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SOLOMON SYSTECH (INTERNATIONAL) LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 2878)

CONNECTED TRANSACTION
Provision of Product Development Services and Pilot Sales

INTRODUCTION

The Board of the Company announces that TPVision and SSL have entered into an Agreement in connection with the provision of ASIC product development services and pilot sales by SSL to TPVision which constitutes a connected transaction (“CT”) of the Group.

LISTING RULES IMPLICATIONS

The Company understands that China Electronic Corporation** 中國電子信息產業集團有限公司 (“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 the ultimate controlling shareholder of TPV.

TPVision is a wholly owned subsidiary of TPV, a connected person of CEC, and 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

Effective Date	24 March 2015.
Parties	TPVision and SSL.
Services and pilot sales	SSL shall provide ASIC product development services and pilot sales of engineering samples to TPVision.
Duration	Valid for the product development stage of approximately two years from 24 March 2015.
Consideration	US\$2,600,000 (including a product development fee of US\$2,200,000 together with a pilot sales revenue of not more than US\$400,000), which was determined after arm's length negotiations between TPVision and SSL having considered the estimated development costs and the future prospects in the sale of the relevant ASIC products.
Receivable Schedule	A product development fee of US\$2,200,000 (the "Fee") is receivable by SSL upon completion of each of the four key milestones of the design cycle in respect of the development of the relevant ASIC products; and a pilot sales revenue of not more than US\$400,000 (depending on the estimated unit shipment) is receivable by SSL, after a successful product launch which is subject to market response and is expected to occur in the first half of 2016:

Completion of	2015 US\$'000	2016 US\$'000	Total US\$'000
Milestone 1	550	-	550
Milestone 2	440	-	440
Milestone 3	770	-	770
Milestone 4	-	440	440
Total product development fee	1,760	440	2,200
Pilot sales ¹	-	400	400
Total	<u>1,760</u>	<u>840</u>	<u>2,600</u>

¹The pilot sales will likely be made through the other subsidiaries within the TPV Group

The payment term applicable to TPVision is 30 days after month-end. TPVision is liable to pay for the relevant portion of the Fee at the completion of each of the milestone.

Termination & Non-cancellation portion of the Fee	The Agreement is terminable by TPVision with 30-day notice. The Fee, once paid or becoming payable is non-refundable and non-cancellable.
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When notice of cancellation received	Fee Non-refundable	
	Percentage	US\$'000
After Milestone 1	25%	550
Milestones 2 to 3	45% - 60%	990 – 1,320
After Milestone 3	80%	1,760
After Milestone 4	100%	2,200

Default & Compensation	If there are any defaults in the performance of any material provision in the Agreement by SSL, the maximum liabilities due to TPVision is limited to the relevant Fee received by SSL.
Ownership of intellectual property	All rights, title and interest in SSL Background Technology shall remain with SSL.
Infringement & Indemnity	Each party shall be responsible for determining whether the product design is an infringement or violation of any intellectual property rights of a third party. Each party shall defend or settle, indemnify and hold harmless the other party from and against any law suits, claims, liabilities or proceedings brought against it alleging that any of the products, technologies, samples, or services provided by either of the party to the other under the Agreement is an infringement of any intellectual property rights of a third party.

REASONS FOR AND BENEFITS OF THE AGREEMENT

SSL specializes in the design, development and sales of IC products that enable a wide range of display applications for consumer electronics products, in particular smartphones, smart TVs and other smart devices. The development of the ASIC not only aligns with SSL's business focus, but it will also further enhance SSL's design capability and related technological knowhow. The Agreement will strengthen the business relationship of SSL and TPVision, laying the groundwork for possible future collaborations.

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, the CT is entered into in the ordinary and usual course of business of the Group on normal commercial terms or better, and that the CT is in the interests of Company and its shareholders as a whole.

Dr. Li Jun ("Dr. Li") is a director of TPV and officers of CEC group. Dr. Li together with Mr. Li Rongxin and Mr. Zhao Guiwu who are as directors or officers of CEC group have abstained from voting on the relevant resolutions of the Board. Save as disclosed above, none of the directors of the Company had a material interest in the CT and abstained from voting.

INFORMATION ON THE CONNECTED PARTIES

TPV is a PC monitor and TV manufacturer. TPV serves as an original design manufacturer for some of the well-known TV and PC brands in the industry. TPV distributes its products under its own brands, "AOC" and "Envision". TPV has been licensed with the right to sell Philips-branded monitors globally and Philips-branded TVs in some regions of the world with Koninklijke Philips N.V. ("Philips").

TPVision is one of the subsidiaries within the TPV Group.

INFORMATION ON SSL AND THE GROUP

SSL 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 ASIC product development and pilot sales agreement dated 24 March 2015 between TPVision and SSL
“ASIC”	Application Specific Integrated Circuits
“SSL Background Technology”	all SSL’s intellectual properties, including its information and/or design, ASIC design methodology kit, and other technology owned by SSL prior to the Effective Date
“Board”	the board of Directors
“CEC”	China Electronics Corporation**中國電子信息產業集團有限公司, 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
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IC”	integrated circuits
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PC”	personal computers
“PRC”	the People’s Republic of China
“SSL”	Solomon Systech Limited, a company incorporated in Hong Kong with limited liability and is the major wholly-owned operating subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TPVision”	TP Vision Europe B.V., a company incorporated in the Netherlands and is a wholly owned subsidiary of TPV
“TPV Group”	TPV and its subsidiaries

“TPV”	TPV Technology Limited, a company incorporated in Bermuda with limited liability and whose shares are primarily listed on the main board of the Stock Exchange and secondarily listed on Singapore Exchange Securities Trading Limited
“TV”	television
“US\$”	US Dollars, the lawful currency of United States of America

*** for identification purpose only*

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

Hong Kong, 24 March 2015

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.