

IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

\$5000
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CAUSE NO. FSD 0145 OF 2014 ()

IN THE MATTER OF S3 GRAPHICS CO., LTD.

AND in the matter of the Companies Law (2013 Revision)

AND in the Grand Court Rules 1995 Order 102



PETITION



TO: The Grand Court of the Cayman Islands

THE PETITION of S3 Graphics Co, Ltd. shows as follows:-

1. The object of this Petition is to seek an Order of the Court pursuant to Section 15 of the Companies Law (2013 Revision) (the "Companies Law") confirming a reduction of the share capital of the Petitioner, S3 Graphics Co., Ltd. (the "Company").

BACKGROUND

2. The Company was incorporated on 3 January 2001 under the Companies Law with the name of S3 Graphics Co., Ltd. and registered in the Cayman Islands as an exempted company with registration number 107083.
3. The registered office of the Company is situated at the office of CARD Corporate Services Ltd., Zephyr House, Mary Street, P.O. Box 709, George Town, Grand Cayman KY1-1107, Cayman-Islands.
4. The Company is principally engaged in onward licensing of intellectual property owned (directly or indirectly) by it, in relation to semiconductors and graphics chip sets. The Company has no other operations and has no creditors. The Company is part of a larger group, the ultimate parent company being HTC Corp., which is listed on the Taiwan Stock exchange. The objects for which the Company was established are unrestricted.

Filed by Charles Adams, Ritchie & Duckworth, Attorneys-at-Law for the Petitioner herein whose address for service is PO Box 709, Zephyr House, Mary Street, George Town, Grand Cayman.

SHARE CAPITAL AND SHAREHOLDER OF THE COMPANY

5. The current sole shareholder of the Company is HTC Investment One (BVI) Corporation which holds 47,726,759.00 Class D Preferred shares and 338,611,757.00 Class E Preferred shares.
6. The authorised share capital of the Company at the date of its incorporation was US\$190,500.00 divided into 100,000,000 Class A Common Shares of a par value of US\$0.001 each, 90,000,000 Class B Common Shares of a par value of US\$0.001 each and 500,000 Class C Common Shares of a par value of US\$0.001 each. Since the incorporation of the Company the authorised share capital has been changed as follows:-
 - a. By written resolution of the sole Class B shareholder of the Company passed on 17 November 2005, the authorised share capital of the Company was increased by US\$210,000.00 from US\$190,500.00 divided into 100,000,000 Class A Common Shares of a par value of US\$0.001 each, 90,000,000 Class B Common Shares of a par value of US\$0.001 and 500,000 Class C Common Shares of a par value of US\$0.001 to US\$400,500.00 divided into 100,000,000 Class A Common shares of a par value of US\$0.001 each, 300,000,000 [Class B Common Shares] of a par value of US\$0.001 each and 500,000 Class C Common Shares of a par value of US\$0.001 each.
 - b. By written resolution of the holders of all Class A and Class B Common Shares in the Company dated 26 June 2007, the authorised share capital of the Company was increased by US\$900,000.00 such that the share capital of the Company became US\$1,300,500.00 divided into 100,000,000 Class A Common Shares of a par value of US\$0.001 each and US\$1,200,000,000 Class B Common Shares of a par value of US\$0.001 each and 500,000 Class C Common Shares of a par value of US\$0.001 each.
 - c. By written resolution of the holders of Class B Shares dated 10 November 2011, the Company's authorised share capital was re-designated from US\$1,300,500.00 divided into 100,000,000 Class A Common Shares of a par value of US\$0.001 each, 1,200,000,000 Class B Common Shares of a par value of US\$0.001 each and 500,000 Class C Common Shares of a par value of US\$0.001 each to US\$1,300,500.00 divided into 650,250,000,000 Class D Preferred Shares of a par value of US\$0.001 each and 650,250,000 Class E Preferred Shares of a par value of US\$0.001 each.

d. As at the date of this Petition, the authorised share capital of the Company is US\$1,300,500.00 divided into 650,250,000 Class D Preferred Shares and 650,250,000 Class E Preferred Shares with a nominal value of US\$0.001 each. The issued and fully paid share capital of the Company is 47,726,759.00 Class D Preferred Shares and 338,611,757.00 Class E Preferred Shares of par value US\$0.001 each.

7. The Articles of Association of the Company provide, *inter alia*, as follows:-

"CLASSIFICATION OF SHARES

4.01 *The Share Capital of the Company is US\$1,300,500 divided into 650,250,000 Class D Preferred Shares of par value US\$0.001 each, and 650,250,000 Class E Preferred Shares of par value US\$0.001 each. The powers, preferences and rights of the Class D Preferred Shares and the Class E Preferred Shares, and the qualifications, limitations and restrictions thereof are as follows:-*

(a) The holders of Class D and Class E Preferred Shares shall be entitled to notice of and to vote at every general meeting of the Company. The holders of Class D Preferred Shares shall be entitled, on a poll, a number of votes per share equivalent to the Weight Factor for Class D Preferred Shares. The holders of Class E Preferred Shares shall be entitled, on a poll, a number of votes per share equivalent to the Weight Factor for Class E Preferred Shares.

(b) The holders of Class D and Class E Preferred Shares shall be entitled to dividends and distributions in accordance with Article 31.01, save that all declared dividends shall be distributed as to (i) 49%, among holders of Class D Preferred Shares, pro rata by paid up par value; and (ii) 51%, among holders of Class E Preferred Shares, pro rata by paid up par value.

(c) The holders of Class D and Class E Preferred Shares shall be entitled, on a winding up of the Company, to distributions in accordance with Article 36.01."

8. The Articles of Association of the Company also provide, *inter alia*:-

"ALTERATION OF CAPITAL

13.01 *Subject to the Statute and Article 4.02, the Company may from time to time by the affirmative vote of a majority of the outstanding Shares alter the conditions of its Memorandum of Association to increase its share capital by the creation of new*

Shares in such amount as it thinks expedient. All new shares shall be subject to the provisions of these Articles concerning calls, forfeiture, lien, transfer, transmission, disposal and otherwise as the original shares."

"13.02 Subject to the Statute, the Company may from time to time by special resolution reduce its share capital in any way or alter any conditions of its Memorandum of Association relating to share capital."

9. **"CIRCULAR RESOLUTIONS OF THE MEMBERS**

"20.01 A resolution in writing, in one or more counterparts, signed by all the Members for the time being entitled to receive notice of and attend and vote at general meetings (or, being corporations, by their duly authorised representatives) shall be as valid and effective as is the same had been passed at a general meeting of the Company duly called and held, and shall satisfy any requirement of these Articles for a resolution to be passed by the Company in general meeting."

10. By a written special resolution of the sole shareholder of the Company passed on 12 December 2014 in accordance with Article 20.01 (the "**Special Resolution**") and in accordance with Section 14(1) of the Companies Law, it was resolved:-

"THAT, subject to and conditional upon confirmation of the Capital Reduction (as defined below) by the Grand Court of the Cayman Islands (the "**Court**"), the filing with and registration by the Registrar of Companies in the Cayman Islands of a copy of the Order of the Court and a copy of the Resolutions of the Company approved by the Court, both confirming the Capital Reduction and the compliance with any conditions as may be imposed by the Court in relation to the Capital Reduction:-

- (a) the issued share capital of the Company be reduced (the "**Capital Reduction**") by cancellation of 78,059,520 previously issued Class E Shares of par value US\$0.001 each in the capital of the Company with the result that such shares are available for reissue.
- (b) in addition the share premium account of the Company be and is hereby reduced by US\$71,026,157.48, with the result being that the Capital Reduction should produce the following:-

Class Shares	Paid in Par Value	Share Premium
Class D Preferred	47,726.76	43,426,456.12
Class E Preferred	260,552.24	237,075,815.39

(c) the Directors be and are hereby authorised generally to do all such acts and things, and to approve, sign and execute any other documents which in their absolute discretion may be necessary, desirable or expedited to carry into effect and to give effect to the Capital Reduction."

11. The Special Resolution to approve and give effect to the Capital Reduction was duly passed as a unanimous circular written resolution in lieu of a general meeting, thus satisfying the requirements for passing a special resolution to approve the Capital Reduction under the Articles of Association of the Company and under the Companies Law.
12. The proposed Capital Reduction does not involve either the diminution of any liability in respect of unpaid capital (as all shares are fully paid up) and the Company has no intention to make any payment of paid up capital of the Company to its sole shareholder. Furthermore, the proposed Capital Reduction will not alter the underlying assets, business operations, management or financial position of the Company or the interests or rights of the sole shareholder of the Company or its creditors (of which there are none).
13. The form of minutes ("the Minutes") proposed to be registered is as follows:-

"The issued share capital of the Company was by virtue of a special resolution passed on 12 December 2014 and with sanction of an Order of the Grand Court of the Cayman Islands dated [] 2014 be reduced by cancellation of 78,059,520 previously issued Class E Preferred Shares and reduction of the share premium account by US\$71,026,157.48. From the date of the registration of this Resolution, the authorised share capital of the Company is US\$1,300,500 divided into 650,250,000 Class D Preferred Shares and 650,250,000 Class E Preferred Shares of a par value US\$0.001 each. From the date of Registration of this Resolution, the issued share capital of the Company is 47,726,759.00 Class D Preferred Shares of par value US\$0.001 each and 260,552,237.00 Class E Preferred Shares of a par value of US\$0.001 each."

Your Petitioner, the Company, therefore prays as follows:-

- (1) That the Capital Reduction of the Company proposed to be effected by the Special Resolution set forth in paragraph 10 of this Petition be confirmed and that the Minutes may in paragraph 13 be approved by the Court.
- (2) That to this end, all necessary inquiries and directions may be made and given.
- (3) Such further and other order as this Honourable Court shall think fit.

NOTE: It is intended to serve this Petition on S3 Graphics Co., Ltd. at its registered office located at CARD Corporate Services Ltd., Zephyr House, Mary Street, PO Box 709, George Town, Grand Cayman, Cayman Islands.

Dated this 22nd day of December 2014.

Charles Adams Ritchie & Duckworth
Charles Adams Ritchie & Duckworth
Attorneys-at-Law for the Petitioner herein

Notice of Hearing

This Petition having been presented to the Court on the _____ day of _____ 2014 will be heard
at the Law Courts, George town, Grand Cayman on the _____ day of _____ 20__ at
am/pm or as soon thereafter as the Petition can be heard.

Filed by Charles Adams, Ritchie & Duckworth, Attorneys-at-Law for the Petitioner herein whose address for service is PO Box 709, Zephyr House, Mary Street, George Town, Grand Cayman.