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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Solomon Systech (International) Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other registered dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**SOLOMON  
SYSTECH**

**SOLOMON SYSTECH (INTERNATIONAL) LIMITED**

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

**(Stock Code: 2878)**

**RENEWAL OF CONTINUING CONNECTED TRANSACTION WITH  
NANJING CEC PANDA LCD TECHNOLOGY CO., LTD.<sup>#</sup>  
(南京中電熊貓液晶顯示科技有限公司),  
ELECTION OF DIRECTORS  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

*Independent Financial Adviser to  
the Independent Board Committee  
and the Independent Shareholders of the Company*



**Gram Capital Limited**  
**嘉林資本有限公司**

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A letter from the Board is set out on pages 4 to 11 of this circular and a letter from the Independent Board Committee is set out on pages 12 to 13 of this circular.

A letter from Gram Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 22 of this circular.

A notice convening an Extraordinary General Meeting of Solomon Systech (International) Limited (the "Company") to be held at 3:30 p.m. on Wednesday, 8 October 2014 at 29A, Admiralty Centre I, 18 Harcourt Road, Admiralty, Hong Kong is set out on pages 34 to 35 of this circular. In the event you are not able to attend the Extraordinary General Meeting, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the Extraordinary General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Extraordinary General Meeting or any adjourned meeting thereof should you so wish.

19 September 2014

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## TABLE OF CONTENTS

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	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	4
I. Introduction .....	4
II. Continuing Connected Transaction .....	5
III. Election of Directors .....	9
IV. Extraordinary General Meeting and Proxy arrangement .....	9
V. Responsibility Statement .....	10
VI. Recommendations .....	10
VII. General Information .....	11
<b>Letter from the Independent Board Committee</b> .....	12
<b>Letter from Independent Financial Adviser</b> .....	14
<b>Appendix A — General Information</b> .....	23
<b>Appendix B — Details of persons proposed for election as Directors at EGM</b> .....	27
<b>Notice of Extraordinary General Meeting</b> .....	34

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## DEFINITIONS

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*In this circular, unless the context requires otherwise, the expressions as stated below will have the following meanings:*

“Annual Cap(s)”	the proposed annual caps of the CCT applicable to years 2015, 2016 and 2017 respectively
“applicable percentage ratio(s)”	has the same meaning as ascribed to it under the Listing Rules
“Articles of Association”	the articles of association of the Company
“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 “Continuing Connected Transaction” of the Letter from the Board in this circular
“CEC”	中國電子信息產業集團有限公司 (China Electronics Corporation <sup>#</sup> ), 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 the Cayman Islands with limited liability and whose shares are listed and traded on the main board of the Stock Exchange
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM” / “Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held on Wednesday, 8 October 2014 at 3:30 p.m. at 29A, Admiralty Centre I, 18 Harcourt Road, Admiralty, Hong Kong or any adjournment thereof, to consider and, if appropriate, to approve the resolutions contained in the notice of the meeting which is set out on pages 34 to 35 of this circular
“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

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## DEFINITIONS

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“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
“IBC” / “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
“IC”	integrated circuits
“Independent Shareholders”	Shareholders other than CEC, NEIC, Panda-LCD and their associates
“Latest Practicable Date”	16 September 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“LCD”	liquid crystal display
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LTFT”	large thin film transistor
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers
“NEIC”	南京中電熊貓信息產業集團有限公司 (Nanjing Electronics Information Industrial Corporation <sup>#</sup> ), 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. <sup>#</sup> ), a company established in the PRC

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## DEFINITIONS

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“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)
“Shares”	Shares of the Company which are ordinary shares of HK\$0.10 each in the share capital of the Company
“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
“TFT”	thin film transistor
“US\$”	the United States Dollars, the lawful currency of the United States of America

*# for identification purpose only*

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## LETTER FROM THE BOARD

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**SOLOMON  
SYSTECH**

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

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

**(Stock Code: 2878)**

***Directors:***

Leung Kwong Wai (*Managing Director*)  
Lai Woon Ching  
Li Xiaochun\*  
Lai Weide\*  
Zhao Guiwu\*  
Sun, Patrick\*\* (*Chairman*)  
Choy Kwok Hung, Patrick\*\*  
Yiu Tin Chong, Joseph\*\*

\* *Non-Executive Directors*

\*\* *Independent Non-Executive Directors*

***Registered office:***

P.O. Box 309  
Ugland House  
Grand Cayman  
KY1-1104  
Cayman Islands

***Principal place of business***

***in Hong Kong:***

6/F, No.3, Science Park East Avenue  
Hong Kong Science Park  
Shatin, New Territories  
Hong Kong

19 September 2014

*To the Shareholders*

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTION WITH  
NANJING CEC PANDA LCD TECHNOLOGY CO., LTD.<sup>#</sup>  
(南京中電熊貓液晶顯示科技有限公司),  
ELECTION OF DIRECTORS  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**I. INTRODUCTION**

Reference is made to the announcement of the Company dated 1 September 2014 in relation to the Renewed Agreement with Panda-LCD to cover continuing connected transactions for years 2015 to 2017. In addition, the Board also recommended five persons for election as Directors by the Shareholders at the EGM.

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## LETTER FROM THE BOARD

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The purpose of this circular is to give the Shareholders the notice of EGM and to provide Shareholders with information in respect of the resolutions to be proposed at the EGM and other information required by the Listing Rules in respect of the CCT and the persons proposed to be elected as Directors.

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

### II. CONTINUING CONNECTED TRANSACTION

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 NEIC, 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. Messrs. Lai Weide, Li Xiaochun and Zhao Guiwu are Non-executive Directors of the Company who hold offices in CEC group, as disclosed in this circular.

On 1 September 2014, the Company 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. As all of the applicable percentage ratios for the transactions 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.

#### Details of the Renewed Agreement

Date of Renewed Agreement	1 September 2014.
Parties	Panda-LCD and the Company.
Nature of transaction	The sales of the Products by the Group to Panda-LCD.
Term	Starting on 1 January 2015 and ending on 31 December 2017, subject to the approval by the Independent Shareholders.

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## LETTER FROM THE BOARD

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### Pricing Basis and Policy

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.

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 Products sold by the Group consist of different types of driver IC, namely, gate (row) driver IC and source (column) driver IC, with different applications (e.g. television or monitors) for different sizes of display (e.g. 31.5", 18.5", 21.5", etc.) and different resolutions (HD, FHD, etc.), each with a different engineering specification and bill-of-material, and accordingly, different production cost and sale price. For example, the price of source driver IC, which requires a higher technology, is in general higher than that of gate driver IC. The Group also gathers information of the general industrial gross margin of the Products in the market and the operation team of the Company would mark up the cost of the Products with reference to the industrial gross margin and negotiate with the relevant buyer on the same, having taken into account the volume of the order.

In order to ensure that the prices of the Products are in line with the market price, the sales team and marketing team of the Group would regularly gather market intelligence by way of research and investigation to ascertain the quality of the Products compared to similar products in the market and the reference price of each type of the Products in the market. The Group regularly reviews, monitors and benchmarks with industry the gross profit margin in respect of the sale of the Products. The Company also conducts monthly and quarterly reviews of the profit and loss of the Products. The Group would also send sales engineers on-site to work closely with the buyer with a view to obtaining information on the demand and inventory situation of the buyer and reporting the same to the Company. The Company would then adjust or negotiate the prices of the products as and when necessary to ensure price fairness.



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## LETTER FROM THE BOARD

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### Payment Terms

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.

### Annual Caps and Actual Sales Figures

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, having taken into account the orders received and expected to be received from Panda-LCD from September to November 2014 as well as the Group's estimated percentage share of Panda-LCD's total supply of related products in the market. Further, the Group has recently commenced the business of the sale of a new category of Products (namely, IC for monitors), which is expected to increase the transaction amount of the CCT. The TFT driver IC for 18.5" HD monitors has started mass production in the late second quarter of 2014; whilst that for the 21.5" FHD monitors is expected to start soon.

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 (unaudited) US\$'000</b>	<b>For the year ended 31 December 2013 (audited) US\$'000</b>	<b>For the year ended 31 December 2012 (audited) US\$'000</b>
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.

### Others

Each party shall exercise its rights and comply with its obligations as stipulated in the Renewed Agreement, relevant purchase orders or other related contracts.

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## LETTER FROM THE BOARD

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### More about the Annual Caps

The CCT Products supplied by the Group to Panda-LCD since March 2012 have proven to have met all the customer satisfaction requirements of Panda-LCD. The proposed 2015, 2016 and 2017 Annual Caps are prepared by extending the latest purchase indication from Panda-LCD to the Group for the CCT Products. Assumptions used include:

- the Group can maintain and/or increase the competitiveness of the CCT Products;
- Panda-LCD is able to keep its demand momentum for the CCT Products pursuant to the new purchase indication from Panda-LCD to the Group for the CCT Products in August 2014 that covers the rest of 2014, such that the demand momentum for the CCT Products will extend to 2015, 2016 and 2017. If the products of Panda-LCD are less competitive than expected, its demand for the Products and thus the transaction amount of the CCT will be affected;
- the current demand growth plan of Panda-LCD based on the sales forecast of its products can be realized;
- Panda-LCD will purchase certain new CCT Products pursuant to the Group's product roadmap and product portfolio;
- the current and the expected percentage of the Group's share in Panda-LCD's total supply of the related products in the market can be achieved; and
- the upside business opportunities anticipated for Panda-LCD and the Group can be realized.

### 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 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.

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## LETTER FROM THE BOARD

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### **Listing Rule implication**

An Independent Board Committee has been 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.

The views of the Independent Board Committee on the CCT after considering the advice from Gram Capital as the Independent Financial Adviser are set out in the Letter from Independent Board Committee on pages 12 to 13.

### **Information on the parties is as follows:**

**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.

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

**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.

### **III. ELECTION OF DIRECTORS**

In accordance with Article 116 of the Articles of Association, the Nomination Committee of the Company and the Board recommended the election of Mr. Leung Heung Ying and Mr. Sheu Wei Fu as the independent non-executive Directors; Dr. Li Jun and Mr. Li Rongxin as the non-executive Directors; and Mr. Cheung Wai Kuen, Kenny as executive Director at the EGM.

Details of the persons proposed to be elected as the Directors at the EGM are set out in Appendix B to this circular.

### **IV. EXTRAORDINARY GENERAL MEETING AND PROXY ARRANGEMENT**

The notice of the Extraordinary General Meeting is set out on pages 34 to 35 of this circular. At the Extraordinary General Meeting, resolutions will be proposed to approve, inter alia, the CCT and the election of 5 persons as the directors of the Company.

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## LETTER FROM THE BOARD

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CEC, NEIIC, Panda-LCD and their associates will be required to abstain from voting at the EGM on the resolution to be proposed in relation to the CCT. To the best knowledge of the Company, as at the Latest Practicable Date, China Electronics Corporation, the substantial shareholder of the Company, was interested in 706,066,000 Shares, representing approximately 28.7% of the total issued share capital of the Company. The Shares held by CEC and associates will abstain from voting on the resolution to be proposed in relation to the CCT.

Pursuant to the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. An announcement on the poll results will be published on the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.solomon-systech.com](http://www.solomon-systech.com)) after the Extraordinary General Meeting in the manner prescribed under Rule 13.39(5) of the Listing Rules.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.solomon-systech.com](http://www.solomon-systech.com)). To be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or authority, at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the Extraordinary General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting thereof should you so wish.

### **V. RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

### **VI. RECOMMENDATIONS**

The Directors are of the opinion that the CCT and the proposed election of the Directors are all in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend all Independent Shareholders and Shareholders (as the case may be) to vote in favour of all the resolutions to be proposed at the EGM.

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## LETTER FROM THE BOARD

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### VII. GENERAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendix A (General Information) and Appendix B (Details of persons proposed to be elected as the Directors at EGM) on pages 23 to 33.

Yours faithfully,  
For and on behalf of  
**Solomon Systech (International) Limited**  
**Leung Kwong Wai**  
*Managing Director*

*# for identification purpose only*

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## LETTER FROM INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter of recommendation from the Independent Board Committee to the Independent Shareholders which has been prepared for the purpose of inclusion in this circular.*



**SOLOMON  
SYSTECH**

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

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

**(Stock Code: 2878)**

19 September 2014

*To the Independent Shareholders*

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTION WITH  
NANJING CEC PANDA LCD TECHNOLOGY CO., LTD.#**  
(南京中電熊貓液晶顯示科技有限公司)

We have been appointed as members of the Independent Board Committee to advise you in connection with the CCT in relation to the Renewed Agreement with Panda-LCD for three years from 2015 to 2017 with Annual Caps of US\$16 million, US\$18 million and US\$20 million, respectively, details of which are set out in the letter from the Board contained in the circular dated 19 September 2014 issued by the Company to the Shareholders (the “Circular”), of which this letter forms part.

We are aware of that Mr. Graham Lam, under his previous employment, was the person signing off the opinion letter from the independent financial adviser contained in the circular dated 18 September 2012 in respect of a continuing connected transaction for the Company. Notwithstanding the aforesaid past engagement, as at the Latest Practicable Date, we were not aware of any relationships or interests between the Company and Gram Capital or any other parties that could be reasonably regarded as hindrance to Gram Capital’s independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the CCT.

Unless specified otherwise, the capitalized terms used herein shall have the same meanings as those defined in the Circular.

# for identification purpose only

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## LETTER FROM INDEPENDENT BOARD COMMITTEE

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Having considered the advice of Gram Capital Limited and the principal factors and reasons taken into consideration by it in arriving at its advice as set out on pages 14 to 22 of the Circular, we are of the opinion that the terms of the Renewed Agreement (including the Annual Caps) are on normal commercial terms and are fair and reasonable and that the CCT is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to approve the Renewed Agreement (including the Annual Caps) and transactions contemplated thereunder proposed at the EGM.

Yours faithfully,

For and on behalf of

**Independent Board Committee**

**Sun, Patrick**

*Independent Non-executive Directors*

**Choy Kwok Hung, Patrick**

**Yiu Tin Chong, Joseph**

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Renewed Agreement and the transactions contemplated thereunder (including the Annual Caps) for the purpose of inclusion in this circular.*



Room 1209, 12/F.  
Nan Fung Tower  
173 Des Voeux Road Central  
Hong Kong

19 September 2014

*To: The independent board committee and the independent shareholders of  
Solomon Systech (International) Limited*

Dear Sirs,

### RENEWAL OF CONTINUING CONNECTED TRANSACTION

#### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Renewed Agreement and the transactions contemplated thereunder (including the Annual Caps), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 19 September 2014 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

As the current term of the Existing Agreement will expire on 31 December 2014 and the Company intends to continue its business relationship with Panda-LCD, the Company has on 1 September 2014 entered into the Renewed Agreement to renew the terms and conditions of the CCT, pursuant to which the Company shall supply the Products to Panda-LCD for the period from 1 January 2015 to 31 December 2017.

According to the Board Letter, the CCT under the Renewed Agreement constitutes a continuing connected transaction for the Company pursuant to Chapter 14A of the Listing Rules and is subject to the reporting, announcement, annual review and independent shareholders’ approval requirements under the Listing Rules.

The Independent Board Committee comprising Mr. Sun, Patrick, Mr. Choy Kwok Hung, Patrick and Mr. Yiu Tin Chong, Joseph (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Renewed Agreement (including the Annual Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the CCT is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Renewed Agreement and the transactions contemplated thereunder (including the Annual Caps) at the Extraordinary General Meeting. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### OUR INDEPENDENCE

Mr. Graham Lam, under his previous employment, was the person signing off the opinion letter from the independent financial adviser contained in the circular dated 18 September 2012 in respect of a continuing connected transaction for the Company. Notwithstanding the aforesaid past engagement, as at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the CCT.

Besides that, apart from the advisory fee and expenses payable to us in connection with our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

### BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the CCT. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Panda-LCD or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the CCT. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Gram Capital is to ensure that such information has been correctly extracted from the relevant sources.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the CCT, we have taken into consideration the following principal factors and reasons:

#### **1. Background of and reasons for the CCT**

##### **Business overview of the Group**

With reference to the Board Letter, 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Set out below are the consolidated financial results of the Group for the six months ended 30 June 2014 as extracted from the Company's interim results announcement for the six months ended 30 June 2014 (the "2014 Interim Results Announcement") and the two years ended 31 December 2013 as extracted from the Company's annual report for the year ended 31 December 2013 (the "2013 Annual Report"):

	<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>
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Turnover	27,250	55,150	65,123
Profit/(loss) for the period/year	(1,465)	1,334	(1,370)

For the year ended 31 December 2013, the total turnover of the Group amounted to approximately US\$55.2 million, representing a decline of approximately 15.3% as compared to the prior year. According to the 2013 Annual Report, total unit shipments of the Group's products decreased by around 12% from approximately 102.7 million units in 2012 to approximately 90.5 million units in 2013. The decrease was mainly due to inventory adjustment in the display panel market and also the volatile market conditions in the second half of 2013 causing customer driven schedule delays and low quantity orders for some of the products. As referred to the 2014 Interim Results Announcement, the Group's sales and shipment units continued to decline during the six months ended 30 June 2014 as a result of the volatile demand fluctuations of some of the Group's key customers and market segments as well as the challenging economic and market conditions in the first quarter of 2014.

As advised by the Directors, looking forward, the Group will continue to keep a close watch on the market and focus on high-growth, high-volume smart applications. In addition, the Group will continue to extend the application portfolio of its products to increase revenue sources, and to further strengthen its design engineering and marketing capabilities to enhance the quality and speed of new product development.

### Information on Panda-LCD

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.

### Reasons for the CCT

As referred to in the Board Letter, 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As mentioned above, the Group's sales and shipment units continued to decline during the first quarter of 2014. Nonetheless, we were advised by the Directors that Panda-LCD intends to increase its sales order for the Group's Products from 2015 to 2017 as the competitive and reliable quality products of the Group could meet the business needs of Panda-LCD and the Group has proven record of on-time delivery in the past few years. We were also advised by the Directors that Panda-LCD has been one of the largest customers contributing approximately 8% of the total sales of the Group for the year ended 31 December 2013.

In view of all of the above, we concur with the Directors that the CCT could provide a stable source of revenue to the Group and the entering into of the Renewed Agreement is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group.

### 2. Principal terms of the Renewed Agreement

The principal terms of the Renewed Agreement are as follows:

#### **Date**

1 September 2014

#### **Parties**

Panda-LCD and the Company

#### **Nature of transaction**

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

#### **Term**

Starting on 1 January 2015 and ending on 31 December 2017, subject to the approval by the Independent Shareholders.

#### **Payment terms**

Payment 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.

#### **Pricing basis**

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. Prices of the Products will effectively

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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be determined by an arm's length negotiation with the relevant purchaser considering the technology and quality of the Products and volume of the Products to be purchased.

Upon our request, we have been provided with several invoices of 2014 for identical Products which the Group sold to both Panda-LCD and independent third parties (the “**Invoices**”). We noted from the Invoices which were selected on a random basis that prices of the identical Products provided to Panda-LCD and independent third parties were largely comparable. As further disclosed in the Board Letter and confirmed by the Directors, the pricing basis of the Products were the same depending on different engineering specification and bill-of-material, having taken into account the volume of the order.

In order to ensure that the prices of the Products are in line with the market price, the sales team and marketing team of the Group would regularly gather market intelligence by way of research and investigation to ascertain the quality of the Products as compared to similar products in the market and the reference price of each type of the Products in the market. The Company regularly reviews, monitors and benchmarks with industry the gross profit margin in respect of the sale of the Products. The Company also conducts monthly and quarterly reviews of the profit and loss of the Products. Moreover, the Group would also send sales engineers on-site to work closely with the buyer with a view to obtaining information on the demand and inventory situation of the buyer and reporting the same to the Company. The Company would then adjust or negotiate the prices of the Products as and when necessary to ensure price fairness.

We also noted from the Invoices that the Group offered similar credit period and payment method to Panda-LCD and independent third parties after taking into account the credit worthiness and payment history of the relevant customer.

In light of (i) the aforementioned terms and conditions of the Renewed Agreement (including the pricing basis and policy); and (ii) the results of our due diligence review, we consider that the terms and conditions of the Renewed Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

### **The Annual Caps**

As extracted from the Board Letter, the annual caps under the Existing Agreement applicable for 2012, 2013 and 2014 were US\$9 million, US\$18 million and US\$28 million respectively. The actual sales amount to Panda-LCD by the Group under the Existing Agreement for the two years ended 31 December 2013 and the six months ended 30 June 2014 were approximately US\$7,742,000, US\$4,250,000 and US\$2,872,000 respectively. According to the Directors, the annual sales for 2014 will be within the annual cap under the Existing Agreement for the year ended 31 December 2014.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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With reference to the Board Letter, the Annual Caps proposed for years 2015, 2016 and 2017 are US\$16 million, US\$18 million and US\$20 million respectively. The Annual Caps were 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, having taken into account the orders received and expected to receive from Panda-LCD from September 2014 to November 2014 (the “Orders”) together with the Group’s estimated percentage share in Panda-LCD’s total supply of related products in the market.

To access the fairness and reasonableness of the Annual Caps, we have requested for documents showing (i) the existing selling prices of the Products and their expected future prices; and (ii) the sales estimation of the Group for the CCT from 2015 to 2017. Based on our discussion with the Directors, we understand that the Company has assumed a possible annual price erosion on the future selling prices of the Products after considering the current demand and supply of the Products and the challenging economic and market conditions which the Group is currently facing. We also noted that the Group’s sales estimation was largely based on the purchase indication from Panda-LCD to the Group for the Products, which are mainly used for production of the 31.5” TV, 21.5” monitors and 18.5” monitors. The sales of the 31.5” TV driver ICs accounted for all of the sales of the Group to Panda-LCD in 2012 and 2013 and approximately 85% of its total sales for the six months ended 30 June 2014; whereas the 21.5” monitors and 18.5” monitors driver ICs are relatively new products under the CCT. In this relation, we have also requested the Company to provide us with information regarding (i) the Orders; and (ii) the Group’s estimated percentage share of Panda-LCD’s total supply of related products in the market based on the Group’s existing share and the expected market development. We noticed from the Orders that the average monthly orders placed/to be placed by Panda-LCD to the Group from September 2014 to November 2014 has increased as compared to the first half of 2014 and hence we concur with the Directors that the expected moderate increase of the Group’s share in Panda-LCD’s total supply of the related products in the market is acceptable.

On the other hand, we are aware that the Annual Caps are substantially higher than the actual transaction amounts under the Existing Agreement. As advised by the Directors, the actual transaction amounts under the Existing Agreement had shrunk from 2012 to 2014 resulting from (i) the losing of popularity of the original 31.5” TV model which uses the Group’s driver IC for production; and (ii) the longer than expected time required for the Group’s new driver ICs (which could be used for production of the new 31.5” TV model as well as the 21.5” monitors and 18.5” monitors) to be qualified and launched for sale. Nevertheless, the aforesaid new driver ICs were all qualified for production as at the Latest Practicable Date. In particular, as disclosed in the 2014 Interim Results Announcement, the customer qualification for the Group’s two sets of new large TFT driver ICs has been completed in 2014. The TFT driver IC for 18.5” HD monitors has started mass production in the second quarter of 2014; whilst that for the 21.5” FHD monitors is expected to start soon. As further advised by the Directors, the driver ICs for the 21.5” monitors and 18.5” monitors are expected to ramp up together with the 31.5” TV driver IC as the major Products to be sold to Panda-LCD. In addition, given the business relationship between the Company and Panda-LCD since March 2012 and that the Products have proven to have met the customer requirements of Panda-LCD, it would be likely that Panda-LCD’s demand momentum for the Products will extend to years 2015, 2016 and 2017, taking into account the Orders together with the expected moderate increase of the Group’s share in Panda-LCD’s total supply of the related products in the market, notwithstanding the expected price erosion of the Products.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Having considered the foregoing, we concur with the Directors that the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

Shareholders should note that as the Annual Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2017, and they do not represent forecasts of revenues/costs or purchases/sales to be recorded/incurred from the CCT. Consequently, we express no opinion as to how closely the actual revenue, purchase or income/costs to be incurred under the CCT will correspond with the proposed Annual Caps.

### 3. Listing Rules implication and internal control of the Group

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the CCT must be restricted by the Annual Caps for the years concerned under the Renewed Agreement; (ii) the terms of the Renewed Agreement (together with the Annual Caps) must be reviewed by the independent non-executive Directors annually; and (iii) details of independent non-executive Directors' annual review on the terms of the Renewed Agreement (together with the Annual Caps) must be included in the Company's subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, that the CCT is carried out in accordance with the pricing policies of the Company, and the Annual Caps are not being exceeded. In the event that the total amounts of the CCT exceed the Annual Caps, or that there is any material amendment to the terms of the Renewed Agreement, the Company, as confirmed by the Directors, shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

Moreover, we understand that the Group has adopted a series of internal control procedures to govern the CCT under the Renewed Agreement. We have enquired into the Directors in this respect and particularly as to how the procedures are being implemented, and we noted that the Group has both preventive and supervisory measures to control the implementation of the CCT, which includes, amongst others, constant frequent check on the actual sales amount to Panda-LCD, regular review and update on the forecast of sales to Panda-LCD and annual budgeting regarding future sales to Panda-LCD.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules and the internal control measures adopted by the Company, we are of the view that there are adequate measures in place to monitor the CCT (together with the Annual Caps) and thus the interest of the Independent Shareholders would be safeguarded.

### RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Renewed Agreement (including the Annual Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the CCT is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the Extraordinary General Meeting to approve the Renewed Agreement and the transactions contemplated thereunder (including the Annual Caps) and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

**Yours faithfully,**  
**For and on behalf of**  
**Gram Capital Limited**  
**Graham Lam**  
*Managing Director*

*Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has around 20 years of experience in the corporate finance industry.*



## INTERESTS OF DIRECTORS

As at the Latest Practicable Date, the interests and short positions of each Director and the chief executive in the shares and underlying shares of the Company or its associated corporations (within the meaning of the Securities and Futures Ordinance), as recorded in the register required to be kept by the Company under Section 352 of part XV of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

**Ordinary shares of HK\$0.10 each in the Company as at the Latest Practicable Date**

			Share options	Total	% of the issued shares capital of the Company
<b>Independent Non-executive Directors</b>					
Sun, Patrick	Long	—	1,600,000	1,600,000	0.06%
Choy Kwok Hung, Patrick	Long	—	800,000	800,000	0.03%
Yiu Tin Chong, Joseph	Long	—	2,800,000	2,800,000	0.11%
<b>Non-executive Directors</b>					
Lai Weide	Long	—	—	—	—
Li Xiaochun	Long	—	—	—	—
Zhao Guiwu	Long	—	—	—	—
<b>Executive Directors</b>					
Leung Kwong Wai	Long	119,400,308	2,800,000	122,200,308	4.96%
Lai Woon Ching	Long	26,999,032	2,800,000	29,799,032	1.21%

**INTEREST OF SUBSTANTIAL SHAREHOLDER**

The register of substantial shareholders required to be kept by the Company under section 336 of Part XV of the SFO shows that as at the Latest Practicable Date, the Company had been notified of the following substantial shareholders' interests and short positions in the shares or underlying shares of the Company, being interests of 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and the chief executive of the Company.

**Ordinary shares of HK\$0.10 each in the Company as at the Latest Practicable Date**

<b>Name</b>	<b>Capacity</b>	<b>Position</b>	<b>Number of shares held</b>	<b>% of the issued share capital of the Company</b>
China Electronics Corporation	Interest of controlled corporation	Long	706,066,000	28.67%

*Note:*

The long position of 706,066,000 shares of the Company were held by 華電有限公司 ("HDC"). China Electronics Corporation controlled the entire issued share capital of 中國電子進出口總公司 ("CEC-IE"), which in turn held 100% interest in HDC, and as such, CEC held the 706,066,000 shares of the Company held by HDC.

As at the Latest Practicable Date, so far as is known to the Directors, the following Directors were holding offices as Directors or officers in CEC, the substantial shareholder of the Company as shown above:

<b>Name of Director</b>	<b>Position held in CEC</b>	<b>Position held in NEHC and Panda-LCD</b>
Lai Weide	deputy general manager	chairman of the board
Li Xiaochun	chief financial officer	—
Zhao Guiwu	—	—

Save as disclosed above, the Directors and chief executive of the Company are not aware that there is any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of members of the Group or any options in respect of such capital.

**LITIGATION**

As at the Latest Practicable Date, there was no litigation or claim of material importance known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

**SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors of the Company had entered, or proposed to enter, into a service contract with any members of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

**COMPETING INTERESTS**

As at the Latest Practicable Date, so far was known to the Directors, none of the Directors or their respective associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group (other than those businesses to which the Directors and his/her associates were appointed to represent the interests of the Company and/or the Group) or have any other conflicts of interest with the Group pursuant to the Listing Rules.

**DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, any members of the Group or were proposed to be acquired or disposed of by, or leased to, any members of the Group since 31 December 2013 (being the date to which the latest published accounts of the Group were made up).

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

**MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, being the date to which the latest published accounts of the Group were made up.

**EXPERT AND CONSENT**

Gram Capital Limited is a licensed corporation which carries out type 6 (advising on corporate finance) regulated activity under the SFO.

Gram Capital is the expert who has been named in this circular or has given opinions or advice in this circular and Gram Capital has confirmed that as at the Latest Practicable Date, it has no shareholding in any members of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of the group or had

any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, any members of the Group or were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2013 (being the date to which the latest published accounts of the Group were made up).

As at the Latest Practicable Date, Gram Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear herein. Its letter was issued on 19 September 2014 and was made by it for incorporation in this circular.

#### **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong during normal business hours on any weekday (except public holidays) from the date of this circular up to and including 8 October 2014:

- (A) the Renewed Agreement on 1 September 2014;
- (B) the letter from the IBC, the text of which is set out in this circular;
- (C) the letter from the Independent Financial Adviser — Gram Capital Limited, the text of which is set out in this circular;
- (D) the written consents referred to in the section headed "Expert and Consent" in this Appendix; and
- (E) The Memorandum and Articles of Association of the Company.

#### **GENERAL**

The registered office of the Company is P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.

The principal place of business of the Company is 6/F, No.3 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong.

The company secretary of the Company is Mrs. Fung Lui Kit Har, Keziah, who is the Vice President, Finance of the Group. SW Corporate Services Group Limited has been engaged to provide corporate secretarial services to the Company.

**Mr. LEUNG Heung Ying (“Mr. Leung”), aged 51***Experience and Qualifications*

Mr. Leung is the managing director and founder of Proton Capital Limited. He has been appointed a member to the Listing Committee of Stock Exchange since July 2010. He was previously an executive director of China Packaging Group Company Limited (HKSE: 572) and an independent non-executive director of Creative Energy Solutions Holdings Limited (HKSE: 8109).

Mr. Leung is a Fellow Member of the Institute of Chartered Accountants in England and Wales, and the Hong Kong Institute of Certified Public Accountants. At the latter he was previously a member of the Corporate Finance Committee, the Expert Panel on Listing and the Advisory Committee on Listing and Takeover Regulations. He is a Standing Committee member of the Political Consultative Committee of Wu Hua County of Guangdong Province and an arbitrator of the Panel of Arbitrators of China International Economic and Trade Arbitration Commission. Mr. Leung is a member of the Public Affairs Forum of the HKSAR Government. He also serves as Committee member of Hong Kong Securities Professionals Association.

Mr. Leung graduated from the University of Bradford, United Kingdom with a bachelor’s degree. He received a master’s degree from London School of Economics and Political Science of University of London, United Kingdom and a bachelor’s degree in Chinese Laws from Peking University, the PRC.

*Length of Service*

Upon the passing of the resolution in the EGM electing Mr. Leung as an independent non-executive Director, the Company will enter into a service contract with Mr. Leung for a period of approximately nine months to 30 June 2015. Mr. Leung is subject to retirement by rotation and is eligible for re-election at the annual general meeting in accordance with the Articles of Association.

*Relationships*

Mr. Leung does not have any relationships with any Directors, senior management or substantial or controlling shareholders of the Company.

*Interest in Shares*

As at the Latest Practicable Date, Mr. Leung does not hold any interests in the Shares or underlying Shares of the Company within the meaning of Part XV of the SFO.

*Director’s Emoluments*

Mr. Leung will be entitled to US\$17,000 basic fee per annum plus other fees as a member of the Company’s Board Committees and for his attendance to the Company’s Board/Board Committees’

meetings. Mr. Leung will be entitled to grant of share options under the 2013 Share Option Scheme of the Company. Such emoluments were reviewed and approved by the Executive Directors with reference to market conditions, his duties and responsibilities, the Group's remuneration policy and the Articles of Association.

*Information that needs to be disclosed and matters that need to be brought to the attention of the Shareholders*

Saved as disclosed above, the Board is not aware of any other matters in relation to the election of Mr. Leung as an independent non-executive Director that need to be brought to the attention of the Shareholders nor is there any information required to be disclosed pursuant to any of the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

**Mr. SHEU Wei Fu (“Mr. Sheu”), aged 44**

*Experience and Qualifications*

Mr. Sheu is the special assistant to Dr. Lam Pak Lee (“Dr. Lam”), the chairman and chief executive officer of Quanta Computer Inc. He is a professional with over 15 years of high technology industry experience with a focus in strategy, business development and supply chain integration for original development manufacturers and original equipment manufacturers. During the period from July 2007 to May 2014, Mr. Sheu acted as the alternate director to Dr. Lam who retired at the conclusion of the annual general meeting of the Company held in May 2014. Concurrent with the retirement of Dr. Lam as our Non-executive Director, Mr. Sheu has ceased to act as an alternate director to Dr. Lam.

Mr. Sheu graduated from the University of California, San Diego with a bachelor's degree in business managerial economics.

Saved as disclosed above, Mr. Sheu did not hold any directorships in the companies of which the shares are listed on the Stock Exchange or overseas in the last three years.

*Length of Service*

Upon the passing of the resolution in the EGM electing Mr. Sheu as an independent non-executive Director, the Company will enter into a service contract with Mr. Sheu for a period of approximately nine months to 30 June 2015. Mr. Sheu is subject to retirement by rotation and is eligible for re-election at the annual general meeting in accordance with the Articles of Association.

*Relationships*

Saved as disclosed above, Mr. Sheu does not have any relationships with any Directors, senior management or substantial or controlling shareholders of the Company.

*Interest in Shares*

As at the Latest Practicable Date, Mr. Sheu does not hold any interests in the Shares or underlying Shares of Company within the meaning of Part XV of the SFO.

*Director's Emoluments*

Mr. Sheu will be entitled to US\$17,000 basic fee per annum plus other fees as a member of the Company's Board Committees and for his attendance to the Company's Board/Board Committees' meetings. Mr. Sheu will be entitled to grant of share options under the 2013 Share Option Scheme of the Company. Such emoluments were reviewed and approved by the Executive Directors with reference to market conditions, his duties and responsibilities, the Group's remuneration policy and the Articles of Association.

*Information that needs to be disclosed and matters that need to be brought to the attention of the Shareholders*

Saved as disclosed above, the Board is not aware of any other matters in relation to the election of Mr. Sheu as an independent non-executive Director that need to be brought to the attention of the Shareholders nor is there any information required to be disclosed pursuant to any of the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

**Dr. LI Jun ("Dr. Li"), aged 39***Experience and Qualifications*

Dr. Li is the deputy general manager, department of planning, science & technology of CEC. He was appointed a non-executive director of TPV Technology Limited (HKSE: 00903) in March 2014. He was president and executive director of CCID Consulting Company Limited (HKSE : 08235) and deputy chief engineer of China Center for Information Industry Development, the think tank under the Ministry of Industry and Information Technology.

Dr. Li graduated from Wu Han University with a doctoral degree in photogrammetry and remote sensing. He has over 10 years of working experience, spanning government industrial planning, enterprise strategy, informatization planning and science & technology management. He has successfully directed a number of influential monographs on regional and municipal industrial planning, business strategies of large scale state-owned enterprises under the direct control of the Chinese central government, as well as informatization planning projects. He also directed the writing of *Development and Application of China's Strategic Emerging Industries*, *Development and Management Practice of China's Strategic Emerging Industries*, *Investment & Financing and M&A Strategies of China's Strategic Emerging Industries*, and *Development and Application of China's Cloud Computing Industry*.

*Length of Service*

Upon the passing of the resolution in the EGM electing Dr. Li as a non-executive Director, the Company will enter into a service contract with Dr. Li for a period of approximately nine months to 30 June 2015. Dr. Li is subject to retirement by rotation and is eligible for re-election at the annual general meeting in accordance with the Articles of Association.

*Relationships*

Saved as disclosed above, Dr. Li does not have any relationships with any Directors, senior management or substantial or controlling shareholders of the Company.

*Interest in Shares*

As at the Latest Practicable Date, Dr. Li does not hold any interests in the Shares or underlying Shares of Company within the meaning of Part XV of the SFO.

*Director's Emoluments*

Dr. Li will be entitled to other fees as a member of the Company's Board Committees and for his attendance to the Company's Board/Board Committees' meetings. The emoluments were reviewed and approved by the Executive Directors with reference to market conditions, his duties and responsibilities, the Group's remuneration policy and the Articles of Association.

*Information that needs to be disclosed and matters that need to be brought to the attention of the Shareholders*

Saved as disclosed above, the Board is not aware of any other matters in relation to the election of Dr. Li as a non-executive Director that need to be brought to the attention of the Shareholders nor is there any information required to be disclosed pursuant to any of the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

**Mr. LI Rongxin ("Mr. Li"), aged 44***Experience and Qualifications*

Mr. Li is the general manager and a director of Shanghai Huahong Integrated Circuit Co. Ltd ("Huahong") and the deputy general manager of Huada Semiconductors Co. Ltd, both are subsidiaries of CEC. Before joining Huahong, Mr. Li had worked in Intel (China) Co. Ltd from 1996 to 2006 and also Shanghai Belling Co. Ltd. on new product development. Mr. Li has experience in manufacturing, R&D and product marketing and has worked in China, US and South East Asia.



Mr. Li received his bachelor's degree in electrical engineering from Fudan University, and EMBA degree from Thunderbird School of Global Management. He was named one of "Shanghai's Top 10 IT Youth Elites" in 2011.

Mr. Li did not hold any directorships in the companies of which the shares are listed on the Stock Exchange or overseas in the last three years.

*Length of Service*

Upon the passing of the resolution in the EGM electing Mr. Li as a non-executive Director, the Company will enter into a service contract with Mr. Li for a period of approximately nine months to 30 June 2015. Mr. Li is subject to retirement by rotation and is eligible for re-election at the annual general meeting in accordance with the Articles of Association.

*Relationships*

Saved as disclosed above, Mr. Li does not have any relationships with any Directors, senior management or substantial or controlling shareholders of the Company.

*Interest in Shares*

As at the Latest Practicable Date, Mr. Li does not hold any interests in the Shares or underlying Shares of Company within the meaning of Part XV of the SFO.

*Director's Emoluments*

Mr. Li will be entitled to other fees as a member of the Company's Board Committees and for his attendance to the Company's Board/Board Committees' meetings. The emoluments were reviewed and approved by the Executive Directors with reference to market conditions, his duties and responsibilities, the Group's remuneration policy and the Articles of Association.

*Information that needs to be disclosed and matters that need to be brought to the attention of the Shareholders*

Saved as disclosed above, the Board is not aware of any other matters in relation to the election of Mr. Li as a non-executive Director that need to be brought to the attention of the Shareholders nor is there any information required to be disclosed pursuant to any of the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

**Mr. CHEUNG Wai Kuen, Kenny (“Mr. Cheung”), aged 48**

*Experience and Qualifications*

Mr. Cheung is the Vice President, Business Operations (“VP-Business Operations”) of Solomon Systech Limited (“SSL”), a major wholly-owned operating subsidiary of the Company. Mr. Cheung is also a director of the wholly-owned subsidiaries of the Company, namely WE3 Technology Company Limited and WE3 Telecommunication (Shenzhen) Limited (維深通訊(深圳)有限公司).

Mr. Cheung received his bachelor’s degree in engineering (1st class honor) from The Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) and master’s degree in engineering management from City University of Hong Kong. He has over 27 years of working experience in the electronics industry in managing global business operations including product engineering, product applications, business and market development.

Prior to joining the Group, Mr. Cheung worked in Motorola Semiconductors Hong Kong Limited as general manager of Wireless Mobile System Group for Motorola Asia Pacific Region until 2005.

Mr. Cheung has been Executive Director during the period from March 2009 to November 2010. Saved as aforesaid, Mr. Cheung did not hold any directorships in the companies of which the shares are listed on the Stock Exchange or overseas in the last three years.

*Length of Service*

Upon the passing of the resolution in the EGM electing Mr. Cheung as an executive Director, the Company will enter into a service contract with Mr. Cheung for a period of approximately nine months to 30 June 2015. Mr. Cheung is subject to retirement by rotation and is eligible for re-election at the annual general meeting in accordance with the Articles of Association.

*Relationships*

Saved as disclosed above, Mr. Cheung does not have any relationships with any Directors, senior management or substantial or controlling shareholders of the Company.

*Interest in Shares*

As at the Latest Practicable Date, Mr. Cheung is taken to be interested in 1,260,000 Shares (representing 0.05% of the issued share capital of the Company) by virtue of Part XV of the SFO.

*Director’s Emoluments*

Mr. Cheung is currently entitled to an annualized emolument of approximately US\$172,000 equivalent comprising salary, 13th month bonus as well as other benefits including leave pay, insurance premium, health care subsidy, allowances and pension contribution scheme from the employment of SSL. The emoluments he received for the year ended 31 December 2013 was

approximately US\$162,000 equivalent. In addition, Mr. Cheung is entitled to share options under the 2013 Share Option Scheme from the Company. Such emoluments are reviewed and approved by the Remuneration Committee with reference to market conditions, his duties and responsibilities and the Group's remuneration policy. Only the basic payment and 13th month bonus are covered by the employment contract.

*Information that needs to be disclosed and matters that need to be brought to the attention of the Shareholders*

Saved as disclosed above, the Board is not aware of any other matters in relation to the election of Mr. Cheung as an executive Director that need to be brought to the attention of the Shareholders nor is there any information required to be disclosed pursuant to any of the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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**SOLOMON  
SYSTECH**

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

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

**(Stock Code: 2878)**

**NOTICE IS HEREBY GIVEN** that the Extraordinary General Meeting of Shareholders of Solomon Systech (International) Limited (the “**Company**”) will be held at 3:30 p.m. on Wednesday, 8 October 2014 at 29A, Admiralty Centre I, 18 Harcourt Road, Admiralty, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions:

**(1) “THAT**

- the Renewed Agreement (as defined in the announcement of the Company dated 1 September 2014) be and is hereby approved;
- the 2015, 2016 and 2017 annual caps of US\$16 million, US\$18 million and US\$20 million, respectively, be and are hereby approved; and
- the Board of the Company be and is hereby authorised to take all actions necessary or expedient in its opinion to implement and/or give effect to the Renewed Agreement.”

**(2) “THAT** Mr. Leung Heung Ying be elected as an independent non-executive director of the Company.”

**(3) “THAT** Mr. Sheu Wei Fu be elected as an independent non-executive director of the Company.”

**(4) “THAT** Dr. Li Jun be elected as a non-executive director of the Company.”

**(5) “THAT** Mr. Li Rongxin be elected as a non-executive director of the Company.”

**(6) “THAT** Mr. Cheung Wai Kuen, Kenny be elected as an executive director of the Company.”

On behalf of the Board  
**Leung Kwong Wai**  
*Managing Director*

Hong Kong, 19 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.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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**Notes:**

- (a) Any shareholder of the Company entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote in his/her stead. A proxy need not be a shareholder of the Company.
- (b) In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (c) For determining the entitlement to attend and vote at the above meeting, the Register of Members of the Company will be closed from Monday, 6 October 2014 to Wednesday, 8 October 2014, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Extraordinary General Meeting, all transfer documents accompanied by the relevant share certificates and forms of transfer must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 3 October 2014.
- (d) All resolutions at the meeting will be taken by poll (except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.solomon-systech.com](http://www.solomon-systech.com)) in accordance with the Listing Rules.
- (e) A form of proxy for use in connection with the Extraordinary General Meeting is enclosed and such form is also published on the websites of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.solomon-systech.com](http://www.solomon-systech.com)).

This circular, in both English and Chinese versions (the "Circular"), is available on the Company's website at [www.solomon-systech.com](http://www.solomon-systech.com) (the "Company Website").

Shareholders who have chosen or have been deemed consented to receive the corporate communications (as defined in the Listing Rules) of the Company via the Company Website and for any reason have difficulty in receiving or gaining access to the Circular posted on the Company Website may obtain a printed copy of the Circular free of charge by sending a written request to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong or by sending an email to the Company's Hong Kong Share Registrar at [solomon2878-ecom@hk.tricorglobal.com](mailto:solomon2878-ecom@hk.tricorglobal.com).

Shareholders may at any time change their choice of the means of receipt (either in printed form or via the Company Website) of corporate communications by any of the above methods.