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FIH Mobile Limited 富智康集團有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 2038)

DISCLOSEABLE TRANSACTION IN RESPECT OF ACQUISITION OF CERTAIN ASSETS OF FEATURE PHONE BUSINESS

Financial adviser



On 18 May 2016 (after trading hours), the Company, the IP Purchaser and the Seller (on behalf of itself and the Asset Sellers) entered into the Stock and Asset Purchase Agreement, pursuant to which the Purchasers have conditionally agreed to acquire the respective Target Assets that are utilised in the conduct of the Feature Phone Business for a Total Consideration of US\$350 million (equivalent to approximately HK\$2,730 million), subject to the Final Total Consideration Adjustment (which may be positive or negative) as set out in this Announcement, upon and subject to the terms and conditions set out therein.

Based on the applicable percentage ratios in respect of the acquisition of the Group Target Assets by the Company, the Acquisition constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As the closing of the Transaction (including the Acquisition) is subject to the satisfaction of certain conditions precedent under the Stock and Asset Purchase Agreement, there is no guarantee that the Transaction will close as contemplated. Accordingly, the Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

This Announcement is made by the Company in compliance with the disclosure requirements under Rule 13.09(2)(a) and Chapter 14 of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

On 18 May 2016 (after trading hours), the Company, the IP Purchaser and the Seller (on behalf of itself and the Asset Sellers) entered into the Stock and Asset Purchase Agreement, pursuant to which the Purchasers have conditionally agreed to acquire the respective Target Assets that are utilised in the conduct of the Feature Phone Business, details of which are set out below.

STOCK AND ASSET PURCHASE AGREEMENT

The principal terms of the Stock and Asset Purchase Agreement are set out below:

Date : 18 May 2016

Parties : (i) the Company
(ii) the IP Purchaser, whose principal business activities are those of a holding company
(iii) the Seller (on behalf of itself and the Asset Sellers)

The Seller is a subsidiary of Microsoft. The principal business activities of the Seller are the development, licensing and support of software products, technology services and hardware devices related to handheld mobile phones. Certain affiliates of Microsoft are customers of the Group.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, the Seller, the Asset Sellers, the Seller's affiliates to be parties to the Transaction Documents, the IP Purchaser, Microsoft and (if applicable) the ultimate beneficial owners of the foregoing are third parties independent of the Company and its connected persons.

Assets to be acquired : The Target Assets comprising the Contributed Capital and the Acquired Assets.

Total Consideration : The Total Consideration for the Transaction shall be US\$350 million (equivalent to approximately HK\$2,730 million) subject to the Final Total Consideration Adjustment (which may be positive or negative). Of the US\$350 million, US\$330 million (equivalent to approximately HK\$2,574 million) is payable by the Company, and US\$20 million (equivalent to approximately HK\$156 million) is payable by the IP Purchaser while the Company will bear or be entitled to (as the case may be) the Estimated Total Consideration Adjustment and the Final Total Consideration Adjustment.

The IP Purchaser shall pay US\$20 million to the Seller (or its designees) in cash upon Closing. The Initial Total Consideration (being US\$350 million plus the Estimated Total Consideration Adjustment (which may be positive or negative)) less the aforesaid payment by the IP Purchaser and less the US\$ equivalent of the Contributed Capital Purchase Price based on a specified exchange rate is payable by the Company to the Seller (or its designees) in cash upon Closing. Pursuant to the CCTA, the Contributed Capital Purchase Price is payable by the Company's designated wholly-owned subsidiary within seven business days of obtaining the amended investment registration certificate and amended enterprise registration certificate to reflect the Company's designated wholly-owned subsidiary as the sole owner of the Contributed Capital.

If the Total Consideration (taking into account the Final Total Consideration Adjustment) is more than the Initial Total Consideration, the Company shall pay the amount equal to the difference to the Seller (plus interest at a specified rate). If the Total Consideration (taking into account the Final Total Consideration Adjustment) is less than the Initial Total Consideration, the Seller shall pay the amount equal to the difference to the Company (plus interest at a specified rate). After the Balance Sheet Capital as of 11:59 p.m. Hanoi, Vietnam time on the date prior to the Closing Date is determined in accordance with the Stock and Asset Purchase Agreement for the Final Total Consideration Adjustment, any such final adjustment amount is payable within seven business days. The Purchase Price will be funded by the Group's internal financial resources.

The Purchase Price payable by the Company was determined after arm's length negotiations between the Seller and the Company. In agreeing to the Purchase Price, the Company has taken into account the historic financial performance of the Feature Phone Business, the prevailing commercial and business conditions and prospects of the Feature Phone Business, and the potential benefits arising from the Acquisition as described in this Announcement.

Conditions
precedent
to the
Purchasers'
obligation to
close the
Transaction

- : (i) The representations and warranties of the Seller in the Stock and Asset Purchase Agreement shall be true and correct in all respects as of the date of the Stock and Asset Purchase Agreement and as of the Closing Date with the same effect as though made at and as of such date (other than the representations and warranties of the Seller as of a specified date, which shall be true and correct in all respects as of such date), except where the failure of such representations and warranties to be true and correct (without regard to any "materiality", Material Adverse Effect or similar materiality qualifiers) has not had, and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

- (ii) Each of the documents required to be entered into by the Seller or any Asset Seller or the Seller's relevant affiliate at the Closing in accordance with the Stock and Asset Purchase Agreement shall have been executed by the Seller or such Asset Seller or such affiliate and delivered to the Purchasers, and no action shall have been taken by the Seller or such Asset Seller or such affiliate to rescind any of those documents.
- (iii) The Seller shall have performed and complied in all material respects with all agreements and obligations required by the Stock and Asset Purchase Agreement to be performed or complied with by it prior to the Closing.
- (iv) (a) There shall be no order of a court of competent jurisdiction in effect preventing the transactions contemplated by the Stock and Asset Purchase Agreement and (b) no proceeding shall have been commenced by any governmental body of competent jurisdiction that seeks to enjoin or otherwise prohibits the consummation of the transactions contemplated by the Stock and Asset Purchase Agreement.
- (v) All mandatory regulatory approvals pursuant to applicable competition laws required by applicable legal requirements for the Purchasers and the Seller to consummate the transactions contemplated by the Stock and Asset Purchase Agreement shall have been obtained and shall remain in full force and effect and any statutory waiting periods in respect thereof shall have expired.
- (vi) Since the date of the Stock and Asset Purchase Agreement, no event, change, development effect, condition, circumstance, matter, occurrence or state of facts has occurred or exists that, individually or in the aggregate, has had or would reasonably be expected to have a Material Adverse Effect.

The Company may terminate the Stock and Asset Purchase Agreement if (among other things) any of the above conditions precedent to the Purchasers' obligation to close the Transaction shall not have been fulfilled by the Outside Date; provided that, if on the Outside Date all of the above conditions have been satisfied (or, with respect to the conditions that by their terms must be satisfied at the Closing would have been so satisfied if the Closing would have occurred) other than the conditions set forth in condition (iv)(b) above to the extent such proceeding relates to applicable competition laws and condition (v) above, then either the Seller or the Purchasers may extend the Outside Date for an additional 90 days by delivery of a written notice of such extension to the other party(ies) not less than three business days prior to the Outside Date.

Conditions
precedent to
the Seller's
obligation to
close the
Transaction

- : (i) The representations and warranties of the Purchasers in the Stock and Asset Purchase Agreement shall be true and correct in all respects as of the date of the Stock and Asset Purchase Agreement and as of the Closing Date with the same effect as though made at and as of such date (other than the representations and warranties of the Purchasers as of a specified date, which shall be true and correct in all respects as of such date), except where the failure of such representations and warranties to be true and correct (without regard to any "materiality" or similar materiality qualifiers) would not, individually or in the aggregate, reasonably be expected to prevent or materially adversely affect the performance by a Purchaser of its obligations under the Stock and Asset Purchase Agreement or the consummation of the transactions contemplated by the Stock and Asset Purchase Agreement and the other Transaction Documents.
- (ii) Each of the documents required to be entered into by the Purchasers at the Closing in accordance with the Stock and Asset Purchase Agreement shall have been executed by the Purchasers and delivered to the Seller, and no action shall have been taken by the Purchasers to rescind any of those documents.
- (iii) The Purchasers shall have performed and complied in all material respects with all agreements and obligations required by the Stock and Asset Purchase Agreement to be performed or complied with by them prior to the Closing.
- (iv) (a) There shall be no order of a court of competent jurisdiction in effect preventing the transactions contemplated by the Stock and Asset Purchase Agreement and (b) no proceeding shall have been commenced by any governmental body of competent jurisdiction that seeks to enjoin or otherwise prohibits the consummation of the transactions contemplated by the Stock and Asset Purchase Agreement.
- (v) All mandatory regulatory approvals pursuant to applicable competition laws required by applicable legal requirements for the Purchasers and the Seller to consummate the transactions contemplated by the Stock and Asset Purchase Agreement shall have been obtained and shall remain in full force and effect and all statutory waiting periods in respect thereof shall have expired.

The Seller may terminate the Stock and Asset Purchase Agreement if (among other things) any of the above conditions precedent to the Seller's obligation to close the Transaction shall not have been fulfilled by the Outside Date; provided that, if on the Outside Date all of the above conditions have been satisfied (or, with respect to the conditions that by their terms must be satisfied at the Closing would have been so satisfied if the Closing would have occurred) other than the conditions set forth in the condition (iv)(b) above to the extent such proceeding relates to applicable competition laws and condition (v) above, then either the Seller or the Purchasers may extend the Outside Date for an additional 90 days by delivery of a written notice of such extension to the other party(ies) not less than three business days prior to the Outside Date.

Closing	: The Closing (including the execution and delivery of specified Transaction Documents) shall take place no later than the third business day following the satisfaction and/or waiver of all the above conditions precedent to the Purchasers' and the Seller's obligations to close the Transaction (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction and/or waiver of such conditions), unless another date is agreed upon in writing by the Purchasers and the Seller.
Joint and several obligations	: Each representation, warranty, covenant and agreement made by the IP Purchaser under the Stock and Asset Purchase Agreement and the other Transaction Documents to which the IP Purchaser is a party shall be deemed a representation, warranty, covenant and agreement made by the IP Purchaser and the Company jointly and severally, and each obligation and liability related thereto shall be deemed a joint and several obligation and liability of the IP Purchaser and the Company, provided that the Company shall not be obligated to acquire any assets IP Purchaser is obligated to acquire under the Stock and Asset Purchase Agreement or the other Transaction Documents to which the IP Purchaser is a party. If the IP Purchaser does not acquire such assets, the Company shall be permitted to designate an unaffiliated designee to acquire such assets. The Company will, if necessary, re-comply with any applicable Listing Rules requirements in the unlikely event that the Company is required to find an independent third party to acquire such assets.

INFORMATION ON TARGET ASSETS

The Feature Phone Business is comprised of the Seller's business of designing, manufacturing and selling feature phones which are run on specified operating systems, together with the associated accessories, and which are sold under the brand name "Nokia". Such feature phones are produced in a manufacturing facility in Bac Ninh, Vietnam, with certain manufacturing processes subcontracted to service providers including the Group, and are distributed and sold in various jurisdictions around the world.

Pursuant to the Stock and Asset Purchase Agreement, the Purchasers have conditionally agreed to acquire the respective Target Assets that are utilised in the conduct of the Feature Phone Business upon and subject to the terms and conditions set out therein. The Target Assets comprise the Contributed Capital and the Acquired Assets.

Contributed Capital to be acquired by the Company

Pursuant to the Stock and Asset Purchase Agreement, upon and subject to the terms and conditions set out therein, the Company has conditionally agreed to acquire 100% of the Contributed Capital of Microsoft Mobile Vietnam which owns and operates a feature phone and smart phone manufacturing business operating out of a facility in Bac Ninh, Vietnam, producing primarily feature phones as well as smart phones.

Acquired Assets to be acquired by the Company

Third party agreements

Certain third party agreements that are utilised in the conduct of the Feature Phone Business, including certain supply agreements, certain intellectual property contracts relating to the use of intellectual property of third parties, customer contracts for the sale of the feature phones to customers, distributors or similar agents in specified jurisdictions, franchise agreements granting a franchise for the resale of the feature phones in retail outlets, in each case subject to any required third party consents, will be assigned to the Company upon and subject to the terms and conditions set out in the Stock and Asset Purchase Agreement.

Equipment, inventory and other assets

The Company has conditionally agreed to acquire certain research and development-related equipment, certain information technology assets (including software), certain assets in relation to the after-sale support services for feature phones and smart phones, certain finished goods and other relevant assets, in each case that are utilised in the conduct of the Feature Phone Business, and certain assets in relation to after-sale support services and certain component inventory. With regard to inventory, other than that included in the Acquired Assets, the Company will acquire additional feature phone and smart phone component inventory from the Seller at Closing for a consideration equal to the book value of such additional component inventory at Closing upon and subject to the terms and conditions set out in the Stock and Asset Purchase Agreement as well as a purchase order and a material sales agreement to be executed at the Closing by the Company and the Seller. Furthermore, the Company will consider whether to continue a certain feature phone project in which the Seller participates; if so, the Company will purchase the relevant components from the Seller or its affiliates and comply with any applicable Listing Rules if and when necessary.

Leases of real property

Certain leases for real property utilised in the conduct of the Feature Phone Business will be assigned to the Company subject to third party consents upon and subject to the terms and conditions set out in the Stock and Asset Purchase Agreement.

Intercompany Note

At the Closing, the Company will acquire from an Asset Seller the Intercompany Note representing indebtedness owed by Microsoft Mobile Vietnam to Microsoft Global Finance which amounts to approximately US\$90.5 million as at 30 April 2016.

Employees

In addition, certain employees primarily associated with or deemed necessary to support the Feature Phone Business will be transferred to the Group, subject to compliance with local legal requirements, and the Group will offer employment to other employees primarily associated with or deemed necessary to support the Feature Phone Business upon and subject to the terms and conditions set out in the Stock and Asset Purchase Agreement.

Allocation of Group Target Assets

Pursuant to the Stock and Asset Purchase Agreement and to the extent allowed by applicable law, the Company may designate its wholly-owned subsidiaries to acquire the Group Target Assets.

Certain Liabilities

On the Closing Date, the Purchasers shall assume certain liabilities specified in the Stock and Asset Purchase Agreement (including, without limitation, those arising from the design, manufacture, testing, marketing, service, operation or sale of the products and services of the Feature Phone Business to the extent arising after the Closing) corresponding to their respective Target Assets. For the purposes of tax liabilities of Microsoft Mobile Vietnam, the Feature Phone Business or the Acquired Assets, the Purchasers shall bear tax liabilities for taxable periods (and portions thereof) after the Closing Date corresponding to their respective Target Assets.

Acquired Assets to be acquired by the IP Purchaser

The IP Purchaser has conditionally agreed to acquire certain design patents (including design patent applications) in relation to the Feature Phone Business. Microsoft will assign to the IP Purchaser certain rights under that certain Trademark License Agreement, dated as of 25 April 2014, between Nokia Corporation and Microsoft, as amended, whereby Microsoft obtained rights to use the “Nokia” trademark, solely with respect to the Feature Phone Business, upon and subject to the terms and conditions set out in the Stock and Asset Purchase Agreement.

Ancillary agreements

At Closing, the Purchasers and the Seller (or its affiliates) will enter into certain ancillary agreements contemplated by the Stock and Asset Purchase Agreement, including but not limited to the following principal agreements, the forms of which are attached as exhibits to the Stock and Asset Purchase Agreement:

- (a) a transition services agreement between the Company and the Seller, pursuant to which each party will obtain certain transition services from the other party(ies) upon and subject to the terms and conditions set out therein;

- (b) a patent licence agreement between the IP Purchaser and Microsoft Technology Licensing, LLC (an affiliate of the Seller), pursuant to which Microsoft Technology Licensing, LLC will grant the IP Purchaser and its affiliates as of the date of the agreement a licence under certain patents for use in connection with certain products of the Feature Phone Business upon and subject to the terms and conditions set out therein;
- (c) a transitional trademark licence agreement between the IP Purchaser and Microsoft, pursuant to which Microsoft will grant the IP Purchaser a transitional licence (coupled with a sublicence to the Company) to use the “Microsoft” name and logo for a transitional period of time, upon and subject to the terms and conditions set out therein;
- (d) a software licence agreement between the Company and the Seller, pursuant to which the Company will grant the Seller a licence to certain shared software for use in connection with the Seller’s and its affiliates’ operation of their retained businesses upon and subject to the terms and conditions set out therein;
- (e) a frame agreement for CARE aftersales support services between the Company and the Seller, pursuant to which the Seller (or its affiliates) may purchase various after-sale support from the Company (or its affiliates) upon and subject to the terms and conditions set out therein; and
- (f) a material sales agreement between the Company and the Seller, pursuant to which the Company (and its affiliate(s)) will purchase from the Seller some of the additional component inventory.

Financial information

The Company will acquire the Contributed Capital and certain Acquired Assets (as described above) that are utilised in the conduct of the Feature Phone Business supporting its manufacturing and sales functions. The Contributed Capital represents the entire equity interest in Microsoft Mobile Vietnam. Set forth below are the profit before and after tax of Microsoft Mobile Vietnam prepared in accordance with Vietnamese Accounting Standards.

	For the year ended 31 December 2014		For the year ended 31 December 2015	
	EUR’million (Audited)	HK\$’million (Audited)	EUR’million (Unaudited)	HK\$’million (Unaudited)
Profit before tax	14.0	121.8	23.9	207.9
Profit after tax	10.6	92.2	17.8	154.9

As at 31 December 2015 based on its unaudited management accounts, Microsoft Mobile Vietnam had total assets of approximately EUR208.4 million (equivalent to approximately HK\$1,813.1 million) and total liabilities of approximately EUR153.9 million (equivalent to approximately HK\$1,338.9 million) which included the Intercompany Note of approximately EUR106.8 million (equivalent to approximately HK\$929.2 million). As at 31 December 2015, Microsoft Mobile Vietnam had net assets of approximately EUR54.5 million (equivalent to approximately HK\$474.2 million). As advised by the Seller, based on books and records of the Feature Phone Business, the portion of the Acquired Assets to be acquired by the Company had a total book value of approximately US\$67 million (equivalent to approximately HK\$522.6 million) as at 31 December 2015, before taking into account the Intercompany Note and the additional feature phone and smart phone component inventory to be acquired as described above.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is a vertically integrated manufacturing services provider for handset industry worldwide. It provides a full range of manufacturing services to its customers in connection with the production of handsets.

It is envisaged that after Closing, the IP Purchaser will engage in the Feature Phone Business and the Group will manufacture and distribute feature phones for the IP Purchaser. It is envisaged that the Group and the IP Purchaser will use their respective reasonable commercial efforts to enter into agreements to formalise the aforesaid cooperation before Closing.

After Closing, the Group will enable the IP Purchaser to offer additional models and types of mobile devices and services to customers globally, especially those having business and those planning to start business in emerging or less developed markets. In addition, the Group will leverage its existing industry expertise, facilities, personnel and manufacturing capabilities to maximise synergies with respect to the Acquisition thereby enhancing the Group's overall commercial capabilities (in terms of design, manufacturing, logistics and distribution) in support of the IP Purchaser's post-Closing operation of the Feature Phone Business as well as businesses with more customers through the development of more global fulfillment services as well as new markets and new products.

The Directors consider that the terms of the Acquisition, including the Purchase Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES REQUIREMENTS

Based on the applicable percentage ratios in respect of the Acquisition, the Acquisition constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

GENERAL

As the closing of the Transaction (including the Acquisition) is subject to the satisfaction of certain conditions precedent under the Stock and Asset Purchase Agreement, there is no guarantee that the Transaction will close as contemplated. Accordingly, the Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

Unless otherwise stated, the following terms shall have the following meanings in this Announcement:

“Acquired Assets”	those assets conditionally agreed to be acquired by the Purchasers pursuant to the Stock and Asset Purchase Agreement and as detailed in this Announcement under the section headed “Information on Target Assets”
“Acquisition”	the acquisition of the Group Target Assets by the Company under the Stock and Asset Purchase Agreement

“Announcement”	this announcement published in accordance with the disclosure requirements under Rule 13.09(2)(a) and Chapter 14 of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Asset Sellers”	the sellers (along with the Seller and including Microsoft Global Finance) of the Acquired Assets, which are subsidiaries or affiliates of the Seller, and each is referred to as an “Asset Seller”
“Balance Sheet Capital”	the aggregate amount of (A) the cash of Microsoft Mobile Vietnam plus (B) the inventory adjustment value (being the aggregate book value, as determined in accordance with GAAP, of the relevant finished goods and specified inventory included in the Acquired Assets minus US\$40 million) minus (C) the net amount of (i) any indebtedness owed by Microsoft Mobile Vietnam to the Seller or any of its affiliates (excluding the Intercompany Note) minus (ii) any indebtedness owed to Microsoft Mobile Vietnam by the Seller or any of its affiliates
“Board”	the board of Directors
“CCTA”	the contributed charter capital transfer agreement to be entered into as promptly as practicable (and in any event within 40 days) following the date of the Stock and Asset Purchase Agreement between the Seller and the Company’s designated wholly-owned subsidiary in relation to the sale and purchase of the Contributed Capital
“Closing”	the closing of the Transaction
“Closing Date”	the date of the Closing
“Company”	FIH Mobile Limited, a limited liability company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange
“connected persons”	has the meaning as ascribed to it in the Listing Rules
“Contributed Capital”	100% of the contributed charter capital of Microsoft Mobile Vietnam, representing the entire equity interest in Microsoft Mobile Vietnam
“Contributed Capital Purchase Price”	the purchase price of the Contributed Capital to be determined in accordance with the Stock and Asset Purchase Agreement and then set out in the CCTA
“Directors”	the directors of the Company

“Estimated Total Consideration Adjustment”	(i) an estimate, calculated at least five (5) business days prior to the Closing Date, of the Balance Sheet Capital as of 11:59 p.m. Hanoi, Vietnam time on the date prior to the Closing Date, prepared in accordance with GAAP as consistently applied in the Seller’s financial statements minus (ii) US\$0.00 (being the target Balance Sheet Capital), it being understood that if the estimate of the Balance Sheet Capital is less than the target Balance Sheet Capital, the Estimated Total Consideration Adjustment shall be a negative number
“EUR”	the Euro, the lawful currency of the “euro area”, which consists of 19 of the 28 member states of the European Union
“feature phones”	mobile phones that contain a fixed set of functions beyond voice calling and text messaging but which functions are not as extensive as those of smart phones
“Feature Phone Business”	the business of designing, manufacturing and selling mobile phones using the S30, S30+ MTK and Spreadtrum operating systems, together with the associated accessories
“Final Total Consideration Adjustment”	(i) the Balance Sheet Capital as of 11:59 p.m. Hanoi, Vietnam time on the date prior to the Closing Date determined pursuant to the procedures set forth in the Stock and Asset Purchase Agreement minus (ii) US\$0.00 (being the target Balance Sheet Capital), it being understood that if the Balance Sheet Capital is less than the target Balance Sheet Capital, the Final Total Consideration Adjustment shall be a negative number
“GAAP”	United States generally accepted accounting principles and practices
“Group”	the Company and/or its subsidiaries (as the case may be)
“Group Target Assets”	such part of the Target Assets to be acquired by the Company (for the avoidance of doubt, excluding all the Acquired Assets to be acquired by the IP Purchaser), as more particularly described in the sections headed “Contributed Capital to be acquired by the Company” and “Acquired Assets to be acquired by the Company”
“Initial Total Consideration”	US\$350 million (equivalent to approximately HK\$2,730 million) plus the Estimated Total Consideration Adjustment (which may be positive or negative)
“Intercompany Note”	the promissory note evidencing the indebtedness owed by Microsoft Mobile Vietnam to Microsoft Global Finance

“IP Purchaser”	HMD global Oy, a limited company organised under the laws of Finland
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended and supplemented from time to time
“Material Adverse Effect”	any change, fact, event or effect, individually or in the aggregate that has, or would reasonably be expected to have, a material and adverse effect on the operation of the feature phone and smart phone manufacturing business, operating out of the manufacturing facility in Bac Ninh, Vietnam and surrounding storage facilities, Microsoft Mobile Vietnam and the Acquired Assets, taken as a whole, subject to the qualifications set forth in the Stock and Asset Purchase Agreement
“Microsoft”	Microsoft Corporation, a US corporation whose common stock is traded on NASDAQ Stock Market
“Microsoft Mobile Vietnam”	Microsoft Mobile (Vietnam) Limited Liability Company, a single member limited liability company organised under the laws of Vietnam
“Outside Date”	being the date that is 12 months from the date of the Stock and Asset Purchase Agreement
“percentage ratios”	the percentage ratios calculated based on the requirements under Rule 14.07 of the Listing Rules
“Purchase Price”	US\$330 million (equivalent to approximately HK\$2,574 million) being a portion of the Total Consideration corresponding to the Group Target Assets
“Purchasers”	collectively, the Company and the IP Purchaser
“Seller”	Microsoft Mobile Oy, a limited company organised under the laws of Finland and a subsidiary of Microsoft
“Shareholders”	the holders of the Shares
“Shares”	the ordinary shares of US\$0.04 each of the Company
“smart phones”	mobile phones that perform many of the functions of a computer, typically having a touchscreen interface, Internet access, and an operating system capable of running downloaded applications
“Stock and Asset Purchase Agreement”	the stock and asset purchase agreement dated as of 18 May 2016 and entered into between the Seller (on behalf of itself and the Asset Sellers) and the Purchasers in respect of the purchase of the Target Assets

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	having the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Target Assets”	collectively, the Contributed Capital and the Acquired Assets
“Total Consideration”	the total consideration for the Target Assets under the Stock and Asset Purchase Agreement, representing US\$350,000,000 plus the Final Total Consideration Adjustment (which may be positive or negative)
“Transaction”	the acquisition of the Target Assets by the Purchasers under the Stock and Asset Purchase Agreement
“Transaction Documents”	the transaction documents to be executed between one or more of the Purchasers (or their affiliates) and the Seller (or its affiliates) at the Closing in relation to the Transaction
“US”	United States of America
“US\$”	United States dollars, the lawful currency of the US

By Order of the Board
Tong Wen-hsin
Chairman

Hong Kong, 18 May 2016

As at the date of this Announcement, the executive directors of the Company are Messrs. Tong Wen-hsin and Chih Yu Yang and Dr. Lee Jer Sheng, the non-executive director of the Company is Dr. Lee Kuo Yu and the independent non-executive directors of the Company are Messrs. Lau Siu Ki and Chen Fung Ming and Dr. Daniel Joseph Mehan.

For illustration purposes, US\$ is translated into HK\$ at an exchange rate of US\$1.00 = HK\$7.80, and EUR is translated into HK\$ at an exchange rate of EUR1 = HK\$8.7.