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## **SOLOMON SYSTECH (INTERNATIONAL) LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock code: 2878)

### **DISCLOSEABLE TRANSACTION**

#### **THE PURCHASE OF THE TARGET ASSETS AND SEMICONDUCTOR PRODUCTS**

##### **THE PURCHASE**

The Board is pleased to announce that on 1 November 2016, the Company entered into the Asset Purchase Agreement, pursuant to which the Company conditionally agreed to purchase and the Seller conditionally agreed to sell, the Target Assets, at a cash consideration of USD17 million. On the same date, the Company also entered into the Product Purchase and Sale Agreement with the Seller, pursuant to which the Company agreed to purchase, and the Seller conditionally agreed to sell, the Product at a cash consideration of USD6 million.

##### **LISTING RULES IMPLICATIONS ON THE PURCHASE**

As one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules are more than 5% but are less than 25%, the Purchase as aggregated constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

##### **BACKGROUND**

The Board is pleased to announce that on 1 November 2016, the Company entered into the Asset Purchase Agreement, pursuant to which the Company conditionally agreed to purchase, and the Seller conditionally agreed to sell, the Target Assets at a cash consideration of USD17 million. On the same date, the Company also entered into the Product Purchase and Sale Agreement with the Seller, pursuant to which the Company agreed to purchase, and the Seller conditionally agreed to sell, the Product at a cash consideration of USD6 million. The aggregate consideration of the Purchase is therefore USD23 million.

## **THE ASSET PURCHASE AGREEMENT**

### **Date**

1 November 2016

### **Parties**

Seller: Microchip Technology Incorporated  
Purchaser: the Company

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Seller and its ultimate beneficial owner, are third parties independent of the Company and its connected persons.

### **Assets to be purchased**

The Target Assets mainly include: (i) the transfer of certain patents on advanced mobile touch technologies; (ii) the perpetual and non-exclusive rights to use the royalty-free license for an extensive collection of patents on the touch technologies within the mobile touch market; (iii) the exclusive license to use non-patent intellectual property rights in connection with mobile touch controller products that incorporate maXTouch® technology or derivatives thereof and interface with a touch sensor but do not interface with a pressure sensor; and (iv) the non-exclusive license to use non-patent intellectual property rights in connection with mobile touch controller products that incorporate maXTouch® technology or derivatives thereof and interface with a pressure sensor (together, the "**Target Assets**").

### **Consideration**

The consideration for the Target Assets is an amount in cash equals to USD17 million, which shall be payable in cash by the Company to the Seller on the Completion Date.

The consideration was determined between the Parties on an arm's length basis taking into account various factors, including but not limited to, (i) the Target Assets' quality, geographical and technological breadth, research and development intensity, and the size of their current and potential application markets; (ii) the potential future prospects of the Target Assets, and (iii) the Group management's expectation for benefits to the Group as a result of the Purchase (as set out below).

### **Conditions precedent**

Completion is conditional upon, among other things, the following conditions being fulfilled:-

- (a) the grant of all consents, authorisations or similar clearances which are required by any government, regulatory body or authority for Completion;
- (b) no material adverse change having occurred that may result in such a material adverse change;

- (c) the warranties, representations and undertakings given by the Seller in the Asset Purchase Agreement being accurate at Completion and the Seller has not otherwise been in breach of its obligation under the Asset Purchase Agreement; and
- (d) the acknowledgment of the receipt of the correct part numbers and the quantity of the Product.

### **Completion**

Completion shall take place on the 3<sup>rd</sup> Business Day after the last of the Conditions Precedent is satisfied or waived (as applicable), or on such other date as may be deferred by the Company pursuant to the terms and conditions in the Asset Purchase Agreement.

## **PRODUCT PURCHASE AND SALE AGREEMENT**

### **Date**

1 November 2016

### **Parties**

Seller: Microchip Technology Incorporated  
Purchaser: the Company

### **Product to be purchased**

The Product refers to certain maXTouch® semiconductor products.

### **Consideration**

The consideration for the Product is an amount in cash equals to USD6 million, which shall be payable in cash by the Company to the Seller on the Completion Date.

The consideration was determined between the Parties on an arm's length basis taking into account (i) the market value of the Product; (ii) the potential future prospects of the Product, and (iii) the Group management's expectation for benefits to the Group as a result of the Purchase (as set out below).

## **INFORMATION ON THE PARTIES TO THE PURCHASE**

The Group is principally engaged in the design, development and sales of proprietary IC products and system solutions that enable a wide range of display applications for smartphones, smart TVs and other smart devices including consumer electronics products, wearables, portable devices, and industrial appliances.

The Seller is a company listed on the NASDAQ Stock Market in the United States of America, together with its subsidiaries, are primarily engaged in the business of developing, manufacturing and selling microcontrollers, analog and other semiconductor products used by its customers in a wide range of embedded control applications, including touch products for the automotive, industrial, communication, office automation and consumer markets.

## **REASONS FOR THE PURCHASE**

maXTouch® technology and semiconductor products of the Seller are renowned in the touch controller market, with widespread applications in mobile phone, tablet, and pad segments. maXTouch® technology is leading, especially in the flexible OLED touch controller market. The Purchase is a strong strategic fit to the Group and aligns with its development strategy, as mobile touch is one of the Group's core business areas. Advanced mobile touch technologies, in particular integrated touch display ("TDDI") and flexible OLED display, are anticipated to have strong growth potential. The Target Assets and the Product, encompassing these innovative and high-performance display technologies and also market-proven mobile display solutions, will greatly strengthen the Group's market positioning, broaden and differentiate the Group's product portfolio, facilitate the Group's customer reach and drive its business growth. Moreover, they will significantly strengthen the Group's technological competency, accelerate the Group's future pace of innovation and thus enhance its overall competitiveness and growth in the mobile touch business area, creating value for the Shareholders.

The Directors consider that each of the Asset Purchase Agreement and the Product Purchase and Sale Agreement has been entered into after arm's length negotiation between the Company and the Seller and the terms therein are on normal commercial terms and the Purchase is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS ON THE PURCHASE**

As one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules are more than 5% but are less than 25%, the Purchase as aggregated constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## DEFINITIONS

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

“Asset Purchase Agreement”	the agreement dated 1 November 2016 entered into between the Seller and the Company in relation to the Target Assets;
“Board”	the board of Directors of the Company;
“Business Day”	means any day (excluding Saturday and Sunday) on which licensed banks in Hong Kong are open to the general public for business;
“Company”	Solomon Systech (International) Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed and traded on the main board of the Stock Exchange;
“Completion”	the completion of the Purchase contemplated under the Asset Purchase Agreement in accordance with its terms;
“Completion Date”	the day on which Completion take place;
“Conditions Precedent”	the conditions precedent to Completion as set out in the Asset Purchase Agreement;
“Director(s)”	director(s) of the Company;
“Group”	the Company and its subsidiaries;
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Parties”	the Seller and the Company;
“Product”	certain maXTouch® semiconductor products;
“Product Purchase and Sale Agreement”	the agreement dated 1 November 2016 entered into between the Seller and the Company in relation to the Product;
“Purchase”	the purchase and license of the Target Assets and the Product by the Company from the Seller;

“Seller”	Microchip Technology Incorporated, a company incorporated in the United States of American and listed on the NASDAQ Stock Market (NASDAQ: MCHP);
“Share(s)”	ordinary share(s) of HKD0.10 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Assets”	as defined on page 2 of this announcement;
“USD”	US dollars, the lawful currency of the United States of America; and
“%”	per cent.

For and on behalf of the Board of  
**SOLOMON SYSTECH (INTERNATIONAL) LIMITED**  
 YE H Tsuei Chi  
 Chief Executive Officer

Hong Kong, 1 November 2016

*As at the date of this announcement, the Board comprises: (a) Executive Directors – Dr. Yeh Tsuei Chi (Chief Executive Officer) and Mr. Lo Wai Ming; (b) Non-executive Directors – Mr. Li Rongxin (Chairman), Dr. Li Jun and Mr. Zhao Guiwu; and (c) Independent Non-executive Directors – Mr. Leung Heung Ying, Mr. Sheu Wei Fu and Mr. Yiu Tin Chong, Joseph.*