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**SOLOMON  
SYSTECH**

**SOLOMON SYSTECH (INTERNATIONAL) LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 2878)**

**CONNECTED TRANSACTION  
AND  
CONTINUING CONNECTED TRANSACTIONS**

**SUMMARY**

The Board is pleased to announce that on 20 November 2017, the Group has entered into the following connected transaction and continuing connected transactions as set out below.

**A. RENEWAL OF LICENSE TO USE EDA TOOLS**

SSL-China and SSL-sz, wholly-owned subsidiaries of the Company, have entered into the respective License Agreements with HES in connection with the renewal of the License to use EDA tools granted by HES to the Group for the period from 30 October 2017 to 29 October 2019.

CEC is an indirect substantial shareholder of the Company. The Company understands that HES is a subsidiary of CEC held by it as to 42% and is, therefore, an associate of CEC and a connected person of the Company. Accordingly, the renewal of the License constitutes a connected transaction of the Company 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 renewal of the License is more than 0.1% and all of the relevant percentage ratios are less than 5%, such renewal of the License is subject to the reporting and announcement requirements but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **B. RENEWAL OF SALES OF LCD PRODUCTS TO PANDA-LCD**

The Company has entered into the Renewed LCD Products Sales Agreement with Panda-LCD in respect of the sales of the LCD Products by the Company to Panda-LCD for the three years ending 31 December 2020.

The Company understands that CEC is holding (i) 21.14% of Panda-LCD directly; and (ii) 49.66% of Panda-LCD through NEIIC, a subsidiary of CEC. Panda-LCD is therefore an associate of CEC and a connected person of the Company. Accordingly, the sales of LCD Products between the Group and Panda-LCD pursuant to the Renewed LCD Products Sales Agreement constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the transactions under the Renewed LCD Products Sales Agreement (on the aggregate basis with the transactions under the Renewed Semiconductor Products Sales Agreement) exceed 5% and HK\$10 million, such transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

## **C. RENEWAL OF SALES OF SEMICONDUCTOR PRODUCTS TO PANDA-FPD**

The Company has entered into the Renewed Semiconductor Products Sales Agreement with Panda-FPD in respect of the sales of the Semiconductor Products by the Company to Panda-FPD for the three years ending 31 December 2020.

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

As all of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the transactions under the Renewed Semiconductor Products Sales Agreement (on the aggregate basis with the transactions under the Renewed LCD Products Sales Agreement) exceed 5% and HK\$10 million, such transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

#### **D. RENEWAL OF PRODUCTS SALES AND DISTRIBUTION**

The Company has entered into the Renewed Products Sales and Distribution Agreement with CECI in respect of the sales and distribution of the Products within the Territory to revise the existing annual cap for 2017 and cover the transactions for the two years ending 31 December 2019.

The Company understands that CECI is an indirect subsidiary of CEC and wholly-owns CEACI. Accordingly, CECI and CEACI are connected persons of the Company and the transactions under the Renewed Products Sales and Distribution Agreement constitute a continuing connected transaction of the Company 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) for the transactions under the Renewed Products Sales and Distribution Agreement exceed 5% and HK\$10 million, such transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

#### **DESPATCH OF CIRCULAR**

A circular containing, inter alia, (i) further details of the Non-exempt Continuing Connected Transactions; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions; (iii) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions; and (iv) a notice convening the EGM of the Company, will be despatched to the Shareholders on or before 11 December 2017.

## **I. THE TRANSACTIONS**

### **A. RENEWAL OF LICENSE TO USE EDA TOOLS**

#### **1. Introduction**

Reference is made to the announcement of the Company dated 16 October 2014 in relation to the renewal of the License granted by HES to the Group. The Board announces that the License has expired on 29 October 2017 and HES has entered into a License Agreement with each of SSL-China and SSL-sz to renew the License pursuant to the License Agreements.

#### **2. Details of the terms of the License Agreements**

A summary of salient terms of the License Agreements is set out below.

*Date*

20 November 2017

*Parties*

HES, SSL-China and SSL-sz

*License*

HES shall grant to SSL-China and SSL-sz, respectively, the License to install and execute certain IC design EDA tools for internal use and the development of the Group's own products.

*Duration*

Two years (from 30 October 2017 to 29 October 2019)

*Consideration*

CNY4,446,000 in aggregate (including 17% value added tax), comprising (i) CNY3,556,800 under the License Agreement with SSL-China, and (ii) CNY889,200 under the License Agreement with SSL-sz, which was determined after arm's length negotiations between HES, SSL-China and SSL-sz.

## *Payment*

By two cash instalments:

- (i) CNY2,223,000 (comprising (i) CNY1,778,400 under the License Agreement with SSL-China and (ii) CNY444,600 under the License Agreement with SSL-sz): payable within 40 days after the effective date of the Agreement; and
- (ii) CNY2,223,000 (comprising (i) CNY1,778,400 under the License Agreement with SSL-China and (ii) CNY444,600 under the License Agreement with SSL-sz): payable by 15 November 2018.

### **3. Reasons for and benefits of the License Agreements**

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

The Directors have approved the renewal of the License at the Board meeting on 20 November 2017 and the Directors (including the independent non-executive Directors) confirmed that the terms of the License Agreements are fair and reasonable, and the renewal of the License is on normal commercial terms or better and in the interests of Company and its shareholders as a whole.

Dr. Li Jun, Mr. Li Rongxin and Mr. Zhao Guiwu as officers of the CEC group have abstained from voting on the relevant resolutions at the said meeting of the Board. Save as disclosed above, none of the Directors has any material interest in the transactions under the License Agreements and has to abstain from voting for the reason of having a material interest in such transactions.

### **4. Listing Rules implications**

CEC is an indirect substantial shareholder of the Company. The Company understands that HES is a subsidiary of CEC held by it as to 42% and is, therefore, an associate of CEC and a connected person of the Company. Accordingly, the renewal of the License constitutes a connected transaction of the Company 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 renewal of the License is more than 0.1% and all of the relevant percentage ratios are less than 5%, the renewal of the License is subject to the reporting and announcement requirements but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **5. Information on the connected persons**

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

## **B. RENEWAL OF SALES OF LCD PRODUCTS TO PANDA-LCD**

### **1. Introduction**

Reference is made to the announcement and circular of the Company dated 1 September 2014 and 19 September 2014, respectively, in relation to the existing transactions under the Existing LCD Products Sales Agreement in respect of the sales of the LCD Products by the Group to Panda-LCD for the three years ending 31 December 2017. The Existing LCD Products Sales Agreement will expire on 31 December 2017. The Board is pleased to announce that the Company has entered into the Renewed LCD Products Sales Agreement with Panda-LCD to cover continuing connected transactions for the three years ending 31 December 2020.

The transactions under the Renewed LCD Products Sales Agreement are conditional upon the Independent Shareholders' approval at the EGM to be convened.

### **2. Details of the terms of the Renewed LCD Products Sales Agreement**

A summary of salient terms of the Renewed LCD Products Sales Agreement is set out below.

#### *Date*

20 November 2017

#### *Parties*

Panda-LCD and the Company

#### *Nature of transaction*

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

### *Principal terms and pricing policy*

- (i) The term of the transactions shall commence on 1 January 2018 and end on 31 December 2020, subject to the approval by the Independent Shareholders.
- (ii) The Group shall supply the LCD Products to Panda-LCD at market price. The prices for the LCD Products shall be determined fairly in accordance with costs, resources and technology with reference to market practices and prices; while Panda-LCD shall purchase the LCD Products of the Group at prevailing market prices, being comparable prices offered by an independent third party for similar products having taken into account the technology and quality of the products.
- (iii) Payments for the LCD Products ordered shall be made by telegraphic transfers through bank within such time and in such manner in accordance with normal market practices.
- (iv) Each party shall exercise its rights and comply with its obligations as stipulated in the Renewed LCD Products Sales Agreement, relevant purchase orders or other related contracts.

The prices of the LCD Products will effectively be determined by an arm's length negotiation with the relevant purchaser considering the technology and quality of the LCD Products and the volume of LCD Products to be purchased. The Group regularly reviews, monitors and benchmarks with industry the gross profit margin in respect of the sale of the LCD 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.

### *Annual Caps*

The Annual Caps proposed for each of the years ending 31 December 2018, 2019 and 2020 are US\$10 million, US\$15 million and US\$20 million, respectively (note). All the Annual Caps are estimated with reference to the existing selling prices of the LCD Products, possible price erosion of such LCD Products as well as the expected demand for the LCD Products.

The existing annual caps applicable for the years 2015, 2016 and 2017 were US\$16 million, US\$18 million and US\$20 million, respectively. The actual sales amount to Panda-LCD by the Group under the Existing LCD Products Sales Agreement were as follows:

<b>For the nine months ended 30 September 2017 (<i>unaudited</i>) US\$'000</b>	<b>For the year ended 31 December 2016 (<i>audited</i>) US\$'000</b>	<b>For the year ended 31 December 2015 (<i>audited</i>) US\$'000</b>
2,222	3,784	12,455

The annual sales for 2017 will be within the annual cap under the Existing LCD Products Sales Agreement for the year ending 31 December 2017.

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

### **3. Reasons for and benefits of the Renewed LCD Products Sales Agreement**

The Existing LCD Products Sales Agreement has strengthened the business relationship between the Group and Panda-LCD. Through the Existing LCD Products Sales Agreement, Panda-LCD has recognised the Group as a reliable supplier of competitive products to meet the needs of its business; while the Group has gained a high volume customer and enhanced the business development of its LTFT-LCD driver ICs.

Accordingly, the Directors (excluding the independent non-executive Directors who will provide their views after considering the advice of Gram Capital) consider that it is in the interests of the Group to enter into the Renewed LCD Products Sales Agreement for the three years ending 31 December 2020 with the respective Annual Caps, and that the terms of the Renewed LCD Products Sales Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The transactions under the Renewed LCD Products Sales Agreement were approved by the Board on 20 November 2017, with Dr. Li Jun, Mr. Li Rongxin and Mr. Zhao Guiwu, who are officers of the CEC group, abstaining from voting on the relevant resolutions of the Board at such meeting. Save as disclosed above, none of the Directors has any material interest in the transactions under the Renewed LCD Products Sales Agreement and has to abstain from voting for the reason of having a material interest in such transactions.



#### **4. Listing Rules implications**

The Company understands that CEC, an indirect substantial shareholder and connected person of the Company, is a state-owned information technology conglomerate directly under the administration of the central government of the PRC and that CEC is holding:

- (i) 21.14% of Panda-LCD directly; and
- (ii) 49.66% of Panda-LCD through NEIIC, a subsidiary of CEC.

Panda-LCD is therefore an associate of CEC and a connected person of the Company. Accordingly, the sales transaction between the Group and Panda-LCD pursuant to the Renewed LCD Products Sales Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the transaction under the Renewed LCD Products Sales Agreement (on the aggregate basis with the transactions under the Renewed Semiconductor Products Sales Agreement) exceed 5% and HK\$10 million, such transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

CEC and its associates will be required to abstain from voting at the EGM on the resolutions to be proposed in relation to the Renewed LCD Products Sales Agreement.

#### **5. General**

An Independent Board Committee will be established to advise the Independent Shareholders in respect of the transactions under the Renewed LCD Products Sales Agreement. Gram Capital has been appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders on the transactions under the Renewed LCD Products Sales Agreement.

#### **6. Information on the connected persons**

Panda-LCD is principally engaged in the manufacturing of LTFT-LCD panels and modules. Its major products include panels and modules for LCD monitors and televisions.

NEIIC is a state-owned electronics group. Its business portfolio covers electronic equipment, electronic components, consumer electronic products and modern service industry. NEIIC is a subsidiary of CEC.

## **C. RENEWAL OF SALES OF SEMICONDUCTOR PRODUCTS TO PANDA-FPD**

### **1. Introduction**

Reference is made to the announcement and circular of the Company dated 15 April 2015 and 13 May 2015, respectively, in relation to the existing transactions under the Existing Semiconductor Products Sales Agreement in respect of the sales of the Semiconductor Products by the Group to Panda-FPD for the three years ending 31 December 2017. The Existing Semiconductor Products Sales Agreement will expire on 31 December 2017. The Board is pleased to announce that the Company has entered into the Renewed Semiconductor Products Sales Agreement with Panda-FPD to cover continuing connected transactions for the three years ending 31 December 2020.

The transactions under the Renewed Semiconductor Products Sales Agreement are conditional upon the Independent Shareholders' approval at the EGM to be convened.

### **2. Details of the terms of the Renewed Semiconductor Products Sales Agreement**

A summary of salient terms of the Renewed Semiconductor Products Sales Agreement is set out below.

#### *Date*

20 November 2017

#### *Parties*

Panda-FPD and the Company

#### *Nature of transaction*

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

#### *Principal terms and pricing policy*

- (i) The term of the transactions shall commence on 1 January 2018 and end on 31 December 2020, subject to the approval by the Independent Shareholders.
- (ii) The Group shall supply the Semiconductor Products to Panda-FPD at market price. The prices for the Semiconductor 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 Semiconductor Products of the Group at prevailing market prices for similar products having taken into account the technology and quality of the products.

- (iii) Payments for the Semiconductor Products ordered shall be made by telegraphic transfers through bank within such time and in such manner in accordance with normal market practices.
- (iv) Each party shall exercise its rights and comply with its obligations as stipulated in the Renewed Semiconductor Products Sales Agreement, relevant purchase orders or other related contracts.

The prices of the Semiconductor Products will effectively be determined by an arm's length negotiation with the relevant purchaser considering the technology and quality of the Semiconductor Products and the volume of the Semiconductor 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 Semiconductor 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.

#### *Annual Caps*

The Annual Caps proposed for each of the years ending 31 December 2018, 2019 and 2020 are US\$5 million, US\$10 million and US\$15 million, respectively (note). All the Annual Caps are estimated with reference to the existing selling prices of the Semiconductor Products, possible price erosion of such Semiconductor Products as well as the expected demand for the Semiconductor Products.

The existing annual caps applicable for the years 2015, 2016 and 2017 were US\$20 million, US\$24 million and US\$60 million respectively. The actual sales amount to Panda-FPD by the Group under the Existing Semiconductor Products Sales Agreement were as follows:

<b>For the nine months ended 30 September 2017 (<i>unaudited</i>) US\$'000</b>	<b>For the year ended 31 December 2016 (<i>audited</i>) US\$'000</b>	<b>For the year ended 31 December 2015 (<i>audited</i>) US\$'000</b>
531	6	–

The annual sales for 2017 will be within the annual cap under the Existing Semiconductor Products Sales Agreement for the year ending 31 December 2017.

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

### **3. Reasons for and benefits of the Renewed Semiconductor Products Sales Agreement**

Panda-FPD is a subsidiary of Huadong Electronics. 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 Renewed Semiconductor Products Sales 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.

Accordingly, the Directors (excluding the independent non-executive Directors who will provide their views after considering the advice of Gram Capital) consider that it is in the interests of the Group to enter into the Renewed Semiconductor Products Sales Agreement for the three years ending 31 December 2020 with the respective Annual Caps, and that the terms of the Renewed Semiconductor Products Sales Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The transactions under the Renewed Semiconductor Products Sales Agreement were approved by the Board on 20 November 2017, with Dr. Li Jun, Mr. Li Rongxin and Mr. Zhao Guiwu, who are officers of CEC group, abstaining from voting on the relevant resolutions of the Board at such meeting. Save as disclosed above, none of the Directors has any material interest in the transactions under the Renewed Semiconductor Products Sales Agreement and has to abstain from voting for the reason of having a material interest in such transactions.

### **4. Listing Rules implications**

The Company understands CEC, an indirect substantial shareholder and connected person of the Company, is a state-owned information technology conglomerate directly under the administration of the central government of the PRC and that CEC is the ultimate controlling shareholder of Huadong Electronics.

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 Renewed Semiconductor Products Sales Agreement constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the sales transactions under the Renewed Semiconductor Products Sales Agreement (on the aggregate basis with the transactions under the Renewed LCD Products Sales Agreement) exceed 5% and HK\$10 million, such transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

CEC and its associates will be required to abstain from voting at the EGM on the resolutions to be proposed in relation to the Renewed Semiconductor Products Sales Agreement.

## **5. General**

An Independent Board Committee will be established to advise the Independent Shareholders in respect of the transactions under the Renewed Semiconductor Products Sales Agreement. Gram Capital has been appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders on the transactions under the Renewed Semiconductor Products Sales Agreement.

## **6. Information on the connected persons**

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.

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.

## **D. RENEWAL OF PRODUCTS SALES AND DISTRIBUTION**

### **1. Introduction**

Reference is made to the announcement of the Company dated 16 February 2017 which announced that CECI and the Company entered into the Existing Products Sales and Distribution Agreement whereby CEACI was appointed as one of the non-exclusive authorized distributors of the Group in the PRC to sell and distribute the Products of the Group within the Territory for the period from 16 February 2017 to 31 December 2017. The Existing Products Sales and Distribution Agreement will expire on 31 December 2017. The Board is pleased to announce that the Company has entered into the Renewed Products Sales and Distribution Agreement with CECI to revise the existing annual cap for the year of 2017 and to cover the transactions for the two years ending 31 December 2019.

The transactions under the Renewed Products Sales and Distribution Agreement are conditional upon the Independent Shareholders' approval at the EGM to be convened.

## **2. Details of the terms of the Renewed Products Sales and Distribution Agreement**

A summary of salient terms of the Renewed Products Sales and Distribution Agreement and the relevant arrangements is set out below.

### *Date*

20 November 2017

### *Parties*

CECI, CEACI and the Company

### *Nature of transaction*

CEACI is appointed as one of the non-exclusive authorized distributors of the Group 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 operations for promotion, product ordering and delivery cooperation.

### *Term*

Starting on 16 February 2017 and ending on 31 December 2019, subject to the approval by the Independent Shareholders.

### *Pricing basis and policy*

- (i) The Group shall provide a reference price table for the Products to CEACI and CEACI shall make its best effort to introduce the Products through its 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 Renewed Products Sales and Distribution Agreement.
- (ii) 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.
- (iii) Payment for the Products shall be settled by CEACI in cash on a 30 days net basis.
- (iv) Each party shall exercise its rights and comply with its obligations as stipulated in agreements, relevant purchase orders or other related contracts.

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.

## *Annual Caps*

The Annual Caps proposed for each of the three years ending 31 December 2019 are US\$5 million, US\$10 million and US\$15 million, respectively (note). All the Annual Caps are 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. The transaction amount under the Existing Products Sales and Distribution Agreement were as follows:

<b>For the nine months ended 30 September 2017 (<i>unaudited</i>) US\$'000</b>	<b>For the year ended 31 December 2016 (<i>audited</i>) US\$'000</b>	<b>For the year ended 31 December 2015 (<i>audited</i>) US\$'000</b>
3,348	74	–

The existing annual cap for the year of 2017 was US\$3,300,000. Due to a sudden increase in business volume and failure to report increased transactions in a timely manner, the 2017 annual cap has been marginally exceeded as at 30 September 2017. Upon becoming aware of such annual cap being exceeded, the Group has ceased the transactions until the revision of the annual cap. The annual cap for the year of 2017 has been slightly revised accordingly to accommodate business needs of the Group.

In order to avoid occurrence of similar events in the future, the Company will strengthen the establishment of the continuing connected transactions warning system, closely monitor and regularly review the continuing connected transactions of the Group, enhance the supervision and management of continuing connected transactions, increase training for the relevant operation departments, improve the data collection system of the Group, so that the Company can comply with the requirements for continuing connected transactions under the Listing Rules in a timely manner.

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



### **3. Reasons for and benefits of the Renewed Products Sales and Distribution 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 announcement of the Company dated 1 November 2016 entitled “The Purchase of the Target Assets and Semiconductor Products”, in which the Company indicated the purchases of maXTouch® semiconductor products and technology to accelerate the growth of the mobile touch business of the Group. The said purchase was completed in the year ended 31 December 2016.

Whilst CECI/CEACI was originally the major distributor of the Seller 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.

The transactions under the Renewed Products Sales and Distribution Agreement were entered into in the ordinary and usual course of business of the Group. The terms and conditions of the Renewed Products Sales and Distribution Agreement and the transactions thereunder (including the Annual Caps) were determined after arm’s length negotiations between CECI and the Company.

The Directors have approved the Renewed Products Sales and Distribution Agreement at the meeting of the Board on 20 November 2017. Dr. Li Jun, Mr. Li Rongxin, and Mr. Zhao Guiwu who are officers of the CEC group have abstained from voting on the relevant resolution of the Board at such meeting. Save as disclosed above, none of the Directors has any material interest in the transactions under the Renewed Products Sales and Distribution Agreement and has to abstain from voting for the reason of having a material interest in such transactions.

The Directors (excluding the independent non-executive Directors who will provide their views after considering the advice of Gram Capital) consider that it is in the interests of the Group to enter into the Renewed Products Sales and Distribution Agreement for the three years ending 31 December 2019 with the respective Annual Caps, and that the terms of the Renewed Products Sales and Distribution Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.



#### **4. Listing Rules implications**

The Company understands that CECI is an indirect subsidiary of CEC (being an indirect substantial shareholder of the Company) and wholly-owns CEACI. Accordingly, CECI and CEACI are connected persons of the Company, and the transactions between CECI/CEACI and the Group constitute a continuing connected transaction of the Group under Chapter 14A of the Listing Rules.

As one or more of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the transactions under the Renewed Products Sales and Distribution Agreement exceed 5% and HK\$10 million, such transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

CEC and its associates will be required to abstain from voting at the EGM on the resolutions to be proposed in relation to the Renewed Products Sales and Distribution Agreement.

#### **5. General**

An Independent Board Committee will be established to advise the Independent Shareholders in respect of the transactions under the Renewed Products Sales and Distribution Agreement. Gram Capital has been appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders on the transactions under the Renewed Products Sales and Distribution Agreement.

#### **6. Information on the connected persons**

CECI and its wholly-owned subsidiary CEACI have more than 30 years' experience as professional technology distributors 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 electronic products, industrial control and power management.

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

## **II. 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, portable devices, industrial appliances and green energy applications.

SSL-China and SSL-sz are principally engaged in the design, development and sales of proprietary IC products and system solutions that enable a wide range of display applications for smartphones, smart TVs and other smart devices including consumer electronics products, portable devices, industrial appliances and green energy applications.

### III. DESPATCH OF CIRCULAR

A circular containing, inter alia, (i) further details of the Non-exempt Continuing Connected Transactions; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions; (iii) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions; and (iv) a notice convening the EGM of the Company, will be despatched to the Shareholders on or before 11 December 2017.

### IV. TERMS USED IN THIS ANNOUNCEMENT

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

“8.5G”	the 8.5th Generation TFT-LCD devices
“Annual Cap(s)”	the proposed annual cap(s) of the transactions under each of the Renewed LCD Products Sales Agreement, the Renewed Semiconductor Products Sales Agreement and the Renewed Products Sales and Distribution Agreement for the relevant years as set out in the section headed “I. The Transactions” in this announcement
“associates”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“CEACI”	CEAC International Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of CECI, and a connected person of the Company
“CEC”	中國電子信息產業集團有限公司 (China Electronics Corporation**), a state-owned information technology conglomerate under the administration of the central government of the PRC, an indirect substantial shareholder of the Company through its interests in Huada, and a connected person of the Company

“CECI”	深圳中電國際信息科技有限公司 (CECI Technology Co., Ltd.**), a company established in the PRC and an indirect subsidiary of the CEC, and a connected person of the Company
“CIDC”	中國華大集成電路設計集團有限公司 (China Integrated Circuit Design (Group) Corp., Ltd.**), a company established in the PRC
“CIDC Group”	CIDC and its subsidiaries
“CNY”	Chinese Yuan, the lawful currency of PRC
“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
“Disty Agreement”	has the meaning ascribed to it under the section headed “I.D. Renewal of Products sales and distribution – 2. Details of the terms of the Renewed Products Sales and Distribution Agreement” in this announcement
“EDA”	Electronic Design Automation
“EGM”	the extraordinary general meeting of the Company to be convened for the approval of the Non-exempt Continuing Connected Transactions
“Existing LCD Products Sales Agreement”	the master agreement dated 2 March 2012 (as supplemented by supplemental agreements dated 30 August 2012 and 1 September 2014, respectively) entered into between the Company and Panda-LCD, details of which are set out in the announcement and circular of the Company dated 1 September 2014 and 19 September 2014, respectively
“Existing Products Sales and Distribution Agreement”	the agreement dated 16 February 2017 between CECI and the Company in respect of the sales and distribution of the Products, details of which are set out in the announcement of the Company dated 16 February 2017

“Existing Semiconductor Products Sales Agreement”	the master agreement dated 15 April 2015 between the Company and Panda-FPD, details of which are set out in the announcement and circular of the Company dated 15 April 2015 and 13 May 2015, respectively
“Group”	the Company and its subsidiaries
“HES”	北京華大九天軟件有限公司 (Beijing Huada Empyrean Software Co., Ltd.**), a company established in the PRC, and a connected person of the Company
“HK\$”	HK dollars, the lawful currency of HK
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huada”	華大半導體有限公司 (Huada Semiconductors Co. Ltd.**), a company established in the PRC to consolidate all IC businesses under CEC group, a substantial shareholder of the Company, and a connected person of the Company
“Huadong Electronics”	南京華東電子信息科技股份有限公司 (Nanjing Huadong Electronics Information & Technology Co., Ltd.**), a company established in the PRC and whose shares are listed and traded on Shenzhen Stock Exchange. It is also the major shareholder of Panda-FPD, and a connected person of the Company
“IC”	integrated circuits
“Independent Board Committee”	an independent committee of the Board comprising all Independent Non-executive Directors, namely, Mr. Leung Heung Ying, Mr. Sheu Wei Fu and Mr. Yiu Tin Chong, Joseph
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions
“Independent Shareholders”	Shareholders other than CEC and its associates
“LCD”	liquid crystal display
“LCD Products”	LTFT-LCD driver ICs

“License”	a non-exclusive worldwide license to install and execute certain IC design EDA tools for internal use and the development of the Group’s own products that HES shall grant to SSL-China, SSL-sz and the Group
“License Agreements”	the license agreements dated 20 November 2017 in respect of the renewal of a grant of the License between (i) HES and SSL-China, and (ii) HES and SSL-sz, respectively
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LTFT”	large thin film transistor
“NEIIC”	南京中電熊貓信息產業集團有限公司 (Nanjing Electronics Information Industrial Corporation**), a PRC state-owned enterprise, and a connected person of the Company
“Non-exempt Continuing Connected Transactions”	the transactions under the Renewed LCD Products Sales Agreement, the Renewed Semiconductor Products Sales Agreement and the Renewed Products Sales and Distribution Agreement
“Panda-FPD”	南京中電熊貓平板顯示科技有限公司 (Nanjing CEC Panda Flat Panel Display Technology Co., Ltd.**), a company established in the PRC and a subsidiary of Huadong Electronics, and a connected person of the Company
“Panda-LCD”	南京中電熊貓液晶顯示科技有限公司 (Nanjing CEC Panda LCD Technology Co., Ltd.**), a company established in the PRC, and a connected person of the Company
“PRC”	the People’s Republic of China
“Products”	IC and drivers products of the Group
“Renewed LCD Products Sales Agreement”	the agreement dated 20 November 2017 entered into between the Company and Panda-LCD for the sales of the LCD Products
“Renewed Products Sales and Distribution Agreement”	the agreement dated 20 November 2017 between CECI and the Company in respect of the sales and distribution of the Products
“Renewed Semiconductor Products Sales Agreement”	the agreement dated 20 November 2017 entered into between the Company and Panda-FPD for the sales of the Semiconductor Products

“Seller”	Microchip Technology Incorporated, the seller stated in the announcement of the Company dated 1 November 2016 entitled “The Purchase of the Target Assets and Semiconductor Products”
“Semiconductor Products”	Semiconductor IC products
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the share(s) of the Company
“SoC”	System on Chip
“SSL”	Solomon Systech Limited, a company incorporated in Hong Kong with limited liability and is the major wholly-owned operating subsidiary of the Company
“SSL-China”	Solomon Systech (China) Limited, a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“SSL-sz”	Solomon Systech (Shenzhen) Limited, a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the same meaning as ascribed to it under the Listing Rules
“Territory”	Mainland China and Hong Kong
“US\$”	the United States Dollars, the lawful currency of the United States of America

By Order of the Board  
**SOLOMON SYSTECH (INTERNATIONAL) LIMITED**  
**Ng Sui Wa, Thomas**  
*Company Secretary*

Hong Kong, 20 November 2017

*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.*

\*\* for identification purpose only