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SOLOMON SYSTECH (INTERNATIONAL) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2878)

CONNECTED TRANSACTION

INTRODUCTION

The Board announces that on 11 November 2011, Solomon Systech (Beijing) Limited ("SSL-BJ"), an indirect wholly-owned subsidiary of the Company, has instructed 信息產業電子第十一設計研究院科技工程股份有限公司 (The IT Electronics Eleventh Electronics Design and Research Institute Scientific and Technological Engineering Corporation Limited*) ("EDRI") to carry out the building design and government reporting process services (the "Design Services") in relation to the construction of an advanced semi-conductor integrated circuit research and development and business centre (the "Centre") on the land (the "Land") situated at 中國北京經濟技術開發區路東區 E12 街區 E12F1 (E12F1, E12 Street, East District, Beijing Economic-Technological Development Area*), the PRC. SSL-BJ successfully tendered for the land use rights to the Land in 2010 and plans to have the Centre constructed for the Group's own use and for purposes relating to the Group's businesses.

The Company understands that China Electronic Corporation ("CEC"), a substantial shareholder of the Company, is a state-owned information technology conglomerate directly under the administration of the central government of the PRC, and that CEC directly owns 35% of EDRI and thus, EDRI, being an associate of CEC, is a connected person of the Company. Accordingly, the Design Services constitute connected transactions under Chapter 14A of the Listing Rules.

As one or more of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the Design Services is more than 0.1% and all of the relevant percentage ratios are less than 5%, the Design Services are subject to the reporting and announcement requirements but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE TRANSACTION

Date

11 November 2011

Parties

- (1) EDRI
- (2) SSL-BJ

The Design Services and Consideration

EDRI shall provide the Design Services for an aggregate consideration ("Consideration") of CNY3,200,000 (approximately HK\$3,931,000). A deposit in the amount of CNY640,000 (approximately HK\$786,000), which forms part of the Consideration, has been paid and the remainder of the Consideration in the amount of CNY2,560,000 (approximately HK\$3,145,000) will be settled in cash by stages as follows:

- (i) installment payments aggregating CNY2,030,000 (approximately HK\$2,494,000) will be paid with reference to the following milestones: (1) the receipt of the designs for the relevant works (施工圖) by SSL-BJ after the approval of the same has been obtained from the relevant government authorities in the PRC; (2) the obtaining of the permit for the construction plans (建設工程規劃許可證) by SSL-BJ; and (3) the obtaining of the permit for the implementation of construction works (建築工程施工許可證) by SSL-BJ and the completion of the relevant procedures in relation to all provisional facilities related to the construction works; and
- (ii) the balance in an aggregate amount of CNY530,000 (approximately HK\$651,000) will be paid after the obtaining of the following by SSL-BJ: (1) the qualification certificate of examination of the completed works (竣工驗收合格證); and (2) the building certificate (房產證) issued by 國家建設部門 (the State Construction Department*) of the PRC.

The Company estimates that the Design Services will be provided over a period of two years.

The Consideration was determined after arm's length negotiations between the EDRI and SSL-BJ and the Directors (including the independent non-executive Directors) consider the terms and conditions of the Design Services are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole. The engagement of the Design Services provider was delegated by the Board to a steering committee comprising two Directors and selected senior management, which approved the same with no member abstaining for the reason of having a material interest in the transaction.

REASONS FOR AND BENEFIT OF THE TRANSACTION AND INFORMATION ON EDRI

EDRI is a building design institute with a focus on integrated circuit engineering, biological engineering and silicon industry in the PRC. EDRI also has first class qualification of building design and general contracting in building construction engineering issued by 住房和城鄉建設部 (the Ministry of Housing and Urban-Rural Construction*) of the PRC.

EDRI has the necessary expertise and experience in providing design services for the Group to plan for the Centre in Beijing and the Directors consider it to be beneficial to and in the interest of the shareholders to engage EDRI for the provision of the Design Services.

INFORMATION ON THE GROUP

The Group is principally engaged in the design, development and sales of proprietary integrated circuits (“IC”) and system solutions that enable a wide range of display applications for mobile phones, portable devices, LCD TVs, consumer electronics products, industrial appliances and green energy applications such as LED lighting. SSL-BJ is principally engaged in the design, development and sales of IC products and system solutions that enable a wide range of display applications for LCD TVs and consumer electronics products.

LISTING RULES IMPLICATIONS

SSL-BJ is an indirect wholly-owned subsidiary of the Company. The Company understands that CEC, a substantial shareholder of the Company, directly owns 35% of EDRI and thus, EDRI, being an associate of CEC, is a connected person of the Company. Accordingly, the Design Services constitute connected transactions under Chapter 14A of the Listing Rules.

As one or more of the relevant percentage ratios of the Design Services is more than 0.1% and all of the relevant percentage ratios are less than 5%, the Design Services are subject to the reporting and announcement requirements but are exempted from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

TERMS USED IN THIS ANNOUNCEMENT

“Board”	the board of Directors
“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
“connected persons”	has the same meaning as ascribed to it under the Listing Rules
“CNY”	Chinese Yuan, the lawful currency of PRC
“Director(s)”	director(s) of the Company (including independent non-executive directors)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time

"PRC" the People's Republic of China

"Stock Exchange" The Stock Exchange of Hong Kong Limited

** for identification purpose only*

By Order of the Board
SOLOMON SYSTECH (INTERNATIONAL) LIMITED
FUNG Lui Kit Har, Keziah
Company Secretary

Hong Kong, 11 November 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.