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## **SOLOMON SYSTECH (INTERNATIONAL) LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock code: 2878)

### **RENEWAL OF CONTINUING CONNECTED TRANSACTION**

#### **INTRODUCTION**

Reference is made to the announcement of the Company dated 30 August 2012 in relation to the Existing Transactions under the Existing Agreement in respect of the sales of the Products by the Group to Panda-LCD covering years 2013 and 2014. The Existing Agreement will expire on 31 December 2014. The Board is pleased to announce that the Company has entered into the Renewed Agreement with Panda-LCD to cover continuing connected transactions for years 2015 to 2017, with annual caps of US\$16 million, US\$18 million and US\$20 million, respectively.

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

#### **DETAILS OF THE CCT**

##### **Date**

1 September 2014

##### **Parties**

Panda-LCD and the Company.

##### **Nature of transaction**

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

##### **Principal terms and conditions**

- Starting on 1 January 2015 and ending on 31 December 2017, subject to the approval by the Independent Shareholders;
- The Group shall supply the Products to Panda-LCD at market price. The prices for the Products shall be determined fairly in accordance with costs, resources and technology with reference to market practices and prices; while Panda-LCD shall purchase the Products of the Group at prevailing market prices, being comparable prices 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 by telegraphic transfers through bank within such time and in such manner in accordance with normal market practices; and
- Each party shall exercise its rights and comply with its obligations as stipulated in the Renewed Agreement, relevant purchase orders or other related contracts.

The prices of the Products will effectively be determined by an arm's length negotiation with the relevant purchaser considering the technology and quality of the Products and the volume of Products to be purchased. The Group regularly reviews, monitors and benchmarks with industry the gross profit margin in respect of the sale of the Products. The Board considers that the said methods and procedures can ensure that the engagement be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders.

### Annual Caps

The Annual Caps proposed for years 2015, 2016 and 2017 are US\$16 million, US\$18 million and US\$20 million, respectively <sup>(note)</sup>. All the Annual Caps are estimated with reference to the existing selling prices of the Products, possible price erosion of such Products as well as the expected demand for the Products.

The actual sales amount to Panda-LCD by the Group under the Existing Agreement were as follows:

<b>For the six months ended 30 June 2014</b>	<b>For the year ended 31 December 2013</b>	<b>For the year ended 31 December 2012</b>
(unaudited)	(audited)	(audited)
<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
2,872	4,250	7,742

The annual sales for 2014 will be within the annual cap under the Existing Agreement for the year ending 31 December 2014. The annual caps applicable for the years 2012, 2013 and 2014 were US\$9 million, US\$18 million and US\$28 million respectively.

*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 Renewed Agreement

The Existing Agreement has strengthened the business relationship between the Group and Panda-LCD. Through the Existing Agreement, Panda-LCD has recognised the Group as a reliable supplier of competitive products to meet the needs of its business; while the Group has gained a high volume customer and enhanced the business development of its LTFT-LCD driver ICs.

Accordingly, the Directors (excluding the Independent Non-executive Directors) consider that it is in the interests of the Group to enter into the Renewed Agreement to cover years 2015 to 2017 with the respective Annual Caps, and that the terms of the Agreement are fair and reasonable and in the interests 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 Gram Capital.

The CCT was approved by the Board on 1 September 2014, with Messrs. Lai Weide, Li Xiaochun and Zhao Guiwu, who are directors or officers of CEC group, abstaining from voting on the relevant resolutions of the Board.

## **LISTING RULES IMPLICATIONS AND APPROVAL**

The Company understands that CEC, a substantial shareholder and connected person 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) 21.14% of Panda-LCD directly; and
- (ii) 49.66% 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 pursuant to the Renewed Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios for the transaction under the Renewed Agreement exceed 5% and HK\$10 million, 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. Gram Capital Limited has been appointed as the Independent Financial Adviser 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 Gram Capital 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.

## **INFORMATION ON THE CONNECTED PARTIES**

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.

NEIIC is a state-owned electronics group. Its business portfolio covers electronic equipment, electronic components, consumer electronics and modern service industry. NEIIC is a subsidiary of CEC.

## **INFORMATION ON THE GROUP**

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

## **TERMS USED IN THIS ANNOUNCEMENT**

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

“Annual Cap(s)”	the proposed annual caps of the CCT applicable to years 2015, 2016 and 2017 respectively
“associates”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“CCT”	the continuing connected transaction under the Renewed Agreement, details of which are set out in the section headed “Details of the CCT” in this announcement
“CEC”	中國電子信息產業集團有限公司(China Electronics 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” / “Extraordinary General Meeting”	the extraordinary general meeting of the Company to be convened for the approval of, inter alia, the Renewed Agreement and the CCT
“Existing Agreement”	the master agreement dated 2 March 2012 (as supplemented by a supplemental agreement dated 30 August 2012) entered into between the Company and Panda-LCD, details of which are set out in the Company’s announcement dated 30 August 2012 and the circular dated 18 September 2012
“Existing Transactions”	the CCT of the Group with Panda-LCD as contemplated under the Existing Agreement
“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the CCT
“Group”	the Company and its subsidiaries
“HK” / “Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	HK dollars, the lawful currency of HK
“IC”	Integrated circuits
“Independent Board Committee”	an independent committee of the Board comprising all Independent Non-executive Directors, namely Messrs. Sun, Patrick, Choy Kwok Hung, Patrick 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

“LTFT”	large thin film transistor
“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
“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
“PRC”	the People’s Republic of China
“Products”	LTFT-LCD driver ICs
“Renewed Agreement”	the agreement dated 1 September 2014 entered into between the Company and Panda-LCD for the CCT
“SFO”	Securities Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the shares(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the same meaning as ascribed to it under the Listing Rules
“US\$”	the United States Dollars, the lawful currency of the United States of America

\*\* for identification purposes only

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

Hong Kong, 1 September 2014

*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 - 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 and Mr. YIU Tin Chong, Joseph.*