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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)

**GENERAL MANDATES TO REPURCHASE SHARES AND
ISSUE NEW SHARES,
RE-ELECTION OF RETIRING DIRECTORS,
CONTINUING CONNECTED TRANSACTION WITH
NANJING CEC PANDA FLAT PANEL DISPLAY TECHNOLOGY CO., LTD.#
(南京中電熊貓平板顯示科技有限公司)
AND
NOTICE OF ANNUAL 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

A letter from the Board is set out on pages 4 to 12 of this circular and a letter from the Independent Board Committee is set out on pages 13 to 14 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 15 to 23 of this circular.

A notice convening an Annual General Meeting of Solomon Systech (International) Limited (the "Company") to be held at 4:00 p.m. on Tuesday, 16 June 2015 at 29A, Admiralty Centre I, 18 Harcourt Road, Admiralty, Hong Kong is set out on pages 34 to 37 of this circular. In the event you are not able to attend the Annual 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 Annual 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 Annual General Meeting or any adjourned meeting thereof should you so wish.

for identification purpose only

13 May 2015

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DEFINITIONS

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

“2013 Share Option Scheme”	the share option scheme approved by the Shareholders at the annual general meeting held on 28 May 2013
“8.5G”	the 8.5th Generation TFT-LCD devices
“Agreement”	the master agreement dated 15 April 2015 entered into between the Company and Panda-FPD for the CCT
“Annual Cap(s)”	the proposed annual caps of the CCT applicable to years 2015, 2016 and 2017 respectively
“Annual General Meeting”	the annual general meeting of the Company to be held on Tuesday, 16 June 2015 at 4:00 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 37 of this circular
“applicable percentage ratio(s)”	has the same meaning as ascribed to it under the Listing Rules
“Articles”	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 of the Company
“business day”	any day (other than a Saturday and a Sunday) on which the Stock Exchange is open for the business of trading in securities
“CCT”	the continuing connected transaction under the Agreement, details of which are set out in the section headed “CCT” of the Letter from the Board in this circular
“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 the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules

DEFINITIONS

“Director(s)”	the director(s) of the Company
“Exchange’s Website”	the official website of Hong Kong Exchanges and Clearing Limited and/or the website “HKExnews”
“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 dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huadong Electronics”	Nanjing Huadong Electronics Information & Technology Co., Ltd. [#] 南京華東電子信息科技股份有限公司, a company established in the PRC with limited liability and whose shares are listed and traded on Shenzhen Stock Exchange. It is also the major shareholder of Panda-FPD
“IBC” / “Independent Board Committee”	an independent committee of the Board comprising all Independent Non-executive Directors, namely Messrs. Sun, Patrick, Choy Kwok Hung, Patrick, Leung Heung Ying, Sheu Wei Fu and Yiu Tin Chong, Joseph
“IC”	integrated circuits
“Independent Shareholders”	Shareholders other than CEC, Huadong Electronics, Panda-FPD and their associates
“Latest Practicable Date”	11 May 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“LCD”	liquid crystal display
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to the Listing Rules
“Panda-FPD”	Nanjing CEC Panda Flat Panel Display Technology Co., Ltd. [#] 南京中電熊貓平板顯示科技有限公司, a company established in the PRC with limited liability and a subsidiary of Huadong Electronics

DEFINITIONS

“PRC”	the People’s Republic of China
“Products”	semiconductor IC products
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company or, if there has been any subsequent sub-division, reduction, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company
“Share Issuance Mandate”	as defined in the section headed “Share Issuance Mandate” of the Letter from the Board
“Share Repurchase Mandate”	as defined in the section headed “Share Repurchase Mandate” of the Letter from the Board
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	a company which is for the time being and from time to time a subsidiary (within the meaning of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) of the Company, whether incorporated in Hong Kong or elsewhere
“substantial shareholder(s)”	has the same meaning as ascribed to it under the Listing Rules
“Takeovers Code”	The Code on Takeovers and Mergers approved by the Securities and Futures Commission in Hong Kong, as amended from time to time
“TFT”	Thin Film Transistor
“US\$”	the United States Dollars, the lawful currency of the United States of America

for identification purpose only

LETTER FROM THE BOARD



**SOLOMON
SYSTECH**

SOLOMON SYSTECH (INTERNATIONAL) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2878)

Directors:

Leung Kwong Wai (*Managing Director*)
Cheung Wai Kuen, Kenny
Li Jun*
Li Rongxin*
Zhao Guiwu*
Sun, Patrick** (*Chairman*)
Choy Kwok Hung, Patrick**
Leung Heung Ying**
Sheu Wei Fu**
Yiu Tin Chong, Joseph**

* *Non-Executive Director*

** *Independent Non-Executive Director*

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

13 May 2015

To the Shareholders

Dear Sir or Madam,

**GENERAL MANDATES TO REPURCHASE SHARES AND
ISSUE NEW SHARES,
RE-ELECTION OF RETIRING DIRECTORS,
CONTINUING CONNECTED TRANSACTION WITH
NANJING CEC PANDA FLAT PANEL DISPLAY TECHNOLOGY CO., LTD.#
(南京中電熊貓平板顯示科技有限公司)
AND
NOTICE OF ANNUAL GENERAL MEETING**

I. INTRODUCTION

The purpose of this circular is to provide you with information in respect of the resolutions to be proposed at the Annual General Meeting for (i) the granting to the Directors of the Share Repurchase Mandate and the Share Issuance Mandate to repurchase Shares and to issue new Shares respectively; (ii) the extension of the Share Issuance Mandate by adding to it the aggregate nominal amount of Shares repurchased by the Company pursuant to the Share Repurchase Mandate; (iii) the re-election of the retiring Directors; and (iv) the CCT.

LETTER FROM THE BOARD

Reference is made to the announcement of the Company dated 15 April 2015 in relation to the Agreement with Panda-FPD to cover continuing connected transactions for years 2015 to 2017. The CCT is conditional upon the Independent Shareholders' approval at the AGM to be convened. Details of the CCT are set out under section IV on pages 6 to 10 of this circular.

II. GENERAL MANDATES TO REPURCHASE SHARES AND ISSUE NEW SHARES

Share Repurchase Mandate

At the annual general meeting of the Company held on 27 May 2014, a general mandate was granted to the Directors to repurchase Shares of up to 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the relevant resolution. Such mandate will lapse at the conclusion of the Annual General Meeting. In order to give the Company the flexibility to repurchase Shares if and when appropriate, an ordinary resolution will be proposed at the Annual General Meeting to approve the grant of a new general mandate to the Directors to purchase Shares on the Stock Exchange of an aggregate nominal amount of up to 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of such resolution at the Annual General Meeting (the "Share Repurchase Mandate").

The Directors wish to state that they have no immediate plan to repurchase any Shares pursuant to the Share Repurchase Mandate.

An explanatory statement required by the Listing Rules to provide the Shareholders with requisite information reasonably necessary for them to make an informed decision on whether to vote for or against the granting of the Share Repurchase Mandate is set out in Appendix A to this circular.

Share Issuance Mandate

At the annual general meeting of the Company held on 27 May 2014, a general mandate was granted to the Directors to issue Shares not exceeding 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of the relevant resolution. Such mandate will lapse at the conclusion of the Annual General Meeting. In order to give the Company the flexibility to issue Shares if and when appropriate, an ordinary resolution will be proposed at the Annual General Meeting to approve the grant of a new general mandate to the Directors to allot, issue or deal with additional Shares of an aggregate nominal amount of up to 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of such resolution at the Annual General Meeting (the "Share Issuance Mandate"). An ordinary resolution to extend the Share Issuance Mandate by adding the aggregate nominal amount of the Shares repurchased by the Company pursuant to the Share Repurchase Mandate will also be proposed at the Annual General Meeting.

The Directors wish to state that they have no immediate plan to issue any new Shares pursuant to the Share Issuance Mandate.

LETTER FROM THE BOARD

III. RE-ELECTION OF THE RETIRING DIRECTORS

In accordance with Article 112 of the Articles, Messrs. Choy Kwok Hung, Patrick, Sun, Patrick, Yiu Tin Chong, Joseph and Zhao Guiwu, Directors of the Company, will retire by rotation at the Annual General Meeting.

Messrs. Choy Kwok Hung, Patrick and Sun, Patrick were appointed in 2004 and have been serving as Independent Non-executive Directors of the Company for more than 9 years, and in accordance with the Service Term Policy of the Company introduced in late 2013, both decided not to offer themselves for re-election.

Messrs. Yiu Tin Chong, Joseph and Zhao Guiwu being eligible, will offer themselves for re-election at the Annual General Meeting.

Details of the retiring Directors who are proposed to be re-elected at the Annual General Meeting are set out in Appendix B to this circular.

IV. CCT

The Company understands that CEC is the ultimate controlling shareholder of Huadong Electronics and that Panda-FPD is a subsidiary of Huadong Electronics. Panda-FPD is therefore an associate of CEC and a connected person of the Company. Accordingly, the sales transactions between the Group and Panda-FPD pursuant to the Agreement dated 15 April 2015 constitute a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios for the sales transactions under the 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.

Dr. Li Jun, Mr. Li Rongxin and Mr. Zhao Guiwu are Non-executive Directors of the Company who hold offices in CEC group, as disclosed in this circular.

Details of the CCT

Date of Agreement	: 15 April 2015
Parties	: Panda-FPD and the Company
Nature of Transaction	: The sales of the Products by the Group to Panda-FPD.
Term	: Starting on 15 April 2015 and ending on 31 December 2017, subject to the approval by the Independent Shareholders.

LETTER FROM THE BOARD

Pricing Basis and Policy : The Group shall supply the Products to Panda-FPD 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-FPD shall purchase the Products of the Group at prevailing market prices for similar products having taken into account the technology and quality of the products.

Annual Caps : The Products are under the design and qualification stage and there is no sales yet up to the date of this circular.

The Annual Caps proposed for years 2015, 2016 and 2017 are US\$20 million, US\$24 million and US\$60 million, respectively^(note). All the Annual Caps are estimated with reference mainly to the expected purchases of the Products.

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 Agreement, relevant purchase orders or other related contracts.

More about the Pricing Basis

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 being sold by the Group consist of different types of driver IC for different applications (e.g. smartphones, tablets, PC monitors, notebooks, television, etc.), display sizes e.g. small (below 13"), medium (13" to 21") and large (over 21") and resolutions (HD, FHD, etc.), each with a different engineering specification and bill-of-material, and accordingly, different production cost and sales prices. For example, the price of a fully integrated driver IC used in smartphones, which is small but compact and requires a more advanced technology, is in general higher than that of a driver IC for large displays. Within the large display area, the price of a source driver IC, which requires a higher technology, is in general higher than that of a gate driver IC. After receiving the Product's specification from Panda-FPD, the Group's sales department will pass the expected sales price from Panda-FPD to the operation team for reference. The operation team, after considering the engineering specifications, will estimate the development and production costs and evaluate if (a) a reasonable (within industry average) gross margin can be attained given the price indicator from Panda-FPD; or (b) the potential order quantity is large enough to generate a handsome gross profit even with a relatively lower gross margin in the short run but the gross margin can be brought back to industry average in the long run through cost reduction measures such as yield improvement, die shrink and/or price negotiation with suppliers; or (c) the quality and features of the Product deserve a higher price or better gross margin than our competitors for similar products. The marketing manager under the operation team will determine the pricing guidelines with proper consideration of the above factors for the sales team to negotiate with the relevant

LETTER FROM THE BOARD

buyer the sales price based on the order quantity. In general, the relatively lower gross margin applicable for large quantity sales order will be at no more than 20% discount of the industry average gross margin (e.g. the discounted gross margin will be no less than 16% if the industry average gross margin is 20%) and the gross profit generated from the sales using the discounted gross margin will not be less than the deemed gross profit obtainable from an average sales order. The final sales price will be approved by the business manager of the operation team.

In order to ensure that the prices of the Products are fair and reasonable, and are in line with the market average, the Group will adopt the following methods and procedures: (i) both the sales team and the marketing team will from time to time (on a roughly monthly basis and/or prior to price negotiation) 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; (ii) the operation team will regularly review, monitor and benchmark with the average industry gross profit margin in respect of the sales of the Products.

The Company also conducts monthly and quarterly reviews of the sales, margin, market and profitability 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.

More about the Annual Caps

The proposed 2015, 2016 and 2017 Annual Caps are prepared based on (a) the latest indication from Panda-FPD to the Group in respect of the production schedules of the 8.5G factory; (b) the purchase forecast of the products of Panda-FPD capped at US\$20 million in 2015 and US\$24 million in 2016 as proposed by Panda-FPD at the time of concluding the Agreement; (c) the new Product schedules and the Product competitiveness of the Group; and (d) the expected total amount of purchase by Panda-FPD of approximately RMB436,000,000 (equivalent to approximately US\$70,300,000 (the “US\$70 million”) based on the exchange rate of RMB6.2:US\$1) mentioned in the announcement made by Huadong Electronics on 9 October 2014 at the Shenzhen Stock Exchange. Based on the expected production capacity of the 8.5G factory, the Company estimated that the US\$70 million represents approximately 50% of the total annual purchase of Panda-FPD. The Company also assumed that the US\$70 million may materialize within one to two years’ time. Accordingly, the annual cap of US\$60 million in the Agreement proposed by Panda-FPD is reasonable. The full capacity of the 8.5G factory is a critical assumption in determining the Annual Caps. The Company understands from Panda-FPD that the 8.5G factory can produce 60,000 pieces of mother glass per month. The figure is used to convert to Product requirements based on the product roadmap of Panda-FPD and the Company’s capability to meet the requirements of Panda-FPD.

LETTER FROM THE BOARD

Below are the potential risks and uncertainties:

8.5G factory

- the pilot and mass production schedules for the newly constructed 8.5G factory in Nanjing under Panda-FPD mentioned in the announcement made by Huadong Electronics on 9 October 2014 at the Shenzhen Stock Exchange, and
- the current production ramp up schedule of the 8.5G factory, can be realized.

Demand forecast of the products of Panda-FPD

- the demand growth plan of Panda-FPD based on the sales forecast of its products and the business opportunities anticipated by Panda-FPD can be realized;
- Panda-FPD is able to keep its demand momentum for the Products pursuant to the latest indication from Panda-FPD to the Group for the CCT Products when signing the Agreement that covers 2015, such that the demand momentum for the CCT Products will extend to 2016 and 2017; and
- Panda-FPD will purchase certain new CCT Products pursuant to the Group's product roadmap and product portfolio.

If the products of Panda-FPD are less competitive than expected, its demand for the Products and thus the transaction amount of the CCT will be affected.

The new product schedules of Panda-FPD and the Product competitiveness of the Group

- the Group can maintain and/or increase the competitiveness of the Products; and
- the expected percentage (approximately 50%) of the Group's share in Panda-FPD's total supply of the related products in the market can be achieved.

If the Products of the Group are less competitive than expected in terms of quality and on-time launch, the transaction amount of the CCT will be affected.

Reasons for and benefits of the Agreement

Pursuant to the announcement made by Huadong Electronics on 9 October 2014 at the Shenzhen Stock Exchange in connection with the new 8.5G factory in Nanjing, Panda-FPD has recognised the Group as a qualified supplier of competitive products to meet the needs of its business. Through the Agreement, the Group can enrich its customer portfolio with a new and high volume customer. Accordingly, the Group is able to further enhance the business development of its driver ICs. In addition, the Agreement can further strengthen the business relationship between the Group and various subsidiaries under CEC.

LETTER FROM THE BOARD

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 the Products to be purchased. The Group will regularly review, monitor and benchmark with industry the gross profit margin in respect of the sales of the Products. The Board considers that the said methods and procedures can ensure that the engagement be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders.

Accordingly, the Directors (excluding the Independent Non-executive Directors) consider that it is in the interests of the Group to enter into the 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 15 April 2015, with Dr. Li Jun, Mr. Li Rongxin and Mr. Zhao Guiwu, who are directors or officers of CEC group, abstaining from voting on the relevant resolutions of the Board.

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 13 to 14 of this circular.

Information on the parties concerned is as follows:

Panda-FPD is principally engaged in the manufacturing of LCD panels and modules. Its major products include panels and modules for LCD monitors and televisions. A new 8.5G factory has been recently constructed and is scheduled to be under pilot production in the third quarter of 2015.

Huadong Electronics is principally engaged in related electronics manufacturing. Its business portfolio covers quartz crystal, touch control display, magnetic materials and vacuum electronics industries. CEC is the ultimate controlling shareholder of Huadong Electronics.

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.

LETTER FROM THE BOARD

V. ANNUAL GENERAL MEETING AND PROXY ARRANGEMENT

The notice of the Annual General Meeting is set out on pages 34 to 37 of this circular. At the Annual General Meeting, resolutions will be proposed to approve, inter alia, the Share Repurchase Mandate and the Share Issuance Mandate, the extension of the Share Issuance Mandate by addition thereto of the aggregate nominal amount of Shares repurchased pursuant to the Share Repurchase Mandate, the re-election of the retiring Directors and the CCT.

CEC, Huadong Electronics, Panda-FPD and their associates will be required to abstain from voting at the AGM on the resolution to be proposed in relation to the CCT. To the best knowledge of the Company, as at the Latest Practicable Date, CEC was interested in 706,066,000 Shares, representing approximately 28.6% 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 Exchange's Website (www.hkexnews.hk) and the Company's website (www.solomon-systech.com) after the Annual General Meeting in the manner prescribed under Rule 13.39(5) of the Listing Rules.

A form of proxy for use at the Annual General Meeting is enclosed with this circular and such form of proxy is also published on the Exchange's Website (www.hkexnews.hk) and the Company's website (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 Annual 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 Annual General Meeting or at any adjourned meeting thereof should you so wish.

VI. 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.

LETTER FROM THE BOARD

VII. RECOMMENDATION

The Directors are of the opinion that the proposed granting of the Share Repurchase Mandate, the proposed granting/extension of the Share Issuance Mandate, the proposed re-election of the retiring Directors and the CCT are all in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend all Shareholders to vote in favour of all the resolutions to be proposed at the Annual General Meeting.

VIII. GENERAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendix A (Explanatory Statement on the Share Repurchase Mandate), Appendix B (Details of the retiring Directors proposed to be re-elected at Annual General Meeting) and Appendix C (General Information) to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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)

13 May 2015

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION WITH
NANJING CEC PANDA FLAT PANEL DISPLAY TECHNOLOGY CO., LTD.[#]**
(南京中電熊貓平板顯示科技有限公司)

We have been appointed as members of the Independent Board Committee to advise you in connection with the CCT in relation to the Agreement with Panda-FPD for three years from 2015 to 2017 with Annual Caps of US\$20 million, US\$24 million and US\$60 million, respectively, details of which are set out in the letter from the Board contained in the circular dated 13 May 2015 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 and 19 September 2014 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.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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 15 to 23 of the Circular, we are of the opinion that the terms of the 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 Agreement (including the Annual Caps) and transactions contemplated thereunder proposed at the AGM.

Yours faithfully,

For and on behalf of

Independent Board Committee

Choy Kwok Hung, Patrick Leung Heung Ying Sun, Patrick Sheu Wei Fu Yiu Tin Chong, Joseph
Independent Non-executive Directors

[#] *For identification purpose only*

LETTER FROM INDEPENDENT FINANCIAL ADVISER

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 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
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

13 May 2015

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

Dear Sirs,

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 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 13 May 2015 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.

On 15 April 2015, the Company entered into the Agreement with Panda-FPD pursuant to which the Company shall supply the Products to Panda-FPD for the period from 15 April 2015 to 31 December 2017, with the proposed Annual Caps being US\$20 million, US\$24 million and US\$60 million for years 2015, 2016 and 2017 respectively.

According to the Board Letter, the CCT under the Agreement constitutes a continuing connected transaction for the Company under 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, Mr. Leung Heung Ying, Mr. Sheu Wei Fu 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 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 Group; and (iii) how the Independent Shareholders should vote in respect

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of the resolution(s) to approve the Agreement and the transactions contemplated thereunder (including the Annual Caps) at the Annual 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 was the person signing off the opinion letter from the independent financial adviser contained in the circular dated 19 September 2014 in respect of the renewal of 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 Agreement.

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.

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.

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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-FPD, Huadong Electronics or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Agreement. 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, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

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.

Set out below are the audited consolidated financial results of the Group for the two years ended 31 December 2014 as extracted from the Company's annual report for the year ended 31 December 2014 (the "2014 Annual Report"):

	For the year ended 31 December 2014	For the year ended 31 December 2013	Year on year change
	<i>US\$'000</i>	<i>US\$'000</i>	<i>%</i>
Turnover	60,072	55,150	8.9
(Loss)/Profit for the year	(3,005)	1,334	N/A

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As depicted by the above table, for the year ended 31 December 2014, the total turnover of the Group amounted to approximately US\$60.1 million, representing an increase of approximately 8.9% as compared to the prior year. According to the 2014 Annual Report, total unit shipments of the Group's products also recorded a year on year increase of around 27% to approximately 115 million units in 2014. Despite the said improvement in turnover and total unit shipments, the Group turned to be loss making for the year ended 31 December 2014. According to the 2014 Annual Report, the Group made loss mainly due to the increase in research and development costs for new products. To strengthen new technology development and new product introduction, and also enhance customer outreach activities, the Group's research and development costs for new products in 2014 increased from approximately US\$13.9 million in 2013 to approximately US\$16.3 million in 2014, representing a substantial increase of approximately 17.3%.

As advised by the Directors, the Group has further expanded its product portfolio with high resolution, high performance and high value-added products targeting high volume and high growth market segments. It is the goal of the Group to extend the application portfolio of its key products to broaden revenue sources.

Information on Panda-FPD and Huadong Electronics

As extracted from the Board Letter, Panda-FPD is principally engaged in the manufacturing of LCD panels and modules. Its major products include panels and modules for LCD monitors and televisions.

As also extracted from the Board Letter, Huadong Electronics, the major shareholder of Panda-FPD, is principally engaged in related electronics manufacturing. Its business portfolio covers quartz crystal, touch control display, magnetic materials and vacuum electronics industries.

Reasons for the CCT

As referred to in the Board Letter, a new 8.5G factory of Panda-FPD has been recently constructed in Nanjing, the PRC (the "**F**actory") and is scheduled to be under pilot production in the third quarter of 2015. According to the announcement published by Huadong Electronics on 9 October 2014 at the Shenzhen Stock Exchange in connection with the Factory (the "**HE Announcement**"), Panda-FPD has recognised the Group as a qualified supplier of competitive products to meet the needs of its business. Through the Agreement, the Directors expect that the Group can enrich its customer portfolio with a new and high volume customer. Accordingly, the Group will be able to further enhance the business development of its driver ICs. Moreover, the Agreement can further strengthen the business relationship between the Group and various subsidiaries under CEC.

Upon our enquiry, we understand that the Products, namely the semiconductor IC products, are under a new product category of the Group using the "IGZO" technology. The "IGZO" technology is an advanced technology which can allow the IC products to have higher resolution and be applicable in a wider range of size of LCD products. As advised by the Directors, the Products are currently under the design and qualification stage and it is expected that they can be launched for mass production starting from July 2015.

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In view of the above reasons for the CCT and that the CCT would provide a new source of revenue to the Group which aligns with the future development strategy of the Group, we concur with the Directors 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.

2. Principal terms of the Agreement

The principal terms of the Agreement are as follows:

Date

15 April 2015

Parties

Panda-FPD and the Company

Nature of transaction

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

Term

Starting on 15 April 2015 and ending on 31 December 2017, subject to the approval by the Independent Shareholders.

Pricing basis and policy

The Group shall supply the Products to Panda-FPD 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-FPD shall purchase the Products of the Group at prevailing market prices for similar products having taken into account the technology and quality of the products.

As advised by the Directors, the Products are currently under the design and qualification stage and there were no sales yet up to the Latest Practicable Date. For this reason, we are unable to compare the historical selling prices and other terms and conditions of the sale of the Products offered by the Group to other independent third party customers with those offered by the Group to Panda-FPD.

We have therefore further enquired into the management of the Company as to how the Company can ensure that the future selling prices of the Products are in line with the market prices. In this regard, according to the relevant control procedures to be adopted by the Company, (i) the sales department and the marketing team will from time to time (on a roughly monthly basis or prior to price negotiation) 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

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of each type of the Products in the market; and (ii) the operation team will regularly review, monitor and benchmark with the average industry gross profit margin in respect of the sales of the Products. The Company will also conduct monthly and quarterly reviews of the sales, margin, market and profitability of the Products. Moreover, the Group will send sales engineers on-site to work closely with Panda-FPD with a view to obtaining information on the demand and inventory situation of Panda-FPD and reporting the same to the Company.

For our due diligence purpose, we have discussed with the management of the Company to understand (i) the above procedures; (ii) the industry experience of the employees who will be responsible for the above procedures; and (iii) how the average industry gross profit margin and the possible discount in respect of the sales of the Products are arrived. In this relation, we understand from the management of the Company that certain discounts on gross profit margin (with maximum being 20%) may be applied to the selling prices of the Products due to factors such as level of technology required and quantity of purchase, and the Directors confirmed that the Company would ensure that the sales of the Products must be above costs after incorporating those discounts. We concur with the Directors that the discount mechanism to be applied is overall justifiable. Having considered the steps under the above procedures together with the fact that the relevant employees involved have no less than five years' industry experience and there is an average industry gross profit margin in respect of the sales of the Products, we are of the view that the Company will have an established system in place to ensure that the future selling prices of the Products are in line with the market prices.

In light of (i) the terms that the Group shall supply the Products to Panda-FPD at market price pursuant to the Agreement; and (ii) the control procedures of the Company to monitor the future selling prices of the Products, we consider that the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

The Annual Caps

With reference to the Board Letter, the Annual Caps proposed for years 2015, 2016 and 2017 are US\$20 million, US\$24 million and US\$60 million respectively. The Annual Caps were estimated with reference to mainly the expected purchases for the Products by Panda-FPD.

As aforementioned, the Factory of Panda-FPD is scheduled to be under pilot production in third quarter of 2015; whilst the Products can be launched for mass production starting from July 2015. The Products, using the advanced "IGZO" technology, will be applicable for manufacturing at the Factory. As per our request, the Company has provided us with information regarding the expected production capacity and schedules of the Factory as well as the forecasted roll-out plan of the various products of Panda-FPD. We have studied the said documents provided which are in support of the projection of the Annual Caps.

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As disclosed in the HE Announcement, Panda-FPD has recognised the Group as a qualified supplier of competitive products to meet the needs of its business. In addition, the HE Announcement also indicated that Huadong Electronics shall purchase up to 50% of the semiconductor IC products which will be required as raw materials for manufacturing at the Factory from the Company, and the expected total amount of such purchase by Huadong Electronics from the Company would amount to approximately RMB436,000,000 (equivalent to approximately US\$70,300,000 based on the exchange rate of RMB6.2:US\$1) (the “**Estimation**”). For our due diligence purpose, we have downloaded the HE Announcement from the Shenzhen Stock Exchange web-site and cross-checked the aforesaid disclosure.

On the basis of the above information, including (i) the expected production capacity and schedules of the Factory; (ii) the forecasted roll-out plan of the various products of Panda-FPD which will require the supply of the Products as raw materials; (iii) the Estimation; and (iv) the expected purchase forecast of the Products which are capped at US\$20 million in 2015 and US\$24 million in 2016 as proposed by Panda-FPD at the time of concluding the Agreement, the Directors proposed the Annual Caps for years 2015, 2016 and 2017 to be US\$20 million, US\$24 million and US\$60 million respectively.

Based on our discussion with the management of the Company, we understand that for 2015, since it is the first year of both the production of the Factory and the launch of the Products, there will be no existing inventory of the Products and hence the initial purchase indication for the Products from Panda-FPD is substantial taking into account the expected production capacity of the Factory. When it comes to 2016, the management of the Company expect that the Products would need to go through certain pairing and matching process (i.e. finding the suitable Product as raw material for manufacturing at the Factory) in order to fit into the production of the expanding product portfolio of the Factory. For this reason, the forecasted sales of the Products from the Company to Panda-FPD would be rather stagnant in 2016 as compared to 2015, and as a result the proposed Annual Cap for 2016 is just US\$24 million while that for 2015 is US\$20 million.

As for 2017, we noted that the Annual Cap for 2017 represents a significant increment of 150% as compared to the Annual Cap for 2016. With reference to the Board Letter, based on the expected production capacity of the Factory, the management of the Company expect that the Estimation may materialise within one to two years based on the expected production capacity of the Factory. For our due diligence purpose, we have obtained the calculation which forms the basis of the Estimation and discussed the same (including the major assumptions on demand and production volume) with the management of the Company. Given that (i) the management of the Company advised us that they expect that the supply of the Products by the Company to Panda-FPD would be mature in 2017; (ii) the Estimation as represented by the management of the Company may materialise within one to two years based on the expected production capacity of the Factory; and (iii) the major assumptions for the Estimation are reasonable, we concur with the Directors that the Annual Cap for 2017 of US\$60 million (making reference to the Estimation of US\$70,300,000) could provide flexibility for the Company to cope with such huge purchase for the Products which may arrive in 2017 and thus is acceptable.

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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 periods concerned under the Agreement; (ii) the terms of the Agreement (together with the Annual Caps) must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the 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 Agreement, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

In addition, we understand that the Group will adopt a series of internal control measures to govern the CCT under the Agreement. We have enquired into the management of the Company in this respect and particularly as to how the measures will be implemented. In this relation, we noted that the Group will implement both preventive and detective measures to control the CCT, which includes, amongst others, constant frequent check on the actual sales amount to Panda-FPD, regular review and update on the forecast of sales to Panda-FPD and annual budgeting regarding future sales to Panda-FPD.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules and the internal control measures to be 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.

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RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the 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 Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the Annual General Meeting to approve the 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 over 20 years of experience in the investment banking industry.

APPENDIX A EXPLANATORY STATEMENT ON THE SHARE REPURCHASE MANDATE

The following is the explanatory statement required by the Listing Rules to provide the Shareholders with requisite information reasonably necessary for them to make an informed decision on whether to vote for or against the ordinary resolution to be proposed at the Annual General Meeting in relation to the Share Repurchase Mandate.

(1) Share Capital

As at the Latest Practicable Date, the issued share capital of the Company was HK\$246,750,235.10, comprising 2,467,502,351 Shares of HK\$0.10 each. Subject to the passing of ordinary resolution No. 4 set out in the notice of the Annual General Meeting and on the basis that no further Shares are issued or repurchased by the Company prior to the Annual General Meeting, the Directors would be authorised under the Share Repurchase Mandate to repurchase, during the period in which the Share Repurchase Mandate remains in force, an aggregate nominal amount of Shares up to HK\$24,675,023.50 (equivalent to 246,750,235 Shares), representing 10% of the aggregate nominal amount of Shares in issue as at the date of the Annual General Meeting.

(2) Reasons for Share Repurchases

The Directors believe that the proposed granting of the Share Repurchase Mandate is in the best interests of the Company and the Shareholders as a whole. Such repurchases may, depending on market conditions and funding arrangements at that time, lead to an enhancement of the net asset value per Share and/or earnings per Share. The Directors are seeking the grant of the Share Repurchase Mandate to give the Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time, having regard to the circumstances then pertaining.

(3) Funding of Share Repurchases

In repurchasing Shares, the Company may only apply funds legally available for such purpose (e.g. distributable reserves) in accordance with the Memorandum and Articles of Association, the applicable laws of the Cayman Islands and any other applicable laws, as the case may be.

(4) Impact of Share Repurchases

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited financial statements contained in the annual report of the Company for the year ended 31 December 2014) in the event that the Share Repurchase Mandate was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not intend to exercise the Share Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of the Company which in the opinion of the Directors are from time to time appropriate for the Company.

APPENDIX A EXPLANATORY STATEMENT ON THE SHARE REPURCHASE MANDATE

(5) Market Price of Shares

The highest and lowest prices at which Shares of the Company have been traded on the Stock Exchange during each of the previous twelve months preceding the Latest Practical Date were as follows:

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2014		
May	0.380	0.340
June	0.385	0.350
July	0.450	0.365
August	0.435	0.365
September	0.425	0.365
October	0.425	0.370
November	0.395	0.365
December	0.370	0.320
2015		
January	0.340	0.300
February	0.320	0.270
March	0.320	0.270
April	0.420	0.295
May (up to the Latest Practicable Date)	0.410	0.375

(6) General

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules), have any present intention to sell any Shares to the Company in the event that the granting of the Share Repurchase Mandate is approved by the Shareholders.

No connected person (as defined in the Listing Rules) has notified the Company that he or she has a present intention to sell any Shares to the Company, or has undertaken not to do so in the event that the granting of the Share Repurchase Mandate is approved by the Shareholders.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the power of the Company to make repurchases of Shares pursuant to the Share Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

(7) Takeovers Code

If, as a result of a repurchase of Shares pursuant to the Share Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition of voting rights for the purposes of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase in the Shareholders' interest, could obtain or consolidate control of the Company and hereby become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

To the best knowledge of the Company, as at the Latest Practicable Date, China Electronics Corporation, the substantial shareholder of the Company (as defined in the Listing Rules), was interested in 706,066,000 Shares, representing approximately 28.6% of the total issued share capital of the Company.

On the basis that no further Shares are issued or repurchased prior to the Annual General Meeting, in the event that the Directors exercise the proposed Share Repurchase Mandate in full, the shareholding of China Electronics Corporation would be increased to approximately 31.8% of the issued share capital of the Company. The Directors consider that such increase in shareholding would give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code. The Directors do not propose to exercise the Share Repurchase Mandate to such an extent as would, in the circumstances, give rise to an obligation to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. The Board will ensure that the Company will maintain a 25% public float as required under Rule 8.08 of the Listing Rules.

(8) Repurchase of Shares made by the Company

The Company had not repurchased any Shares (whether on the Stock Exchange or otherwise) during the six months preceding the Latest Practicable Date.

APPENDIX B DETAILS OF THE RETIRING DIRECTORS PROPOSED TO BE RE-ELECTED AT ANNUAL GENERAL MEETING

Stated below are the details of the Directors who will retire and being eligible, offer themselves for re-election at the Annual General Meeting:

Mr. Yiu Tin Chong, Joseph, aged 65, an Independent Non-executive Director (“Mr. Yiu”)

Positions and Experience

Mr. Yiu has been an Independent Non-executive Director since July 2011. He is also a member of the Audit Committee, Investment Committee, Nomination Committee and Remuneration Committee of the Company respectively.

Mr. Yiu is the chairman emeritus of Freescale Semiconductor (Hong Kong) Ltd (“FSHKL”) and an advisor to FSHKL on regional business strategy, government affairs and corporate governance. Following the separation of Freescale Semiconductor Group from Motorola Group in 2004, he was named senior vice president of FSHKL and general manager of Asia Pacific region, responsible for new entity/business formation, sales operation, market development and overall corporate governance in the region. Before transferring to Freescale Semiconductor Group, Mr. Yiu worked for Motorola Group for over 26 years, both in the United States and Asia. His rich work experience covers automotive electronics, computer systems, wireless communication and semiconductor products, both in the technical field and management role. His last position with Motorola Group was corporate vice president and general manager of Motorola Semiconductor (Hong Kong) Ltd, with the responsibility of overseeing sales, marketing, product development and business operations of Asia Pacific region. Mr. Yiu received his master’s degree in electrical engineering from the University of Nebraska, a master’s degree in computer science from Trinity University and a master’s degree in business administration from the University of Phoenix.

Mr. Yiu did not hold any directorship in the companies of which the shares are listed on the Stock Exchange or overseas in the last three years except in the Company.

Length of Service

Mr. Yiu has a service contract with the Company starting in July 2011 and was renewed in 2014 for a period of one year to 30 June 2015. Mr. Yiu is subject to retirement by rotation and is eligible for re-election at the Annual General Meeting in accordance with the Articles.

Relationships

Mr. Yiu 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. Yiu is taken to be interested in 3,600,000 shares/share options (represent approximately 0.15% of the total issued share capital of the Company) in the Company within the meaning of Part XV of the SFO.

APPENDIX B DETAILS OF THE RETIRING DIRECTORS PROPOSED TO BE RE-ELECTED AT ANNUAL GENERAL MEETING

Director's Emoluments

Mr. Yiu is entitled to US\$17,000 basic fee per annum plus other fees as a member of the Company's Committees and for his attendance to the Company's Board/Board Committees' meetings. For the year ended 31 December 2014, Mr. Yiu received emoluments of US\$31,000 equivalent and also 800,000 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 terms, his duties and responsibilities, the Group's remuneration policy and the Articles.

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

There is no information which is discloseable nor is Mr. Yiu involved in any of the matters 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 and there are no other matters concerning Mr. Yiu's re-election that need to be brought to the attention of the Shareholders.

Mr. Zhao Guiwu, aged 52, a Non-Executive Director ("Mr. Zhao")

Positions and Experience

Mr. Zhao Guiwu has been a Non-Executive Director since October 2010. He is also a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.

Mr. Zhao is a senior engineer and he holds a Master's degree in Inorganic Non-metallic Materialism from Tianjin University. He is currently the chairman of Shanghai Belling Co., Ltd. (a company listed in the Shanghai stock exchange), an associate of CEC group. He was the chairman of Shanghai Huahong Integrated Circuit Co., Ltd., and the non-executive vice-chairman of China Electronics Corporation Holdings Company Limited (a company listed in the Stock Exchange).

Length of Service

Mr. Zhao has a service contract with the Company starting in October 2010 and was renewed in 2014 till 30 June 2015. Mr. Zhao is subject to retirement by rotation and is eligible to re-election in accordance with the Articles.

Relationships

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

**APPENDIX B DETAILS OF THE RETIRING DIRECTORS PROPOSED
TO BE RE-ELECTED AT ANNUAL GENERAL MEETING**

Interests in Shares

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

Director's Emoluments

As a Non-Executive Director, Mr. Zhao's remuneration shall be determined by the Executive Directors with reference to market terms and his duty and responsibility. In year 2014, Mr. Zhao received a fee of US\$11,500 equivalent as a member of committee and for his attendance to the Company's Board/Committee meetings.

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

There is no information which is discloseable nor is Mr. Zhao involved in any of the matters required to be disclosed pursuant to any of the requirements set out in Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules and there are no other matters concerning Mr. Zhao that need to be brought to the attention of the Shareholders.

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		% of the issued
		Shares	options	Total	shares capital
					of the Company
Independent Non-executive Directors					
Sun, Patrick	Long	—	2,400,000	2,400,000	0.10%
Choy Kwok Hung, Patrick	Long	—	1,600,000	1,600,000	0.06%
Leung Heung Ying	Long	—	800,000	800,000	0.03%
Sheu Wei Fu	Long	—	800,000	800,000	0.03%
Yiu Tin Chong, Joseph	Long	1,200,000	2,400,000	3,600,000	0.15%
Non-executive Directors					
Li Jun	Long	—	—	—	—
Li Rongxin	Long	—	—	—	—
Zhao Guiwu	Long	—	—	—	—
Executive Directors					
Leung Kwong Wai	Long	120,600,308	2,400,000	123,000,308	4.98%
Cheung Wai Kuen, Kenny	Long	1,260,000	1,300,000	2,560,000	0.10%

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

Name	Capacity	Position	Number of shares held	% of the issued share capital of the Company
China Electronics Corporation	Beneficial owner	Long	706,066,000	28.61%

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 below:

Name of Director	Position held in CEC	Position held in Huadong Electronics and Panda-FPD
Li Jun	Deputy general manager, department of planning, science & technology	—
Li Rongxin	—	—
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 as 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 2014 (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 2014, 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 2014 (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 13 May 2015 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 16 June 2015:

- (A) the Agreement dated 15 April 2015;
- (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, Uglan 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.

NOTICE OF ANNUAL GENERAL MEETING



**SOLOMON
SYSTECH**

SOLOMON SYSTECH (INTERNATIONAL) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2878)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shareholders of Solomon Systech (International) Limited (the “**Company**”) will be held at 4:00 p.m. on Tuesday, 16 June 2015 at 29A, Admiralty Centre I, 18 Harcourt Road, Admiralty, Hong Kong for the following purposes:

Ordinary Business

1. To receive and consider the audited consolidated financial statements, the reports of the directors and the independent auditor of the Company for the year ended 31 December 2014.
2. To re-elect the retiring directors and to authorise the board of directors to fix the Directors’ remuneration.
3. To consider the re-appointment of independent auditor and to authorise the board of directors to fix their remuneration.

Special Business

To consider as special business and, if thought fit, pass, with or without amendments, the following resolutions as ordinary resolutions:

4. “**THAT:**
 - (a) subject to paragraph (b) below, a general mandate be and is hereby generally and unconditionally given to the directors of the Company to exercise during the Relevant Period (as defined under paragraph (c) below) all the powers of the Company to purchase its shares in accordance with all applicable laws, rules and regulations;
 - (b) the total nominal amount of shares of the Company to be purchased pursuant to the mandate in paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of this resolution and the said mandate shall be limited accordingly; and

NOTICE OF ANNUAL GENERAL MEETING

(c) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; and
- (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting.”

5. **“THAT:**

- (a) subject to paragraph (c) below, a general mandate be and is hereby generally and unconditionally given to the directors of the Company during the Relevant Period (as defined under paragraph (d) below) to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers;
- (b) the mandate in paragraph (a) above shall authorize the directors of the Company to make or grant offers, agreements and options during the Relevant Period which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted by the directors pursuant to the mandate in paragraph (a) above, otherwise than pursuant to:
 - (i) a Rights Issue (as defined under paragraph (d) below);
 - (ii) the exercise of options under a share option scheme of the Company; and
 - (iii) any scrip dividend scheme or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company,

shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company on the date of passing of this resolution and the said mandate shall be limited accordingly; and

(d) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;

NOTICE OF ANNUAL GENERAL MEETING

- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; and
- (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the directors to holders of shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction or the requirements of any recognized regulatory body or any stock exchange).”

- 6. “**THAT** conditional upon the passing of resolutions set out in items 4 and 5 of the notice convening this meeting (the “**Notice**”), the general mandate referred to in the resolution set out in item 5 of the Notice be and is hereby extended by the addition to the aggregate nominal amount of shares which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by the directors pursuant to such general mandate of an amount representing the aggregate nominal amount of shares purchased by the Company pursuant to the mandate referred to in resolution set out in item 4 of the Notice, provided that such amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of this resolution.”
- 7. “**THAT**:
 - the Agreement (as defined in the announcement of the Company dated 15 April 2015) be and is hereby approved;
 - the 2015, 2016 and 2017 annual caps of US\$20 million, US\$24 million and US\$60 million, respectively, be and are hereby approved; and
 - the Board of the Company be and is hereby authorized to take all actions necessary or expedient in its opinion to implement and/or give effect to the Agreement.”

On behalf of the Board
SOLOMON SYSTECH (INTERNATIONAL) LIMITED
Leung Kwong Wai
Managing Director

Hong Kong, 13 May 2015

NOTICE OF ANNUAL GENERAL MEETING

As at the date of this notice, 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.

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 Friday, 12 June 2015 to Tuesday, 16 June 2015, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfer documents accompanied by the relevant share certificates 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 Thursday, 11 June 2015.
- (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) and the Company (www.solomon-systech.com) in accordance with the Listing Rules.
- (e) A form of proxy for use in connection with the Annual General Meeting is enclosed and such form is also published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (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 (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 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**.

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.