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ASM PACIFIC TECHNOLOGY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0522)

DISCLOSEABLE TRANSACTION STRATEGIC JOINT VENTURE FOR MATERIALS BUSINESS

SUBSCRIPTION AGREEMENT

On 28 July 2020, ATA (a wholly-owned subsidiary of the Company) and the Target Company entered into the Subscription Agreement with the Investors, pursuant to which the Target Company shall issue Target Shares to the Investor SPVs, and the Investors shall procure the subscription of the Target Shares by the Investor SPVs from the Target Company. At the Closing, the Target Shares shall account for 55.56% of the Target Company's enlarged total issued shares.

Immediately after the Closing, the Target Company will cease to be a subsidiary of the Company, and the financial results of the Target Company will thus only be equity accounted for in the consolidated financial statements of the Group.

IMPLICATIONS UNDER THE LISTING RULES

At the Closing, the Company's ownership of the equity securities in the Target Company, through ATA, will decrease from 100% to 44.44%, which constitutes a deemed disposal for the Company under Chapter 14 of the Listing Rules.

As one or more applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Transaction exceed 5% but are less than 25%, the entering into of the Subscription Agreement constitutes a discloseable transaction for the Company, and is subject to the reporting and announcement requirements but is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

Closing of the Transaction is subject to the satisfaction and/or (if applicable) waiver of the Closing Conditions set out in the Subscription Agreement and may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares and any other securities of the Company.

INTRODUCTION

The Board is pleased to announce that on 28 July 2020, ATA (a wholly-owned subsidiary of the Company) and the Target Company entered into the Subscription Agreement with the Investors, pursuant to which the Target Company shall issue Target Shares to the Investor SPVs, and the Investors shall procure the subscription of the Target Shares by the Investor SPVs from the Target Company. At the Closing, the Target Shares shall account for 55.56% of the Target Company's enlarged total issued shares.

SUBSCRIPTION AGREEMENT

A summary of the principal terms of the Subscription Agreement are set out below:

Date: 28 July 2020

Parties: (i) ATA;
(ii) the Target Company; and
(iii) the Investors.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Investors and their ultimate beneficial owners are third parties independent of the Company and its Connected Persons.

Subject Matter: The Target Company, together with the Target Group Companies, operates the materials business of the Group, and is involved in the production and sale of semiconductor packaging materials. It is a leading worldwide supplier of a variety of lead frames, such as etched and stamped lead frames, to its customers.

Consideration: The Consideration for the subscription of the Target Shares is USD200 million, which shall be paid by the Investors as follows:

- (i) Within 10 Business Days after the signing of the Subscription Agreement, the Investors shall pay USD10 million as a deposit; and
- (ii) At the Closing, the balance of the Consideration shall be paid.

Basis of Consideration: The Consideration was arrived at after arm's length negotiations among the Parties, with reference to the net asset value, future business prospects and development potential of the Business.

Closing: Subject to the terms and conditions of the Subscription Agreement, the Closing shall take place on the 5th Business Day after all the Closing Conditions are proved to be satisfied or waived.

Closing Conditions: Closing of the Transaction is subject to the satisfaction and/or (if applicable) waiver of the Closing Conditions set out in the Subscription Agreement on or before the Longstop Date. The Closing Conditions under the Subscription Agreement include, amongst others, the following:

- (i) Shareholders' Agreement
The Investor SPVs, the Target Company and ATA shall have executed the Shareholders' Agreement. A summary of the principal terms of the Shareholders' Agreement is set out under the section "Shareholders' Agreement" in this announcement.
- (ii) Restructuring
The Restructuring shall have been completed in all material respects. Prior to the entering into the Subscription Agreement, the Business has been conducted by certain subsidiaries of the Company. Pursuant to the Subscription Agreement, ATA has agreed to procure the Restructuring in accordance with the Restructuring Steps Plan, which shall involve an internal transfer of assets, liabilities and shares of such subsidiaries to create the Target Group Companies.

SHAREHOLDERS' AGREEMENT

A summary of the principal terms of the Shareholders' Agreement are set out below:

- SHA Parties:**
- (i) ATA;
 - (ii) the Target Company; and
 - (iii) Investor SPVs.

Transfer Restrictions: Lock-up Period
Within the Lock-up Period, no shareholder of the Target Company may transfer any of its equity securities of the Target Company without prior consent from the other shareholders of the Target Company.

Upon the expiry of the Lock-up Period, in the event that ATA or any Investor SPV proposes to transfer all or any of its equity securities of the Target Company (the "**Offered Shares**") to any proposed transferee:

- (i) Right of First Refusal
the Investor SPVs (in the case of a transfer by ATA) and ATA (in the case of a transfer by any of the Investor SPVs) shall have the right of first refusal to purchase all of the Offered Shares at a price and on terms and conditions not less favorable than those offered by or to the proposed transferee; *or alternatively*

(ii) Co-sale Right

the Investor SPVs (in the case of a transfer by ATA) and ATA (in the case of a transfer by any of the Investor SPVs) shall have the co-sale right to require the proposed transferee to, in addition to the Offered Shares, purchase a pro rata amount of equity securities of the Target Company held by such shareholder(s), at the same price and on the same terms and conditions applicable to the transfer of the Offered Shares.

**Share
Adjustments:**

The number of shares in the Target Company held by ATA shall be adjusted in year 2024 based on whether the Target Company meets certain performance targets with reference to the average Adjusted EBIT of the Target Company during years 2021 to 2023 (the “**Average Adjusted EBIT**”). Depending on whether the Target Company meets mutually-agreed Average Adjusted EBIT targets, the shareholding percentage of ATA in the Target Company may be increased to a maximum of 49%, or decreased to a minimum of 37.5%. Correspondingly, the shareholding percentage of the Investor SPVs may in aggregate be decreased to a minimum of 51%, or increased to a maximum of 62.5%.

The aforesaid increase or decrease of relative shareholdings would be effected by way of issuing new shares to either ATA or the Investor SPVs (as appropriate) at an aggregate consideration of USD1.00 in year 2024. Additionally, an incentive fee of US\$5.1 million will be paid to ATA, if the Target Company achieves a mutually-agreed Average Adjusted EBIT target.

FINANCIAL EFFECT OF THE TRANSACTION AND USE OF PROCEEDS

Based the information available to the Company, the net asset value of the Business as at 31 December 2019 and the subscription of 55.56% of the shareholding in the Target Company by the Investors, the Company estimates that the net potential gain on the Transaction after taking into account the estimated restructuring and transaction costs will be approximately USD110 million. The actual gain to be recognised by the Company can only be ascertained when the audit of the Target Group Companies for the year ending 31 December 2020 is finalised, and the net potential gain may therefore vary from the amount mentioned above. At Closing, an amount of not more than USD100 million would be paid by the Target Company to ATA for settling certain intercompany payables owing by the Target Group Companies to the Group (other than the Target Group Companies).

Immediately after the Closing, the Target Company will cease to be a subsidiary of the Company, and the financial results of the Target Company will thus only be equity accounted for in the consolidated financial statements of the Group.

REASONS AND BENEFITS OF THE TRANSACTION

Over the past few years, there has been a trend of consolidation amongst market participants in the lead frame industry. The lead frame industry requires economies of scale in order to achieve sustainable production efficiency. The Company is of the opinion that the trend of

market consolidation is likely to continue. As such, the Company has conducted a rigorous process to identify a suitable strategic partner that can help accelerate the growth of the Target Company in the lead frame industry.

Upon Closing, the Group will hold 44.44% equity interest in the Target Company. Through this strategic collaboration, the Group will be able to leverage on the complementary market experience of the Investors to further deepen the Target Company's connections in the marketplace. The excellent financial strength of the Investors, together with the Group, will further support the Target Company's future growth trajectory. The investment from this Transaction will be utilised to fund the Target Company's future expansion plans. Also, the Group will work hand-in-hand with the Investors and the management team of the Target Company to chart the way forward that will fulfill the full potential of the Target Company.

This Transaction will enable the Group to rebalance its portfolio and resources to support the long-term growth strategies of the Group.

The Board considers that the terms of the Subscription Agreement and Shareholders' Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL INFORMATION OF THE BUSINESS

The unaudited financial information of the Business for the financial years ended 31 December 2018 and 2019, which has been prepared on a pro forma basis as "carved out" from the audited financial statements of Group relating to the Business is set out below:

	For the year ended 31 December 2018 (HK\$ '000)	For the year ended 31 December 2019 (HK\$ '000)
Net profits before taxation	175,127	130,333
Net assets	973,921	1,084,126

INFORMATION ABOUT THE COMPANY AND ATA

The Company develops and provides leading edge solutions in surface mount technology, equipment and materials for the semiconductor assembly and packaging industries. Its solutions are deployed in a wide range of end-user markets including electronics, mobile communications, automotive, industrial and LED. ATA is an investment holding company and a wholly-owned subsidiary of the Company.

INFORMATION ABOUT THE INVESTORS

Wise Road Capital LTD is a global private equity fund manager focusing on investing into high-tech companies by identifying opportunities in enabling technologies for global urbanisation and smart/green life through close cooperation with leading companies along several main themes, including smart city, intelligent manufacturing, renewable energies, etc. Wise Road Capital LTD is striving to build a healthy international ecosystem around those key

themes through its investments and its international management team with a combination of industry and investment background. Distinctively, the track record of Wise Road Capital LTD is built on carve-outs, joint-venture, and co-investments with world-class companies in the ICT sector. Between 2016 and 2019, it has participated in the carve-out of Nexperia from NXP, formed an AI/IoT chipset JV with Qualcomm and a MEMS Sensor JV with ams, and invested in smartphone ODM Huaqin. Wise Road Capital LTD is also a founding member and a core investment platform of the Financial and Information Technology Alliance (“**FITA**”). FITA is an industry alliance with more than 100 technology and financial companies globally as members to promote and support the development of an ecosystem for technology, alternative energy, healthcare, and financial industries.

Asia-IO Capital Management Limited, an affiliate of ACE Equity Partners, is a cross-border private equity firm in Hong Kong focusing on cross-border Asia-related manufacturing technology buyouts. The firm has built a portfolio of eight companies to date, including businesses carved out from world-class technology companies, namely, Maxnerva from Foxconn, the Nokia handset business from Microsoft, and the optical module business from TDK.

LISTING RULES IMPLICATIONS

At the Closing, the Company’s ownership of the equity securities in the Target Company, through ATA, will decrease from 100% to 44.44%, which constitutes a deemed disposal for the Company under Chapter 14 of the Listing Rules.

As one or more applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Transaction exceed 5% but are less than 25%, the entering into of the Subscription Agreement constitutes a discloseable transaction for the Company, and is subject to the reporting and announcement requirements but is exempt from the shareholders’ approval requirement under Chapter 14 of the Listing Rules.

Closing of the Transaction is subject to the satisfaction and/or (if applicable) waiver of the Closing Conditions set out in the Subscription Agreement and may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares and any other securities of the Company.

DEFINITIONS

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

- “Adjusted EBIT”** : the net profits of the Target Company, after adding back certain items as set out in the Shareholders’ Agreement;
- “Affiliates”** : in relation to any entity, any other entity directly or indirectly controlled by, or controlling of, or under common control with, that entity and, in the case of a trust, any trustee or beneficiary (actual or potential) of that trust and, in the case of an individual, any person connected with him or her;
- “ATA”** : ASM Technology Asia Limited, a company incorporated under the laws of Hong Kong, a wholly-owned subsidiary of the Company;
- “Board”** : the board of Directors;
- “Business”** : the lead frame business carried on by ATA and its Affiliates as at the date of the Subscription Agreement;
- “Business Day”** : a day on which banks are open for general banking business in the PRC, Hong Kong, Malaysia and Singapore, excluding statutory holidays in such countries and district;
- “Closing”** : closing of the Transaction in accordance with the terms and conditions of the Subscription Agreement;
- “Closing Conditions”** : conditions to Closing;
- “Company”** : ASM PACIFIC TECHNOLOGY LIMITED, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 0522);
- “Connected Person”** : has the meaning ascribed to it under the Listing Rules;
- “Consideration”** : consideration for the Transaction pursuant to the Subscription Agreement;
- “Directors”** : directors of the Company;
- “Group”** : the Company and its subsidiaries;

“Hong Kong”	: the Hong Kong Special Administrative Region of the PRC;
“Investors”	: Wise Road Capital LTD and Asia-IO Capital Management Limited;
“Investor HK SPV”	: an entity to be incorporated under the laws of Hong Kong and owned by the Investors and/or their Affiliates;
“Investor PRC SPV”	: an entity to be incorporated under the laws of the PRC and owned by the Investors and/or their Affiliates;
“Investor SPVs”	: the Investor HK SPV and the Investor PRC SPV;
“Listing Rules”	: the Rules Governing the Listing of Securities on the Stock Exchange;
“Lock-up Period”	: within a period of 48 months from the date of the Shareholders’ Agreement;
“Longstop Date”	: the date falling on the 5 th month after the date of the Subscription Agreement (or such later date as the Parties may agree in writing);
“Parties”	: ATA, the Target Company and the Investors;
“PRC”	: the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this announcement;
“Restructuring”	: the “carve out” of the Business from ATA and its Affiliates to create the Target Group Companies in accordance with the Restructuring Steps Plan;
“Restructuring Steps Plan”	: the restructuring steps plan as annexed to the Subscription Agreement;
“RMB”	: Renminbi, the lawful currency of the PRC;
“SHA Parties”	: ATA, the Target Company and the Investor SPVs;
“Shareholders’ Agreement”	: the shareholders’ agreement to be entered into between the SHA Parties governing the shareholder rights and corporate governance structure of the Target Company;
“Stock Exchange”	: The Stock Exchange of Hong Kong Limited;
“Subscription Agreement”	: the subscription agreement dated 28 July 2020 entered into between the Parties in relation to the Transaction;

- “Target Company”** : ASM Materials Hong Kong Limited, a company incorporated under the laws of Hong Kong;
- “Target Group Companies”** : the Target Company and its subsidiaries after the completion of the Restructuring ;
- “Target Shares”** : the ordinary shares of the Target Company to be issued to the Investor SPVs subject to the terms and conditions of the Subscription Agreement at the Closing which shall then account for 55.56% of its enlarged total issued shares;
- “Transaction”** : the issuance of the Target Shares by the Target Company to the Investor SPVs subject to the terms and conditions of the Subscription Agreement at the Closing;
- “USD”** : US Dollars, the lawful currency of the United States of America; and
- “%”** : per cent.

By Order of the Board
ASM Pacific Technology Limited
Robin Gerard Ng Cher Tat
Director

Hong Kong, 28 July 2020

As at the date of this announcement, the Board comprises Miss Orasa Livasiri (Chairman), Mr. John Lok Kam Chong, Mr. Wong Hon Yee and Mr. Eric Tang Koon Hung as Independent Non-Executive Directors, Mr. Benjamin Loh Gek Lim and Mr. Petrus Antonius Maria van Bommel as Non-Executive Directors, and Mr. Robin Gerard Ng Cher Tat, Mr. Guenter Walter Lauber and Ms. Patricia Chou Pei-Fen as Executive Directors.