out of which the Underwriters may pay any sub-underwriting commissions in connection with the Placing. The Sponsor will also receive an advisory fee. The underwriting commission, together with the Stock Exchange listing fees, the Stock Exchange trading fees, the SFC transaction levy, advisory fee, legal and other professional fees, printing and other expenses relating to the Placing are currently estimated to be approximately HK$23 million in aggregate, which has been paid or will be payable by our Company.

SPONSOR'S AND THE UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for their obligation under the Underwriting Agreement as disclosed in this prospectus, none of the Sponsor and the Underwriters has any shareholding interest in any member of our Group or has the right (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group.

COMPLIANCE ADVISER'S AGREEMENT

Under a compliance adviser's agreement dated 22 January 2014 and made between our Company and Vinco Capital (the "**Compliance Adviser's Agreement**"), our Company appointed Vinco Capital and Vinco Capital agreed to act as the compliance adviser to our Company for the purposes of the GEM Listing Rules for a fee from the Listing Date until the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year after the Listing Date or until the Compliance Adviser's Agreement is terminated pursuant to its terms and conditions.

SPONSOR'S INTEREST AND INDEPENDENCE

Save for advisory fee paid and to be paid to Vinco Capital as the Sponsor in connection with the Listing and the advisory fee to be paid to Vinco Capital as our compliance adviser pursuant to the requirements under Rule 6A.19 of the GEM Listing Rules, neither Vinco Capital nor any of its associates has or may, as a result of the Listing and the Placing, have any interest in any class of securities of our Company or any other members of our Group (including options or rights to subscribe for such securities).

No director or employee of Vinco Capital who is involved in providing advice to our Company has or, as a result of the Listing and/or the Placing, may have any interest in any class of securities of our Company or any other members of our Group (including options or rights to subscribe for such securities). No director or employee of Vinco Capital has any directorship in our Company or any other members of our Group.

The Sponsor satisfies the independence criteria applicable to sponsors as set forth in Rule 6A.07 of the GEM Listing Rules.

PRICE PAYABLE ON SUBSCRIPTION

The Placing Price is HK$0.30 per Placing Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.003% transaction levy imposed by the SFC, amounting to a total of HK$3,030.24 for each board lot of 10,000 Shares.

CONDITIONS OF THE PLACING

The Placing will be conditional upon, among others:

(a) the Stock Exchange granting the approval of the listing of and permission to deal in the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Placing, and any Shares which may fall to be issued pursuant to the exercise of options that may be granted under the Share Option Scheme; and

(b) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms or otherwise, in each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times), and in any event not later than the date which is 30 days after the date of this prospectus.

If any of the above conditions has not been fulfilled or waived prior to the time(s) and date(s) specified, the Placing will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Placing will be published by our Company on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.perfect-optronics.com on the next business day following such lapse. All money received will be refunded to applicants of the Placing without interests.

THE PLACING

Our Company is offering 330,000,000 Placing Shares at the Placing Price for subscription by way of Placing.

Investors subscribing for and purchasing the Placing Shares are also required to pay 1% brokerage, 0.005% Stock Exchange trading fee and 0.003% transaction levy imposed by the SFC.

It is expected that the Underwriters or selling agents nominated by them, on behalf of our Company will conditionally place the Placing Shares at the Placing Price in Hong Kong to selected professional, institutional and/or other investors. Such professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary businesses involve dealing in shares and other securities and/or corporate entities which regularly invest in shares and other securities. Private investors applying for the Placing Shares through banks or other institutions under the Placing may also be allocated the Placing Shares.

BASIS OF ALLOCATION

All decisions concerning the allocation of the Placing Shares to the prospective placees pursuant to the Placing will be made on the basis of, and with reference to, a number of factors including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not the relevant investor is expected or likely to buy further Shares, or hold or sell the Shares, after the Listing Date. Such allocation is intended to establish a solid professional and institutional Shareholder base for the benefit of our Company and the Shareholders as a whole. In addition, our Company and our Directors will use their respective best endeavours to comply or procure the compliance with the minimum public float requirement under the GEM Listing Rules when allocating the Placing Shares to investors who are anticipated to have a sizeable demand for such Shares.

No allocation will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed, without the prior written consent of the Stock Exchange. Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

LISTING DATE

Dealings in the Shares on GEM are expected to commence on 7 February 2014. The Shares will be traded in board lots of 10,000 Shares. The stock code of the Shares is 8311.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS, with effect from the Listing Date or any other date that HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangements as such arrangements will affect their rights and interests.

The following is the text of a report received from the reporting accountant of our Company, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of our Company and to the Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

24 January 2014

The Directors
Perfect Optronics Limited

Grand Vinco Capital Limited

Dear Sirs,

We report on the financial information of Perfect Optronics Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the combined statements of financial position as at 31 December 2011 and 2012 and 31 August 2013 and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 December 2011 and 2012 and the eight months ended 31 August 2013 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to IV below for inclusion in Appendix I to the prospectus of the Company dated 24 January 2014 (the "Prospectus") in connection with the placing of shares of the Company on the Growth Enterprise Market Board of The Stock Exchange of Hong Kong Limited.

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. Pursuant to a group reorganisation as described in Note 1(b) of Section II headed "Reorganisation" below, which was completed on 31 December 2013, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

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As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1(b) of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

No audited financial statements have been prepared by the Company as it is newly incorporated and has not involved in any significant business transactions since its date of incorporation, other than the Reorganisation. The audited financial statements of the other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 1(b) of Section II below.

The directors of the Company have prepared the combined financial statements of the Company and its subsidiaries now comprising the Group for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with HKFRSs. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards of Auditing (the "HKSAs") issued by the HKICPA pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon, and on the basis set out in Note 1(c) of Section II below.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with the basis of presentation set out in Note 1(c) of Section II below and in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

OPINION

In our opinion, the financial information gives, for the purpose of this report and presented on the basis set out in Note 1(c) of Section II below, a true and fair view of the combined state of affairs of the Group as at 31 December 2011 and 2012 and 31 August 2013, and of the Group's combined results and cash flows for the Relevant Periods then ended.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix I to the Prospectus which comprises the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the eight months ended 31 August 2012 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation set out in Note 1(c) of Section II below and the accounting policies set out in Note 2 of Section II below.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of the Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSAs and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report and presented on the basis set out in Note 1(c) of Section II below, has not been prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

PERFECT OPTRONICS LIMITED

I FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at 31 December 2011 and 2012 and 31 August 2013 and for each of the years ended 31 December 2011 and 2012 and the eight months ended 31 August 2012 and 2013 (the "Financial Information"), presented on the basis set out in Note 1(c) below:

COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		As at 31 August
	Section II	**2011**	**2012**	**2013**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS				
Non-current assets				
Property, plant and equipment	5	888	1,524	1,140
Deferred income tax assets	13	39	—	34
		927	1,524	1,174
Current assets				
Inventories	6	137,243	128,593	160,111
Trade and other receivables	7	72,941	123,292	139,412
Amount due from a shareholder	8	9,336	—	—
Amounts due from related companies	9	35,079	8,758	—
Financial assets at fair value through profit or loss	10	4,057	4,593	—
Restricted bank deposits	11	29,200	30,246	34,877
Cash and cash equivalents	11	48,865	50,101	40,838
		336,721	345,583	375,238
Total assets		337,648	347,107	376,412

	Section II	As at 31 December		As at
		2011	2012	31 August 2013
	Note	*HK$'000*	*HK$'000*	*HK$'000*
EQUITY				
Capital	12	38,000	38,000	38,000
Retained earnings		82,459	59,652	114,718
Total equity		120,459	97,652	152,718
LIABILITIES				
Non-current liabilities				
Deferred income tax liabilities	13	—	2	—
		—	2	—
Current liabilities				
Trade and other payables	14	187,345	152,861	165,985
Amount due to a shareholder	8	—	21,217	—
Amount due to a related company	9	—	11,859	—
Bank borrowings	15	29,537	63,287	44,508
Current income tax liabilities		307	229	13,201
		217,189	249,453	223,694
Total liabilities		217,189	249,455	223,694
Total equity and liabilities		337,648	347,107	376,412
Net current assets		119,532	96,130	151,544
Total assets less current liabilities		120,459	97,654	152,718

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December		Eight months ended 31 August	
		2011	**2012**	**2012**	**2013**
	Note	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	17	1,627,122	1,382,583	901,222	1,131,577
Cost of sales	18	(1,549,804)	(1,307,593)	(864,232)	(1,026,433)
Gross profit		77,318	74,990	36,990	105,144
Other losses, net	19	(1,773)	(323)	(972)	(519)
Distribution and selling expenses	18	(15,253)	(14,336)	(9,360)	(8,747)
General and administrative expenses	18	(17,871)	(16,247)	(10,903)	(26,432)
Operating profit		42,421	44,084	15,755	69,446
Finance income	22	111	112	64	36
Finance costs	22	(1,815)	(2,049)	(1,357)	(1,403)
Profit before income tax		40,717	42,147	14,462	68,079
Income tax expense	23	(6,718)	(6,954)	(2,386)	(12,936)
Profit for the year/period		33,999	35,193	12,076	55,143
Other comprehensive income					
Currency translation difference		—	—	—	(77)
Total comprehensive income for the year/period		33,999	35,193	12,076	55,066
Profit and total comprehensive income for the year/period attributable to:					
Equity holders of the Company		33,999	35,193	12,076	55,066
Earnings per share	24	N/A	N/A	N/A	N/A

COMBINED STATEMENTS OF CHANGES IN EQUITY

		Attributable to equity holders of the Company			
			Exchange	Retained	
		Capital	reserve	earnings	Total
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note 12)			
Balance at 1 January 2011		38,000	—	66,460	104,460
Total comprehensive income for the year		—	—	33,999	33,999
Transaction with equity holders — dividends	26	—	—	(18,000)	(18,000)
Balance at 31 December 2011		38,000	—	82,459	120,459
Balance at 1 January 2012		38,000	—	82,459	120,459
Total comprehensive income for the year		—	—	35,193	35,193
Transaction with equity holders — dividends	26	—	—	(58,000)	(58,000)
Balance at 31 December 2012		38,000	—	59,652	97,652
Balance at 1 January 2013		38,000	—	59,652	97,652
Comprehensive income					
Profit for the period		—	—	55,143	55,143
Other comprehensive income that may be reclassified to profit or loss					
Currency translation difference		—	(77)	—	(77)
Balance at 31 August 2013		38,000	(77)	114,795	152,718
Unaudited					
Balance at 1 January 2012		38,000	—	82,459	120,459
Total comprehensive income for the period		—	—	12,076	12,076
Transaction with equity holders — dividends	26	—	—	(28,000)	(28,000)
Balance at 31 August 2012		38,000	—	66,535	104,535

COMBINED STATEMENTS OF CASH FLOWS

	Section II	Year ended 31 December		Eight months ended 31 August	
		2011	2012	2012	2013
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Cash flows from operating activities					
Net cash generated from operations	25	80,499	6,671	15,409	41,000
Income tax paid		(6,997)	(6,991)	—	—
Interest paid		(1,815)	(2,049)	(1,357)	(1,403)
Net cash generated from/(used in) operating activities		71,687	(2,369)	14,052	39,597
Cash flows from investing activities					
Purchases of property, plant and equipment	5	(773)	(1,211)	(697)	(235)
Proceeds from disposal of property, plant and equipment		—	—	—	250
Purchases of financial assets at fair value through profit or loss		(4,862)	—	—	—
Proceeds from disposal of financial assets at fair value through profit or loss		—	—	—	4,576
Interest received		111	112	64	36
Net cash (used in)/generated from investing activities		(5,524)	(1,099)	(633)	4,627
Cash flows from financing activities					
Proceeds from bank borrowings		129,338	159,764	116,680	102,968
Repayment of bank borrowings		(156,427)	(126,014)	(100,878)	(121,747)
Decrease/(increase) in restricted bank deposits		4,996	(1,046)	(63)	(4,631)
Dividends paid		(18,000)	(28,000)	(28,000)	(30,000)
Net cash (used in)/generated from financing activities		(40,093)	4,704	(12,261)	(53,410)
Increase/(decrease) in cash and cash equivalents		26,070	1,236	1,158	(9,186)
Cash and cash equivalents at beginning of year/period		22,795	48,865	48,865	50,101
Exchange loss on cash and cash equivalents		—	—	—	(77)
Cash and cash equivalents at end of year/ period	11	48,865	50,101	50,023	40,838

II NOTES TO THE FINANCIAL INFORMATION

1 General information and group reorganisation

(a) General information

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 address of its registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together, the "Group") are principally engaged in the trading of display panel and related electronic components (the "Listing Businesses").

The Financial Information is presented in Hong Kong dollars (HK$), unless otherwise stated.

(b) Reorganisation

The Listing Businesses were controlled by Mr. Cheng Wai Tak ("Mr. Cheng") (the "Controlling Shareholder"). Pursuant to the reorganisation (the "Reorganisation") in preparation for the listing of the shares of the Company on the Growth Enterprise Market of The Stock Exchange Hong Kong Limited, the Company acquired all the companies now comprising the Group from the Controlling Shareholder. The major steps undertaken to effect the Reorganisation were as follows:

(i) Incorporation of Winful Enterprises Limited ("Winful Enterprises")

On 18 January 2013, Winful Enterprises was incorporated in the British Virgin Islands (the "BVI") with limited liability. On 28 May 2013, 1 share of no par value was issued and allotted for cash at US$1 to the Controlling Shareholder.

(ii) Incorporation of Rightone Resources Limited ("Rightone Resources")

On 23 January 2013, Rightone Resources was incorporated in the BVI with limited liability. On 13 June 2013, 1 share of no par value was issued and allotted for cash at US$1 to the Winful Enterprises.

(iii) Incorporation of the Company

On 13 June 2013, the Company was incorporated in the Cayman Islands with an authorised share capital of HK$390,000 comprising 39,000,000 ordinary shares of HK$0.01 each, of which 1 share was issued and allotted to Reid Services Limited as subscriber for cash at par on 13 June 2013. The issued share was subsequently transferred to Winful Enterprises on 13 June 2013.

*(iv) Incorporation of 圓美鑫科技(深圳)有限公司 (Yuan Mei Xin Technology (Shenzhen) Company Limited * ("Yuan Mei Xin Technology"))*

On 25 April 2013, 圓美鑫科技 was established in the People's Republic of China ("PRC") as a wholly foreign-owned enterprise with limited liability with an initial registered capital and total investment of US$500,000. Perfect Display Limited ("Perfect Display") is the sole registered owner of Yuan Mei Xin Technology.

* *The English translation of company name in Chinese mark with "*" is for identification purpose only.*

(v) Transfer of shares of Rightone Resources to the Company

On 31 December 2013, the entire share capital in Rightone Resources held by Winful Enterprises was transferred to the Company, in consideration of the issue and allotment of 1 share by the Company to Winful Enterprises credited as fully paid.

(vi) Transfer of shares of Perfect Display to Rightone Resources

On 31 December 2013, the entire share capital of Perfect Display was transferred from the Controlling Shareholder to Rightone Resources. In consideration of the share transfer, Rightone Resources issued and allotted 9,999 shares of no par value to the Company credited as fully paid. Upon completion of the transfer, the Company became the holding company of the companies now comprising the Group.

(vii) The Company is indebted to the Controlling Shareholder for the shares in Perfect Display in an amount being the carrying amount of the net assets value of Perfect Display as at 31 October 2013. The Controlling Shareholder assigned the loan, owing from the Company, to Winful Enterprises as an assignee for a cash consideration of approximately HK$136,082,000.

(viii) On 31 December 2013, 9,998 shares of the Company were allotted and issued as fully paid by way of capitalisation of the loan owing by the Company to Winful Enterprises.

Upon completion of the Reorganisation and as at the date of this report, the Company has direct and indirect interests in the following subsidiaries:

				Effective interest held as at				
Name	**Place and date of incorporation/ establishment**	**Principal activities**	**Issued or registered/ paid up capital**	**31 December 2011**	**31 December 2012**	**31 August 2013**	**The date of this report**	*Note*
Directly owned:								
Rightone Resources	BVI, 23 January 2013	Investment holding	US$1	N/A	N/A	N/A	100%	(a)
Indirectly owned:								
Perfect Display	Hong Kong, 20 March 2000	Trading of display panel and related electronic components	HK$38,000,000	N/A	N/A	N/A	100%	(b)
Yuan Mei Xin Technology	PRC, 25 April 2013	Wholesaling, import and export of display panel and related electronic components and provision of technical support and related services in the PRC	US$500,000	N/A	N/A	N/A	100%	(a)

(a) No audited financial statements were issued for these companies as they are newly incorporated or not required to issue audited financial statements under the statutory requirements of their respective place of incorporation.

(b) The statutory financial statements of this company for the year ended 31 December 2011 and 2012 were prepared in accordance with HKFRSs and audited by Allan Ho & Co., Certified Public Accountants and PricewaterhouseCoopers, Certified Public Accountants, in Hong Kong, respectively.

(c) Basis of presentation

Immediately prior to and after the Reorganisation, the Listing Businesses are held by the Controlling Shareholder. The Listing Businesses are mainly conducted through Perfect Display, which is a 100% owned subsidiary of the Company. Pursuant to the Reorganisation, Perfect Display is transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of having a business. The Reorganisation is merely a reorganisation of the Listing Businesses with no change in management of such businesses and the ultimate owner of the Listing Businesses remains the same. Accordingly, the combined financial information of the companies now comprising the Group is presented using the carrying values of the Listing Businesses under the Controlling Shareholder for all the periods presented. For the purpose of this report, the Financial Information of the Group has been prepared on a basis in accordance with the principles of the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

All significant intra-group transactions and balances have been eliminated on combination.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied throughout the Relevant Periods unless otherwise stated.

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the Financial Information which are in accordance with the HKFRSs issued by the HKICPA are set out below. The Financial Information has been prepared under the historical cost convention, as modified by financial assets at fair value through profit or loss.

The preparation of financial information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in Note 4.

At the date of this report, the HKICPA has issued the following new and revised standards, amendments and interpretations which are not yet effective:

Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[1]
HKFRS 9	Financial instruments[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[1]
HKAS 36	Recoverable amount disclosures for non-financial assets[1]
HK(IFRIC) 21	Levies[1]

1 Effective for accounting periods beginning on or after 1 January 2014.
2 Effective for accounting periods beginning on or after 1 January 2015.

The Group and the Company have not early applied these new and revised HKFRSs that have been issued but are not yet effective in the preparation of the Financial Information.

The directors of the Company anticipate that the application of the new and revised HKFRSs will have no material impact on the financial statements of the Group and the Company.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Except for the Reorganisation, the Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the recognised amount of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial information of each of Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The combined financial statements are presented in Hong Kong dollars (HK$), which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end or period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

— assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

— income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

— all resulting exchange differences are recognised in other comprehensive income, and accumulated as a separate component of equity.

On combination, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the combined statements of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the combined profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	Over the shorter of the term of the leases or 5 years
Furniture and office equipment	3–5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in combined profit or loss.

2.5 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.6 Financial assets

(i) Classification

The Group classifies its financial assets as financial asset at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables, amounts due from related companies, amount due from a shareholder, restricted bank deposits and cash and cash equivalents.

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

(iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(iv) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the combined profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the combined profit or loss.

2.7 Current and deferred income tax

The tax expenses for the period comprise current and deferred income tax. Tax is recognised in the combined profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences, arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials and other direct costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.9 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.10 Cash and cash equivalents

In the combined statements of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.11 Lease (as the lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), are charged to the combined profit or loss on a straight-line basis over the period of the lease.

2.12 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to anyone item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost: any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the combined profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

2.16 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities as described below.

(i) Sales of goods

Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

(ii) Interest income

Interest income is recognised using the effective interest method.

2.17 Employee benefits

(i) Pension obligations

The Group pays contributions to defined contribution plans in Hong Kong. The schemes are generally funded through payments to separate trustee-administered funds, determined by periodic calculations.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to administered pension plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group also contributes on a monthly basis to defined contribution retirement benefit plans organised by relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees for post-retirement benefits beyond the contributions made. The assets of these plans are held separately from those of the Group in independently administered funds managed by the PRC government. Contributions to these plans are expensed as incurred.

(ii) Bonus plans

The expected cost of bonus payments wholly due within 12 months after the balance sheet date are recognised as a liability where the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.18 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in combined profit or loss in the period in which they are incurred.

2.19 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

Contingent liabilities other than those acquired from business combination are not recognised but are disclosed in the notes to the combined financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the directors, who make strategic decisions.

2.21 Financial guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given by certain subsidiaries to banks on behalf of fellow subsidiaries to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the combined financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised and the best estimate of the amount required to settle the guarantee. Any increase in the liability relating to guarantees is reported in the combined profit or loss within general and administrative expenses.

2.22 Dividend distribution

Dividend distribution to the Group shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the respective shareholders or directors of the group companies, where appropriate.

2.23 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the parent of the Company.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a); or

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

3 **Financial risk management**

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 Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

(a) Market risk

(i) Foreign exchange risk

The Group is primarily exposed to foreign exchange risk arising from United States dollars ("USD"). Foreign exchange risk primarily arises from future commercial transactions and recognised assets and liabilities denominated in a foreign currency.

The Group manages its foreign exchange risk by closely monitoring the movement of the foreign currency rates. In the opinion of the directors, the Hong Kong dollars are reasonably stable against the USD under the Linked Exchange Rate System, and accordingly, no sensitivity analysis with respect to the USD is performed.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings.

Borrowings issued at variable interest rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings at fixed interest rates expose the Group to fair value interest rate risk.

The Group's variable interest rate and fixed interest rate borrowings as at 31 December 2011 and 2012 and 31 August 2013 are as follows:

	As at 31 December		As at 31 August
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Variable interest rate borrowings	18,632	24,756	19,572
Fixed interest rate borrowings	10,905	38,531	24,936
	29,537	63,287	44,508

Other than short-term bank deposits, bank balances and bank borrowings, the Group does not have significant interest-bearing assets or liabilities. The Group's exposure to interest rate risk associated with the effects of fluctuations in the prevailing levels of the market interest rates on its cash flows is not deemed to be substantial in the view of management based on the nature of the assets and liabilities.

As at 31 December 2011 and 2012 and 31 August 2013, if the interest rates had been 50 basis-points higher/lower, with all other variables held constant, post-tax profit for the years would have been HK$165,000, HK$26,000 and HK$186,000 higher/lower respectively, mainly as a result of higher/lower interest income on bank deposits, and higher/lower interest expense on bank borrowings.

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from trade and other receivables, amounts due from related companies, amount due from a shareholder, restricted bank deposits and cash and cash equivalents. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets. The credit risk is monitored on an ongoing basis with reference to the financial position of the debtors, past experience and other factors.

The Group has policies in place to ensure that the sales of products are made to customers with appropriate credit histories and the Group performs regular credit evaluations of its major customers.

The majority of the Group's trade receivables are due for maturity within 60 days and largely comprise amounts receivable from business customers. Management does not expect any significant losses from non-performance by these counterparties.

About 77%, 66% and 84% of total trade receivables as at 31 December 2011 and 2012 and 31 August 2013, respectively, were due from the Group's largest five customers. No significant collectability issues have been identified in the past.

Bank balances are deposited in reputable banks. Management does not expect any losses from non-performance by these banks.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining 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.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Specifically, for bank loans containing a repayment on demand clause which can be exercised at the banks' sole discretions, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

	On demand	Less than 1 year	Total
	HK$'000	*HK$'000*	*HK$'000*
At 31 December 2011			
Bank borrowings	8,756	20,781	29,537
Trade and bills payables	—	178,099	178,099
Other payables	—	1,395	1,395
	8,756	200,275	209,031

	On demand	Less than 1 year	Total
	HK$'000	*HK$'000*	*HK$'000*
At 31 December 2012			
Bank borrowings	17,280	46,007	63,287
Trade and bills payables	—	146,679	146,679
Other payables	—	1,198	1,198
Amount due to a shareholder	21,217	—	21,217
Amount due to a related company	11,859	—	11,859
	50,356	193,884	244,240
At 31 August 2013			
Bank borrowings	19,572	24,936	44,508
Trade and bills payable	—	152,338	152,338
Other payables	—	2,456	2,456
	19,572	179,730	199,302

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the debt-to-asset ratio. The ratio is calculated as total debt divided by total assets. Total debt is calculated as interest-bearing borrowings.

	As at 31 December		As at 31 August
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Total debt	29,537	63,287	44,508
Total assets	337,648	347,107	376,412
Debt-to-asset ratio	8.7%	18.2%	11.8%

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares and sell assets to reduce debt.

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, 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 asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 December 2011 and 2012, the Group held certain financial assets at fair value through profit or loss which are included in level 1. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. 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.

There were no transfers between levels 1 and 2 during the Relevant Periods.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in consumer preferences and competitor actions in response to severe industry cycles. Management reassesses these estimations by each date of the statement of financial position to ensure inventories are shown at the lower of cost and net realisable value.

(b) Income taxes

The Group is subject to income taxes in the jurisdiction in which the Group operates. There are transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(c) Impairment of trade receivables

The Group makes provision for impairment of trade receivables based on an estimate of the recoverability of these receivables. Provisions are applied to trade receivables, where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade receivables requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and the provision for impairment losses in the period in which such estimate has been changed.

5 Property, plant and equipment

	Leasehold improve-ments *HK$'000*	Furniture and office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
At 1 January 2011				
Cost	1,086	365	—	1,451
Accumulated depreciation	(664)	(227)	—	(891)
Net book amount	422	138	—	560
Year ended 31 December 2011				
Opening net book amount	422	138	—	560
Additions	74	86	613	773
Depreciation charge *(Note 18)*	(232)	(90)	(123)	(445)
Closing net book amount	264	134	490	888
At 31 December 2011				
Cost	1,160	451	613	2,224
Accumulated depreciation	(896)	(317)	(123)	(1,336)
Net book amount	264	134	490	888
Year ended 31 December 2012				
Opening net book amount	264	134	490	888
Additions	247	160	804	1,211
Depreciation charge *(Note 18)*	(205)	(87)	(283)	(575)
Closing net book amount	306	207	1,011	1,524
At 31 December 2012				
Cost	1,407	611	1,417	3,435
Accumulated depreciation	(1,101)	(404)	(406)	(1,911)
Net book amount	306	207	1,011	1,524
Eight months ended 31 August 2013				
Opening net book amount	306	207	1,011	1,524
Additions	93	142	—	235
Disposal	—	—	(337)	(337)
Depreciation charge *(Note 18)*	(95)	(49)	(138)	(282)
Closing net book amount	304	300	536	1,140
At 31 August 2013				
Cost	1,500	753	804	3,057
Accumulated depreciation	(1,196)	(453)	(268)	(1,917)
Net book amount	304	300	536	1,140

6 Inventories

	As at 31 December		As at 31 August
	2011	2012	2013
	HK\$'000	*HK\$'000*	*HK\$'000*
Work in progress	8,819	41,262	17,358
Finished goods	141,337	95,273	147,556
Less: Provision for obsolete inventories	(12,913)	(7,942)	(4,803)
	137,243	128,593	160,111

The cost of inventories recognised as expense and included in "cost of sales" amounted to HK\$1,465,516,000, HK\$1,254,882,000, HK\$831,811,000 (unaudited) and HK\$991,718,000 for the years ended 31 December 2011 and 2012 and the eight months ended 31 August 2012 and 2013 respectively (note 18).

The Group recognised amounts of HK\$12,913,000, HK\$7,942,000, HK\$1,283,000 (unaudited) and HK\$4,803,000 in respect of the loss on obsolete inventories and write-down of inventories to their net realisable value for the years ended 31 December 2011 and 2012 and the eight months ended 31 August 2012 and 2013 respectively. These amounts have been included in the cost of sales in the profit or loss.

7 Trade and other receivables

	As at 31 December		As at 31 August
	2011	2012	2013
	HK\$'000	*HK\$'000*	*HK\$'000*
Trade receivables *(Note (b) and (d))*	48,813	74,471	122,080
Bills receivables *(Note (b) and (d))*	22,803	34,930	13,270
	71,616	109,401	135,350
Prepayments for inventories	—	12,794	—
Deposits and other receivables	1,325	1,097	1,077
Deferred professional service fees in respect of listing preparation *(Note (e))*	—	—	2,985
	72,941	123,292	139,412

Notes:

(a) The fair values of trade and other receivables approximate their carrying amounts.

(b) The Group normally grants credit periods of 30 to 60 days. The ageing analysis of trade and bills receivables based on invoice dates is as follows:

	As at 31 December		As at 31 August
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
1–30 days	44,213	83,517	74,367
31–60 days	22,692	21,293	60,877
61–90 days	2,590	3,939	1
91–180 days	1,179	652	105
Over 180 days	942	—	—
	71,616	109,401	135,350

(c) As at 31 December 2011 and 2012 and 31 August 2013, the Group's trade receivables of HK$5,585,000, HK$9,175,000 and HK$8,071,000 respectively, were past due but not impaired. These trade receivables relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered.

The ageing analysis of trade receivables that were past due but not impaired is as follows:

	As at 31 December		As at 31 August
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Amounts past due			
1–30 days	5,550	8,439	8,071
31–60 days	6	84	—
61–90 days	4	652	—
91–180 days	25	—	—
	5,585	9,175	8,071

As at the date of this report, all trade receivables at 31 December 2011 and 2012 and 31 August 2013 have been fully settled.

(d) The carrying amounts of the Group's trade and bills receivables were denominated in the following currencies:

	As at 31 December		As at 31 August
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
United States Dollars	71,616	109,401	134,281
Renminbi	—	—	1,069
	71,616	109,401	135,350

(e) Deferred professional service fees represents legal and other professional fees relating to the listing of the Company's shares, which will be deducted from equity upon completion of the listing.

8 Amount due from/(to) a shareholder

Details of the amount due from/(to) a shareholder are as follows:

Name of a shareholder	At beginning of year/period	At end of year/period	Maximum outstanding during the year/period
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 December 2012			
Cheng Wai Tak	9,336	(21,217)	36,546
Eight months ended 31 August 2013			
Cheng Wai Tak	(21,217)	—	N/A

Mr Cheng Wai Tak is also a director of the Company. The balance is denominated in Hong Kong dollars. The amount is unsecured, non-interest bearing and repayable on demand.

9 Amount due from/(to) related companies

Amounts due from/(to) related companies are denominated in Hong Kong dollars. The amounts are unsecured, non-interest bearing and repayable on demand. The balances were fully settled during the eight months ended 31 August 2013.

10 Financial assets at fair value through profit or loss

The balance represents unit trust funds held by the Group, which are measured at fair value through profit or loss.

Financial assets at fair value through profit or loss are presented within "investing activities" in the combined statement of cash flows (note 25).

Changes in fair value of financial assets at fair value through profit or loss is recorded in "other losses, net" in the combined profit or loss (note 19).

The fair value of the financial assets is based on their current bid prices in an active market.

At 31 December 2011 and 2012, the financial assets were pledged as collateral for the bank facilities granted to the Group and Velog International Limited, a related company.

11 Cash and cash equivalents and restricted bank deposits

	As at 31 December		As at 31 August
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Total bank deposits, bank balances and cash	78,065	80,347	75,715
Restricted bank deposits included in current assets	(29,200)	(30,246)	(34,877)
Cash and cash equivalents	48,865	50,101	40,838

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

	As at 31 December		As at 31 August
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
United States dollars	70,366	70,398	66,311
Hong Kong dollars	2,140	2,183	2,168
Renminbi	5,559	7,766	7,236
	78,065	80,347	75,715

Note:

(a) As at 31 December 2011 and 2012, bank deposits of HK$29,200,000 and HK$30,246,000 respectively were secured for the Group and a related company's borrowings (Note 15). The bank deposits provided by the Group to secure for the related company's borrowings have been released during the eight months ended 31 August 2013. As at 31 August 2013, bank deposits of HK$34,877,000 were secured for the Group's borrowings (Note 15).

12 Capital

Capital at 31 December 2011 and 2012 and 31 August 2013 represents the share capital of Perfect Display, the principal operating company of the Group.

13 Deferred income tax assets/(liabilities)

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As at 31 December		As at 31 August
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Deferred income tax assets/(liabilities):			
— to be recovered after more than 12 months	—	—	—
— to be recovered/(settled) within 12 months	39	(2)	34
	39	(2)	34

The movements in deferred income tax assets/(liabilities) in respect of decelerated/(accelerated) tax depreciation during the Relevant Periods are as follows:

	As at 31 December		As at 31 August
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Beginning of the year	62	39	(2)
(Charged)/credited to profit or loss *(Note 23)*	(23)	(41)	36
End of the year/period	39	(2)	34

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 August 2013, the Group did not recognise deferred income tax assets of HK$370,000 in respect of losses amounting to HK$1,478,000 that can be carried forward against future taxable income, if any.

14 Trade and other payables

	As at 31 December		As at 31 August
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Trade payables *(Note (b) and (c))*	173,887	142,374	136,984
Bills payables *(Note (b) and (c))*	4,212	4,305	15,354
	178,099	146,679	152,338
Deposits received from customers	7,851	4,984	6,881
Accruals and other payables	1,225	1,118	1,376
Accrued auditor's remuneration	170	80	1,080
Accrued employee benefit expenses	—	—	2,310
Accrued professional service fees in respect of listing preparation	—	—	2,000
	187,345	152,861	165,985

Notes:

(a) The fair values of trade and other payables approximate their carrying amounts.

(b) The ageing analysis of trade and bills payables based on invoice dates is as follows:

	As at 31 December		As at 31 August
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
1–30 days	138,961	106,149	89,115
31–60 days	39,138	40,510	47,425
61–90 days	—	—	15,584
91–180 days	—	20	214
	178,099	146,679	152,338

(c) The carrying amounts of the Group's trade and bills payables are denominated in the following currencies:

	As at 31 December		As at 31 August
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
United States Dollars	178,099	146,679	151,201
Renminbi	—	—	1,137
	178,099	146,679	152,338

15 Bank borrowings

	As at 31 December		As at 31 August
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Bank advances for factored receivables	10,905	23,770	13,271
Short-term bank loans	—	14,761	11,665
Portion of long-term bank loans due for repayment within one year	9,876	7,476	7,476
Portion of long-term bank loans due for repayment after one year which contain repayment on demand clauses	8,756	17,280	12,096
	29,537	63,287	44,508

As at 31 December 2011 and 2012 and 31 August 2013, the Group factored trade receivables of US$1,398,000, US$3,047,000 and US$1,701,000 (equivalent to approximately HK$10,905,000, HK$23,770,000 and HK$13,271,000) respectively to a bank. As the Group still retained risks and rewards associated with the default and delay in payment by the debtors, the financial asset derecognition conditions as stipulated in HKAS 39 "Financial Instruments: Recognition and Measurement" have not been fulfilled. Accordingly, 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".

As at 31 December 2012 and 31 August 2013, bank borrowings amounting to HK$11,200,000 and HK$9,600,000 respectively, were drawn under the SME Financing Guarantee Scheme (the "Scheme") launched by The Hong Kong Mortgage Corporation Limited. After the Listing, the Group will however not be eligible to apply for the scheme, which is not available to listed companies. The bank reserves the right to cancel the banking facilities and demand for full repayment without further notice.

The interest-bearing bank borrowings, including the bank loans repayable on demand, are carried at amortised cost. Except for bank borrowing amounting to HK$9,600,000 as at 31 August 2013 drawn under the Scheme, none of the portion of bank loans due for repayment after one year which contain a repayment on demand clause and that is classified as a current liability is expected to be settled within one year.

The scheduled repayment date of the Group's banks borrowings, as set out in the loan agreements and without considering the effect of any repayment on demand clauses were as follows. The analysis below also represents the Group's exposure to interest rate changes on borrowing at the contractual repricing dates.

	As at 31 December		As at 31 August
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Within 1 year	20,781	46,007	32,412
Between 1 and 2 years	5,676	7,476	6,096
Between 2 and 5 years	3,080	9,804	6,000
	29,537	63,287	44,508

The carrying amounts of the Group's bank borrowings approximate their fair values.

The carrying amounts of the Group's bank borrowings are denominated in the following currencies:

	As at 31 December		As at 31 August
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong dollars	18,632	24,756	19,572
United States dollars	10,905	38,531	24,936
	29,537	63,287	44,508

During the Relevant Periods, the bank borrowings were secured by:

(i) bank deposits of HK$29,200,000, HK$30,246,000 and HK$34,877,000 as at 31 December 2011 and 2012 and 31 August 2013 respectively (Note 11); and

(ii) corporate guarantee provided by Perfect Display, a subsidiary of the Group, and Velog International Limited, a related company of the Group; and

(iii) personal guarantee provided by Mr. Cheng.

The corporate guarantee provided by Velog International Limited has been released as at 31 August 2013.

In addition to the above, the Group has agreed to comply with certain loan covenants imposed by the banks.

16 Revenue

Revenue represents the sales of display panel and related electronic components to external parties.

17 Segment information

The chief operating decision-maker has been identified as the directors of the Group. 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.

The directors consider the Group's business from a product perspective and determine that the Group has four reportable operating segments as follows:

(i) Unprocessed thin film transistor liquid crystal display panels ("TFT-LCD panels") and other unprocessed products
(ii) Processed TFT-LCD panels
(iii) Integrated circuit
(iv) Polariser

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

(a) The segment information provided to the directors for the reportable segments for the year ended 31 December 2011 is as follows:

	Unprocessed TFT-LCD panels and other unprocessed products	**Processed TFT-LCD panels**	**Integrated circuit**	**Polariser**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue (all from external customers)	853,937	466,936	255,486	50,763	1,627,122
Cost of sales	(804,424)	(445,936)	(252,920)	(46,524)	(1,549,804)
Gross profit	49,513	21,000	2,566	4,239	77,318
Gross profit %	5.8%	4.5%	1.0%	8.4%	4.8%
Unallocated operating costs					(34,897)
Finance costs, net					(1,704)
Profit before income tax					40,717

(b) The segment information provided to the directors for the reportable segments for the year ended 31 December 2012 is as follows:

	Unprocessed TFT-LCD panels and other unprocessed products	**Processed TFT-LCD panels**	**Integrated circuit**	**Polariser**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue (all from external customers)	619,089	274,780	429,271	59,443	1,382,583
Cost of sales	(583,002)	(255,120)	(414,034)	(55,437)	(1,307,593)
Gross profit	36,087	19,660	15,237	4,006	74,990
Gross profit %	5.8%	7.2%	3.5%	6.7%	5.4%
Unallocated operating costs					(30,906)
Finance costs, net					(1,937)
Profit before income tax					42,147

(c) The segment information provided to the directors for the reportable segments for the eight months ended 31 August 2012 is as follows:

Unaudited	**Unprocessed TFT-LCD panels and other unprocessed products**	**Processed TFT-LCD panels**	**Integrated circuit**	**Polariser**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue (all from external customers)	392,906	161,920	307,590	38,806	901,222
Cost of sales	(370,174)	(161,113)	(297,483)	(35,462)	(864,232)
Gross profit	22,732	807	10,107	3,344	36,990
Gross profit %	5.8%	0.5%	3.3%	8.6%	4.1%
Unallocated operating costs					(21,235)
Finance costs, net					(1,293)
Profit before income tax					14,462

(d) The segment information provided to the directors for the reportable segments for the eight months ended 31 August 2013 is as follows:

	Unprocessed TFT-LCD panels and other unprocessed products	Processed TFT-LCD panels	Integrated circuit	Polariser	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue (all from external customers)	648,325	300,929	150,613	31,710	1,131,577
Cost of sales	(580,290)	(269,279)	(146,887)	(29,977)	(1,026,433)
Gross profit	68,035	31,650	3,726	1,733	105,144
Gross profit %	10.5%	10.5%	2.5%	5.5%	9.3%
Unallocated operating costs					(35,698)
Finance costs, net					(1,367)
Profit before income tax					68,079

(e) Segment revenue by customers' geographical location

During the Relevant Periods, most of the Group revenues were derived in Hong Kong, where the Group's products were delivered by the Group to its customers.

	Year ended 31 December		Eight months ended 31 August	
	2011	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Hong Kong	1,627,122	1,382,583	901,222	1,129,675
The PRC	—	—	—	1,902
	1,627,122	1,382,583	901,222	1,131,577

In the opinion of the directors, most of the Group's products were then shipped by the customers to their production facilities in the PRC for further processing.

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

	Year ended 31 December		Eight months ended 31 August	
	2011	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Customer A (i)	207,070	133,315	79,824	167,896
Customer B	168,607	336,017	245,825	238,499
	375,677	469,332	325,649	406,395

(i) Revenue from Customer A contributes less than 10% of the total revenue of the Group during the eight months ended 31 August 2012 and the year ended 31 December 2012.

(ii) The two customers are included in the unprocessed TFT-LCD panels and other unprocessed products, processed TFT-LCD panels, integrated circuit and polariser segments.

(g) The total of non-current assets other than deferred income tax assets of the Group of HK$888,000, HK$1,524,000 and HK$975,000 as at 31 December 2011, 2012 and 31 August 2013 respectively are located in Hong Kong and those of HK$165,000 as at 31 August 2013 are located in the PRC.

18 Expenses by nature

Expenses included cost of sales, distribution and selling expenses and general and administrative expenses are analysed as follows:

	Year ended 31 December		Eight months ended 31 August	
	2011	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Cost of inventories sold	1,465,516	1,254,882	831,811	991,718
Processing and sub-contracting expenses	60,872	36,749	26,187	24,965
Transportation expenses	10,503	8,020	4,951	4,947
Provision for obsolete inventories *(Note 6)*	12,913	7,942	1,283	4,803
Auditor's remuneration	170	80	53	1,000
Employee benefit expenses *(Note 20)*	9,488	9,536	6,686	11,534
Depreciation of property, plant and equipment	445	575	315	282
Operating lease rental in respect of buildings	2,170	2,641	1,589	1,980
Professional service fees in respect of listing preparation	—	—	—	8,928

19 Other losses, net

	Year ended 31 December		Eight months ended 31 August	
	2011	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
(Loss)/gain on financial assets at fair value through profit or loss	(806)	536	(137)	(17)
Net exchange loss	(968)	(955)	(891)	(418)
Loss on disposal of property, plant and equipment	—	—	—	(87)
Others	1	96	56	3
	(1,773)	(323)	(972)	(519)

20 Employee benefit expenses, including directors' remuneration

	Year ended 31 December		Eight months ended 31 August	
	2011	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Short-term employee benefits *(Note (a))*	9,300	9,346	6,546	11,246
Post-employment benefits — defined contribution plans	188	190	140	288
	9,488	9,536	6,686	11,534

Note:

(a) Short-term employee benefits represent salary, wages, bonus paid to employees, staff quarter expense and insurance premium for staff insurance schemes.

21 Directors' and senior management's remuneration

(a) Directors' remuneration

The remuneration of directors for the years ended 31 December 2011 and 2012 and the eight months ended 31 August 2012 and 2013 are set out below:

	Fees	Salary, discretionary bonuses and other benefits	Retirement benefit-defined contribution scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2011				
Executive directors:				
Cheng Wai Tak *(Chief executive)*	—	3,523	12	3,535
Cheng Cheung Wai	—	189	9	198
Liu Ka Wing	—	805	12	817
	—	4,517	33	4,550
For the year ended 31 December 2012				
Executive directors:				
Cheng Wai Tak *(Chief executive)*	—	4,403	14	4,417
Cheng Cheung Wai	—	277	13	290
Liu Ka Wing	—	540	14	554
	—	5,220	41	5,261

	Fees	Salary, discretionary bonuses and other benefits	Retirement benefit-defined contribution scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
For the eight months ended 31 August 2012 (unaudited)				
Executive directors:				
Cheng Wai Tak *(Chief executive)*	—	3,027	9	3,036
Cheng Cheung Wai	—	178	9	187
Liu Ka Wing	—	360	9	369
	—	3,565	27	3,592
For the eight months ended 31 August 2013				
Executive directors:				
Cheng Wai Tak *(Chief executive)*	—	3,795	10	3,805
Cheng Cheung Wai	—	263	9	272
Liu Ka Wing	—	562	10	572
	—	4,620	29	4,649

No directors waived or agreed to waive any emoluments during the Relevant Periods. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any directors during the Relevant Periods.

Mr. Wong Yik Chung John, Mr. Wong Chi Chiu and Mr. Li Shui Yan were appointed as the Company's independent non-executive directors on 20 January 2014. During the Relevant Periods, the independent non-executive directors have not yet been appointed and received nil directors' remuneration in the capacity of independent non-executive directors.

(b) Five highest paid individuals

The five individuals whose remuneration were the highest in the Group include three directors for the year ended 31 December 2012 and two directors for the year ended 31 December 2011 and the eight months ended 31 August 2012 and 2013 respectively, whose remuneration are reflected in the analysis presented above.

Information relating to the remuneration of the directors has been disclosed in Note 21(a). Details of the remunerations of the remaining highest paid non-director individuals during the Relevant Periods are set out below:

	Year ended 31 December		Eight months ended 31 August	
	2011	2012	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
Short-term employee benefits	920	590	416	1,791
Post-employment benefits				
— defined contribution plans	34	24	16	13
	954	614	432	1,804

The number of highest paid non-director individuals whose remunerations for the Relevant Periods fell within the following band:

	Year ended 31 December		Eight months ended 31 August	
	2011	2012	2012	2013
	no. of individual	*no. of individual*	*no. of individual*	*no. of individual*
			(unaudited)	
Emolument band				
Nil to HK$1,000,000	3	2	3	3

(c) For the years ended 31 December 2011 and 2012 and the eight months ended 31 August 2012 and 2013, no remuneration were paid by the Group to a director or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office, and no arrangement under which a director or the five highest paid individuals waived or agreed to waive any of the remuneration.

22 Finance costs, net

	Year ended 31 December		Eight months ended 31 August	
	2011	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Finance income				
Bank interest income on pledged bank deposits	109	110	63	30
Bank interest income on bank deposits	2	2	1	6
	111	112	64	36
Finance costs				
Interest expense on:				
Bank advances from factored receivables	(358)	(392)	(201)	(222)
Bank borrowings wholly repayable within five years	(440)	(553)	(359)	(361)
Factoring charges	(1,017)	(1,104)	(797)	(820)
	(1,815)	(2,049)	(1,357)	(1,403)
Finance costs, net	(1,704)	(1,937)	(1,293)	(1,367)

23 Income tax expense

The Group is not subject to taxation in the Cayman Islands and the British Virgin Islands.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit during the Relevant Periods arising in or derived from Hong Kong. The Group's subsidiary in the PRC is subject to PRC corporate income tax at a standard rate of 25%. No PRC corporate income tax has been provided as the Group has no estimated assessable profits arising in or derived from the PRC during the Relevant Periods.

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

	Year ended 31 December		Eight months ended 31 August	
	2011	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Current income tax				
Hong Kong profits tax	6,695	6,913	2,383	12,972
Deferred income tax *(Note 13)*	23	41	3	(36)
	6,718	6,954	2,386	12,936

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate applicable to the Group as follows:

	Year ended 31 December		Eight months ended 31 August	
	2011	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit before income tax	40,717	42,147	14,462	68,079
Tax calculated at Hong Kong profits tax rate of 16.5%	6,719	6,955	2,386	11,233
Effect of different taxation rate in other countries	—	—	—	(126)
Tax losses for which no deferred income tax asset was recognised	—	—	—	370
Income not subject to tax	(1)	(1)	—	(1)
Expenses not deductible for taxation purposes	—	—	—	1,460
Income tax expense	6,718	6,954	2,386	12,936
Effective tax rate	16.5%	16.5%	16.5%	19.0%

24 Earnings per share

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results for each of the years ended 31 December 2011 and 2012 and the eight months ended 31 August 2012 and 2013 on a combined basis as disclosed in Note 1(c) of Section II above.

25 Note to combined statements of cash flows

Reconciliation of profit before income tax to net cash generated from operations:

	Year ended 31 December		Eight months ended 31 August	
	2011	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit before income tax	40,717	42,147	14,462	68,079
Depreciation on property, plant and equipment	445	575	315	282
Loss on disposal of property, plant and equipment	—	—	—	87
Loss/(gain) on financial assets at fair value through profit or loss	806	(536)	(356)	17
Finance income	(111)	(112)	(64)	(36)
Finance costs	1,815	2,049	1,357	1,403
Operating profit before changes in working capital	43,672	44,123	15,714	69,832
Changes in working capital				
— Inventories	(10,189)	8,650	45,995	(31,518)
— Trade and other receivables	14,442	(50,351)	(10,186)	(16,120)
— Amounts due from related companies	2,913	26,321	9,668	8,758
— Amount due from/to a shareholder	(9,411)	553	17,130	8,783
— Trade and other payables	39,072	(34,484)	(62,912)	13,124
— Amount due to a related company	—	11,859	—	(11,859)
Net cash generated from operations	80,499	6,671	15,409	41,000

Major non-cash transaction:

For the year ended 31 December 2012, an interim dividend payable of HK$30,000,000 has been declared but not paid and included in the amount due to a shareholder as at 31 December 2012. The balance has been fully settled during the eight months ended 31 August 2013.

26 Dividends

Dividends during each of the years ended 31 December 2011 and 2012 and eight months ended 31 August 2012 represented interim dividends declared by a subsidiary of the Group to its equity holder. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

27 Commitments

Operating lease commitments

The Group acts as lessee under operating leases. The Group had future minimum lease payments under non-cancellable operating leases of buildings as follows:

	As at 31 December		As at 31 August
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Within 1 year	615	1,649	3,710
Later than 1 year and not later than 5 years	640	1,533	1,465
	1,255	3,182	5,175

These leases typically run for an initial period of one to three years.

28 Contingent liabilities

During the Relevant Periods, Perfect Display and Velog International Limited, a related company and Mr. Cheng had collectively provided guarantee with unlimited extent in respect of banking facilities granted to Perfect Display and Velog International Limited. As at 31 December 2011 and 2012, these banking facilities were utilised by Velog International Limited to the extent of HK$556,000 and HK$1,440,000, respectively. All guarantees provided by or to Velog International Limited have been released as at 31 August 2013.

29 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(a) The directors of the Company are of the view that the following companies that had transactions or balances with the Group are related parties:

Name	**Relationship with the Group**
Velog International Limited	A related company controlled by Mr. Cheng
J-Sky International Limited	A related company controlled by Mr. Cheng
Earn Master Limited	A related company wholly owned by Madam Chung Ting Wai, the spouse of Mr. Cheng

(b) Transactions with related parties

Save as disclosed elsewhere in the Financial Information, the Group had the following transactions with related companies during the Relevant Periods.

Continuing related party transactions:

	Year ended 31 December		Eight months ended 31 August	
	2011	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
Rental expense paid to a related company *(Note i)*				
Earn Master Limited	—	272	544	544

Discontinued related party transactions:

	Year ended 31 December		Eight months ended 31 August	
	2011	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
Sales of goods to related companies *(Note i)*				
Velog International Limited	3,251	1,332	1,095	—
J-Sky International Limited	10,707	6,101	4,541	1,573
Purchase of goods from related companies *(Note i)*				
Velog International Limited	217	416	255	315
J-Sky International Limited	617	1,004	1	—

Note:

(i) In the opinion of the directors, these transactions were entered into in the normal course of business at mutually agreed prices and terms.

(c) Balances with related companies

	As at 31 December		As at 31 August
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Other receivables from related companies			
Velog International Limited	16,698	8,758	—
J-Sky International Limited	18,381	—	—
	35,079	8,758	—

The maximum outstanding balances during the relevant period were as follows:

	Year ended 31 December 2011	Year ended 31 December 2012	Eight months ended 31 August 2013
	HK$'000	HK$'000	HK$'000
Maximum outstanding balance due from:			
Velog International Limited	27,433	26,552	8,758
J-Sky International Limited	18,698	18,381	—

	Year ended 31 December 2011	Year ended 31 December 2012	Eight months ended 31 August 2013
	HK$'000	HK$'000	HK$'000
Other payable to a related company			
J-Sky International Limited	—	11,859	—

The balances are denominated in HK$, unsecured, interest free and repayable on demand. The carrying amounts of these balances approximate their fair values. These balances were fully settled during the eight months ended 31 August 2013.

(d) Key management compensation

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

	Year ended 31 December 2011	Year ended 31 December 2012	Eight months ended 31 August 2012	Eight months ended 31 August 2013
	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Short-term employee benefits	4,854	5,557	3,798	6,216
Post-employment benefits				
— defined contribution plans	45	54	35	49
	4,899	5,611	3,833	6,265

Included in key management compensation was compensation paid or payable to Madam Chung Ting Wai, the spouse of Mr. Cheng, amounted to HK$349,000, HK$351,000, HK$242,000 and HK$191,000 for the years ended 31 December 2011 and 2012 and the eight months ended 31 August 2012 and 2013 respectively.

(e) Corporate guarantee from a related party and personal guarantee from Mr. Cheng

	As at 31 December		As at 31 August
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Bank borrowings of the Group secured by the corporate guarantees from Perfect Display, Velog International Limited and personal guarantee from Mr. Cheng	29,537	63,287	—
Bank borrowings of the Group secured by the corporate guarantee from Perfect Display and personal guarantee from Mr. Cheng	—	—	44,508
Banking facilities utilised by Velog International Limited, of which secured by the corporate guarantees from Perfect Display, Velog International Limited and personal guarantee from Mr. Cheng	556	1,440	—

30 Subsequent events

(a) Distribution of dividends

On 29 November 2013, Perfect Display declared an interim dividend of HK$30,000,000 to its equity holder, which was settled on 29 November 2013 by cash.

(b) Completion of the Reorganisation

The Reorganisation was completed on 31 December 2013 and the details are summarised in Note 1(c).

III. FINANCIAL INFORMATION OF THE COMPANY

The Company was incorporated on 13 June 2013. As at 31 August 2013, the Company had an amount due to a subsidiary of HK$38,000, share capital of HK$0.01 and accumulated loss of HK$38,000. Except for this, it had no other assets, liabilities or distributable reserves as at that date.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to 31 August 2013. Saved as disclosed in this report, no dividend or distribution has been declared, made or paid by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 August 2013.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The information set forth in this appendix does not form part of the "Accountant's Report" from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of our Company, as set forth in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the "Accountant's Report" in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group prepared in accordance with Rule 7.31 of the GEM Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Placing on the net tangible assets of our Group attributable to the equity holders of our Company as of 31 August 2013 as if the Placing had taken place on 31 August 2013.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of our Group as at 31 August 2013 or at any future dates following the Placing. It is prepared based on the combined net assets of our Group as at 31 August 2013 as set out in the Accountant's Report of our Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

	Audited combined net tangible assets of our Group attributable to the equity holders of our Company as at 31 August 2013 *(Note 2)* *HK$'000*	**Estimated net proceeds from the Placing** *(Note 3)* *HK$'000*	**Unaudited pro forma adjusted net tangible assets attributable to the equity holders of our Company** *HK$'000*	**Unaudited pro forma adjusted net tangible assets per share** *(Note 4)* *HK$*
Based on a Placing Price of HK$0.30 per share	152,718	87,877	240,595	0.18

Notes:

(1) The unaudited pro forma net adjusted tangible assets of our Group does not take into account the dividend of approximately HK$30.0 million declared by the Group in November 2013. The unaudited pro forma net tangible assets per Share would have been HK$0.16 per Share based on the Placing Price of HK$0.30, after taking into account the declaration of dividend in the sum of approximately HK$30.0 million.

(2) The audited combined net tangible assets attributable to the equity holders of our Company as at 31 August 2013 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited combined net assets of our Group attributable to the equity holders of our Company as at 31 August 2013 of HK$152,718,000.

(3) The estimated net proceeds from the Placing are based on the indicative Placing price of HK$0.30 per Share after deduction of the underwriting fees and other related expenses payable by our Company.

(4) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,320,000,000 Shares were in issue assuming that the Placing and the capitalisation issue have been completed on 31 August 2013 but takes no account of any Share which may be allotted and issued or repurchased by our Company pursuant to a general mandate.

(5) No adjustment has been made to reflect any trading result or other transaction of our Group entered into subsequent to 31 August 2013.

B. UNAUDITED PRO FORMA ESTIMATED EARNINGS PER SHARE

The following unaudited pro forma estimated earnings per share for the year ended 31 December 2013 has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Placing as if it had taken place on 1 January 2013. This unaudited pro forma estimated earnings per share has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial results of the Group for the year ended 31 December 2013 or any future periods.

Estimated combined profit attributable to equity holders of the Company for the year ended 31 December 2013[(1)]	Not less than HK$70.0 million
Unaudited pro forma estimated earnings per Share based on estimated combined profit attributable to equity holders of the Company for the year ended 31 December 2013[(2)]	Not less than HK$0.05

Notes:

(1) The estimated combined profit attributable to equity holders of our Company for the year ended 31 December 2013 is extracted from the section headed "Financial Information — Profit estimate for the year ended 31 December 2013" in this prospectus. The bases on which the above profit estimate has been prepared are set out in Appendix III to this prospectus. The Directors have prepared the estimated combined profit attributable to equity holders of our Company for the year ended 31 December 2013 based on our audited combined results of the Group for the eight months ended 31 August 2013 and unaudited combined results based on management accounts of our Group for the four months ended 31 December 2013. The profit estimate has been prepared on the basis consistent in all material respects with the accounting policies presently adopted by our Group as set out in Note 2 of Section II in Appendix I to this prospectus.

(2) The calculation of unaudited pro forma estimated earnings per Share is based on the estimated combined profit attributable to equity holders of the Company for the year ended 31 December 2013, assuming that our Company had a total of 1,320,000,000 Shares in issue assuming that the shares to be issued pursuant to the Placing and the capitalisation issue had been in issue on 1 January 2013. The calculation takes no account of any Shares which may be allotted and issued or repurchased by our Company pursuant to a general mandate.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS

TO THE DIRECTORS OF PERFECT OPTRONICS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Perfect Optronics Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 August 2013, the unaudited pro forma estimated earnings per share for the year ended 31 December 2013 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus (the "Prospectus") dated 24 January 2014, in connection with the proposed placing of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described in pages II-1 to II-2 of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed placing of the shares of the Company on the Group's financial position as at 31 August 2013 as if the proposed placing of the shares of the Company had taken place at 31 August 2013. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the eight months ended 31 August 2013, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and perform procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed placing of the shares of the Company at 31 August 2013 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants
Hong Kong, 24 January 2014

The estimated combined profit attributable to equity holders of our Company for the year ended 31 December 2013 is set out in the section headed "Financial information — Profit estimate for the year ended 31 December 2013" in this prospectus.

A. BASES

Our Directors have prepared the estimate of the combined profit attributable to equity holders of our Company for the year ended 31 December 2013 (the "Profit Estimate") on the basis of the audited combined results of the Group for the eight months ended 31 August 2013 and the unaudited combined results of the Group based on management accounts for the four months ended 31 December 2013. The Profit Estimate has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by our Group as set out in Note 2 of Section II in Appendix I to this prospectus.

B. LETTER FROM THE REPORTING ACCOUNTANT

The following is the text of a letter received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

pwc 羅兵咸永道

24 January 2014

The Directors
Perfect Optronics Limited

Grand Vinco Capital Limited

Dear Sirs,

We have reviewed the calculations of and accounting policies adopted in arriving at the estimate of the combined profit attributable to equity holders of Perfect Optronics Limited (the "Company") for the year ended 31 December 2013 (the "Profit Estimate") as set out in the subsection headed "Profit estimate for the year ended 31 December 2013" in the section headed "Financial information" in the prospectus of the Company dated 24 January 2014 (the "Prospectus").

We conducted our work in accordance with Auditing Guideline 3.341 on "Accountants' report on profit forecasts" issued by the Hong Kong Institute of Certified Public Accountants.

The Profit Estimate, for which the directors of the Company are solely responsible, has been prepared by them based on the audited combined results of the Company and its subsidiaries (hereinafter collectively referred to as "the Group") for the eight months ended 31 August 2013 and the unaudited combined results of the Group based on management accounts for the four months ended 31 December 2013.

In our opinion, the Profit Estimate, so far as the calculations and accounting policies are concerned, has been properly compiled in accordance with the bases made by the directors of the Company as set out on page III-1 of the Prospectus, and is presented on a basis consistent in all material respects with the accounting policies adopted by the Group as set out in Note 2 of section II of the Financial Information section in Appendix I of the Prospectus.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong

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C. LETTER FROM THE SPONSOR

The following is the text of a letter, prepared for inclusion in this prospectus, we have received from Grand Vinco Capital Limited, the Sponsor, in connection with the profit estimate of the combined profit attributable to equity holders of our Company for the year ended 31 December 2013.

VINCO 域高

24 January 2014

The Directors
Perfect Optronics Limited

Dear Sirs,

We refer to the estimated combined profit attributable to equity holders of Perfect Optronics Limited (the "Company", together with its subsidiaries, the "Group") for the year ended 31 December 2013 (the "Profit Estimate") as set out in the subsection headed "Profit estimate for the year ended 31 December 2013" in the section headed "Financial information" of the prospectus of the Company dated 24 January 2014 (the "Prospectus").

The Profit Estimate, for which the directors of the Company are solely responsible, has been prepared by them based on the audited combined results of the Group for the eight months ended 31 August 2013 and the unaudited combined results of the Group based on management accounts for the four months ended 31 December 2013.

We have discussed with you the basis and assumptions made by the directors of the Company as set out in Appendix III to the Prospectus upon which the Profit Estimate has been made. We have also considered the letter dated 24 January 2014 addressed to yourselves and ourselves from PricewaterhouseCoopers regarding the accounting policies and calculations upon which the Profit Estimate has been made.

On the basis of the information comprising the Profit Estimate and on the basis of the accounting policies and calculations adopted by you and reviewed by PricewaterhouseCoopers, we are of the opinion that the Profit Estimate, for which you are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
Grand Vinco Capital Limited
Alister Chung
Managing Director

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman Islands company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 13 June 2013 under the Companies Law. Our Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "Memorandum") and the Amended and Restated Articles of Association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, *inter alia*, that the liability of members of our Company is limited and that the objects for which our Company is established are unrestricted (and therefore include acting as an investment company), and that our Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.

(b) By special resolution our Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 20 January 2014. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of our Company consists of ordinary shares.

(ii) Share certificates

Every person whose name is entered as a member in the register of members shall be entitled to receive a certificate for his shares. No shares shall be issued to bearer.

Every certificate for shares, warrants or debentures or representing any other form of securities of our Company shall be issued under the seal of our Company, and shall be signed autographically by one Director and the Secretary, or by 2 Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of our Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic or may be printed thereon as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of our Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words "restricted voting" or "limited voting" or "non-voting" or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. Our Company shall not be bound to register more than 4 persons as joint holders of any share.

(b) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as our Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of our Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of our Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and our Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither our Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of our Company or any subsidiary

While there are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Companies Law to be exercised or done by our Company in general meeting, but if such power or act is regulated by our Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iii) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by our Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors and their associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

Our Company shall not directly or indirectly make a loan to a Director or a director of any holding company of our Company or any of their respective associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of our Company or any of their respective associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(v) Disclosure of interest in contracts with our Company or with any of its subsidiaries

With the exception of the office of auditor of our Company, a Director may hold any other office or place of profit with our Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration therefore (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with our Company, either as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with our Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to our Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

(aa) the giving of any security or indemnity to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of our Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to Directors, his associate(s) and employees of our Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not generally accorded to the employees to which such scheme or fund relates; or

(ee) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company.

(vi) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or our Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in our Company may be entitled by reason of such employment or office.

Any Director who, at the request of our Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of our Company or with which our Company is associated in business), or may make contributions out of our Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and former employees of our Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of our Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election.

At each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting and the minimum length of the period during which such notices to our Company may be given must be at least 7 days.

A Director is not required to hold any shares in our Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of our Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and our Company may by ordinary resolution appoint another in his place. The number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to our Company at the registered office or head office of our Company for the time being or tendered at a meeting of the Board;

(bb) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;

(cc) if, without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;

(gg) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or

(hh) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(viii) Borrowing powers

Pursuant to the Articles, the Board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of our Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party. The provisions summarised above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of our Company.

(ix) Register of Directors and officers

Pursuant to the Companies Law, our Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(x) Proceedings of the Board

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of our Company may only be altered or amended, and the name of our Company may only be changed by our Company by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Alteration of capital

Our Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorized and subject to any conditions prescribed by law.

Reduction of share capital — subject to the Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by its Articles of Association, by special resolution, reduce its share capital in any way.

(f) Special resolution — majority required

In accordance with the Articles, a special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 14 clear days' notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of our Company duly convened and held, and where relevant as a special resolution so passed.

(g) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote, and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of our Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purpose as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded or otherwise required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles). A poll may be demanded by:

(i) the chairman of the meeting; or

(ii) at least two members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

(iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in our Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of our Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where our Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(h) Annual general meetings

Our Company must hold an annual general meeting each year. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(i) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of our Company and of all other matters required by the Companies Law necessary to give a true and fair view of the state of our Company's affairs and to show and explain its transactions.

The books of accounts of our Company shall be kept at the head office of our Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of our Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or our Company in general meeting.

The Board shall from time to time cause to be prepared and laid before our Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditor's report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), our Company may send summarised financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles), and must be sent to the shareholders not less than 21 days before the general meeting to those shareholders that have consented and elected to receive the summarised financial statements.

Our Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by our Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of our Company in accordance with generally accepted auditing standards.

(j) Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution must be called by at least 21 days' notice in writing, and any other extraordinary general meeting shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by our Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in our Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify our Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Companies Law and the Listing Rules, a notice or document may be served or delivered by our Company to any member by electronic means to such address as may from time to time be authorised by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

Although a meeting of our Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of our Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the issued shares giving that right.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of Directors in place of those retiring;

(dd) the appointment of auditors;

(ee) the fixing of the remuneration of the Directors and of the auditors;

(ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of our Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by our Company since the granting of such mandate; and

(gg) the granting of any mandate or authority to the Board to repurchase securities in our Company.

(k) Transfer of shares

Subject to the Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of our Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which our Company has a lien.

The Board may decline to recognize any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to our Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules (as defined in the Articles), be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

(l) Power of our Company to purchase its own shares

Our Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of our Company subject to any applicable requirement imposed from time to time by the Articles, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where our Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

(m) Power of any subsidiary of our Company to own shares in our Company

There are no provisions in the Articles relating to the ownership of shares in our Company by a subsidiary.

(n) Dividends and other methods of distribution

Our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and

(ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to our Company on account of calls, instalments or otherwise.

Where the Board or our Company in general meeting has resolved that a dividend should be paid or declared on the share capital of our Company, the Board may resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, our Company may by ordinary resolution in respect of any one particular dividend of our Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of our Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or our Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

Our Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(o) Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(p) Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced our Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(q) Inspection of corporate records

Members of our Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of our Company. However, the members of our Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of our Company is listed on the Stock Exchange, any member may inspect any register of members of our Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if our Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

(r) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(s) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of our Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(t) Procedures on liquidation

A resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if our Company shall be wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if our Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them respectively.

In the event that our Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(u) Untraceable members

Our Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

In accordance with the Articles, our Company is entitled to sell any of the shares of a member who is untraceable if:

(i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;

(ii) upon the expiry of the 12 years and 3 months period (being the 3 months notice period referred to in sub-paragraph (iii)), our Company has not during that time received any indication of the existence of the member; and

(iii) our Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to our Company and upon receipt by our Company of such net proceeds, it shall become indebted to the former member of our Company for an amount equal to such net proceeds.

(v) Subscription rights reserve

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

Our Company was incorporated in the Cayman Islands as an exempted company on 13 June 2013 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

As an exempted company, our Company must conduct its operations mainly outside the Cayman Islands. Moreover, our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

In accordance with the Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by our company subject to the provisions, if any, of its memorandum and articles of association, in such manner as our company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of our company to be issued to members as fully paid bonus shares;

(iii) any manner provided in section 37 of the Companies Law;

(iv) writing-off the preliminary expenses of our company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of our company.

Notwithstanding the foregoing, the Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, our company will be able to pay its debts as they fall due in the ordinary course of business.

It is further provided by the Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of our company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of our company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of our company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of our company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorised by an ordinary resolution of our company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of our company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, our company shall be able to pay its debts as they fall due in the ordinary course of business.

Under Section 37A(1) the Companies Law, shares that have been purchased or redeemed by a company or surrendered to our company shall not be treated as cancelled but shall be classified as treasury shares if (a) the memorandum and articles of association of our company do not prohibit it from holding treasury shares; (b) the relevant provisions of the memorandum and articles of association (if any) are complied with; and (c) our company is authorised in accordance with our company's articles of association or by a resolution of the directors to hold such shares in the name of our company as treasury shares prior to the purchase, redemption or surrender of such shares. Shares held by a company pursuant to section 37A(1) of the Companies Law shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of sections 34 and 37A(7) of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of our company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(n) of this Appendix for further details). Section 37A(7)(c) of the Companies Law provides that for so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of our company's assets (including any distribution of assets to members on a winding up) may be made to our company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of our company to challenge:

(i) an act which is *ultra vires* our company or illegal;

(ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of our company; and

(iii) an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of our company in issue, appoint an inspector to examine the affairs of our company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that our company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions in the Companies Law on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interest of our company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

Section 59 of the Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by our company and the matters with respect to which the receipt and expenditure takes place; (ii) all sales and purchases of goods by our company; and (iii) the assets and liabilities of our company.

Section 59 of the Companies Law further states that proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of our company's affairs and to explain its transactions.

If our Company keeps its books of account at any place other than at its registered office or at any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, our Company has obtained an undertaking from the Governor-in-Cabinet:

(i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to our Company or its operations; and

(ii) in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by our Company:

(aa) on or in respect of the shares, debentures or other obligations of our Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for our Company is for a period of twenty years from 2 July 2013.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

The Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of our company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of our company. They will, however, have such rights as may be set out in our company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as our company may determine from time to time. The Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(o) Winding up

A Cayman Islands company may be wound up either by (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where our Company so resolves by special resolution that it be wound up voluntarily, or, where our company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due; or, in the case of a limited duration company, when the period fixed for the duration of our company by its memorandum or articles expires, or where the event occurs on the occurrence of which the memorandum or articles provides that our company is to be wound up. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as our company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators shall be appointed for the purpose of winding up the affairs of our company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of our company has been disposed of, and thereupon call a general meeting of our company for the purposes of laying before it the account and giving an explanation thereof.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that (i) our company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of our company in the interests of the contributories and creditors. A supervision order shall take effect for all purposes as if it was an order that our company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon our company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of our company shall be in the custody of the court.

(p) Reconstructions

Reconstructions and amalgamations are governed by specific statutory provisions under the Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(q) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(r) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, our Company's legal adviser on Cayman Islands law, has sent to our Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands as an exempted limited liability company under the Companies Law on 13 June 2013. Our Company has established its principal place of business in Hong Kong at Flat 905, 9/F, Tower B, Hung Hom Commercial Centre, 37 Ma Tau Wai Road, Kowloon, Hong Kong and has been registered as a non-Hong Kong company in Hong Kong under Part XI of the Companies Ordinance since 23 July 2013. In connection with such registration, Mr. Cheng Wai Tak of 51/F, Apartment No. 10, Celestial Heights, No. 80 Sheung Shing Street, Ho Man Tin, Kowloon, Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, it operates subject to the Companies Law and to its constitution, which comprises a Memorandum of Association and the Articles. A summary of relevant provisions of our Company's constitution and certain relevant aspects of Cayman Islands company law is set out in Appendix IV to this prospectus.

2. Changes in the share capital of our Company

(a) As at the date of incorporation of our Company, its authorised share capital was HK$390,000 divided into 39,000,000 Shares of HK$0.01 each.

(b) On 13 June 2013, 1 Share was issued and allotted to Reid Services Limited as subscriber paid for in full at par value. The issued Share was transferred to Winful Enterprises on the same date in consideration of HK$0.01.

(c) On 31 December 2013, our Company entered into a deed for sale and purchase with Winful Enterprises, pursuant to which our Company acquired 1 share of no par value in Rightone Resources (representing its entire issued shares) from Winful Enterprises. In consideration of the share transfer, our Company issued and allotted 1 Share to Winful Enterprises credited as fully paid.

(d) On 31 December 2013, 9,998 Shares were allotted and issued to Winful Enterprises as fully paid by way of capitalisation of a loan (referred to in step 7 of the Reorganisation in the section headed "History, Reorganisation and Group Structure" of this prospectus) due from the Company to Winful Enterprises.

(e) On 20 January 2014, the authorised share capital of our Company was increased from HK$390,000 to HK$50,000,000 by the creation of an additional 4,961,000,000 new Shares under a resolution passed by our Shareholders as referred to in the paragraph headed "Written resolutions of the sole shareholder of our Company passed on 20 January 2014" in this Appendix.

Assuming that the Placing and the Capitalisation Issue become unconditional and immediately following completion of the Placing and the Capitalisation Issue without taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme, the issued share capital of our Company will be HK$13,200,000 divided into 1,320,000,000 Shares fully paid or credited as fully paid, and 3,680,000,000 Shares will remain unissued.

Other than pursuant to the exercise of any options which may be granted under the Share Option Scheme, or the exercise of the general mandate referred to in the paragraph headed "Written resolutions of the sole shareholder of our Company passed on 20 January 2014" in this section, there is no present intention to issue any part of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed herein and under the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Group Structure" of this prospectus, there has been no alteration in the share capital of our Company since its incorporation.

3. Written resolutions of the sole shareholder of our Company passed on 20 January 2014

Under the resolutions of our sole Shareholder passed on 20 January 2014:

(a) the authorised share capital of our Company was increased from HK$390,000 to HK$50,000,000 by the creation of additional 4,961,000,000 unissued Shares;

(b) our Company approved and adopted the Memorandum of Association and the Articles;

(c) conditional on (A) the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the Placing or the Capitalisation Issue, or upon the exercise of any options which may be granted under the Share Option Scheme), (B) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of such agreement or otherwise, in each case on or before the date determined in accordance with the terms of the Underwriting Agreement,

(i) the Placing was approved and our Directors were authorised to allot and issue the Placing Shares;

(ii) the rules of the Share Option Scheme were approved and adopted and our Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares under the Share Option Scheme and to allot, issue and deal with Shares issued pursuant to the exercise of subscription rights under any options which may be granted under the Share Option Scheme and to take all such steps as they consider necessary or desirable to implement the Share Option Scheme; and

(iii) conditional on the share premium account of our Company being credited as a result of the Placing, our Directors were authorised to capitalise HK$9,899,900 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 989,990,000 Shares for allotment and issue to holders of Shares whose names appear on the register of members of our Company at the close of business on 20 January 2014 (or as they may direct), in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their then existing respective shareholdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the then existing issued Shares and our Directors were authorised to give effect to the Capitalisation Issue;

(d) a general unconditional mandate was given to our Directors to allot, issue and deal with (otherwise than pursuant to (i) a rights issue, (ii) an issue of Shares upon the exercise of any subscription or conversion rights attaching to any bonds, warrants, debentures, notes or any securities which carry rights to subscribe for or are convertible into Shares, (iii) an issue of Shares upon the exercise of any options which may be granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of our Company and/or any of the subsidiaries of our Company or any other person of Shares or rights to acquire Shares, (iv) any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, or (v) a specific authority granted by our Shareholders in general meeting) unissued Shares with a total nominal value not exceeding 20% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following completion of the Placing and the Capitalisation Issue, and to make or grant offers, agreements and options (including but not limited to bonds, warrants, debentures, notes and any securities which carry rights to subscribe for or are convertible into Shares) which would or might require the exercise of such power to allot, issue and deal with the Shares either during or after the end of the Relevant Period (as defined below), such mandate to remain in effect during the period (the "Relevant Period") from the passing of the resolution granting such mandate, until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or

(iii) the passing of any ordinary resolution of our Shareholders in general meeting of our Company revoking, varying or renewing such mandate (the "Share Repurchase Mandate"); and

(e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the Shares may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares with a total nominal value not exceeding 10% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following completion of the Placing and the Capitalisation Issue, such mandate to remain in effect from the passing of the resolution granting such mandate until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or

(iii) the passing of any ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate; and

(f) the general unconditional mandate mentioned in paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted, issued, dealt with or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares repurchased by our Company pursuant to the Share Repurchase Mandate, provided that such extended amount shall not exceed 10% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following completion of the Placing and the Capitalisation Issue.

4. Corporate reorganisation

Our Group underwent a reorganisation to rationalise our Group's structure in preparation for the Listing. Please refer to the section headed "History, reorganisation and group structure — Reorganisation" for further details.

5. Changes in the share capital of the subsidiaries of our Company

The subsidiaries of our Company are referred to in the Accountant's Report for our Company, the text of which is set out in Appendix I to this prospectus.

(a) On 25 April 2013, Yuan Mei Xin Technology was established as a limited liability company in the PRC with registered capital and total investment of US$500,000. Perfect Display being the sole shareholder of Yuan Mei Xin Technology had fully paid up its registered capital by 6 June 2013.

(b) Rightone Resources which was incorporated in the BVI on 23 January 2013 issued and allotted 1 share of no par value to Winful Enterprises for cash of US$1.00 on 4 June 2013.

(c) On 31 December 2013, Rightone Resources issued and allotted 9,999 shares of no par value to the Company at the direction of Mr. Cheng Wai Tak in consideration of the transfer of the entire issued share capital of Perfect Display by Mr. Cheng Wai Tak to Rightone Resources (as referred to in step 5 of the Reorganisation in the section headed "History, Reorganisation and Group Structure" in this prospectus).

Save for the above, no alterations in the share capital of the subsidiaries of our Company had taken place within the two years preceding the date of this prospectus.

6. Repurchase by our Company of its own securities

This paragraph includes the information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All repurchases of securities on the Stock Exchange by a company must be approved in advance by an ordinary resolution of its shareholders, either by way of general mandate or by specific approval in relation to specific transactions.

Note: Pursuant to the written resolution passed by the sole Shareholder on 20 January 2014, the Share Repurchase Mandate was granted to our Directors authorising the repurchase of Shares by our Company as described above in the paragraph headed "Written resolutions of the sole shareholder of our Company passed on 20 January 2014".

(ii) Source of funds

Any repurchases must be financed out of funds legally available for the purpose in accordance with the Memorandum of Association, the Articles and the applicable laws and regulations of Cayman Islands.

(b) Exercise of the Share Repurchase Mandate

Exercise in full of the Share Repurchase Mandate, on the basis of 1,320,000,000 Shares in issue immediately after completion of the Placing and the Capitalisation Issue (but taking no account of the Shares which may be issued upon exercise of options that may be granted under the Share Option Scheme), would result in up to 132,000,000 Shares (which will be fully paid and represent 10 per cent. of the Shares in issue immediately after the completion of the Placing and the Capitalisation Issue) being repurchased by our Company during the course of the period prior to the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or applicable laws of the Cayman Islands to be held; or

(iii) the passing of any ordinary resolution of our Shareholders in general meeting of our Company revoking, varying or renewing the Share Repurchase Mandate;

(c) Reasons for repurchases

Repurchases of Shares will only be made when our Directors believe that such a repurchase will benefit our Company and our Shareholders as a whole. Such repurchases may, depending on market conditions and funding arrangements at that time, lead to an enhancement of the net asset value of our Company and/or its earnings per Share.

(d) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum of Association, the Articles and the applicable laws and regulations of the Cayman Islands. Pursuant to the Share Repurchase Mandate, repurchases will be made out of funds of our Company legally permitted to be utilised in this connection, including funds of our Company which would otherwise be available for dividend or distribution or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase. In the case of any premium payable on the repurchase, out of funds of our Company which would otherwise be available for dividend or distribution or out of the share premium account of our Company. Our Company may not repurchase securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange prevailing from time to time.

(e) General

No repurchase of Shares has been made by our Company since its incorporation.

There might be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the Share Repurchase Mandate is exercised in full. However, our Directors do not propose to exercise the Share Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or on the gearing position of our Company which in the opinion of our Directors are from time to time appropriate for our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Share Repurchase Mandate in accordance with the GEM Listing Rules the Memorandum of Association, the Articles and all applicable laws of the Cayman Islands in force from time to time.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective associates (as defined in the GEM Listing Rules), has any present intention, if the Share Repurchase Mandate is approved by our Shareholders, to sell any Shares to our Company or its subsidiaries.

No connected person (as defined in the GEM Listing Rules) of our Company has notified our Company that he has a present intention to sell any Shares to our Company, or has undertaken not to do so, if the Share Repurchase Mandate is exercised.

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. As a result, a Shareholder, or a group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase in the interest of our Shareholder(s), could obtain or consolidate control of our Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of a repurchase of Shares made immediately after the Listing.

Our Directors will not exercise the Share Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may prescribed as the minimum public shareholding under the GEM Listing Rules).

Our Directors are not aware of any consequence under the Takeovers Code as a result of a repurchase of Shares made immediately after the Listing.

FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by our Company or its subsidiaries within the two years immediately preceding the date of this prospectus and are or may be material:

(a) a deed for sale and purchase dated 31 December 2013 made between Winful Enterprises as vendor and our Company as purchaser in relation to our Company's acquisition of the entire issued share of Rightone Resources at a consideration of US$1.00, which was satisfied by issuance and allotment of 1 Share in our Company to Winful Enterprises and credited as fully paid;

(b) a deed for sale and purchase dated 31 December 2013 made between Mr. Cheng Wai Tak as vendor and Rightone Resources as purchaser in relation to Rightone Resources' acquisition of the entire issued shares of Perfect Display and in consideration of which Rightone Resources issued and allotted 9,999 shares of no par value to our Company (as directed by Mr. Cheng Wai Tak) and credited as fully paid;

(c) a deed of assignment dated 31 December 2013 made among Mr. Cheng Wai Tak, Winful Enterprises and our Company in relation to the assignment by Mr. Cheng Wai Tak to Winful Enterprises of a loan in the amount of HK$136,082,421 due from our Company to Mr. Cheng Wai Tak at a consideration of HK$136,082,421;

(d) the Deed of Indemnity;

(e) the deed of non-competition undertaking dated 20 January 2014 entered into by our Controlling Shareholders as covenantors in favour of our Company (for itself and for and on behalf of our subsidiaries), details of which are set out in the paragraph headed "Non-Competition Undertaking" in the section headed "Relationship with the Controlling Shareholders" in this prospectus; and

(f) the Underwriting Agreement dated 22 January 2014, particulars of which are set out in the section headed "Underwriting" in this prospectus.

2. Intellectual property rights

(a) As at the Latest Practicable Date, our Group had applied for registration of the following trademarks which are or may be material to the business of our Group:

Trademark	Applicant	Class	Place of Application	Application Date	Application/ Registration number
Perfect Display Limited	Perfect Display Limited	16, 35 &40	Hong Kong	11 July 2013	302667989
Perfect Display Limited	Perfect Display Limited	16, 35 &40	Hong Kong	11 July 2013	302667989
Perfect Display Limited	Perfect Display Limited	16, 35 &40	Hong Kong	11 July 2013	302667989
Perfect Display Limited	Perfect Display Limited	16, 35 &40	Hong Kong	11 July 2013	302667989
PERFECT OPTRONICS LIMITED	Perfect Optronics Limited	16, 35 &40	Hong Kong	11 July 2013	302667998
PERFECT OPTRONICS LIMITED	Perfect Optronics Limited	16, 35 &40	Hong Kong	11 July 2013	302667998
PERFECT OPTRONICS LIMITED	Perfect Optronics Limited	16, 35 &40	Hong Kong	11 July 2013	302667998
	Perfect Optronics Limited	16, 35 &40	Hong Kong	11 July 2013	302668005
	Perfect Optronics Limited	16, 35 &40	Hong Kong	11 July 2013	302668005
	Perfect Optronics Limited	16, 35 &40	Hong Kong	11 July 2013	302668005
Perfect Display Limited	Perfect Display Limited	16, 35 &40	PRC	17 July 2013	12930338 12930339 12930340
PERFECT OPTRONICS LIMITED	Perfect Optronics Limited	16, 35 &40	PRC	17 July 2013	12930341 12930342 12930343
	Perfect Optronics Limited	16, 35 &40	PRC	17 July 2013	12930344 12930345 12930346

(b) As at the Latest Practicable Date, our Group had registered the following domain names which are or may be material to the business of our Group:

Registrant	Domain Name	Registration Date	Expiry Date
Perfect Display Limited	perfect-optronic.com	10 June 2013	9 June 2016
Perfect Display Limited	perfect-optronics.com	10 June 2013	9 June 2016
Perfect Display Limited	perfectoptronic.com	10 June 2013	9 June 2016
Perfect Display Limited	perfectoptronics.com	10 June 2013	9 June 2016
Perfect Display Limited	PD.COM.HK	15 January 2004	20 January 2017

FURTHER INFORMATION ABOUT DIRECTORS, CHIEF EXECUTIVE AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

(i) Interests of our Directors and the chief executives of our Company

Immediately following completion of the Placing and the Capitalisation Issue, the interests or short positions of each of our Directors and the chief executives of our Company in the share capital, underlying shares and debentures of our Company and the associated corporations of our Company (within the meaning of Part XV of the SFO) which, once the Shares are listed, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO) or which, once the Shares are listed, will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which, once the Shares are listed, will be required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to our Company and the Stock Exchange are set out as follows:

Name of Director	Name of Group member/ associated corporation	Capacity/ nature of interest	Number of shares	Approximate shareholding percentage
Mr. Cheng Wai Tak	our Company	Interest of a controlled corporation *(Note)*	990,000,000	75%

Note: These Shares are or will be registered in the name of Winful Enterprises, the entire issued share capital of which is legally and beneficially owned by Mr. Cheng Wai Tak. Under the SFO, Mr. Cheng Wai Tak is deemed to be interested in all the Shares held by Winful Enterprises.

(ii) Interests of the Substantial Shareholders

So far as is known to any Director or chief executive of our Company, immediately following completion of the Placing and the Capitalisation Issue, the following persons (other than a Director or chief executive of our Company) will have an interests or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of members of our Group other than our Company:

Name	Name of Group member/ associated corporation	Capacity/ nature of interest	Number of shares	Approximate shareholding percentage
Winful Enterprises	our Company	Beneficial owner	990,000,000	75%

2. Interests in suppliers and customers of our Group

As at the Latest Practicable Date, so far as our Directors are aware, no Director or their respective associates or persons who are interested in 5% or more of the issued share capital of our Company had any interest in the five largest suppliers or customers of our Group.

3. Particulars of our Directors' service agreements and letters of appointment

(a) Executive Directors

Each of our executive Directors has entered into a service agreement with our Company for a term of three years commencing from the Listing Date. Particulars of the service agreements of our Directors, except as indicated, are in all material respects the same and summarised below:

(i) Each service agreement is of an initial term of three years commencing from the Listing Date unless terminated in accordance with the terms of the agreement. Under the agreement, either party may terminate the agreement at any time by giving to the other not less than three months' prior written notice. Their appointments are subject to the provisions of retirement by rotation of Directors under the Articles.

(ii) For the first year from the Listing Date, the annual salary of each of Mr. Cheng Wai Tak, Mr. Cheng Cheung Wai and Mr. Liu Ka Wing shall be HK$3,960,000, HK$360,000 and HK$600,000 respectively and shall accrue on a day to day basis, such salary to be subject to review from time to time by the Board and the remuneration committee of the Board and to be decided by the Board.

(iii) Each of our executive Directors shall abstain from voting and not be counted in the quorum in respect of any resolution of our Board or any committee of our Board regarding the amount of annual salary or discretionary bonus payable to him.

(b) Independent non-executive Directors

Each of our independent non-executive Directors has entered into appointment letter with our Company for a term of three years commencing from the Listing Date. The annual director's fee for each of Mr. Wong Yik Chung John, Mr. Wong Chi Chiu and Mr. Li Shui Yan shall be HK$120,000, HK$120,000 and HK$120,000 respectively. Their appointments are subject to the provisions of retirement by rotation of Directors under the Articles.

4. Remuneration of our Directors

Approximately HK$4,550,000, HK$5,261,000 and HK$4,649,000 were paid to our Directors by our Group as remuneration (including salary, discretionary bonuses, other benefits and retirement benefit-defined contribution scheme) for each of the years ended 31 December 2011 and 2012 and the eight months ended 31 August 2013 respectively.

Pursuant to the service agreements or appointment letters between our Company and the Directors, their respective annual salaries/fees are as follows:

Name of Director	**Annual salary/fee**
	HK'000
Executive Directors	
Mr. Cheng Wai Tak	3,960
Mr. Cheng Cheung Wai	360
Mr. Liu Ka Wing	600
Independent non-executive Directors	
Mr. Wong Yik Chung John	120
Mr. Wong Chi Chiu	120
Mr. Li Shui Yan	120

5. Disclaimers

Save as disclosed in this prospectus, as at the Latest Practicable Date:

(a) none of our Directors nor any of the persons whose names are listed in the paragraph headed "Consents of experts" under the section headed "Other Information" in this Appendix was interested in the promotion of our Company, or in any assets which have been within the 2 years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(b) none of our Directors was materially interested in any contract or arrangement subsisting which is significant in relation to the business of our Group;

(c) none of our Directors had entered into or has proposed to enter into any service agreements with our Company or any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation); and

(d) no cash, securities or other benefit had been paid, allotted or given within the two years preceding the Latest Practicable Date to any promoters of our Company nor was any such cash, securities or benefit intended to be paid, allotted or given to any promoters of our Company in connection with the Placing or related transactions as mentioned in this prospectus.

SHARE OPTION SCHEME

Summary of the terms of the Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme approved and adopted pursuant to the written resolutions of the sole Shareholder passed on 20 January 2014. The following summary does not form, nor is intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

In this section only:

"Adoption Date"	means the date on which the Share Option Scheme takes effect upon the satisfaction of all conditions under paragraph 3 below (where applicable);
"Invested Entity"	means any entity in which any member of our Group holds any equity interest;
"Option"	means a right granted to the Participant (as defined below) to subscribe for Shares pursuant to the terms of the Share Option Scheme and the term "Options" shall be construed accordingly;
"relevant company"	means our Company, our relevant subsidiary or the relevant Invested Entity, as the case may be;

1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide our Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Participants and for such other purposes as our Board may approve from time to time.

2. Who may join

Our Board may, at its discretion, invite:

2.1 any director of each member of our Group or of any Invested Entity;

2.2 any employee (whether full-time or part-time) of each member of our Group or of any Invested Entity (the "Employee");

2.3 any discretionary objects of a discretionary trust established by any Employee or any director of each member of our Group or of any Invested Entity;

2.4 a company beneficially owned by any Employee or any director of each member of our Group or of any Invested Entity;

2.5 any consultant, professional and other adviser to each member of our Group or any Invested Entity (including their employees or executives or any persons, firms or companies proposed to be appointed for providing such services);

2.6 any chief executives or substantial shareholders of our Company;

2.7 any supplier, customer, service provider, business or joint venture partner, contractor, of our Group or any Invested Entity; and

2.8 any person who, at the absolute discretion of our Board, has contributed or may contribute to our Group or any Invested Entity, provided that our Board may at its absolute discretion determine whether or not one falls within the above categories,

(together, the "Participants" and each a "Participant"), to take up Options to subscribe for Shares at a price determined in accordance with paragraph 6 below.

In determining the basis of eligibility of each Participant, our Board would take into account such factors as our Board may at its discretion consider appropriate.

3. Conditions

The Share Option Scheme shall take effect subject to the passing of an ordinary resolution approving the adoption of the Share Option Scheme by our Shareholders and authorising our Directors to grant Options to subscribe for Shares thereunder and to allot and issue Shares pursuant to the exercise of any Options granted under the Share Option Scheme, and is conditional upon:

3.1 the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, (i) the Shares in issue and to be issued as mentioned in this prospectus and (ii) any Shares to be issued pursuant to the exercise of Options under the Share Option Scheme, whether the granting of the listing and permission is subject to conditions or not;

3.2 the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Sponsor and/or the Lead Managers (for themselves and on behalf of the Underwriters) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise; and

3.3 the commencement of dealings in Shares on the Stock Exchange.

If the above conditions are not satisfied on or before the date which is the 30th day after the date of this prospectus, the Share Option Scheme shall forthwith determine and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme. Any Option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such grant shall be of no effect.

4. Duration and Administration

4.1 Subject to the fulfilment of the conditions in paragraph 3 above and the termination provisions in paragraph 16 below, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further Options will be granted but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme, and Options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

4.2 The Share Option Scheme shall be subject to the administration of our Board whose decision as to all matters arising in relation to the Share Option Scheme Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final, conclusive and binding on all parties.

4.3 Subject to compliance with the requirements of the GEM Listing Rules and the provisions of the Share Option Scheme, our Board shall have the right (i) to interpret and construe the provisions of the Share Option Scheme; (ii) to determine the persons who will be granted Options under the Share Option Scheme and the number of Shares to be issued under the Options; (iii) to determine the price per Share at which a Grantee (as defined below) may subscribe for Shares on the exercise of an Option (the "Subscription Price"); (iv) to make such appropriate and equitable adjustments to the terms of Options granted under the Share Option Scheme as it deems necessary; and (v) to make such other decisions, determinations or regulations as it shall deem appropriate in the administration of the Share Option Scheme.

4.4 A Grantee shall ensure that the acceptance of an Offer, the holding and exercise of his or her Option in accordance with the Share Option Scheme, the allotment and issue of Shares to him or her upon the exercise of his or her Option and the holding of such Shares are valid and comply with all laws, legislation and regulations including all applicable exchange control, fiscal and other laws to which he or she is subject. Our Board may, as a condition precedent of making an Offer and allotting and issuing Shares upon an exercise of an Option, require a Participant or Grantee (as the case maybe) to produce such evidence as it may reasonably require for such purpose.

5. Grant of Option

5.1 On and subject to the requirements of the GEM Listing Rules and the terms of the Share Option Scheme, our Board shall be entitled at any time, within 10 years after the Adoption Date to make an offer of the grant of an Option (the "Offer") to any Participant as our Board may at its absolute discretion select, and subject to any such conditions as our Board may at its absolute discretion think fit, to subscribe for such number of Shares as our Board may (subject to paragraphs 9 and 10) determine at the Subscription Price.

5.2 Our Company may not make any Offer after inside information (having the meaning defined in the SFO as amended from time to time) has come to its knowledge, until it has announced the information. In particular, our Company may not make any offer during the period commencing 1 month immediately before the earlier of (i) the date of the meeting of our Board (as such date is first notified by our Company to the Stock Exchange under the GEM Listing Rules) for approving our Company's results for any year, half-year, quarter-year period of any other interim period (whether or not required under the GEM Listing Rules); and (ii) the deadline for our Company to announce its results for any year, half-year or quarter-year period under the GEM Listing Rules, or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement.

5.3 An Offer shall be made to a Participant by letter in such form as our Board may from time to time determine (the "Offer Letter") specifying the number of Shares under the Option, the Subscription Price, the vesting schedule (if any), the conditions to vesting (if any), and the period to be determined by our Board at its absolute discretion and notified by our Board to each Grantee as being the period during which an Option may be exercised and in any event, such period shall not be longer than 10 years from the date upon which any particular Option is granted in accordance with the Share Option Scheme (the "Option Period") and requiring the Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme. An Offer must be made on a business day and shall remain open for acceptance by the Participant to whom an Offer is made for a period from the date on which an Offer is made to a Participant (the "Offer Date") to such date as our Board may determine and specify in the Offer Letter (both days inclusive) (the "Acceptance Period"), provided that no such Offer shall be open for acceptance after the 10th anniversary from the Adoption Date or after the Share Option Scheme has been terminated in accordance with the provisions hereof, whichever is earlier.

5.4 An Offer shall be deemed to have been accepted by any Participant who accepts an Offer in accordance with the terms of the Share Option Scheme, or (where the context so permits) the personal representative(s) entitled to any such Option in consequence of the death of the original Participant (the "Grantee") and the Option to which the Offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the Offer Letter comprising acceptance of the Offer duly signed by the Grantee together with a remittance in favour of our Company of HK$1.00 by way of consideration for the granting thereof is received by our Company within the Acceptance Period. Such remittance shall in no circumstances be refundable or be considered as part of the Subscription Price.

5.5 Any Offer may be accepted by a Participant in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of such number of Shares as representing board lot(s) for dealing in Shares on the Stock Exchange or an integral multiple thereof and the number of Shares in respect of which the Offer is accepted is clearly stated in the duplicate of the Offer Letter received by our Company as mentioned in subparagraph 5.4. To the extent that the Offer is not accepted within the Acceptance Period and in the manner stipulated in sub-paragraph 5.4, it will be deemed to have been irrevocably declined by the Participant and the Offer shall automatically lapse and becomes null and void.

5.6 Subject to the provisions of the Share Option Scheme and the GEM Listing Rules, our Board may when making the Offer impose any terms, conditions, restrictions or limitations in relation to the Option as it may at its absolute discretion think fit.

5.7 Any Offer to a connected person of our Company, or any of his or her associates, must be in accordance with the requirements of the GEM Listing Rules.

5.8 Our Board may not make an Offer to a Participant who is a director of our Group during the periods or times in which such director is prohibited from dealing in Shares pursuant to Rule 5.56 of the GEM Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

6. Subscription Price

Subject to any adjustments made pursuant to paragraph 11, the Subscription Price in respect of each Share issued pursuant to the exercise of Options granted hereunder shall be a price solely determined by our Board and notified to a Participant and shall be at least the highest of:

(a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date, which must be a business day;

(b) a price being the average of the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the Offer Date (provided that the new issue price shall be used as the closing price for any business day falling within the period before listing of the Shares where our Company has been listed for less than 5 business days as at the Offer Date); and

(c) the nominal value of a Share.

7. *Exercise of Options*

7.1 An Option shall be personal to the Grantee and shall not be assignable or transferable. No Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interests (whether legal or beneficial) in favour of any third party over or in relation to any Option or enter into any agreement to do so. Where the Grantee is a company, any change of its controlling shareholder or any substantial change in its management (which is to be determined by our Board at its absolute discretion) will be deemed to be a sale or transfer of interest aforesaid. Where the Grantee is a trust, any change of the beneficiary of the Grantee will be deemed to be a sale or transfer of interest aforesaid. Where the Grantee is a discretionary trust, any change of the discretionary objects of the Grantee will be deemed to be a sale or transfer of interest aforesaid. Any breach of the foregoing by a Grantee shall entitle our Company to cancel any outstanding Option or part thereof to such Grantee (to the extent that it has not already been exercised) without incurring any liability on the part of our Company.

7.2 Unless otherwise determined by our Board and specified in the Offer Letter at the time of the Offer, there is neither any performance targets that need to be achieved by the Grantee before an Option can be exercised nor any minimum period for which an Option must be held before the Option can be exercised. An Option may be exercised in whole or in part in the manner as set out in the Offer Letter, this sub-paragraph and sub-paragraph 7.3 by the Grantee (or his or her personal representative(s)) giving notice in writing to our Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the total Subscription Price for the Shares in respect of which the notice is given. Subject to paragraph 12, within 28 business days after receipt of the notice and the remittance, and where appropriate, receipt of the certificate from the independent financial adviser or the auditors for the time being of our Company (the "Auditors") (as the case may be) pursuant to paragraph 11, our Company shall allot and issue the relevant Shares to the Grantee (or his or her personal representative(s)) credited as fully paid and issue to the Grantee (or his or her personal representative(s)) a share certificate in respect of the Shares so allotted.

7.3 Subject as hereinafter provided and subject to the terms and conditions upon which such Option was granted, an Option may be exercised by the Grantee at any time during the Option Period provided that:

(a) in the event of the Grantee ceases to be a Participant for any reason other than on the Grantee's death, ill-health, retirement (in the case of the Grantee being an Employee) or the termination of the Grantee's employment, directorship, office, appointment or engagement on one or more of the grounds specified in sub-paragraph 8(f) below, the Option granted to such Grantee shall lapse on the date of cessation (to the extent which has not already been exercised) and will not be exercisable unless our Board otherwise determines to grant an extension at the discretion of our Board in which event the Grantee may exercise the Option in accordance with the provisions of sub-paragraph 7.2 above within such period of extension and up to a maximum entitlement directed at the discretion of our Board on the date of grant of extension (to the extent that it has become exercisable and has not already been exercised) and subject to other terms and conditions decided at the discretion of our Board. For the avoidance of doubt, such period of extension (if any) shall be granted within the expiration of the period of 1 month following the date on which the Grantee ceases to be a Participant, which date shall be the Grantee's last actual working day with the relevant company whether salary is paid in lieu of notice or not, or the last date of office or appointment or engagement as director, officer or employee of, or as consultant, professional or other adviser to, the relevant company, as the case may be, in the event of which, the date of cessation as determined by a resolution of the board of directors or governing body of the relevant company shall be conclusive;

(b) in the event of the Grantee (who is an Employee) ceases to be an Employee by reason of death, ill-health or retirement in accordance with his or her contract of employment before exercising the Option in full and none of the events which would be a ground for termination of the Grantee's employment under sub-paragraph 8(f) arises, the personal representative(s) of the Grantee or, as appropriate, the Grantee, shall be entitled within a period of 6 months following the date of cessation of employment or such longer period as our Board may at its discretion determine, to exercise the Option up to the entitlement of such Grantee as at the date of cessation of employment (to the extent that it has become exercisable and has not already been exercised) or, if appropriate, make an election pursuant to sub-paragraphs 7.3(c), (d), (e) or (f);

(c) if a general offer by way of take-over (other than by way of scheme of arrangement pursuant to sub-paragraph 7.3(d)) is made to all holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror (the "Dissenting Shareholders")) and if such offer becomes or is declared unconditional and the offeror is entitled to and does give notice pursuant to the Companies Law to acquire Shares held by the Dissenting Shareholders prior to the expiry of the relevant Option Period, the Grantee (or his or her personal representative(s)) may by notice in writing to our Company within 21 days of the notice of the offeror exercise the Option (to the extent that it has become exercisable on the date of the notice of the offeror and has not already been exercised) to its full extent or to the extent specified in such notice;

(d) if a general offer by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary majority of holders of Shares at the requisite meetings, the Grantee (or his or her personal representative(s)) may thereafter (but only until such time as shall be notified by our Company, after which it shall lapse), by notice in writing to our Company, exercise the Option (to the extent that it has become exercisable and has not already been exercised) to its full extent or to the extent specified in such notice;

(e) other than a general offer or scheme of arrangement contemplated in sub-paragraphs 7.3(c) and (d), if a compromise or arrangement between our Company and our members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or our amalgamation with any other company or companies, our Company shall give notice thereof to the Grantee on the same date as it despatches the notice which is sent to each member or creditor of our Company summoning the meeting to consider such a compromise or arrangement, and thereupon the Grantee (or his or her personal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of 2 months thereafter and the date on which such compromise or arrangement is sanctioned by the court of competent jurisdiction, exercise any of his or her Options (to the extent that it has become exercisable and has not already been exercised) whether in full or in part, but the exercise of an Option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective. Upon such compromise or arrangement becoming effective, all Options shall lapse except insofar as previously exercised under the Share Option Scheme. Our Company may require the Grantee (or his or her personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of Options in these circumstances so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement; and

(f) in the event of a notice being given by our Company to Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, other than for the purposes of a reconstruction, amalgamation or scheme of arrangement, our Company shall on the same date as or soon after it despatches such notice to convene the general meeting, give notice thereof to all Grantees and thereupon, the Grantees (or their respective personal representative(s)) may, subject to the provisions of all applicable laws, by notice in writing to our Company (such notice to be received by our Company not later than 2 business days prior to the proposed general meeting of our Company) exercise the Option (to the extent that it has become exercisable and has not already been exercised) either to its full extent or to the extent specified in such notice, such notice to be accompanied by a payment for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the Grantee credited as fully paid.

7.4 The Shares to be allotted and issued upon the exercise of an Option will be subject to all the provisions of the Memorandum and the Articles and will rank pari passu in all respects with the fully paid Shares in issue on the date of their allotment and issue, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment and issue other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment and issue, provided always that when the date of exercise of the Option falls on a date upon which the register of shareholders of our Company is closed, then the exercise of the Option shall become effective on the first business day in Hong Kong on which the register of shareholders of our Company is re-opened.

7.5 Any Shares allotted and issued upon the exercise of an Option shall not carry voting rights until the registration of the Grantee (or any other person) has been duly entered on the register of shareholders of our Company as the holder thereof.

8. Lapse of Option

An Option shall lapse automatically and not be exercisable (to the extent that it has not already been exercised) on the earliest of:

(a) the expiry of the Option Period (subject to the provisions of sub-paragraph 4.1 and paragraph 14);

(b) the date on which the Grantee ceases to be a Participant as referred to in sub-paragraph 7.3(a) (in the case where our Board has not determined an extension of time in which the Option may be exercised) or the expiry of the extended period of time in which the Option may be exercised as determined by our Board as referred to in sub-paragraph 7.3(a);

(c) the expiry of the periods referred to in sub-paragraphs 7.3(b) or (c);

(d) subject to the scheme of arrangement as referred to in sub-paragraph 7.3(d) becoming effective, the expiry of the period referred to in sub-paragraph 7.3(d);

(e) subject to the compromise or arrangement referred to in sub-paragraph 7.3(e) becoming effective, the expiry of the period referred to in sub-paragraph 7.3(e);

(f) the date on which the Grantee ceases to be a Participant by reason of the termination of his or her employment, office, directorship, appointment or engagement as director, officer or employee of, or as consultant, professional or other adviser to, the relevant company on one or more of the following grounds, namely, that he or she has been guilty of misconduct, or has been in breach of material terms of the relevant employment contract or service contract, or has stopped payment to creditors generally or been unable to pay his or her debts within the meaning of any applicable legislation relating to bankruptcy or insolvency, or has become bankrupt or insolvent, or has been served with a petition for bankruptcy, or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty, or (if so determined by our Board or the board of the relevant company, as the case may be) on any other ground on which any employer or any engaging party would be entitled to terminate his or her employment, office, directorship, appointment or engagement at common law or pursuant to any applicable laws or under the Grantee's employment contract or service contract with our Company or the relevant company (as the case may be), in the event which a resolution of our Board or the board of directors or governing body of the relevant company (as the case may be) to the effect that the employment, office, directorship, appointment or engagement of a Grantee has or has not been terminated on one or more of the grounds specified in this sub-paragraph 8(f) shall be conclusive and binding on the Grantee;

(g) the close of 2 business days prior to the general meeting of our Company held for the purpose of approving the voluntary winding-up of our Company or the date of the commencement of the winding-up of our Company;

(h) the date on which our Board exercises our Company's right to cancel the Option at any time after the Grantee commits a breach of sub-paragraph 7.1; or

(i) the date on which the Option is cancelled by our Board as provided in paragraph 15.

Our Company shall owe no liability to any Grantee for the lapse of any Option under this paragraph 8.

9. Maximum number of Shares available for subscription

9.1 Subject to sub-paragraph 9.2:

(a) The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company shall not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Placing and the Capitalisation Issue (being 132,000,000 Shares), unless our Company obtains an approval from our Shareholders pursuant to sub-paragraphs 9.1(b) or 9.1(c). Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating such 10% limit.

(b) Our Company may seek approval of our Shareholders in general meeting for refreshing the 10% limit set out in sub-paragraph 9.1(a) under the Share Option Scheme such that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company under the limit as refreshed shall not exceed 10% of the total number of Shares in issue as at the date of approval to refresh such limit. Options previously granted under the Share Option Scheme and any other share option schemes (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share option schemes or exercised options) will not be counted for the purpose of calculating such limit as refreshed. In such a case, our Company shall send a circular to our Shareholders containing the information and disclaimer as required under the GEM Listing Rules.

(c) Our Company may seek separate approval by our Shareholders in general meeting for granting Options beyond the 10% limit provided that the Options in excess of such limit are granted only to Participants specifically identified by our Company before such approval is sought. In such a case, our Company shall send a circular to our Shareholders containing, amongst other terms, a generic description of the specified Participant(s) who may be granted such Options, the number of Shares subject to the Options to be granted, the terms of the Options to be granted, the purpose of granting Options to the specified Participant(s), an explanation as to how the terms of the Options serve such purpose and such other information and disclaimer as required under the GEM Listing Rules.

9.2 Notwithstanding any provision in sub-paragraph 9.1 and subject to paragraph 11, the limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of the Shares in issue from time to time (or such higher percentage as may be allowed under the GEM Listing Rules). No options may be granted under the Share Option Scheme and any other share option schemes of our Company if this will result in such limit being exceeded.

10. Maximum entitlement of Shares of each Participant

10.1 (a) Subject to sub-paragraphs 10.1(b), (c) and (d), the total number of Shares issued and to be issued upon exercise of the options granted to each Participant under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding Options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.

(b) Notwithstanding sub-paragraph 10.1(a), where any further grant of Options to a Participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such Participant under the Share Option Scheme and any other share option schemes of our Company (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the total number of Shares in issue, such further grant must be separately approved by our Shareholders in general meeting with such Participant and his or her associates abstaining from voting. The number of Shares subject to the Options to be granted to such Participant and the terms of the Options to be granted to such Participant shall be fixed before shareholders' approval and the date of Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the Subscription Price. In such a case, our Company shall send a circular to our Shareholders containing, amongst other terms, the identity of such Participant, the number and the terms of the Options to be granted (and options previously granted to such Participant) and such other information and disclaimer as required under the GEM Listing Rules.

(c) In addition to paragraph 9 and sub-paragraphs 10.1(a) and 10.1(b), any grant of Options to a Participant who is a director, chief executive or substantial shareholder of our Company or their respective associates must be approved by our independent non-executive Directors (excluding independent non-executive Director who is the Grantee).

(d) In addition to paragraph 9 and sub-paragraphs 10.1(a) and 10.1(b), where any grant of Options to a Participant who is a substantial Shareholder or independent non-executive Director, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) to him or her in the 12-month period up to and including the proposed date of such grant:

(i) representing in aggregate more than 0.1% of the total number of Shares in issue on the proposed date of such grant; and

(ii) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the proposed date of such grant, in excess of HK$5,000,000,

such proposed grant of Options must be approved by our Shareholders in general meeting. In such a case, our Company shall send a circular to our Shareholders containing all those terms as required under the GEM Listing Rules. The Participant concerned and all other connected persons of our Company must abstain from voting in favour of the resolution at such general meeting. Any vote taken at the meeting to approve the grant of such Options must be taken on a poll.

The Participant and all other connected persons of our Company may vote against the resolution at the general meeting provided that such intention to do so has been stated in the circular. Any such party may change his or her mind as to whether to abstain or vote against the resolution, in which case our Company shall, if it becomes aware of the change before the date of the general meeting, immediately despatch a circular to our Shareholders or publish an announcement notifying our Shareholders of the change and, if known, the reason for such change. Where the circular is despatched or the announcement is published less than 10 business days before the date originally scheduled for the general meeting, the meeting shall be adjourned before considering the relevant resolution to a date that is at least 10 business days from the date of despatch of the circular or publication of the announcement.

10.2 Subject to sub-paragraphs 9.1, 9.2 and 10.1, in the event of any alteration in the capital structure of our Company whether by way of capitalization issue, rights issue, consolidation, sub-division or reduction of the share capital of our Company or otherwise howsoever (other than as a result of an issue of Shares as consideration in a transaction), the maximum number of Shares referred to in paragraphs 9.1, 9.2 and 10.1 will be adjusted in such manner as an independent financial adviser or the Auditors (acting as experts and not as arbitrators) shall confirm to our Directors in writing to be in compliance with the requirements under the GEM Listing Rules.

11. Alteration of capital structure

In the event of any alteration in the capital structure of our Company whilst any Option remains exercisable, whether by way of capitalisation issue, rights issue, sub-division, consolidation, or reduction of the share capital of our Company or otherwise howsoever in accordance with the applicable legal requirements and requirements of the Stock Exchange (excluding any alteration in the capital structure of our Company as a result of an issue of Shares as consideration in respect of a transaction to which our Company is a party) at any time after the date on which dealings in the Shares first commence on the Stock Exchange, such corresponding alterations (if any) shall be made to:

(i) the number or nominal amount of Shares subject to the Option so far as unexercised; and/or

(ii) the Subscription Price;

as an independent financial adviser appointed by our Company or the Auditors shall at the request of our Board in respect of any such alterations, other than any made on a capitalisation issue, certify in writing to our Directors, either generally or as regards any particular Grantee, that any such alterations shall satisfy the requirements set out in the note to Rule 23.03(13) of the GEM Listing Rules, the supplementary guidance issued by the Stock Exchange on 5 September 2005 regarding adjustments to the exercise price and number of share options under Rule 23.03(13) of the GEM Listing Rules and any other applicable guidance from time to time issued by the Stock Exchange, and shall give a Grantee the same proportion of the issued share capital of our Company as that to which the Grantee was previously entitled, provided that no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of Shares as consideration in a transaction may not be regarded as a circumstance requiring alteration. The capacity of the independent financial adviser or the Auditors in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on our Company and the Grantees. The costs of the independent financial adviser or the Auditors shall be borne by our Company. Notice of such alteration(s) shall be given to the Grantees by our Company.

12. Share Capital

The exercise of any Option shall be subject to our Shareholders in a general meeting approving any necessary increase in the authorised share capital of our Company. Subject thereto, our Board shall make available sufficient authorised but unissued share capital of our Company to meet subsisting requirements on the exercise of Options.

13. Disputes

Any dispute arising in connection with the Share Option Scheme (whether as to the number of Shares the subject of an Option, the amount of the Subscription Price or otherwise) shall be referred to the decision of the Auditors or an independent financial adviser appointed by our Company who shall act as experts and not as arbitrators and whose decision shall be final and binding.

14. Alteration of the Share Option Scheme

14.1 The provisions of the Share Option Scheme may be altered in any respect by resolution of our Board at its absolute discretion except that the provisions of the Share Option Scheme as to:

(a) the definitions of "Grantee", "Option Period" and "Participant" provided above;

(b) the provisions of paragraphs and sub-paragraphs 4.1, 5.1, 5.2, 5.3, 6, 7, 8, 9, 10, 11 and this paragraph 14; and

(c) all such other matters set out in Rule 23.03 of the GEM Listing Rules

shall not be altered to the advantage of the Participants except with the prior approval of our Shareholders in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the affected Grantees as would be required of our Shareholders under the Articles for a variation of the rights attached to the Shares.

14.2 Any alteration to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of the Options granted must be approved by our Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

14.3 The amended terms of the Share Option Scheme or the Options must still comply with the relevant requirements of Chapter 23 of the GEM Listing Rules.

14.4 Any change to the authority of our Directors or scheme administrators in relation to any alteration to the terms of the Share Option Scheme must be approved by our Shareholders in general meeting.

15. Cancellation of the Options granted

Our Board may, with the consent of the relevant Grantee, at any time at its absolute discretion cancel any Option granted but not exercised. Where our Company cancels Options and makes an Offer of the grant of new Options to the same Option holder, the Offer of the grant of such new Options may only be made under the Share Option Scheme with available Options (to the extent not yet granted and excluding the cancelled Options) within the limit approved by our Shareholders as mentioned in paragraph 9.

16. Termination of the Share Option Scheme

Our Company by resolution in general meeting or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any

Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme, and Options which are granted prior to such termination shall continue to be valid and exercisable in accordance with the provisions of the Share Option Scheme and their terms of issue. Upon such termination, details of the Options granted (including options exercised or outstanding) under the Share Option Scheme and (if applicable) Options that become void or non-exercisable as a result of the termination are required under the GEM Listing Rules to be disclosed in the circular to shareholders seeking approval of the first new scheme established thereafter.

Application has been made to the Listing Division for listing of, and permission to deal in, 132,000,000 Shares which may fall to be issued pursuant to the exercise of the Options.

As at the date of this prospectus, no Option has been granted or agreed to be granted by our Company under the Share Option Scheme.

OTHER INFORMATION

1. Estate duty, tax indemnity and other indemnities

Indemnity on estate duty and taxation

Winful Enterprises and Mr. Cheng Wai Tak (together, the "Indemnifiers") have entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of its subsidiaries) (being a contract referred to in the paragraph headed "Summary of material contracts" in this Appendix). Pursuant to the Deed of Indemnity, each of the Indemnifiers jointly and severally covenants with our Company and its subsidiaries that they will pay to our Company or (as the case maybe) the relevant subsidiary an amount calculated in accordance with the deed in respect of:

(i) any tax liability of our Company or the relevant subsidiary which has arisen or may arise wholly or partly in respect of or in consequence of any act, omission or event occurring or deemed to occur on or before the Listing Date or, any income, profits or gains earned, accrued, received, or deemed to have been earned, accrued or received on or before the Listing Date, provided that the indemnity given under the Deed of Indemnity shall not apply:

(a) to the extent that specific provision or reserve has been made for such taxation liability in the audited combined results of operations and cash flows of our Group for the two years ended 31 December 2012 and eight months ended 31 August 2013 and the combined balance sheet of our Group as at 31 August 2013 together, in each case with the notes thereto as set out in Appendix I to this prospectus;

(b) to the extent that such taxation liability would not have arisen but for any voluntary act or omission of, or transaction voluntarily effected by our Company or any of our other subsidiaries after the Listing Date which our Company or the relevant subsidiary ought reasonably to have known would give rise to such taxation liability but excluding any act carried out pursuant to a legally binding obligation of our Company or any of our subsidiaries entered into or incurred on or before the Listing Date, or pursuant an obligation imposed by any law, regulation or requirement having the force of law on or before the Listing Date, or taking place with the written approval of any of the Indemnifiers, or pursuant to the Placing or any document executed pursuant to the Placing; and

(c) to the extent that such taxation liability arises or is increased as a result of an increase in rates of taxation made after the Listing Date or any retrospective change in the law or retrospective increase in tax rates coming into force after the Listing Date

(ii) any taxation liability under or by virtue of the provisions of sections 35 and 43 of Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) (the "Estate Duty Ordinance") or any similar laws and regulations of any relevant jurisdiction arising on the death of any person at any time by reason of any transfer of any property to our Company or any of our subsidiaries made or deemed to have been made on or before the Listing Date, or by reason of any property of our Company or any of our subsidiaries being deemed for the purpose of estate duty to be included in the property passing on death of any person by reason of that person making or having made a transfer of such property on or before the Listing Date, and any penalty imposed under section 42 of the Estate Duty Ordinance; and

(iii) any costs, fees or expenses incurred by our Company or any of our subsidiaries (on a full indemnity basis) in connection with the investigation, assessment or contesting of any such taxation liability or taking or defending any action in connection with such taxation liability.

Each of the Indemnifiers further agrees and undertakes to indemnify each of our Company and our subsidiaries on demand:

(i) in respect of and to the extent of, any losses, costs, liabilities or damages suffered by or falling on our Company and any of our subsidiaries in respect of and to the extent arising from or relating to operations before the Listing Date including but not limited to losses, costs, liabilities or damages suffered by our Company and any of our subsidiaries in respect of and to the extent of arising from or relating to the following:

(a) non-compliance of any legal and/or regulatory requirements of any jurisdiction, including but not limited to, failure to maintain proper corporate books and records, prepare accounts, convene general meeting or attend to filing or updating of corporate documents with relevant authorities;

(b) claims arising from operation of the businesses of our Company and any of our subsidiaries, tortuous or contractual or otherwise; and

(c) failure to obtain, renew or loss of such registration or exemption of relevant certificates and licenses in relation to operation of the businesses of our Company and any of our subsidiaries;

(ii) in respect of and to the extent of all costs (including all legal costs), expenses or other liabilities which our Company and any of our subsidiaries may incur in connection with:

(a) the settlement of any claim under the Deed of Indemnity;

(b) any legal proceedings in which our Company and any of our subsidiaries claims under or in respect of the Deed of Indemnity and in which judgment is given for our Company and any of our subsidiaries; or

(c) the enforcement of any settlement or judgment.

2. Litigation

During the Track Record Period and up to the Latest Practicable Date, no member of our Group had been engaged in any litigation, arbitration or claim of material importance, and as at the Latest Practicable Date, no litigation, arbitration or claim or material importance was known to our Directors to be pending or threatened by or against our Group which would have a material adverse effect on our business, result of operations or financial conditions.

3. Sponsor

Vinco Capital has made an application on behalf of our Company to the Listing Division of the Stock Exchange for listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned herein (including any Shares falling to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

4. Preliminary expenses

The preliminary expenses of our Company were approximately US$4,900 and had been paid by our Company.

5. Promoter

Our Company has no promoter for the purposes of the GEM Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit had been paid, allotted or given, nor are any such cash, securities or other benefit intended to be paid, allotted or given, to the promoter of our Company in connection with the Placing or the related transactions described in this prospectus.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in or referred to this prospectus:

Name	Qualification
Vinco Capital	licensed under the SFO to carry out type 1 regulated activity (dealing in securities) and type 6 regulated activity (advising on corporate finance) under the SFO
King & Wood Mallesons	PRC lawyers
PricewaterhouseCoopers	Certified Public Accountants
Appleby	Cayman Islands attorneys-at-law

7. Consents of experts

Each of Vinco Capital, King & Wood Mallesons, PricewaterhouseCoopers and Appleby has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or the references to its name included herein in the form and context in which they are respectively included.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance insofar as applicable.

9. Agency fees or commission received

The Underwriters will receive an underwriting commission, and the Sponsor will receive a financial advisory fee and documentation fee, as referred to under "Commissions, fees and expenses" in the section headed "Underwriting" in this prospectus.

10. Miscellaneous

(a) Save as disclosed in this Appendix, within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries;

(iv) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;

(b) Save for the listing expenses as set out under the paragraph headed "Impact on our financial results due to expenses incurred in relation to the Listing" under the section headed "Financial Information" in this prospectus, since 31 August 2013 (being the date to which the latest audited combined financial results of our Group as set out in Appendix I to this prospectus were made up) there has been no material adverse change in the financial or trading position or prospects of our Group.

(c) None of Vinco Capital, King & Wood Mallesons, PricewaterhouseCoopers and Appleby:

(i) is interested beneficially or non-beneficially in any shares in any member of our Group; or

(ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group;

(d) all necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement;

(e) no company within our Group is presently listed on any stock exchange or traded on any trading system;

(f) our Company has no outstanding convertible debt securities;

(g) there are no arrangements in existence under which future dividends are to be or agreed to be waived; and

(h) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) the written consents referred to in the section headed "Other information — Consents of experts" in Appendix V to this prospectus; and

(b) copies of material contracts referred to in the section headed "Further information about our business — Summary of material contracts" in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Woo Kwan Lee & Lo at 26th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours from 9:30 a.m. to 5:30 p.m. Monday to Friday up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum of Association and the Articles;

(b) the Accountant's Report on our Group from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;

(c) the audited combined financial statements of our Group for each of the two years ended 31 December 2012 and the eight months ended 31 August 2013;

(d) the report from PricewaterhouseCoopers to the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;

(e) the letters relating to the profit estimate from PricewaterhouseCoopers and the Sponsor, the text of which are set out in Appendix III to this prospectus;

(f) the letter prepared by Appleby summarizing certain aspects of Cayman Islands company law as referred to in Appendix IV to this prospectus;

(g) the legal opinions issued by King & Wood Mallesons in respect of our general and other matters in the PRC;

(h) the rules of the Share Option Scheme;

(i) the Companies Law;

(j) the material contracts referred to in the section headed "Further Information about our Business — Summary of material contracts" in Appendix V to this prospectus;

(k) the service agreements and appointment letters referred to in the section headed "Further Information about Directors, Chief Executive and Substantial Shareholders — Particulars of our Directors' service agreements and letters of appointment" in Appendix V to this prospectus; and

(l) the written consents referred to in the section headed "Other Information — Consents of experts" in Appendix V to this prospectus.