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 AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

Optima Capital Limited

A letter from the Board is set out on pages 4 to 19 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 20 to 21 of this circular. A letter from Optima Capital containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 42 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at Admiralty Conference Centre at 1804A, 18/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong on Friday, 17 April 2015 at 11:00 a.m. is set out on pages 79 to 80 of this circular.

Whether or not you are able to attend the meeting, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting or any adjournment thereof.

This circular will remain on GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its publication and on the Company's website at http://www.perfect-optronics.com.

6 March 2015

CHARACTERISTICS OF THE GROWTH ENTERPRISES MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED

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.

CONTENTS

In this circular, the following expressions have the meanings set out below unless the context requires otherwise:

"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
"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
"close associate"	has the meaning ascribed to it in the GEM Listing Rules
"Company"	Perfect Optronics Limited (圓美光電有限公司), a company incorporated in the Cayman Islands on 13 June 2013 as an exempted company with limited liability, 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 (or to his nominee) pursuant to the Agreement
"Director(s)"	the director(s) of the Company
"EGM"	an extraordinary general meeting of the Company to be convened at Admiralty Conference Centre at 1804A, 18/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong on Friday, 17 April 2015 at 11:00 a.m.
"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$"/"HKD"	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
"Independent Shareholders"	Shareholders other than those who are required by the GEM Listing Rules to abstain from voting on the resolution approving the Acquisition and the allotment and issue of the Consideration Shares
"Latest Practicable Date"	3 March 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"NTD"	New Taiwan Dollars, the lawful currency of Taiwan
"Optima Capital"	Optima Capital Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
"Perfect Shiny"	Perfect Shiny Technology Limited (圓尚科技有限公司), a company incorporated in Samoa with limited liability which is entirely 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 which is wholly-owned by Perfect Shiny
"PRC"	the People's Republic of China, for the purpose of this circular, 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 the letter from the Board contained in this circular
"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

"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shinyoptics"	尚立光電股份有限公司 (Shinyoptics Corporation*), a company incorporated in Taiwan with limited liability and is owned as to approximately 50.14% by Perfect Shiny
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder"	has the meaning ascribed to it in the GEM Listing Rules
"Target Group"	Perfect Shiny, Perfect Shiny HK and Shinyoptics
"US$"/"USD"	United States dollars, the lawful currency of the United States of America
"Vendor"	Mr. Cheng Wai Tak
"%"	per cent

In this circular, 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.

* *for identification purposes only*

Perfect Optronics Limited
圓美光電有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8311)

Executive Directors:
Mr. Cheng Wai Tak
Mr. Cheng Cheung Wai
Mr. Liu Ka Wing

Independent Non-executive Directors:
Mr. Wong Yik Chung John
Mr. Wong Chi Chiu
Mr. Li Shui Yan

Registered Office:
Clifton House
75 Fort Street, PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Headquarters and principal place of business in Hong Kong:
Flat 905, 9/F, Tower B
Hung Hom Commercial Centre
No. 37 Ma Tau Wai Road
Kowloon, Hong Kong

6 March 2015

To the Shareholders

Dear Sir/Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION PROPOSED ACQUISITION OF PERFECT SHINY TECHNOLOGY LIMITED

INTRODUCTION

Reference is made to the announcement of the Company dated 22 January 2015.

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) at the consideration HK$323,000,000.

The purpose of this circular is to provide, among other things, (i) information on the Agreement and the transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee in respect of the Acquisition; (iii) the advice of Optima Capital regarding the terms of the Acquisition; (iv) other information as required under the GEM Listing Rules; and (v) the notice of the EGM.

THE AGREEMENT

The principal terms of the Agreement are set out below:

Date

22 January 2015

Parties

Vendor:	Mr. Cheng Wai Tak, a Director, the chief executive officer and a substantial shareholder of the Company
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, when fully issued, represent approximately 12.40% of the existing issued shares of the Company as at the Latest Practicable Date and will represent approximately 11.03% of the issued shares of the Company as enlarged by the issue of the Consideration Shares (assuming no other change to the issued share capital of the Company).

Profit Guarantee

Pursuant to the Agreement, subject to Completion, the Vendor 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 the second half of 2015, the Target Group may only record an annual Profit for 2016.

After reviewing the business plan of the Target Group which include estimations on its sales volume, selling prices, costs and profit in both 2015 and 2016 and the scheduled timeframe for the research, development and production of its products, the Board is of the view that the Profit for the two financial years ending 31 December 2016 guaranteed by the Vendor under the Profit Guarantee may possibly be achieved by the Target Group. For details of the business plan and timeframe for research, development and production of the products of the Target Group, please refer to the section headed "Information on Perfect Shiny and its subsidiaries — Business of the Target Group" below.

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 amount of any shortfall in the Profit Guarantee multiplied by the aforesaid implied multiple which is part of the basis of valuation of the Target Group would reflect a fair compensation for loss in value of the consideration of 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.

If the Profit Guarantee cannot be met by the Target Group, the Company will comply with the disclosure requirements according to Rule 20.61 of the GEM Listing Rules.

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 text of the report of which is set out in Appendix I to this circular. 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-earnings ratio and the guaranteed Profit given by the Vendor under the Agreement for the two financial years ending 31 December 2016. For further information on the calculation basis under such valuation method and the selection of guideline public companies, please refer to the section headed "XII. Market Approach — 12.4 Selection of Guideline Public Companies" in the valuation report on pages 66 to 69 in Appendix I to this circular.

As disclosed in the valuation report, the guideline public companies selected for that valuation purpose are in the same or similar industry to that of the Target Group and their primary business activities are all related to the provision of optical-technology related products. The difference in stage of development between the Target Group and the guideline public companies selected had also been considered by the independent valuer in its valuation. Further, in arriving at the valuation of the Target Group, the independent valuer had also taken into account and made adjustments for the lack of marketability of the Target Group and the controlling stake in the Target Group being acquired. The Board is therefore of the view that the guideline public companies selected are fair and representative samples for valuation, the forward price-to-earnings ratio derived from the abovementioned valuation method is fair and reasonable, and that market evidence on the values at which investors are willing to buy and sell interests of the Target Group can be provided.

The Board is also of the view that the adoption of the amount under the Profit Guarantee which covers two financial years in the valuation basis is fair and reasonable since, as mentioned above, it is expected that the Target Group would require a longer period of time to obtain profits in its operation and the Target Group may only record an annual Profit for 2016. The results of business operations of the Target Group for 2015 before the sales of applied optics-related products in a large scale is therefore not considered by the Board to be a solid earning basis for valuation, while the results of business operations of the Target Group for 2016 are expected to improve from the large scale product sale. Adopting the Profits for both of the financial years ending 31 December 2015 and 31 December 2016 as valuation basis is considered by the Board to be a prudent and reasonable approach to reflect the sustainable annual profits of the Target Group.

While the unaudited net asset value of Perfect Shiny as at 31 December 2014 amounted to less than HK$1 million, the Company considers that the net asset value of Perfect Shiny which is in a technology products business that is relatively new and not yet matured does not reflect the intangible value of the Target Group (comprising its intellectual properties and development potentials). The Board takes the view that the consideration of the Sale Shares based on the valuation of the Target Group rather than net asset value is more appropriate and thus is fair and reasonable.

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 over 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, is equal to the closing price per Share as quoted on the Stock Exchange on 22 January 2015 and represents an approximately 7.83% premium over the closing price of HK$1.66 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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, among other things, 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.

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 buyback 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-fulfillment 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

Perfect Shiny

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 both 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 unaudited management accounts prepared under Hong Kong Financial Reporting Standards:

	Year ended 31 December 2014 (unaudited) *HK$*	Period from 21 October 2013 (the date of incorporation) to 31 December 2013 (unaudited) *HK$*
Revenue	—	—
Expenses *(note)*	2,882,000	34,000
Net loss before tax and extraordinary items	2,882,000	34,000
Net loss after tax and extraordinary items	2,882,000	34,000

Note: The expenses of Perfect Shiny for the year ended 31 December 2014 mainly comprised development fees.

The unaudited net asset value of Perfect Shiny as at 31 December 2014 (based on its management accounts) amounted to approximately HK$985,000. Such net asset value of Perfect Shiny comprised current assets of bank balances, non-current assets of costs of investment in Shinyoptics, and current liabilities of certain other payables and a shareholder's loan due from Perfect Shiny to the Vendor (which amounted to approximately HK$27,769,000 as at 31 December 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.

Perfect Shiny is not required under the laws of Samoa to prepare audited financial statements, and thus only unaudited financial information of Perfect Shiny is available. In addition, Shinyoptics only became a subsidiary of Perfect Shiny in September 2014 after Perfect Shiny increased its shareholding in Shinyoptics. The Company considers it more appropriate to present the financial information of Perfect Shiny and of Shinyoptics separately for the year ended 31 December 2014, rather than presenting consolidated financial information of the Target Group for such financial year which might be affected by the acquisition of additional shareholding in Shinyoptics by Perfect Shiny.

Shinyoptics

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.

History of development of Shinyoptics

Set out below are the key milestones in the history of development of Shinyoptics:

Month and Year	**Key milestones**
July 2009	Establishment of Shinyoptics under the laws of Taiwan
March 2010	Commencement of production of over 1,000 units of LCoS micro-projector optical engines by Shinyoptics
December 2010	Shinyoptics was engaged by a large United States company to design and develop certain optical engines prototypes for use in wearable display products
April 2011	Cash subscription of 3,400,000 shares of Shinyoptics by 昆盈企業股份有限公司 (KYE Systems Corp.) which enhanced the financial position of Shinyoptics
June 2013	Application of products of Shinyoptics in head-up display and head-mount display appliances were displayed in the COMPUTEX Taipei, a large information and communications technology trade show both in Asia and in the world
January 2014	Acquisition of 3,400,000 shares of Shinyoptics by Perfect Shiny
September 2014	Acquisition of 4,020,000 shares of Shinyoptics by Perfect Shiny and thereafter Perfect Shiny had become a controlling shareholder of Shinyoptics holding approximately 50.14% interests in Shinyoptics

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

	Year ended 31 December 2014 (audited)	2013 (audited)
Revenue	NTD3,781,000 (approximately HK$926,000)	NTD8,337,000 (approximately HK$2,043,000)
Gross profit/(loss)	NTD(2,480,000) (approximately HK$(608,000))	NTD1,901,000 (approximately HK$466,000)
Operating expenses	NTD21,910,000 (approximately HK$5,368,000)	NTD20,918,000 (approximately HK$5,125,000)
Net loss before tax and extraordinary items	NTD18,792,000 (approximately HK$4,604,000)	NTD17,692,000 (approximately HK$4,335,000)
Net loss after tax and extraordinary items	NTD18,792,000 (approximately HK$4,604,000)	NTD17,698,000 (approximately HK$4,336,000)

As at 31 December 2014, based on the audited accounts of Shinyoptics prepared under Taiwan Generally Accepted Accounting Principles, the audited net asset value of Shinyoptics amounted to approximately NTD135,171,000 (approximately HK$33,117,000), whereas the cash and bank balances amounted to approximately NTD117,846,000 (approximately HK$28,872,000), inventories amounted to approximately NTD6,415,000 (approximately HK$1,572,000) and net book value of fixed assets amounted to approximately NTD5,600,000 (approximately HK$1,372,000).

Major customers and suppliers of Shinyoptics

As at 31 December 2014, Shinyoptics had a total number of approximately 27 customers and most of them are based in Taiwan. Major customers of Shinyoptics include consumer electronics and projectors manufacturers. Shinyoptics has been supplying optical engine components to its largest customer in 2014 which is based in Taiwan and its group companies for over three years and the sales to this single customer accounted for approximately 50% of the total revenue of Shinyoptics for the financial year ended 31 December 2014.

As at 31 December 2014, Shinyoptics had around 10 suppliers and most of them are based in Taiwan. Products supplied by these suppliers comprise LCoS panels, lenses, metal and plastic components and assembling parts. Shinyoptics has been sourcing LCoS panels from its largest supplier which is based in Taiwan for over 5 years and the purchases attributable to this supplier amounted to approximately 84% of the total purchases of Shinyoptics for the financial year ended 31 December 2014.

Information on the shareholding of Shinyoptics

Set out below is the information on the shareholding of Shinyoptics:

Shareholders	**Shareholding percentage (approximate)**
Perfect Shiny	50.14%
昆盈企業股份有限公司 (KYE Systems Corp.) *(note 1)*	22.97%
立景光電股份有限公司 (Himax Display, Inc.)	6.76%
台灣微米科技股份有限公司 (DigiLife Technologies Co., Ltd.)	1.35%
Other individual shareholders *(note 2)*	collectively 18.78%

Notes:

1. 昆盈企業股份有限公司 (KYE Systems Corp.) is a director of Shinyoptics.

2. Other individual shareholders include directors, supervisor and employees of Shinyoptics.

3. To the best of the Directors' knowledge, information and belief, apart from Perfect Shiny, all of the shareholders of Shinyoptics are independent third parties to the Group and its connected persons.

Transactions between Shinyoptics and its shareholders

Shinyoptics has been supplying optical engine components to 昆盈企業股份有限公司 (KYE Systems Corp.) for over 4 years. The amounts of such transactions were NTD2,144,000 (approximately HK$525,000) and NTD38,000 (approximately HK$9,000), respectively, for the financial years ended 31 December 2013 and 2014. Shinyoptics has been leasing premises for office use from the spouse of the chairman of the board of directors of Shinyoptics (who is also its shareholder) for over 7 years. The rental payments under the lease amounted to NTD400,000 (approximately HK$98,000) and NTD402,000 (approximately HK$98,000), respectively, for the financial years ended 31 December 2013 and 2014.

Intellectual properties of Shinyoptics

As at the Latest Practicable Date, Shinyoptics owned 20 registered patents in Taiwan and/or in the PRC and 24 patents under application for registration. Besides, 6 patents were intended to be filed for registration in Taiwan and/or in the PRC.

The aforementioned registered patents and patents which are or will be subject to application for registration include technologies developed by the Target Group for design, development, production and sale of its LCoS micro-projector optical engines and its applied optics-related products. These patents are crucial to the future business development of the Target Group.

Perfect Shiny HK

Perfect Shiny HK was incorporated in January 2015 and is intended to carry on the business of Perfect Shiny in Hong Kong and in Taiwan, including the production and sale of its developed products. As Perfect Shiny HK had not commenced business operations as of the Latest Practicable Date, there is no material financial information on Perfect Shiny HK to be disclosed.

Set up/acquisition costs of the Target Group to the Vendor

The set up costs of Perfect Shiny to the Vendor amounted to approximately HK$33.2 million, representing the amounts invested by the Vendor in Perfect Shiny.

The acquisition costs of the approximate 50.14% interests in Shinyoptics incurred by Perfect Shiny amounted to approximately HK$30.2 million.

The Board is of the view that the consideration for the Acquisition amounting to HK$323,000,000 is fair and reasonable after taking into account (i) the valuation of the Target Group at HK$323,442,000 as at 31 December 2014 by the independent valuer; (ii) the guaranteed Profit of HK$34,000,000 for the two financial years ending 31 December 2016; (iii) the compensation mechanism under the Profit Guarantee if the guaranteed Profit is not met; and (iv) the prospects of the Target Group including the expected launch of the applied optics-related products into the market. These aspects justify the consideration for the Acquisition being much higher than the set up costs of Perfect Shiny to the Vendor.

Business of the Target Group

Industry landscape

In recent years, the IT industry in the PRC has benefited from the policy initiatives launched by the PRC government under the 12th five-year programme (2010–2015) which has promoted the construction and development of the information technology industry. New electronics and telecommunications technology products had also boosted in sales for over 40% in the PRC from 2012 to 2013.

As the size of the relevant consumer markets of head-up display and head-mount display products are expected to expand in the Asia Pacific region and in the globe, respectively, in the coming years, the Company is of the view that the prospects of the market of the Target Group's products are favorable.

Business plan and estimated capital expenditure of the Target Group

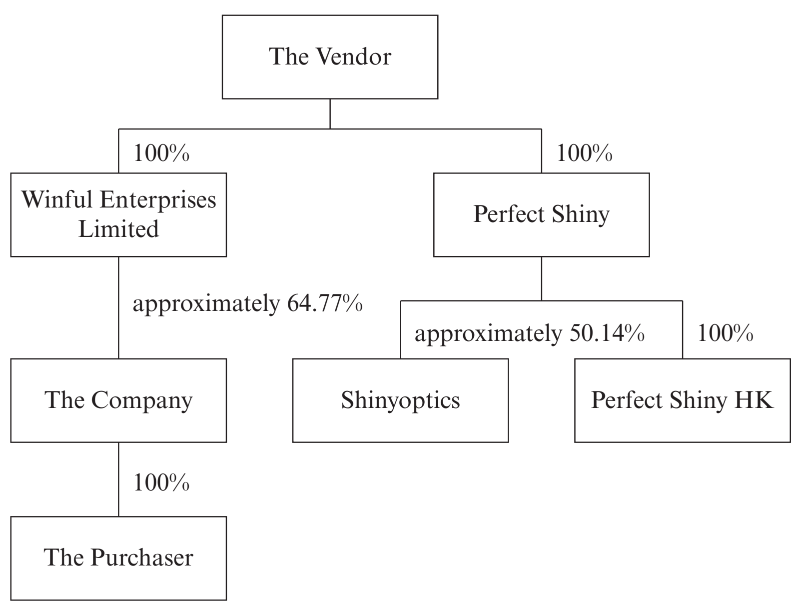
For the year ended 31 December 2013, the revenue of Shinyoptics mainly comprised the sales of LCoS micro-projector optical engines to manufacturers of handheld projectors and nursery projectors. As the demand of such products decreased, Shinyoptics began design and development of LCoS micro-projector optical engines for prototype wearable displays.

The Target Group had reached a mature stage of research and development of its head-up display and head-mount display products. It is expected that Shinyoptics will supply LCoS micro-projector optical engines to Perfect Shiny in mid-2015 for its applied optics-related products and it is intended that mass production of such applied optics-related products will be carried out through outsourcing to external original equipment manufacturers in the second half of year 2015. Perfect Shiny is expected to start the sale of its applied optics-related products in the second half of 2015.

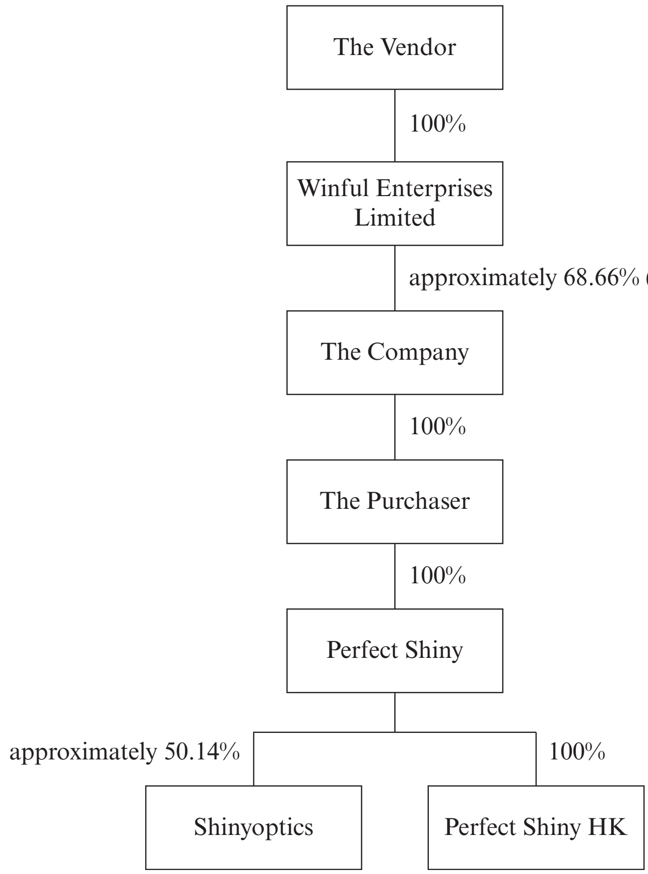
Based on the above, the capital expenditure needs of the Target Group for its development in the near future are expected to be insignificant and internal resources of the Target Group would be sufficient to meet such requirements.

SHAREHOLDING STRUCTURE OF THE TARGET GROUP BEFORE AND AFTER COMPLETION

The shareholding structure of the Target Group as at the Latest Practicable Date was as shown in the simplified shareholding structure chart below:



The shareholding structure of the Target Group immediately after Completion will be as shown in the simplified shareholding structure chart below:



Note: On the assumption that the Vendor will nominate Winful Enterprises Limited to take up the Consideration Shares upon Completion.

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.

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 the announcement of the Company dated 22 January 2015, 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.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

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:

	As at the Latest Practicable Date		**After the allotment and issue of the Consideration Shares**	
	Shares	*Approximate %*	*Shares*	*Approximate %*
Winful Enterprises Limited *(note 1)*	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	465,000,000	35.23	465,000,000	31.34
Total	1,320,000,000	100.00	1,483,687,151	100.00

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

REASONS AND BENEFITS FOR THE ACQUISITION

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.

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.

GEM LISTING RULES IMPLICATIONS

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, the chief executive officer and a 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. Since the Vendor has a material interest in the Acquisition, he abstained from voting on the resolutions of the Board approving the Agreement and the transactions contemplated thereunder.

The Independent Board Committee comprising the independent non-executive Directors has been appointed to consider the terms of the Agreement and the transactions contemplated thereunder (including the issue and allotment of the Consideration Shares), to advise the Independent Shareholders on whether the terms of the Agreement are fair and reasonable, whether the Acquisition is on normal commercial terms, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote on the resolution to be proposed at the EGM to approve the Agreement and transactions contemplated thereunder. Optima Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in such regard.

EGM

A notice convening the EGM to be held at Admiralty Conference Centre at 1804A, 18/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong on Friday, 17 April 2015 at 11:00 a.m. is set out on pages 79 to 80 of this circular. The EGM will be convened for the purpose of considering and, if thought fit, passing the resolution to approve the Agreement and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares.

The votes of the Shareholders regarding the resolution for approval of the Agreement and the transactions contemplated thereunder will be taken by way of poll at the EGM. Any Shareholder with a material interest in the Acquisition shall not vote at the EGM. As at the Latest Practicable Date and to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Winful Enterprises Limited, a Shareholder which is entirely owned by the Vendor and holding 855,000,000 Shares (representing approximately 64.77% of the issued share capital of the Company) as at the Latest Practicable Date, has a material interest in the Acquisition and will be required to abstain from voting at the EGM.

You will find enclosed a form of proxy for use at the EGM. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM (or any adjournment thereof) to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

RECOMMENDATION

The Directors are of the opinion that the terms of the Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole and therefore recommend the Shareholders to vote in favour of the resolution relating to the Agreement and the transactions contemplated thereunder to be proposed at the EGM.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 20 and 21 of this circular and the letter from Optima Capital, set out on pages 22 to 42 of this circular.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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

The following is the full text of the letter from the Independent Board Committee to the Independent Shareholders in connection with the Acquisition which has been prepared for the purpose of inclusion in this circular:

Perfect Optronics Limited
圓美光電有限公司

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

6 March 2015

To the Independent Shareholders

Dear Sir/Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION PROPOSED ACQUISITION OF PERFECT SHINY TECHNOLOGY LIMITED

We refer to the circular of the Company dated 6 March 2015 (the "Circular"), of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as members of the Independent Board Committee to consider the terms of the Agreement and the transactions contemplated thereunder, to advise you as to whether such terms are fair and reasonable, whether the Acquisition is on normal commercial terms, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole, and on how to vote in the EGM. Optima Capital has been appointed as the independent financial adviser to advise us and the Independent Shareholders in these regards.

We wish to draw your attention to the letter from the Board on pages 4 to 19 of the Circular, which sets out information in connection with the Acquisition. We also wish to draw your attention to the letter from Optima Capital to the Independent Board Committee and the Independent Shareholders which contains its advice in respect of the Acquisition set out on pages 22 to 42 of the Circular.

Having taken into account the principal factors and reasons considered by Optima Capital, its opinion and recommendation, we consider that although the Group does not engage in merger and acquisition activities in its ordinary and usual course of business, the Acquisition represents an expansion of the Group's optical-related products business and is in the interests of the Company and the Shareholders as a whole. We also consider that the Agreement and the transactions contemplated thereunder are on normal commercial terms and the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee

Wong Yik Chung John	**Wong Chi Chiu**	**Li Shui Yan**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*

The following is the full text of the letter from Optima Capital to the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder prepared for the purpose of inclusion in this circular:

OPTIMA CAPITAL

Suite 1501, 15th floor
Jardine House
1 Connaught Place
Central
Hong Kong

6 March 2015

To: *the Independent Board Committee and*
the Independent Shareholders

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION PROPOSED ACQUISITION OF PERFECT SHINY TECHNOLOGY LIMITED

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition. Details of the Acquisition are set out in the letter from the Board (the "**Board Letter**") contained in the circular of the Company dated 6 March 2015 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise specified.

On 22 January 2015, the Purchaser (a wholly-owned subsidiary of the Company) and the Vendor entered into the Agreement, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, the Sale Shares for the consideration in the sum of HK$323,000,000. The Sale Shares represent the entire issued share capital of Perfect Shiny.

As the applicable percentage ratios in respect of the Acquisition exceeds 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, the chief executive officer and a substantial shareholder of the Company and is therefore a connected person of the Company (as defined under the GEM Listing Rules), the Acquisition also constitutes a connected transaction of the Company under the GEM Listing Rules which is subject to the reporting, announcement and independent Shareholders' approval requirements under the GEM Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Wong Yik Chung John, Mr. Wong Chi Chiu and Mr. Li Shui Yan, has been established to advise the Independent Shareholders on whether the terms of the

Agreement are fair and reasonable, whether the Agreement is on normal commercial terms or better and in the ordinary and usual course of business of the Group, whether the Acquisition is in the interests of the Company and the Shareholders as a whole, and how to vote on the resolution to be proposed at the EGM to approve the Agreement and transactions contemplated thereunder. We, Optima Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in these regards.

As at the Latest Practicable Date, other than this appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, we had no relationships or interests with the Company and any other parties that could reasonably be regarded as relevant to our independence.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Company (the "**Management**") and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects at the time they were made and up to the date of the EGM. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information have been withheld, nor doubt the truth or accuracy of the information provided. We have not, however, conducted any independent investigation into the businesses and affairs of the Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the terms of the Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and whether the Acquisition is in the interests of the Company and the Shareholders as a whole, we have taken into account the principal factors and reasons set out below:

1. Information on the Group

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 ("**ICs**") and polarisers. TFT-LCD panels, driver ICs and polarisers are three of the four main components of a LCD module (commonly known as the 'display' or 'screen') of a typical mobile smart phone. The Group also processes some of the TFT-LCD panels it trades. Most of the Group's products are sold to manufacturers of TFT-LCD modules, which are then used by mobile phone manufacturers to produce mobile phones.

2. Historical financial performance of the Group

Set out below is a summary of the consolidated income statement of the Group for each of the three years ended 31 December 2011, 2012 and 2013 and the nine months ended 30 September 2013 and 2014 as extracted from the Company's (i) prospectus dated 24

January 2014; (ii) annual report for the year ended 31 December 2013 (the "**2013 Annual Report**"); and (iii) third quarterly report for the nine months ended 30 September 2014 (the "**2014 Third Quarterly Report**"):

	Year ended 31 December			**Nine months ended 30 September**	
	2011	**2012**	**2013**	**2013**	**2014**
	(audited)	*(audited)*	*(audited)*	*(unaudited)*	*(unaudited)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	1,627,122	1,382,583	1,669,556	1,256,832	977,413
Gross profit	77,318	74,990	146,190	116,735	77,433
Profit attributable to the Shareholders	33,999	35,193	71,083	60,203	32,451
Gross profit margin	4.8%	5.4%	8.8%	9.3%	7.9%
Profit margin	2.1%	2.5%	4.3%	4.8%	3.3%

For the year ended 31 December 2011

Revenue of the Group for the year ended 31 December 2011 amounted to approximately HK$1,627.1 million. Unprocessed TFT-LCD panels and other unprocessed products was the largest revenue contributing product segment, accounting for approximately 52% of the total revenue for the year. Processed TFT-LCD panels and driver ICs were the second and third revenue contributing product segments, contributing approximately 29% and 16% of the total revenue for the year respectively. Polarisers accounted for the remaining 3% of the total revenue. Gross profit and profit attributable to the Shareholders amounted to approximately HK$77.3 million and HK$34.0 million respectively, representing gross profit margin and net profit margin of approximately 4.8% and 2.1% respectively.

For the year ended 31 December 2012

Revenue of the Group for the year ended 31 December 2012 amounted to approximately HK$1,382.6 million, representing a drop of approximately 15.0% from the previous year. Such drop was mainly due to the decrease in sales quantity of both unprocessed and processed panel products. As the early third generation smart phone market in the PRC was dominated by major brands, sales of the Group's products to its customers (which are mostly white-box manufacturers) tumbled. The impact from drop in sales of unprocessed and processed panel products has been compensated by the increase in revenue from driver ICs for panels used on larger screen size mobile phone. Despite the drop in revenue, the Group managed to maintain its level of gross profit and net profit similar to that for the year ended 31 December 2011. The Group recorded gross profit and profit attributable to the Shareholders of approximately HK$75.0 million and HK$35.2 million for the year ended 31 December 2012 respectively, with gross profit margin and net profit margin improved to 5.4% and 2.5% mainly due to the release and processing of high resolutions and large panels particularly in the fourth quarter of 2012.

For the year ended 31 December 2013

For the year ended 31 December 2013, the Group's revenue rose by approximately 20.8% to approximately HK$1,669.6 million as compared to that of the previous year. Gross profit margin improved from approximately 5.4% in 2012 to approximately 8.8% in 2013, contributing to a significant growth in the Group's gross profit. Profit attributable to the Shareholders amounted to approximately HK$71.1 million, representing an increase of approximately 102.0% as compared with that of approximately HK$35.2 million in 2012. According to the 2013 Annual Report, the key driver to such strong growth was the profound enhancement of profit margin attributable to the strong demand of unprocessed and processed TFT-LCD panels for large-size and high-resolution panels as a result of the hot smart phone market in the PRC.

For the nine months ended 30 September 2014

The Group experienced deterioration in financial performance for the nine months ended 30 September 2014. Revenue of the Group amounted to HK$977.4 million, representing a decrease of approximately 22.2% as compared with the corresponding period in 2013. Profit attributable to the Shareholders was approximately HK$32.5 million, representing a decrease of approximately 46.1% as compared with the corresponding period in 2013. According to the 2014 Third Quarterly Report, such deterioration was mainly attributable to the drop in the Group's sales volume of unprocessed TFT-LCD panels resulting from, among other things, (i) the slowdown in the PRC mobile phone market; (ii) the change of strategy of telecommunication operators in the PRC in relation to their subsidies to end users on mobile phone purchases; and (iii) consumers in the PRC holding off purchases as they anticipated the upgrade from third generation to fourth generation phones.

On 15 January 2015, the Company announced that the Group is expected to record a decrease by more than 50% in consolidated profit attributable to the Shareholders for the year ended 31 December 2014 as compared with that for 2013 due to the drop in the Group's sales volume of unprocessed TFT-LCD panels.

3. Information on the Target Group

Perfect Shiny

Perfect Shiny was incorporated in Samoa. The principal business activities of Perfect Shiny are investments in Shinyoptics and Perfect Shiny HK, and the design and development of applied optics-related products including virtual reality gaming headsets/head-mount display ("**HMD**") and head-up display ("**HUD**") devices which exhibit navigation and other relevant information on the windshield of motor vehicles. Perfect Shiny is directly interested in approximately 50.14% of Shinyoptics and 100% of Perfect Shiny HK respectively.

As advised by the Management, Perfect Shiny is currently in the research and development stage of its HUD and HMD products. However, testing of HUD and HMD prototypes have been in progress since early 2014. Perfect Shiny has been conducting experimentation and testing to ensure quality and performance before the application and/or registration of relevant patents. Once the production blueprints of its HUD and HMD products are finalised, Perfect Shiny will make relevant application and/or registration of patents to safeguard the designs and technical know-how of its products. According to the business plan of the Target Group, it is expected that mass production and sales of the HUD and HMD products will take place in the second half of 2015. It is the intention of Perfect Shiny to outsource the mass production of its HUD and HMD products to original equipment manufacturers and Perfect Shiny has been in discussion with a potential manufacturer in this regard. It has also been in negotiations with more than ten potential customers on the terms of sales contracts with a view to securing sales orders upon the launch of the HUD and HMD products. Such potential target customers are mainly information technology ("**IT**") and consumer electronics branded manufacturers located in the PRC which would in turn supply the products to the end users in the PRC market.

Shinyoptics

Shinyoptics is a company based in Taiwan and is principally engaged in the design, development, production and sale of liquid crystal on silicon ("**LCoS**") micro-projector optical engines found in applied optics-related products (e.g. HUD, HMD with projector function).

As at the Latest Practicable Date, Shinyoptics had 20 registered patents, 24 patents being registered and six patents intended to be filed for registration in Taiwan and/or the PRC for design, development, production and sale of its LCoS micro-projector optical engines and its applied optics-related products. According to the Management, these patents are crucial to the future business development of the Target Group.

Perfect Shiny HK

Perfect Shiny HK was incorporated in January 2015 and is intended to carry on the business of Perfect Shiny in Hong Kong and Taiwan, including the sale of its developed products. As at the Latest Practicable Date, no business had been conducted by Perfect Shiny HK.

4. Financial information of the Target Group

Perfect Shiny

Set out below is a summary of the financial information of Perfect Shiny based on its unaudited management accounts prepared under the Hong Kong Financial Reporting Standards since the date of its incorporation:

	Period from 21 October 2013 (date of incorporation) to 31 December 2013	**Year ended 31 December 2014**
	(unaudited)	*(unaudited)*
	HK$	*HK$*
Revenue	—	—
Net loss before/after tax and extraordinary items	34,000	2,882,000

As Perfect Shiny is still in the research and development stage of its products, it did not record any revenue since the date of incorporation up to 31 December 2014. The loss for the year ended 31 December 2014 was mainly attributable to expenses for product development.

As disclosed in the Board Letter, the set up costs of Perfect Shiny to the Vendor amounted to approximately HK$33.2 million, representing the amount invested by the Vendor in Perfect Shiny.

Shinyoptics

Set out below is certain audited financial information in relation to Shinyoptics based on its audited accounts prepared under Taiwan Generally Accepted Accounting Principles for each of the two years ended 31 December 2013 and 2014:

	Year ended 31 December			
	2013		**2014**	
	NTD'000	*Equivalent to approximately HK$'000*	*NTD'000*	*Equivalent to approximately HK$'000*
Revenue	8,337	2,043	3,781	926
Gross profit/(loss)	1,901	466	(2,480)	(608)
Net loss before tax and extraordinary items	17,692	4,335	18,792	4,604
Net loss after tax and extraordinary items	17,698	4,336	18,792	4,604

As advised by the Management, majority of the revenue of Shinyoptics for the year ended 31 December 2013 comprised the sales of LCoS micro-projector optical engines to manufacturers of handheld projectors and nursery projectors. As the demand of such products have decreased, the management of Shinyoptics began design and development of LCoS micro-projector optical engines for prototypes of HUD and HMD products and commenced sales of samples to potential customers (which are consumer electronics and projectors manufacturers) during the year ended 31 December 2014. As a result of the change in focus of product type, Shinyoptics recorded a decrease in revenue from approximately NTD8.3 million (equivalent to approximately HK$2.0 million) during the year ended 31 December 2013 to approximately NTD3.8 million (equivalent to approximately HK$0.9 million) during the year ended 31 December 2014.

Shinyoptics expects to supply LCoS micro-projector optical engines to Perfect Shiny in mid-2015 for its applied optics-related products and commence sales to other customers (such as manufacturers of IT and consumer electronics products) during the same period.

Perfect Shiny HK

As Perfect Shiny HK had not commenced business operations as of the Latest Practicable Date, there is no material financial information on Perfect Shiny HK available.

5. Outlook of the HUD and HMD industries

IT industry in the PRC

The IT industry in the PRC has experienced continuous growth in recent years owing to the favorable macroeconomic environment and the policy initiatives of the PRC government's 12th five-year program (2010–2015) in promoting the construction and development of information platform, mobile communications and the internet. According to a report published in January 2015 on the website of Ministry of Industry and Information Technology of the PRC, the National Informatisation Development Index (全國信息化發展指數), a comprehensive measure of a country or a region to reflect the overall level of informatisation development in areas including IT infrastructure, industrial technology, consumer applications of IT products, knowledge and support of IT and IT development efficiency, increased by approximately 9.7% in 2014 as compared with the previous year, which was higher than the growth in gross domestic product of 7.4% over the same period. In addition, according to the National Bureau of Statistics of China, the sales revenue of new products in electronics and telecommunications technology increased from RMB1,369.5 billion in 2012 to RMB1,939.1 billion in 2013, representing an increase of approximately 41.6%.

HUD industry

HUD technology is a transparent laser projection technology which exhibits navigation and other relevant information on the windshield of motor vehicles. The automotive market in the PRC showed a steady growing trend. According to the National Bureau of Statistics of China, the automobile production volume in the PRC increased from approximately 13.8 million vehicles in year 2009 to approximately 22.1 million vehicles in year 2013, representing a compound annual growth rate ("**CAGR**") of approximately 12.5%. According to a report published by Markets and Markets in March 2014, the demand of HUDs will be driven by the growth in the high-end and luxury car segment, which are bound to require HUD systems to be installed in them. HUDs are expected to grow at a CAGR of 25.8% from 2013 to 2020, and reach US$8.3 billion in 2020, with the Asia Pacific region expected to record the highest CAGR amongst all the regions in the coming years.

HMD industry

HMD is a display device, wearable on the head and has a small display optic in front of either one or each eye. The HMD, as a wearable device, will mainly supplement the consumer virtual reality users for digital entertainment purposes. According to the Kzero Consumer Virtual Reality Market Report released by Kzero Worldswide in January 2015, it is expected that total global HMD unit sales will reach approximately 39 million units by 2018 and the size of the HMD market by revenue is expected to grow from approximately US$70 million to approximately US$3,885 million from 2014 to 2018.

In view of the favourable policy initiatives of the PRC government in promoting the IT industry, the growing use of HUD products in cars and the increasing popularity of HMD products in the consumer sector, the Management considers that the prospects of the HUD and HMD products and the LCoS micro-projector optical engines which are key component for HUD and HMD with projector function are promising. Having noted the market statistics as described above, we concur with the Management's view in this regard.

6. Reasons for and benefits of the Acquisition

The Group is principally engaged in the trading of display components of electronics, namely TFT-LCD panels, driver ICs and polarisers. The Group also processes some of the TFT-LCD panels that are traded by the Group.

As discussed in the paragraph headed "Historical financial performance of the Group" above, due to the drop in the Group's sales volume of unprocessed TFT-LCD panels as a result of the decline in the PRC mobile phone market, the Group experienced deterioration in financial performance for the year ended 31 December 2014. It was expected that the Group would record a decrease by more than 50% in consolidated profit attributable to the Shareholders for the year ended 31 December 2014 as compared with that for 2013. As part of its strategy and, in particular, in light of the drop in demand for its TFT-LCD panels, the Group intends to enrich its product portfolio by expansion and cooperation relationships. It was mentioned in the 2014 Third Quarterly Report that the Group planned to expand its business to engage in the product application development combining various displays (e.g. TFT-LCD, LCoS) with micro-projection technology, in order to provide key components, reference designs and technical support for applied optics-related products (e.g. HUD, HMD, and smart watches). As the Target Group is operating a line of business similar to that of the Group, the Acquisition represents an expansion of the Group's optical-related products business and is principally consistent with the aforesaid business development strategy of the Group.

As the initial research and development activities on innovative products require considerable human resources and capital investment, and the development of new production techniques and new products through research and development is time-consuming and costly, the Directors consider that the Acquisition will allow the Group to mitigate the risks and costs involved at the initial research and development stage of HUD and HMD products, thus enabling the Group to immediately tap into the HUD and HMD markets which have received much attention recently in the capital market. The Management expects that mass production and sales of the HUD and HMD products will take place in the second half of 2015. Upon the commencement of sales of the HUD and HMD products in the market, the product mix of the Group will be immediately broadened, thereby mitigating the risk of being too dependent on the TFT-LCD panels trading business. Moreover, as advised by the Management, since relatively few companies in the market can master the design and production of key optical components (such as HUD and HMD), the Acquisition will also enable the Group to enrich its technical know-how in the optical products industry and achieve a leading position in the optical display market in the PRC.

Having considered the above, we are of the view that although the Group does not engage in merger and acquisition activities in its ordinary and usual course of business, the Acquisition represents an expansion of the Group's optical-related products business and is in the interests of the Company and the Shareholders as a whole.

7. Principal terms of the Agreement

The principal terms of the Agreement are set out in the Board Letter and are discussed below:

Assets to be acquired

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire the Sale Shares, representing the entire issued share capital of Perfect Shiny, from the Vendor.

Consideration

The consideration for the Acquisition (the "**Consideration**") in the sum of HK$323,000,000 was arrived at after arm's length negotiations between the Vendor and the Purchaser and determined based on the valuation of the Target Group as at 31 December 2014 of HK$323,442,000 (the "**Valuation**") as assessed by Greater China Appraisal Limited (the "**Valuer**"), an independent valuer in Hong Kong, according to the International Valuation Standards (2013 Edition) on business valuation published by International Valuation Standards Council. We have discussed with the Valuer as to, among other things, its expertise and understand that the Valuer is an appraisal and consulting company which carries out business and asset valuations in various locations including Hong Kong, Taiwan and the PRC since 1997. We have also reviewed the terms of engagement of the Valuer, particularly the scope of work. Based on the above, we are of the view that the scope of work performed by the Valuer under its engagement is appropriate for the purpose of evaluating the Valuation and the Valuer possesses the relevant qualification and experience in valuing the Target Group.

We have reviewed the valuation report on the fair value of the Target Group (the "**Valuation Report**") as contained in Appendix I to this circular and note that the Valuer has established a number of general assumptions in valuing the Target Group including (i) there will be no material change in political, legal, fiscal, foreign trade and economic conditions, industry trend, interest rates, foreign currency exchange rates and taxation law in the countries/regions where the Target Group is carrying on its businesses; (ii) the Target Group has obtained all relevant legal approvals, business certificates or licenses for the normal course of operation; (iii) future revenue growth for the Target Group will conform to those forecasted by the Management; (iv) the Target Group will retain competent management and staff; and (v) the patents and technology of the Target Group will not be infringed. We understand from the Valuer that these assumptions are standard assumptions commonly adopted in valuing businesses and we consider these assumptions fair and reasonable.

We have also discussed with the Valuer about the methodology adopted in arriving at the Valuation on which the Consideration is based in order to assess the fairness and reasonableness of the Consideration. As advised by the Valuer, the commonly adopted approaches for valuing businesses are asset approach, income approach and market approach. Under the asset approach, the fair value of the Target Group would be determined based on the replacement cost or reproduction cost of its assets rather than its ability to generate streams of benefit in the future. If asset approach is used, the anticipated future economic benefits to be derived from the HUD and HMD products newly developed by the Target Group cannot be reflected in the equity interest of the Target Group. Accordingly, the Valuer has rejected asset approach in valuing the Target Group.

On the other hand, the fair value of the Target Group under the income approach would be determined based on the present value of future economic benefit of the assets, which is an appropriate approach to account for the anticipated significant growth of the Target Group. However, given that the Target Group had only a short operating history with no historical earnings and the market acceptance of its HUD and HMD products is uncertain, the Management has difficulties in projecting the financial data of the Target Group for the period beyond two years (particularly the terminal value) with a high degree of reliability. Thus, income approach is not considered feasible for valuing the Target Group. Alternatively, market approach was adopted by the Valuer in valuing the Target Group.

The Valuer has considered both the guideline merger and acquisition method (the "**GMA Method**") and the guideline public companies method (the "**GPC Method**") under the market approach. The former method attempts to estimate the value of the Target Group by reference to recent comparable transactions, while the latter attempts to evaluate the Target Group by reference to publicly traded companies engaging in business similar to the Target Group (the "**Comparable Companies**").

Under the GMA Method, the Valuer has identified two comparable transactions (the "**Comparable Transactions**") where (i) in 2014, Facebook Inc. acquired 100% interest in Oculus VR Inc., one of the leaders in the virtual reality technology which launched headsets for immersive gaming since 2012, at the consideration of approximately US$1,993 million, which implied a price-to-sales ratio of 86 times; and (ii) Jaunt Inc. raised an aggregate of US$34 million from venture capital through two rounds of equity financing to scale up its technology for the emerging consumer demand for virtual reality products in 2014. Since the Comparable Transactions involved either non-listed entities or private companies, there is only limited financial information available. Given that there are only limited transactions with sufficient disclosure of financial information to form a reasonable comparison and analysis, the Valuer has considered but rejected the GMA Method and instead, has applied the GPC Method to the Valuation. Based on the above, we agree with the Valuer that the GPC Method is the most appropriate valuation methodology in valuing the equity interest of the Target Group.

In applying the GPC Method, the Valuer computes a valuation multiple for the selected comparable companies. This multiple is then applied to the benefit stream of the Target Group to estimate the Valuation. As advised by the Valuer, using price-to-book ratio as valuation multiple does not reflect the ability of the Target Group to generate streams of benefits in the future, particularly that the Target Group is in the research and development stage of the HUD and HMD products which are expected to record significant growth after their launch into the market. Considering that the Target Group had recorded losses in the recent years and may only begin to generate profit in 2016 according to its business plan, historical multiples cannot be applied, thus a forward price-to-earnings ratio is a more appropriate valuation multiple to account for the future earnings capability of the Target Group. As such, we agree with the Valuer's approach in using the Profit guaranteed by the Vendor (the "**Guaranteed Profit**") of HK$34 million for the two years ending 31 December 2015 and 2016 as the earnings reference and the forward price-to-earnings ratio for 2016 (calculated as market capitalisation as at 31 December 2014 divided by the consensus estimated earnings for the year ending 31 December 2016 as extracted from Bloomberg) (the "**2016 Forward P/E**") as the valuation multiple under the GPC Method.

In identifying the Comparable Companies, the Valuer has determined the following selection criteria:

(i) companies listed in Hong Kong, Taiwan, the PRC and the United States of America and engaged in similar business activities as that of the Target Group, i.e. production of optical and lens instrument products; and

(ii) the 2016 Forward P/E of the reference companies are available on Bloomberg and was arrived at by consensus of a reasonable number of analysts.

As advised by the Valuer, the first selection criterion was determined with an aim to capture those companies with similar business activities and located in the same business location as the Target Group. However, there are only a limited number of listed companies engaged in optical-technology related products in Taiwan. In order to draw conclusion from a reasonable amount of reference companies, the Valuer has also considered companies listed in Hong Kong, the PRC and the United States of America. The second selection criterion was set with an aim to identify those companies which are well covered by a reasonable number of analysts (at least three analysts in this case) such that the earnings estimates for the year ending 31 December 2016 form a reliable source of projection for the purpose of the GPC Method. We consider the selection criteria of the Comparable Companies are appropriate.

Based on the above selection criteria, the Valuer has identified three guideline public companies as the Comparable Companies, namely Sunny Optical Technology (Group) Company Limited (listed on the Stock Exchange; stock code: 2382), Largan Precision Co., Ltd. (listed on Taiwan Stock Exchange; stock code: 3008) and Himax Technologies, Inc. (listed on NASDAQ Stock Market; stock code: HIMX). As advised by the Valuer, although the Comparable Companies have developed products generating revenue whereas the Target Group is still in the research and development stage, the 2016 Forward P/Es of the Comparable Companies are relevant to the Valuation as all Comparable Companies are engaging in similar business to that of the Target Group. The fact that the Target Group is at a relatively early stage of development as compared with the Comparable Companies may result in adjustments to the valuation multiples. However, having considered the relatively high valuation given by the market to companies with certain technology in optical applications at early stage of operation as evidenced by the Comparable Transactions (particularly the price-to-sales ratio of 86 times implied by the acquisition of Oculus VR Inc. by Facebook Inc.), we concur with the Valuer's view that downward adjustment to the valuation multiple is not justified.

Based on the closing prices of shares of the Comparable Companies as at 31 December 2014, their 2016 Forward P/E ranged from 10.74 to 12.75 times, with mean and median of 11.86 and 12.08 times respectively. We have independently conducted a research based on the above criteria and have, to the best of our knowledge, obtained the same results of Comparable Companies as the Valuer. We are satisfied with the results of the Valuer in identifying the Comparable Companies and believe that the Comparable Companies are sufficiently comparable to the Target Group and allow a meaningful comparison because (i) the Comparable Companies represent a full and exhaustive list based on the above selection criteria; (ii) the Comparable Companies are engaged in similar business operation and their lines of products are comparable to those of the Target Group; and (iii) the 2016 Forward P/E of the Comparable Companies are within a narrow range of 10.74 to 12.75 times. In addition, we did not note any material change in the valuation or market value of the Comparable Companies as at the Latest Practicable Date since the valuation date of 31 December 2014.

According to the Valuation Report, as the Sale Shares represent a controlling interest in the Target which is not listed, the Valuer has applied a control premium of 5% and a discount for lack of marketability of 25% to the estimated value of the Target Group based on the Guaranteed Profit and the median 2016 Forward P/E of 12.08 times of the Comparable Companies. As advised by the Valuer, the control premium applied was determined with reference to statistics of average premium offered for controlling interests in transactions from 2009 to 2013 extracted from MergerStat Review 2014. The discount for lack of marketability applied was determined with reference to the statistics of marketability discount offered in transactions from 2004 to 2013 extracted from MergerStat Review 2014. We consider the above adjustments which were made with reference to the statistics of historical transactions are fair and reasonable.

Set out below is the computation of the Valuation:

Guaranteed Profit	HK$ 34,000,000
Median of 2016 Forward P/E of the Comparable Companies	x 12.08
	HK$ 410,720,000
Add: control premium of 5%	20,536,000
Less: discount for lack of marketability of 25%	(107,814,000)
The Valuation	HK$ 323,442,000
The Consideration	HK$ 323,000,000

The 2016 Forward P/E multiple implied by the Valuation of approximately HK$323.4 million and the Guaranteed Profit of HK$34 million is 9.513 times (the "**Implied Valuation Multiple**").

Based on our discussions with the Valuer and the above analysis, we are of the view that the valuation methodology and assumptions adopted by the Valuer in arriving at the Valuation are fair and reasonable. Despite the Vendor's original investment costs in Perfect Shiny was only approximately HK$33.2 million, having taken into account (i) the Valuation in the amount of approximately HK$323.4 million; (ii) the Guaranteed Profit of HK$34 million for the two years ending 31 December 2015 and 2016; (iii) the compensation mechanism under the Profit Guarantee if the Guaranteed Profit is not met; and (iv) the prospects of the Target Group, we are of the view that the Consideration which approximates the Valuation is fair and reasonable.

The Consideration in the sum of HK$323,000,000 will be satisfied (i) as to HK$293,000,000 by the Purchaser procuring the allotment and issuance 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 (the "**Issue Price**") upon Completion; (ii) as to HK$20,000,000 by the issuing and delivering of a promissory note in the amount of HK$20,000,000 by the Purchaser in favour of the Vendor (the "**Promissory Note**") upon Completion; and (iii) a payment by cash of HK$10,000,000 upon Completion.

The Promissory Note

Pursuant to the Agreement, the Promissory Note shall not bear any interest and shall be unsecured and repayable by the Purchaser in two equal installments in the amount of HK$10 million each on 30 April 2016 and 30 April 2017 respectively. As the Promissory Note does not bear any interest and is unsecured, it has in effect deferred the Company's cash payment for part of the Consideration.

As advised by the Management, the issue of the Promissory Note will enable the Group to defer its cash payment and would not result in additional finance costs to the Group which may otherwise be incurred if the Group were to settle the Consideration by way of borrowings. Moreover, it will allow greater flexibility to the Group and help preserve its cash resources for other investment opportunities and working capital needs prior to the repayment dates of the Promissory Note.

Having considered the above, we are of the view that the terms of the Promissory Note are fair and reasonable.

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.

As mentioned above, according to the business plan of the Target Group, it is expected that mass production and sales of the HUD and HMD products will take place in the second half of 2015. Accordingly, the Target Group may only record an annual Profit in 2016. The Management expects the Target Group's sales from its HUD and HMD products in 2015 will be insignificant and insufficient to make up the expenses incurred, resulting in a loss for the year ending 31 December 2015. In light of the above, the Profit Guarantee has been designed to cover both 2015 and 2016 with an aim to account for the expected losses to be recorded in 2015 when determining the shortfall for the Profit Guarantee. As such, we consider it fair and reasonable for the Profit Guarantee to cover the two financial years ending 31 December 2016.

If the actual sum of the Profit for the two financial years ending 31 December 2016 falls short of the Guaranteed Profit, the Vendor shall upon demand pay to the Purchaser the amount of the shortfall multiplied by the Implied Valuation Multiple of 9.513 (the "**Compensation Amount**") in cash subject to the set off right of the Purchaser as described below (provided that the maximum Compensation Amount shall not exceed the amount of the Consideration). The Purchaser shall be entitled to set off the outstanding principal amount of the Promissory Note on a dollar-for-dollar basis against the Compensation Amount in the event of non-fulfillment of the Profit Guarantee. The Vendor and the Purchaser may also consult each other and for the Purchaser to agree to settle the Compensation Amount by the buy-back of Shares by the Company of certain number of Consideration Shares from the Vendor, subject to compliance with all applicable laws, rules and regulations.

Given that the Profit Guarantee would (i) effectively fix the consideration payable by the Group for the Acquisition with reference to the actual Profit at a 2016 Forward P/E not exceeding the Implied Valuation Multiple, which was determined by the Valuer based on the market approach; (ii) promote the continuing commitment and align the interests of the Vendor with that of the Group; and (iii) mitigate the Group's business risks and compensate the Purchaser if there is any shortfall of the Profit for the two years ending 31 December 2015 and 2016, we consider that the Profit Guarantee safeguards the interests of the Company and the Shareholders as a whole.

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 shall not), 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 (i) in case the Profit Guarantee can be met by the Target Group, 30 April 2017; or (ii) 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 Compensation Amount in cash in full, the Vendor and the Purchaser may consult each other and agree on the followings:

(i) 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

(ii) 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 or otherwise for cancellation (provided that the consideration for the buy-back shall be settled by setting off against the outstanding Compensation Amount on a dollar-for-dollar basis).

We consider that the non-disposal undertaking demonstrates the support of the Vendor (who is the sole beneficial owner of the controlling Shareholder) to the Group and is favourable to the Independent Shareholders. In addition, if the Profit Guarantee cannot be met, the non-disposal undertaking would ensure that the Compensation Amount can be settled by alternative means including by way of buy-back of the Consideration Shares in the event the Vendor does not settle the Compensation Amount in cash in full.

8. Analysis of the Issue Price

The Issue Price of HK$1.79 per Consideration Share was determined after arm's length negotiations between the Company and the Vendor with reference to (i) the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five consecutive trading days up to and including 22 January 2015, being the Last Trading Day, of HK$1.768 per Share; and (ii) the closing price of HK$1.79 per Share as quoted on the Stock Exchange on the Last Trading Day.

The Issue Price of HK$1.79 per Consideration Share represents:

(i) a premium of approximately 7.8% over the closing price of HK$1.660 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a price equivalent to the closing price of HK$1.790 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a premium of approximately 1.2% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five consecutive full trading days up to and including the Last Trading Day of approximately HK$1.768 per Share;

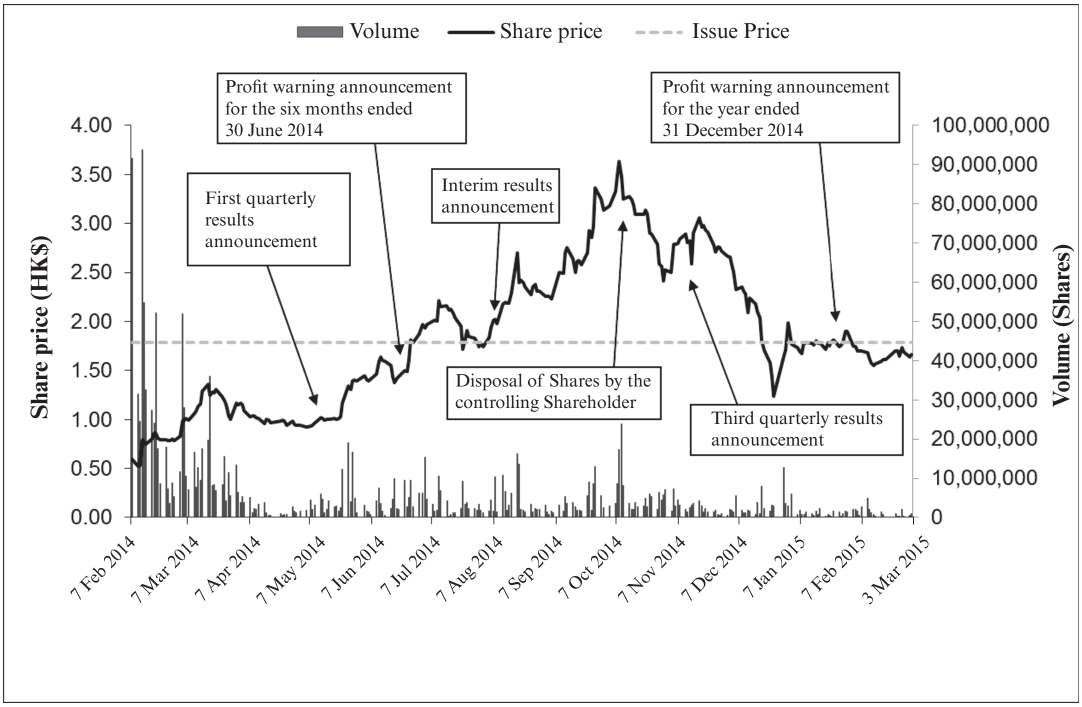
(iv) a premium of approximately 0.8% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last ten consecutive full trading days up to and including the Last Trading Day of approximately HK$1.775 per Share;

(v) a premium of approximately 20.1% over the volume weighted average closing price of the Shares since the listing of the Shares on GEM on 7 February 2014 up to and including the Latest Practicable Date (the "**Review Period**") of approximately HK$1.49 per Share; and

(vi) a premium of approximately 917.0% over the unaudited consolidated net asset value of the Group per Share attributable to the Shareholders as at 30 June 2014 of approximately HK$0.176 (based on the unaudited consolidated net asset value of the Group attributable to the Shareholders as at 30 June 2014 of HK$232,134,000 and 1,320,000,000 Shares in issue as at the Latest Practicable Date).

Historical Share price analysis

The chart below shows the closing prices and trading volume of the Shares on the Stock Exchange during the Review Period:



Source: Bloomberg and the website of the Stock Exchange

As shown in the chart above, the closing prices per Share were within the range of HK$0.52 to HK$3.63 during the Review Period. We note that since the listing of the Shares on GEM on 7 February 2014, the closing prices of the Shares generally experienced a rising trend, climbed from HK$0.59 on 7 February 2014 to HK$3.63 on 8 October 2014, representing an increase of approximately 515.3%, despite the Company had announced decline in profits in its 2014 first quarterly and interim results announcements on 12 May 2014 and 8 August 2014 respectively, and issued profit warning announcements in respect of the 2014 interim results on 20 June 2014.

Subsequently, the closing prices of the Shares experienced a downward trend following the releases of announcements by the Company in relation to the disposal of Shares by the controlling Shareholder during the period between 3 October 2014 and 13 October 2014, where the closing prices of the Shares declined from HK$3.63 on 8 October 2014 to HK$2.41 on 30 October 2014, representing a decrease of approximately 33.6%.

Following the announcement of the 2014 third quarterly results of the Company on 13 November 2014, the closing prices of the Shares rebounded from HK$2.59 on 13 November 2014 to HK$3.06 on 17 November 2014 but subsequently dropped and reached a recent trough at HK$1.24 on 24 December 2014.

Following the profit warning announcement in respect of the 2014 annual results of the Company on 15 January 2015 and up to the Latest Practicable Date, the closing prices of the Shares fluctuated within the range of HK$1.55 to HK$1.90.

Historical trading volume of the Shares

Set out below is the monthly trading volume of the Shares on GEM during the Review Period:

	Total trading volume of the Shares during the month/ period *(Note 1)*	**Average trading volume of the Shares per trading day during the month/period**	**% of average daily trading volume of the Shares to the total number of issued Shares during the month/period** *(Note 2)*	**% of average daily trading volume of the Shares to the total number of issued Shares held by the public Shareholders during the month/ period** *(Note 3)*
2014				
7 February to 28 February	501,090,000	31,318,125	2.373%	6.735%
March	310,639,000	14,792,333	1.121%	3.181%
April	47,840,000	2,392,000	0.181%	0.514%
May	98,696,000	4,934,800	0.374%	1.061%
June	81,174,000	4,058,700	0.307%	0.873%
July	88.020,000	4,000,909	0.303%	0.860%
August	95,117,500	4,529,405	0.343%	0.974%
September	79,740,500	3,797,167	0.288%	0.817%
October	126,326,450	6,015,545	0.456%	1.294%
November	49,951,250	2,497,563	0.189%	0.537%
December	61,506,250	2,928,869	0.222%	0.630%
2015				
January	26,410,000	1,257,619	0.095%	0.270%
February	24,100,000	1,338,889	0.101%	0.288%
2 March to the Latest Practicable Date	1,360,000	680,000	0.052%	0.146%

Notes:

1. Source: website of the Stock Exchange.

2. Based on 1,320,000,000 Shares in issued as at the Latest Practicable Date.

3. Based on 465,000,000 Shares held by the public Shareholders as at the Latest Practicable Date.

As illustrated in the above table, during the Review Period, (i) the average daily trading volume of the Shares to the total number of issued Shares ranged from 0.052% to 2.373%; (ii) the average daily trading volume of the Shares to the total number of issued Shares held by the public Shareholders ranged from 0.146% to 6.735%; and (iii) the average daily trading volume of the Shares has not reached the number of

Consideration Shares (i.e. 163,687,151) since the listing of the Shares on GEM on 7 February 2014. We consider the trading volume of the Shares during the Review Period has generally been thin and the historical liquidity of the Shares was low.

Our view on the Issue Price

Having considered that (i) the Issue Price represents a substantial premium of approximately 917.0% over the unaudited consolidated net asset value per Share of the Group attributable to the Shareholders as at 30 June 2014; (ii) the Issue Price represents a premium of approximately 20.1% over the volume weighted average closing price of the Shares during the Review Period; and (iii) the historical liquidity of the Shares was low, we are of the view that the Issue Price, which is determined with reference to the then prevailing market price of the Shares, is fair and reasonable.

9. Effect on the shareholding structure of the Company

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

The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after Completion (assuming that there are no other change in the issued share capital of the Company from the Latest Practicable Date to the date of Completion save for the issue of the Consideration Shares):

Shareholders	**As at the Latest Practicable Date**		**Immediately after Completion**	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*
Winful Enterprises Limited *(Note)*	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
Sub-total	855,000,000	64.77	1,018,687,151	68.66
Public Shareholders	465,000,000	35.23	465,000,000	31.34
Total	1,320,000,000	100.00	1,483,687,151	100.00

Note: Winful Enterprises Limited is wholly owned by the Vendor.

As shown in the table above, the shareholding interest of the existing public Shareholders will decrease from approximately 35.23% to 31.34% as a result of the Acquisition, representing a dilution in public shareholding interest in the Company of approximately 3.89%. Taking into account (i) of the benefits to be accrued to the Group as mentioned in the paragraph headed "Reasons for and benefits of the Acquisition" above; (ii) that the Consideration Shares will be issued at the Issue Price which is significantly higher than the unaudited consolidated net asset value per Share of the Group attributable to the Shareholders as at 30 June 2014 resulting in an enhancement in the net asset value per

Share; and (iii) that the issue of the Consideration Shares to finance part of the Consideration would help to preserve cash resources of the Group and would not result in additional gearing or finance costs to the Group which may otherwise be incurred if the Group were to settle the Consideration by way of borrowings, we consider the issue of the Consideration Shares to settle part of the Consideration is in the interests of the Company and the Shareholders as a whole, and the dilution in public shareholding interest in the Company is acceptable.

10. Financial effects of the Acquisition

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

Earnings

Given that Perfect Shiny is still in the early stage of developing its HUD and HMD products, it is expected that there will be insignificant or no revenue contribution to the Group immediately after Completion. After the launch of the HUD and HMD products into the market, Perfect Shiny may begin to generate earnings and contribute to the Group.

Net asset value

As a result of the Acquisition, the consolidated net asset value of the Group will be increased by the market value of the Consideration Shares as at Completion. Based on the closing Share price of HK$1.660 as at the Latest Practicable Date which is significantly higher than the unaudited consolidated net asset value of the Group per Share attributable to the Shareholders as at 30 June 2014 of approximately HK$0.176, the net asset value per Share immediately upon Completion is expected to increase accordingly. Independent Shareholders should however note that the actual effect of the issue of the Consideration Shares on the net asset value per Share will depend on the market price of the Shares as at Completion and cannot be ascertained at the moment.

Working capital

As advised by the Management, the Target Group is already at a late stage of research and development of the HUD and HMD products and it is the Target Group's intention to outsource the mass production to original equipment manufacturer. As such, it is expected that the Target Group does not require additional funding from the Group and will have sufficient internal resources to meet its capital expenditure and working capital needs. Taking into account the above and that the majority of the Consideration will be settled by way of issue of the Consideration Shares and only HK$30 million of the Consideration will be settled by way of issue of the Promissory Note and cash payment, we concur with the view of the Directors that there will not be any material adverse impact on the working capital position of the Group as a result of the Acquisition.

OPINION

Having taken into account the principal factors and reasons above, we consider that although the Group does not engage in merger and acquisition activities in its ordinary and usual course of business, the Acquisition represents an expansion of the Group's optical-related products business and is in the interests of the Company and the Shareholders as a whole. We also consider that the Agreement and the transactions contemplated thereunder are on normal commercial terms and the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

Yours faithfully,
for and on behalf of
Optima Capital Limited
Beatrice Lung
Managing Director

Ms. Beatrice Lung is a responsible officer of Optima Capital Limited and a licensed person registered with the Securities and Futures Commission to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO. Ms. Lung has participated in the provision of independent financial advisory services for various transactions involving companies listed on the Stock Exchange.

The following is the text of a valuation report as at 31 December 2014 received from Greater China Appraisal Limited, an independent valuer, for the purpose of incorporation in this Circular.

GREATER CHINA APPRAISAL LIMITED
漢 華 評 值 有 限 公 司

2703, 27/F,
Shui On Centre,
6–8 Harbour Road, Wanchai,
Hong Kong

6 March 2015

Board of Directors
Perfect Optronics Limited
Room 905, 9/F, Tower B
Hunghom Commercial Centre
37 Ma Tau Wai Road
Kowloon
Hong Kong

Dear Sir/Madam,

Valuation of 100% Equity Interest in Perfect Shiny Technology Limited

In accordance with the instructions from Perfect Optronics Limited (the "Company"), we were engaged to assist you in the analysis pertaining to the fair value of 100% equity interest (the "Equity Interest") in Perfect Shiny Technology Limited (the "Target Company"), together with its subsidiaries (collectively refer to as the "Target Group") as at 31 December 2014 (the "Valuation Date").

It is our understanding that our analysis will be used by the management of the Company in their determination of the fair value of the Equity Interest solely for transaction reference only and form part of the circular of the Company dated 6 March 2015. Our analysis was conducted for the above purpose only and this report should be used for no other purpose without our express written consent. Our work was performed subject to the limiting conditions and general service conditions described in this report. The standard of value is fair value; whilst the premise of value is going concern.

The approaches and methodologies used in our work did not comprise an examination in accordance with generally accepted accounting principles, the objective of which is an expression of an opinion regarding the fair presentation of financial statements or other financial information, whether historical or prospective, presented in accordance with generally accepted accounting principles.

We express no opinion and accept no responsibility for the accuracy and completeness of the financial information or other data provided to us by others. We assume that the financial and other information provided to us is accurate and complete, and we have relied upon this information in performing our valuation.

I. PURPOSE OF ENGAGEMENT

The purpose of this particular engagement is for transaction reference only.

II. SCOPE OF SERVICES

We were engaged by the management of the Company to assist in their determination of the fair value of the Equity Interest in the Target Group as at the Valuation Date.

III. BASIS OF VALUATION

We have performed the valuation on the basis of fair value which is defined as "the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties".

Our valuation has been prepared in accordance with the International Valuation Standards (2013 Edition) on business valuation published by International Valuation Standards Council. This standard contains guideline on the basis and valuation approaches used in business valuation.

IV. PREMISE OF VALUE

Premise of value relates to the concept of valuing a subject in the manner in which it would generate the greatest return to the owner of the property, taking account of what is physically possible, financially feasible, and legally permissible. Premise of value includes the following:

1. **Going concern:** appropriate when a business is expected to continue operating without the intention or threat of liquidation in the foreseeable future;

2. **Orderly liquidation:** appropriate for a business that is clearly going to cease operations in the near future and is allowed sufficient time to sell its assets in the open market;

3. **Forced liquidation:** appropriate when time or other constraints do not allow an orderly liquidation; and

4. **Assembled group of assets:** appropriate when all assets of a business are sold in the market piecemeal instead of selling the entire business.

This valuation is prepared on a going concern basis.

V. LEVEL OF VALUE

Current valuation theories suggest that there are at least three basic "levels" of value applicable to a business or business interest. The levels of value are respectively:

1. **Controlling interest:** the value of the controlling interest, always evaluate an enterprise as a whole;

2. **As if freely tradable minority interest:** the value of a minority interest, lacking control, but enjoying the benefit of market liquidity; and

3. **Non-marketable minority interest:** the value of a minority interest, lacking both control and market liquidity.

This valuation is prepared on a controlling interest basis.

VI. SOURCES OF INFORMATION

Our analysis and conclusion of opinion of value were based on our discussions with the management of the Company, as well as reviews of key documents and records, including but not limited to:

1. Management accounts of the Target Company for the period ended 31 December 2014;

2. Audited financial statements of Shinyoptics for the years ended 31 December 2011, 31 December 2012, 31 December 2013 and 31 December 2014;

3. The organization structure of the Target Group as at 31 December 2014;

4. Copy of registration documents of the patents; and

5. The Target Group's company introduction presentation.

We also relied upon publicly available information from sources on capital markets, including industry reports, and various databases of publicly traded companies and the news.

VII. ECONOMIC OVERVIEW

In conjunction with the preparation of this valuation, we have reviewed and analysed the current economic conditions of Hong Kong, Taiwan and China where the profit of the Target Group is derived, and how the valuation may be impacted.

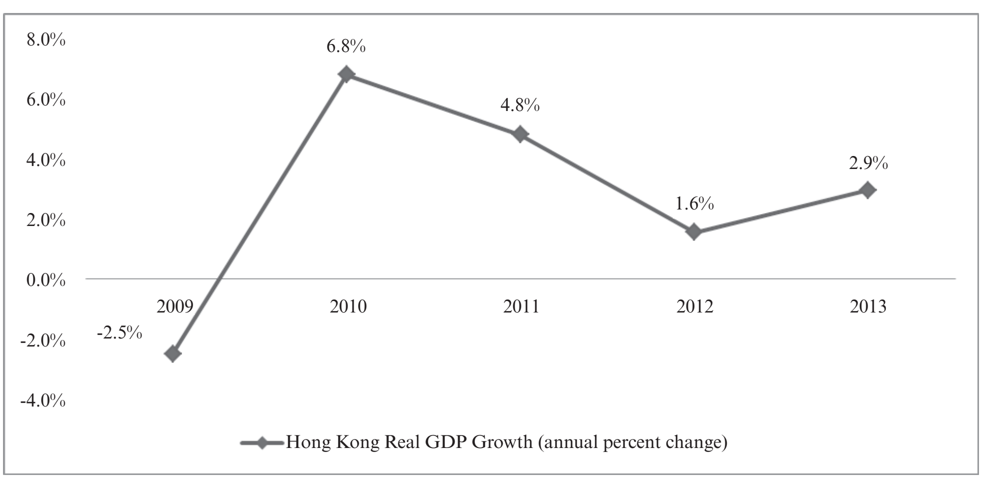
Hong Kong

7.1. Real GDP Growth in Hong Kong

As of 2013, Hong Kong was the world's freest economy and the world's most services-oriented economy, with services sectors accounting for more than 90% of GDP. It is also the most competitive economy in Asia; the second largest recipient of foreign direct investment ("FDI") in Asia, after Mainland China as well as the third largest course of FDI in Asia, after Japan and Mainland China.

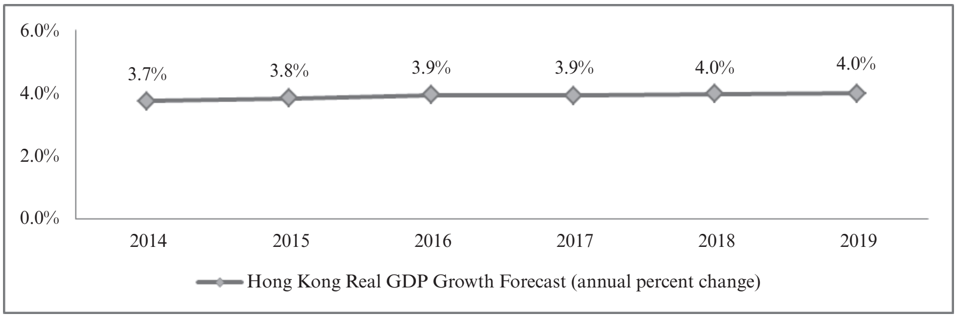
Hong Kong's overall economic performance improved in 2013, According to the World Economic Outlook published by International Monetary Fund ("IMF") as of April 2014, the real GDP of Hong Kong had increased by 1.6% and 2.9% in 2012 and in 2013 respectively after the gradual recovery from the global financial tsunami in 2008 and the euro debt crisis in recent years. The overall weak economic environment from the unsettled euro debt crisis and fragile recovery of the major advanced economies led to the drop of real GDP growth from 6.8% in 2010 to 1.6% in 2012. The economic growth in 2013 picked up to 2.9% which was mainly attribute to a visible improvement in external trade upon the strong growth in the Mainland tourism and some stabilisation of the euro debt crisis. In 2014, the economy was predicted to grow by 2–3%. Local consumption demand and tourist spending in Hong Kong remained robust, while the global trade environment was expected to become more favourable in 2014. The following graphs illustrate the real growth of GDP in Hong Kong from 2009 to 2013 and the forecast from 2014 to 2018 respectively.

Figure 7 — 1 Summary of Real GDP growth (%) in Hong Kong from 2009 to 2013



Source: the World Economic Outlook, April 2014, IMF

Figure 7 — 2 Forecast of Real GDP growth (%) in Hong Kong from 2009 to 2013

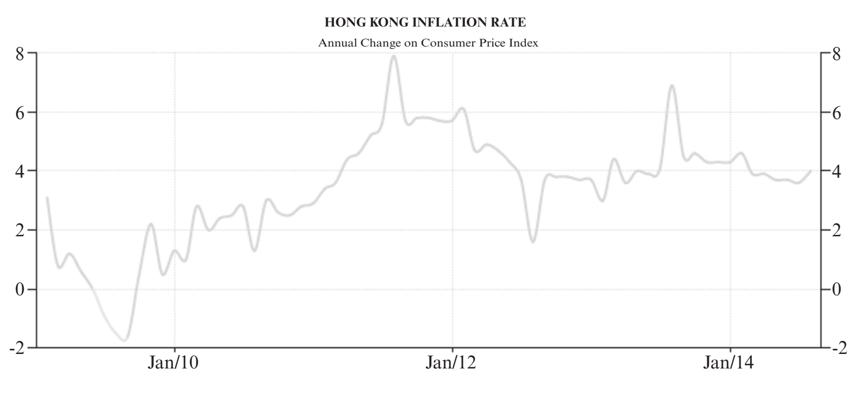


Source: the World Economic Outlook, April 2014, IMF

7.2. Inflation in Hong Kong

IMF reported that the inflation rate in Hong Kong was recorded at 4.3% at the end of 2013. Inflation rate in 2014 was expected to be slightly slower to 4.0% and the government targets to reach an inflation rate at 3.5% in the long run. The following graph and table illustrate the inflation trend in Hong Kong from 2009 to March 2014 and the inflation forecast in Hong Kong respectively.

Figure 7 — 3 Summary of Inflation Rate in Hong Kong



Source: Hong Kong Inflation Rate, Trading Economics

Table 7 — 1 Forecast of Inflation rate (%) Forecast in Hong Kong from 2015 to 2019

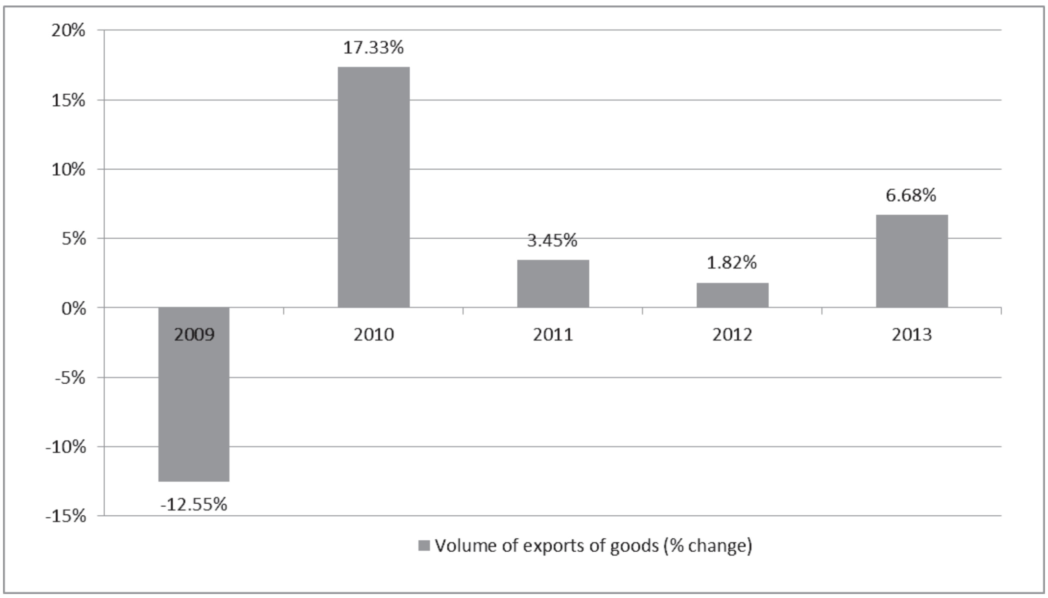
	2015	**2016**	**2017**	**2018**	**2019**
Inflation (% change in average consumer prices)	3.75%	3.5%	3.50%	3.50%	3.50%

Source: the World Economic Outlook, April 2014, IMF

7.3. Export growth in Hong Kong

There are signs of pick up in production and export activities in many Asia countries and Hong Kong, as a highly externally-oriented economy, has benefitted from these developments. Total volume of exports in 2013 had a 6.7% increase compared to just 1.82% 2012. The growth of exports was expected to reach overall 8.4% in 2014; the following figure illustrates the growth in the volume of exports in Hong Kong from 2009 to 2013:

Figure 7 — 4 Summary of export growth (%) in Hong Kong from 2009 to 2013



Source: the World Economic Outlook, April 2014, IMF

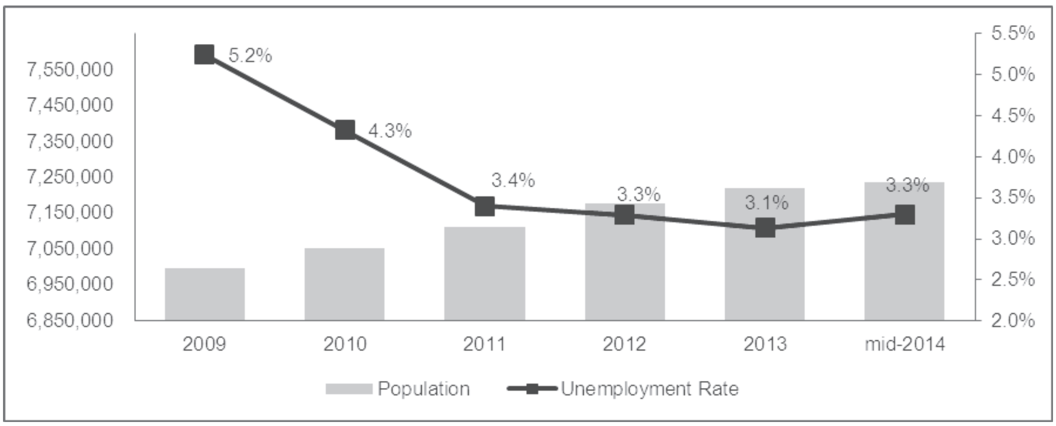
Trading and logistics, tourism, financial services, and professional services, developed industries, which in total account for approximately over 60% of GDP. According to the 2014 Policy Address, in order to broaden the long term economic development and develop a more balanced Hong Kong economic structure in the long run, Hong Kong Government has been offering more incentives to develop six new industries; namely, education, medical services, testing and certification services, environmental industry, cultural & creative industries and innovation and technology industry, according to the information released by Hong Kong Trade Development Council.

Major export markets of Hong Kong are China, the European Union, the United States, ASEAN and Japan, which account for approximately 54%, 10%, 9%, 7% and 4% respectively of total exports in first half of 2014, respectively. According to the Trade and Industry Department, Hong Kong ranked the 8th in the world's largest trading economy and the 10th in the world's largest exporter of commercial services in 2014.

7.4. Unemployment Rate & Population in Hong Kong

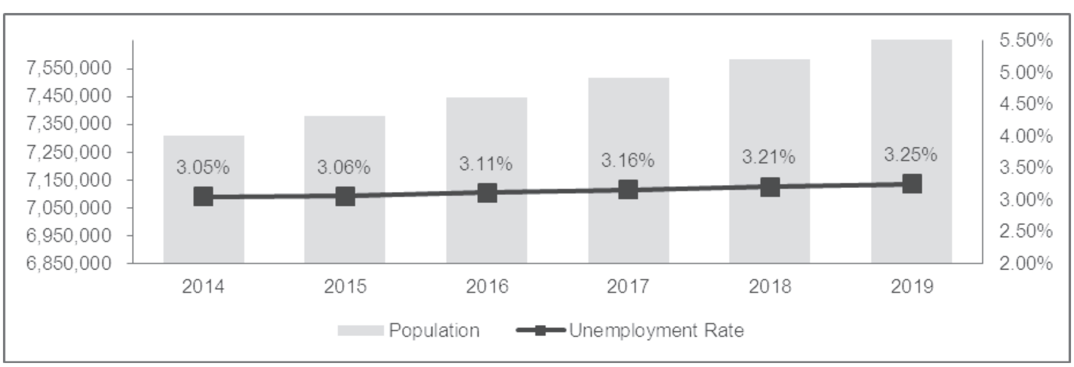
The population in Hong Kong had increased steadily from 6.99 million in 2009 to 7.24 million in 2013, while unemployment rate dropped from 5.2% in 2009 to 3.1% in 2013. The population is estimated to reach 7.6 million in 2018 and the unemployment rate in the long run would stay at around 3–3.2%. The following graphs show the population and unemployment trend in Hong Kong from 2009 to 2013 and the forecast from 2014 to 2018 respectively.

Figure 7 — 5 Summary of unemployment rate and population in Hong Kong from 2009 to 2013



Source: the World Economic Outlook, April 2014, IMF

Figure 7 — 6 Forecast of Population and Unemployment rate in Hong Kong from 2014 to 2018



Source: the World Economic Outlook, April 2014, IMF

7.5. Government Policy and Political Environment in Hong Kong

The 2014–15 Budget laid out strategies to enhance Hong Kong's competitiveness and strengthen its position as an international business hub. The Hong Kong Government aims at 1) raising the efficiency in the flows of people, goods, capital and information, providing an favourable environment for innovation and technology industries to grow; 2) consolidating the core competence of the four pillar industries; 3) helping SMEs in coping with various challenges and 4) outlining and providing measures to overcome the constraints of manpower, land supply and an aging population to Hong Kong's future development.

The 2015 Policy Address also highlighted that the Hong Kong Government will focus on the following targets:

1. Actively liaise with Guangdong for favourable treatment and opportunities for Hong Kong people and enterprises in the planning and development of Nansha, Qianhai and Hengqin.

2. Prepare for establishment of an independent Insurance Authority to promote the development of the insurance industry.

3. Enhance the functions of the Hong Kong Maritime Industry Council to foster the development of high value-added maritime services and nurture talent; support the Airport Authority to implement the three-runway system project.

4. Increase the number of Economic and Trade Offices in Asia to help business and investors tap Asian markets.

5. Inject $5 billion into the Innovation and Technology Fund and set up an Enterprise Support Scheme to enhance funding support for private sector R&D projects.

6. Inject funding into the Film Development Fund and adopt strategy to promote the development of creative industries.

Taiwan

Taiwan has inextricable relations with China due to historical reason. Its economy ranked 17th freest with score 73.9 in the world by 2014 Index of Economic Freedom. In 2014, the financial freedom and investment freedom both recorded a significant improvement. Taiwan also ranked 5th out of 42 economies in the Asia-Pacific region and the overall score is higher than world average according to the 2015 Index of Economic Freedom.

7.6. GDP Growth in the Taiwan

In terms of GDP growth, according to the IMF World Economic Outlook of April 2014, the growth in real GDP of Taiwan reduced from the peak of 10.8% in 2010 to 1.48% in 2012. On the other hand, the trend of growth in inflation remained sluggish; the growth of the inflation was hovering at around the level below 2%. The overall economic performance did not quite meet the expectation.

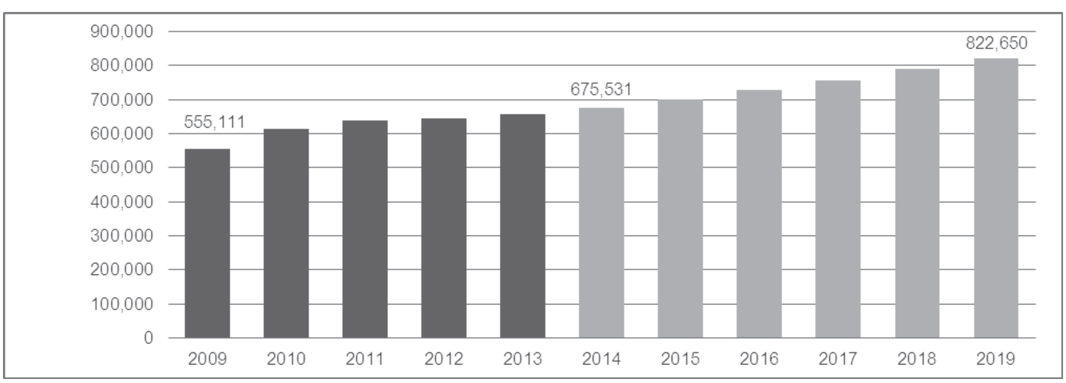
Table 7 — 2 Real GDP Annual Growth Rate and Inflation Rate of Taiwan from 2010 to 2013

	2010	**2011**	**2012**	**2013**
Real GDP Annual Growth Rate (%)	10.761	4.190	1.479	2.106
Inflation Rate (%)	0.963	1.427	1.932	0.793

Source: World Economic Outlook of April 2014, IMF

In spite of the fast growing population in Taiwan, the economy is growing faster than that of population, the real GDP per capita is moderately growing. According to the IMF, there would be 22% rooms of increase in real GDP per capital (excluding the effect of inflation) between 2014 and 2019).

Figure 7 — 7 Real GDP per capita (in Taiwanese Dollar)



Source: World Economic Outlook of April 2014, IMF

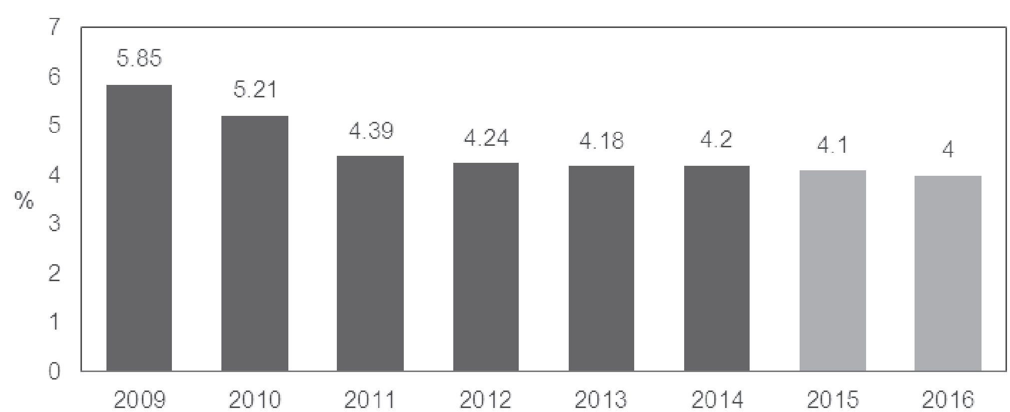
The trade-intensive Taiwanese economy was performing well in 2014, with real GDP growth picking up to 3.7% year-to-year in the second quarter of 2014 from 3.2% in the first quarter of 2014 and 2.1% in 2013. Output gains was expected to average 3.5% in 2014–2015, reflecting strengthening global demand. This is visible in increasing production activity with net exports being up by around 8% year-to-year in the first half of 2014, while industrial production advanced by 5% year-to-year in the first eight months of the year. The external sector remains highly relevant for Taiwan's outlook, with exports of goods and services equivalent to around 75% of GDP. Recuperating external prospects will underpin sentiment and investment activity, while favourable employment conditions will buttress household spending.

7.7. Unemployment Rate & Population in Taiwan

Taiwan's jobless rate peaked above 5% in 2009–2010 as a result of the 2008 global financial crisis. As time goes by, the job market in Taiwan is rebounding in line with that of the economy to pre-2008 conditions supported by robust hiring in the finance and service sector. According to the Directorate-General of Budget, Accounting and Statistics (DGBAS) in May, joblessness was recorded its lowest level of below 4% since June 2008, with 4.14% for college graduates unemployment which was also a record low in the past six month. In addition, youth unemployment was reduced to 11.8%, showing the government policies focusing on boosting employment in 15–24 age group is effective and viable.

According the latest available data from DGBAS, population of Taiwan is recorded 23.374 million in 2013 year end, indicating an increase of 58,000 from the previous year. Taiwan population is ranked 51th among the other 184 countries published in DatosMacro.com with a high population density of 650 people per square km, which is in position of 177th. The labour force participation is 58.73% which is a high proportion of participation in labour market.

Figure 7 — 8 The Taiwan unemployment rate from Jan 2009 to Jul 2014



Source: World Economic Outlook of April 2014, IMF

7.8. Inflation in Taiwan

Taiwan's inflation has picked up from being negative in economic downturn to now hovering at around 1% region. In 2014, the inflation is manageable despite the fact that temporary food price pressures pushed consumer price inflation to 2.1% year to year in August. Nonetheless, very low global energy prices combined with a negative output gap domestically will keep inflationary at trade. It is therefore expected that inflation to hover around 2% mark throughout 2015 which is in line with that of other advanced countries.

Table 7 — 3 Annual Inflation Forecasts of the Taiwan

	Inflation, Average Consumer Prices Changes (%)					
	2014	2015	2016	2017	2018	2019
World	3.492	3.443	3.649	3.453	3.409	3.401
Advanced Economies	1.515	1.643	1.799	1.924	1.938	1.977
Emerging and developing economies	5.476	5.193	5.396	4.852	4.712	4.623

Sources: World Economic Outlook of April 2014 (by country group), IMF

7.9. Government Policy and Political Environment in Taiwan

Taiwan is a dynamic multi-party democratic society; the government which is led by president Ma Ying-Jeou has been facing a range of challenges one after the other:

1. The attempted introduction of Cross-Strait Agreement on Trade in Service with China: it has raised a strong opposition and a great negative noise in public, and triggered a sizable and lengthy protest led by students. Although the legislation process has been postponed, the president is seemed to insist to get it signed sooner or later, it will however affect the next round presidential election in 2016, which would be the contradicting point for him to continue promoting the agreement. Overall, this agreement can indeed bring an instant economic benefit, but it may lead to a daunting political crisis.

2. The pending status of entry into the Trans-Pacific Partnership (TPP): there is no doubt that being a member of TPP Club would assure the competitiveness of Taiwan in export market and become an external driver of domestic economic reform. However, this task seems insurmountable as Taiwan is facing various obstacles especially from China as Taiwan has postponed the Free Trade Agreement, as well as the dispute with other countries.

3. "Gutter oil" scandal: the outbreak of gutter oil scandal has made the food industry in Taiwan suffer a setback with lots of pending orders being cancelled. Also, concerns of standard of food safety inspection has also been raised, there must be more or less negative influence to the food export in Taiwan, and it takes time for people to digest it and regain the confidence towards Taiwan food.

All in all, the economy of Taiwan is stable with moderate growth, all the factors showed a promising foreseeable future economy expansion. Also, the Taiwan government is aggressively promoting policies to boost its economy, and some of the stimulus has shown its success. However, the political instability may curtail the further development of Taiwan.

China

7.10. Nominal GDP Growth in China

In the period of 12th Five-year plan (2011–2015), the status of economic development has been altered from rapid growth to medium-high speed growth. It can be observed that the real gross domestic product (GDP) has been stabilised at above 7% from 2011 onwards, whereas the inflation has remained moderate at above 2%. The slowdown of the economic expansion was not a turning signal of economic downturn, but in fact it was matched with the expectation of Chinese government. Upon the inauguration of Chinese President Mr. Xi Jinping and the new government officials in 2013, the core of economic policy has shifted from focusing on short-term stimulus to no stimulus, deleveraging and structural reform on the national economy. Premier Mr. Li Ke Qiang has expressed his administration's policies, named as "Likonomics", on the future direction of Chinese economy. In the nutshell, it represents short-term pain in the economy would bring to long term gain.

Table 7 — 4 Real GDP Annual Growth Rate and Inflation Rate of China from 2010 to 2014

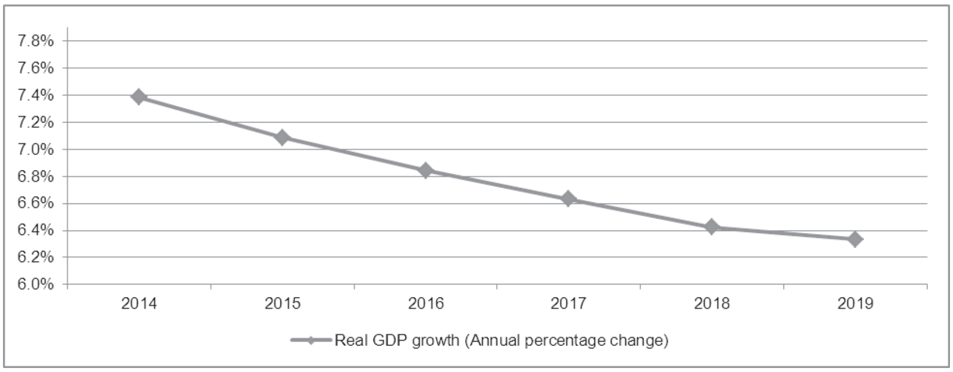
	2010A	**2011A**	**2012A**	**2013A**	**2014F**
Real GDP Annual Growth Rate (%)	10.41	9.30	7.65	7.70	7.38
Inflation Rate (%)	3.30	5.40	2.65	2.62	2.28

Source: World Economic Outlook Database (October 2014), IMF

According to analysts' comment of Barclays bank, the Likonomics will put Chinese economy into a sustainable path, and it was estimated the annual growth for the next 10 years would lie at between 6% and 8%. According to the forecast by the

IMF, the overall real GDP growth is at 7.4% in 2014, while the projection of the real GDP growth in the next five year would follow a steady decline from 7.1% in 2015 to 6.3% in 2019, which is in line with the Mr. Li's administration direction. The following diagram shows the real GDP annual growth rate forecasts from 2014 to 2019:

Figure 7 — 9 Forecasts of Real GDP Annual Growth Rate of China



Source: World Economic Outlook Database (October 2014), IMF

According to "World Economic Outlook Database (October 2014)" by IMF, the Chinese economy was ranked the 2nd in terms of size in 2013. It possesses the greatest growth prospect among top six economies in the world. The economy was forecasted to grow around 50% from US10,355 billion in 2014 to US15,519 billion in 2019. The gap between the United States and China was projected to be narrowing over time.

Table 7 — 5 Worldwide GDP

	Country	GDP — Billions of the United States Dollar ("USD")							
		2012A	2013A	2014F	2015F	2016F	2017F	2018F	2019F
1	United States	16,163	16,768	17,416	18,287	19,197	20,169	21,158	22,148
2	China	8,387	9,469	10,355	11,285	12,235	13,263	14,353	15,519
3	Japan	5,938	4,899	4,770	4,882	5,001	5,155	5,295	5,433
4	Germany	3,428	3,636	3,820	3,909	4,063	4,233	4,394	4,556
5	France	2,688	2,807	2,902	2,935	3,027	3,142	3,263	3,393
6	Brazil	2,247	2,246	2,244	2,357	2,469	2,598	2,739	2,892

Source: World Economic Outlook Database (October 2014), IMF

In the near-term outlook, there are several challenges affecting the China's economy. The rapid growth in credit financing has derived a so-called 'shadow banking system', raising concerns about the quality of investment and the ability on repayment, especially when capital is flowing through less-well supervised parts of the financial system. Furthermore, China suffered from the first corporate bond default in March 2014. It sent a warning signal to the bond investors regarding the creditability of the borrowers and the stability of the market.

In addition, China's economic growth in the past was highly depends on continuous investment in infrastructure projects. Redundant and duplicate developments resulted in a mismatch and wastage of resources. The recovery of these substantial investments which mainly financed by borrowing is challenging. In 2013, when the China's government tried to tighten the funding channel, the capital market has immediately quaked. Not only the GDP growth rate but also the stability of the entire capital market system in China would potentially be impacted if the problem cannot be handled properly.

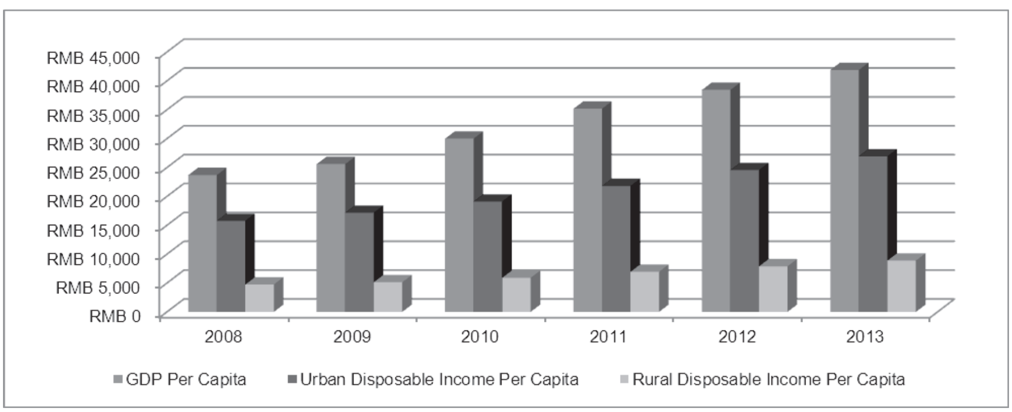
Furthermore, President Xi's campaign against corruption and extravagant spending will improve the image of the government and increase the operational efficiency. On the other hand, it will affect the customer spending sector, especially, the luxury goods, fine dining and business travelling business which used to be the unofficial fringe benefits of the government officers.

While the GDP growth of China's market stalls, the other markets start recovering. The World Bank also commented that the major obstacles to the recovery, including a Eurozone meltdown have been overcome. The Chinese policymaker must clamp down on lending to prevent asset bubbles. Unless the Chinese economy faces imminent risk collapse, the "temporary hard-landing" will not deter the long-term growth prospect of China.

7.11. GDP per Capita in China

Improving standard of living was one of the main issues in social aspect of the 12th Five-year plan. The disposable income level, being a good measure, has grown significantly over the past few years. According to the National Bureau of Statistics of China, annual disposable income per capita of urban households in China has increased from RMB15,781 in 2008 to RMB26,955 in the 2013, representing a compound annual growth rate ("CAGR") of approximately 11.3%; annual disposable income per capita of rural households has increased from RMB4,761 in 2008 to RMB8,896 in 2013, representing a CAGR approximate to 13.32%. In comparison to the inflationary figures, the annual inflation rate is between –0.7% and 2.62% and the CAGR is at around 2.64%. Hence, there were improvement of the standard of living of Chinese people overall in the period of 2008 and 2013. The following diagram shows the GDP per capita, annual urban and rural disposal income per capita from 2008 to 2013:

Figure 7 — 10 GDP per Capita of China



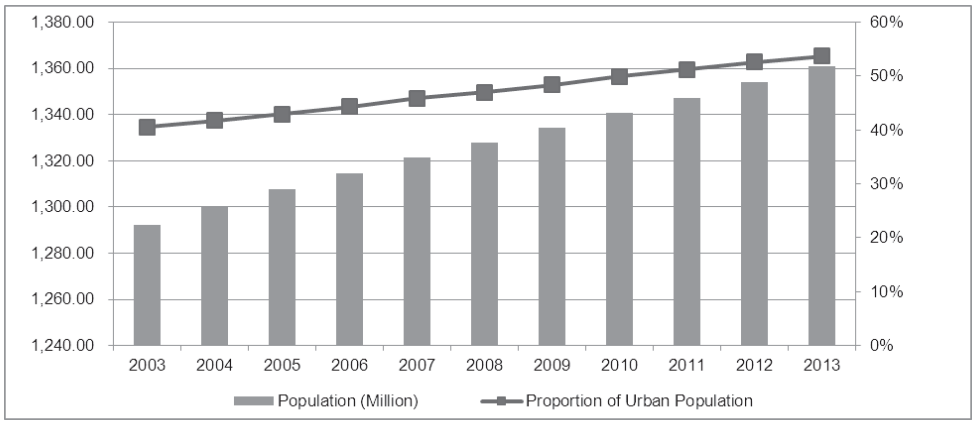
Source: National Bureau of Statistics of China

7.12. Population in China

The population of China accounts for almost one fifth of the world's population. According to the National Bureau of Statistics of China, the population has grown from 1.29 billion in 2003 to 1.36 billion in 2013, representing a CAGR of approximately 0.5%.

The proportion of urban population in China increased from 40.53% in 2003 to 53.7% in 2013, representing a CAGR of approximately 3.4%. The following diagram shows the population growth and corresponding urban population growth in China from 2003 to 2013:

Figure 7 — 11 Population and Portion of Urban Population in China



Source: National Bureau of Statistics of China

Population growth is expected to be steady in this decade. According to the projection from the IMF and CEIC, China's population will grow from 1.37 billion in 2014 to 1.40 billion in 2019, representing a CAGR of approximately 0.43%. Besides, population growth along with increasing urbanization and expansion of the middle class are particularly important to support the future growth of the domestic demand on affordable luxury goods, such as vehicles, luxury watches and high-end technology products.

7.13. Inflation in China

Managing inflation risk has been one of the key missions for the China's government since 2010. The latest economic data released by National Bureau of Statistics of China indicated that the inflation rate was reported at 1.4% in November 2014 on year-over-year basis, as compared with that of 3.0% in July 2013. China is expected to continue a prudent monetary policy, keep money supply, deliver the state-led investment to a reasonable level, and optimize financing and credit structures in the future.

Table 7 — 6 Annual Inflation Forecasts of China

	Inflation, Average Consumer Prices Changes (%)						
	2013A	**2014F**	**2015F**	**2016F**	**2017F**	**2018F**	**2019F**
World	3.88	3.80	3.92	3.84	3.68	3.62	3.57
Emerging and developing economies	5.87	5.55	5.56	5.24	4.93	4.78	4.68
China	2.63	2.28	2.50	3.00	3.00	3.00	3.00

Source: World Economic Outlook Database (October 2014), IMF

7.14. Government Policy in China

During the end of the period of 12th Five-year plan, China will maintain stable economic policies with a prudent monetary policy, while the GDP growth is rebalancing at an achievable rate of 7.1% amid lower export demand in 2015, said by Premier Li. The World Bank report in June 2014 has reconfirmed that the expectation is achievable.

The Chinese government is currently drafting the blueprint of the 13th Five-year plan which will begin in 2016. The plan will inherit the spirit of the previous in developing science and technology, deepening environmental protection policies, but to solidify the whole economy. Under the slump of crude oil price and raising deflation risk of EU countries, it is estimated that the Chinese government will adopt a stable and conservative economic policies in 2015, the government will continue the ongoing plans and focus on resolving the imminent problem within the nation, such as modifying the financial system and intensifying anti-corruption measures.

In the Central Economic Work Conference held in Beijing at the end of the 2014, the top leaders of the Communist Party of China emphasised that the main tasks in 2015 were as follows:

1. Deleveraging the state-led investment;

2. Restructuring economy;

3. Controlling debt risks;

4. Encouraging Chinese companies to invest oversea, and expand their operations in other countries;

5. Improving people's livelihood; and

6. Stepping up environmental protection.

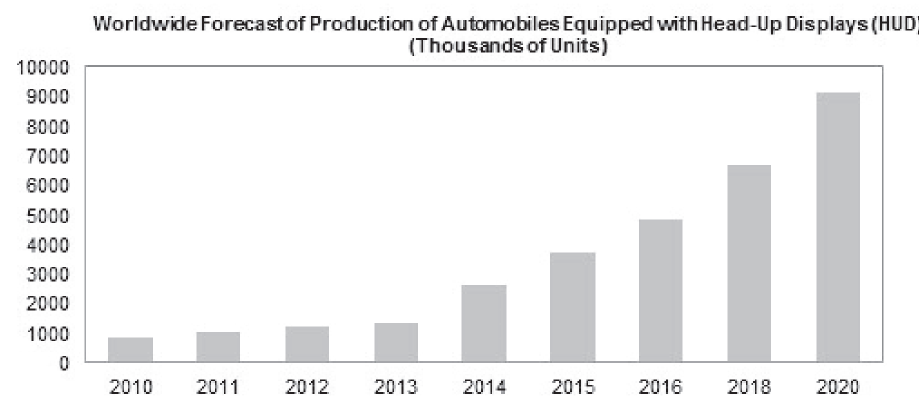
Overall speaking, inflation was mild and the economy may suffer a short-term slowdown which is the part of structural reform of the economy as stated in Likonomics.

VIII. INDUSTRY OVERVIEW

8.1 Optical Head-up Displays (HUD) Industry

A head-up display or heads-up display (also known as a "HUD") is a transparent laser projection technology which exhibits the information on the windshield of the motor vehicles. A series of high-power processors display navigation information and advanced driver assistance system (ADAS) data and convert it into sharp and high-contrast colour graphics or operate it by voice input. Liquid Crystal on Silicon ("LCoS") is the major component used in automotive HUD. U.K., France, and Germany are the leading countries for LCoS display market.

According to the IHS Automotive Report released on May 2013, the global market size on cars equipped with HUDs are set to rise to USD9.1 million units in 2020, up from USD1.2 million in 2012, representing a CAGR of 25%. The following diagram shows the forecast of industrial production from 2010 to 2020.



Source: IHS Inc., June 2013

One of the main growing factors of the HUD market is the increase in demand on high-end and luxury car segment equipped with the integration of ADAS and HUD technology. In the recent news, many major end-users in automobile sector such as Mercedes-Benz, BMW, Audi, Bentley, Maserati, Skoda, Ferrari, Jaguar, Bugatti, and Land Rovers have equipped the HUD technology with a larger visual plane.

Besides, government regulation for safety and the convergence of consumer demand towards semi-autonomous and fully autonomous vehicles boost up the advancement of technology. Such mechanisms and new technology system can enhance car safety which has been engineered to meet the most stringent legislative and consumer crash test requirements worldwide, including US and Euro NCAP and fulfil the market needs.

Since HUD is one of the particular technologies in gaining the market share of automotive sector, those factors are the market drive on the HUD market to accelerate the growth after 2014.

8.2 Optical Head Mounted Display (HMD) Industry

A head-mounted display or helmet mounted display, both abbreviated HMD, is a display device, wearable on the head and has a small display optic in front of either one (monocular HMD) or each eye (binocular HMD). Due to growing popularity of virtual reality (VR) HMD head tracker, the demand from wearable smart glasses is expected to be a key opportunity for industry participants as users are able to transmit the information from smart phones with a high quality 3D image at an affordable price.

Although currently VR HMD glasses are at an early stage of development, according to the several researches conducted in the market, the VR HMD industry will lead to the next big computing platform after mobile devices like smartphones and tablets and in a ubiquitous growth nowadays. The major driving factors for the global HMD system market are technological advancement, rise of video gaming industry and demands for smart and portable wearable electronic devices from the consumer market.

The global HMD market is expected to reach USD12 billion by 2020 at an estimated CAGR of 57% from 2014 to 2020 published by Markets and Markets. Under the forecast on Kzero Consumer Virtual Reality Market Report released in January 2015, it expect 2016 to be a strong year for growth with 12 HMDs in the market and almost 15 million unit sales at an average selling price of USD200. This equates to 2016 revenues of approximately USD2.9 billion. By 2018, it forecasts annual HMD revenue to reach approximately USD3.9 billion.

At the 2015 International Consumer Electronics Show, VR had a strong presence in the show, with key players like Oculus, Sony Morpheus and Samsung Gear VR Electronics all offering demos of their headsets and glasses in booths. Market participants expect 2015 would be the year that eye-tracking makes the first entry into consumer market and consumers will have their first tangible experiences with real eye-tracking products with gaming and general computer use. Those researches and market news reflect a favourable market development on the VR industry.

IX. COMPANY OVERVIEW

9.1 Perfect Optronics Limited (the "Company")

The Company is an investment holding company engaged in the trading of display components of electronics, namely thin film transistor liquid crystal display (TFT-LCD) panels, driver ICs and polarisers, primarily in Hong Kong and Taiwan.

9.2 Perfect Shiny Technology Limited (the "Target Company" and together with its subsidiaries collectively refer to as the "Target Group")

The Target Company is an investment holding company incorporated in Samoa with limited liability. It 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. It also engages in the design and development of applied optics-related products including virtual reality gaming headsets and head-up display devices for use in motor vehicles.

9.3 Perfect Shiny Technology (HK) Limited ("Perfect Shiny HK")

Perfect Shiny HK is a company incorporated in Hong Kong in January 2015 with limited liability and is wholly-owned by the Target Company. It is intended to carry on the business of Perfect Shiny, including the production and sale of its developed products. Perfect Shiny HK had not commenced business operations as at the Valuation Date.

9.4 Shinyoptics Corporation ("Shinyoptics")

Shinyoptics Corporation is a company incorporated in Taiwan with limited liability which is principally engaged in design, development, manufacture and sale of liquid crystal on silicon micro-projector optical engines and design and development of applied optics-related products in Taiwan.

X. VALUATION METHODOLOGY

The valuation of any asset can be broadly classified into one of three approaches, namely the asset approach, the market approach and the income approach. In any valuation analysis, all three approaches must be considered, and the approach or approaches deemed most relevant will then be selected for use in the fair value analysis of that asset.

10.1 Asset Approach

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods based on the value of the assets net of liabilities. Value is established based on the cost of reproducing or replacing the property, less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable.

10.2 Income Approach

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that convert anticipated benefits into a present value amount. In the income approach, an economic benefit stream of the asset under analysis is selected, usually based on historical and/or forecasted cash flow. The focus is to determine a benefit stream that is reasonably reflective of the asset's most likely future benefit stream. This selected benefit stream is then discounted to present value with an appropriate risk-adjusted discount rate. Discount rate factors often include general market rates of return at the valuation date, business risks associated with the industry in which the company operates, and other risks specific to the asset being valued.

10.3 Market Approach

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that compare the subject to similar businesses, business ownership interests, securities, or intangible assets that have been sold.

Value is established based on the principle of competition. This simply means that if one thing is similar to another and could be used for the other, then they must be equal. Furthermore, the price of two alike and similar items should be approximate to one another.

The business of the Target Group has been operating since 2009 and the ordinary business of the Target Group is related to the design, development, manufacture and sale of HUD-products and HMD-products mainly through its technical know-how, patents and technology. Under the asset approach, the equity interest in the Target Group is determined based on the replacement cost or reproduction cost rather than the ability to generate streams of benefits in the future. If the asset approach is used, the future economic benefits from the Target Group cannot be reflected in the equity interest in the Target Group.

Additionally, the business of the Target Group is at early stage with products to be launched in 2015. The management of the Company expects that the Target Group will record significant growth in 2016. However, the management has indicated that it is difficult to provide financial projections beyond 2 years. Income approach cannot be adopted in this case since the terminal value of the Target Group cannot be justified.

We have considered both Guideline Public Companies ("GPC") Method and Guideline Merger and Acquisition ("GMA") Method. With limited transaction with enough disclosure of financial information that can form a reasonable comparison for GMA method, we have selected GPC method since there are sufficient numbers of listed comparable companies which are operating in the same industry as the Target Group, are available to facilitate a meaningful comparison and reference point to estimate the value of the Target Group. Therefore, we considered and applied the market approach for this valuation.

XI. GENERAL ASSUMPTIONS

A number of general assumptions have to be established in order to sufficiently support our conclusion of fair value. The general assumptions adopted in this valuation are:

1. There will be no material change in the existing political, legal, fiscal, foreign trade and economic conditions in the countries/regions where the Target Group is carrying on its businesses;

2. There will be no significant deviation in the industry trends and market conditions from the current market expectation;

3. There will be no material change in interest rates or foreign currency exchange rates from those currently prevailing;

4. There will be no major change in the current taxation law in the countries where the business of the Target Group is carried out, and countries of origin of the our comparable companies;

5. All relevant legal approvals, business certificates or licenses for the normal course of operation are formally obtained, in good standing and that no additional costs or fees are needed to procure such during the application;

6. Future revenue growth for the Target Group will conform to those forecasted by the management of the Company;

7. The Target Group will retain competent management, key personnel, and technical staff to support the ongoing business operations; and

8. Patents and technology will not be infringed in the countries/regions where the Target Group is carrying on business.

XII. MARKET APPROACH

12.1 Guideline Public Company Method

The premises behind the Guideline Public Company ("GPC") Method is that prices of publicly traded stocks in the same or a similar industry provide objective evidence on the values at which investors are willing to buy and sell interest of companies in that industry.

In applying the GPC Method, we compute a valuation multiple for various benefit streams for each of the selected GPC which operate in the same or similar industry to the Target Group. The appropriate valuation multiple is determined and adjusted for the unique aspects of the Target Group being valued. This multiple is then applied to the benefit stream of the Target Company to arrive at an estimate of value for the appropriate ownership interest of the Target Group.

12.2 Fundamental Assumptions of the GPC Method

In addition to the general assumptions for our valuation, under the GPC method it is also assumed that adjustments for the differences among the Target Group and the comparable companies have been made appropriately. In this case, we have adjusted for the lack of marketability of the Target Group and the controlling stake of the Target Group being acquired.

12.3 Limitations of the GPC Method

The following applicable limitations of the GPC method under the market approach adopted in this valuation have to be established and adopted in order to sufficiently support this valuation:

1. If the valuation multiples calculated from the comparable companies has significant deviation from each other, a reasonable conclusion cannot be made. In this case, however, a reasonable conclusion can be made from the pool of valuation multiples selected since significant deviation among the valuation multiples does not exist.

2. Due to the uniqueness of each company, there exists variance between the Target Group and the comparable companies and among the comparable companies themselves, so the valuation by market approach does not capture every single aspect of the Target Group.

A valuation multiple represents a ratio that uses a comparative company's market value on the Valuation Date as the numerator and a measure of the company's operating results (or financial position) as the denominator. For this particular case, the valuation multiple selected is based on the market capitalisation.

There are no historical earnings of the Target Group as at the Valuation Date. Meanwhile, according to the business plan of the Target Group, products will be launched in the second half of 2015 and the profit in 2016 will form a reasonable basis to reflect the sustainable profit of the Target Group. Therefore historical multiple cannot be applied and we have selected the 2016 Forward Price-to-Earnings multiple ("2016 Forward P/E") as the basis of the market approach.

Once we have selected a number of the GPC, the next step is to determine and compute the appropriate valuation multiple, and the calculation method is the same for all the selected GPC. The process of computing the valuation multiple in this case consists of the following procedure:

Determination of 2016 Forward P/E

We have determined the 2016 Forward P/E by making reference to the consensus 2016 Forward P/E of each GPC as extracted from Bloomberg. The procedures of data extraction from Bloomberg were performed on 9 January 2015.

The 2016 Forward P/E is then applied to the sum of the audited consolidated profit of the Target Group which is attributable to equity holders of the Company for the two financial years ending 31 December 2016, at the amount of HKD34,000,000 which is guaranteed by Mr. Cheng Wai Tak (the "Vendor") pursuant to the sale and purchase agreement dated 22 January 2015 entered into between the Vendor and Rightone Resources Limited, a wholly-owned subsidiary of the Company.

12.4 Selection of Guideline Public Companies

In choosing the GPC in this case, we focus on the primary business activities. That is, we select those GPC with similar business activities as that of the Target Group, which is related to provision of optical-technology related products in their major business.

In this case, we have put the focus on the business activities in selecting the GPC. Ideally, we would consider those companies with similar business activities and located in the same business location as the Target Group. However, there are limited numbers of listed companies engaged in optical-technology related products in Taiwan. In order to draw conclusion from a reasonable amount of reference companies, we have determined the following selection criteria and broadened our scope to include comparable companies overseas.

1. Companies listed in Hong Kong, Taiwan, China and the United States of America which engaged in similar business activities as that of the Target Group which is in optical instrument and lens industry; and

2. The 2016 Forward P/E of the reference companies available in Bloomberg and arrived at by consensus of a reasonable number of analysts.

Based on our available resources and given the selection criteria as set above, on a best and unbiased basis and to the best of our knowledge, these samples are full and exhaustive. The following is a list of the GPC that we have reviewed in connection with the valuation of the Target Group:

Table 12 — 1 Guideline Public Companies

	Guideline Public Companies	Ticker	Business Activities[1]
1.	Sunny Optical Technology Group Co Ltd	2382 HK	• It designs and manufactures optical and optical related products. • Its products include glass/ plastic lenses, prisms, mobile phone camera modules, microscopes, surveying instruments, and other analytical instruments.
2.	Largan Precision Co Ltd	3008 TT	• It manufactures and markets optical lens modules and optoelectronic components. • It offers lenses for liquid crystal display (LCD) projectors, scanners, optical mice, digital still cameras (DSCs), digital versatile discs (DVDs), light emitting diodes (LEDs), and photography mobile phones.
3.	Himax Technologies Inc.	HIMX US	• It designs and manufactures integrated circuits. It produces liquid crystal displays (LCD).

[1] *Source: Bloomberg*

To the best of our knowledge, the selected listed companies are all the appropriate companies based on the above criteria. We believe that the selected listed companies are sufficiently comparable to the operations of the Target Group and allow a meaningful comparison because they engage in the similar business operation, and that their lines of products are comparable to those of the Target Group under valuation. We are of the view that selected GPC are fair and representative samples for valuation and the 2016 Forward P/E ratio derived from the abovementioned valuation method is fair and reasonable.

Although the Target Group is not considered an initial start-up company, it is at a relatively earlier stage of development compared with the comparable companies. Concerning the issue of valuing a company at early stage of development, we have assessed if downward adjustment should be applied. With reference to the industry analysis performed and making reference to some recent guideline public transactions, companies with certain technology in optical applications at early stage of operation attracted investment in 2014 with high valuation as analysed in the section of "Guideline Merger and Acquisition Method" in section 12.5. We therefore considered that the downward adjustment on the valuation multiple is not justified. Detail of the valuation multiples of the GPC is listed as follows:

Table 12 — 2 Summary of Valuation Multiple of Guideline Public Companies

Ticker	**2016 Forward P/E**
2382 HK	10.74x
3008 TT	12.75x
HIMX US	12.08x

Source: Bloomberg

We made reference to the median of the adopted valuation multiple for the valuation of the Equity Interest.

Table 12 — 3 Selected Multiple

Selected Multiple	
2016 Forward P/E	12.08x

Table 12 — 4 Determination of Value

		2016 Forward P/E
Selected Multiple		12.08x
Subject financial performance — Guaranteed Profit of the Target Group which is attributable to equity holders of the Company for the two financial years ending 31 December 2016 in accordance with Hong Kong Financial Reporting Standards	HKD	34,000,000
Estimated Result	HKD	410,720,000
Implied Equity Value before DLOM	HKD	410,720,000
Add: Control Premium	5%	20,536,000
Less: DLOM	25%	(107,814,000)
Implied Equity Value after DLOC and DLOM	HKD	323,442,000
Effective Equity Interest in the Target Group (rounded)	HKD	323,442,000

* *Sum of individual figures may not equal the total amount due to rounding*

12.5 Guideline Merger and Acquisition Method

In GMA[2], the fair market value is based on the comparable transaction prices at which assets similar to that of the subject company are being acquired. In this case, although GMA cannot be directly applied, we have made reference to market transaction before drawing conclusion.

GMA provides an indication of value by comparing the prices at which similar properties have exchanged between willing buyers and sellers. When GMA is used, an indication of the value is obtained by referring to the consideration for acquisition of comparable companies. Requirements for successful use of this method include:

1. Existence of past transactions of comparable companies;

2. Access to pricing information; and

3. Arm's length transactions between independent parties.

[2] *Source: Bloomberg*

The GMA transactions of the comparable companies are summarized below:

1. Facebook Inc. operates a social networking website. It allows people to communicate with their family, friends, and co-workers on website and develops technologies that facilitate the sharing of information, photographs, website links, and videos.

   On 21 July 2014, Facebook Inc. completed the 100% acquisition of Oculus VR Inc., the leader in immersive virtual reality technology which launched headset for immersive gaming since 2012, at the amount of approximately USD1,993 million. Facebook Inc. intended to extend Oculus' existing advantage in gaming. Based on the news from Fortune in March 2014, Oculus VR made money by selling pre-orders for self-developed VR kits and brought around USD23 million of revenue, implying a price-to-sales ratio of 86x.

2. Jaunt Inc. develops an integrated suite of hardware and software tools to produce the highest quality immersive content. It offers a technology combining computational photography, statistical algorithms, parallel processing, hardware, and virtual reality.

   On 3 April 2014 and 21 August 2014, Jaunt Inc. had completed rounds of funding raising capital in excess of USD34 million, allowing it to scale up its technology and deliver the world's immersive omnidirectional 3D experiences to mass audiences. Jaunt Inc. was successful in raising fund leveraging its technology and the emerging consumer demand of the VR industry despite of its short operating history (Jaunt Inc. was established in 2013).

The GMA method serves as a close comparison of market transactions in order to provide objective evidence on the values at which investors are willing to buy and sell interests in companies of the same or similar industry to the Target Group. Since the two GMA transactions only had limited financial information available, we considered that the valuation of company engaging in similar business of the Target Group cannot be evaluated or justified by historical valuation multiples such as EV/EBITDA and P/E. With limited transaction with enough disclosure of financial information that can form a reasonable comparison for GMA method, we considered and rejected the GMA method in this valuation.

XIII. CONTROL PREMIUM

Premium for control is generally regarded as the amount in excess of the current traded market price that a buyer is willing to pay to acquire the control of a publicly traded company. A buyer is willing to pay a premium for control when obtaining the controlling advantages they would not receive if only a minority interest was purchased.

Estimating the value of premium for control is necessary when valuing large blocks of shares. The size of the premium for control varies from industry to industry, with the size of the company. In our valuation analysis, the equity interest in the subject companies is at controlling, so it is reasonable to apply a premium for control to reflect this advantage. With reference to the Mergerstat Review 2014[3], we concluded to apply 5% of control premium in the valuation.

XIV. DISCOUNT FOR LACK OF MARKETABILITY ("DLOM")

DLOM is the valuation adjustment with the single largest monetary impact on the final determination of value. Marketability is defined as the ability to convert an investment into cash quickly at a known price and with minimal transaction costs. DLOM is a downward adjustment to the value of an investment to reflect its reduced level of marketability.

In selecting the appropriate DLOM, we considered the length of time and effort required by management in order to sell an Equity Interest. This typically would take at least three to nine months if a transaction could be consummated at all. Lastly, we considered the expenses that are typically incurred to sell a business which are substantial such as legal fees, accounting fees and intermediary fees. Considered that the case involves the controlling interest, the DLOM applied for the controlling interest is usually lower than those for the minority interest. However, as in this case, the Target Group involves significant intangible assets which are usually harder to evaluate and justify. Therefore, we considered to apply a higher DLOM to reflect the risk involved in the business evaluation and the discount that a rational investor would demand to compensate for the risk. With reference to the Mergerstat Review 2014, we concluded to apply 25% of DLOM in the valuation.

XV. SYNTHESIS AND RECONCILIATION

The following comparative data summarizes the methods we have accepted or considered and rejected, along with their respective final values. Each method is rated relative to the applicability of the method relative to the facts and circumstances of the Target Group. The strengths/weaknesses of each method are discussed and made reference to the Mergerstat Review 2014.

Asset Approach

Application . . . . Rejected

Income Approach

Application . . . . Rejected

[3] *Mergerstat Review 2014*
"Annual statistical research published by FactSet Mergerstat in 2014"
FactSet Mergerstat is one of the world's major providers of financial information and analytical data for investment professionals.

Market Approach

Guideline Public Company Method HKD323,442,000

Application . . . . Accepted

As the market approach is the only applied methodology, we concluded that the fair value of the Equity Interest as at the Valuation Date should be HKD323,442,000, implying 9.513x of the Guaranteed Profit.

XVI. LIMITING CONDITIONS

We have made no investigation of and assumed no responsibility for the title to or any liabilities against the Company and the Target Group.

The opinions expressed in this report have been based on the information supplied to us by the Company and their staff, as well as from various institutes and government bureaus without verification. All information and advice related to this valuation are provided by the management of the Company. Readers of this report may perform due diligence themselves. We have exercised all due care in reviewing the supplied information. Although we have compared key supplied data with expected values, the accuracy of the results and conclusions from the review are reliant on the accuracy of the supplied data. We have relied on this information and have no reason to believe that any material facts have been withheld, or that a more detailed analysis may reveal additional information. We do not accept responsibility for any errors or omissions in the supplied information and do not accept any consequential liability arising from commercial decision or actions resulting from them.

This valuation reflects facts and conditions existing at the Valuation Date. Subsequent events have not been considered, and we have no obligation to update our report for such events and conditions.

XVII. CONCLUSION OF VALUE

In conclusion, based on the analysis stated above and the valuation methods employed, it is our opinion that the fair value of 100% equity interest in Perfect Shiny Technology Limited as at 31 December 2014 is as follows:

	Fair Value
100% Equity Interest in Perfect Shiny Technology Limited	HKD323,442,000

The opinion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in the subject under valuation. Moreover, we have neither personal interests nor bias with respect to the parties involved.

Yours faithfully,
For and on behalf of
GREATER CHINA APPRAISAL LIMITED

Max K.P. Tsang, *CPA, CFA, FRM*
Director

Analysed and Reported by:
Joanne K.W. Law, *CPA, ICVS*
Assistant Manager

INVOLVED STAFF BIOGRAPHY

Max K.P. Tsang, *CPA, CFA, FRM*
Director

Mr. Tsang is experienced in performing valuation for financial reporting and purposes of merger and acquisition. Most of his clients are listed companies or large private companies looking for going public. His experience covers a wide range of industries including infrastructure, telecommunications and information technology.

Joanne K.W. Law, *CPA, ICVS*
Assistant Manager

Ms. Law has experience in valuation of business and intangible assets for private and public companies including manufacturing, food & beverage and information technology industries.

1. RESPONSIBILITY STATEMENT

This circular, 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 circular 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 circular misleading.

2. DISCLOSURE OF INTERESTS

(1) Interests of Directors and chief executive

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and 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 he was taken or deemed to have under such provisions of the SFO) or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or were required pursuant to Rules 5.46 to 5.47 of the GEM Listing Rules relating to the securities transactions by Directors to be notified to the Company and the Stock Exchange were as follows:

(i) Long positions in Shares

Name of Director	Capacity	Number of Shares held	Percentage of the Company's issued share capital
Mr. Cheng Wai Tak	Interest in controlled corporation	855,000,000 *(Note)*	64.77%
	Beneficial owner	163,687,151 *(Note)*	12.40%

(ii) Long positions in shares of Winful Enterprises Limited

Name of Director	Capacity	Number of Shares held	Percentage of the Company's issued share capital
Mr. Cheng Wai Tak	Directly beneficially owned *(Note)*	1	100.00%

Note: 855,000,000 Shares are held by Winful Enterprises Limited, which in turn is beneficially owned entirely by Mr. Cheng Wai Tak. Further, as disclosed in the announcement of the Company dated 22 January 2015, Mr. Cheng Wai Tak is interested in 163,687,151 Shares which are the Consideration Shares to be issued and allotted under the Agreement upon Completion. As such, Mr. Cheng Wai Tak is deemed under the SFO to be interested in 1,018,687,151 Shares.

Save as disclosed above, none of the Directors or chief executive of the Company had, as at the Latest Practicable Date, any interests or short positions 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) as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules.

(2) Interests of substantial shareholder

So far as the Directors are aware, as at the Latest Practicable Date, 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

Name	**Nature of interests**	**Number of Shares held**	**Percentage of the Company's issued share capital**
Winful Enterprises Limited	Directly beneficially owned	855,000,000 *(Note)*	64.77%

Note: Mr. Cheng Wai Tak is deemed under the SFO to be interested in these 855,000,000 Shares held by Winful Enterprises Limited. Furthermore, Mr. Cheng Wai Tak is a director of Winful Enterprises Limited.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors and the chief executive of the Company, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall under the provisions of Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group as enlarged immediately after Completion (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

4. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors and their respective close associates, or the compliance adviser of the Company, Grand Vinco Capital Limited, and its directors, employees and close associates, had any interest in any business which competes or may compete either directly or indirectly with the business of the Group or had any other conflict of interest with the Group which would be required to be disclosed under the GEM Listing Rules.

5. INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENTS

As announced by the Company on 29 January 2015, Skyteam Resources Limited, a subsidiary of the Company, and Everon Resources Limited, a company entirely owned by Mr. Cheng Wai Tak, each subscribed for 25,213,220 series A-2 preferred shares of Mobvoi Inc. for a consideration of US$3,000,000. Further particulars of such transactions are disclosed in the announcement of the Company dated 29 January 2015.

Earn Master Limited, a company which is entirely owned by Madam Chung Ting Wai, the spouse of Mr. Cheng Wai Tak, owns the premises at 51/F, Apartment, No. 10, Celestial Heights, 80 Sheung Shing Street, Ho Man Tin, Kowloon, Hong Kong leased to Perfect Display Limited, a subsidiary of the Company at an annual rental of HK$816,000 for a term of 3 years from 1 September 2012 to 31 August 2015 as staff quarters.

As at the Latest Practicable Date, save for the Agreement and save as disclosed above:

(i) none of the Directors was materially interested in any contract or arrangement subsisting which is significant in relation to the business of the Group (as enlarged immediately after Completion); and

(ii) none of the Directors had any direct or indirect interests in any assets which have been acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to, any member of the Group (as enlarged immediately after Completion) since 31 December 2013, being the date to which the latest published audited consolidated financial statements of the Company were made up.

6. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have been named in this circular or have given opinion, letter or advice contained in this circular:

Name	Qualification
Optima Capital Limited	A corporation licensed under the SFO to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities
Greater China Appraisal Limited ("GCA")	Independent professional valuer

Each of Optima Capital and GCA has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its opinion and/or reference to its name, in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of Optima Capital and GCA did not have any shareholding in any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, either directly or indirectly, in the assets which have been or are proposed to be acquired or disposed of by or leased to any member of the Group (as enlarged immediately after Completion) since 31 December 2013, being the date to which the latest published audited consolidated financial statements of the Company were made up.

7. INTERESTS OF THE COMPLIANCE ADVISER

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

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up.

9. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Agreement is available for inspection at the office of Woo Kwan Lee & Lo at 26th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours on any weekday (except Saturdays and public holidays) from the date of this circular up to the date of the EGM.

Perfect Optronics Limited
圓美光電有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8311)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Perfect Optronics Limited (the "**Company**") will be held at Admiralty Conference Centre at 1804A, 18/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong on Friday, 17 April 2015 at 11:00 a.m. to consider, and if thought fit, pass the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"**THAT**:

(a) the conditional sale and purchase agreement (the "**Agreement**", a copy of which has been produced before the meeting marked "**A**" and initialed by the chairman of the meeting for identification purpose) dated 22 January 2015 entered into between Rightone Resources Limited (as purchaser), a wholly-owned subsidiary of the Company and Mr. Cheng Wai Tak (as vendor) in relation to the sale and purchase of the entire issued share capital of Perfect Shiny Technology Limited and all transactions contemplated thereunder and in connection therewith be and are hereby approved, confirmed and ratified;

(b) the allotment and issue to the Vendor (or to his nominee) of 163,687,151 Shares (as defined in the circular of the Company dated 6 March 2015 (the "**Circular**", a copy of which has been produced before the meeting marked "**B**" and initialed by the chairman of the meeting for the purpose of identification)) credited as fully paid-up at the issue price of HK$1.79 per Share, as part consideration for the Acquisition (as defined in the Circular) pursuant to the Agreement be and is hereby approved; and

(c) any Director be and is hereby authorised for and on behalf of the Company to execute all such documents and agreements and do all such acts and things, including but without limitation to the execution of all such documents by affixation of the common seal of the Company where applicable, as he/she may in his/her discretion consider necessary, expedient or desirable for the purpose of or in connection with the implementation of or giving effect to the Agreement and the transactions contemplated thereunder."

On behalf of the Board
Perfect Optronics Limited
Cheng Wai Tak
Chairman

Hong Kong, 6 March 2015

Registered office:
Clifton House
75 Fort Street, PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Headquarters and principal place of business in Hong Kong:
Flat 905, 9/F, Tower B
Hung Hom Commercial Centre
No. 37 Ma Tau Wai Road
Kowloon, Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies (if a member who is the holder of two or more shares of the Company) to attend and vote in his stead. A proxy need not be a member of the Company.

2. To be valid, the proxy form, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

As at the date hereof, 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.