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**SOLOMON
SYSTECH**

SOLOMON SYSTECH (INTERNATIONAL) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2878)

ANNOUNCEMENT

DISCLOSEABLE TRANSACTION

The Directors announce that, on 9 August 2011, Loyal Creative Limited (the “Subscriber”), an indirect wholly-owned subsidiary of Solomon Systech (International) Limited (the “Company”), entered into the Agreement with, inter alia, C2 Microsystems Inc. (“C2”), pursuant to which the Subscriber subscribed for New Shares of C2, representing approximately 24.0% of the Issued Share Capital of C2 (as enlarged by the issue of the New Shares and the Other New Shares) at a consideration of US\$9,000,000. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, C2 and the Existing Shareholders (including the Other Subscribers), and their ultimate beneficial owners, are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

As one of the relevant percentage ratios set out in Chapter 14 of the Listing Rules is more than 5% but less than 25%, the Subscription (and any further subscription of shares (if any) referred to in the paragraph headed “The Agreement - Completion” below) constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

THE AGREEMENT

Date

9 August 2011

Parties

(1) Subject company: C2 Microsystems Inc. (“C2”), a fabless semiconductor company focusing on the development and sales of SOC for Internet TV. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, C2 and the Existing Shareholders (including their ultimate beneficial owners) are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

(2) Subscriber: Loyal Creative Limited, a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company. The principal business of the Subscriber is investment holding. The Subscriber subscribed for the New Shares issued by C2.

(3) Other Subscribers: Four Existing Shareholders that subscribed for the Other New Shares. The principal businesses of the Other Subscribers are primarily investment holding. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Other Subscribers (including their ultimate beneficial owners) are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

Asset to be acquired

The Subscriber subscribed for the New Shares, being 34,403,670 new C2 Series C Preferred Shares. Before the issue of the New Shares and the Other New Shares, C2 had 4,149,902 common shares, 41,320,964 Series A-1 preferred shares and 44,073,877 Series B preferred shares in issue.

As a result of the Subscription, the Subscriber holds approximately 24.0% of the Issued Share Capital of C2 (as enlarged by the issue of the New Shares and the Other New Shares, assuming that the Other Subscribers will complete their respective subscription of shares in accordance with the Agreement). Based on the unaudited net equity value of C2 as at 30 June 2011, taking into account of the Subscription, the estimated value of the Company’s interest in C2 is approximately US\$1,000,000.

Consideration

US\$9,000,000

The Consideration was determined after arm’s length negotiation between C2 and the Subscriber. In arriving at the Consideration, the Directors also considered (i) the synergy that the Subscription will create from (a) joint business development of the Company and C2 in Internet TV, through utilization of C2’s technology and product readiness, to capture the rising Internet TV market; (b) adding Internet TV as a new product line of the Company to expand its product offerings and to provide total integrated circuits solutions for its customers in the TV/Large Display business; (c) introducing Internet TV as one of the growth engines of the Company; (d) leveraging C2’s established relationships among multimedia electronic manufacturers to

enhance the business development of the Company; (e) cost effectiveness resulting from similar set of intellectual property and technology requirements of the Company and C2; and (f) licensing certain intellectual property rights from C2 at market terms; (ii) the unaudited net liabilities of C2 of approximately US\$8,925,000 as at 30 June 2011, which is expected to turn positive to net assets after the Subscription and the realization of the value in product readiness in the near term; and (iii) the future capital expenditure requirements of C2. The Board believes the Consideration to be fair.

Payment terms

The Consideration will be paid in cash by the Subscriber in full upon the execution of the Agreement.

Funding

The Consideration has been satisfied by the Subscriber from the Company's internal resources.

Completion

The Subscription was completed on 9 August 2011 simultaneously with the execution of the Agreement.

Under the Agreement, the Subscriber has certain rights including:

- C2's board of directors: The Subscriber is entitled to designate a director to C2's board of directors, which comprises six members including the director designated by the Subscriber.
- Series C warrants: The Subscriber has the right to purchase up to a maximum of 3,440,367 additional C2 Series C Preferred Shares. This type of warrant was also granted to Other Subscribers.
- Performance Warrant: If the Milestone is reached within an agreed time period, C2 will pay the Subscriber an agreed amount of commission and issue to the Subscriber an additional warrant to purchase an additional 1,720,184 C2 Series C Preferred Shares.
- Repurchase of Preferred Shares from the Subscriber: If on or prior to 31 December 2013, C2 fails to reach certain agreed performance metrics, the Subscriber will have the right to require C2, and C2 has the obligation, to buy back all or portion of C2 Series C Preferred Shares held by the Subscriber at the time of exercise of such right, at the original per share purchase price plus an agreed interest.

INFORMATION ON C2

C2 is a company incorporated under the laws of the State of Delaware, the United States of America on 30 January 2004. C2 is a fabless semiconductor company focusing on the development and sales of SOC for Internet TV.

Certain consolidated financial information of C2 is set out below:

	For the year ended 31 December 2008 (audited) (\$US'000)	For the year ended 31 December 2009 (audited) (\$US'000)	For the year ended 31 December 2010 (audited) (\$US'000)	For the 6 months ended 30 June 2011 (unaudited) (\$US'000)
Total revenue	2,205	6,033	6,317	773
Net loss before taxation and extraordinary items	(11,935)	(7,008)	(9,803)	(4,665)
Net loss after taxation and extraordinary items	(11,983)	(7,008)	(9,803)	(4,665)
Net assets/(liabilities)	1,159	1,732	(4,533)	(8,925)

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT

The principal activities of the Group consist of the design, development, manufacturing and sales of integrated circuits and system solutions for display applications.

As C2 is primarily engaged in the development and sales of SOC for Internet TV, the Board considers the Subscription as part of the Group's strategy in capitalizing on the rising Internet TV market to enhance the Group's overall business development. The Subscription allows the Group to (a) jointly develop Internet TV business with C2, through utilization of C2's technology and product readiness, so as to capture the rising Internet TV market; (b) introducing Internet TV as one of the growth engines of the Group; (c) expand the product offerings of the Group and provide total integrated circuits solutions for its customers in the TV/Large Display business; (d) leverage C2's established relationships among multimedia electronic manufacturers to enhance the business development of the Group; (e) benefit from the cost effectiveness resulting from similar set of intellectual property and technology requirements of the Company and C2; and (f) license certain intellectual property rights from C2 at market terms. The Board believes that the Subscription will create synergy and further strengthen the competitiveness of the Group's operation.

The Board is of the view that the Subscription is in the interest of the Company and the terms of the Agreement are on normal commercial terms, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Board believes that the Subscription will not give rise to any material effects on the assets and liabilities of the Group.

LISTING RULES IMPLICATION

As the relevant applicable percentage ratio calculated in accordance with the Listing Rules is more than 5% but less than 25%, the Subscription (and any further subscription of shares (if any) referred to in the paragraph headed "The Agreement - Completion" above) constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules.

DEFINITIONS

“Act”	the United States Securities Act of 1933
“Agreement”	the subscription agreement of the New Shares and Other New Shares dated 9 August 2011 and entered into between the Subscriber, the Other Subscribers and C2 in relation to the Subscription
“Board”	the board of Directors
“C2”	C2 Microsystems Inc., a company incorporated under the laws of the State of Delaware, the United States of America on 30 January 2004
“C2 Series C Preferred Shares”	Series C preferred shares to be issued by C2, par value US\$0.001 per share and convertible into the common stock of C2
“Company”	Solomon Systech (International) Limited, a company incorporated in Cayman Islands with limited liability and whose shares are listed and traded on the main board of the Stock Exchange. Shares of the Company are ordinary shares of HK\$0.10 each in the share capital of the Company
“Completion”	9 August 2011
“connected persons”	has the same meaning as ascribed to it under the Listing Rules
“Consideration”	US\$9,000,000
“Director(s)”	director(s) of the Company (including independent non-executive directors)
“Existing Shareholders”	the existing shareholders of C2 prior to the Subscription
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Issued Share Capital”	consisted of all common shares and Preferred Shares in issue
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Milestone”	the milestone at which the Performance Warrants will be granted to the Subscriber if the agreed terms are met

“New Shares”	34,403,670 new C2 Series C Preferred Shares to be issued by C2 to the Subscriber under the Agreement
“Other New Shares”	the other 19,459,847 new C2 Series C Preferred Shares to be issued to the Other Subscribers by C2 under the Agreement
“Other Subscribers”	the other four subscribers, being Existing Shareholders of C2, that subscribe for the Other New Shares under the Agreement
“Performance Warrants”	the additional warrant to purchase an additional 1,720,184 C2 Series C Preferred Shares, to be granted to the Subscriber by C2, if the Milestone is reached within the agreed time period
“PRC”	the People’s Republic of China
“Preferred Shares”	the Series A-1 preferred shares, Series B preferred shares and C2 Series C Preferred Shares issued or to be issued by C2. These preferred shares are not registered under the Act with the United States Securities and Exchange Commission and may not be sold in the United States or to U.S. Persons (as defined under Rule 902(k) adopted under the Act) unless the relevant preferred shares are registered under the Act or an exemption from the registration requirements of the Act is available
“Shareholder(s)”	holder(s) of the Shares
“SOC”	system-on-chip
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Loyal Creative Limited, a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company
“Subscription”	the subscription of the New Shares and the Other New Shares by the Subscriber and the Other Subscribers, respectively, pursuant to the Agreement
“TV”	television
“US\$”	US dollars, the lawful currency of the United States of America

By Order of the Board

Solomon Systech (International) Limited

Leung Kwong Wai

Managing Director

Hong Kong, 9 August 2011

As at the date of this announcement, the Board comprises (a) Executive Directors - Dr. LEUNG Kwong Wai (Managing Director) and Mr. LAI Woon Ching; (b) Non-executive Directors - Dr. LAM Pak Lee (Mr. SHEU Wei Fu as his alternate), Mr. LI Xiaochun, Mr. LAI Weide and Mr. ZHAO Guiwu; and (c) Independent Non-executive Directors - Mr. SUN, Patrick (Chairman), Mr. CHOY Kwok Hung, Patrick, Mr. WONG Yuet Leung, Frankie and Mr. YIU Joseph Tin-chong.