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SOLOMON SYSTECH (INTERNATIONAL) LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 2878)

CONNECTED TRANSACTION And CONTINUING CONNECTED TRANSACTION

INTRODUCTION

The Board of Solomon Systech (International) Limited is pleased to announce that Solomon Systech (Shenzhen) Limited, an indirect wholly owned subsidiary of the Company, has entered into the following agreements with Shanghai Belling Corp., Ltd **::

- (a) a technical service agreement in connection with the provision of technical services on driver ICs, and
- (b) an IC supply agreement in relation to the sales of IC products to Belling.

DETAILS OF THE TECHNICAL SERVICE AGREEMENT

Date

24 October 2012

Parties

Belling and SSL-sz

Technical Service and Consideration

- SSL-sz, the indirect wholly owned subsidiary of the Company, shall provide technical services to Belling for a gate driver IC and a source driver IC applicable to large TFT;
- The total consideration amounting to CNY1,638,000 (approximately HK\$2,012,000) is payable by two installments: (a) CNY1,172,000 (approximately HK\$1,440,000) within one week upon the signing of the Technical Service Agreement; and (b) the balance of CNY466,000 (approximately HK\$572,000) upon the delivery of IC sample and technical documents estimated to be 150 days after the receipt of the first installment;
- The Consideration has been determined fairly in accordance with costs, resources and technology; and
- The Technical Service Agreement shall be valid for a period of 6 months commencing from the date of signing.

Reasons for and Benefits of the Technical Service Agreement

The Technical Service Agreement enhances relationship building between Belling and the Group, laying a foundation for future co-operation and partnership between the two companies. It also facilitates technical exchange and contributes to the production of competitive large TFT display IC products to capture market opportunities.

Approval

The Consideration was determined after arm's length negotiations between the Group and Belling and the Directors (including the independent non-executive Directors) consider the terms and conditions of the Technical Service Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

DETAILS OF THE IC SUPPLY AGREEMENT

Date

24 October 2012

Parties

Belling and the SSL-sz

Principal Terms and Conditions

- SSL-sz, the indirect wholly owned subsidiary of the Company, shall supply IC products to Belling 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; and
- Payments to be made for the products ordered shall be made within such time and in such manner in accordance with normal market practice.

Annual Cap

No products were sold to Belling by the Company in 2011. The annual cap for the year ending 31 December 2012 of not exceeding CNY8,320,000 (approximately HK\$10,221,000) ^(note) has been estimated with reference to the selling price of and demand for the products in 2012.

Note: The annual cap 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 Supply Agreement

Through the Supply Agreement, the Group can enrich its customer portfolio with a new customer, and further strengthen its positioning in PRC's IC market which enhances market outreach.

Approval

The Supply Agreement was entered into in the ordinary and usual course of business of the Group. The terms and conditions of the Supply Agreement were determined after arm's length negotiations between the Group and Belling and the 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.

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**), the substantial shareholder of the Company, is a state-owned information technology conglomerate directly under the administration of the central government of the PRC.

CEC controls the composition of a majority of the board of directors and also directly holds 27.81% of the issued share capital of Belling. Belling is therefore an associate of CEC and a connected person of the Company. Accordingly, the technical service transaction and the IC supply transaction between the Group and Belling constitute respectively a connected transaction and 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 Transactions are more than 0.1% and all of the relevant percentage ratios are less than 5%, the Transactions are subject to the reporting and announcement requirement but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

MORE INFORMATION ON THE CONNECTED PARTY

Belling is a company in the microelectronics industry of PRC that is listed in the Shanghai Stock Exchange (SSE Code: 600171) and is dedicated to IC design, development and manufacturing of its own products.

INFORMATION ON SSL-sz AND THE GROUP

SSL-sz 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, terms used in this announcement shall have the meanings set out below:

“Belling”	上海貝嶺股份有限公司 (Shanghai Belling Corp., Ltd.**), a company established in the PRC and whose shares are listed and traded on the Shanghai Stock Exchange
“Board”	the board of Directors
“CEC”	China Electronic Corporation** (中國電子信息產業集團有限公司), the substantial shareholder of the Company, is a state-owned information technology conglomerate directly under the administration of the central government of the PRC
“CNY”	Chinese Yuan or Renminbi, the lawful currency of PRC
“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)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“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
“PRC”	the People’s Republic of China
“SSL-sz”	Solomon Systech (Shenzhen) Limited, a company incorporated in PRC, is an indirect wholly-owned subsidiary of the Company
“SSE”	Shanghai Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supply Agreement”	the IC supply agreement signed between the Group and Belling on 24 October 2012
“Technical Service Agreement”	the technical service agreement signed between the Group and Belling signed on 24 October 2012
“Transactions”	the aggregate transactions pursuant to the Technical Service Agreement and the Supply Agreement

*** for identification purpose only*

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

Hong Kong, 24 October 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 Tin-chong, Joseph.