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SOLOMON SYSTECH (INTERNATIONAL) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2878)

CONTINUING CONNECTED TRANSACTION

INTRODUCTION

Reference is made to the announcement on 2 March 2012 in relation to the existing continuing connected transaction in respect of the sales of products and related services by SSL to Panda-LCD in 2012. To meet the needs of its growing business, Panda-LCD plans to place more orders to the Group and thus, the Annual Cap for 2012 as stated in the Master Agreement has to be increased.

The Board of Solomon Systech (International) Limited is pleased to announce that the Company has entered into a Supplementary Master Agreement with Panda-LCD to (a) increase the 2012 Annual Cap to US\$9 million and (b) extend the term of the Master Agreement for two years to cover years 2013 and 2014, with Annual Caps of US\$18 million and US\$28 million, respectively. Save as set out herein, other material terms and conditions under the Master Agreement shall remain effective and unchanged.

The CCT is conditional upon the Independent Shareholders' approval at the EGM to be convened. Details of the Agreement are set out below.

DETAILS OF THE TRANSACTION

Date

The Company signed the Agreement on 30 August 2012.

Parties

Panda-LCD and the Company.

Nature of transaction

The sales of products by the Group to Panda-LCD.

Principal Terms and Conditions

- Starting on 1 January 2012 and ending on 31 December 2014, subject to the approval by the Independent Shareholders;
- SSL shall supply products to Panda-LCD at market price. The prices for the said products shall be determined fairly in accordance with costs, resources and technology with reference to market practice and price; while Panda-LCD shall purchase products of SSL at prevailing market prices, being prices no less favorable than those offered by an independent third party for similar products having taken into account the technology and quality of the products;
- Payments for the products ordered shall be made within such time and in such manner in accordance with normal market practice; and
- Each party shall exercise its rights and comply with its obligations as stipulated in the Master Agreement, Agreement, relevant purchase orders or other related contracts. Should either party fail to comply with its obligations, the defaulting party shall indemnify the non-defaulting party for losses incurred.

Annual Caps

The Annual Cap for the year ending 31 December 2012 shall be increased from US\$3,500,000 to US\$9,000,000. The Annual Caps proposed for years 2013 and 2014 are US\$18,000,000 and US\$28,000,000, respectively^(note). All Annual Caps are estimated with reference to the existing selling price of the products, possible price erosion of such products as well as the expected demand for the products.

Only sample products were sold to Panda-LCD in 2011. The unaudited sales amount to Panda-LCD for the six months ended 30 June 2012 was US\$1,885,000.

Note: The Annual Caps should not be construed as an assurance or forecast by the Company of the future revenues of the Group.

Reasons for and benefits of the Agreement

The Agreement has further strengthened the business relationship of the Group and Panda-LCD. Through the Agreement, Panda-LCD has recognised the Group as a reliable supplier of competitive products to meet the needs of its growing business, and also as a potential supplier for its other products; while the Group can receive increased sales revenue and also enrich its customer portfolio with the addition of a high volume customer.

Accordingly, the Directors (excluding the independent non-executive Directors) consider that it is in the interest of the Group to increase the 2012 Annual Cap so as to continue to conduct the CCT and to extend the Master Agreement to cover years 2013 and 2014 with the respective increased Annual Caps and that the terms of the Agreement is fair and reasonable and in the interest of the Company and the Shareholders as a whole. The independent non-executive Directors will express their views on the CCT after considering the advice from IFA.

The CCT was approved by the Board on 30 August 2012 with Messrs. Lai Weide, Li Xiaochun and Zhao Guiwu, who are directors or officers of CEC Group, abstaining from voting on the relevant resolutions.

LISTING RULES IMPLICATIONS AND APPROVAL

The Company understands that 中國電子信息產業集團有限公司 (China Electronics 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:

- (i) 19% of Panda-LCD; and
- (ii) 51% of Panda-LCD through NEIIC, a subsidiary of CEC.

Panda-LCD is therefore an associate of CEC and a connected person of the Company. Accordingly, the sales transaction between the Group and Panda-LCD constitutes a continuing connected transaction under Chapter 14A of the Listing Rules.

As the applicable percentage ratios for the transaction under the Agreement exceed 5% (the 2012 Annual Cap) and 25% (the 2013 and 2014 Annual Caps) and HK\$10,000,000 (all Annual Caps), the CCT is subject to the reporting, annual review, announcement and Independent Shareholders’ approval requirements pursuant to Chapter 14A of the Listing Rules.

CEC and its associates will be required to abstain from voting at the EGM on the resolutions to be proposed in relation to the CCT.

GENERAL

An Independent Board Committee will be established to advise the Independent Shareholders in respect of the CCT. Guangdong Securities Limited has been appointed as the IFA for the purpose of advising the Independent Board Committee and the Independent Shareholders on the CCT.

A circular containing, among other things, (a) further details of the Annual Caps and the CCT; (b) a letter from IFA to the Independent Board Committee and the Independent Shareholders containing its advice on the CCT; (c) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the CCT and (d) a notice of the EGM, will be dispatched to the Shareholders no later than 15 business days after the publication of this announcement in accordance with the relevant requirements of the Listing Rules.

MORE INFORMATION ON THE CONNECTED PARTY

Panda-LCD is principally engaged in the manufacturing of LTFT-LCD panels and modules. Its major products include panels and modules for LCD monitors and televisions. Panda-LCD is a subsidiary of NEIIC.

NEIIC is a state-owned electronics group. Its business portfolio covers electronic equipment, electronic components, consumer electronics (LCD) and modern service industry. NEIIC 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, industrial appliances and green energy applications such as LED lighting.

TERMS USED IN THIS ANNOUNCEMENT

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

“Agreement”	the Supplementary Master Agreement signed on 30 August 2012
“Annual Cap(s)”	the proposed annual caps of the CCT applicable to years 2012, 2013 and 2014 respectively
“Board”	the board of Directors
“CCT”	the continuing connected transaction under the Master Agreement as amended and supplemented by the Agreement, details of which are set out in the section headed “Details of the transaction” in this announcement
“CEC”	China Electronic Corporation, a state-owned information technology conglomerate under the administration of the central government of the PRC, a substantial shareholder of the Company
“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
“Director(s)”	director(s) of the Company (including independent non-executive directors)
“EGM”	the extraordinary general meeting of the Company to be convened for the approval of, inter alia, the Agreement
“Group”	the Company and its subsidiaries
“Hong Kong” / “HK”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	HK dollars, the lawful currency of HK
“IFA”	Guangdong Securities Limited, a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the Hong Kong Securities and Futures Ordinance and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the CCT
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely Messrs. Sun, Patrick, Choy Kwok Hung, Patrick, Wong Yuet Leung, Frankie and Yiu Tin Chong, Joseph.
“Independent Shareholders”	Shareholders other than CEC, NEIIC, Panda-LCD and their associates

“LCD”	liquid crystal display
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“LTFT”	Large thin film transistor
“Master Agreement”	the Master Agreement signed by the Company on 2 March 2012 in relation to the sales of products to Panda-LCD for 2012
“Panda-LCD”	南京中電熊貓液晶顯示科技有限公司 (Nanjing CEC Panda LCD Technology Co., Ltd.**), a company established in the PRC
“NEIC”	南京中電熊貓信息產業集團有限公司 (Nanjing Electronics Information Industrial Corporation**), a PRC state-owned enterprise
“PRC”	the People’s Republic of China
“Shareholder(s)”	holder(s) of the shares(s) of the Company
“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, 30 August 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.