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SOLOMON SYSTECH (INTERNATIONAL) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2878)

CONTINUING CONNECTED TRANSACTION

INTRODUCTION

The Board of Solomon Systech (International) Limited is pleased to announce that SSL, a wholly-owned subsidiary of the Company, has entered into a master agreement (“Agreement”) with HHNEC in relation to the purchases of IC foundry service from HHNEC in 2012.

DETAILS OF THE TRANSACTION

Date of Agreement

10 July 2012.

Parties

HHNEC and SSL

Principal Terms and Conditions

- HHNEC shall supply IC foundry service to SSL at market price. The prices for the said foundry service shall be determined fairly in accordance with costs, resources and technology with reference to market practice and price;
- Payments to be made for the products ordered shall be made within such time and in such manner in accordance with normal market practice;
- Each party shall exercise its rights and comply with its obligations as stipulated in the relevant purchase orders. Should either party fail to comply with its obligations, the defaulting party shall indemnify the non-defaulting party for direct losses incurred; and
- The term of the Agreement commences from 1 January 2012 and ends on 31 December 2012.

Annual Cap

Total purchase amount from HHNEC is US\$43,000 in 2011. The annual cap for the year ending 31 December 2012 of not exceeding US\$1,000,000 has been estimated with reference to the purchasing price of and demand for the foundry service in 2012.

Reasons For and Benefits Of the Agreement

HHNEC is one of Mainland China's leaders in the field of IC foundry service, and is dedicated to IC manufacturing. The Group has been using the IC foundry service from HHNEC since late 2010, and considers the foundry service fit its technology development in a cost-effective manner.

LISTING RULES IMPLICATIONS AND APPROVAL

The Company understands that 中國電子信息產業集團有限公司 (China Electronic Corporation**) ("CEC"), the 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 is holding 47.08% of HUAHONG Group and HHNEC is an indirect subsidiary of HUAHONG Group.

HHNEC is therefore an associate of CEC and a connected person of the Company. Accordingly, the purchase transactions of IC foundry service between SSL and HHNEC constitute a continuing connected transaction 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 Transaction are more than 0.1% and all of the relevant percentage ratios are less than 5%, the Transaction is subject to the reporting and announcement requirement but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Transaction was entered into in the ordinary and usual course of business of the Group. The terms and conditions of the Agreement were determined after arm's length negotiations between HHNEC and SSL and the Independent Non-executive Directors ("INED") consider the terms and conditions of the Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole. The INED approved the Agreement with no member abstaining for the reason of having a material interest in the transaction thereunder.

MORE INFORMATION ON THE CONNECTED PARTY

HHNEC is one of Mainland China's leaders in the field of IC foundry service, and is dedicated to IC manufacturing. HHNEC is an indirect subsidiary of HUAHONG Group.

HUAHONG Group is an IC industry group. Its core business is IC manufacturing, covering IC system integration and application services, IC manufacturing process R&D, IC design, electronic components trade and overseas risk investment. HUAHONG Group is a subsidiary of CEC.

INFORMATION ON SSL AND THE GROUP

SSL and the Group are principally engaged in the design, development and sales of proprietary IC and system solutions that enable a wide range of display applications for smartphones, smart TVs, smart projectors and other smart devices including consumer electronics products, portable devices, industrial appliances and green energy applications such as LED lighting.

TERMS USED IN THIS ANNOUNCEMENT

Unless the context otherwise requires, the terms used in this announcement shall have the meanings set out below:

“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 person”	has the same meaning as ascribed to it under the Listing Rules
“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
“IC”	integrated circuits
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“HHNEC”	上海華虹 NEC 電子有限公司 (Shanghai Hua Hong NEC Electronics Co., Ltd.**), a company established in the PRC
“HUAHONG Group”	上海華虹（集團）有限公司 (Shanghai Hua Hong Group Co., Ltd.**), a PRC State-owned enterprise
“PRC”	the People’s Republic of China
“SSL”	Solomon Systech Limited, a company incorporated in Hong Kong, is the major wholly-owned operating subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	the United States Dollars, the lawful currency of the United States of America

*** for identification purpose only*

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

Hong Kong, 10 July 2012

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.