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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

晶門半導體有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2878)

REVISION OF ANNUAL CAPS CONTINUING CONNECTED TRANSACTION AND NOTICE OF EXTRAORDINARY GENERAL MEETING

*Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders*



Gram Capital Limited
嘉林資本有限公司

A letter from the Board is set out on pages 5 to 12 of this circular and a letter from the Independent Board Committee is set out on page 13 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 14 to 22 of this circular.

A notice convening an EGM of Solomon Systech (International) Limited to be held at 2:30 p.m. on Thursday, 27 May 2021 (or immediately after the conclusion of the annual general meeting of the shareholders of the Company to be held on the same date) at 6/F., No. 3 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong is set out on pages 27 to 28 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 54, 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 (i.e. by Tuesday, 25 May 2021 at 2:30 p.m.) 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.

PRECAUTIONARY MEASURES FOR THE EGM

Please refer to page 1 of this circular for the measures being taken to prevent and control the spread of the COVID-19 at the EGM, including but not limited to:

- (a) compulsory body temperature check;
- (b) compulsory wearing of surgical face mask;
- (c) maintaining a safe distance between seats; and
- (d) no provision of refreshments and beverages.

Any person who does not comply with the precautionary measures will be denied entry into or be required to leave the EGM venue. In light of the continuing risks posed by the COVID-19 and as part of the Company's control measures to safeguard the health and safety of the Shareholders, the Company strongly encourages the Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy and to return their proxy forms by the time specified above, instead of attending the EGM in person.

21 April 2021

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PRECAUTIONARY MEASURES FOR THE EGM

The health of the Shareholders, staff and stakeholders of the Company is of paramount importance to us. To prevent and control the spread of the COVID-19, the Company will implement the following at the EGM as part of the control measures to safeguard the health and safety of our attending Shareholders, staff and stakeholders of the Company:

- (i) compulsory body temperature checks will be conducted for every attendee at the entrance of the EGM venue. Any person who has a body temperature of over 37.5 degree Celsius or is subject to the mandatory quarantine order imposed by the Hong Kong government will be denied entry into or be required to leave the EGM venue;
- (ii) each attendee must wear a surgical facemask throughout the EGM and inside the EGM venue. Please note that no masks will be provided at the EGM venue and attendees should bring and wear their own masks;
- (iii) the Company will maintain a safe distance between seats; and
- (iv) no refreshments and beverages will be served.

In addition, the Company would like to remind all attending Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. The Company strongly encourages the Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy and to return the proxy forms to the Company's branch share registrar and transfer agent in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.

In the event of any regulation imposed by the Hong Kong government due to COVID-19 requiring a change of the date or place of the EGM, the Company will publish an announcement on the websites of both the Company (www.solomon-systech.com) and the Stock Exchange (www.hkexnews.hk) to notify the Shareholders of the revised arrangements or an adjournment of the EGM.

The Company will publish a further announcement on its corporate website (www.solomon-systech.com) and the Stock Exchange's website (www.hkexnews.hk) to notify the Shareholders of the date, time and location of the adjourned meeting (if applicable).

DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions have the following meanings:

“2020 Products Sales and Distribution Announcement”	the Company’s announcement dated 22 October 2020, which disclosed, among others, the entering of the Existing Products Sales and Distribution Agreement and the terms and conditions of the transactions contemplated under the Existing Products Sales and Distribution Agreement which constituted continuing connected transactions for the Company under the Listing Rules
“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 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
“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. 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
“EGM”	the extraordinary general meeting of the Company to be convened on Thursday, 27 May 2021 at 2:30 p.m. (or immediately after the conclusion of the annual general meeting of the shareholders of the Company to be held on the same date) at 6/F, No. 3 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong or any adjournment thereof, for, inter alia, the approval of the Supplemental Agreement and the Revised Caps

DEFINITIONS

“Existing Annual Caps”	has the meaning as ascribed to it under the section headed “II. Revision of Annual Caps in respect of the Products Sales and Distribution Transactions – 1. Supplemental Agreement and Revised Caps” in the letter from the Board contained in this circular
“Existing Products Sales and Distribution Agreement”	the agreement dated 22 October 2020 entered into between the Company and CEACI governing the terms and conditions for the appointment of CEACI as one of the non-exclusive authorized distributors of the Company to sell and distribute within the Territory for the three years ending 31 December 2023, details of which are set out in the 2020 Products Sales and Distribution Announcement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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 Dr. Chan Philip Ching Ho
“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 transactions contemplated under the Supplemental Agreement and the Revised Caps
“Independent Shareholders”	Shareholders other than CEC and its associates
“Latest Practicable Date”	16 April 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular

DEFINITIONS

“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
“Products Sales and Distribution Transactions”	the transactions as contemplated under the Existing Products Sales and Distribution Agreement in relation to the sales and distribution of the Products of the Group within the Territory
“PRC”	the People’s Republic of China
“Products”	IC and driver products of the Group
“Revised Caps”	has the meaning as ascribed to it under the section headed “II. Revision of Annual Caps in respect of the Products Sales and Distribution Transactions – 1. Supplemental Agreement and Revised Caps” in the letter from the Board contained in this circular
“Products”	IC and driver products of the Group, which, for the avoidance of doubt, include LCD 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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the same meaning as ascribed to it under the Listing Rules
“Supplemental Agreement”	the supplemental agreement to the Existing Products Sales and Distribution Agreement entered into between the Company and CEACI on 23 March 2021
“Territory”	Mainland China and Hong Kong
“US\$”	the United States Dollars, the lawful currency of the United States of America
“%”	per cent.

For identification purposes only

LETTER FROM THE BOARD



**SOLOMON
SYSTECH**

SOLOMON SYSTECH (INTERNATIONAL) LIMITED

晶門半導體有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2878)

Directors:

Ma Yuchuan* (*Chairman*)

Wang Wah Chi, Raymond (*Chief Executive Officer*)

Li Jun*

Wang Hui* (*appointed on 1 April 2021*)

Lo Wai Ming*

Yu Jian* (*resigned on 1 April 2021*)

Leung Heung Ying**

Sheu Wei Fu**

Chan Philip Ching Ho**

* *Non-executive Director*

** *Independent Non-executive Director*

Registered office:

2nd Floor

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P. O. Box 902

Grand Cayman

KY1-1103

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

21 April 2021

To the Shareholders

Dear Sir or Madam,

REVISION OF ANNUAL CAPS CONTINUING CONNECTED TRANSACTION, AND NOTICE OF EXTRAORDINARY GENERAL MEETING

I. INTRODUCTION

Reference is made to (i) the 2020 Products Sales and Distribution Announcement and the circular of the Company dated 12 November 2020 in relation to the Existing Products Sales and Distribution Agreement, pursuant to which CEACI has been appointed as one of the non-exclusive authorised distributors of the Group to sell and distribute the Products within the Territory for a term of three years from 1 January 2021 to 31 December 2023, and (ii) the announcement of the Company dated 23 March 2021 in relation to the Supplemental Agreement to the Existing Products Sales and Distribution Agreement to revise the Existing Annual Caps to the Revised Caps.

LETTER FROM THE BOARD

The purpose of this circular is to give the Shareholders the notice of EGM and to provide the Shareholders with further information in respect of Supplemental Agreement and the Revised Caps.

II. REVISION OF ANNUAL CAPS IN RESPECT OF THE PRODUCTS SALES AND DISTRIBUTION TRANSACTIONS

In view of (i) orders (including acknowledged and unacknowledged) received from CEACI for the delivery of IC Products for the year of 2021 have already accounted for over 80% of the Group's original estimation and for the three months ended 31 March 2021, the orders from CEACI that have already been fulfilled by the Group amounted to approximately US\$12 million in aggregate, representing a utilisation of approximately 23% of the Existing Annual Cap for the year ending 31 December 2021; (ii) the worldwide increase of demand in IC products since the end of 2020 resulting in a global shortage of supply, there has been a surge of orders for the Group's Products under the Existing Products Sales and Distribution Agreement which exceeded the Group's original projection; and (iii) the increase of average selling price of the Group's Products as a result of the raise of wafer price from our suppliers and the increase in service fees from the Group's subcontractors, it is expected that the Existing Annual Caps under the Existing Products Sales and Distribution Agreement for the three years ending 31 December 2023 will become insufficient. Accordingly, on 23 March 2021, the Company and CEACI entered into the Supplemental Agreement to revise the Existing Annual Caps to the Revised Caps.

1. Supplemental Agreement and Revised Caps

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

Date : 23 March 2021

Parties : (i) the Company; and
(ii) CEACI

Pursuant to the Supplemental Agreement, the existing annual caps (the “**Existing Annual Caps**”) for the transactions contemplated under the Existing Products Sales and Distribution Agreement has been revised to the proposed revised caps (the “**Revised Caps**”) as follows:

Financial year	Existing Annual Caps US\$'000	Revised Caps (Note) US\$'000
For the year ending 31 December 2021	50,000	70,000
For the year ending 31 December 2022	60,000	80,000
For the year ending 31 December 2023	70,000	90,000

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

LETTER FROM THE BOARD

The Supplemental Agreement is subject to the approval by the Independent Shareholders. Save for the said revision of the Existing Annual Caps to the Revised Caps, all other terms of Existing Products Sales and Distribution Agreement shall remain unchanged. Please refer to the 2020 Products Sales and Distribution Announcement and the circular of the Company dated 12 November 2020 for details of the other principal terms of the Existing Products Sales and Distribution Agreement.

2. Reasons for and benefits for revising the Existing Annual Caps and the basis for determining the Revised Caps

The Group specialises in the design, development and sales of IC products that enable a wide range of display applications for consumer electronics products, in particular healthcare products, smartphones, smart TVs, monitors and other smart devices, and has engaged CEACI, an established professional technology distributor, as one of its non-exclusive authorized distributors to sell and distribute the Products within the Territory for many years.

Pursuant to the Existing Products Sales and Distribution Agreement, the Existing Annual Caps for the Products Sales and Distribution Transactions for each of the three years ending 31 December 2023 were US\$50 million, US\$60 million and US\$70 million, respectively. In view of the increase of demand in IC products since the end of 2020 resulting in a global shortage of supply, there has been a surge of orders for the Group's Products under the Existing Products Sales and Distribution Agreement which exceeded the original projection. The orders (including acknowledged and unacknowledged) from CEACI for the delivery of IC Products for the year 2021 pursuant to the Existing Products Sales and Distribution Agreement as at 28 February 2021 already accounted for 80% of the Group's original estimation for the year ending 31 December 2021.

Against the above background, the Company and CEACI entered into the Supplemental Agreement to revise the relevant annual caps. The Revised Caps for the three years ending 31 December 2023 as provided for in the Existing Products Sales and Distribution Agreement (as supplemented by the Supplemental Agreement) were determined with reference to:

- (i) the fact that the over 80% of orders (including acknowledged and unacknowledged) have been received from CEACI;
- (ii) the expectation that the orders received by the Group for the Products will continue to maintain positive, with a higher growth rate than the Group's original forecast, as demonstrated by the recent surge of orders for the Group's Products under the Existing Products Sales and Distribution Agreement as mentioned above;
- (iii) the better-than-normal seasonal demand is expected to occur in the first half of 2021 with the clients placing extra orders due to recent capacity constraints for IC products, as compared with the typical slow season for the industry in the first half of the year; and

LETTER FROM THE BOARD

- (iv) in light of an increase in the Group's material cost and production cost, it is expected that the average selling price of its different IC products may further increase with reference to their respective production costs and market price in order to compensate part of its margin, which in turn is expected to lead to the increase in total revenue amount.

In light of the above, the Directors (including the independent non-executive Directors) consider that it is in the interests of the Group to enter into the Supplemental Agreement to the Existing Products Sales and Distribution Agreement and revise the Existing Annual Caps to the Revised Caps, the Supplemental Agreement was entered into in the ordinary and usual course of business of the Group, and that the terms of the Existing Products Sales and Distribution Agreement (as supplemented by the Supplemental Agreement) and the Revised Caps were determined after arm's length negotiations between CEACI and the Company, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Directors have approved the Supplemental Agreement at the meeting of the Board on 23 March 2021, Mr. Ma Yuchuan, Dr. Li Jun and Mr. Yu Jian who were officers of the CEC group had 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 Supplemental Agreement and has to abstain from voting for the reason of having a material interest in such transactions.

3. Information on the Group

The Group is principally engaged in the design, development and sales of proprietary integrated circuits 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.

4. 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 many categories of products, including but not limited to smart TVs, power electronics, smart touch, security monitoring, wireless and internet, automobile electronics, communication systems, consumer electronic products, industrial control and power management. CEACI is one of the indirect subsidiaries of the CEC group and is a wholly-owned subsidiary of CECI, which is, in turn, insofar as the Board is aware, held:

- (i) as to approximately 41.79% by 中國中電國際信息服務有限公司 (China Electronics International Information Service Company Limited[#]), a wholly-owned subsidiary of CEC;

LETTER FROM THE BOARD

- (ii) as to approximately 14.18% by 國家集成電路產業投資基金股份有限公司 (China Integrated Circuit Industry Investment Fund Co., Ltd.[#]), which is a joint-stock corporate fund launched collectively by a number of institutions, mainly including the Ministry of Finance of the PRC, China Development Bank Capital Corporation Ltd, State Tobacco Monopoly Administration and Beijing E-Town International Investment & Development Co., Ltd., which are state-owned enterprises or PRC government institutions;
- (iii) as to approximately 9.58% by 中電創新基金(有限合夥) (CEC Innovation Fund (LP)[#]), which is a limited partnership held by certain entities including CEC as to 59.90% and 全國社會保障基金理事會 (the National Council for Social Security Fund) as to 40% of the partnership interest;
- (iv) as to approximately 9.45% by 中電坤潤一期(天津)股權投資合夥企業(有限合夥) (CEC Kunrun I (Tianjin) Equity Investment Partnership (LP)[#]), which is a limited partnership held by certain entities including 雲南工投產業股權投資基金合夥企業(有限合夥) (Yunnan Industrial Assets Investment Fund Partnership (LP)[#]), an investment fund in turn ultimately held by a state-owned enterprise, as to 99.5% of the partnership interest;
- (v) as to approximately 9.45% by 中國國有資本風險投資基金股份有限公司 (China Venture Capital Fund Corporation Ltd.[#]), which is in turn a state level investment fund established by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC;
- (vi) as to approximately 9.06% by 共青城億科合融投資管理合夥企業(有限合夥) (Gongqingcheng Yike Herong Investment Management Partnership (LP)[#]), which is a limited partnership held by three investment funds as to approximately 63.04%, and by thirty individuals and one corporation as to approximately 36.96% in aggregate (and each such individual or corporation holds less than 5% of the partnership interest in the limited partnership);
- (vii) as to approximately 4.8% by 大聯大商貿有限公司 (Dalianda Trading Co., Ltd.[#]) which is an indirect wholly-owned subsidiary of WPG Holdings Limited, a company whose shares are listed on the Taiwan Stock Exchange; and
- (viii) as to approximately 1.69% by 深圳前海同沁同立創新投資企業(有限合夥) (Shenzhen Qianhai Tongqin Tongli Innovation Investment Enterprise (LP)[#]), which is a limited partnership held by an investment fund as to approximately 25% and nine individuals as to 72.5% in aggregate (and each such individual holds less than 20% of the partnership interest in the limited partnership).

CEC is a state-owned company whose ultimate beneficial owner is the State Council of the PRC. CEC is a nationwide electronics and information technology conglomerate directly administered by the PRC government and focuses on communications, consumer electronics products, semi-conductor and software sectors in the PRC.

LETTER FROM THE BOARD

5. Listing Rules implications

As at the Latest Practicable Date, CEC, through its wholly-owned subsidiary, Huada, holds indirectly 706,066,000 Shares, representing approximately 28.41% of the existing total number of issued shares of the Company. CEC is a substantial shareholder of the Company. The Company understands that CECI is an indirect subsidiary of CEC and wholly owns CEACI. Accordingly, CEACI is a connected person of the Company and the transactions under the Existing Products Sales and Distribution Agreement (as supplemented by the Supplemental Agreement) constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54(2) of the Listing Rules, if the Company proposes to revise the annual caps for continuing connected transactions, the Company will have to re-comply with the relevant provisions under Chapter 14A of the Listing Rules in relation to the relevant continuing connected transactions. In respect of the Revised Caps under the Existing Products Sales and Distribution Agreement (as supplemented by the Supplemental Agreement), as the highest applicable percentage ratio is not less than 25% and the annual consideration for the Products Sales and Distribution Transactions is more than HK\$10 million, the Supplemental Agreement and the Revised Caps will be subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. CEC, Huada and its associates will abstain from voting in respect of the resolution(s) to approve the Supplemental Agreement and the Revised Caps at the EGM.

6. General

An Independent Board Committee has been established to advise the Independent Shareholders in respect of the transactions under the Supplemental 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 transactions under the Supplemental Agreement and the Revised Caps. The views of the Independent Board Committee on the Supplemental Agreement after considering the advice from Gram Capital are set out in the Letter from the Independent Board Committee on page 13 of this circular.

LETTER FROM THE BOARD

III. EGM AND PROXY ARRANGEMENT

The notice of the EGM is set out on pages 27 to 28 of this circular. At the EGM, resolutions will be proposed to approve the Supplemental Agreement and Revised Caps.

CEC and its associates will be required to abstain from voting at the EGM on the resolution to be proposed in relation to the Supplemental Agreement and Revised Caps. 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 28.41% of the total issued share capital of the Company. Save as disclosed in this circular, no other shareholder has any material interest in the Existing Products Sales and Distribution Agreement (as supplemented by the Supplemental Agreement) 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 the 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) and the Company's website (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) and the Company's website (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 54, 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.

LETTER FROM THE BOARD

V. RECOMMENDATIONS

Having considered the reasons set out herein, the Directors, including the independent non-executive Directors (having considered the advice of Gram Capital), are of the opinion that it is in the interests of the Group to enter into the Supplemental Agreement to the Existing Products Sales and Distribution Agreement and revise the Existing Annual Caps to the Revised Caps, the Supplemental Agreement was entered into in the ordinary and usual course of business of the Group, and that the terms of the Existing Products Sales and Distribution Agreement (as supplemented by the Supplemental Agreement) and the Revised Caps were determined after arm's length negotiations between CEACI and the Company, are fair and reasonable and in the interests of the Company and the Shareholders as a whole and are on normal commercial terms (or better to the Group). Accordingly, the Directors recommend the Independent Shareholders to vote in favor of the resolution regarding the Supplemental Agreement and Revised Caps to be proposed at the EGM.

VI. FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the Appendix (General Information) on pages 23 to 26 of this circular.

Yours faithfully,
For and on behalf of
SOLOMON SYSTECH (INTERNATIONAL) LIMITED
WANG Wah Chi, Raymond
Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



**SOLOMON
SYSTECH**

SOLOMON SYSTECH (INTERNATIONAL) LIMITED

晶門半導體有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2878)

21 April 2021

To the Independent Shareholders

Dear Sir or Madam,

REVISION OF ANNUAL CAPS OF CONTINUING CONNECTED TRANSACTION

We have been appointed as members of the Independent Board Committee to advise you in connection with the Supplemental Agreement and the Revised Caps, details of which are set out in the letter from the Board contained in the circular dated 21 April 2021 issued by the Company to the Shareholders (the “Circular”), of which this letter forms a part.

As at the Latest Practicable Date, we were not aware of any relationships or interests between the Company and the Independent Financial Adviser or any other parties that could be reasonably regarded as hindrance to the Independent Financial Adviser’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 Supplemental Agreement and the Revised Caps.

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 14 to 22 of the Circular, we are of the opinion that the terms of Existing Products Sales and Distribution Agreement (as supplemented by the Supplemental Agreement) and the Revised Caps are on normal commercial terms and are fair and reasonable, and are 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. Accordingly, we recommend the Independent Shareholders to vote in favor of the relevant ordinary resolution to approve the Supplemental Agreement and the Revised Caps to be proposed at the EGM.

Yours faithfully,

For and on behalf of the Independent Board Committee

Leung Heung Ying
*Independent
non-executive Director*

Sheu Wei Fu
*Independent
non-executive Director*

Chan Philip Ching Ho
*Independent
non-executive Director*

LETTER FROM GRAM CAPITAL

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 transaction contemplated under the Supplemental Agreement and the Revised Caps 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

21 April 2021

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

Dear Sir/Madam,

REVISION OF ANNUAL CAPS FOR 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 transactions contemplated under the Supplemental Agreement and the Revised Caps (the “**Transaction**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 21 April 2021 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.

With reference to the Board Letter, it is expected that the Existing Annual Caps under the Existing Products Sales and Distribution Agreement for the three years ending 31 December 2023 will become insufficient. Accordingly, on 23 March 2021, the Company and CEACI entered into the Supplemental Agreement to revise the Existing Annual Caps to the Revised Caps.

With reference to the Board Letter, pursuant to Rule 14A.54(2) of the Listing Rules, if the Company proposes to revise the annual caps for continuing connected transactions, the Company will have to re-comply with the relevant provisions under Chapter 14A of the Listing Rules in relation to the relevant continuing connected transactions. In respect of the Revised Caps under the Existing Products Sales and Distribution Agreement (as supplemented by the Supplemental Agreement), as the highest applicable percentage ratio is not less than 25% and the annual consideration for the Products Sales and Distribution Transactions is more than HK\$10 million, the Supplemental Agreement and the Revised Caps will be subject to the reporting, annual review, announcement and Independent Shareholders’ approval requirements pursuant to Chapter 14A of the Listing Rules.

LETTER FROM GRAM CAPITAL

The Independent Board Committee comprising Mr. Leung Heung Ying, Mr. Sheu Wei Fu and Dr. Chan Philip Ching Ho (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; (ii) whether 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; and (iii) how the Independent Shareholders should vote in respect of the resolution 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.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as the independent financial adviser to the independent board committee and independent shareholders of the Company in relation to the continuing connected transaction (details of which are set out in the Company's circular dated 12 November 2020). Notwithstanding the aforesaid engagement, we were not aware of any relationships or interests between Gram Capital and the Company, or any other parties during the past two years immediately preceding the Latest Practicable Date that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser.

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.

LETTER FROM GRAM CAPITAL

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, 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 Practicable Date or to update, revise or reaffirm our opinion.

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 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.

LETTER FROM GRAM CAPITAL

Set out below is the consolidated financial information of the Company for the two years ended 31 December 2020 as extracted from the Company's annual results announcement for the year ended 31 December 2020 (the “**2020 AR Announcement**”):

	For the year ended 31 December 2020	For the year ended 31 December 2019	Change from 2019 to 2020
	<i>US\$'000</i>	<i>US\$'000</i>	<i>%</i>
Revenue	121,261	108,323	11.94
Gross profit	35,845	21,328	68.07
Profit/(loss) for the year	11,680	(27,805)	N/A

As depicted from the table above, the Group's revenue and gross profit amounted to approximately US\$121.26 million and US\$35.85 million respectively for the year ended 31 December 2020 (“**FY2020**”), representing increase of approximately 11.94% and 68.07% respectively as compared to those for the year ended 31 December 2019 (“**FY2019**”). With reference to the 2020 AR Announcement, the Group recorded an increase in total shipments of around 22.9% year-on-year to approximately 379.4 million units in FY2020 and the aforesaid increase in the Group's gross profit was attributable to the change in product sales mix and the strong growth of the higher margin advance display products as a result of unexpected strong demand in healthcare devices.

With reference to the 2020 AR Announcement, the turnaround from loss of approximately US\$27.81 million for FY2019 to a profit of approximately US\$11.68 million for FY2020 was mainly attributable to (i) the increases in the average gross profit margin and the gross profit amount attributable to the change in its product type mix recorded in revenue; (ii) decrease in operating expenses as a result of the effective cost controls starting from the last quarter in FY2019; and (iii) other income as a result from the disposal of certain non-current assets.

With reference to the 2020 AR Announcement, despite the fact that the lingering uncertainties in the global economy and supply chain may continue to weigh on the Group's business as a whole, the advanced display business is expected to continue its strong growth. A number of new products and design win projects are expected to start contributing to the Group's revenue. For instance, its custom ICs are going to be widely used in digital signage benefiting both the advanced display and mobile display businesses. Moreover, the product type mix strategies implemented have yielded favorable returns.

LETTER FROM GRAM CAPITAL

Information on CEACI

With reference to the Board Letter, CEACI is a connected person of the Company. CEACI has more than 30 years' experience as professional technology distributors and in providing technology services. CEACI is a distributor for many categories of products, including but not limited to smart TVs, power electronics, smart touch, security monitoring, wireless and internet, automobile electronics, communication systems, consumer electronic products, industrial control and power management. CEACI is one of the indirect subsidiaries of the CEC group. CEC is a state-owned company whose ultimate beneficial owner is the State Council of the PRC. CEC is a nationwide electronics and information technology conglomerate directly administered by the PRC government and focuses on communications, consumer electronics products, semi-conductor and software sectors in the PRC.

Reasons for and benefits of the Transaction

With reference to the Board Letter, pursuant to the Existing Products Sales and Distribution Agreement, the Existing Annual Caps for the Products Sales and Distribution Transactions for each of the three years ending 31 December 2023 were US\$50 million, US\$60 million and US\$70 million, respectively. In view of the increase of demand in IC products since the end of 2020 resulting in a global shortage of supply, there has been a surge of orders for the Group's Products under the Existing Products Sales and Distribution Agreement which exceeded the original projection. The orders (including acknowledged and unacknowledged) from CEACI for the delivery of IC Products for the year ending 31 December 2021 pursuant to the Existing Products Sales and Distribution Agreement as at 28 February 2021 already accounted for over 80% of the Group's original estimation for the year ending 31 December 2021.

Against the above background, the Company and CEACI entered into the Supplemental Agreement to revise the relevant annual caps.

For our due diligence purpose, the Company provided us with the orders record from CEACI and we noticed that the orders (including acknowledged and unacknowledged) from CEACI for the delivery of IC Products for the year ending 31 December 2021 pursuant to the Existing Products Sales and Distribution Agreement as at 31 March 2021 reached an amount close to the Existing Annual Cap of US\$50 million.

Given the above, we consider that it is reasonable for the Company to revise the Existing Annual Caps to allow more sales to be conducted with CEACI. Accordingly, 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.

LETTER FROM GRAM CAPITAL

2. Principal terms of the Supplemental Agreement

Date:

23 March 2021

Parties:

The Company and CEACI

Subject matters:

Pursuant to the Supplemental Agreement, the Existing Annual Caps for the transactions contemplated under the Existing Products Sales and Distribution Agreement has been revised to the Revised Caps as follows (save for the said revision of the Existing Annual Caps to the Revised Caps, all other terms of Existing Products Sales and Distribution Agreement shall remain unchanged):

	For the year ending 31 December		
	2021	2022	2023
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Existing Annual Caps	50,000	60,000	70,000
Revised Caps	70,000	80,000	90,000

With reference to the Board Letter, the Revised Caps for the three years ending 31 December 2023 were determined with reference to:

- (i) the fact that the over 80% of orders (including acknowledged and unacknowledged) have been received from CEACI as at 28 February 2021;
- (ii) the expectation that the orders received by the Group for the Products will continue to maintain positive, with a higher growth rate than the Group's original forecast, as demonstrated by the recent surge of orders for the Group's Products under the Existing Products Sales and Distribution Agreement as mentioned above;
- (iii) the better-than-normal seasonal demand is expected to occur in the first half of 2021 with the clients placing extra orders due to recent capacity constraints for IC products, as compared with the typical slow season for the industry in the first half of the year; and
- (iv) in light of an increase in the Group's material cost and production cost, the average selling price ("ASP") of its different IC products have been increased and is expected to further increase with reference to rise in their respective production costs and market price of materials in order to compensate part of its margin, which in turn is expected to lead to the increase in total revenue amount.

LETTER FROM GRAM CAPITAL

As aforementioned, for our due diligence purpose, the Company provided us with the orders record from CEACI and we noticed that the orders (including acknowledged and unacknowledged) from CEACI for the delivery of IC Products for the year ending 31 December 2021 pursuant to the Existing Products Sales and Distribution Agreement as at 31 March 2021 reached an amount (the “**Orders Amount**”) close to the Existing Annual Cap of US\$50 million.

We also noted from the record provided by the Company that approximately US\$12 million of the Orders Amount was fulfilled as at 31 March 2021 (i.e. the Existing Annual Cap for the year ending 31 December 2021 was utilised as to approximately US\$12 million).

As the Orders Amount (including fulfilled amount of approximately US\$12 million) at the end of the first quarter was close to the Existing Annual Cap of US\$50 million, it is possible for the Group to receive additional orders from CEACI during the remaining three quarters in 2021. Accordingly, we consider that it is prudent for the Group to set the Revised Cap of US\$70 million for the year ending 31 December 2021 to cater for possible additional orders and the ASP adjustment(s).

As depicted from the above table, we noticed a growth of approximately 14% in the Revised Cap for the year ending 31 December 2022 as compared to the prior year and a growth of approximately 13% in the Revised Cap for the year ending 31 December 2023 as compared to the prior year.

We searched over the internet to understand the prospect of the internet-of-things (IoT) industry. According to the website of Global Industry Analysts, Inc. (as stated in its website, it is a publisher of off-the-shelf market research, serving more than 41,000 clients from 36 countries), the PRC IoT market is forecasted to reach a projected market size of US\$169.1 billion by the year 2027 trailing a compounded annual growth rate (“**CAGR**”) of 29.9% over the analysis period of 2020 to 2027.

According to an article published by International Data Corporation (a global provider of market intelligence, advisory services, and events for the information technology, telecommunications, and consumer technology markets) on 13 February 2020, 《IDC全球物聯網支持指南2019H2》(IDC Global IoT Supportive Guide 2019H2*) indicated that the PRC IoT general platform market will maintain high growth with CAGR of 40% in the coming five years.

LETTER FROM GRAM CAPITAL

With reference to the 2020 AR Announcement:

- (i) The COVID-19 pandemic triggered the demand for healthcare products worldwide, which was translated into increased orders for portable healthcare devices and related applications for the Group's PMOLED display driver ICs, and thereby has changed the mix of the advanced display products. The total unit shipments of the advanced products during FY2020 registered a double-digit growth of around 82.2% as compared to that for FY2019.
- (ii) To capitalize on the growing potential of smart home appliances market under the rising trend of artificial intelligence of things, the Group has successfully achieved related design-in projects, including smart electric toothbrush and smart thermostat electric kettle, etc.
- (iii) Seeing the strong potential of mini-LED which is said to be emerging as a next generation display technology featuring ultra-high display brightness and fine pixel pitch, the Group has started engaging in the development of this ground-breaking technology since 2016. Over the years, the Group has made significant progress through strategic collaborations with leading companies. In FY2020, the Group received orders that paved the way for applying mini-LED technology to mass production.
- (iv) The Company expects that the Group's point-to-point product focusing on gaming monitors will be in demand with high growth potential in 2021. The major challenge is the capacity support on wafers for the overall large size display driver integration products. The Group will strive to fully utilize the wafer usage and our backend capacity, not only to meet the needs of our customers, but also achieve the Group's long-term business goals.
- (v) Some of the countries have been locked down following a decline in economic activities since 2020, however, it is expected that the electronic products manufacturing market will rebound in the year of 2021. The advancement of 5G and the implementation of IoT technology will be two of the driving engines of the market recovery in 2021.

Given the above, we consider that it is reasonable to incorporate the aforementioned growth rates in the Revised Caps for the two years ending 31 December 2023.

Having considered the above, we consider that the Revised Caps and the terms of the Supplemental Agreement are fair and reasonable.

Shareholders should note that as the Revised Caps for the three years ending 31 December 2023 are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2023, and they do not represent forecasts of revenue to be generated from the Transaction. Consequently, we express no opinion as to how closely the actual revenue to be generated from the Transaction will correspond with the Revised Caps.

LETTER FROM GRAM CAPITAL

3. 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 value of the Transaction must be restricted by Revised Caps for the period concerned under the Supplemental Agreement; (ii) the terms of the Transaction (including the Revised 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) has not been approved by the Board; (ii) was not, in all material respects, in accordance with the pricing policies of the Group; (iii) was not entered into, in all material respects, in accordance with the relevant agreement governing the Transaction; and (iv) has exceeded the Revised Caps. In the event that the total amount of the Transaction is anticipated to exceed the Revised 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.

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; and (ii) the Transaction is 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. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Transaction and we recommend the Independent Shareholders to vote in favour of the resolution 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 25 years of experience in investment banking industry.

* For identification purpose only

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 SFO), as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or 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

			Number of share options held	Total	Approximate % of the issued share capital of the Company
	Position	Number of shares held			
Independent Non-executive Directors					
Leung Heung Ying	Long	1,600,000	800,000	2,400,000	0.10%
Sheu Wei Fu	Long	–	2,400,000	2,400,000	0.10%
Chan Philip Ching Ho	Long	–	–	–	–
Non-executive Directors					
Li Jun	Long	–	–	–	–
Ma Yuchuan	Long	–	–	–	–
Wang Hui (<i>appointed on 1 April 2021</i>)	Long	–	–	–	–
Lo Wai Ming	Long	33,572,179	–	–	1.35%
Yu Jian (<i>resigned on 1 April 2021</i>)	Long	–	–	–	–
Executive Directors					
Wang Wah Chi, Raymond	Long	3,600,000	4,000,000	7,600,000	0.31%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company pursuant to the Model Code.

INTERESTS 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

Name	Capacity	Position	Number of shares held	Approximate % of the issued share capital of the Company
Huada Semiconductor Co., Ltd	Beneficial owner	Long	706,066,000	28.41%
China Electronics Corporation	Interest of controlled corporation	Long	706,066,000	28.41%

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.

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:

Name of Director	Positions held
Mr. Ma Yuchuan	Vice general manager of Huada, a subsidiary of CEC
Dr. Li Jun	General manager, department of planning, science & technology of CEC
Mr. Wang Hui (<i>appointed on 1 April 2021</i>)	Director in the development and planning department of Huada, a subsidiary of CEC

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 2020 (being the date to which the latest published audited 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 2020, being the date to which the latest published audited accounts of the Group were made up.

EXPERT AND CONSENT

The following is the qualification of the expert which has given opinion or advice which is contained in this circular:

Name	Qualification
Gram Capital Limited	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Gram Capital did not have any shareholding in the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, direct or indirect, in any assets which had, since the date to which the latest published audited accounts of the Group were made up, been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

Gram Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the forms and contexts in which they appear. The letter of the Independent Financial Adviser contained herein was issued on 21 April 2021 and was made by Gram Capital for incorporation in this circular.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (except public holidays) at the principal place of business of the Company in Hong Kong at 6/F, No. 3, Science Park East Avenue Hong Kong Science Park Shatin, New Territories, Hong Kong, from any weekday (except public holidays) from the date of this circular up to and including 11 May 2021 (both days inclusive):

- (a) the letter from Gram Capital as set out in this circular;
- (b) the letter from the Independent Board Committee as set out in this circular;
- (c) the Existing Products Sales and Distribution Agreement;
- (d) the Supplemental Agreement; and
- (e) the written consent referred to in the section headed “Expert and consent” in this Appendix.

NOTICE OF EXTRAORDINARY GENERAL MEETING



**SOLOMON
SYSTECH**

SOLOMON SYSTECH (INTERNATIONAL) LIMITED

晶門半導體有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2878)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Shareholders of Solomon Systech (International) Limited (the “**Company**”) will be held at 2:30 p.m. on 27 May 2021, Thursday (or immediately after the conclusion of the annual general meeting of the shareholders of the Company to be held on the same date) 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 resolutions. Capitalized terms used in this notice shall have the same meanings as those defined in the circular of the Company dated on 21 April 2021 unless otherwise specified.

ORDINARY RESOLUTION

“**THAT** the Supplemental Agreement and the Revised Caps for the transactions contemplated under the Existing Products Sales and Distribution Agreement (as supplemented by the Supplemental Agreement) for the three years ending 31 December 2023 of US\$70 million, US\$80 million and US\$90 million, respectively, be and are hereby approved; and the Board of the Company be and is hereby authorized to take all actions necessary or expedient in its opinion to implement and/or give effect to the Supplemental Agreement and the Revised Caps.”

On behalf of the Board

SOLOMON SYSTECH (INTERNATIONAL) LIMITED

WANG Wah Chi, Raymond

Chief Executive Officer

Hong Kong, 21 April 2021

As at the date of this notice, the Board comprises (a) Executive Director – Mr. Wang Wah Chi, Raymond (Chief Executive Officer); (b) Non-executive Directors – Mr. Ma Yuchuan (Chairman), Dr. Li Jun, Mr. Wang Hui and Mr. Lo Wai Ming; and (c) Independent Non-executive Directors – Mr. Leung Heung Ying, Mr. Sheu Wei Fu and Dr. Chan Philip Ching Ho.

NOTICE OF EXTRAORDINARY GENERAL MEETING

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 54, 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 Monday, 24 May 2021 to Thursday, 27 May 2021, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 pm on Friday, 21 May 2021.
- (d) All resolutions 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 Listing Rules. The results of the poll will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.solomon-systech.com) in accordance with the Listing Rules.
- (e) A form of proxy for use in connection with the EGM is enclosed and such form is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (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 (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 54, 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**.

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.