

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Perfect Optronics Limited
圓美光電有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8311)

FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2017

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\$104.9 million for the three months ended 31 March 2017 (three months ended 31 March 2016: approximately HK\$295.1 million).
- Loss attributable to equity holders of the Company for the three months ended 31 March 2017 amounted to approximately HK\$3.5 million (three months ended 31 March 2016: profit of approximately HK\$6.1 million).
- The Board does not declare an interim dividend for the three months ended 31 March 2017 (three months ended 31 March 2016: Nil).

FINANCIAL RESULTS

The board of directors (the “Board”) of Perfect Optronics Limited (the “Company”) hereby announces the unaudited consolidated financial results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2017 together with the comparative unaudited figures for the corresponding period in 2016 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2017

		Three months ended	
		31 March	
	Note	2017	2016
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	3	104,883	295,059
Cost of sales		<u>(96,542)</u>	<u>(274,099)</u>
Gross profit		8,341	20,960
Other losses, net		(47)	(241)
Distribution and selling expenses		(3,367)	(4,042)
General and administrative expenses		(7,505)	(7,532)
Research and development expenses		<u>(384)</u>	<u>(1,991)</u>
Operating (loss)/profit		(2,962)	7,154
Finance income		26	156
Finance costs		<u>(371)</u>	<u>(537)</u>
Finance costs, net		<u>(345)</u>	<u>(381)</u>
(Loss)/profit before income tax		(3,307)	6,773
Income tax expense	4	<u>(154)</u>	<u>(1,407)</u>
(Loss)/profit for the period		(3,461)	5,366
Other comprehensive income:			
<i>Items that may be reclassified subsequently to income statement</i>			
Change in value of available-for-sale financial assets	5	22,495	42
Currency translation differences		<u>182</u>	<u>35</u>
Total comprehensive income for the period		<u>19,216</u>	<u>5,443</u>
(Loss)/profit for the period attributable to:			
Equity holders of the Company		(3,461)	6,120
Non-controlling interests		<u>—</u>	<u>(754)</u>
		<u>(3,461)</u>	<u>5,366</u>
Total comprehensive income for the period attributable to:			
Equity holders of the Company		19,216	6,176
Non-controlling interests		<u>—</u>	<u>(733)</u>
		<u>19,216</u>	<u>5,443</u>
Basic and diluted (loss)/earnings per share	7	<u>HK(0.23) cent</u>	<u>HK0.41 cent</u>

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2017

Attributable to equity holders of the Company

	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			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Balance at 1 January 2017	14,837	465,738	67,349	(415,675)	7,716	(730)	210,724	349,959	—	349,959
Comprehensive loss										
Loss for the period	—	—	—	—	—	—	(3,461)	(3,461)	—	(3,461)
Other comprehensive income										
Change in value of available-for-sale financial assets	—	—	—	—	22,495	—	—	22,495	—	22,495
Currency translation differences	—	—	—	—	—	182	—	182	—	182
Total other comprehensive income	—	—	—	—	22,495	182	—	22,677	—	22,677
Total comprehensive income	—	—	—	—	22,495	182	(3,461)	19,216	—	19,216
Balance at 31 March 2017	14,837	465,738	67,349	(415,675)	30,211	(548)	207,263	369,175	—	369,175
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
Comprehensive income										
Profit for the period	—	—	—	—	—	—	6,120	6,120	(754)	5,366
Other comprehensive income										
Change in value of available-for-sale financial assets	—	—	—	—	21	—	—	21	21	42
Currency translation differences	—	—	—	—	—	35	—	35	—	35
Total other comprehensive income	—	—	—	—	21	35	—	56	21	77
Total comprehensive income	—	—	—	—	21	35	6,120	6,176	(733)	5,443
Balance at 31 March 2016	14,837	465,738	67,349	(415,675)	7,112	(2,237)	133,533	270,657	14,515	285,172

* 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.

The Group is principally engaged in the trading and processing of display panels, development and sales of optics products and trading of related electronic components.

The unaudited consolidated financial results of the Group for the three months ended 31 March 2017 (the "Consolidated Financial Results") have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants 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 2016, except as described below.

The Group has adopted and applied, for the first time, the following amendments to standards that have been issued and effective for the accounting periods beginning on 1 January 2017:

Hong Kong Accounting Standard ("HKAS") 7 Amendment	Statement of Cash Flows
HKAS 12 Amendment	Income Taxes

For those new standards and amendments to standards 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 2016.

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	
	31 March	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Thin film transistor liquid crystal display ("TFT-LCD") panels and modules	92,874	269,154
Driver integrated circuits ("ICs")	5,763	21,268
Optics products	3,748	134
Polarisers	763	2,749
Others	1,735	1,754
	<u>104,883</u>	<u>295,059</u>

4. INCOME TAX EXPENSE

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

	Three months ended	
	31 March	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax:		
Hong Kong profits tax	171	1,450
Deferred income tax	(17)	(43)
	<u>154</u>	<u>1,407</u>

Hong Kong profits tax has been provided at the rate of 16.5% (three months ended 31 March 2016: 16.5%) on the estimated assessable profit during the period arising in or derived from Hong Kong. Taxation on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

5. CHANGE IN VALUE OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

Change in value of available-for-sale financial assets during the three months ended 31 March 2017 represents the change in fair value of the Group's unlisted equity investment, which comprised certain preferred shares in Mobvoi Inc. ("Mobvoi"), a private company principally engaged in the business of developing and providing voice search systems on mobile, smart wearable and other devices. There was no addition to or disposal of such private equity investment by the Group since its acquisition in January 2015. Mobvoi further issued new preferred shares to a new investor in late March 2017 and the Group's shareholding in Mobvoi was diluted to approximately 1.53% (on a fully diluted and as converted basis). The fair value of the Group's unlisted equity investment as at 31 March 2017 amounted to approximately HK\$54,166,000 (31 December 2016: HK\$31,671,000), which is based on comparable transaction method and equity value allocation with option-pricing method performed by an independent valuer. The fair value is within level 3 of the fair value hierarchy.

6. INTERIM DIVIDEND

The Board does not declare an interim dividend for the three months ended 31 March 2017 (three months ended 31 March 2016: Nil).

7. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Three months ended 31 March	
	2017 (Unaudited)	2016 (Unaudited)
(Loss)/profit attributable to equity holders of the Company (<i>HK\$'000</i>)	<u>(3,461)</u>	<u>6,120</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 (loss)/earnings per share (<i>HK cent per share</i>)	<u>HK(0.23) cent</u>	<u>HK0.41 cent</u>

No adjustment has been made to the basic (loss)/earnings per share amount for the three months ended 31 March 2017 and 2016 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 display components applied on mobile phones. In addition, it is also engaged in the development and sale of optics products and related electronic components. The Group also processes some of the products which it trades.

The Group recorded a decrease in revenue for the three months ended 31 March 2017 (the “Period”) as compared with the corresponding period in 2016. According to a global research firm, global smartphone production volume for the first quarter of 2017 recorded approximately 307 million units in total, representing a drop of 23% from the fourth quarter of 2016. Major Chinese smartphone brands have lowered their production volume targets and reduced components purchasing during the Period. Market prices of mobile phone display panels dropped during the Period. Meanwhile, the increase in competitiveness of mainland China display panels manufacturers has further affected the Group’s revenue. Total revenue of the Group for the Period amounted to approximately HK\$104,883,000, representing a decrease of approximately 64% as compared with the first quarter of 2016. As a result of the significant decrease in revenue, the Group recorded a consolidated loss attributable to equity holders of the Company of approximately HK\$3,461,000 during the Period, as compared with the consolidated profit attributable to equity holders of the Company of approximately HK\$6,120,000 for the three months ended 31 March 2016.

As affected by the factors as mentioned above, the Group’s sales of TFT-LCD panels and modules amounted to approximately HK\$92,874,000 during the Period, decreased by approximately 65% as compared with the corresponding period in 2016 of approximately HK\$269,154,000. For other display products such as driver ICs and polarisers, considering the intense price competition in the driver ICs and polarisers markets, the Group put more focus on more profitable products which resulted in a significant drop in revenue from driver ICs and polarisers. Revenue from driver ICs and polarisers amounted to approximately HK\$5,763,000 (three months ended 31 March 2016: HK\$21,268,000) and HK\$763,000 (three months ended 31 March 2016: HK\$2,749,000) respectively during the Period.

For the Group’s optics products business, due to the limited content and an immature augmented reality (“AR”) and virtual reality (“VR”) ecosystem, the industry performance of optics products remains weak during the Period. The Group recorded revenue of approximately HK\$3,748,000 from sales of optics-related products for the Period (three months ended 31 March 2016: HK\$134,000). The Group continued to promote its self-developed automotive head-up display devices and VR entertainment headsets, as well as trading optics products components during the Period.

In early 2015, the Group subscribed for certain preferred shares of Mobvoi Inc. (“Mobvoi”), which is a private company principally engaged in the business of developing and providing voice search systems on mobile, smart wearable and other devices. Following the Group’s investment, Mobvoi further issued its new preferred shares to other new investors, including Google Inc. Recently, Volkswagen AG (“Volkswagen”) (through its affiliate) subscribed for another round of new preferred shares of Mobvoi and the Group’s shareholding proportion in Mobvoi became approximately 1.53% (on a fully diluted and as converted basis). Such investment by Volkswagen enables Mobvoi to obtain new capital for developing new products and expanding into the market of automotive related devices and systems, by forming a joint venture in China on artificial intelligence car-sharing and on-demand and ride-sharing transportation services business with an affiliate of Volkswagen. The Group’s investment in Mobvoi is classified as available-for-sale financial asset and is carried at fair value on the Group’s consolidated statement of financial position. The financial results of Mobvoi are not

included in and have no impact on the Group's consolidated income statement. The change in fair value of the Group's investment in Mobvoi is recognised in other comprehensive income of the Group. No dividend has been received by the Group from Mobvoi since its investment. The fair value of the Group's investment in Mobvoi further increased during the Period following the investment by Volkswagen (see note 5 to the Consolidated Financial Results). Meanwhile, the Group can benefit through its established strategic cooperation with Mobvoi.

Looking forward, the operating environment of the Group's display products business is full of challenges. The Group is expected to face stagnant demand and keen price competition due to the challenging market circumstances. Nevertheless, the Group is expected to be somewhat benefited by the steady development in the market and consumers shifting their demand towards more advanced devices.

As for the optics products business, the Group believes that the market will grow strong in the long run as AR and VR technologies and associated software as well as content support become mature.

Facing the ongoing challenges, the Group will strive to enhance operation efficiency, focus on diversifying its products portfolio, introduce new suppliers and customers, update its technologies from time to time and capture the appropriate growth opportunities.

Financial Review

Revenue

For the three months ended 31 March 2017, total revenue of the Group amounted to approximately HK\$104,883,000, significantly decreased by approximately 64% as compared with the corresponding period in 2016 of approximately HK\$295,059,000. Decrease in total revenue was mainly due to the decrease in revenue from the Group's sales of display products, including TFT-LCD panels and modules, driver ICs and polarisers.

Gross profit

Gross profit amount for the three months ended 31 March 2017 decreased by about 60% to approximately HK\$8,341,000, which was attributable to the decrease in the Group's revenue, which offset the effect of the increase in gross profit margin by 0.9 percentage point to approximately 8.0% as compared with the corresponding period in 2016.

Other losses, net

Net other losses of approximately HK\$47,000 was recorded for the three months ended 31 March 2017 (three months ended 31 March 2016: HK\$241,000). The balance mainly comprised of the exchange losses incurred during the Period.

Expenses

The Group's distribution and selling expenses for the three months ended 31 March 2017 amounted to approximately HK\$3,367,000, representing an approximately 17% decrease as compared with the corresponding period in 2016 of approximately HK\$4,042,000. The decrease was mainly attributable to the decrease in staff costs and sales activities during the Period.

The Group's general and administrative expenses for the three months ended 31 March 2017 amounted to approximately HK\$7,505,000, which is comparable with that of approximately HK\$7,532,000 in the corresponding period in 2016.

Research and development (“R&D”) expenses amounted to approximately HK\$384,000 for the three months ended 31 March 2017, representing an approximately 81% decrease as compared with the corresponding period in 2016 of approximately HK\$1,991,000. The decrease was mainly due to the disposal of a subsidiary, Shinyoptics Corporation, which incurred much R&D expenses, in late 2016.

Loss for the period attributable to equity holders of the Company

Loss attributable to equity holders of the Company for the three months ended 31 March 2017 amounted to approximately HK\$3,461,000 (three months ended 31 March 2016: profit of approximately HK\$6,120,000), which was mainly attributable to the decrease in revenue during the Period.

Other comprehensive income — change in value of available-for-sale financial assets

Change in value of available-for-sale financial assets during the three months ended 31 March 2017 amounted to approximately HK\$22,495,000, being the change in fair value of the Group’s unlisted equity investment in Mobvoi during the Period as mentioned above and in note 5 to the Consolidated Financial Results.

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 31 March 2017, 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 wholly and beneficially owned by Mr. Cheng Wai Tak. As such, 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 31 March 2017, 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 31 March 2017, 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 31 March 2017, 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 three months ended 31 March 2017 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 three months ended 31 March 2017, 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 three months ended 31 March 2017.

COMPLIANCE WITH 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, 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 have been set out in the section headed "Relationship with the Controlling Shareholders" of the prospectus of the Company dated 24 January 2014.

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 three months ended 31 March 2017.

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 three months ended 31 March 2017, 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 May 2017

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>.