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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 2014**

**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 GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

## HIGHLIGHTS

- The Group recorded a revenue of approximately HK\$977.4 million for the nine months ended 30 September 2014 (nine months ended 30 September 2013: approximately HK\$1,256.8 million).
- Profit attributable to equity holders of the Company for the nine months ended 30 September 2014 amounted to approximately HK\$32.5 million (nine months ended 30 September 2013: approximately HK\$60.2 million).
- The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2014 (nine months ended 30 September 2013: 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 2014 together with the comparative unaudited figures for the corresponding period in 2013 as follows:

### UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the nine months ended 30 September 2014*

	Note	Three months ended 30 September		Nine months ended 30 September	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Revenue	3	293,819	379,448	977,413	1,256,832
Cost of sales		(268,679)	(339,190)	(899,980)	(1,140,097)
<b>Gross profit</b>		<b>25,140</b>	40,258	<b>77,433</b>	116,735
Other gains/(losses), net		223	(352)	(935)	(558)
Distribution and selling expenses		(3,700)	(3,270)	(10,865)	(10,019)
General and administrative expenses		(8,756)	(11,441)	(24,824)	(29,752)
<b>Operating profit</b>		<b>12,907</b>	25,195	<b>40,809</b>	76,406
Finance income		48	10	318	42
Finance costs		(674)	(717)	(1,966)	(1,646)
<b>Profit before income tax</b>		<b>12,281</b>	24,488	<b>39,161</b>	74,802
Income tax expense	4	(2,058)	(5,199)	(6,710)	(14,599)
<b>Profit for the period</b>		<b>10,223</b>	19,289	<b>32,451</b>	60,203
<b>Other comprehensive income</b>					
<i>Item that may be reclassified subsequently to profit or loss</i>					
Currency translation differences		11	—	(18)	(77)
<b>Total comprehensive income for the period</b>		<b>10,234</b>	19,289	<b>32,433</b>	60,126

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

*For the nine months ended 30 September 2014*

		<b>Three months ended</b>		<b>Nine months ended</b>	
		<b>30 September</b>		<b>30 September</b>	
		<b>2014</b>	2013	<b>2014</b>	2013
<i>Note</i>		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)
<b>Profit for the period attributable to:</b>					
Equity holders of the Company		<b><u>10,223</u></b>	19,289	<b><u>32,451</u></b>	<u>60,203</u>
<b>Total comprehensive income for the</b>					
<b>period attributable to:</b>					
Equity holders of the Company		<b><u>10,234</u></b>	19,289	<b><u>32,433</u></b>	<u>60,126</u>
<b>Basic and diluted earnings per share</b>	6	<b><u>HK0.77 cents</u></b>	<u>HK1.95 cents</u>	<b><u>HK2.54 cents</u></b>	<u>HK6.08 cents</u>

# UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2014

	Attributable to equity holders of the Company					Total equity HK\$'000 (Unaudited)
	Share capital HK\$'000 (Unaudited)	Share premium HK\$'000 (Unaudited)	Other reserve HK\$'000 (Unaudited) <i>(Note)</i>	Exchange reserve HK\$'000 (Unaudited)	Retained earnings HK\$'000 (Unaudited)	
<b>Balance at 1 January 2014</b>	—	—	38,000	(50)	100,785	138,735
Profit for the period	—	—	—	—	32,451	32,451
Other comprehensive income for the period	—	—	—	(18)	—	(18)
<b>Total comprehensive income for the period</b>	—	—	—	(18)	32,451	32,433
Issue of new shares by way of placing	3,300	95,700	—	—	—	99,000
Share issue expenses	—	(8,000)	—	—	—	(8,000)
Capitalisation issue	9,900	(9,900)	—	—	—	—
Dividend relating to 2013 paid in May 2014 — <i>note 5</i>	—	—	—	—	(19,800)	(19,800)
<b>Total transactions with equity holders, recognised directly in equity</b>	13,200	77,800	—	—	(19,800)	71,200
<b>Balance at 30 September 2014</b>	<u>13,200</u>	<u>77,800</u>	<u>38,000</u>	<u>(68)</u>	<u>113,436</u>	<u>242,368</u>
<b>Balance at 1 January 2013</b>	—	—	38,000	—	59,652	97,652
Profit for the period	—	—	—	—	60,203	60,203
Other comprehensive income for the period	—	—	—	(77)	—	(77)
<b>Total comprehensive income for the period</b>	—	—	—	(77)	60,203	60,126
<b>Balance at 30 September 2013</b>	<u>—</u>	<u>—</u>	<u>38,000</u>	<u>(77)</u>	<u>119,855</u>	<u>157,778</u>

*Note:* Other reserve represents the difference between the share capital issued by the Company for acquisition of the subsidiaries pursuant to a reorganisation for the Listing (as defined hereinafter) and the aggregate capital of the subsidiaries being acquired at the time of the Reorganisation (as defined hereinafter).

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

## 1. BASIS OF PREPARATION

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

Pursuant to a group reorganisation (the "Reorganisation") and capitalisation of 989,990,000 shares in preparation for the Listing, the Company became the holding company of the subsidiaries now comprising the 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").

The unaudited consolidated financial results of the Group for the nine months ended 30 September 2014 ("Consolidated Financial Results") are presented in Hong Kong dollars ("HK\$"), unless otherwise stated.

The Consolidated Financial Results have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the GEM Listing Rules. The Consolidated Financial Results have been prepared under the historical cost convention, as modified by financial assets at fair value through profit or loss.

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 2013, 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 2014:

HK(IFRIC) 21	Levies
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities

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

The preparation of the Consolidated Financial Results in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires directors to exercise its judgement in the process of applying the Group's accounting policies. The Consolidated Financial Results should be read in conjunction with the Group's audited consolidated financial statements and notes thereto for the year ended 31 December 2013.

### 3. REVENUE

Revenue represents the sales of display panel and related electronic components to external parties.

	Three months ended 30 September		Nine months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Unprocessed thin film transistor liquid crystal display (“TFT-LCD”) panels and other unprocessed products (“Unprocessed Panel Segment”)	73,933	204,161	258,415	699,203
Processed TFT-LCD panels (“Processed Panel Segment”)	158,312	123,323	513,409	354,156
Integrated circuits (“IC Segment”)	54,477	47,264	187,507	170,982
Polarisers (“Polariser Segment”)	7,097	4,700	18,082	32,491
	<u>293,819</u>	<u>379,448</u>	<u>977,413</u>	<u>1,256,832</u>

### 4. INCOME TAX EXPENSE

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

	Three months ended 30 September		Nine months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Current income tax:				
Hong Kong profits tax	1,870	5,208	6,537	14,647
People’s Republic of China (the “PRC”) corporate income tax	—	—	—	—
Deferred income tax	188	(9)	173	(48)
	<u>2,058</u>	<u>5,199</u>	<u>6,710</u>	<u>14,599</u>

Hong Kong profits tax has been provided at the rate of 16.5% (nine months ended 30 September 2013: 16.5%) on the estimated assessable profit during the period arising in or derived from Hong Kong. The Group’s subsidiaries in the PRC are subject to PRC corporate income tax at the standard rate of 25% (nine months ended 30 September 2013: 25%).

### 5. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2014 (nine months ended 30 September 2013: Nil).

Final dividend for the year ended 31 December 2013 of HK1.5 cents per share, totalling HK\$19,800,000, was paid in May 2014.

## 6. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares deemed to be in issue during the nine months ended 30 September 2014 and 2013.

In determining the weighted average number of ordinary shares deemed to be in issue during the nine months ended 30 September 2014 and 2013, the 10,000 ordinary shares with par value of HK\$0.01 each issued during the year ended 31 December 2013 and the 989,990,000 shares with par value of HK\$0.01 each issued upon the capitalisation issue and Reorganisation have been regarded as if these shares were in issue since 1 January 2013.

	<b>Nine months ended</b>	
	<b>30 September</b>	
	<b>2014</b>	<b>2013</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit attributable to equity holders of the company ( <i>HK\$'000</i> )	<u><b>32,451</b></u>	<u>60,203</u>
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	<u><b>1,275,275</b></u>	<u>990,000</u>
Basic and diluted earnings per share ( <i>HK cents per share</i> )	<u><b>2.54</b></u>	<u>6.08</u>

No adjustment has been made to the basic earnings per share amount for the nine months ended 30 September 2014 and 2013 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, namely TFT-LCD panels, driver integrated circuits (“ICs”) and polarisers, which are the major components of display technology used for mobile phones. The Group also processes some of the TFT-LCD panels which it trades.

According to a recent report of China Academy of Telecommunication Research of the Ministry of Industrial and Information Technology of the PRC, China brand mobile phone shipments volume during the nine months ended 30 September 2014 dropped by 26.4% as compared with the corresponding period in 2013. This trend has continued to affect the financial performance of the Group. Revenue of the Group amounted to approximately HK\$977,413,000 during the nine months ended 30 September 2014, representing a decrease of approximately 22% as compared with the corresponding period in 2013. Profit attributable to equity holders of the Company for the nine months ended 30 September 2014 was approximately HK\$32,451,000, representing a decrease of approximately 46% as compared with the corresponding period in 2013.

Telecommunication operators in the PRC have changed their strategies in relation to their subsidies to end users on mobile phones purchases which resulted in a decrease in the market demand for certain premium quality mobile phones, including those installed with TFT-LCD panels sold by the Group. In addition, consumers in the PRC held off purchases as they anticipated the upgrade from 3G to 4G phones, as well as the new generation of iPhone. Revenue from the Group’s Unprocessed Panel Segment dropped from approximately HK\$699,203,000 for the nine months ended 30 September 2013 to approximately HK\$258,415,000 for the nine months ended 30 September 2014, representing a decrease of approximately 63%. With the Group’s focus on its Processed Panel Segment, the Group managed to alleviate the impact of the market decline. Revenue of Processed Panel Segment increased by approximately 45% from approximately HK\$354,156,000 for the nine months ended 30 September 2013 to approximately HK\$513,409,000 for the nine months ended 30 September 2014. Processed Panel Segment became the largest segment of the Group and accounted for more than 50% of the Group’s revenue during the nine months ended 30 September 2014. A wide spectrum of value-added services is provided to its customers in the Processed Panel Segment and thus this segment generally achieves higher selling prices and profit margins.

For the IC Segment and the Polariser Segment, the market competition remained intense. Revenue from the Polariser Segment for the nine months ended 30 September 2014 decreased by approximately 44% to approximately HK\$18,082,000 from approximately HK\$32,491,000 of the corresponding period in 2013. As the Group managed to grasp market share of the newly introduced ICs, revenue from the IC Segment increased by approximately 10% to approximately HK\$187,507,000 for the nine months ended 30 September 2014 from approximately HK\$170,982,000 of the corresponding period in 2013.

During the period, the Company offered 330,000,000 shares for subscription by way of placing and raised net proceeds of approximately HK\$76 million. The Company was successfully listed on the GEM on 7 February 2014 (the “Listing Date”). The listing status of the Company and the net proceeds raised would provide a solid foundation for future business development of the Group.

To expand the Group's business, Perfect Sky Technology Limited and Perfect Sky Technology (Shenzhen) Company Limited, both being wholly-owned subsidiaries of the Company, were established during the period. These two subsidiaries are planned to engage in the product application development combining various displays (e.g. TFT-LCD, Liquid crystal on silicon ("LCOS")) with micro-projection technology (e.g. pico-projectors, optical engine), in order to provide key components, reference designs and technical support for trendy products such as wearable displays (e.g. head-mounted displays, smart watches and gaming virtual reality products) and automobile head-up displays in the future. The Group's extensive professional industry knowledge, well-developed relationships with Taiwan suppliers and thorough network connections with the PRC customers are believed to be beneficial for this new business development.

Looking forward, the management considers that the recent downturn in the smartphone market is temporary and remains optimistic about maintaining the growth momentum of the Group through the vigorous demand of smartphones and the increase in popularity of 4G services in the PRC. The Group will continue to seek diversification of its product mix for better selling prices and profit margins, including expanding business in new trendy product markets. The management believes that these measures will effectively drive the business growth of the Group.

## **Financial Review**

### *Revenue*

For the nine months ended 30 September 2014, total revenue of the Group amounted to approximately HK\$977,413,000 decreased by about 22% as compared with the corresponding period in 2013 of approximately HK\$1,256,832,000. Decrease in total revenue was mainly due to the decrease in revenue from the Unprocessed Panel Segment.

### *Gross profit*

Gross profit for the nine months ended 30 September 2014 decreased by about 34% to approximately HK\$77,433,000, which was attributable to the decrease in the Group's revenue and the drop in gross profit margin by 1.4 percentage point to 7.9% as compared with the corresponding period in 2013.

### *Other gains/(losses), net*

Net other losses of approximately HK\$935,000 were recorded for the nine months ended 30 September 2014 (nine months ended 30 September 2013: HK\$558,000). The balance mainly comprised the unrealised exchange losses on the Group's Renminbi bank deposits arising from the depreciation of Renminbi against Hong Kong Dollars during the period.

### *Expenses*

The Group's distribution and selling expenses for the nine months ended 30 September 2014 amounted to approximately HK\$10,865,000, representing an approximately 8% increase as compared with the corresponding period in 2013 of approximately HK\$10,019,000.

The Group's general and administrative expenses for the nine months ended 30 September 2014 amounted to approximately HK\$24,824,000, representing an approximately 17% decrease as compared with the corresponding period in 2013 of approximately HK\$29,752,000. Non-recurring expenses in relation to the listing of the Company included in the general and administrative expenses during the period amounted to approximately HK\$1,084,000 (nine months ended 30 September 2013: HK\$10,058,000). Excluding the effect of these non-recurring expenses, the Group's general and administrative expenses for the period increased by approximately HK\$4,046,000, representing an approximately 21% increase over the corresponding period in 2013.

The increase in distribution and selling expenses, general and administrative expenses (excluding non-recurring listing expenses) during the nine months ended 30 September 2014 as compared with the corresponding period in 2013 was mainly attributable to the additional operating expenses incurred by a PRC subsidiary established in April 2013, and the increase in various professional fees after the listing of the Company.

*Profit for the period*

Profit attributable to equity holders of the Company for the nine months ended 30 September 2014 amounted to approximately HK\$32,451,000, representing a decrease of approximately 46% as compared with the corresponding period in 2013 of approximately HK\$60,203,000, which was mainly attributable to the decrease in revenue 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 2014, 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:**

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of shares held</b>	<b>Percentage of the Company's issued share capital</b>
Mr. Cheng Wai Tak	Interest in controlled corporation	925,000,000 ( <i>Note</i> )	70.08%

### Long positions in shares of associated corporation:

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

*Note:* These 925,000,000 shares are held by Winful Enterprises, which in turn is beneficially owned entirely by Mr. Cheng Wai Tak. As such, Mr. Cheng Wai Tak is deemed under the SFO to be interested in these 925,000,000 shares held by Winful Enterprises.

Save as disclosed above, as at 30 September 2014, 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 2014, 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	925,000,000 ( <i>Note</i> )	70.08%

*Note:* Mr. Cheng Wai Tak is deemed under the SFO to be interested in these 925,000,000 shares held by Winful Enterprises.

Save as disclosed above, as at 30 September 2014, 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 2014 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 2014, the Company did not redeem any of its shares, and neither did the Company nor any of its subsidiaries purchase or sell any shares of the Company.

## **COMPLIANCE OF CODE OF CONDUCT FOR DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the period from 7 February 2014 (the Listing Date) to 30 September 2014.

## **NON-COMPETITION UNDERTAKING**

On 20 January 2014, each of Mr. Cheng Wai Tak and Winful Enterprises, the controlling shareholders of the Company (collectively, the “Covenantors”), entered into a deed of non-competition undertaking (“Non-Competition Deed”) in favour of the Company (for itself and for and on behalf of all members of the Group), pursuant to which each of the Covenantors, irrevocably and unconditionally, undertakes and covenants with the Company that with effect from the Listing Date 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) have any business or interest which competes or may compete with the business of the Group, or have any other conflict of interest which any such person has or may have with the Group throughout the period from 7 February 2014 (the Listing Date) to 30 September 2014.

## **INTERESTS OF THE COMPLIANCE ADVISER**

As notified by Grand Vinco Capital Limited ("Vinco"), 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 2014. 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 period from 7 February 2014 (the Listing Date) to 30 September 2014, the Company has complied with all the code provisions of the CG Code, except the deviation stipulated below.

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

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

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

## AUDIT COMMITTEE

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

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

Hong Kong, 13 November 2014

*As at the date of this announcement, the Board comprises three executive directors, namely, Mr. Cheng Wai Tak, Mr. Cheng Cheung Wai and Mr. Liu 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>.*