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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)

CONNECTED TRANSACTION
JOINT INVESTMENT
IN
MOBVOI INC.

On 29 January 2015, Everon, Skyteam (a wholly-owned subsidiary of the Company) and Mobvoi Inc., among others, entered into the Preferred Share Purchase Agreement pursuant to which each of Everon and Skyteam conditionally agreed to subscribe for 25,213,220 Series A-2 Preferred Shares of Mobvoi Inc. for a consideration of US\$3,000,000. Following the Closing, Everon and Skyteam will each own approximately 2.5% of the share capital (on a fully diluted and as-converted basis) of Mobvoi Inc., which through its subsidiaries is engaged in the business of developing and providing voice search systems on mobile, smart wearable, and other devices in the PRC.

GEM LISTING RULES IMPLICATIONS

Since Everon is a company entirely owned and controlled by Mr. Cheng (a director, chief executive officer and the controlling shareholder of the Company), Everon is an associate of Mr. Cheng and therefore a connected person of the Company under the GEM Listing Rules. Accordingly, the Subscriptions by Everon and Skyteam being a joint arrangement to invest in Mobvoi Inc. constitute a connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

As one or more of the applicable percentage ratios for the Subscriptions is more than 0.1% but less than 5%, such connected transaction of the Company is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement pursuant to Chapter 20 of the GEM Listing Rules.

INTRODUCTION

The Board announces that on 29 January 2015, Everon, Skyteam and Mobvoi Inc., among others, entered into the Preferred Share Purchase Agreement pursuant to which each of Everon and Skyteam conditionally agreed to subscribe for Series A-2 Preferred Shares of Mobvoi Inc. for a consideration of US\$3,000,000. Following the Closing, each of Everon and Skyteam will own approximately 2.5% of the share capital (on a fully diluted and as-converted basis) of Mobvoi Inc.

THE PREFERRED SHARE PURCHASE AGREEMENT

Date

29 January 2015

Parties

- (1) Everon (a company entirely owned and controlled by Mr. Cheng);
- (2) Skyteam (a wholly-owned subsidiary of the Company);
- (3) the Target Group Companies;
- (4) the Founder; and
- (5) Mobvoi Limited (an investment holding company entirely owned by the Founder).

Subject matter

Each of Everon and Skyteam conditionally agreed to subscribe for 25,213,220 Series A-2 Preferred Shares of Mobvoi Inc., which through its subsidiaries is engaged in the business of developing and providing voice search systems on mobile, smart wearable, and other devices in the PRC.

Consideration

The consideration payable by each of Everon and Skyteam for Series A-2 Preferred Shares is US\$3,000,000.

Everon and Skyteam will pay the above consideration in cash to the bank account designated by Mobvoi Inc. at the Closing.

The consideration was arrived at after arm's length negotiation between Mobvoi Inc. and Everon and Skyteam, with Everon and Skyteam having taken into account the previous investments made by the Independent Third Party Investors (including Sequoia Capital CV IV Holdco, Ltd., Zhen Partners Fund I, L.P. and SIG China Investments Master Fund III, LLLP), the talent of the working teams, the user base, the technical know-how, maturity and the potential opportunities of the technology and products developed by the Target Group Companies.

Conditions precedent

The obligations of Everon and Skyteam to subscribe for Series A-2 Preferred Shares under the Preferred Share Purchase Agreement are subject to the fulfillment, to the satisfaction of Everon and Skyteam, or waiver by Everon and Skyteam, of (among other things) the following conditions:

- (1) the representations and warranties of the Target Group Companies in the Preferred Share Purchase Agreement being true and complete;
- (2) performance and compliance by the Target Group Companies in respect of obligations and conditions contained in the Transaction Documents;
- (3) the obtaining of all consents of any competent governmental authority or of any other person required by the Target Group Companies in connection with the consummation of the transactions contemplated by the Transaction Documents;
- (4) all corporate and other proceedings in connection with the transactions to be completed at the Closing and all documents incident thereto having been completed in form and substance reasonably satisfactory to Everon and Skyteam;
- (5) the due adoption of the Restated M&A and filing of such adoption with the Companies Registry of the Cayman Islands;
- (6) there being no (i) material adverse effect on the business, properties, assets, operations, results of operations, condition (financial or otherwise), prospects, assets or liabilities of the Target Group Companies taken as a whole, (ii) material impairment of the ability of any party to the Preferred Share Purchase Agreement (other than Everon and Skyteam) to perform the material obligations of such party under any Transaction Documents, or (iii) material impairment of the validity or enforceability of the Preferred Share Purchase Agreement; and
- (7) completion by Everon and Skyteam of their due diligence on the Target Group Companies to their reasonable satisfaction.

The obligations of Mobvoi Inc. to issue and sell the Series A-2 Preferred Shares to Everon and Skyteam at the Closing, unless otherwise waived by Mobvoi Inc., are subject to the fulfillment on or before Closing of (among other things) the following conditions:

- (1) the representations and warranties of Everon and Skyteam contained in the Preferred Share Purchase Agreement being true and complete; and
- (2) each of Everon and Skyteam having performed and complied with all covenants, obligations and conditions contained in the Preferred Share Purchase Agreement that are required to be performed or complied with by Everon or Skyteam on or before Closing.

Closing

The Closing shall take place as soon as practicable, but in no event later than three business days after all conditions precedent have been waived or satisfied (other than those conditions to be satisfied at Closing, but subject to the satisfaction or waiver thereof at Closing), or at such other time and place as Mobvoi Inc, Everon and Skyteam shall agree in writing.

PRINCIPAL TERMS OF THE SERIES A-2 PREFERRED SHARES

According to the Restated M&A, the principal terms of the Series A-2 Preferred Shares are set forth below:

1. Dividends

No dividend, whether in cash, in property, in shares of Mobvoi Inc. or otherwise, shall be paid to holders of any other class or series of shares of Mobvoi Inc. unless and until (i) declared by its board of directors, and (ii) a dividend (non-cumulative 8% of the issue price per Series A-2 Preferred Shares) is first paid in full to the holders of the Series A-2 Preferred Shares.

2. Participating Liquidation Preference

In the event of any liquidation, dissolution or winding up of Mobvoi Inc., the proceeds shall be paid as follows: Mobvoi Inc. shall first pay 100% of the original issue price on each Series A-2 Preferred Share, plus all declared but unpaid dividends (if any) on such Series A-2 Preferred Shares (the “**Series A-2 Liquidation Preference**”). After payment of the Series A-2 Liquidation Preference and the liquidation preference of other preferred shares held by the Independent Third Party Investors (“**Other Preferred Shares**”) as provided in the Restated M&A, the balance of any proceeds shall be distributed ratably among the holders of the Ordinary Shares, Other Preferred Shares and Series A-2 Preferred Shares on an as-converted basis. (Other Preferred Shares and Series A-2 Preferred Shares shall be collectively referred to as “**Preferred Shares**”).

A merger or consolidation (other than one in which shareholders of Mobvoi Inc. own a majority by voting power of the outstanding shares of the surviving or acquiring corporation) and a sale, lease, transfer or other disposition of all or substantially all of the assets of Mobvoi Inc. will be treated as a liquidation event thereby triggering payment of the liquidation preference described above.

3. Voting Rights

The Series A-2 Preferred Shares shall vote together with the Other Preferred Shares and the Ordinary Shares on an as-converted basis, and not as a separate class, except as required by law.

4. Conversion

The Series A-2 Preferred Shares initially converts 1:1 to Ordinary Shares at any time at option of any holder, subject to events as described below under “Anti-dilution Adjustments”.

5. Anti-dilution Adjustments

The Series A-2 Preferred Shares shall have customary anti-dilution protection for events such as share splits, share dividends, combinations, re-capitalizations and distributions. The conversion price shall be adjusted proportionately in such events to prevent dilution.

In the event that Mobvoi Inc. issues additional securities at a purchase price less than the current Series A-2 Preferred Shares conversion price, such conversion price shall be subject to a broad-based weighted average adjustment.

6. Redemption Rights

Upon the occurrence of the following events, the Series A-2 Preferred Shares shall be redeemable at the request of the Series A-2 Investor: (i) after the fifth anniversary of the date of issue, if a Qualified IPO (as defined in the Restated M&A) has not been consummated by then, or (ii) the time when any other series of shares become redeemable. The redemption price per share shall be 100% of the issue price of the Series A-2 Preferred Shares, plus 8% annual compound interests and any accrued but unpaid dividends.

In addition, at any time after the earlier of (i) the time when any material adverse change in the regulatory environment occurs, under which circumstance the captive structure of the Target Group Companies has become or will become invalid, illegal or unenforceable, or (ii) upon notice to Mobvoi Inc. or the Founder of the occurrence of a material breach by either of them of any of the warranties or undertakings under the Transaction Documents, Mobvoi Inc. shall redeem the Series A-2 Preferred Shares at the per share price equal to 150% of the issue price of the Series A-2 Preferred Shares, plus any accrued dividends.

OTHER RIGHTS OF EVERON AND SKYTEAM

In conjunction with the Preferred Share Purchase Agreement, Everon and Skyteam will also enter into the Shareholders' Agreement and the Right of First Refusal and Co-Sale Agreement, under which Everon and Skyteam will have (among other things) the following rights:

Registration Rights

The holders of Series A-2 Preferred Shares will have two demand registration rights, and unlimited piggyback rights and shelf registration rights after an initial public offering of the securities of Mobvoi Inc., subject to customary limitations.

Preemptive Right

Each holder of Preferred Shares shall have a *pro rata* right, based on their percentage equity ownership in Mobvoi Inc., to participate in subsequent issuances of equity securities of Mobvoi Inc. The exercising holder of Preferred Shares will also have an over-allotment right over the unexercised portion of shares if other holder(s) of Preferred Shares do not exercise or do not fully exercise its participation right under this section.

Right of First Refusal and Co-Sale Right

If the Founder or Mobvoi Limited proposes to transfer any equity securities of Mobvoi Inc. or any interest therein to a third party, Mobvoi Inc. has the first priority and the Investors have the second priority to elect to purchase all or part of the equity securities (the "**Rights of First Refusal**"). To the extent Mobvoi Inc. and the Investors do not exercise their respective Rights of First Refusal, each Investor shall have an option to elect to participate in such sale on a proportionate basis according to its then shareholding.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, apart from Everon which is an associate of Mr. Cheng, all the other parties to the Transaction Documents and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

INFORMATION ON THE TARGET GROUP COMPANIES

Mobvoi Inc. is an investment holding company incorporated under the laws of the Cayman Islands. The Target Group Companies 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).

Set out below is certain financial information in relation to the Target Group Companies based on management accounts prepared under generally accepted accounting principles in the PRC:

The consolidated net loss (both before and after tax and extraordinary items) of the Target Group Companies amounted to approximately RMB3,780,000 for the year ended 31 December 2013 and approximately RMB17,643,000 for the year ended 31 December 2014.

The consolidated net asset value of the Target Group Companies as at 31 December 2014 amounted to approximately RMB33,828,000.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Company considers that the subscription by its subsidiary for Series A-2 Preferred Shares in Mobvoi Inc. will provide an opportunity to the Group to share in and gain from the development potentials of the Target Group Companies and their products and technology. In addition, the voice search, linguistic analysis and big data transmission technologies of the Target Group Companies will be a good complement to the developing wearable display products of the Group. Having a subsidiary of the Group become a shareholder of Mobvoi Inc. will facilitate future business cooperation and strategic alliance between the Group and the Target Group Companies.

The Directors, including the independent non-executive Directors, consider that the Subscriptions is in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the Subscriptions are fair and reasonable and in the interests of the Company and its shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

Since Everon is a company entirely owned and controlled by Mr. Cheng (a director, chief executive officer and the controlling shareholder of the Company), Everon is an associate of Mr. Cheng and therefore a connected person of the Company under the GEM Listing Rules. Accordingly, the Subscriptions under the Preferred Share Purchase Agreement by Everon and Skyteam being a joint arrangement to invest in Mobvoi Inc. constitute a connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

As one or more of the applicable percentage ratios for the Subscriptions is more than 0.1% but less than 5%, such connected transaction is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement pursuant to Chapter 20 of the GEM Listing Rules.

In relation to the above, Mr. Cheng has a material interest in the Subscriptions and has therefore abstained from voting on the Board resolution approving the Transaction Documents and the transactions contemplated thereunder.

GENERAL

The Company is an investment holding company. The Group is principally engaged in the trading of display components of electronics, namely thin film transis for 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.

Everon and Skyteam are investment holding companies.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“associate(s)”	has the same meanings ascribed to it under the GEM Listing Rules
“Board”	The board of Directors
“business days”	any day that is not a Saturday, Sunday, legal holiday or other day on which commercial banks are required or authorised by law to be closed in the PRC or New York
“Closing”	the closing of the issue and subscription of the Series A-2 Preferred Shares in accordance with the terms of the Preferred Share Purchase Agreement
“Company”	Perfect Optronics Limited (stock code: 8311), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Growth Enterprise Market of the Stock Exchange
“connected person(s)”	has the same meanings ascribed to it under the GEM Listing Rules
“controlling shareholder”	has the same meanings ascribed to it under the GEM Listing Rules
“Director(s)”	director(s) of the Company
“Everon”	Everon Resources Limited, a company incorporated in the British Virgin Islands with limited liability, the issued shares of which are entirely owned and controlled by Mr. Cheng
“Founder”	Mr. Li Zhifei, the founder of the Target Group Companies who is the controlling shareholder of Mobvoi Inc.
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange as amended, modified or supplemented from time to time

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party Investors”	other investors holding equity interests in Mobvoi Inc., which are third parties independent of the Company and its connected persons
“Investor(s)”	collectively, the Independent Third Party Investors, Everon and Skyteam
“Mobvoi Inc.”	Mobvoi Inc., an exempted company incorporated in the Cayman Islands
“Mr. Cheng”	Mr. Cheng Wai Tak, the Chairman, an executive Director and a controlling shareholder of the Company
“Ordinary Shares”	ordinary shares of Mobvoi Inc.
“PRC”	the People’s Republic of China which, for the purpose of this announcement only, excludes Hong Kong, Macao Special Administrative Region of the PRC and Taiwan
“Preferred Share Purchase Agreement”	the series A-2 preferred share purchase agreement dated 29 January 2015 entered among Everon, Skyteam, the Target Group Companies, the Founder and other parties thereto in relation to the subscriptions of Series A-2 Preferred Shares by Everon and Skyteam
“RMB”	Renminbi, the lawful currency of the PRC
“Restated M&A”	the third amended and restated articles of association of Mobvoi Inc. to be adopted before Closing
“Right of First Refusal & Co-sale Agreement”	the Right of First Refusal & Co-sale Agreement to be entered among Everon, Skyteam, the Founder, the Independent Third Party Investors, the Target Group Companies and other parties thereto
“Series A-2 Preferred Share(s)”	the series A-2 preferred share(s) in Mobvoi Inc.
“Shareholders’ Agreement”	the second amended and restated shareholders’ agreement to be entered among Everon, Skyteam, the Founder, the Independent Third Party Investors, the Target Group Companies and other parties thereto
“Skyteam”	Skyteam Resources Limited, a company incorporated in the British Virgin Islands with limited liability and an indirectly wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriptions”	the subscription for 25,213,220 Series A-2 Preferred Shares by each of Everon and Skyteam pursuant to the Preferred Share Purchase Agreement

“substantial shareholder(s)”	has the same meanings ascribed to it under the GEM Listing Rules
“Target Group Companies”	Mobvoi Inc. and its subsidiaries
“Transaction Documents”	documents executed or to be executed in connection with the Subscriptions, including the Preferred Share Purchase Agreement, the Shareholders’ Agreement, the Right of First Refusal & Co-sale Agreement and the Restated M&A
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

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

Hong Kong, 29 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 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, 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>.