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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)*

CONNECTED TRANSACTIONS

SUMMARY

The Board is pleased to announce that on 30 October 2023, the Group has entered into the following connected transactions as set out below.

RENEWAL OF LICENSES TO USE EDA TOOLS

SSL-China and SSL-SZ, wholly-owned subsidiaries of the Company, have respectively entered into the License Agreements with HES in connection with the renewal of the Licenses to use EDA tools granted by HES to the Group for the period from 30 October 2023 to 29 October 2026.

CEC is an indirect substantial shareholder of the Company. The Company understands that HES is a subsidiary of CEC indirectly held by it as to approximately 34.06% and is, therefore, an associate of CEC and a connected person of the Company. Accordingly, the License Agreements and the renewal of the Licenses contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) for the renewal of the Licenses (on an aggregated basis) is more than 0.1% but all of the applicable percentage ratios are less than 5.0%, such renewal of the Licenses is subject to the reporting and announcement requirements but is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE TRANSACTIONS

RENEWAL OF LICENSES TO USE EDA TOOLS

1. Introduction

Reference is made to the announcement of the Company dated 22 October 2019 and 29 October 2021 in relation to the renewal of the Licenses granted by HES to the Group. The Board announces that as the Licenses will expire on 29 October 2023, the parties have agreed to renew the Licenses pursuant to the License Agreements.

2. Details of the terms of the License Agreements

The terms of the two License Agreements are substantially the same except for the parties, the number of specific EDA tools licenses and the consideration.

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

Date

30 October 2023

Parties

- (1) In respect of the SSL-China License Agreement, HES and SSL-China
- (2) In respect of the SSL-SZ License Agreement, HES and SSL-SZ

Licenses

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

Duration

Three years (from 30 October 2023 to 29 October 2026)

Consideration

CNY6,250,000 (including 13% value added tax), comprising (i) CNY3,870,000 for the License to SSL-China, and (ii) CNY2,380,000 for the License to SSL-SZ, which was determined after arm's length negotiations between HES and each of SSL-China and SSL-SZ after taking into account of (i) the scope of services to be provided by HES; (ii) the number of specific EDA tools licenses granted to use by SSL-China and SSL-SZ; and (iii) the market price for similar services.

Payment

By three cash instalments:

- I. CNY2,050,000 (comprising CNY1,270,000 for the License to SSL-China and CNY780,000 for the License to SSL-SZ), payable by 30 November 2023;
- II. CNY2,100,000 (comprising CNY1,300,000 for the License to SSL-China and CNY800,000 for the License to SSL-SZ), payable by 30 November 2024; and
- III. CNY2,100,000 (comprising CNY1,300,000 for the License to SSL-China and CNY800,000 for the License to SSL-SZ), payable by 30 November 2025.

3. Reasons for and benefits of the License Agreements

HES is principally engaged in the development of EDA tools and high-end SoC solutions and the provision of one stop design manufacturing services. The Group has been using the EDA tools from HES 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 transactions and the independent non-executive Directors confirmed that the terms of the License Agreements are fair and reasonable, and the renewal of the Licenses is on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of Company and its shareholders as a whole.

Mr. Ma Yuchuan, Mr. Wang Hui and Dr. Kang Jian as directors or officers of companies under the CEC group have abstained from voting on the relevant resolutions of the Board. Save as disclosed above, none of the Directors has any material interest in the transactions contemplated under the License Agreements and has to abstain from voting for the reason of having a material interest in such transactions.

4. Listing Rules implications

CEC is an indirect substantial shareholder of the Company. The Company understands that HES is a subsidiary of CEC indirectly held by it as to approximately 34.06% and is, therefore, an associate of CEC and a connected person of the Company. Accordingly, the License Agreements and the renewal of the Licenses contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) of the renewal of the Licenses (on an aggregated basis) is more than 0.1% but all of the applicable percentage ratios are less than 5.0%, the renewal of the Licenses is subject to the reporting and announcement requirements but is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

5. Information on the Group

The Company is principally engaged in investment holding. 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, tablets, smart TVs/monitors, notebooks and other smart devices including wearables, healthcare devices, smart home devices, as well as industrial appliances, etc.

SSL-China and SSL-SZ are indirect wholly-owned subsidiaries of the Company and are principally engaged in the design and distribution of IC.

6. 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.

The shares of HES are, insofar as the Board is aware, held by the following connected persons:

- (i) as to approximately 21.22% by 中國電子有限公司(China Electronics Limited**), and it is 81.66%-owned subsidiary of CEC; and
- (ii) as to approximately 12.84% by 中電金投控股有限公司 (CEC Capital Investment Holdings Company Limited**), a wholly-owned subsidiary of CEC.

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.

TERMS USED IN THIS ANNOUNCEMENT

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

“associate(s)”	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
“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 person(s)”	has the same meaning as ascribed to it under the Listing Rules
“CNY”	Chinese Yuan, the lawful currency of the PRC
“Director(s)”	director(s) of the Company
“EDA”	Electronic Design Automation
“Group”	the Company and its subsidiaries
“HES”	北京華大九天科技股份有限公司 (Beijing Huada Empryean Technology Co., Ltd.**), a company established in the PRC
“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 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, respectively

“License Agreements”	the SSL-China License Agreement and the SSL-SZ License Agreement
“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-China License Agreement”	the agreement dated 30 October 2023 between HES and SSL-China in connection with the renewal of a grant of the License by HES to SSL-China
“SSL-SZ”	Solomon Systech (Shenzhen) Limited, a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“SSL-SZ License Agreement”	the agreement dated 30 October 2023 between HES and SSL-SZ in connection with the renewal of a grant of the License by HES to SSL-SZ
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

** *for identification purpose only*

By Order of the Board
SOLOMON SYSTECH (INTERNATIONAL) LIMITED
Wang Wah Chi, Raymond
Chief Executive Officer

Hong Kong, 30 October 2023

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