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SOLOMON SYSTECH (INTERNATIONAL) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2878)

CONNECTED TRANSACTION Renewal of a License to use EDA Tools

INTRODUCTION

The Board of the Company announces that HES and SSL-sz have entered into an Agreement in connection with the renewal of the License granted by HES to SSL-sz and the Group which constitutes a connected transaction ("CT") of the Group.

LISTING RULES IMPLICATIONS

The Company understands that 中國電子信息產業集團有限公司 (China Electronic Corporation**) ("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 100% of CIDC and HES is a subsidiary of CIDC.

HES, an associate of CEC, is therefore a connected person of the Company. Accordingly, the CT constitutes a connected transaction of the Group under Chapter 14A of the Listing Rules.

As one or more of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the CT is more than 0.1% and all of the relevant percentage ratios are less than 5%, the CT is subject to the reporting and announcement requirements but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DETAILS OF THE CT AND THE TERMS OF THE AGREEMENT

Date	16 October 2014.
Parties	HES and SSL-sz.

License	HES shall grant to SSL-sz and the Group the License to install and execute certain IC design EDA tools for internal use and the development of the Group's own products.
Duration	Three years (from 30 October 2014 to 29 October 2017).
Consideration	CNY6,470,000 (including 17% value added tax), which was determined after arm's length negotiations between HES and SSL-sz.
Payment	By three cash instalments: <ul style="list-style-type: none"> • CNY2,150,000: payable within 40 days after the effective date of the Agreement; • CNY2,150,000: payable by 15 November 2015; and • CNY2,170,000: payable by 15 November 2016.

REASONS FOR AND BENEFITS OF THE AGREEMENT

HES is principally engaged in the development of EDA tools and high-end SoC solutions and the provision of one stop design manufacturing services. The Group has been using the EDA tools from HES (or its predecessor company under CIDC Group) since 2001 and considers the EDA tools meet the needs of technological development in a cost-effective manner of the Group.

APPROVAL

The Directors have approved the CT and the independent non-executive Directors have confirmed that the terms of the Agreement are fair and reasonable, and the CT is on normal commercial terms or better and in the interests of Company and its shareholders as a whole.

Dr. Li Jun, Mr. Li Rongxin and Mr. Zhao Guiwu as directors or officers of CEC group have abstained from voting on the relevant resolutions of the Board.

INFORMATION ON THE CONNECTED PARTIES

HES is principally engaged in the development of EDA tools, high-end SoC solutions and the provision of one stop design manufacturing services. HES is a subsidiary of CIDC.

CIDC is a state-owned IC design house, of which 100% is owned by CEC. CIDC's business portfolios cover design, system integration, testing of IC chips/ modules for smart cards, information-security, consumer electronics, telecommunication and high-tech electronic products, as well as development of EDA tools.

INFORMATION ON SSL-sz AND THE GROUP

SSL-sz and the Group are 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:

“Agreement”	The license agreement dated 16 October 2014 in connection with the renewal of a grant of the License by HES to SSL-sz and the Group
“Board”	the board of Directors
“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
“CIDC”	中國華大集成電路設計集團有限公司 (China Integrated Circuit Design (Group) Corp., Ltd.**), a company incorporated in the PRC
“CIDC Group”	CIDC and its subsidiaries
“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
“CNY”	Chinese Yuan, the lawful currency of PRC
“Director(s)”	director(s) of the Company
“EDA”	Electronic Design Automation
“Group”	the Company and its subsidiaries
“HES”	北京華大九天軟件有限公司 (Beijing Huada Empyrean Software Co., Ltd.**), a company incorporated in the PRC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IC”	integrated circuits
“License”	A non-exclusive worldwide license to install and execute certain IC design EDA tools for internal use and the development of the Group's own products that HES shall grant to SSL-sz and the Group
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

"PRC"	the People's Republic of China
"SoC"	System on Chip
"SSL-sz"	Solomon Systech (Shenzhen) Limited, a company incorporated in PRC, is an indirect wholly-owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

*** for identification purpose only*

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

Hong Kong, 16 October 2014

As at the date of this announcement, the Board comprises (a) Executive Directors - Dr. LEUNG Kwong Wai (Managing Director) and Mr. CHEUNG Wai Kuen, Kenny; (b) Non-executive Directors - Dr. LI Jun, Mr. LI Rongxin and Mr. ZHAO Guiwu; and (c) Independent Non-executive Directors - Mr. SUN, Patrick (Chairman), Mr. CHOY Kwok Hung, Patrick, Mr. Leung Heung Ying, Mr. SHEU Wei Fu and Mr. YIU Tin Chong, Joseph.