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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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016

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.

HIGHLIGHTS

- The Group recorded revenue of approximately HK\$897.9 million for the nine months ended 30 September 2016 (nine months ended 30 September 2015: approximately HK\$850.6 million).
- Profit attributable to equity holders of the Company for the nine months ended 30 September 2016 amounted to approximately HK\$28.6 million (nine months ended 30 September 2015: approximately HK\$16.3 million).
- The Board does not declare an interim dividend for the nine months ended 30 September 2016 (nine months ended 30 September 2015: Nil).

FINANCIAL RESULTS

The board of directors (the “Board”) of Perfect Optronics Limited (the “Company”) is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (the “Group”) for the nine months ended 30 September 2016 together with the comparative unaudited figures for the corresponding period in 2015 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2016

	<i>Note</i>	Three months ended		Nine months ended	
		30 September		30 September	
		2016	2015	2016	2015
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	3	323,747	362,656	897,852	850,625
Cost of sales		(287,129)	(334,980)	(820,392)	(785,249)
Gross profit		36,618	27,676	77,460	65,376
Other losses, net		(262)	(621)	(724)	(1,167)
Distribution and selling expenses		(4,828)	(3,496)	(12,466)	(12,740)
General and administrative expenses		(9,427)	(9,370)	(26,103)	(28,211)
Research and development expenses		(602)	(1,681)	(4,437)	(4,818)
Operating profit		21,499	12,508	33,730	18,440
Finance income		86	398	342	921
Finance costs		(312)	(401)	(1,309)	(888)
Finance income/(costs), net		(226)	(3)	(967)	33
Profit before income tax		21,273	12,505	32,763	18,473
Income tax expense	4	(3,923)	(2,482)	(6,166)	(3,961)
Profit for the period		17,350	10,023	26,597	14,512
Other comprehensive income:					
<i>Items that may be reclassified subsequently to income statement</i>					
Change in value of available-for-sale financial assets		(28)	86	30	(19)
Currency translation differences		1,382	(2,650)	1,237	(2,564)
Total comprehensive income for the period		18,704	7,459	27,864	11,929

**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(CONTINUED)**

For the nine months ended 30 September 2016

	Three months ended		Nine months ended	
	30 September		30 September	
	2016	2015	2016	2015
<i>Note</i>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit for the period				
attributable to:				
Equity holders of the Company	18,046	10,300	28,600	16,294
Non-controlling interests	(696)	(277)	(2,003)	(1,782)
	<u>17,350</u>	<u>10,023</u>	<u>26,597</u>	<u>14,512</u>
Total comprehensive income				
for the period attributable to:				
Equity holders of the Company	18,862	8,936	29,300	14,963
Non-controlling interests	(158)	(1,477)	(1,436)	(3,034)
	<u>18,704</u>	<u>7,459</u>	<u>27,864</u>	<u>11,929</u>
Basic and diluted earnings				
per share	6			
	<u>HK1.22 cent</u>	<u>HK0.70 cent</u>	<u>HK1.93 cent</u>	<u>HK1.10 cent</u>

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2016

	Attributable to equity holders of the Company							Total	Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves*	Merger reserve	Revaluation reserve	Exchange reserve	Retained earnings			
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Balance at 1 January 2016	14,837	465,738	67,349	(415,675)	7,091	(2,272)	127,413	264,481	15,248	279,729
Profit for the period	—	—	—	—	—	—	28,600	28,600	(2,003)	26,597
Other comprehensive income	—	—	—	—	15	685	—	700	567	1,267
Total comprehensive income for the period	—	—	—	—	15	685	28,600	29,300	(1,436)	27,864
Dividend relating to 2015 paid in June 2016 — Note 5	—	—	—	—	—	—	(7,418)	(7,418)	—	(7,418)
Total transaction with owners in their capacity as owners	—	—	—	—	—	—	(7,418)	(7,418)	—	(7,418)
Balance at 30 September 2016	14,837	465,738	67,349	(415,675)	7,106	(1,587)	148,595	286,363	13,812	300,175
Balance at 1 January 2015	13,200	77,800	38,000	3,900	(3)	(1,185)	107,099	238,811	18,326	257,137
Profit for the period	—	—	—	—	—	—	16,294	16,294	(1,782)	14,512
Other comprehensive income	—	—	—	—	(10)	(1,321)	—	(1,331)	(1,252)	(2,583)
Total comprehensive income for the period	—	—	—	—	(10)	(1,321)	16,294	14,963	(3,034)	11,929
Issue of new shares as consideration for common control combination	1,637	387,938	—	(419,575)	—	—	—	(30,000)	—	(30,000)
Contribution from shareholder under common control combination	—	—	29,349	—	—	—	—	29,349	—	29,349
Dividend relating to 2014 paid in June 2015	—	—	—	—	—	—	(7,418)	(7,418)	—	(7,418)
Total transaction with owners in their capacity as owners	1,637	387,938	29,349	(419,575)	—	—	(7,418)	(8,069)	—	(8,069)
Balance at 30 September 2015	14,837	465,738	67,349	(415,675)	(13)	(2,506)	115,975	245,705	15,292	260,997

* Other reserves include: (1) the difference between the share capital issued by the Company for acquisition of the subsidiaries pursuant to a reorganisation for the listing of the Company and the aggregate capital of the subsidiaries being acquired at the time of the Reorganisation; and (2) the amount of shareholder's loan waived by the vendor upon completion of the common control combination.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

1. BASIS OF PREPARATION

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

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

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 (the "Acquisition") from Mr. Cheng Wai Tak ("Mr. Cheng"), a director and a substantial shareholder of the Company. Pursuant to the Agreement, the consideration for the Acquisition was HK\$323,000,000, of which HK\$20,000,000 was satisfied by the issuing and delivering of a promissory note in favour of Mr. Cheng in the 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 Group for the two financial years ending 31 December 2016 shall be not less than HK\$34,000,000 ("Profit Guarantee"). Mr. Cheng agreed 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 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 and subject to regulatory compliance, 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-fulfilment of the Profit Guarantee shall not exceed HK\$323,000,000. No amount had been recognised with respect to the Profit Guarantee as at 30 September 2016 (31 December 2015: Nil). Furthermore, pursuant to the Agreement, a shareholder's loan of approximately HK\$29,349,000 payable by Perfect Shiny to Mr. Cheng was waived upon completion of the Acquisition. Details of the Acquisition 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, on which date the closing price of the shares of the Company was HK\$2.38 per share.

In the preparation of the unaudited consolidated financial results of the Group for the nine months ended 30 September 2016 (the "Consolidated Financial Results"), 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" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as if the Acquisition had occurred on the date when the combining entities first came under the control of the substantial shareholder. Accordingly, the assets and liabilities acquired in the common control combinations are stated at their carrying amounts as if they had been held or incurred by the Group from the later of the date on which the combining entities first came under the control of the substantial shareholder or the relevant transactions giving rise to the assets or liabilities arose.

The Consolidated Financial Results have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA and the disclosure requirements of the GEM Listing Rules. The Consolidated Financial Results are presented in Hong Kong dollars ("HK\$"), unless otherwise stated; and have been prepared under the historical cost convention, except for available-for-sale financial assets which have been measured at fair value.

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

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of the Consolidated Financial Results are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015, except as described below.

The Group has adopted and applied, for the first time, the following new standards, amendments to standards and interpretations that have been issued and effective for the accounting periods beginning on 1 January 2016:

Hong Kong Accounting Standard ("HKAS") 1 Amendment	Disclosure Initiative
HKAS 16 and HKAS 38 Amendments	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 Amendments	Agriculture: Bearer Plants
HKAS 27 Amendment	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 Amendments	Investment Entities: Applying the Consolidation Exception
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Annual Improvement Project	Annual Improvements 2012–2014 cycle

For those new standards, amendments to standards and interpretations which have been issued but are not yet effective and have not been early adopted in prior accounting periods, the Group is in the process of assessing their impact on the Group's results and financial position.

The preparation of the Consolidated Financial Results in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

3. REVENUE

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

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Thin film transistor liquid crystal display ("TFT-LCD") panels and modules	306,577	314,970	828,881	680,020
Driver integrated circuits ("ICs")	9,852	32,604	47,796	130,840
Polarisers	1,273	10,929	6,940	28,899
Optics products	3,590	317	8,884	1,231
Others	2,455	3,836	5,351	9,635
	323,747	362,656	897,852	850,625

4. INCOME TAX EXPENSE

The amount of income tax charged to the income statement represents:

	Three months ended		Nine months ended	
	30 September		30 September	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current income tax:				
Hong Kong profits tax	3,891	2,529	6,220	4,026
Deferred income tax	32	(47)	(54)	(65)
	<u>3,923</u>	<u>2,482</u>	<u>6,166</u>	<u>3,961</u>

Hong Kong profits tax has been provided at the rate of 16.5% (nine months ended 30 September 2015: 16.5%) on the estimated assessable profit during the period arising in or derived from Hong Kong. The Group's subsidiaries in the People's Republic of China (the "PRC") are subject to PRC corporate income tax at a standard rate of 25% during the period (nine months ended 30 September 2015: 25%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

5. INTERIM DIVIDEND

The Board does not declare an interim dividend for the nine months ended 30 September 2016 (nine months ended 30 September 2015: Nil).

Final dividend for the year ended 31 December 2015 of approximately HK\$7,418,000 was paid in June 2016.

6. EARNINGS PER SHARE

Basic earnings per share for the nine months ended 30 September 2016 is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the nine months ended 30 September 2016. Basic earnings per share for the nine months ended 30 September 2015 is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares deemed to be in issue during the nine months ended 30 September 2015.

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

	Nine months ended	
	30 September	
	2016	2015
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (<i>HK\$'000</i>)	<u>28,600</u>	<u>16,294</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u>1,483,687</u>	<u>1,483,687</u>
Basic and diluted earnings per share (<i>HK cent per share</i>)	<u>HK1.93 cent</u>	<u>HK1.10 cent</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 nine months ended 30 September 2016 and 2015 as the Group had no potentially dilutive ordinary shares in issue during these periods.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and prospects

The Group is principally engaged in the trading of display components of electronics, which are the major components of display technology used for mobile phones. It also processes some of the products which it trades. In addition, it also engages in the development and sale of optics products and related electronic components.

During the nine months ended 30 September 2016 (the “Period”), the display panel market saw a tight supply as a result of major Korea’s display panel maker closed down some of its liquid crystal display panel production lines. Because of the limited supply, prices of display panels that the Group trades climbed up during the Period, which provided a favorable environment for the Group to further enhance its results.

During the Period, the Group achieved increases in profit and revenue as compared with the corresponding period of last year. Revenue of the Group reached approximately HK\$897,852,000, representing an increase of approximately 6% year-on-year. Profit attributable to equity holders of the Company amounted to approximately HK\$28,600,000, up by approximately 76% as compared with the corresponding period of 2015.

The Group was successful to maintain the growth momentum in its major segment of display products. According to a global market research firm, the production volume of smart phones worldwide totaled approximately 350 million units in the third quarter of 2016. This figure represents a sequential quarterly increase of 10.4%, which is a new high for the year. In the meantime, some panel makers trimmed down production of mobile display panels which pushed up the panel prices and benefited the results of the Group during the Period.

The Group recorded revenue from display products segment of approximately HK\$888,968,000 during the first three quarters of 2016, rose by approximately 5% year-on-year as compared with the corresponding period in 2015 of approximately HK\$849,394,000, mostly contributed by the sales of TFT-LCD panels and modules of approximately HK\$828,881,000 (nine months ended 30 September 2015: HK\$680,020,000) which accounted for approximately 92% of the Group’s revenue during the Period. However, due to keen price competition in the market and the fact that the Group inclines to refine its product mix in order to achieve higher profit margin, revenue from driver ICs and polarisers amounted to approximately HK\$47,796,000 (nine months ended 30 September 2015: HK\$130,840,000) and HK\$6,940,000 (nine months ended 30 September 2015: HK\$28,899,000) respectively during the Period, representing a decrease of 63% and 76% respectively as compared with the corresponding period in 2015.

Besides display products, the Group also marched into the booming virtual reality (“VR”) and augmented reality (“AR”) market by developing its new trendy products, including smart glasses, VR entertainment headsets/head-mount display (“HMD”) and head-up display (“HUD”) devices. During the Period, the Group continued to improve the designs of its new products and planning deployments of its optics-related products. It also engaged in the development and sale of optics-related components. Revenue for optics products segment for the nine months ended 30 September 2016 amounted to approximately HK\$8,884,000, representing a significant growth as compared with the relatively low base in the corresponding period in 2015 of approximately HK\$1,231,000.

Looking forward, according to the report released by a research institution, worldwide revenues for VR and AR will grow from US\$5.2 billion in 2016 to more than US\$162 billion in 2020. The Group embraces full confidence in the bright future of VR and AR market. The Group’s self-developed VR and AR products are ready to grasp the opportunities in the market.

As to the display products business, the Group remains positive on the prospects of display products for mobile phones in China. According to the recent figures published by China Academy of Information and Communications Technology, smart phone shipments during the nine months ended 30 September 2016 were 370.7 million units, up 13.5% year over year. The demand of smart phone in China and increasing smart phone penetration in developing countries are expected to continue to support the mobile phone display component industry. The Group will maintain a flexible business strategy and fully utilise its own competitive advantages, including its professional sales team and good relationships with suppliers and clients, to make quick responses to market changes and to optimise profit margin and returns for shareholders of the Company.

Financial Review

Revenue

For the nine months ended 30 September 2016, total revenue of the Group amounted to approximately HK\$897,852,000, increased by approximately 6% as compared with the corresponding period in 2015 of approximately HK\$850,625,000. Increase in total revenue was mainly due to the increase in revenue from the sales of TFT-LCD panels and modules and optics products.

Gross profit

Gross profit for the nine months ended 30 September 2016 increased by about 18% to approximately HK\$77,460,000, which was attributable to the increase in the Group's revenue and increase in gross profit margin by approximately 0.9 percentage point to 8.6% as compared with the corresponding period in 2015.

Other losses, net

Net other losses of approximately HK\$724,000 was recorded for the nine months ended 30 September 2016 (nine months ended 30 September 2015: HK\$1,167,000). The balance mainly comprised of the exchange losses incurred during the Period.

Expenses

The Group's distribution and selling expenses for the nine months ended 30 September 2016 amounted to approximately HK\$12,466,000, representing an approximately 2% decrease as compared with the corresponding period in 2015 of approximately HK\$12,740,000. The decrease was mainly due to the decrease in staff costs attributable to reduced headcount during the Period.

The Group's general and administrative expenses for the nine months ended 30 September 2016 amounted to approximately HK\$26,103,000, representing an approximately 7% decrease as compared with the corresponding period in 2015 of approximately HK\$28,211,000. The decrease was mainly due to the decrease in professional fees. As compared with the Period, more professional fees were incurred due to the acquisition of Perfect Shiny in 2015.

Research and development expenses amounted to approximately HK\$4,437,000 for the nine months ended 30 September 2016, representing an approximately 8% decrease as compared with the corresponding period in 2015 of approximately HK\$4,818,000. The decrease was mainly due to the decrease in third party development fees paid during the Period as the optics products developed by the Group were approaching their completion stage.

Profit for the period attributable to equity holders of the Company

Profit attributable to equity holders of the Company for the nine months ended 30 September 2016 amounted to approximately HK\$28,600,000, representing an increase of approximately 76% as compared with the corresponding period in 2015 of approximately HK\$16,294,000, which was mainly attributable to the increase in revenue, improvement in gross profit margin and decrease in operating expenses during the Period.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 September 2016, interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the standard of dealings by directors set out in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long positions in shares of the Company:

Name of Director	Capacity	Number of shares held	Percentage of the Company's issued share capital
Mr. Cheng Wai Tak	Interest in controlled corporation	923,427,151	62.24%
	Beneficial owner	(Note) 2,220,000	0.15%

Note: These 923,427,151 shares are held by Winful Enterprises Limited ("Winful Enterprises"), which in turn is entirely beneficially owned by Mr. Cheng Wai Tak. Accordingly, Mr. Cheng Wai Tak is deemed under the SFO to be interested in these 923,427,151 shares held by Winful Enterprises.

Save as disclosed above, as at 30 September 2016, none of the Directors and chief executives of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the standard of dealings by directors set out in Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors are aware, as at 30 September 2016, other than the Director and chief executive of the Company, the following persons/entities have an interest or a short position in the shares or the underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO:

Long position in shares of the Company:

Name	Nature of interests	Number of shares held	Percentage of the Company's issued share capital
Winful Enterprises	Directly beneficially owned	923,427,151 (Note)	62.24%

Note: Mr. Cheng Wai Tak is deemed under the SFO to be interested in these 923,427,151 shares held by Winful Enterprises.

Save as disclosed above, as at 30 September 2016, no other person had any interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

The Company has a share option scheme (the "Share Option Scheme") which was approved and adopted by the sole shareholder of the Company by way of written resolutions passed on 20 January 2014.

No share option has been granted under the Share Option Scheme since its adoption.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the nine months ended 30 September 2016 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the nine months ended 30 September 2016, the Company did not redeem any of its shares, and neither did the Company nor any of its subsidiaries purchase or sell any shares of the Company.

COMPLIANCE WITH CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

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

complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the nine months ended 30 September 2016.

COMPLIANCE WITH NON-COMPETITION UNDERTAKING

On 20 January 2014, Mr. Cheng Wai Tak and Winful Enterprises, the controlling shareholders of the Company (collectively, the “Covenantors”) entered into a deed of non-competition undertaking (“Non-Competition Deed”) in favour of the Company (for itself and for and on behalf of all members of the Group), pursuant to which each of the Covenantors, irrevocably and unconditionally, undertakes and covenants with the Company that with effect from the listing date of the Company and for as long as the shares of the Company remain so listed on the Stock Exchange and he/it, individually or collectively with any other Covenantor(s), is, directly or indirectly, interested in 30% or more of the shares of the Company in issue, or is otherwise regarded as a controlling shareholder (as defined under the GEM Listing Rules from time to time) of the Company, he/it shall not, and shall procure that none of his/its associates (for the purpose of the Non-Competition Deed, shall have the meaning as defined under Rule 1.01 of the GEM Listing Rules but excluding the Group) shall:

- (a) directly or indirectly (other than through the Group) engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with existing business activity of the Group and any business activities undertaken by the Group from time to time (the “Restricted Business”) except for the holding of not more than 5% shareholding interests (individually or any of the Covenantors with their associates collectively) in any publicly listed company; and
- (b) take any direct or indirect action which constitutes an interference with or a disruption to the Restricted Business including, but not limited to, solicitation of the Group’s customers, suppliers or staff.

Further details of the Non-Competition Deed have been set out in the section headed “Relationship with the Controlling Shareholders” of the Prospectus.

COMPETING INTERESTS

Based on the information available to the Company and within the knowledge and belief of the Directors, none of the Directors or the controlling shareholders of the Company (as defined under the GEM Listing Rules) had any business or interest which competes or may compete with the business of the Group, or had any other conflict of interest with the Group throughout the nine months ended 30 September 2016.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by Grand Vinco Capital Limited (“Vinco”), the compliance adviser of the Company, neither Vinco nor its directors or employees or associates had any interest in the securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities) as at 30 September 2016. Pursuant to the compliance adviser agreement, Vinco received and will receive fees for acting as the compliance adviser of the Company.

CORPORATE GOVERNANCE

The Company has adopted the principles and the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 15 of the GEM Listing Rules. Throughout the nine months ended 30 September 2016, the Company had complied with all the code provisions of the CG Code, except the deviation stipulated below.

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

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the code provision C.3.3 of the CG Code. The audit committee consists of three independent non-executive Directors, namely Mr. Wong Yik Chung John, who has the appropriate accounting and financial related management expertise and serves as the chairman of the audit committee, Mr. Wong Chi Chiu and Mr. Li Shui Yan. The audit committee has reviewed this announcement and has provided advice and comments thereon.

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

Hong Kong, 7 November 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>.