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SOLOMON SYSTECH (INTERNATIONAL) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2878)

PROFIT WARNING

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of Directors (the "Board") of Solomon Systech (International) Limited (the "Company", together with its subsidiaries, shall collectively be referred to as the "Group") wishes to advise the Shareholders and potential investors of the Company that the Group is anticipated to record a loss attributable to equity holders of the Company in the consolidated financial results for the six months ended 30 June 2016 ("Interim Results") based on the preliminary assessment of the Group's unaudited management accounts. By way of reference, the Group recorded a profit attributable to the equity holders of the Company of US\$0.9 million for the six months ended 30 June 2015, as disclosed in the 2015 interim report of the Company, and a loss attributable to the equity holders of the Company for the year ended 31 December 2015 of US\$6.4 million, as disclosed in the 2015 annual report of the Company.

Notwithstanding a slight increase in total unit shipments, the Group's results for the six months ended 30 June 2016 have been affected by the following, among others:

(1) Lower than expected Group sales and gross margin

Total Group sales would be lower than expected, attributed primarily to average selling price erosion for certain products of the Group as a result of intense price competition, which would in turn lower the overall gross profit and gross margin percentage of the Group year-on-year.

(2) Incurrence of unrealized loss in the Group's financial asset investment portfolio

The Group has invested in certain financial assets as part of its treasury management for interest and dividend income. Given the poor market sentiment amid economic uncertainty, the Group's net financial income for the six months ended 30 June 2016 may be at a break-even or a marginal net expenditure position, owing to a loss on disposal of certain financial assets, and a potential net unrealizable fair value loss from the financial assets at fair value through profit or loss ("FVTPL Portfolio") by 30 June 2016. By way of reference, the Group recorded a finance income of US\$3.6 million for the six months ended 30 June 2015, of which US\$0.7 million was gain on disposal, and a net

unrealizable gain of US\$1.4 million from the FVTPL Portfolio as at 30 June 2015, as disclosed in the 2015 interim report of the Company.

The Group's FVTPL Portfolio is stated at fair value. The fair value of financial assets traded in active markets is based on quoted market prices at the reporting date. The Group uses the current bid price and the current ask price respectively as the quoted market price for the financial assets and financial liabilities held by the Group. This anticipated unrealizable fair value loss, however, is not expected to affect the cash flow of the Group.

(3) One-time expenses on organization realignment

To focus on products with higher long-term value and to drive greater efficiency, expenses associated with the business and operational realignment of the Group has incurred for the period ended 30 June 2016.

The Board considers that the overall operations of the Group as a whole remain sound and intact, and the financial position of the Group remains solid. As the Interim Results are still under compilation and such results are subject to review, adjustment and finalization by the Company's audit committee and the Board. The Interim Results are expected to be approved by the Board and released before the end of August 2016.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

For and on half of the Board
SOLOMON SYSTECH (INTERNATIONAL) LIMITED
YEH Tsuei Chi
Chief Executive Officer

Hong Kong, 12 July 2016

As at the date of this announcement, the Board comprises: (a) Executive Directors – Dr. Yeh Tsuei Chi (Chief Executive Officer) and Mr. Lo Wai Ming; (b) Non-executive Directors – Mr. Li Rongxin (Chairman), Dr. Li Jun and Mr. Zhao Guiwu; and (c) Independent Non-executive Directors – Mr. Leung Heung Ying, Mr. Sheu Wei Fu and Mr. Yiu Tin Chong, Joseph.