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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)**

**INTERIM RESULTS ANNOUNCEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 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 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\$488.0 million for the six months ended 30 June 2015 (six months ended 30 June 2014: approximately HK\$683.6 million).
- Profit attributable to equity holders of the Company for the six months ended 30 June 2015 amounted to approximately HK\$6.0 million (six months ended 30 June 2014: approximately HK\$20.8 million).
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

## FINANCIAL RESULTS

The board of directors (the “Board”) of Perfect Optronics Limited (the “Company”) is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2015 together with the comparative unaudited figures for the corresponding period in 2014 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Note	Three months ended 30 June		Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited and restated)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited and restated)
<b>Revenue</b>	3	<b>265,096</b>	388,307	<b>487,969</b>	683,594
Cost of sales		<b>(247,787)</b>	(362,887)	<b>(450,269)</b>	(631,301)
<b>Gross profit</b>		<b>17,309</b>	25,420	<b>37,700</b>	52,293
Other losses, net	5	<b>(420)</b>	(60)	<b>(546)</b>	(1,158)
Distribution and selling expenses		<b>(4,505)</b>	(3,207)	<b>(9,244)</b>	(7,165)
General and administrative expenses		<b>(9,997)</b>	(7,989)	<b>(18,841)</b>	(16,071)
Other expenses		<b>(1,707)</b>	(600)	<b>(3,137)</b>	(700)
<b>Operating profit</b>		<b>680</b>	13,564	<b>5,932</b>	27,199
Finance income		<b>331</b>	192	<b>523</b>	270
Finance costs	6	<b>(229)</b>	(756)	<b>(487)</b>	(1,292)
Finance income/(costs), net		<b>102</b>	(564)	<b>36</b>	(1,022)
Share of loss of an associate	7	—	(370)	—	(680)
<b>Profit before income tax</b>	8	<b>782</b>	12,630	<b>5,968</b>	25,497
Income tax expense	9	<b>(364)</b>	(2,419)	<b>(1,479)</b>	(4,652)
<b>Profit for the period</b>		<b>418</b>	10,211	<b>4,489</b>	20,845
<b>Other comprehensive income</b>					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Change in value of available-for- sale financial assets		<b>(52)</b>	—	<b>(105)</b>	—
Currency translation differences		<b>37</b>	13	<b>86</b>	(29)
<b>Total comprehensive income for the period</b>		<b>403</b>	10,224	<b>4,470</b>	20,816

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

*For the six months ended 30 June 2015*

	<i>Note</i>	<b>Three months ended</b>		<b>Six months ended</b>	
		<b>30 June</b>		<b>30 June</b>	
		<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
			(Unaudited)	(Unaudited)	(Unaudited)
		<b>(Unaudited)</b>	and restated)	<b>(Unaudited)</b>	and restated)
<b>Profit for the period attributable to:</b>					
Equity holders of the Company		<b>1,137</b>	10,211	<b>5,994</b>	20,845
Non-controlling interests		<b>(719)</b>	—	<b>(1,505)</b>	—
		<b>418</b>	10,211	<b>4,489</b>	20,845
<b>Total comprehensive income for the period attributable to:</b>					
Equity holders of the Company		<b>1,148</b>	10,224	<b>6,027</b>	20,816
Non-controlling interests		<b>(745)</b>	—	<b>(1,557)</b>	—
		<b>403</b>	10,224	<b>4,470</b>	20,816
<b>Basic and diluted earnings per share</b>	<b>11</b>	<b>HK0.08 cent</b>	HK0.69 cent	<b>HK0.40 cent</b>	HK1.47 cent

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION***As at 30 June 2015*

		<b>30 June</b>	31 December
		<b>2015</b>	2014
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	<b>(Restated)</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>5,132</b>	4,781
Goodwill		<b>7,062</b>	7,062
Other intangible assets		<b>6,554</b>	6,832
Available-for-sale financial assets	12	<b>24,639</b>	1,344
		<hr/> <b>43,387</b>	<hr/> 20,019
<b>Current assets</b>			
Inventories		<b>140,508</b>	135,261
Trade and other receivables	13	<b>94,420</b>	110,135
Tax recoverable		<b>730</b>	2,227
Restricted bank deposits		<b>22,493</b>	22,230
Cash and cash equivalents		<b>99,549</b>	133,837
		<hr/> <b>357,700</b>	<hr/> 403,690
<b>Total assets</b>		<hr/> <b>401,087</b>	<hr/> <b>423,709</b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	14	<b>14,837</b>	13,200
Reserves		<b>116,588</b>	118,843
Retained earnings		<b>105,675</b>	107,099
		<hr/> <b>237,100</b>	<hr/> 239,142
<b>Non-controlling interests</b>		<hr/> <b>16,827</b>	<hr/> 18,384
<b>Total equity</b>		<hr/> <b>253,927</b>	<hr/> <b>257,526</b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**

*As at 30 June 2015*

	<i>Note</i>	<b>30 June 2015 HK\$'000 (Unaudited)</b>	31 December 2014 HK\$'000 (Restated)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Note payable		<b>10,000</b>	—
Loan from a shareholder		—	27,769
Deferred income tax liabilities		<b>727</b>	745
		<b>10,727</b>	28,514
<b>Current liabilities</b>			
Trade and other payables	15	<b>86,205</b>	90,528
Note payable		<b>10,000</b>	—
Bank borrowings		<b>40,228</b>	47,141
		<b>136,433</b>	137,669
<b>Total liabilities</b>		<b>147,160</b>	166,183
<b>Total equity and liabilities</b>		<b>401,087</b>	423,709
<b>Net current assets</b>		<b>221,267</b>	266,021
<b>Total assets less current liabilities</b>		<b>264,654</b>	286,040

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

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

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

During the six months ended 30 June 2015, Rightone Resources Limited ("Rightone"), a wholly-owned subsidiary of the Company, entered into a sales and purchase agreement dated 22 January 2015 (the "Agreement") to acquire the entire equity interest in Perfect Shiny (the "Acquisition") from Mr. Cheng Wai Tak ("Mr. Cheng"), a director and a substantial shareholder of the Company. Pursuant to the Agreement, the consideration for the Acquisition was HK\$323,000,000, of which HK\$20,000,000 was satisfied by the issuing and delivering of a promissory note in favour of Mr. Cheng in the amount of HK\$20,000,000; HK\$10,000,000 was settled by cash to Mr. Cheng upon completion of the Acquisition; and the rest was satisfied by the allotment and issue by the Company of 163,687,151 shares (the "Consideration Shares") to the nominee of Mr. Cheng. Furthermore, pursuant to the Agreement, a shareholder's loan of approximately HK\$29,349,000 payable by Perfect Shiny to Mr. Cheng was waived upon completion of the Acquisition. Details of the Acquisition were set out in the Company's circular to its shareholders dated 6 March 2015. The Acquisition was approved by the ordinary resolution passed by the shareholders of the Company by way of poll at the extraordinary general meeting held on 17 April 2015. The Acquisition was completed and the Consideration Shares were issued on 30 April 2015, at which time the price of shares of the Company was HK\$2.38 per share.

In the preparation of the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2015 (the "2015 Interim Financial Statements"), it was determined that the Group and Perfect Shiny and its subsidiaries (the "Perfect Shiny Group") were ultimately controlled by Mr. Cheng before and after the Acquisition, and that control is not transitory. The Group and Perfect Shiny Group were regarded as continuing entities as at the date of business combination and hence the Acquisition was accounted for as a combination of entities under common control by applying the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger accounting for common control combinations" ("AG 5") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as if the Acquisition had occurred on the date when the combining entities first came under the control of the substantial shareholder. Accordingly, the assets and liabilities acquired in the common control combinations are stated at their carrying amounts as if they had been held or incurred by the Group from the later of the date on which the combining entities first came under the control of the substantial shareholder or the relevant transactions giving rise to the assets or liabilities arose.

In accordance with AG 5, the comparative amounts of the financial statements of the Group have been restated to include the financial statement items of Perfect Shiny Group. The effect of the common control combination of Perfect Shiny Group on the Group's results for the six months ended 30 June 2014, and the condensed consolidated statement of financial position as at 31 December 2014 were as follows:

	<b>As previously reported</b>	<b>Perfect Shiny Group</b>	<b>Consolidation adjustment</b>	<b>As restated</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Six months ended 30 June 2014</b>				
Revenue	683,594	—	—	683,594
Share of loss of an associate	—	(680)	—	(680)
Profit/(loss) for the period	22,228	(1,383)	—	20,845

	<b>As previously reported HK\$'000 (Audited)</b>	<b>Perfect Shiny Group HK\$'000 (Unaudited)</b>	<b>Consolidation adjustment HK\$'000 (Unaudited)</b>	<b>As restated HK\$'000 (Unaudited)</b>
<b>As at 31 December 2014</b>				
<b>ASSETS</b>				
Non-current assets	6,900	13,119	—	20,019
Current assets	370,349	33,341	—	403,690
Total assets	<u>377,249</u>	<u>46,460</u>	<u>—</u>	<u>423,709</u>
<b>LIABILITIES</b>				
Non-current liabilities	115	28,399	—	28,514
Current liabilities	134,335	3,334	—	137,669
Total liabilities	<u>134,450</u>	<u>31,733</u>	<u>—</u>	<u>166,183</u>
<b>EQUITY</b>				
Share capital	13,200	3,900	(3,900)	13,200
Reserves	115,623	(680)	3,900	118,843
Retained earnings	113,976	(6,877)	—	107,099
Non-controlling interests	—	18,384	—	18,384
Total equity	<u>242,799</u>	<u>14,727</u>	<u>—</u>	<u>257,526</u>

The 2015 Interim Financial Statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the HKICPA and the disclosure requirements of the GEM Listing Rules. The 2015 Interim Financial Statements are presented in Hong Kong dollars (“HK\$”), unless otherwise stated; and have been prepared under the historical cost convention, except for certain available-for-sale financial assets which have been measured at fair value.

The 2015 Interim Financial Statements 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 these unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2014, except as described below.

The Group has adopted and applied, for the first time, the following new standards, amendments to standards and interpretations that have been issued and effective for the accounting periods beginning on 1 January 2015:

Hong Kong Accounting Standard 19 (2011) Amendment	Defined Benefit Plans: Employee Contributions
Annual Improvements Project	Annual Improvements 2010–2012 Cycle
Annual Improvements Project	Annual Improvements 2011–2013 Cycle

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



The preparation of the 2015 Interim Financial Statements in conformity with Hong Kong Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2014.

### 3. REVENUE

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

### 4. SEGMENT INFORMATION

The chief operating decision-maker of the Group 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 managed the business in aggregate on entity level. During the six months ended 30 June 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, integrated circuits ("ICs") and polarisers into one single operating 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 such changes provide a more appropriate presentation of the Group's existing operating structure. Comparative information has been restated to conform with the current period'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 six months ended 30 June 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
	(Unaudited)	(Unaudited and restated)	(Unaudited)	(Unaudited and restated)	(Unaudited)	(Unaudited and restated)
Segment revenue						
(all from external customers)	<u>487,055</u>	683,594	<u>914</u>	—	<u>487,969</u>	683,594
Segment results	<u>39,167</u>	52,293	<u>(4,604)</u>	(1,380)	<u>34,563</u>	50,913
Unallocated operating costs*					(28,631)	(24,394)
Finance income/(costs), net					<u>36</u>	(1,022)
Profit before income tax					<u>5,968</u>	25,497
Other segment information:						
Share of loss of an associate <sup>†</sup>	<u>—</u>	—	<u>—</u>	(680)	<u>—</u>	(680)

\* Unallocated operating costs include distribution and selling expenses, general and administrative expenses and other losses, net

<sup>†</sup> Share of loss of an associate is included in the segment results

(b) The Group's revenue from its major products for the six months ended 30 June 2015 and 2014 are as follows:

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
TFT-LCD panels and modules	<b>365,050</b>	526,050
Driver ICs	<b>98,236</b>	133,030
Polarisers	<b>17,970</b>	10,985
Others	<b>6,713</b>	13,529
	<u><b>487,969</b></u>	<u>683,594</u>

(c) **Segment revenue by customers' geographical location**

During the six months ended 30 June 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.

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Hong Kong	<b>472,619</b>	665,647
The People's Republic of China ("PRC")	<b>14,454</b>	17,947
Taiwan	<b>896</b>	—
	<u><b>487,969</b></u>	<u>683,594</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:

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Customer A	<b>82,657</b>	—
Customer B	<b>74,766</b>	168,235
	<u><b>157,423</b></u>	<u>168,235</u>

The two customers are included in the Display Products Segment.

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

	Hong Kong <i>HK\$'000</i> (Unaudited)	PRC <i>HK\$'000</i> (Unaudited)	Taiwan <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
<b>As at 30 June 2015:</b>				
<b>Non-current assets</b>				
Property, plant and equipment	2,680	1,212	1,240	5,132
Goodwill	—	—	7,062	7,062
Other intangible assets	2,000	1,122	3,432	6,554
	<u>4,680</u>	<u>2,334</u>	<u>11,734</u>	<u>18,748</u>
	Hong Kong <i>HK\$'000</i> (Restated)	PRC <i>HK\$'000</i> (Restated)	Taiwan <i>HK\$'000</i> (Restated)	Total <i>HK\$'000</i> (Restated)
<b>As at 31 December 2014:</b>				
<b>Non-current assets</b>				
Property, plant and equipment	2,344	1,434	1,003	4,781
Goodwill	—	—	7,062	7,062
Other intangible assets	2,000	1,122	3,710	6,832
	<u>4,344</u>	<u>2,556</u>	<u>11,775</u>	<u>18,675</u>

## 5. OTHER LOSSES, NET

	Six months ended 30 June	
	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
Net exchange loss	655	1,158
Others	(109)	—
	<u>546</u>	<u>1,158</u>

## 6. FINANCE COSTS

	Six months ended 30 June	
	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
Interest expense on:		
Bank advances from factored receivables	33	315
Bank borrowings wholly repayable within five years	47	202
Factoring charges	407	775
	<u>487</u>	<u>1,292</u>

## 7. SHARE OF LOSS OF AN ASSOCIATE

In January 2014, Perfect Shiny acquired 30.91% equity interest in Shinyoptics Corporation (“Shinyoptics”), a company incorporated in Taiwan with limited liability, from certain independent third parties. Shinyoptics was accounted for as an associate using equity method of accounting during the six months ended 30 June 2014. 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.

## 8. PROFIT BEFORE INCOME TAX

The Group’s profit before income tax is arrived at after charging:

	Six months ended 30 June	
	2015 HK\$’000 (Unaudited)	2014 HK\$’000 (Unaudited and restated)
Cost of inventories sold	441,597	581,944
Provision for obsolete inventories	336	7,275
Depreciation of property, plant and equipment	997	266
Amortisation of other intangible assets	278	—
Professional service fees in respect of the Listing	—	1,084
Research and development costs ( <i>Note</i> )	3,137	700

*Note:* Research and development costs were included in “Other expenses” in the condensed consolidated statement of comprehensive income.

## 9. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2015 HK\$’000 (Unaudited)	2014 HK\$’000 (Unaudited and restated)
Current income tax:		
Hong Kong profits tax	1,497	4,667
Deferred income tax	(18)	(15)
	<u>1,479</u>	<u>4,652</u>

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2014: 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 a standard rate of 25% during the period (six months ended 30 June 2014: 25%). No PRC corporate income tax has been provided as the Group has available tax losses to offset the assessable profit generated during the period (six months ended 30 June 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.

## 10. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

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

## 11. 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 six months ended 30 June 2015 and 2014.

In determining the weighted average number of ordinary shares deemed to be in issue during the six months ended 30 June 2015 and 2014, the 163,687,151 ordinary shares with par value of HK\$0.01 each issued during the six months ended 30 June 2015 as part of the consideration of the common control combination as mentioned in note 1 above have been regarded as if these shares were in issue since 1 January 2014.

Furthermore, in determining the weighted average number of ordinary shares deemed to be in issue during the six months ended 30 June 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.

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited and restated)
Profit attributable to equity holders of the Company ( <i>HK\$'000</i> )	<u>5,994</u>	<u>20,845</u>
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	<u>1,483,687</u>	<u>1,416,228</u>
Basic and diluted earnings per share ( <i>HK cent per share</i> )	<u>0.40</u>	<u>1.47</u>

No adjustment has been made to the basic earnings per share amount for the six months ended 30 June 2015 and 2014 as the Group had no potentially dilutive ordinary shares in issue during these periods.

## 12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June	31 December
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Restated)
Unlisted equity investment, at cost ( <i>Note</i> )	23,400	—
Unlisted equity investment, at quoted price	<u>1,239</u>	<u>1,344</u>
	<u>24,639</u>	<u>1,344</u>

*Note:* The balance represents the Group's investment in unlisted equity securities issued by a private entity. It is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably. The Group does not intend to dispose of it in the near future.

### 13. TRADE AND OTHER RECEIVABLES

	<b>30 June 2015</b>	31 December 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Restated)
Trade receivable ( <i>Note</i> )	36,742	54,097
Bills receivable ( <i>Note</i> )	52,752	52,840
	<hr/>	<hr/>
Prepayments, deposits and other receivables	89,494	106,937
	4,926	3,198
	<hr/>	<hr/>
	<b>94,420</b>	<b>110,135</b>
	<hr/> <hr/>	<hr/> <hr/>

*Note:*

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:

	<b>30 June 2015</b>	31 December 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Restated)
1–30 days	44,557	67,095
31–60 days	38,174	26,500
61–90 days	5,150	6,981
91–180 days	1,613	6,361
	<hr/>	<hr/>
	<b>89,494</b>	<b>106,937</b>
	<hr/> <hr/>	<hr/> <hr/>

### 14. SHARE CAPITAL

	30 June 2015		31 December 2014	
	Number of shares	Amount <i>HK\$'000</i>	Number of shares	Amount <i>HK\$'000</i>
<b>Authorised:</b>				
Ordinary shares of HK\$0.01 each	<b>5,000,000,000</b>	<b>50,000</b>	<b>5,000,000,000</b>	<b>50,000</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	Number of shares	Share capital HK\$'000
<b>Ordinary shares, issued and fully paid:</b>		
<b>Opening balance as at 1 January 2015</b>	<b>1,320,000,000</b>	<b>13,200</b>
Issue of new shares as consideration for common control combination ( <i>Note</i> )	<b>163,687,151</b>	<b>1,637</b>
<b>Closing balance as at 30 June 2015</b>	<b>1,483,687,151</b>	<b>14,837</b>
<b>Opening balance as at 1 January 2014</b>		
	10,000	—
Issue of shares by way of placing	330,000,000	3,300
Capitalisation Issue	989,990,000	9,900
<b>Closing balance as at 30 June 2014</b>	<b>1,320,000,000</b>	<b>13,200</b>

*Note:* 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 was HK\$2.38 per share.

#### 15. TRADE AND OTHER PAYABLES

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Restated)
Trade payable ( <i>Note</i> )	76,050	72,526
Deposits received from customers	5,920	6,747
Accruals and other payables	4,235	11,255
	<b>86,205</b>	<b>90,528</b>

*Note:*

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

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Restated)
1–30 days	52,215	46,347
31–60 days	21,268	19,653
61–90 days	2,567	6,525
91–180 days	—	1
	<b>76,050</b>	<b>72,526</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.

The slowdown of China's economy and the changing marketing strategies of the telecommunication operators in the PRC in relation to their subsidies to end users for mobile phones purchases continuously affected the market demand of mobile phones, including those installed with the components sold by the Group. According to the recent figures published by the Ministry of Industry and Information Technology of the People's Republic of China, the production volume of mobile phones in the telecommunication equipment industry during January to June 2015 recorded a 4.5% decrease as compared to the same period in 2014. Such weak demand adversely affected the Group's performance during the six months ended 30 June 2015. Revenue of the Group amounted to approximately HK\$487,969,000 during the six months ended 30 June 2015, representing a decrease of approximately 29% as compared with that of the corresponding period in 2014. Profit attributable to equity holders of the Company for the six months ended 30 June 2015 was approximately HK\$5,994,000, representing a decrease of approximately 71% as compared with the corresponding period in 2014. The decrease in profit attributable to equity holders of the Company for the six months ended 30 June 2015 was mainly due to the drop in sales volume of TFT-LCD panels, increase in staff costs and larger amounts of professional fees incurred for investment and acquisition activities of the Group during the period.

Affected by the weak demand and keen competition in the market, the Group's sales of TFT-LCD panels and modules, including both traded and processed by the Group, amounted to approximately HK\$365,050,000 for the six months ended 30 June 2015, decreased by 31% as compared to approximately HK\$526,050,000 of the corresponding period in 2014. Revenue from sales of driver ICs decreased by 26%, from approximately HK\$133,030,000 for the six months ended 30 June 2014 to approximately HK\$98,236,000 for the six months ended 30 June 2015. To alleviate the negative impact of the decrease in demand of small sized TFT-LCD panels for mobile phones, during the period, the Group attempted to widen its revenue base and began to trade more unprocessed new products, such as TFT-LCD modules and medium sized display products used on tablets, notebooks and monitors. Thanks to the improvement in technology of the polarisers sold during the period, sales of polarisers increased to approximately HK\$17,970,000 during the period, representing a 64% increase as compared with approximately HK\$10,985,000 for the six months ended 30 June 2014.

To further enhance the product mix of the Group, the Group has entered into the optics-related products market, which received much attention and support in capital markets recently. To develop the Group's new optics-related products business, the Group acquired the entire equity interest of Perfect Shiny during the period. Perfect Shiny Group primarily focuses on the design, development, production and sales of liquid crystal on silicon ("LCoS") microprojector optical engines, and the design and development of applied optics-related products including virtual reality gaming headsets/head-mount display ("HMD") and head-up display ("HUD") devices. Since the Group's optics-related products business was still in developing stage, the Group's revenue from optics products business amounted to approximately HK\$914,000.



Furthermore, in view of the opportunity to share in and gain from the development potential of Mobvoi Inc. (“Mobvoi”), the Group subscribed for certain preferred shares of Mobvoi in January 2015. As at 30 June 2015, the preferred shares held by the Group represent approximately 2.5% of the share capital (on a fully diluted and as converted basis) of Mobvoi. Mobvoi is an investment holding company incorporated under the laws of the Cayman Islands. Mobvoi and its subsidiaries are principally engaged in the business of developing and providing voice search systems on mobile, smart wearable, and other devices. The core technology includes voice recognition, natural language processing, mobile search, and recommendation system. The current products are Chumenwenwen (a mobile intelligent voice search app that can be used on Android, iOS, Google Glass, and Android Wear smart watches), and Ticwear (a Chinese smart watch operating system). In February 2015, the Group and Perfect Shiny Group also established strategic cooperation with Mobvoi for designing, developing and launching smart glasses and head up displays products in the market. The technologies of voice search, linguistic analysis and big data transmission offered by Mobvoi will be a good complement to the developing new products of the Group. With the well-established direct marketing and strong sales network in the PRC market of Mobvoi, the management believes that the overall competitiveness of the Group can be greatly enhanced and consolidated by such cooperation. Subsequent to 30 June 2015, the Group’s shareholding in Mobvoi was diluted to approximately 2.12% (on a fully diluted and as converted basis) as a result of, among other things, the issue of additional preferred shares by Mobvoi to another investor in July 2015.

## **Prospects**

Looking forward, smartphone is becoming essential and mainstream in the market with more functions to be developed for daily use of consumers. It is believed that the related display panel industry in China will rebound along with the more mature development of 4G services and related technologies. The Group will closely monitor market changes and continue to develop and further enhance its product mix, improve its profit margin and expand its business to new trendy product markets. The new acquisition of Perfect Shiny and development of the new products such as virtual reality HMD and HUD devices installed in motor vehicles are expected to be the remarkable steps for the Group to a splendid future in the market.

## **Financial Review**

### *Revenue*

For the six months ended 30 June 2015, total revenue of the Group amounted to approximately HK\$487,969,000, which decreased by about 29% as compared with the corresponding period in 2014 of approximately HK\$683,594,000. The decrease in total revenue was mainly due to the decrease in revenue from the sales of TFT-LCD panels and driver ICs as a result of the weak demand in the market.

### *Gross profit*

Due to the significant decrease in revenue, gross profit for the six months ended 30 June 2015 decreased by about 28% to approximately HK\$37,700,000. Gross profit margin increased slightly by 0.1 percentage point to 7.7% as compared with the corresponding period in 2014.

### *Other losses, net*

Net other losses of approximately HK\$546,000 was recorded for the six months ended 30 June 2015 (six months ended 30 June 2014: HK\$1,158,000). The balance mainly comprised of exchange losses during the period.

## *Expenses*

The Group's distribution and selling expenses for the six months ended 30 June 2015 amounted to approximately HK\$9,244,000, representing an approximately 29% increase as compared with the corresponding period in 2014 of approximately HK\$7,165,000. The increase was mainly attributable to the expansion of the Group's sales office in the PRC and increase in staff costs during the period.

The Group's general and administrative expenses for the six months ended 30 June 2015 amounted to approximately HK\$18,841,000, representing an approximately 17% increase as compared with the corresponding period in 2014 of approximately HK\$16,071,000. The increase was mainly due to the increase in staff costs for additional staff recruited and larger amounts of professional fees incurred in relation to the investment in Mobvoi and the acquisition of Perfect Shiny during the period.

Other expenses represent the research and development costs incurred by the Group, which amounted to approximately HK\$3,137,000 for the six months ended 30 June 2015, representing an approximately 348% increase as compared with the corresponding period in 2014 of approximately HK\$700,000. The increase was mainly due to the fact that Shinyoptics (being an associate at that time) was accounted for using the equity method during the six months ended 30 June 2014 such that the Group's other expenses for the six months ended 30 June 2014 did not include the research and development costs incurred by Shinyoptics.

## *Profit attributable to equity holders of the Company*

Profit attributable to equity holders of the Company for the six months ended 30 June 2015 amounted to approximately HK\$5,994,000, representing a decrease of approximately 71% as compared with the corresponding period in 2014 of approximately HK\$20,845,000, which was mainly attributable to the decrease in revenue and the increase in staff costs and professional fees incurred during the period.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group's principal sources of funds are 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 cash and cash equivalents of approximately HK\$99,549,000 as at 30 June 2015 (31 December 2014: HK\$133,837,000).

As at 30 June 2015, the Group's total bank borrowings comprised bank loans and bank advances for factored receivables of approximately HK\$39,000,000 (31 December 2014: HK\$15,600,000) and HK\$1,228,000 (31 December 2014: HK\$31,541,000) respectively.

## **GEARING RATIO**

As at 30 June 2015, the Group's gearing ratio was 15.8% (31 December 2014: 18.3%), which is calculated based on the Group's total interest-bearing debt of approximately HK\$40,228,000 (31 December 2014: HK\$47,141,000) and the Group's total equity of approximately HK\$253,927,000 (31 December 2014: HK\$257,526,000).

## **CONTINGENT LIABILITIES**

As at 30 June 2015, the Group had no material contingent liabilities (31 December 2014: Nil).

## **CHARGE ON ASSETS**

As at 30 June 2015, the Group had pledged its bank deposits of approximately HK\$22,493,000 (31 December 2014: HK\$22,230,000) to certain banks in Hong Kong to secure the banking facilities granted to the Group.

## **CAPITAL COMMITMENTS**

As at 30 June 2015, the Group did not have any significant capital commitments (31 December 2014: Nil).

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

During the six months ended 30 June 2015, the Company did not redeem any of its shares, and neither did the Company nor any of its subsidiaries purchase or sell any shares of the Company.

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

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the six months ended 30 June 2015.

## **COMPLIANCE WITH NON-COMPETITION UNDERTAKING**

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

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

Further details of the Non-Competition Deed are 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 six months ended 30 June 2015.

## **INTERESTS OF THE COMPLIANCE ADVISER**

As notified by Grand Vinco Capital Limited (“Vinco”), the compliance adviser of the Company, neither Vinco nor its directors or employees or associates had any interest in the securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities) as at 30 June 2015. Pursuant to the compliance adviser agreement, Vinco received and will receive fees for acting as the compliance adviser of the Company.

## **CORPORATE GOVERNANCE**

The Company has adopted the principles and the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 15 of the GEM Listing Rules. Throughout the six months ended 30 June 2015, the Company has complied with all the code provisions of the CG Code, except the deviation stipulated below.

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

## AUDIT COMMITTEE

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

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

Hong Kong, 10 August 2015

*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>.*