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

CONTINUING CONNECTED TRANSACTION
Product Sales and Distribution

INTRODUCTION

The Board of the Company announces that CECL and the Company have entered into a master agreement (“Master Agreement”) whereby CEACI is appointed as one of the non-exclusive authorized distributors of the Group in the PRC to sell and distribute the products of the Group (the “Products”) within Mainland China and Hong Kong (the “Territory”). The Master Agreement constitutes a continuing connected transaction (“CCT”) of the Group under Chapter 14A of the Listing Rules.

DETAILS OF THE CCT AND THE TERMS OF THE MASTER AGREEMENT

Date

16 February 2017

Parties

CECL, CEACI and the Company

Nature of Transaction

CEACI is appointed as one of the non-exclusive authorized distributors of the Group in the PRC to sell and distribute the Products within the Territory. A standard Solomon Systech component distribution agreement (“Disty Agreement”) was executed simultaneously between SSL and CEACI to manage the sales and distribution of the Products within the Territory and other detailed operation for promotion, product ordering and delivery cooperation.

Term

Starting with immediate effect and ending on 31 December 2017.

Pricing Basis and Policy

The Group shall provide a reference price table for the Products to CEACI and CEACI shall make her best effort to introduce the Products through her customer base to new customers of the Group. CEACI is responsible for ordering the Products from the Group in accordance with the mutually agreed terms and conditions under each purchase order within the framework of the Disty Agreement and the Master Agreement.

The prices for the Products shall be determined fairly in accordance with the costs, resources and technology requirements with reference to market practices and prices, and having taken into account the technology and quality of the Products.

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

Annual Cap for 2017

The business in 2016 (commenced from 1 November 2016 to 31 December 2016) amounted to US\$74,000. The Annual Cap applicable for year 2017 is US\$3,300,000. The Annual Cap is estimated with reference to the forecasted selling prices of the Products, possible price erosion of such Products as well as the expected demand for the Products.

Note: The Annual Cap should not be construed as an assurance or forecast by the Company of the future revenues of the Group.

REASONS FOR AND BENEFITS OF THE AGREEMENT

The Group 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.

Reference is made to the discloseable transaction announcement titled “The Purchase of the Target Assets and Semiconductor Products” published on 1 November 2016 (the “Announcement”), in which the Group indicated the purchases of maXTouch® semiconductor products and technology to accelerate the growth of the mobile touch business of the Group.

Whilst CECI / CEACI was originally the major distributor of the Seller (as stated in the Announcement) in the PRC and also the major distributor in the PRC for the maXTouch® semiconductor products, it will be beneficial for the Company as a whole to continue to engage CECI / CEACI to ensure smooth transition of the maXTouch® product distribution in the PRC and fast growth of the mobile touch business of the Company in the PRC.

LISTING RULES IMPLICATIONS

The Company understands that Huada, the substantial shareholder of the Company, is a wholly-owned subsidiary of CEC and that CECI is an indirect subsidiary under CEC and is a connected person of the Company. Accordingly, the product sales and distribution transactions between CECI / CEACI and the Group constitute connected transactions 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 CCT is more than 0.1% and all of the relevant percentage ratios are less than 5%, the CCT is subject to the reporting and announcement requirements but is exempted from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

APPROVAL

The CCT was entered into in the ordinary and usual course of business of the Group. The terms and conditions of the CCT and the Master Agreement (including the Annual Cap) were determined after arm's length negotiations between CECI and the Company.

The Directors have approved the CCT and the Master Agreement. Mr. Li Rongxin, Dr. Li Jun and Mr. Zhao Guiwu who are officers of CEC group have abstained from voting on the relevant resolution of the Board. Save as disclosed above, none of the directors of the Company has any material interest in the CCT and has to abstain from voting for the reason of having a material interest in the transaction thereunder.

The independent non-executive Directors have confirmed that the terms of the Master Agreement are fair and reasonable, the CCT is entered into in the ordinary and usual course of business of the Group on normal commercial terms or better, and that the CCT is in the interests of Company and its shareholders as a whole.

INFORMATION ON THE CONNECTED PARTIES

A professional technology distributor, CECI and its wholly-owned subsidiary CEACI has more than 30 years' experience as a distributor and in providing technology services. CECI / CEACI is a distributor for 10 categories of products, including smart TV, power electronics, smart touch, security monitoring, wireless and internet, automobile electronics, communication systems, consumer electronics, industrial control and power management.

CECI is one of the indirect subsidiaries of the CEC group.

INFORMATION ON THE GROUP

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, wearables, portable devices and industrial appliances.

TERMS USED IN THIS ANNOUNCEMENT

Unless the context otherwise requires, terms used in this announcement shall have the meanings set out below:

“Announcement”	The announcement titled “The Purchase of the Target Assets and Semiconductor Products” made on 1 November 2016 by the Company
“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, an indirect substantial shareholder of the Company through its interests in Huada
“CEACI”	CEAC International Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of CECI
“CECI”	CECI Technology Co., Ltd.**深圳中電國際信息科技有限公司, a company incorporated in the PRC with limited liability and is an indirect subsidiary of the CEC
“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
“Huada”	Huada Semiconductors Co. Ltd.**華大半導體有限公司, a PRC company with limited liabilities to consolidate all IC businesses under CEC group, is a substantial shareholder (as defined under the Listing Rules) 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
“Master Agreement”	the agreement dated 16 February 2017 between CECI and the Company
“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
“Seller”	Microchip Technology Incorporated, the seller stated in the Announcement.
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
“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, 16 February 2017

As at the date of this announcement, the Board comprises (a) Executive Directors – Dr. Yeh Tsui 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.