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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTION

Reference is made to the Previous Products Sales and Distribution Announcements and Circulars.

RENEWAL OF CONTINUING CONNECTED TRANSACTION

As the 2024 Products Sales and Distribution Agreement will expire on 31 December 2026, and the Company intends to continue carrying out the existing arrangements with CEACI under the 2024 Products Sales and Distribution Agreement on sales and distribution of the Products within the Territory as part of the Group's usual and ordinary course of business, the Company entered into the 2027 Products Sales and Distribution Agreement with CEACI on 28 October 2026 (after trading hours) to renew the arrangements under the 2024 Products Sales and Distribution Agreement for a term of three years.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CEC, through its subsidiary, Huada, holds indirectly 706,066,000 Shares, representing approximately 28.27% of the existing total number of issued shares of the Company. CEC is a substantial shareholder of the Company. So far as the Directors are aware, as at the date of this announcement, CEC owns as to approximately 37.41% of CECP, which wholly owns CEACI. Accordingly, CEACI is a connected person of the Company and the transactions under the 2027 Products Sales and Distribution Agreement constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio for the 2027 Products Sales and Distribution Transactions is more than 5%, the 2027 Products Sales and Distribution Transactions 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 2027 Products Sales and Distribution Transactions and the New Transactions Caps at the EGM.

DESPATCH OF CIRCULAR

A circular containing, inter alia, (i) further details of the 2027 Products Sales and Distribution Transactions; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the 2027 Products Sales and Distribution Transactions; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the 2027 Products Sales and Distribution Transactions; and (iv) a notice convening the EGM of the Company, will be despatched to the Shareholders on or before 18 November 2026.

BACKGROUND

Reference is made to the Previous Products Sales and Distribution Announcements and Circulars.

As the 2024 Products Sales and Distribution Agreement will expire on 31 December 2026, and the Company intends to continue carrying out the existing arrangements with CEACI under the 2024 Products Sales and Distribution Agreement on sales and distribution of the Products within the Territory as part of the Group's usual and ordinary course of business, the Company entered into the 2027 Products Sales and Distribution Agreement with CEACI on 28 October 2026 (after trading hours) to renew the 2024 Products Sales and Distribution Agreement for a term of three years.

RENEWAL OF CONTINUING CONNECTED TRANSACTION

1. 2027 Products Sales and Distribution Agreement

A summary of salient terms of the 2027 Products Sales and Distribution Agreement and the relevant arrangements is set out below.

Date	:	28 October 2026
Parties	:	(i) the Company; and (ii) CEACI
Nature of transaction	:	Pursuant to the 2027 Products Sales and Distribution Agreement, CEACI is appointed as one of the non-exclusive authorized distributors of the Group to sell and distribute the Products within the Territory. CEACI shall 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 2027 and ending on 31 December 2029, subject to the approval by the Independent Shareholders.
Pricing basis and policy	:	(i) 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.

(ii) 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 2027 Products Sales and Distribution Agreement.

(iii) 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.

(iv) 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.

The Board considers that the abovementioned methods and procedures can ensure that the engagement be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders.

Payment terms : Payment for the Products shall be settled by CEACI in cash on a 30 days net from date of invoice or other credit terms to be mutually agreed between the Company and CEACI which shall be conducted on normal commercial terms and comparable with those of the existing customers of the Company.

Others : Each party shall exercise its rights and comply with its obligations as stipulated in the 2027 Products Sales and Distribution Agreement, relevant purchase orders or other related contracts.

2. Transaction caps

(a) Historical transaction amounts

The historical amounts of the sale of the Products by the Group to CEACI for each of the year ended 31 December 2024 and 2025 and for the nine months ended 30 September 2026 are set out as follows:

Financial year/period	Historical amount of the transactions *(US$'000)*	Previously approved annual cap amount *(US$'000)*
For the year ended 31 December 2024	43,171	65,000
For the year ended 31 December 2025	47,649	75,000
For the nine months ended 30 September 2026	34,711	85,000

(b) New Transaction Caps

The New Transaction Caps proposed for each of the three years ending 31 December 2029 are US$70 million, US$82 million and US$96 million, respectively *(Note)*.

The New Transaction Caps for the three years ending 31 December 2029 are determined with reference to:

(i) the historical figures of the sales of the Products by the Group to CEACI, in particular, in respect of the nine months ended 30 September 2026 which amounted to approximately US$34.71 million in aggregate;

(ii) the existing order backlog from CEACI and sales of the Products as at 30 September 2026, total sales of the Products to CEACI are expected to range from US$54 million to US$58 million; and

(iii) a demand estimation for the coming years in view of the launch of new products and the estimated increase in both shipment volume and average selling price of new and existing products.

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

As the historical transaction amounts under the 2024 Products Sales and Distribution Agreement were slightly below the previously approved annual caps, the Group has adopted a relatively prudent approach in setting the New Transaction Caps. The proposed New Transaction Cap for 2027 is lower than the transaction cap but slightly higher than the expected total sales of the Products in 2026. In determining the New Transaction Caps, the Group has taken into account the expected increases in demand for and average selling prices of the Group's products, the anticipated launch and commercialisation of new products, and the potential growth in shipment volumes of both existing and new products.

Over the next few years, major industry participants worldwide are expected to continue investing in AI-related infrastructure. This investment is expected to drive up prices for GPUs, memory, storage and power management ICs, while increasing foundry utilisation and, in turn, wafer prices. The Group also intends to increase the average selling prices of its Products to maintain a healthy gross profit margin.

The Directors expect sales to CEACI to increase during the three years ending 31 December 2029 as a result of (i) the planned launch of a new generation of display driver IC products; (ii) the expansion of the Company's customer base, leading to increased demand and higher sales through CEACI; and (iii) increases in average selling prices across all of the Group's major Products. Accordingly, the Company considers the proposed cap of US$70 million for FY2027 and the subsequent annual increases to be reasonable and necessary.

The New Transaction Caps are intended to provide sufficient flexibility for the Group to capture business opportunities and accommodate possible fluctuations in customer demand during the term of the 2027 Products Sales and Distribution Agreement.

3. Reasons for and benefits of entering into the 2027 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 healthcare products, smartphones, smart TVs, monitors and other smart devices.

The Group had 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 and has built up a long term strategic and solid business relationship with CEACI. Hence, the Directors (excluding the independent non-executive Directors who will provide their views after considering the advice of the Independent Financial Adviser) consider it beneficial to the Group to continue to conduct such arrangement with CEACI in order to ensure and maximize operating efficiency and generate stable and predictable revenue.

The transactions under the 2027 Products Sales and Distribution Agreement are entered into in the ordinary and usual course of business of the Group. The terms and conditions of the 2027 Products Sales and Distribution Agreement and the transactions thereunder (including the New Transaction Caps) were determined after arm's length negotiations between CEACI and the Company.

In light of the above, the Directors (excluding the independent non-executive Directors who will provide their views after considering the advice of the Independent Financial Adviser) consider that it is in the interests of the Group to enter into the 2027 Products Sales and Distribution Agreement for the three years ending 31 December 2029 with the respective New Transaction Caps, and that the terms of the 2027 Products Sales and Distribution Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Directors have approved the 2027 Products Sales and Distribution Agreement at the meeting of the Board on 28 October 2026. Mr. Yang Kun, Ms. Liu Fei and Mr. Xie Shan Shan who are director or senior officers of the subsidiaries under CEC group have abstained from voting on the relevant resolution of the Board at such meeting. Save as disclosed above, none of the Directors has any material interest in the transactions under the 2027 Products Sales and Distribution Agreement and has to abstain from voting for the reason of having a material interest in such transactions.

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.

INFORMATION ON THE CONNECTED PERSONS

CECP and its wholly-owned subsidiary CEACI have more than 30 years' experience as professional technology distributors and in providing technology services. Both CECP and CEACI are distributors 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 an indirect associate of the CEC and is a wholly-owned subsidiary of CECP, which is, in turn, insofar as the Board is aware, is mainly held by:

(i) as to approximately 31.34% by 中國中電國際信息服務有限公司 (China Electronics International Information Service Company Limited**), which is 81.66% owned by CEC;

(ii) as to approximately 5.26% 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;

(iii) as to approximately 4.99% 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 managed by the general partner 深圳市融思拓實業發展有限公司 (Shenzhen Rongsituo Shiye Development Co., Ltd.**) and held by three investment funds as to approximately 59.29%, and by twenty nine individuals and one corporation as to approximately 40.71% in aggregate (and each such individual or corporation holds less than 5% of the partnership interest in the limited partnership);

(iv) as to approximately 4.31% by CEC;

(v) as to approximately 3.52% 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;

(vi) as to approximately 2.28% by 全國社保基金 (National Social Security Fund), and its governing body, the National Council for Social Security Fund (NCSSF), were jointly established by the Central Committee of the Communist Party of China (CPC) and the State Council of the People's Republic of China;

(vii) as to approximately 1.76% by 北京中電發展股權投資基金合伙企業(有限合伙)(Beijing Zhongdian Development Equity Investment Fund Partnership Enterprise (Limited Partnership)), which was established by its fund manager along with various institutional backing partners, its ultimate anchor parent is CEC;

(viii) as to approximately 1.11% 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

(ix) as to approximately 45.43% by public shareholders.

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.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CEC, through its subsidiary, Huada, holds indirectly 706,066,000 Shares, representing approximately 28.27% of the existing total number of issued shares of the Company. CEC is a substantial shareholder of the Company. So far as the Directors are aware, as at the date of this announcement, CEC owns as to approximately 37.41% of CECP, which wholly owns CEACI. Accordingly, CEACI is a connected person of the Company and the transactions under the 2027 Products Sales and Distribution Agreement constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio for the 2027 Products Sales and Distribution Transactions is more than 5%, the 2027 Products Sales and Distribution Transactions 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 2027 Products Sales and Distribution Transactions and the New Transactions Caps at the EGM.

GENERAL

An Independent Board Committee has been established to advise the Independent Shareholders in respect of the transactions under the 2027 Products Sales and Distribution Agreement. Sorrento Capital has been appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders on the transactions under the 2027 Products Sales and Distribution Agreement.

DESPATCH OF CIRCULAR

A circular containing, inter alia, (i) further details of the 2027 Products Sales and Distribution Transactions; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the 2027 Products Sales and Distribution Transactions; (iii) a letter of advice from Sorrento Capital to the Independent Board Committee and the Independent Shareholders in relation to the 2027 Products Sales and Distribution Transactions; and (iv) a notice convening the EGM of the Company, will be despatched to the Shareholders on or before 18 November 2026.

DEFINITIONS

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

"2024 Products Sales and Distribution Agreement"	the agreement dated 14 November 2023 entered into between Company and CEACI governing the terms and conditions for 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 2026, details of which are set out in the Previous Products Sales and Distribution Announcements and Circulars;
"2027 Products Sales and Distribution Agreement"	the agreement dated 28 October 2026 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 2029;
"2027 Products Sales and Distribution Transactions"	the transactions as contemplated under the 2027 Products Sales and Distribution Agreement in relation to the sales and distribution of the Products of the Group within the Territory;
"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 CECP, 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;
"CECP"	深圳中電港技術股份有限公司 (previously known as "深圳中電國際信息科技有限公司 (CECport Technology Co., Ltd.**)"), a company established in the PRC, CEC being its major shareholder 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 for, inter alia, the approval of the 2027 Products Sales and Distribution Transactions and the New Transaction Caps;
"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 Dr. Chan Philip Ching Ho, Dr. Kwok Hoi Sing and Mr. Chan Chi Kong;
"Independent Financial Adviser" or "Sorrento Capital"	Sorrento 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 contemplated under the 2027 Products Sales and Distribution Agreement and the New Transaction Caps;
"Independent Shareholders"	Shareholders other than CEC and its associates;
"LCD"	liquid crystal display;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Mainland China"	for the purpose of this announcement, including the PRC but excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan;
"New Transaction Cap(s)"	the proposed new annual cap amounts in relation to the 2027 Products Sales and Distribution Transactions for each of the three financial years ending 31 December 2027, 2028 and 2029;
"PRC"	the People's Republic of China;
"Previous Products Sales and Distribution Announcements and Circulars"	the Company's announcement dated 14 November 2023, and circular dated 5 December 2023, which disclosed, among others, the entering into of the 2024 Products Sales and Distribution Agreement and the terms and conditions of the transactions contemplated under the 2024 Products Sales and Distribution Agreement which constituted a continuing connected transaction of the Company under the Listing Rules;

"Products"	IC and driver products of the Group;
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company;
"Shareholder(s)"	holder(s) of the share(s) of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"substantial shareholder(s)"	has the same meaning as ascribed to it under the Listing Rules;
"Territory"	Mainland China and Hong Kong;
"US$"	the United States Dollars, the lawful currency of the United States of America; and
"%"	per cent.

By Order of the Board
SOLOMON SYSTECH (INTERNATIONAL) LIMITED
Yu Chon Man
Company Secretary

Hong Kong, 28 October 2026

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. YANG Kun (Chairman), Ms. LIU Fei and Mr. XIE Shan Shan; and (c) Independent Non-executive Directors – Dr. Chan Philip Ching Ho, Dr. Kwok Hoi Sing and Mr. Chan Chi Kong.

** *For identification purposes only*