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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)

DISCLOSEABLE AND CONNECTED TRANSACTION

**PROPOSED ACQUISITION OF
PERFECT SHINY TECHNOLOGY LIMITED**

On 22 January 2015, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, the Sale Shares (being all the issued shares of Perfect Shiny). The consideration in the sum of HK\$323,000,000 will be satisfied upon Completion as to HK\$293,000,000 by the Purchaser procuring the allotment and issue of 163,687,151 Consideration Shares by the Company, credited as fully paid, to the Vendor (or to his nominee), as to HK\$20,000,000 by the issuing and delivering of a promissory note by the Purchaser in favour of the Vendor and as to HK\$10,000,000 in cash.

Prior to the Completion, Perfect Shiny is wholly-owned by the Vendor. Upon Completion, Perfect Shiny will be wholly-owned by the Purchaser.

As the applicable percentage ratios in respect of the Acquisition exceed 5% but are below 25%, the Acquisition constitutes a discloseable transaction of the Company under the GEM Listing Rules. As the Vendor is a director, chief executive officer and substantial shareholder of the Company and thus its connected person (as defined under the GEM Listing Rules), the Acquisition also constitutes a connected transaction of the Company under the GEM Listing Rules and is subject to the reporting, announcement and independent Shareholders' approval requirements under the GEM Listing Rules.

A circular containing further details relating to the Acquisition, the recommendation of the Independent Board Committee to the independent Shareholders in respect of the Acquisition, a letter of advice from an independent financial adviser to the Independent Board Committee and the independent Shareholders, the notice convening the EGM and other information of the Company, is expected to be despatched to the Shareholders on or before 12 February 2015.

THE AGREEMENT

Date

22 January 2015

Parties

Vendor: Mr. Cheng Wai Tak

Purchaser: Rightone Resources Limited (a wholly-owned subsidiary of the Company)

Interest to be acquired

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire the Sale Shares (being all the issued shares of Perfect Shiny) from the Vendor.

Consideration

The consideration for the acquisition of the Sale Shares, in the sum of HK\$323,000,000, will be satisfied (a) as to HK\$293,000,000 by the Purchaser procuring the allotment and issue of 163,687,151 Consideration Shares by the Company credited as fully paid to the Vendor (or to his nominee) at an issue price of HK\$1.79 per Consideration Share upon Completion; (b) as to HK\$20,000,000 by the issuing and delivering of a promissory note by the Purchaser in favour of the Vendor in the amount of HK\$20,000,000 upon Completion; and (c) a payment by cash of HK\$10,000,000 upon Completion.

The promissory note shall not bear any interest and shall be unsecured and repayable by the Purchaser in two equal portions in the amount of HK\$10,000,000 each on 30 April 2016 and on 30 April 2017, respectively.

The 163,687,151 Consideration Shares to be issued represent approximately 12.40% of the existing issued shares of the Company and approximately 11.03% of the issued shares of the Company as enlarged by the issue of the Consideration Shares.

Basis of Consideration

The consideration for the acquisition of the Sale Shares was arrived at after arm's length negotiations between the Vendor and the Purchaser and was determined based on the valuation of the Target Group at HK\$323,442,000 as at 31 December 2014 by an independent valuer in Hong Kong. The guideline public company method under the market approach was adopted by the independent valuer in carrying out such valuation with reference to forward price-to-earning ratio and the guaranteed Profit given by the Vendor under the Agreement for the two financial years ending 31 December 2016.

The issue price of HK\$1.79 per Consideration Share was determined after arm's length negotiations between the Vendor and the Purchaser with reference to the average closing price of HK\$1.768 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 22 January 2015 and the closing price of HK\$1.79 per Share as quoted on the Stock Exchange on 22 January 2015. The issue price per Consideration Share represents an approximately 1.24% premium of the average closing price per Share as quoted

on the Stock Exchange for the last five consecutive trading days up to and including 22 January 2015 and is equal to the closing price per Share as quoted on the Stock Exchange on 22 January 2015.

Status of Consideration Shares

The Consideration Shares when issued and credited as fully paid will rank pari passu amongst themselves and in all respects with the existing Shares in issue as at the date of allotment of the Consideration Shares. An ordinary resolution will be proposed at the EGM to seek a specific mandate to approve the issue and allotment of the Consideration Shares pursuant to the Agreement.

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Conditions of the Agreement

Completion of the Agreement is conditional upon the fulfillment (or waiver, as applicable) of the following conditions:

- (a) approval by the independent Shareholders of the Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares pursuant to the Agreement) at an EGM to be held;
- (b) the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares;
- (c) completion to the satisfaction of the Purchaser of the due diligence conducted on the Target Group;
- (d) the obtaining by the Purchaser of a Samoa legal opinion in such form and content satisfactory to itself on the legal status of Perfect Shiny and other matters relevant to the transactions under the Agreement;
- (e) the obtaining by the Purchaser of a Taiwan legal opinion in such form and content satisfactory to itself on the legal status of Shinyoptics and other matters relevant to the transactions under the Agreement;
- (f) the obtaining of all government, regulatory and third party approvals, consents and licences necessary for the transfer of the Sale Shares pursuant to the Agreement (if any); and
- (g) there having been no breach of any of the representations, warranties and undertakings given by the Vendor under the Agreement.

The conditions (other than conditions set out in paragraphs (a), (b) and (f) above) may be waived at the sole discretion of the Purchaser either in whole or in part.

If any of the above conditions have not been fulfilled (or waived, if applicable) on or before 30 September 2015 or such later date as the Vendor and the Purchaser may agree, the Agreement shall lapse and be of no further effect, and thereafter all rights, obligations and liabilities of all parties therein shall cease and terminate save in respect of any antecedent breaches of the Agreement.

Completion

Completion will take place on the third Business Day after all the conditions of the Acquisition have been fulfilled (or waived, as the case may be) or such other day as may be agreed in writing between the Vendor and the Purchaser.

Upon Completion, Perfect Shiny will be wholly-owned by the Purchaser, and the Target Group will become subsidiaries of the Company.

Profit guarantee

Pursuant to the Agreement, subject to Completion, the Vendor has agreed to irrevocably warrant and guarantee to the Purchaser that the sum of the Profit for the two financial years ending 31 December 2016 shall be not less than HK\$34,000,000. The Profit Guarantee covers two financial years as it is expected that after the Target Group experienced losses in its operation in the financial years of 2012 and 2013, the Target Group would require a longer period of time to obtain profits in its operation. Since its applied optics-related products are expected to be launched into the market in 2015, the Target Group may only record an annual Profit for 2016.

If the sum of the Profit for the two financial years ending 31 December 2016 falls short of the above guaranteed amount, the Vendor shall upon demand pay to the Purchaser the amount of the shortfall multiplied by the implied multiple derived from the valuation of the Target Group performed by the valuer (i.e. 9.513, being the valuation of the Target Group at HK\$323,442,000 as at 31 December 2014 divided by the guaranteed Profit in the amount of HK\$34,000,000 under the Profit Guarantee) in cash subject to the set off right of the Purchaser as described in this paragraph (provided that the maximum liability of the Vendor in respect of non-fulfillment of the Profit Guarantee shall not exceed the amount equivalent to the consideration for the Sale Shares). The Purchaser shall be entitled to set off the outstanding amount to be paid to the Vendor under the promissory note on a dollar-for-dollar basis in the event of non-fulfillment of the Profit Guarantee against the amount of compensation payable by the Vendor to the Purchaser for such non-fulfillment.

Non-disposal undertaking

Pursuant to the Agreement, subject to Completion, the Vendor has undertaken to and covenanted with the Purchaser that he shall not (and shall procure the registered holder(s) of the Consideration Shares not to), directly or indirectly, sell, transfer, pledge, charge, grant any option on or otherwise dispose of or create any third party rights over (or enter into any agreement to do any of the foregoing), any of his direct or indirect interest (as the case may be) in any of the Consideration Shares during the period from the date of Completion up to (a) in case the Profit Guarantee can be met by the Target Group, 30 April 2017; or (b) in case the Profit Guarantee cannot be met by the Target Group, the date when the Vendor has performed and discharged all his obligations to the Purchaser for non-fulfilment of the Profit Guarantee under the Agreement in full.

In the event the Profit Guarantee cannot be met by the Target Group and the Vendor does not settle the amount liable to be paid by him to the Purchaser in respect of the non-fulfilment of the Profit Guarantee in cash in full, the Vendor and the Purchaser may consult each other and agree on the followings:-

- (a) that the Vendor be released from the non-disposal undertaking above only in respect of such number of the Consideration Shares as may be necessary for the Vendor to dispose of the same in order to raise funds for performance and discharge of his obligations in full; and/or
- (b) subject to compliance with all applicable laws, rules and regulations, that the Vendor be released from the non-disposal undertaking above in respect of such number of the Consideration Shares as the Company may in such event and at that time agree to buy-back at the issue price of the Consideration Shares or otherwise for cancellation (provided that the consideration for the buy-back shall be settled by setting off against the outstanding amount liable to be paid by the Vendor to the Purchaser in respect of the non-fulfilment of the Profit Guarantee on a dollar-for-dollar basis), as a means to compensate the Purchaser for the Profit Guarantee not being met by the Target Group.

INFORMATION ON PERFECT SHINY AND ITS SUBSIDIARIES

The principal business activity of Perfect Shiny is investment holding and design and development of applied optics-related products including virtual reality gaming headsets and head-up display devices for use in motor vehicles. Perfect Shiny is the immediate holding company of Shinyoptics and Perfect Shiny HK and is directly interested as to approximately 50.14% in Shinyoptics and the entire issued shares of Perfect Shiny HK, respectively.

Set out below is certain financial information in relation to Perfect Shiny based on its management accounts prepared under Hong Kong Generally Accepted Accounting Principles:

	Period from 21 October 2013 (the date of incorporation) to 31 December 2013 (unaudited) HK\$
Net loss before tax and extraordinary items	34,000
Net loss after tax and extraordinary items	34,000

The unaudited net asset value of Perfect Shiny as at 30 June 2014 (based on its management accounts) amounted to approximately HK\$3,164,000. Such net asset value of Perfect Shiny comprises current assets of costs of investment in Shinyoptics and bank balances, and current liabilities of certain other payables and a shareholder's loan due from Perfect Shiny to the Vendor (which amounted to approximately HK\$8,658,000 as at 30 June 2014). Under the Agreement, the aforesaid shareholder's loan will be waived by the Vendor on or prior to Completion subject to fulfillment or waiver of conditions of the Agreement.

Shinyoptics, a company based in Tainan, Taiwan, is principally engaged in design, development, production and sale of liquid crystal on silicon (“LCoS”) micro-projector optical engines.

Set out below is certain financial information in relation to Shinyoptics based on its audited accounts prepared under Taiwan Generally Accepted Accounting Principles:

	Year ended 31 December	
	2013	2012
Net loss before tax and extraordinary items	NTD17,692,000 (approximately HK\$4,335,000)	NTD17,629,000 (approximately HK\$4,319,000)
Net loss after tax and extraordinary items	NTD17,698,000 (approximately HK\$4,336,000)	NTD17,629,000 (approximately HK\$4,319,000)

The unaudited net asset value of Shinyoptics as at 30 June 2014 (based on its management accounts) amounted to approximately NTD77,124,000 (approximately HK\$18,895,000).

Perfect Shiny HK is incorporated in January 2015 and is intended to carry on the business of Perfect Shiny, including the production and sale of its developed products.

The original costs of the Sale Shares to the Vendor was approximately HK\$33 million, representing the amounts invested by the Vendor in Perfect Shiny.

Upon Completion, members of the Target Group will become subsidiaries of the Company and the financial results of the Target Group will be consolidated into the Group’s consolidated financial statements.

REASONS AND BENEFITS FOR THE ACQUISITION

The Target Group primarily focuses on the design, development, production and sale of LCoS micro-projector optical engines and the design and development of applied optics-related products. Some products related to its business such as virtual reality gaming headsets and head-up display devices installed in motor vehicles have received much attention and support recently in capital markets and are expected by the Company to become mainstream products in the future market. Furthermore, these products of the Target Group would create synergy effects with the current optical head-mounted display products of Perfect Sky Technology Limited, a member of the Group.

LCoS micro-projector optical engines and applied optics-related products of the Target Group generally have a higher unit selling price and higher gross profit margin when compared with existing panel products of the Group. The Directors consider that such business and products of the Target Group will have a pronounced effect on the future of the Company.

Besides, Perfect Shiny is a major shareholder and the holding company of Shinyoptics being an optical engine products producer. The Directors consider that the Acquisition would assist the Group in securing steady supply of relevant optical components from Shinyoptics. The

Directors further consider that since relatively few companies in the industry can master the design and production of key optical components, the Acquisition would assist the Company in its way to achieving a leading position in the relevant market.

Further, the Directors consider that the funding of the Acquisition by way of allotment and issue of the Consideration Shares and by the issue and delivery of the promissory note by the Purchaser would allow the Group to retain more liquid financial resources.

The Directors (excluding the independent non-executive Directors who will express their view after receiving advice from the independent financial adviser to the Independent Board Committee) consider that the terms of the Acquisition are fair and reasonable and are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company had no equity fund raising activities in the past twelve months immediately prior to the date of this announcement, save for its listing by way of placing on 7 February 2014. Please refer to the 2014 interim report of the Company dated 8 August 2014 for details of the total funds raised, use of the proceeds and the intended use of amounts not yet utilized in respect of the placing.

SHAREHOLDING STRUCTURE BEFORE AND AFTER THE ACQUISITION

The shareholding structure of the Company before and (assuming no other change to the issued share capital of the Company after the date of the Agreement) after the Acquisition is summarised as follows:

	Before the Acquisition		After the Acquisition	
	<i>Shares</i>	<i>Approximate %</i>	<i>Shares</i>	<i>Approximate %</i>
Winful Enterprises Limited (<i>note 1</i>)	855,000,000	64.77	855,000,000	57.63
The Vendor (or his nominee to take up the Consideration Shares)	—	—	163,687,151	11.03
Public	<u>465,000,000</u>	<u>35.23</u>	<u>465,000,000</u>	<u>31.34</u>
Total	<u><u>1,320,000,000</u></u>	<u><u>100.00</u></u>	<u><u>1,483,687,151</u></u>	<u><u>100.00</u></u>

Note 1: Winful Enterprises Limited is entirely owned by the Vendor.

General

The Group is principally engaged in the trading of display components of electronics, namely thin film transistor liquid crystal display (“TFT-LCD”) panels, driver integrated circuits and polarisers. The Group also processes some of the TFT-LCD panels that are traded by the Group.

As the applicable percentage ratios in respect of the Acquisition exceed 5% but are below 25%, the Acquisition constitutes a discloseable transaction of the Company under the GEM Listing Rules. As the Vendor is a director, chief executive officer and substantial shareholder

of the Company and thus its connected person (as defined under the GEM Listing Rules), the Acquisition also constitutes a connected transaction of the Company under the GEM Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements. Voting at the EGM will be taken by poll.

The Independent Board Committee comprising all independent non-executive Directors has been formed to advise the independent Shareholders on the fairness and reasonableness of the Acquisition. An independent financial adviser will be appointed by the Company to provide opinion to the Independent Board Committee and the independent Shareholders in connection with the Acquisition.

A circular containing further details of the Acquisition, the recommendation of the Independent Board Committee to the independent Shareholders on the Acquisition, the advice of the independent financial adviser to the Independent Board Committee and the independent Shareholders, the notice convening the EGM and other information on the Company, is expected to be despatched to the Shareholders on or before 12 February 2015. Winful Enterprises Limited, a Shareholder which is entirely owned by the Vendor and holding approximately 64.77% of the issued share capital of the Company as at the date of this announcement, has a material interest in the Acquisition and will be required to abstain from voting at the EGM.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions have the following meanings:

“Acquisition”	the acquisition by the Purchaser of the Sale Shares pursuant to the Agreement
“Agreement”	the conditional agreement dated 22 January 2015 entered into between the Vendor and the Purchaser in relation to the Acquisition
“associate”	has the meaning ascribed to it in the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or days on which a typhoon signal 8 or above or black rainstorm signal is hoisted in Hong Kong at 9:00 a.m.) on which banks in Hong Kong are generally open for business
“Company”	Perfect Optronics Limited, a limited liability company incorporated in the Cayman Islands, the Shares of which are listed on GEM
“Completion”	completion of the Acquisition in accordance with the terms of the Agreement
“Consideration Shares”	163,687,151 new Shares to be allotted and issued by the Company to the Vendor pursuant to the Agreement
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to approve, among other things, the Acquisition

“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors
“NTD”	New Taiwan Dollars, the lawful currency of Taiwan
“Perfect Shiny ”	Perfect Shiny Technology Limited (圓尚科技有限公司), a company incorporated in Samoa with limited liability and is wholly-owned by the Vendor
“Perfect Shiny HK”	Perfect Shiny Technology (HK) Limited (圓尚科技(香港)有限公司), a company incorporated in Hong Kong with limited liability and is wholly-owned by Perfect Shiny
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Profit”	audited consolidated profit attributable to equity holders of Perfect Shiny according to the audited consolidated financial statements of the Target Group prepared in accordance with Hong Kong Financial Reporting Standards
“Profit Guarantee”	the guarantee given by the Vendor to the Purchaser of the Profit of the Target Group for the two financial years ending 31 December 2016 under the Agreement, details of which are set out in the section headed “Profit guarantee” in this announcement
“Purchaser”	Rightone Resources Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Sale Shares”	500,000 shares of Perfect Shiny, representing the entire issued share capital of Perfect Shiny
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shinyoptics”	尚立光電股份有限公司 (Shinyoptics Corporation*), a company incorporated in Taiwan with limited liability and is owned as to approximately 50.14% by Perfect Shiny
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Group”	Perfect Shiny, Perfect Shiny HK and Shinyoptics
“Vendor”	Mr. Cheng Wai Tak
“%”	per cent

In this announcement, NTD has been converted to HK\$ at the rate of NTD1 = HK\$0.245 for illustration purpose only. No representation is made that any amounts in NTD or HK\$ have been, could have been or could be converted at the above rate or at any other rates or at all.

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

Hong Kong, 22 January 2015

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, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The directors of the Company, 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.

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>.

* *For identification purposes only*