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

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

*(Stock code: 2878)*

### **CONNECTED TRANSACTION**

#### **SUMMARY**

The Board is pleased to announce that on 22 October 2019, the Group has entered into the following connected transaction as set out below.

#### **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 2019 to 29 October 2021.

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.

## **THE TRANSACTIONS**

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

#### **1. Introduction**

Reference is made to the announcement of the Company dated 16 October 2014 and 20 November 2017 in relation to the renewal of the License granted by HES to the Group. The Board announces that the License shall expire on 29 October 2019 and the parties have agreed to renew the License pursuant to the License Agreement.

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

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

##### *Date*

22 October 2019

##### *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 2019 to 29 October 2021)

##### *Consideration*

CNY3,164,000 (including 13% value added tax), comprising (i) CNY716,420 under the License Agreement with SSL-China, and (ii) CNY2,447,580 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) CNY1,582,000 (comprising (CNY358,210 under the License Agreement with SSL-China and (ii) CNY1,223,790 under the License Agreement with SSL-sz (payable by 30 November 2019;

- (ii) CNY1,582,000 (comprising (CNY358,210 under the License Agreement with SSL-China and (ii) CNY1,223,790 under the License Agreement with SSL-sz (payable by 30 November 2020;

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

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 connected transaction and the independent non-executive Directors confirmed that the terms of the License Agreement 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.

Mr. Ma Yuchuan, Dr. Li Jun and Mr. Yu Jian as directors or officers of the CEC group have abstained from voting on the relevant resolutions of the Board.

### **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 Group under Chapter 14A of the Listing Rules.

As one or more of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the 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.

## **TERMS USED IN THIS ANNOUNCEMENT**

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

“Agreement”	the license agreement dated 22 October 2019 in connection with the renewal of a grant of the License by HES to SSL-China and SSL-sz
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“associates”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“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
“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
“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
“CNY”	Chinese Yuan, the lawful currency of PRC
“Director(s)”	director(s) of the Company
“EDA”	Electronic Design Automation
“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
“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 Semiconductors Co. Ltd.**), a company established in the PRC to consolidate all IC businesses under CEC group, a substantial shareholder (as defined under the Listing Rules) of the Company
“IC”	integrated circuits
“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 and SSL-sz
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China
“SoC”	System on Chip
“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

*\*\* for identification purpose only*

By Order of the Board  
**SOLOMON SYSTECH (INTERNATIONAL) LIMITED**  
Poon Kim Hung, Shirley  
Company Secretary

Hong Kong, 22 October 2019

*As at the date of this announcement, the Board comprises: (a) Executive Directors – Mr. Wang Wah Chi Raymond (Acting Chief Executive Officer) and Mr. Lo Wai Ming; (b) Non-executive Directors – Mr. Ma Yuchuan (Chairman), Dr. Li Jun and Mr. Yu Jian; and (c) Independent Non-executive Directors – Mr. Leung Heung Ying, Mr. Sheu Wei Fu and Mr. Yiu Tin Chong, Joseph.*