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Perfect Optronics Limited
圓美光電有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8311)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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 high 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.

This announcement, for which the directors (the “Directors”) of Perfect Optronics Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2015 amounted to approximately HK\$1,274.2 million, representing a decrease of 2% as compared with that of approximately HK\$1,299.5 million in 2014.
- Profit attributable to equity holders of the Company for the year ended 31 December 2015 amounted to approximately HK\$27.7 million, representing an increase of 6% as compared with that of approximately HK\$26.1 million in 2014.
- The board of directors of the Company proposed a final dividend of HK0.5 cent per ordinary share for the year ended 31 December 2015, subject to the Company's shareholders' approval at the forthcoming annual general meeting to be held on 6 May 2016.

RESULTS

The board of directors (the “Board”) of Perfect Optronics Limited is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2015, together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	<i>Note</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
Revenue	4	1,274,174	1,299,495
Cost of sales		<u>(1,177,343)</u>	<u>(1,208,228)</u>
Gross profit		96,831	91,267
Other losses, net		(1,749)	(238)
Distribution and selling expenses		(16,354)	(15,076)
General and administrative expenses		(37,123)	(33,992)
Research and development expenses		<u>(9,256)</u>	<u>(4,900)</u>
Operating profit		32,349	37,061
Finance income		1,101	690
Finance costs		<u>(1,423)</u>	<u>(2,550)</u>
Finance costs, net		(322)	(1,860)
Share of loss of an associate	5	—	(953)
Loss on re-measurement of associate to acquisition date fair value in business combination achieved in stages	5	—	<u>(2,028)</u>
Profit before income tax	6	32,027	32,220
Income tax expense	7	<u>(6,585)</u>	<u>(7,047)</u>
Profit for the year		25,442	25,173
Other comprehensive income:			
<i>Items that may be reclassified subsequently to income statement</i>			
Change in value of available-for-sale financial assets		7,041	(5)
Currency translation differences		<u>(1,822)</u>	<u>(1,868)</u>
Total comprehensive income for the year		<u>30,661</u>	<u>23,300</u>
Profit for the year attributable to:			
Equity holders of the Company		27,732	26,148
Non-controlling interests		<u>(2,290)</u>	<u>(975)</u>
		<u>25,442</u>	<u>25,173</u>
Total comprehensive income for the year attributable to:			
Equity holders of the Company		33,739	25,010
Non-controlling interests		<u>(3,078)</u>	<u>(1,710)</u>
		<u>30,661</u>	<u>23,300</u>
Basic and diluted earnings per share	8	<u>HK1.87 cents</u>	<u>HK1.80 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

		31 December 2015	31 December 2014	1 January 2014
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Restated)	(Restated)
Assets				
Non-current assets				
Property, plant and equipment		4,784	4,781	1,537
Intangible assets		12,552	13,481	—
Available-for-sale financial assets	10	32,285	1,344	—
Deferred income tax assets		—	—	57
		49,621	19,606	1,594
Current assets				
Inventories		77,111	135,261	131,426
Trade and other receivables	11	203,095	110,135	156,325
Tax recoverable		151	2,227	—
Restricted bank deposits		20,316	22,230	35,038
Fixed deposits with original maturity date more than three months		17,755	21,401	—
Cash and cash equivalents		127,953	112,436	62,869
		446,381	403,690	385,658
Total assets		496,002	423,296	387,252
Equity and liabilities				
Equity attributable to equity holders of the Company				
Share capital	12	14,837	13,200	—
Reserves		122,231	118,512	41,850
Retained earnings		127,413	107,099	100,751
		264,481	238,811	142,601
Non-controlling interests		15,248	18,326	—
Total equity		279,729	257,137	142,601

		31 December	31 December	1 January
		2015	2014	2014
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Restated)	(Restated)
Liabilities				
Non-current liabilities				
Note payable		10,000	—	—
Loan from a shareholder		—	27,769	—
Deferred income tax liabilities		644	721	—
		<u>10,644</u>	<u>28,490</u>	<u>—</u>
Current liabilities				
Trade and other payables	13	164,429	90,528	159,411
Note payable		10,000	—	—
Bank borrowings		31,200	47,141	75,531
Current income tax liabilities		—	—	9,709
		<u>205,629</u>	<u>137,669</u>	<u>244,651</u>
Total liabilities		<u>216,273</u>	<u>166,159</u>	<u>244,651</u>
Total equity and liabilities		<u>496,002</u>	<u>423,296</u>	<u>387,252</u>

Notes:

1. 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 Company's immediate and ultimate holding company is Winful Enterprises Limited, a company incorporated in the British Virgin Islands (the "BVI"). The address of its registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The Company's shares are listed on the GEM of the Stock Exchange on 7 February 2014 (the "Listing").

The Company is an investment holding company and the Group is principally engaged in the trading of display panels, optics products and related electronic components.

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

The financial statements are presented in Hong Kong dollars ("HK\$"), unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets which have been measured at fair value.

2.1.1 Common control combination

On 22 January 2015, Rightone Resources Limited (“Rightone”), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the “Agreement”) to acquire the entire equity interest in Perfect Shiny Technology Limited (“Perfect Shiny”) (the “Acquisition”) from Mr. Cheng Wai Tak (“Mr. Cheng”), a director and a substantial shareholder of the Company. Pursuant to the Agreement, the consideration of the Acquisition was HK\$323,000,000, of which HK\$20,000,000 was satisfied by the issuing and delivering of a promissory note in favour of Mr. Cheng in the same amount; HK\$10,000,000 was settled by cash to Mr. Cheng upon completion of the Acquisition; and the rest was satisfied by the allotment and issue by the Company of 163,687,151 new shares (the “Consideration Shares”) to the nominee of Mr. Cheng. Pursuant to the Agreement, Mr. Cheng agreed to irrevocably warrant and guarantee to Rightone that the sum of the profit attributable to equity holders of Perfect Shiny and its subsidiaries (“Perfect Shiny Group”) for the two financial years ending 31 December 2016 shall be not less than HK\$34,000,000 (“Profit Guarantee”). Mr. Cheng agrees to pay to the Group the amount that corresponds to the amount of any shortfall from HK\$34,000,000 multiplied by 9.513 (being the implied multiple derived from the valuation of Perfect Shiny Group at HK\$323,442,000 as at 31 December 2014 performed by an independent valuer divided by the guaranteed profit in the amount of HK\$34,000,000 under the Profit Guarantee). The liability may be settled in cash, or, if agreed by the Group and Mr. Cheng, by the buy-back by the Company of the Consideration Shares at their original issue price. However, the maximum liability of Mr. Cheng in respect of the non-fulfillment of the profit guarantee shall not exceed HK\$323,000,000. No amount has been recognised with respect to the Profit Guarantee as at 31 December 2015. Furthermore, a shareholder’s loan of approximately HK\$29,349,000 payable by Perfect Shiny to Mr. Cheng was waived upon completion of the Acquisition. Details of the Acquisition are set out in the Company’s circular to its shareholders dated 6 March 2015. The Acquisition was approved by an ordinary resolution passed by the shareholders of the Company by way of poll in an extraordinary general meeting held on 17 April 2015. The Acquisition was completed and the Consideration Shares were issued on 30 April 2015, at which time the closing price of shares of the Company was HK\$2.38 per share.

In the preparation of the consolidated financial statements of the Company for the year ended 31 December 2015, it was determined that the Group and Perfect Shiny Group were ultimately controlled by Mr. Cheng before and after the Acquisition, and that control is not transitory. The Group and Perfect Shiny Group were regarded as continuing entities as at the date of business combination and hence the Acquisition was accounted for as a combination of entities under common control by applying the principles of merger accounting in accordance with the Accounting Guideline 5 “Merger accounting for common control combinations” (“AG 5”) issued by the HKICPA as if the Acquisition had occurred on the date when the combining entities first came under the control of the substantial shareholder. Accordingly, the assets and liabilities acquired in the common control combinations are stated at their carrying amounts as if they had been held or incurred by the Group from the later of the date on which the combining entities first came under the control of the substantial shareholder or the relevant transactions giving rise to the assets or liabilities arose.

In accordance with AG 5, the comparative amounts of the consolidated financial statements of the Company have been restated to include the financial statement items of Perfect Shiny Group. The effect of the common control combination of Perfect Shiny Group on the comparative consolidated financial statements are summarised as follows:

(a) *Effect on the consolidated statement of financial position as at 31 December 2014*

	As previously reported <i>HK\$'000</i>	Perfect Shiny Group <i>HK\$'000</i>	Consolidation adjustment <i>HK\$'000</i>	As restated <i>HK\$'000</i>
Assets				
Non-current assets				
Property, plant and equipment	3,778	1,003		4,781
Intangible assets	3,122	10,359		13,481
Available-for-sale financial assets	—	1,344		1,344
	<u>6,900</u>	<u>12,706</u>		<u>19,606</u>
Current assets				
Inventories	133,657	1,604		135,261
Trade and other receivables	108,921	1,214		110,135
Tax recoverable	2,227	—		2,227
Restricted bank deposits	22,230	—		22,230
Fixed deposits with original maturity date more than three months	—	21,401		21,401
Cash and cash equivalents	103,314	9,122		112,436
	<u>370,349</u>	<u>33,341</u>		<u>403,690</u>
Total assets	<u><u>377,249</u></u>	<u><u>46,047</u></u>		<u><u>423,296</u></u>
Equity and liabilities				
Equity attributable to equity holders of the Company				
Share capital	13,200	3,900	(3,900)	13,200
Reserves	115,623	(1,011)	3,900	118,512
Retained earnings/(accumulated losses)	113,976	(6,877)		107,099
	242,799	(3,988)		238,811
Non-controlling interests	—	18,326		18,326
Total equity	<u>242,799</u>	<u>14,338</u>		<u>257,137</u>
Liabilities				
Non-current liabilities				
Loan from a shareholder	—	27,769		27,769
Deferred income tax liabilities	115	606		721
	<u>115</u>	<u>28,375</u>		<u>28,490</u>
Current liabilities				
Trade and other payables	87,194	3,334		90,528
Bank borrowings	47,141	—		47,141
	<u>134,335</u>	<u>3,334</u>		<u>137,669</u>
Total liabilities	<u>134,450</u>	<u>31,709</u>		<u>166,159</u>
Total equity and liabilities	<u><u>377,249</u></u>	<u><u>46,047</u></u>		<u><u>423,296</u></u>

(b) Effect on the consolidated statement of financial position as at 1 January 2014

	As previously reported <i>HK\$'000</i>	Perfect Shiny Group <i>HK\$'000</i>	Consolidation adjustment <i>HK\$'000</i>	As restated <i>HK\$'000</i>
Assets				
Non-current assets				
Property, plant and equipment	1,537	—		1,537
Deferred income tax assets	57	—		57
	<u>1,594</u>	<u>—</u>		<u>1,594</u>
Current assets				
Inventories	131,426	—		131,426
Trade and other receivables	152,459	3,866		156,325
Restricted bank deposits	35,038	—		35,038
Cash and cash equivalents	62,869	—		62,869
	<u>381,792</u>	<u>3,866</u>		<u>385,658</u>
Total assets	<u><u>383,386</u></u>	<u><u>3,866</u></u>		<u><u>387,252</u></u>
Equity and liabilities				
Equity attributable to equity holders of the Company				
Share capital	—	3,900	(3,900)	—
Reserves	37,950	—	3,900	41,850
Retained earnings/(accumulated losses)	100,785	(34)		100,751
	<u>138,735</u>	<u>3,866</u>		<u>142,601</u>
Total equity	<u>138,735</u>	<u>3,866</u>		<u>142,601</u>
Liabilities				
Current liabilities				
Trade and other payables	159,411	—		159,411
Bank borrowings	75,531	—		75,531
Current income tax liabilities	9,709	—		9,709
	<u>244,651</u>	<u>—</u>		<u>244,651</u>
Total liabilities	<u>244,651</u>	<u>—</u>		<u>244,651</u>
Total equity and liabilities	<u><u>383,386</u></u>	<u><u>3,866</u></u>		<u><u>387,252</u></u>

(c) Effect on the consolidated statement of comprehensive income for the year ended 31 December 2014

	As previously reported <i>HK\$'000</i>	Perfect Shiny Group <i>HK\$'000</i>	Consolidation adjustment <i>HK\$'000</i>	As restated <i>HK\$'000</i>
Revenue	1,299,154	341		1,299,495
Cost of sales	<u>(1,207,137)</u>	<u>(1,091)</u>		<u>(1,208,228)</u>
Gross profit/(loss)	92,017	(750)		91,267
Other (losses)/gains, net	(1,410)	1,172		(238)
Distribution and selling expenses	(14,783)	(293)		(15,076)
General and administrative expenses	(33,775)	(217)		(33,992)
Research and development expenses	<u>—</u>	<u>(4,900)</u>		<u>(4,900)</u>
Operating profit/(loss)	42,049	(4,988)		37,061
Finance income	571	119		690
Finance costs	<u>(2,550)</u>	<u>—</u>		<u>(2,550)</u>
Finance (costs)/income, net	(1,979)	119		(1,860)
Share of loss of an associate	—	(953)		(953)
Loss on re-measurement of associate to acquisition date fair value in business combination achieved in stages	<u>—</u>	<u>(2,028)</u>		<u>(2,028)</u>
Profit/(loss) before income tax	40,070	(7,850)		32,220
Income tax (expense)/credit	<u>(7,079)</u>	<u>32</u>		<u>(7,047)</u>
Profit/(loss) for the year	32,991	(7,818)		25,173
Other comprehensive income:				
<i>Items that may be reclassified subsequently to income statement</i>				
Change in value of available-for-sale financial assets	—	(5)		(5)
Currency translation differences	<u>(127)</u>	<u>(1,741)</u>		<u>(1,868)</u>
Total comprehensive income/(expense) for the year	<u>32,864</u>	<u>(9,564)</u>		<u>23,300</u>
Profit/(loss) for the year attributable to:				
Equity holders of the Company	32,991	(6,843)		26,148
Non-controlling interests	<u>—</u>	<u>(975)</u>		<u>(975)</u>
	<u>32,991</u>	<u>(7,818)</u>		<u>25,173</u>
Total comprehensive income/(expense) for the year attributable to:				
Equity holders of the Company	32,864	(7,854)		25,010
Non-controlling interests	<u>—</u>	<u>(1,710)</u>		<u>(1,710)</u>
	<u>32,864</u>	<u>(9,564)</u>		<u>23,300</u>

2.1.2 Changes in accounting policy and disclosures

(a) Amendments to standards adopted by the Group

The following amendments to existing standards are mandatory for accounting periods beginning on or after 1 January 2015. The adoption of these amendments to standards does not have any significant impact to the results and financial position of the Group:

Hong Kong Accounting Standard (“HKAS”) 19 (2011) Amendment	Defined Benefit Plans
Annual Improvement Project	Annual Improvements 2010–2012 cycle
Annual Improvement Project	Annual Improvements 2011–2013 cycle

(b) New standards and amendments to standards not yet adopted

The following are new standards and amendments to standards which have been issued but are not effective and have not been early adopted. The Group plans to adopt these new standards and amendments to standards when they become effective:

		Effective for accounting periods beginning on or after
HKAS 1 Amendment	Disclosure Initiative	1 January 2016
HKAS 16 and HKAS 38 Amendments	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 16 and HKAS 41 Amendments	Agriculture: Bearer Plants	1 January 2016
HKAS 27 Amendment	Equity Method in Separate Financial Statements	1 January 2016
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10 and HKAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 10, HKFRS 12 and HKAS 28 Amendments	Investment Entities: Applying the Consolidation Exception	1 January 2016
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
Annual Improvement Project	Annual Improvements 2012–2014 cycle	1 January 2016

The Group has not early applied these new and revised HKFRSs that have been issued but are not yet effective in the preparation of the consolidated financial statements.

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.

(c) New Hong Kong Companies Ordinance (Cap. 622)

The requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

3. SEGMENT INFORMATION

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

Due to the fact that the Group continued to diversify its product ranges, the directors no longer review and assess the performance of each individual product but manage the business in aggregate on entity level. During the year ended 31 December 2015, the management changed the presentation of segment information and consolidated the unprocessed thin film transistor liquid crystal display ("TFT-LCD") panels and other unprocessed products, processed TFT-LCD panels, driver integrated circuits and polarisers into one operating single segment of display products, namely, the Display Products Segment. In addition, the Group's new business of optics-related products is considered as a new operating segment, namely, the Optics Products Segment. The management considered that the change provides a more appropriate presentation of the Group's existing operating structure. Comparative information has been restated to conform with the current year's presentation.

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

- (a) The segment information provided to the directors for the reportable segments for the year ended 31 December 2015 and 2014 is as follows:

	Display Products		Optics Products		Total	
	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		(Restated)		(Restated)
Segment revenue (all from external customers)	<u>1,272,975</u>	<u>1,299,154</u>	<u>1,199</u>	<u>341</u>	<u>1,274,174</u>	<u>1,299,495</u>
Segment results	<u>95,605</u>	<u>92,017</u>	<u>(8,030)</u>	<u>(8,631)</u>	<u>87,575</u>	<u>83,386</u>
Unallocated operating costs					<u>(55,226)</u>	<u>(49,306)</u>
Finance costs, net					<u>(322)</u>	<u>(1,860)</u>
Profit before income tax					<u>32,027</u>	<u>32,220</u>
Other segment information:						
Share of loss of an associate*	—	—	—	(953)	—	(953)
Loss on re-measurement of associate to acquisition date fair value in business combination achieved in stages*	—	—	—	(2,028)	—	(2,028)

- * Share of loss of an associate and loss on re-measurement of associate to acquisition date fair value in business combination achieved in stages are included in the segment results for the year ended 31 December 2014

(b) The Group's revenue from its major products for the year ended 31 December 2015 and 2014 are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
TFT-LCD panels and modules	1,076,227	1,001,960
Driver integrated circuits	156,180	249,616
Polarisers	31,436	29,377
Others	10,331	18,542
	<u>1,274,174</u>	<u>1,299,495</u>

(c) Segment revenue by customers' geographical location

During the year ended 31 December 2015 and 2014, most of the Group revenues were derived in Hong Kong, where the Group's products were delivered by the Group to its customers.

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
Hong Kong	1,244,104	1,266,030
The People's Republic of China (the "PRC")	28,893	33,124
Taiwan	1,177	341
	<u>1,274,174</u>	<u>1,299,495</u>

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
Customer A (<i>Note</i>)	180,038	110,635
Customer B	167,160	204,270
Customer C (<i>Note</i>)	163,357	—
Customer D (<i>Note</i>)	143,110	10,520
	<u>653,665</u>	<u>325,425</u>

Note: Revenues from Customer A, C and D contribute less than 10% of the total revenue of the Group during the year ended 31 December 2014.

The above four customers are included in the Display Products Segment.

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

	Hong Kong <i>HK\$'000</i>	The PRC <i>HK\$'000</i>	Taiwan <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2015:				
Non-current assets				
Property, plant and equipment	2,277	925	1,582	4,784
Goodwill	—	—	6,519	6,519
Other intangible assets	2,000	1,122	2,911	6,033
	<u>4,277</u>	<u>2,047</u>	<u>11,012</u>	<u>17,336</u>
As at 31 December 2014 (Restated):				
Non-current assets				
Property, plant and equipment	2,344	1,434	1,003	4,781
Goodwill	—	—	6,791	6,791
Other intangible assets	2,000	1,122	3,568	6,690
	<u>4,344</u>	<u>2,556</u>	<u>11,362</u>	<u>18,262</u>

4. REVENUE

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

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

On 22 January 2014, Perfect Shiny acquired 30.91% equity interest in Shinyoptics Corporation ("Shinyoptics"), a company incorporated in Taiwan with limited liability, from certain independent third parties at a consideration of TWD45,200,000 (equivalents to approximately HK\$11,550,000). Shinyoptics was then accounted for as an associate using equity method of accounting. In September 2014, Perfect Shiny's shareholding in Shinyoptics further increased to 50.14% and Shinyoptics became a 50.14% owned subsidiary of Perfect Shiny Group. Perfect Shiny's 30.91% equity interest in Shinyoptics, which was previously accounted for as an associate, was then re-measured to its fair value, resulting in a loss of approximately HK\$2,028,000.

6. PROFIT BEFORE INCOME TAX

The Group's profit before income tax is arrived at after charging/(crediting):

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
Cost of inventories sold	1,054,067	1,123,009
Provision/(reversal of provision) for obsolete inventories	12,669	(870)
Depreciation of property, plant and equipment	2,006	1,022
Amortisation of intangible assets	514	186
Professional service fees in respect of the Listing	—	1,084
	<u>1,070,256</u>	<u>1,125,421</u>

7. INCOME TAX EXPENSE

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
Current income tax:		
Current income tax on profits for the year	6,658	6,907
Adjustments in respect of prior years	(20)	—
Total current income tax	<u>6,638</u>	<u>6,907</u>
Deferred income tax — Origination and reversal of temporary differences	<u>(53)</u>	<u>140</u>
Income tax expense	<u><u>6,585</u></u>	<u><u>7,047</u></u>

8. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares deemed to be in issue during the year.

In determining the weighted average number of ordinary shares deemed to be in issue during the year ended 31 December 2015 and 2014, the 163,687,151 ordinary shares with par value of HK\$0.01 each issued during the year ended 31 December 2015 as part of the consideration of the common control combination as mentioned in Note 2.1.1 above have been regarded as if these shares were in issue since 1 January 2014.

Furthermore, in determining the weighted average number of ordinary shares deemed to be in issue during the year ended 31 December 2014, the 989,990,000 shares with par value of HK\$0.01 each issued upon the Capitalisation Issue have been regarded as if these shares were in issue since 1 January 2014.

	2015	2014 (Restated)
Profit attributable to equity holders of the Company (<i>HK\$'000</i>)	<u><u>27,732</u></u>	<u><u>26,148</u></u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u><u>1,483,687</u></u>	<u><u>1,450,235</u></u>
Basic and diluted earnings per share (<i>HK cents per share</i>)	<u><u>1.87</u></u>	<u><u>1.80</u></u>

For the purpose of determining the diluted earnings per share amount, no adjustment has been made to the basic earnings per share amount for the year ended 31 December 2015 and 2014 as the Group had no potentially dilutive ordinary shares in issue during these years.

9. DIVIDENDS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interim dividend	—	—
Proposed final dividend of HK0.5 cent (2014: HK0.5 cent) per ordinary share	<u>7,418</u>	<u>6,600</u>
	<u>7,418</u>	<u>6,600</u>

Final dividend for 2015 and 2014 was proposed by the directors of the Company to its equity holders. The amount of proposed final dividend for 2015 and 2014 were based on 1,483,687,151 shares and 1,320,000,000 shares in issue as at 15 March 2016 and 25 March 2015 respectively.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
Unlisted equity investment, at fair value	31,101	—
Unlisted debt investment, at quoted price	<u>1,184</u>	<u>1,344</u>
	<u>32,285</u>	<u>1,344</u>

11. TRADE AND OTHER RECEIVABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
Trade receivables	75,472	54,097
Bills receivables	<u>123,209</u>	<u>52,840</u>
	198,681	106,937
Prepayments, deposits and other receivables	<u>4,414</u>	<u>3,198</u>
	<u>203,095</u>	<u>110,135</u>

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
0–30 days	106,393	67,095
31–60 days	78,214	26,500
61–90 days	13,193	6,981
91–180 days	<u>881</u>	<u>6,361</u>
	<u>198,681</u>	<u>106,937</u>

12. SHARE CAPITAL

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

Notes:

(a) Public listing

On 7 February 2014, the Company has allotted and issued 330,000,000 shares at the offer price of HK\$0.30 per share raising gross proceeds of approximately HK\$99 million.

(b) Capitalisation of share capital

On 7 February 2014, 989,990,000 shares were issued by way of capitalisation of share premium on the proceeds from the allotment of 330,000,000 shares stated in note (a) under the capitalisation issue as detailed in the Prospectus.

(c) Consideration Shares

As part of the consideration of the Acquisition pursuant to the Agreement, 163,687,151 Consideration Shares were issued on 30 April 2015, at which time the share price of the Company was HK\$2.38 per share (Note 2.1.1).

13. TRADE AND OTHER PAYABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
Trade payable	143,272	72,525
Deposits received from customers	10,727	6,747
Accruals and other payables	10,430	11,256
	<u>164,429</u>	<u>90,528</u>

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
0–30 days	118,563	46,345
31–60 days	12,666	19,654
61–90 days	11,990	6,525
91–180 days	53	1
	<u>143,272</u>	<u>72,525</u>

BUSINESS REVIEW

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

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

During the year, the Group recorded a revenue of approximately HK\$1,274,174,000, decreased slightly by approximately 2% as compared with 2014. The Group spent much effort on cultivating certain new models of panels in the market and diversifying its product mix during the first half of 2015. These new models of panels became popular and widely used in the market during the second half of 2015, which provided a significant contribution on the results of the Group during the year ended 31 December 2015. Profit attributable to equity holders of the Company for the year amounted to approximately HK\$27,732,000, representing an increase of approximately 6% as compared with 2014.

Revenue from the Group's display products segment amounted to approximately HK\$1,272,975,000 in 2015, decreased slightly by 2%, as compared with approximately HK\$1,299,154,000 in 2014. Major products included in the display products segment were thin film transistor liquid crystal display ("TFT-LCD") panels and modules, driver integrated circuits ("ICs") and polarisers. The Group's sales of TFT-LCD panels and modules, including both traded and processed by the Group, amounted to approximately HK\$1,076,227,000 during the year, increased by 7% as compared to approximately HK\$1,001,960,000 in 2014. The Group widened its revenue base and began to trade more unprocessed new products, such as TFT-LCD modules during the year. Also thanks to the success of the Group's introduction of certain new models of panels into the market, the Group's sales of TFT-LCD panels and modules showed an increase of 7% during the year. Such increase largely alleviated the impact of the decrease in sales of driver ICs during the year and led to a slight decrease in the overall revenue. Due to the weak demand and keen competition in the market, revenue from driver ICs decreased by 37%, from approximately HK\$249,616,000 in 2014 to approximately HK\$156,180,000 during the year. The Group's sales of polarisers recorded an improvement from approximately HK\$29,377,000 during 2014 to approximately HK\$31,436,000 during the year, representing a 7% increase, which was mainly attributable to the improvement in technology of the polarisers sold.

In response to the intensified industry competition in the mobile industry, the Group has been committed to optimizing its core trading business of display components of electronics and decisively broadened its product portfolio. During the year, the Group stepped into emerging and booming optics-related wearable devices market which enabled the Group to seize the enormous business opportunities. The Group acquired the entire equity interest of Perfect Shiny during the year. Perfect Shiny Group primarily focuses on the design, development, production and sales of liquid crystal on silicon ("LCoS") microprojector optical engines, and the design and development of applied optics-related products including virtual reality ("VR") gaming headsets/head-mount display ("HMD") and head-up display ("HUD") devices. Since the Group's optics-related products business was still in developing stage, the Group's revenue from optics products segment amounted to approximately HK\$1,199,000 (2014: HK\$341,000). As a strategic investment, the Group subscribed for certain preferred shares of Mobvoi Inc. ("Mobvoi") in January 2015. Mobvoi and its subsidiaries are principally engaged in the business of developing and providing voice search systems on mobile, smart wearable, and other devices. Mobvoi's core technology includes voice recognition, natural language

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

PROSPECTS

Looking forward, the Group is confident on its trendy products including smart glasses, VR headsets, HMD and HUD devices, and is considering various forms of application of those products, such as combination with aerial camera. It is believed that these products would be another of wave of popular hi-tech consumer products and the Group's applied optics-related products business would benefit from this trend. Perfect Shiny Technology (Shenzhen) Limited was established in January 2016 to further capture the development of this market in the PRC.

Meanwhile, the mobile phone market is expected to grow steadily in the future. The trend of replacement for high-end devices and the increasing popularity of 4G services in the PRC are expected to continue to lead the demand for mobile phones and benefit the mobile phone display components industry. The Group will continue to grasp the opportunities brought about by wearable technology and applied optics-related products, and maintain its leading market position in mobile phone display components market, so as to attain greater financial returns to the shareholders of the Company.

FINANCIAL REVIEW

Revenue

Revenue of the Group for the year ended 31 December 2015 amounted to approximately HK\$1,274,174,000, which decreased slightly by approximately 2% as compared to approximately HK\$1,299,495,000 in 2014. The decrease in revenue was mainly due to the decrease in sales of driver ICs attributable to the keen competition in the market.

Cost of Sales

Cost of sales during the year primarily consisted of purchase costs, processing and subcontracting charges, scrap loss, provision for obsolete inventories, transportation charges and other direct costs. The Group's cost of sales decreased by approximately 3% from approximately HK\$1,208,228,000 for the year ended 31 December 2014 to approximately HK\$1,177,343,000 for the year ended 31 December 2015, which was mainly due to the decrease in purchase costs associated with the decrease in revenue.

Gross Profit and Gross Profit Margin

Despite of the slightly drop in revenue of the Group in 2015, the increase in the Group's gross profit margin from 7.0% in 2014 to 7.6% in 2015 led to the Group's gross profit amount for the year increased by approximately 6% to approximately HK\$96,831,000 as compared with the year ended

31 December 2014. The increase in overall gross profit margin was mainly attributable to the increase in sales of certain hot models of TFT-LCD panels, which bargained for higher margin, during the year.

Other Losses, Net

Net other losses of approximately HK\$1,749,000 was recorded during the year (2014: HK\$238,000). The balance mainly comprised of the exchange losses on the Group's Renminbi bank deposits arising from the depreciation of Renminbi against Hong Kong dollars during the year.

Distribution and Selling Expenses

The Group's distribution and selling expenses increased by approximately 8% from approximately HK\$15,076,000 in 2014 to approximately HK\$16,354,000 in 2015, mainly due to the expansion of the Group's sales office in the PRC and the increase in staff costs.

General and Administrative Expenses

The Group's general and administrative expenses for the year amounted to approximately HK\$37,123,000, representing an approximately 9% increase as compared with 2014 of approximately HK\$33,992,000. The increase in general and administrative expenses was mainly due to the increase in staff costs attributable to the increase in average headcount; and the increase in professional fees incurred in relation to the investment in Mobvoi and the acquisition of Perfect Shiny during the year.

Research and Development Expenses

The Group's research and development ("R&D") expenses, which amounted to approximately HK\$9,256,000 in 2015, representing an approximately 89% increase as compared with 2014 of approximately HK\$4,900,000. The increase was mainly due to more resources were put into the R&D of the Group's new optics products during the year and the fact that Shinyoptics (being an associate at that time) was accounted for using the equity method of accounting upto the point that it became a subsidiary of Perfect Shiny Group in early September 2014 such that the Group's R&D expenses for the year ended 31 December 2014 did not include most of the R&D costs incurred by Shinyoptics.

Finance Costs, Net

Net finance costs of the Group amounted to approximately HK\$322,000 (2014: HK\$1,860,000), representing a decrease by approximately 83% as compared with 2014. Such decrease was due to the increase in interest income and decrease in interest expense on bank advance from factored receivables.

Share of Loss of an Associate/Loss on Re-Measurement of Associate to Acquisition Date Fair Value in Business Combination Achieved in Stages

Share of loss of an associate of approximately HK\$953,000 and loss on re-measurement of associate to acquisition date fair value in business combination achieved in stages in the amount of approximately HK\$2,028,000 recorded during the year ended 31 December 2014 were related to Shinyoptics. No such balances were recorded during the year because Shinyoptics had been accounted for as a subsidiary of the Group since September 2014.

Income Tax Expense

Income tax expense of the Group during the year primarily represents income tax incurred in Hong Kong. The decrease in income tax expense was mainly due to the fact that the losses related to the associate in 2014, including the share of loss of an associate of approximately HK\$953,000 and the loss on re-measurement of associate to acquisition date fair value in business combination achieved in stages of approximately HK\$2,028,000, were not tax deductible.

Profit Attributable to Equity Holders of the Company

Profit attributable to equity holders of the Company for the year amounted to approximately HK\$27,732,000, representing an increase of approximately 6% as compared with 2014 of approximately HK\$26,148,000 which was mainly attributable to the improvement in gross profit during the year; and the fact that a non-recurring item of loss on re-measurement of associate to acquisition date fair value in business combination achieved in stages was recorded in 2014.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's funds are principally used to finance working capital, and the growth and expansion of the Group's operations and sales network. The Group's principal sources of funds are cash generated from operations and bank borrowings. The Group had unrestricted bank deposits, bank balances and cash in aggregate of approximately HK\$145,708,000 as at 31 December 2015 (2014: HK\$133,837,000).

As at 31 December 2015, the Group's total bank borrowings comprised bank loans and bank advances for factored receivables of approximately HK\$31,200,000 (2014: HK\$15,600,000) and HK\$nil (2014: HK\$31,541,000) respectively.

GEARING RATIO

As at 31 December 2015, the Group's gearing ratio was 11.2% (2014: 18.3%), which is calculated based on the Group's total interest-bearing debt of approximately HK\$31,200,000 (2014: HK\$47,141,000) and the Group's total equity of approximately HK\$279,729,000 (2014: HK\$257,137,000).

CONTINGENT LIABILITIES

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

CHARGE OF ASSETS

As at 31 December 2015, the Group had pledged its bank deposits of approximately HK\$20,316,000 (2014: HK\$22,230,000) to certain banks in Hong Kong to secure the banking facilities granted to the Group.

CAPITAL COMMITMENTS

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2015, the Company did not redeem any of its shares, and neither did the Company nor any of its subsidiaries purchase or sell any of the Company's shares.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of its shareholders. To accomplish this, save as set out below, the Company has adopted the principles and the code provisions of the Corporate Governance Code (the “CG Code”) contained in Appendix 15 of the GEM Listing Rules.

Throughout the year ended 31 December 2015, the Company has complied with all the code provisions of the CG Code, except the deviation as disclosed under the section headed “Chairman and Chief Executive Officer” below.

Chairman and Chief Executive Officer

According to the code provision A.2.1 of the CG Code, the roles of the chairman and chief executive should be separate and should not be performed by the same individual.

Under the current management structure of the Company, Mr. Cheng Wai Tak (“Mr. Cheng”) is the Chairman and Chief Executive Officer. With Mr. Cheng’s extensive experience in the industry, the Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person would provide the Company with strong and consistent leadership, allow for effective and efficient planning and implementation of business decisions and strategies, and would be beneficial to the business prospects and management of the Group.

Although Mr. Cheng performs both the roles of Chairman and Chief Executive Officer, the division of responsibilities between the Chairman and Chief Executive Officer is clearly established. In general, the Chairman is responsible for supervising the functions and performance of the Board, while the Chief Executive Officer is responsible for the management of the business of the Group. The two roles are performed by Mr. Cheng distinctly. The Board also considers that the current management structure does not impair the balance of power and authority between the Board and the management of the Company given the appropriate delegation of the power of the Board and the effective functions of the independent non-executive Directors. However, it is the long-term objective of the Company to have these two roles performed by separate individuals when suitable candidates are identified.

AUDIT COMMITTEE

The Company has established an audit committee on 20 January 2014 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and code provision C.3 of the CG Code. The audit committee consists of three independent non-executive Directors, namely, Mr. Wong Yik Chung John, who has the appropriate accounting and financial related management expertise and serves as the chairman of the audit committee, Mr. Wong Chi Chiu and Mr. Li Shui Yan. The audited annual results of the Group for the year ended 31 December 2015 have been reviewed by the audit committee.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting of the Company (the “AGM”) will be held on Friday, 6 May 2016. A notice convening the AGM will be published and despatched to the shareholders of the Company in the manner required by the GEM Listing Rules in due course.

FINAL DIVIDEND

The Directors proposed to recommend a final dividend of HK0.5 cent per ordinary share for the year ended 31 December 2015. Subject to the approval of the shareholders of the Company at the forthcoming AGM, the proposed final dividend will be paid on or about Monday, 6 June 2016 to shareholders of the Company whose names appear on the register of members of the Company on Friday, 13 May 2016. Based on 1,483,687,151 ordinary shares of the Company in issue as of the date of this announcement, the total dividend will amount to approximately HK\$7,418,000.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 29 April 2016 to Friday, 6 May 2016, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers of shares documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 28 April 2016.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 12 May 2016 to Friday, 13 May 2016, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrars in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 11 May 2016.

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

Hong Kong, 15 March 2016

As at the date of this announcement, the Board comprises three executive directors, namely, Mr. Cheng Wai Tak, Mr. Liu Ka Wing and Mr. Tse Ka Wing and three independent non-executive directors, namely, Mr. Wong Yik Chung John, Mr. Wong Chi Chiu and Mr. Li Shui Yan.

This announcement will remain on the GEM website at <http://www.hkgem.com> on the "Latest Company Announcements" page for at least 7 days from the day of its posting and on the Company's website at <http://www.perfect-optronics.com>.