**Perfect Optronics Limited**
**圓美光電有限公司**
*(Incorporated in the Cayman Islands with limited liability)*
**(Stock Code: 8311)**

# ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

## 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" or "Perfect Optronics") 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 and its subsidiaries (together, the "Group", "we", "us", or "our"). The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

**FINANCIAL HIGHLIGHTS**

- Revenue for the year ended 31 December 2013 amounted to approximately HK$1,669.6 million, representing an increase of 21% as compared with that of approximately HK$1,382.6 million in 2012.

- Profit before income tax for the year ended 31 December 2013 amounted to approximately HK$87.7 million, representing an increase of 108% from approximately HK$42.1 million recorded in 2012. Excluding the impact of the non-recurring expenses in relation to the listing of the Company of approximately HK$13.4 million, profit before income tax for 2013 amounted to approximately HK$101.1 million, representing an increase of 140% as compared with 2012.

- Profit attributable to equity holders of the Company for the year ended 31 December 2013 amounted to approximately HK$71.1 million, representing an increase of 102% as compared with that of approximately HK$35.2 million in 2012.

- The Board proposed a final dividend of HK1.5 cents per share, subject to the Company's shareholders' approval at the forthcoming annual general meeting to be held on 30 April 2014.

## RESULTS

The board of directors (the "Board") of Perfect Optronics Limited is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2013, together with the comparative figures for the previous year as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2013*

| | Note | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| **Revenue** | 4 | **1,669,556** | 1,382,583 |
| Cost of sales | | **(1,523,366)** | (1,307,593) |
| Gross profit | | **146,190** | 74,990 |
| Other losses, net | 5 | **(716)** | (323) |
| Distribution and selling expenses | | **(14,713)** | (14,336) |
| General and administrative expenses | | **(40,524)** | (16,247) |
| **Operating profit** | | **90,237** | 44,084 |
| Finance income | 7 | **89** | 112 |
| Finance costs | 7 | **(2,652)** | (2,049) |
| **Profit before income tax** | 6 | **87,674** | 42,147 |
| Income tax expense | 8 | **(16,541)** | (6,954) |
| **Profit for the year** | | **71,133** | 35,193 |
| **Other comprehensive income** | | | |
| Item that may be reclassified subsequently to profit or loss | | | |
| Currency translation differences | | **(50)** | — |
| **Total comprehensive income for the year** | | **71,083** | 35,193 |
| **Profit for the year attributable to:** | | | |
| Equity holders of the Company | | **71,133** | 35,193 |
| **Total comprehensive income for the year attributable to:** | | | |
| Equity holders of the Company | | **71,083** | 35,193 |
| **Basic and diluted earnings per share** | 9 | **HK 7.19 cents** | HK 3.55 cents |
| **Dividends** | 10 | **49,800** | 58,000 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2013*

| | Note | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **1,537** | 1,524 |
| Deferred income tax assets | | **57** | — |
| | | **1,594** | 1,524 |
| **Current assets** | | | |
| Inventories | | **131,426** | 128,593 |
| Trade and other receivables | 11 | **152,459** | 123,292 |
| Amounts due from related companies | | — | 8,758 |
| Financial assets at fair value through profit or loss | | — | 4,593 |
| Restricted bank deposits | | **35,038** | 30,246 |
| Cash and cash equivalents | | **62,869** | 50,101 |
| | | **381,792** | 345,583 |
| **Total assets** | | **383,386** | 347,107 |
| **EQUITY** | | | |
| Share capital | | — | — |
| Reserves | | **37,950** | 38,000 |
| Retained earnings | | **100,785** | 59,652 |
| **Total equity** | | **138,735** | 97,652 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Deferred income tax liabilities | | — | 2 |
| | | — | 2 |
| **Current liabilities** | | | |
| Trade and other payables | 12 | **159,411** | 152,861 |
| Amount due to a shareholder | | — | 21,217 |
| Amount due to a related company | | — | 11,859 |
| Bank borrowings | | **75,531** | 63,287 |
| Current income tax liabilities | | **9,709** | 229 |
| | | **244,651** | 249,453 |
| **Total liabilities** | | **244,651** | 249,455 |
| **Total equity and liabilities** | | **383,386** | 347,107 |
| **Net current assets** | | **137,141** | 96,130 |
| **Total assets less current liabilities** | | **138,735** | 97,654 |

*Notes:*

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 13 June 2013, as an exempted company with limited liability under the Companies Law (as Revised) of the Cayman Islands. The address of its registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The Company's shares are listed on the GEM on 7 February 2014 (the "Listing").

The Company is an investment holding company and its subsidiaries (together the "Group") are principally engaged in the trading of display panel and related electronic components.

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").

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets at fair value through profit or loss.

(a) The following amendments to standards are mandatory for accounting periods beginning on or after 1 January 2013. The adoption of these amendments to standards does not have any significant impact to the results and financial position of the Group:

| | |
|---|---|
| HKAS 19 (2011) | Employee Benefits |
| HKAS 27 (2011) | Separate Financial Statements |
| HKAS 28 (2011) | Investments in Associates and Joint Ventures |
| HKFRS 10 | Consolidated Financial Statements |
| HKFRS 11 | Joint Arrangements |
| HKFRS 12 | Disclosure of Interests in Other Entities |
| HKFRS 13 | Fair Value Measurement |
| HK(IFRIC)-Int 20 | Stripping Costs in the Production Phase of a Surface Mine |
| Amendment to HKFRS 1 | First-time Adoption of HKFRS — Government Loans |
| Amendment to HKFRS 7 | Disclosures — Offsetting Financial Assets and Financial Liabilities |
| Amendment to HKFRS 10, 11 and 12 | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance |
| Annual improvement projects | Improvements to HKASs and HKFRSs 2011 |

(b) The following new standards, amendment to standards and interpretations have been issued but are not effective and have not been early adopted. The Group plans to adopt these new standards, amendments to standards and interpretations when they become effective.

| | |
|---|---|
| HKFRS 9 | Financial Instruments[3] |
| HKFRS 14 | Regulatory Deferral Accounts[4] |
| HK(IFRIC) 21 | Levies[1] |
| Amendments to HKAS 19 | Defined Benefits Plans[2] |
| Amendments to HKAS 32 | Offsetting Financial Assets and Financial Liabilities[1] |
| Amendments to HKAS 36 | Recoverable Amount Disclosures for Non-financial Assets[1] |
| Amendments to HKAS 39 | Novation of Derivatives and Continuation of Hedge Accounting [1] |
| Amendments to HKFRS 7 and HKFRS 9 | Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 | Investment Entities[1] |
| Annual improvement projects | Annual Improvements to 2010–2012 Cycle[2] |
| Annual improvement projects | Annual Improvements to 2011–2013 Cycle[2] |

1 Effective for accounting periods beginning on or after 1 January 2014.

2 Effective for accounting periods beginning on or after 1 July 2014.

3 Effective for accounting periods beginning on or after 1 January 2015.

4 Effective for accounting periods beginning on or after 1 January 2016.

The Group has not early applied these new and revised HKFRSs that have been issued but are not yet effective in the preparation of the consolidated financial statements. The directors of the Company anticipate that the application of the new and revised HKFRSs will have no material impact on the financial statements of the Group.

## 3. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the directors of the Group. 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.

The directors consider the Group's business from a product perspective and determine that the Group has four reportable operating segments as follows:

(i) Unprocessed thin film transistor liquid crystal display panels ("TFT-LCD panels") and other unprocessed products

(ii) Processed TFT-LCD panels

(iii) Integrated circuits

(iv) Polarisers

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

(a) The segment information provided to the directors for the reportable segments for the year ended 31 December 2013 is as follows:

| | **Unprocessed TFT-LCD panels and other unprocessed products** *HK$'000* | **Processed TFT-LCD panels** *HK$'000* | **Integrated circuits** *HK$'000* | **Polarisers** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|---|---|
| Segment revenue (all from external customers) | **867,237** | **525,338** | **238,766** | **38,215** | **1,669,556** |
| Cost of sales | **(785,863)** | **(466,515)** | **(235,319)** | **(35,669)** | **(1,523,366)** |
| Gross profit | **81,374** | **58,823** | **3,447** | **2,546** | **146,190** |
| Gross profit margin | **9.4%** | **11.2%** | **1.4%** | **6.7%** | **8.8%** |
| Unallocated operating costs | | | | | **(55,953)** |
| Finance costs, net | | | | | **(2,563)** |
| Profit before income tax | | | | | **87,674** |

(b) The segment information provided to the directors for the reportable segments for the year ended 31 December 2012 is as follows:

| | Unprocessed TFT-LCD panels and other unprocessed products *HK$'000* | Processed TFT-LCD panels *HK$'000* | Integrated circuits *HK$'000* | Polarisers *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|
| Segment revenue (all from external customers) | 619,089 | 274,780 | 429,271 | 59,443 | 1,382,583 |
| Cost of sales | (583,002) | (255,120) | (414,034) | (55,437) | (1,307,593) |
| Gross profit | 36,087 | 19,660 | 15,237 | 4,006 | 74,990 |
| Gross profit margin | 5.8% | 7.2% | 3.5% | 6.7% | 5.4% |
| Unallocated operating costs | | | | | (30,906) |
| Finance costs, net | | | | | (1,937) |
| Profit before income tax | | | | | 42,147 |

(c) Segment revenue by customers' geographical location

During the year, most of the Group revenues were derived in Hong Kong, where the Group's products were delivered by the Group to its customers.

| | 2013 | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Hong Kong | **1,659,230** | 1,382,583 |
| The PRC | **10,326** | — |
| | **1,669,556** | 1,382,583 |

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

| | 2013 | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Customer A | **341,952** | 336,017 |
| Customer B (i) | **233,808** | 133,315 |
| | **575,760** | 469,332 |

(i) Revenue from Customer B contributes less than 10% of the total revenue of the Group during the year ended 31 December 2012.

The two customers are included in the unprocessed TFT-LCD panels and other unprocessed products, processed TFT-LCD panels, integrated circuits and polarisers segments.

(e) As at 31 December 2013, non-current segment assets of HK$852,000 (2012: HK$1,524,000) are located in Hong Kong and HK$685,000 (2012: Nil) are located in the PRC.

## 4. REVENUE

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

## 5. OTHER LOSSES, NET

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| (Loss)/gain on financial assets at fair value through profit or loss | **(17)** | 536 |
| Net exchange loss | **(665)** | (955) |
| Loss on disposal of property, plant and equipment | **(87)** | — |
| Others | **53** | 96 |
| | **(716)** | (323) |

## 6. PROFIT BEFORE INCOME TAX

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

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Cost of inventories sold | **1,456,430** | 1,254,882 |
| Depreciation of property, plant and equipment | **429** | 575 |
| Professional service fees in respect of the Listing | **13,426** | — |

## 7. FINANCE COSTS, NET

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Finance income | | |
| Interest income on pledged bank deposits | **80** | 110 |
| Interest income on bank deposits | **9** | 2 |
| | **89** | 112 |
| Finance costs | | |
| Interest expense on: | | |
| Bank advances from factored receivables | **(723)** | (392) |
| Bank borrowings wholly repayable within five years | **(497)** | (553) |
| Factoring charges | **(1,432)** | (1,104) |
| | **(2,652)** | (2,049) |
| Finance costs, net | **(2,563)** | (1,937) |

## 8. INCOME TAX EXPENSE

The Group is not subject to taxation in the Cayman Islands and the British Virgin Islands during the year (2012: Nil).

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit during the year arising in or derived from Hong Kong. The Group's subsidiary in the PRC is subject to PRC corporate income tax at a standard rate of 25%. No PRC corporate income tax has been provided as the Group has no estimated assessable profits arising in or derived from the PRC during the year (2012: Nil).

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

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current income tax | | |
| Hong Kong profits tax | **16,600** | 6,913 |
| Deferred income tax | **(59)** | 41 |
| | **16,541** | 6,954 |

## 9. 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 in issue during the year.

The weighted average number of ordinary shares in issue during the year ended 31 December 2013 used in the basic earnings per share calculation is determined on the assumption that the 10,000 ordinary shares with par value of HK$0.01 each issued during the year and the 989,990,000 shares with par value of HK$0.01 each issued upon the capitalisation issue and Reorganisation (note 1) had been in issue prior to the incorporation of the Company, which is the same assumption for the basic earnings per share calculation for the year ended 31 December 2012.

| | **2013** | 2012 |
|---|---|---|
| Profit attributable to equity holders of the Company *(HK$'000)* | **71,133** | 35,193 |
| Weighted average number of ordinary shares in issue *(thousands)* | **990,000** | 990,000 |
| Basic and diluted earnings per share *(HK cents per share)* | **7.19** | 3.55 |

No adjustment has been made to the basic earnings per share amount for the years ended 31 December 2013 and 2012 as the Group had no potentially dilutive ordinary shares in issue during these years.

## 10. DIVIDENDS

| | 2013 | 2012 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Interim dividends declared and paid by a subsidiary of the Group *(Note (a))* | **30,000** | 58,000 |
| Proposed final dividend — HK1.5 cents per share *(Note (b))* | **19,800** | — |
| | **49,800** | 58,000 |

*Notes:*

(a) Interim dividends were declared by a subsidiary of the Group before the Reorganisation to its then equity holder.

(b) Final dividend was proposed by the Board and the amount of proposed final dividend for 2013 was based on 1,320,000,000 shares in issue as at 24 March 2014.

## 11. TRADE AND OTHER RECEIVABLES

| | 2013 | 2012 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Trade receivables | **51,271** | 74,471 |
| Bills receivables | **95,470** | 34,930 |
| | **146,741** | 109,401 |
| Prepayments for inventories | **—** | 12,794 |
| Deposits and other receivables | **1,144** | 1,097 |
| Deferred professional service fees in respect of preparation for share placing | **4,574** | — |
| | **152,459** | 123,292 |

The Group generally grants credit periods of 30 to 60 days. The ageing analysis of trade and bills receivables based on invoice dates is as follows:

| | 2013 | 2012 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| 1–30 days | **132,013** | 83,517 |
| 31–60 days | **14,151** | 21,293 |
| 61–90 days | **574** | 3,939 |
| 91–180 days | **3** | 652 |
| | **146,741** | 109,401 |

**12. TRADE AND OTHER PAYABLES**

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade payable | **137,819** | 142,374 |
| Bills payable | **—** | 4,305 |
| | **137,819** | 146,679 |
| Deposits received from customers | **8,737** | 4,984 |
| Accruals and other payables | **5,636** | 1,118 |
| Accrued auditor's remuneration | **1,280** | 80 |
| Accrued professional service fees in respect of the Listing | **5,939** | — |
| | **159,411** | 152,861 |

The ageing analysis of trade and bills payables based on invoice dates is as follows:

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 1–30 days | **106,322** | 106,149 |
| 31–60 days | **31,481** | 40,510 |
| 61–90 days | **—** | — |
| 91–180 days | **16** | 20 |
| | **137,819** | 146,679 |

## BUSINESS REVIEW

Despite the slow economic recoveries in Europe and United States, as well as the relatively stable growth in China, the mobile phone markets flourished during 2013. The worldwide mobile phone market was forecast to grow 7.3% year over year in 2013, marking a sharp rebound from the nearly flat (1.2%) growth experienced in 2012 according to the International Data Corporation ("IDC"). Riding on the trend, and with the impeccable positioning as well as the optimised product mix, the Group achieved an outstanding performance during the year.

In 2013, the Group's revenue rose by 21% to HK$1,669,556,000 from HK$1,382,583,000 in 2012. Gross profit nearly doubled, increasing by 95% to HK$146,190,000 from HK$74,990,000 in 2012, as a consequence of the rising profit margin which rose by 3.4 percentage points to 8.8% from 5.4% in 2012. Profit attributable to equity holders of the Company for the year ended 31 December 2013 amounted to HK$71,133,000, representing an increase of 102% as compared with that of HK$35,193,000 in 2012. Such an outstanding performance did not only rely on the strong market demand but also the excellent strategies adopted by the Group.

The Group is principally engaged in the trading of display components of electronics, namely TFT-LCD panels, driver integrated circuits ("ICs") and polarisers. We also process some of the TFT-LCD panels that we trade. The vast majority of our products are supplied by three prominent suppliers in Taiwan and resold or sold after processed by us to TFT-LCD module manufacturers in the PRC.

**Perfect Mix of Products**

The key driver to our growth during the year was the profound enhancement of our profit margin. Despite the keen competition we faced in the segments of driver IC and polariser, the excellent performances in both unprocessed and processed TFT-LCD panel segments drove a remarkable growth in profit margin. During the year, there were more large-size, high-resolution panels with higher gross profit margin traded. Since the smart phone market in the PRC has been hot in 2013, mobile phone manufacturers strived to release their new model high resolution smart phones which used large-size panels, driving the demand as well as the profit margin in both unprocessed and processed TFT-LCD panel segments.

**Perfect Location**

Our suppliers' marketing efforts have been devoted to customers with major brands, while TFT-LCD module manufacturers in the PRC market are highly fragmented, whose order quantities are usually small as compared with major brands and less likely to be placed directly with those major suppliers, are left to be handled and served by intermediate enterprises such as ourselves. Headquartered in Hong Kong, Perfect Optronics captures the privileged location of Hong Kong, acting as a bridge to connect the panel and the module manufacturers from both shores. During the year, the Group established a wholly-owned subsidiary, namely, Yuan Mei Xin Technology (Shenzhen) Company Limited, in the PRC in April 2013 to provide sales and technical support services for our customers and to carry out sales and marketing activities in the PRC. We believe a PRC-based sales and technical support team will reap the advantages of geographic proximity to foster business relationships with our customers in the PRC and capture further business opportunities with potential customers.

**Perfect Partnership**

Since 2004, we have maintained strong relationships with both of our suppliers and customers. For our suppliers, we have entered into long term supply framework agreements with three of our major suppliers during the year. The aforementioned three suppliers supply a vast majority of our products and all are predominated suppliers in their own aspects. Although these long term supply framework agreements are basically agreements to agree and do not secure committed supply, these agreements reflect the type of relationship that we have established with our suppliers, distinguish the Group as a recognised trader of our suppliers' products and demonstrate the parties' intention to continue such relationship. For our customers, we have also established long term relationships with our major customers. Many of customers have been on sound terms with us for years. According to a report conducted by Euromonitor International Limited, in 2012, the Group was the fourth largest trader of TFT-LCD panels used in mobile phones in the PRC market, representing a market share of 11%, and the third largest trader of driver ICs used in mobile phones in the PRC, representing a market share of approximately 11%. Being a major trader in our products, we much value and endeavor to maintain our relationships with both of our suppliers and customers.

## PROSPECTS

The Company was listed on the GEM on 7 February 2014 (the "Listing Date"). The funds raised from the Listing and the listing status of the Company will provide a solid foundation for future development of the Group.

Looking forward to 2014, we are optimistic to maintain the momentum of Perfect Optronics. According to the research done by NPD Display Search, smart phone shipment will show a compound annual growth rate of 26% for the next five years globally, resulting from the steadily development of mobile phone manufacturing industry as well as the market demands for the products. In addition, through the development of 4G network in the PRC, the management expects that the growth momentum will prevail in the coming few years and the Group would be continuously benefited from this growth trend.

The Group intends to expand its business vertically by establishing or acquiring panel processing plants to take up the slimming down and cutting work which is currently undertaken by its subcontractors. This expansion strategy aims to streamline our existing business, achieve better control over the dissemination of technical know-how within the Group, achieve better quality control and inventory management, secure panel processing capacity, and enhance customer satisfaction. The Directors believe that by establishing or acquiring panel processing plants, the Group will be able to provide one-stop services to its customers. This will further strengthen our competitive advantage and differentiate us from other competitors in the market which do not carry out any value-added services to customers. In addition, we will continue to expand our sales and support team in the PRC to provide high quality services to our customers, and to seek diversifying our product mix which will lead to higher selling prices and better profit margins. We believe that such strategies will enhance our relationships with our customers as well as our position in reaching a better profit margin, with a view towards greater returns for our shareholders.

## 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$62,869,000 as at 31 December 2013 (2012: HK$50,101,000).

As at 31 December 2013, the Group's total bank borrowings comprised bank loans and bank advances for factored receivables of approximately HK$17,280,000 (2012: HK$39,517,000) and HK$58,251,000 (2012: HK$23,770,000) respectively.

## GEARING RATIO

As at 31 December 2013, the Group's gearing ratio was 54.4% (2012: 64.8%), which is calculated based on the Group's total interest-bearing debt of approximately HK$75,531,000 (2012: HK$63,287,000) and the Group's total equity of approximately HK$138,735,000 (2012: HK$97,652,000).

## CONTINGENT LIABILITIES

As at 31 December 2013, the Group had no material contingent liabilities.

## CHARGE OF ASSETS

As at 31 December 2013, the Group had pledged its bank deposits of approximately HK$35,038,000 (2012: HK$30,246,000) to certain banks in Hong Kong to secure the banking facilities granted to the Group.

## CAPITAL COMMITMENTS

As at 31 December 2013, the Group did not have any significant capital commitments.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2013, save as disclosed in the Prospectus, the Company did not redeem any of its shares, and neither did the Company nor any of its subsidiaries purchase or sell any of the Company's shares.

## CORPORATE GOVERNANCE PRACTICES

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

Throughout the period from the Listing Date to the date of this announcement, the Company has complied with all the code provisions of the CG Code, except the deviation as disclosed under the section headed "Chairman and Chief Executive Officer" below.

### Chairman and Chief Executive Officer

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

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

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

## AUDIT COMMITTEE

The Company has established an audit committee on 20 January 2014 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and code provision C.3 of the CG Code. The audit committee consists of 3 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 held its first meeting on 24 March 2014 for, inter alia, reviewing the audited annual results of the Group for the year ended 31 December 2013.

## ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting of the Company (the "AGM") will be held on Wednesday, 30 April 2014. A notice convening the AGM will be published and despatched to the shareholders of the Company in the manner required by the GEM Listing Rules in due course.

## FINAL DIVIDEND

The Directors proposed to recommend a final dividend of HK1.5 cents per share, amounting to HK$19.8 million. Subject to the approval of the shareholders of the Company at the forthcoming AGM, the proposed final dividend will be paid on or about 26 May 2014 to shareholders of the Company whose names appear on the register of members of the Company on 12 May 2014.

## CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 25 April 2014 to Wednesday, 30 April 2014, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers of shares documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrars in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong (Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, with effect from 31 March 2014), not later than 4:30 p.m. on Thursday, 24 April 2014.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 9 May 2014 to Monday, 12 May 2014, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrars in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong (Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, with effect from 31 March 2014), for registration no later than 4:30 p.m. on Thursday, 8 May 2014.

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

Hong Kong, 24 March 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.*