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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**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)**

**RENEWAL OF CONTINUING CONNECTED TRANSACTION  
AND  
NOTICE OF EXTRAORDINARY 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**

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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 24 of this circular.

A notice convening an EGM of Solomon Systech (International) Limited (the “Company”) to be held at 4:30 pm on Wednesday, 29 August 2018 at 6/F, No. 3 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong is set out on pages 29 to 30 of this circular. In the event you are not able to attend the EGM, 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 EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish.

9 August 2018

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## DEFINITIONS

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

“Annual Cap(s)”	the proposed annual cap(s) of the transactions under the Renewed Products Sales and Distribution Agreement for the relevant years as set out in the section headed “II. Continuing Connected Transaction” in the letter from the Board contained in this circular
“Articles of Association”	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
“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, a substantial shareholder of the Company, 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 CEC, and a connected person of the Company
“Company”	Solomon Systech (International) Limited, a company incorporated in the Cayman Islands with limited liability and whose Shares are listed and traded on the main board of the Stock Exchange
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Continuing Connected Transaction”	the continuing connected transaction of the Company under the Renewed Products Sales and Distribution Agreement, details of which are set out in the section headed “II. Continuing Connected Transaction” in the letter from the Board contained in this circular

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## DEFINITIONS

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“Director(s)”	the director(s) of the Company
“Distribution Agreement”	a standard Solomon Systech component distribution agreement dated 17 July 2018 between SSL and CEACI
“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held on 29 August 2018 at 4:30 pm at 6/F, No. 3 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong or any adjournment thereof, to consider and, if appropriate, to approve the resolution contained in the notice of the meeting which is set out on pages 29 to 30 of this circular
“Existing 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, details of which are set out in the announcement of the Company dated 20 November 2017 and the circular of the Company dated 11 December 2017
“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, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transaction
“Group”	the Company and its subsidiaries
“HK” or “Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	HK dollars, the lawful currency of HK
“Huada”	華大半導體有限公司 (Huada Semiconductor Co. Ltd.*), a company established in the PRC to consolidate all IC businesses under CEC group, a substantial Shareholder, 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

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## DEFINITIONS

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“Independent Shareholders”	Shareholders other than CEC and its associates
“Latest Practicable Date”	6 August 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers
“PRC”	the People’s Republic of China
“Products”	IC and driver products of the Group
“Renewed Products Sales and Distribution Agreement”	the agreement dated 17 July 2018 between CECI and the Company in respect of the sales and distribution of the Products
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	Share(s) of the Company which are ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s) of the Company
“SSL”	Solomon Systech Limited, a company incorporated in Hong Kong with limited liability and is the major wholly-owned operating subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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

\* *for identification purpose only*

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## LETTER FROM THE BOARD

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**SOLOMON  
SYSTECH**

### **SOLOMON SYSTECH (INTERNATIONAL) LIMITED**

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

**(Stock Code: 2878)**

*Directors:*

Dr. Yeh Tsuei Chi (*Chief Executive Officer*)

Mr. Lo Wai Ming

Mr. Li Rongxin (*Chairman*)\*

Dr. Li Jun\*

Mr. Ma Yuchuan\*

Mr. Leung Heung Ying\*\*

Mr. Sheu Wei Fu\*\*

Mr. Yiu Tin Chong, Joseph\*\*

\* *Non-executive Directors*

\*\* *Independent Non-executive Directors*

*Registered office:*

P.O. Box 10008

Willow House

Cricket Square

Grand Cayman KY1-1001

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

9 August 2018

*To the Shareholders*

Dear Sir or Madam,

### **RENEWAL OF CONTINUING CONNECTED TRANSACTION AND NOTICE OF EXTRAORDINARY GENERAL MEETING**

#### **I. INTRODUCTION**

Reference is made to the announcement of the Company dated 17 July 2018 in relation to the Renewed Products Sales and Distribution Agreement for the three years ending 31 December 2020.

The purpose of this circular is to give the Shareholders the notice of EGM and to provide Shareholders with further information in respect of the Continuing Connected Transaction.

The Continuing Connected Transaction is conditional upon the Independent Shareholders' approval at the EGM to be convened. Details of the Continuing Connected Transaction are set out below.

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## LETTER FROM THE BOARD

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### II. CONTINUING CONNECTED TRANSACTION

#### **Renewal of Products Sales and Distribution**

Reference is made to the announcement of the Company dated 20 November 2017 and the circular of the Company dated 11 December 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 2019. The Existing Products Sales and Distribution Agreement will expire on 31 December 2019. As disclosed in the announcement of the Company dated 17 July 2018, the Company has entered into the Renewed Products Sales and Distribution Agreement with CECI to revise the existing annual caps for the years of 2018 and 2019 and to cover the transactions for the year ending 31 December 2020.

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

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

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

Date of Renewed Products Sales and Distribution Agreement	17 July 2018
Parties	CECI, CEACI, SSL 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. The Distribution 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 1 January 2018 and ending on 31 December 2020, subject to the approval by the Independent Shareholders.
Pricing basis and policy	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.

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## LETTER FROM THE BOARD

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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 Distribution Agreement and the Renewed Products Sales and Distribution Agreement.

To ensure the sales of goods to CEACI are conducted on normal commercial terms, or on terms no less favorable than terms available to independent parties, the management would on a regular basis review the reference price table by comparing the orders from unrelated third parties so that the price and terms offered to CEACI are fair and reasonable and comparable to those offered to unrelated third parties.

The prices offered to CEACI are prepared by the sales department of the Company, reviewed by the department head and approved by the business unit/operation head. These procedures are the same as those adopted in sales to independent third parties.

Payment terms

Payment for the Products shall be settled by CEACI in cash on a 30 days net basis.

Annual Caps and actual transaction figures

The Annual Caps (note) proposed for each of the three years ending 31 December 2020 are as follows:

<b>For the year ending 31 December</b>		
<b>2018</b>	<b>2019</b>	<b>2020</b>
<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>
18	24	30

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

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.



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## LETTER FROM THE BOARD

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The transaction amount under the Existing Products Sales and Distribution Agreement were as follows:

<b>For the six months ended 30 June 2018 (unaudited) US\$'000</b>	<b>For the year ended 31 December 2017 (audited) US\$'000</b>	<b>For the year ended 31 December 2016 (audited) US\$'000</b>
7,405	3,348	74

The existing annual caps for each of the three years ending 31 December 2019 are as follows:

<b>For the year ended/ending 31 December</b>		
<b>2017 US\$ million</b>	<b>2018 US\$ million</b>	<b>2019 US\$ million</b>
5	10	15

The new Annual Caps were established on the basis of the actual revenue under the Products Sales and Distribution Agreement and the Distribution Agreement for the six months ended 30 June 2018 amounting to more than US\$7.4 million and is expected to exceed the existing annual cap of 2018 by end of August. Based on current backlog orders and customers' future sales forecast, the annual caps for 2018, 2019 and 2020 so established are considered by the management as realistic and consistent with internal operating budgets of the Group.

The Annual Cap for the year ending 31 December 2020 represents an increase of US\$6 million (or an increase of 25%) as compared to that for the year ending 31 December 2019; (ii) the Annual Cap for the year ending 31 December 2019 represents an increase of US\$6 million (or an increase of approximately 33%) as compared to that for FY2018; and (iii) the relevant utilisation rates of the existing annual caps are (a) approximately 66.96% for FY2017 (based on the abovementioned actual transaction amount for the year ended 31 December 2017) and (b) approximately 74.05% for the FY2018 (based on the abovementioned actual transaction amounts for the six months ended 30 June 2018).

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## LETTER FROM THE BOARD

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Due to an increase in transaction amount, the Annual Caps were revised to accommodate business needs of the Group. The Annual Cap for FY2018 represents approximately 243% of the actual transaction amount for the six months ended 30 June 2018. When determining the Annual Cap for FY2018, the management of the Company (i) took into account the actual transaction amount for the six months ended 30 June 2018; and (ii) estimated that the transaction amount for the second half of FY2018 would be higher than that for the first half of FY2018 based on the sales performance of the Group for FY2017 and the current sales forecasts.

Based on the financial information disclosed in the Annual and Interim Reports of the Group for the year ended 31 December 2017 and the six months ended 30 June 2017, respectively, sales of the Group for FY2017 represent approximately 213% of that for the six months ended 30 June 2017. The management of the Company estimated that the transaction amount for the six months ending 31 December 2018 would be higher than that for the six months ended 30 June 2018 due to this seasonal factor. Together with the expected growth in 2018, the Directors consider the estimation of Annual Cap for FY2018 to be reasonable.

As for the Annual Cap for each of the two years ending 31 December 2020, the Directors similarly estimated the Annual Caps on the basis of an expected increased transaction amount because new products such as the technology breakthrough in touch integration in passive matrix organic light emitting displays, etc. are expected to be introduced. Taking into account (i) the FY2017 sales growth; and (ii) the growth in actual transaction amount in 2018 (actual transaction amount for the six months ended 30 June 2018 represents approximately 221% of the actual transaction amount for the year ended 31 December 2017), the management of the Company considers the estimation of Annual Cap for each of the two years ending 31 December 2020 to be reasonable.

In light of the above, the Directors consider that the Annual Caps are fair and reasonable.

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## LETTER FROM THE BOARD

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Others Each party shall exercise its rights and comply with its obligations as stipulated in the Renewed Products Sales and Distribution Agreement, relevant purchase orders or other related contracts.

### *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<sup>®</sup> 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 Microchip Technology Incorporated (being the seller stated in the announcement of the Company dated 1 November 2016 entitled “The Purchase of the Target Assets and Semiconductor Products”) in the PRC and also the major distributor in the PRC for the maXTouch<sup>®</sup> 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<sup>®</sup> product distribution in the PRC and fast growth of the mobile touch business of the Company in the PRC.

The main reason for increasing the existing annual cap for 2018 of US\$10 million is due to the exceptionally well-performed revenue from the sales and distribution of the Products for the six months ended 30 June 2018, which has reached over US\$7 million already, and, in view of the current order backlogs of the Products, it is expected that the sales volume of the Products will further increase in the second half of 2018. In view of some new products (including IC and driver products for applications in, inter alia, smart home appliances, electronic self labels and wearables) introduced, the strong revenue growth trend of the Products is expected to extend to 2019 and 2020, and the existing annual cap for 2019 is revised and the Annual Cap for 2020 is set accordingly.

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.

In order to ensure that the abovementioned pricing policy in respect of this Continuing Connected Transaction is complied with, the business units would meet with the business operation departments and the relevant sales team roughly on a weekly or ad hoc basis, and the pricing of the relevant products (determined in accordance with the pricing policy) would be reviewed and approved by the relevant head of business unit or the business operation department (as the case may be) at such meetings as and when necessary. Any unusual changes in the pricing of the products would also be reported by the business units and/or business

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## LETTER FROM THE BOARD

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operation departments to the management of the Company at monthly meetings and at the Company's staff meetings held on a quarterly basis.

Accordingly, the Directors (including the independent non-executive Directors 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 2020 with the respective Annual Caps, and that the terms of the Renewed Products Sales and Distribution Agreement are on normal commercial terms, fair and reasonable, conducted in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

The transactions under the Renewed Products Sales and Distribution Agreement were approved by the Board on 17 July 2018, with Dr. Li Jun, Mr. Li Rongxin and Mr. Ma Yuchuan, who are officers of the CEC group, abstaining 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.

### *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 all 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 resolution to be proposed in relation to the Renewed Products Sales and Distribution Agreement.

An Independent Board Committee has been established to advise the Independent Shareholders in respect of the Renewed Products Sales and Distribution Agreement. Gram Capital has been appointed as the independent financial adviser for the purpose of advising the Independent Board Committee and the Independent Shareholders on the Continuing Connected Transaction.

The views of the Independent Board Committee on the Renewed Products Sales and Distribution Agreement after considering the advice from Gram Capital are set out in the Letter from the Independent Board Committee on pages 13 to 14 of this circular.

### *Information on the parties*

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

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## LETTER FROM THE BOARD

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distributor for 10 categories of products, including smart TV, power electronics, smart touch, security monitoring, wireless and internet, automobile electronics, communication systems, consumer electronics products, industrial control and power management.

CECI is one of the indirect subsidiaries of the CEC 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.

### III. EGM AND PROXY ARRANGEMENT

The notice of the EGM is set out on pages 29 to 30 of this circular. At the EGM, resolution will be proposed to approve the Continuing Connected Transaction.

CEC and its associates will be required to abstain from voting at the EGM on the resolution to be proposed in relation to the Continuing Connected Transaction. To the best knowledge of the Company, as at the Latest Practicable Date, CEC, through its subsidiary Huada, was interested in 706,066,000 Shares, representing approximately 28.5% of the total issued share capital of the Company. Save as disclosed in this circular, no other shareholder has any material interest in the Continuing Connected Transaction and will be required to abstain from voting at the EGM on the resolution in respect of the same.

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 Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.solomon-systech.com](http://www.solomon-systech.com)) after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.solomon-systech.com](http://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 EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting thereof should you so wish.

### IV. 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.

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## LETTER FROM THE BOARD

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### V. RECOMMENDATION

The Directors are of the opinion that the Continuing Connected Transaction is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend all Independent Shareholders and Shareholders (as the case may be) to vote in favour of the resolution to be proposed at the EGM.

### VI. GENERAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendix (General Information) on pages 25 to 28 of this circular.

Yours faithfully,  
For and on behalf of  
**Solomon Systech (International) Limited**  
**Dr. Yeh Tsuei Chi**  
*Chief Executive Officer*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*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)**

9 August 2018

*To the Independent Shareholders*

Dear Sir or Madam,

#### **RENEWAL OF CONTINUING CONNECTED TRANSACTION**

We have been appointed as members of the Independent Board Committee to advise you in connection with the Continuing Connected Transaction, details of which are set out in the letter from the Board contained in the circular dated 9 August 2018 issued by the Company to the Shareholders (the “Circular”), of which this letter forms part.

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 Continuing Connected Transaction.

Unless specified otherwise, the capitalized terms used herein shall have the same meanings as those defined in the Circular.

Having considered the advice of Gram Capital and the principal factors and reasons taken into consideration by it in arriving at its advice as set out on pages 15 to 24 of the Circular, we are of the opinion that the terms of each of the Continuing Connected Transaction (including the Annual Caps) are on normal commercial terms and are fair and reasonable and that the Continuing Connected Transaction is in the interests of the Company and the Shareholders as a whole and are

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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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 Renewed Products Sales and Distribution Agreement (including the respective Annual Caps) and transactions contemplated thereunder proposed at the EGM.

Yours faithfully,

For and on behalf of Independent Board Committee

**Leung Heung Ying**

**Sheu Wei Fu**

**Yiu Tin Chong, Joseph**

*Independent Non-executive Directors*



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## LETTER FROM GRAM CAPITAL

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*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 Renewed Products Sales and Distribution Agreement and the transactions contemplated thereunder for the purpose of inclusion in the Circular.*



Room 1209, 12/F.  
Nan Fung Tower  
88 Connaught Road Central/  
173 Des Voeux Road Central  
Hong Kong

9 August 2018

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

Dear Sir/ Madam,

### CONTINUING CONNECTED TRANSACTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the sales and distribution of the Products within the Territory as contemplated under the Renewed Products Sales and Distribution Agreement (the “**Transaction**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 9 August 2018 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.

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 2019. The Existing Products Sales and Distribution Agreement will expire on 31 December 2019. On 17 July 2018, the Company entered into the Renewed Products Sales and Distribution Agreement with CECI to revise the existing annual caps for the years of 2018 and 2019 and to cover the transactions for the year ending 31 December 2020 (i.e. the Transaction).

With reference to the Board Letter, the Transaction constitutes continuing connected transaction of the Company and is subject to the reporting, annual review, announcement and Independent Shareholders’ approval requirement under Chapter 14A of the Listing Rule.

The Independent Board Committee comprising 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 Transaction are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Transaction is in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Transaction at the EGM. 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.

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## LETTER FROM GRAM CAPITAL

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### INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Mr. Graham Lam was the person signing off the opinion letter from the independent financial adviser contained in the Company's circular dated 11 December 2017 in respect of continuing connected transactions. As the aforesaid past engagement was independent financial adviser engagement, it does not affect our independence to act as the Independent Financial Adviser. 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 to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

### 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 is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Transaction. 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 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 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 herein 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.

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, SSL, CECI, CEACI or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transaction. 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

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## LETTER FROM GRAM CAPITAL

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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.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transaction, we have taken into consideration the following principal factors and reasons:

#### 1. Background of and reasons for the Transaction

##### Information on the Group

With reference to the Board Letter, the Group is principally engaged in the design, development and sales of proprietary integrated circuits (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 information of the Group for the two years ended 31 December 2017 as extracted from the annual report of the Company for the year ended 31 December 2017 (the “2017 Annual Report”):

	For the year ended 31 December 2017	For the year ended 31 December 2016	Change from 2016 to 2017
	US\$'000	US\$'000	%
Sales	82,464	68,408	20.55
Gross profit	29,316	23,530	24.59
Loss for the year	10,321	6,929	48.95

As depicted from the table above, sales and gross profit of the Group amounted to approximately US\$82.46 million and US\$29.32 million respectively for the year ended 31 December 2017 (“FY2017”), representing an increase of approximately 20.55% (“FY2017 Sales Growth”) and 24.59% respectively as compared to those for the year ended 31 December 2016 (“FY2016”). With reference to the 2017 Annual Report, (i) the Group has been operating in one single operating segment, (i.e. the design, development and sales of proprietary IC products and system solutions); and (ii) sales generated from the Territory (i.e. Mainland China and Hong Kong) amounted to approximately US\$35.15 million for FY2017, contributed approximately 42.62% of the total sales for the year.

The Group recorded loss of approximately US\$10.32 million for FY2017, representing an increase of approximately 48.95% as compared to FY2016. With reference to the 2017 Annual Report, the increase in loss was mainly attributable to the increase in research and development (“R&D”) expenses and inventory written off.

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## LETTER FROM GRAM CAPITAL

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### **Information on CECI and CEACI**

With reference to the Board Letter, 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.

As further mentioned in the Board Letter, CEC is a state-owned information technology conglomerate under the administration of the central government of the PRC and an indirect substantial Shareholder.

### **Reasons for and benefits of entering into the Transaction**

With reference to the Board Letter, the Company completed the purchases of maXTouch<sup>®</sup> semiconductor products and technology in FY2016 to accelerate the growth of the mobile touch business of the Group. Whilst CECI/CEACI was originally the major distributor of Microchip Technology Incorporated in the PRC and also the major distributor in the PRC for the maXTouch<sup>®</sup> 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<sup>®</sup> product distribution in the PRC and fast growth of the mobile touch business of the Company in the PRC.

As further mentioned in the Board Letter, the main reason for increasing the existing annual cap for the year ending 31 December 2018 (“FY2018”) of US\$10 million is due to the exceptionally well-performed revenue from the sales and distribution of the Products for the six months ended 30 June 2018, which has already reached over US\$7 million. In view of the current order backlogs of the Products, it is expected that the sales volume of the Products will further increase in the second half of 2018. In view of some new products introduced (including IC and driver products for applications in, inter alia, smart home appliances, electronic shelf labels and wearables), the strong revenue growth trend of the Products is expected to extend to 2019 and 2020, and the existing annual cap for 2019 is revised and the Annual Cap for 2020 is set accordingly.

As advised by the Directors, the development of internet of things (IoT) has driven the growth and development of smart products (such as the passive matrix organic LED (PMOLED) and bistable display products which support wearables and other smart or connected devices).

For our due diligence purpose, we have searched over the internet to understand the prospect of the IoT industry. As published by Global Industry Analysts, Inc (an off-the-shelf market research company) in June 2015, Asia Pacific had the fastest growth in terms of installed base of connected devices in the IoT ecosystem. According to a press release dated 29 January 2017 on the website of Forbes (a global media company, focusing on business, investing, technology, entrepreneurship, leadership, and lifestyle) headlined “Internet Of Things Market To Reach \$267B By 2020”, Boston Consulting Group (a global management consulting firm) predicted that (i) business-to-business (B2B) spending on IoT technologies,

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## LETTER FROM GRAM CAPITAL

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apps and solutions will reach USD267 billion by 2020; and (ii) between 2015 to 2020, revenue from all layers of the IoT technology stack will attain at least a 20% compounded annual growth rate (“CAGR”) (market sizes of some technology layer such as services, IoT applications, IoT analytics and identity security are predicted to grow at a CAGR of approximately 40%).

With reference to the 2017 Annual Report, the Group continued to invest in product R&D and business development and remained selective in its product R&D spending. To strengthen new technology development and new product introduction, and also enhance customer outreach activities, the Group’s product R&D costs in the year increased from approximately US\$21.09 million for FY2016 to approximately US\$34.53 million for FY2017, representing an increase of approximately 63.73%. Product R&D costs to sales ratios were approximately 30.82% and 41.87% respectively for FY2016 and FY2017. As further mentioned in the 2017 Annual Report, in FY2017 the Group continued to build on the strategic measures to strengthen its technological capability and R&D talent pool, and also to drive new product development. Such strategies have proven effective, as demonstrated by the growth in both total sales and shipments year-on-year by 21% and 15% respectively from FY2016 to FY2017, and an array of new products already developed or in the pipeline. Taking into account the Group’s investment in R&D and our findings on the IoT industry as mentioned above, we consider the Directors’ expectation on revenue growth trend of the Products in the second half of 2018, in 2019 and 2020 to be reasonable.

Having considered the above, we concur with the Directors that the Transaction is conducted in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

### **2. Principal terms of the Transaction**

***Date:***

17 July 2018

***Parties:***

CECI, CEACI, SSL and the Company

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## LETTER FROM GRAM CAPITAL

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***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. The Distribution Agreement was executed simultaneously between SSL (being the major wholly-owned operating subsidiary of the Company) 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 1 January 2018 and ending on 31 December 2020, subject to the approval by the Independent Shareholders

***Pricing basis and policy:***

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.

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 Distribution Agreement and the Renewed Products Sales and Distribution Agreement.

Further details of terms are specified under the section headed “Details of the terms of the Renewed Products Sales and Distribution Agreement” of the Board Letter.

As advised by the Directors, in order to ensure that the pricing policy in respect of the Transaction is complied with, the Group will continue to implement the internal control measures for the transactions contemplated under the Existing Products Sales and Distribution Agreement. With reference to the Board Letter, the business units would meet with the business operation departments and the relevant sales team roughly on a weekly or ad hoc basis, and the pricing of the relevant products (determined in accordance with the pricing policy) would be reviewed and approved by the relevant head of business unit or the business operation department (as the case may be) at such meetings as and when necessary. Any unusual changes in the pricing of the products would also be reported by the business units and/or business operation departments to the management of the Company at monthly meetings and at the Company’s staff meetings held on a quarterly basis. We consider the effective implementation of such internal control measures would help to ensure fair pricing of the Transaction.

With reference to the 2017 Annual Report and as confirmed by the Directors, the independent non-executive Directors have reviewed relevant continuing connected transactions of the Company during FY2017 and confirmed that such continuing connected transactions were (a) in the ordinary and usual course of business of the Group; (b) either on

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## LETTER FROM GRAM CAPITAL

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normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole; and (d) within the annual cap (the “**INED’s Confirmation**”).

In addition, the Company’s independent auditor was engaged to report on the Group’s continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. For the purpose of Rule 14A.56 of the Listing Rules, the auditor of the Company, provided a letter to the Board regarding the continuing connected transactions during FY2017 confirming that: (i) nothing has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Board; (ii) for transactions involving the provisions of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group; (iii) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the agreements governing the transactions; and (iv) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes them to believe that the continuing connected transactions have exceeded the annual cap as set by the Company (the “**Auditor’s Confirmation**”).

As further advised by the Directors, the Group entered into another distribution agreement (the “**I3P Agreement**”) with an independent third party in 2018 for the sales and distribution of Products within the Territory. For our due diligence purpose, we obtained the said I3P Agreement and note that (i) the pricing basis of the I3P Agreement is the same as the Distribution Agreement (i.e. SSL will periodically issue a reference price list of Products to the distributor as current sales price reference); (ii) the payment terms of the Distribution Agreement are more favourable to the Group as compared to the I3P Agreement; and (iii) other key terms of the I3P Agreement are similar to those of the Distribution Agreement.

We also reviewed the Existing Product Sales and Distribution Agreement entered into between the Company and CECI on 20 November 2017. We noted that, save as the amendments to the term (i.e. duration) and the annual caps, the key terms in the Renewed Products Sales and Distribution Agreement are similar to the corresponding terms in the Existing Product Sales and Distribution Agreement.

In light of the above, we are of the view that the terms of the Transaction are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.



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## LETTER FROM GRAM CAPITAL

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### 3. The Annual Caps

	<b>For the year ending 31 December 2019</b>	<b>For the year ending 31 December 2018</b>	<b>For the year ended 31 December 2017</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Existing annual caps	15,000	10,000	5,000
Actual transaction amounts	N/A	7,405 <i>(Note)</i>	3,348
Utilisation rate	N/A	74.05% <i>(Note)</i>	66.96%
	<b>For the year ending 31 December 2020</b>	<b>For the year ending 31 December 2019</b>	<b>For the year ending 31 December 2018</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Annual Cap(s)	30,000	24,000	18,000

*Note:* For the six months ended 30 June 2018

With reference to the Board Letter, 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.

As depicted from the table above, we note that (i) the Annual Cap for the year ending 31 December 2020 represents an increase of US\$6 million (or an increase of 25%) (the “**FY2020 Annual Cap Growth**”) as compared to that for the year ending 31 December 2019; (ii) the Annual Cap for the year ending 31 December 2019 represents an increase of US\$6 million (or an increase of approximately 33%) (the “**FY2019 Annual Cap Growth**”) as compared to that for FY2018; and (iii) the relevant utilisation rates of the existing annual caps are (a) approximately 66.96% for FY2017 and (b) approximately 74.05% for the FY2018 (based on the actual transaction amounts for the six months ended 30 June 2018).

As advised by the Directors, due to an increase in transaction amount, the Annual Caps were revised to accommodate business needs of the Group. The Annual Cap for FY2018 represents approximately 243% of the actual transaction amount for the six months ended 30 June 2018. When determining the Annual Cap for FY2018, the Directors (i) took into account the actual transaction amount for the six months ended 30 June 2018; and (ii) estimated that the transaction amount for the second half of FY2018 would be higher than that for the first half of FY2018 based on the seasonal sales performance of the Group for FY2017.

In this regard, we noted from the interim report of the Company for the six months ended 30 June 2017 and the 2017 Annual Report that sales of the Group amounted to approximately US\$38.64 million (unaudited) for the six months ended 30 June 2017 and US\$82.46 million (audited) for FY2017. Sales of the Group for FY2017 represents approximately 213% of that for the six months ended 30 June 2017. Accordingly, we consider the Directors’ estimation (i.e. that the



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## LETTER FROM GRAM CAPITAL

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transaction amount for the six months ending 31 December 2018 would be higher than that for the six months ended 30 June 2018) to be reasonable. Taking into account (i) the above; (ii) the FY2017 Sales Growth; (iii) the growth in actual transaction amount in 2018; and (iv) the Group's investment in R&D and our findings on the IoT industry as mentioned in the section above, we consider the estimation of Annual Cap for FY2018 to be reasonable.

As for the Annual Cap for each of the two years ending 31 December 2020, the Directors similarly estimated the Annual Caps on the basis of an increase transaction amount. Taking into account (i) the FY2017 Sales Growth; (ii) the growth in actual transaction amount in 2018 (actual transaction amount for the six months ended 30 June 2018 represents approximately 221% of the actual transaction amount for FY2017); and (iii) the Group's investment in R&D and our findings on the IoT industry as mentioned in the section above, we consider the FY2019 Annual Cap Growth and FY2020 Annual Cap Growth to be justifiable. Accordingly, we also consider estimation of Annual Cap for each of the two years ending 31 December 2020 to be reasonable.

In light of the above, we consider that the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

#### **4. Listing Rules implication regarding the Transaction**

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 Transaction must be restricted by Annual Caps for the period concerned under the Renewed Products Sales and Distribution Agreement; (ii) the terms of the Transaction (including 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 Transaction 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, whether anything has come to their attention that causes them to believe that the Transaction (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the Annual Caps. In the event that the total amounts of the Transaction are anticipated to exceed the Annual Caps, or that there is any proposed material amendment to the terms of the Transaction, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Transaction and thus the interest of the Independent Shareholders would be safeguarded.

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## LETTER FROM GRAM CAPITAL

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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 Transaction are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Transaction 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 EGM to approve the Transaction 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 investment banking industry.

**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**

	<b>Position</b>	<b>Number of shares held</b>	<b>Number of share options held</b>	<b>Total</b>	<b>% of the issued share capital of the Company</b>
<b>Independent</b>					
<b>Non-executive Directors</b>					
Leung Heung Ying	Long	–	1,600,000	1,600,000	0.06%
Sheu Wei Fu	Long	–	2,400,000	2,400,000	0.10%
Yiu Tin Chong, Joseph	Long	2,000,000	2,400,000	4,400,000	0.18%
<b>Non-executive Directors</b>					
Li Rongxin	Long	–	–	–	–
Li Jun	Long	–	–	–	–
Ma Yuchuan	Long	–	–	–	–
<b>Executive Directors</b>					
Yeh Tsuei Chi	Long	1,902,000	7,000,000	8,902,000	0.36%
Lo Wai Ming	Long	33,572,179	6,000,000	39,572,179	1.60%

**INTEREST OF SUBSTANTIAL SHAREHOLDERS**

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**

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Position</b>	<b>Number of shares held</b>	<b>% of the issued share capital of the Company</b>
Huada Semiconductor Co., Ltd	Beneficial owner	Long	706,066,000	28.5%
China Electronics Corporation	Interest of controlled corporation	Long	706,066,000	28.5%

As at the Latest Practicable Date, so far as is known to the Directors, the following Directors were officers in the CEC group (whereas CEC is the indirect substantial shareholder of the Company) as shown below:

<b>Name of Director</b>	<b>Position held</b>
Dr. Li Jun	General manager, department of planning, science & technology of CEC
Mr. Li Rongxin	Deputy general manager of Huada Semiconductor Co., Ltd., a subsidiary of CEC
Mr. Ma Yuchuan	Vice general manager of Huada Semiconductor Co., Ltd., a subsidiary of CEC

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 was 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 2017 (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 2017, being the date to which the latest published accounts of the Group were made up.

**EXPERT AND CONSENT**

Gram Capital is a licensed corporation to carry 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 2017 (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 the date hereof 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 29 August 2018:

- (A) the Renewed Products Sales and Distribution Agreement;
- (B) the Distribution Agreement;
- (C) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (D) the letter from Gram Capital, the text of which is set out in this circular;
- (E) the written consent referred to in the section headed "Expert and consent" in this Appendix;  
and
- (F) the Memorandum and Articles of Association of the Company.

**GENERAL**

The registered office of the Company is P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, 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 Mr. Ng Sui Wa, who is the Vice President, Finance of the Group. SWCS Corporate Services Group (Hong Kong) Limited has been engaged to provide corporate secretarial services to the Company.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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**SOLOMON  
SYSTECH**

### **SOLOMON SYSTECH (INTERNATIONAL) LIMITED**

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

**(Stock Code: 2878)**

**NOTICE IS HEREBY GIVEN** that the Extraordinary General Meeting of Shareholders of Solomon Systech (International) Limited (the “Company”) will be held at 4:30 pm on 29 August 2018, Wednesday at 6/F, No. 3 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong, for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution:

“**THAT**

the Renewed Products Sales and Distribution Agreement (as defined in the announcement of the Company dated 17 July 2018) and the Distribution Agreement (as defined in the announcement of the Company dated 17 July 2018); the 2018, 2019 and 2020 annual caps of US\$18 million, US\$24 million and US\$30 million, respectively, be and are hereby approved; and the Board of the Company be and is hereby authorised to take all actions necessary or expedient in its opinion to implement and/or give effect to the Renewed Products Sales and Distribution Agreement and the Distribution Agreement.”

On behalf of the Board  
**Dr. Yeh Tsuei Chi**  
*Chief Executive Officer*

Hong Kong, 9 August 2018

*As at the date of this notice, 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. Ma Yuchuan; and (c) Independent Non-executive Directors – Mr. Leung Heung Ying, Mr. Sheu Wei Fu and Mr. Yiu Tin Chong, Joseph.*

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*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 27 August 2018 to 29 August 2018, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates and forms of transfer 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 pm on 24 August 2018.
- (d) The resolution 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](http://www.hkexnews.hk)) and the Company ([www.solomon-systech.com](http://www.solomon-systech.com)) in accordance with the Listing Rules.
- (e) A form of proxy for use in connection with the Extraordinary General Meeting is enclosed and such form is also published on the websites of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.solomon-systech.com](http://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](http://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 written 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](mailto: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.