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**SOLOMON
SYSTECH**

SOLOMON SYSTECH (INTERNATIONAL) LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 2878)

2012 FINAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Sales increased by 26% to US\$65.1 million
- Gross profit soared by 60% to US\$25.1 million
- Gross margin increased by around 8 percentage points to 38.6%
- Results from core businesses (including finance income from treasury function) amounted to US\$5.9 million, a significant improvement from the loss of US\$15.6 million in 2011
- Loss from investments in associated companies was US\$7.3 million, including US\$4.2 million provision for impairment loss on an associated company
- Net loss was US\$1.4 million (2011: US\$17.6 million)
- Basic loss per share was 0.06 US cent (0.43 HK cent)
- Book-to-bill ratio was 1.07
- The Board of Directors resolved not to propose any final dividend for the year ended 31 December 2012

FINAL RESULTS

The Directors of Solomon Systech (International) Limited are pleased to announce the consolidated results of the Company and its subsidiaries for the year ended 31 December 2012 together with the comparative figures for the corresponding year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Note	2012 US\$'000	2011 US\$'000
Sales	5	65,123	51,600
Cost of sales	6	(39,979)	(35,844)
Gross profit		25,144	15,756
Research and development costs	6	(14,203)	(17,227)
Selling and distribution expenses	6	(3,098)	(3,575)
Administrative expenses	6	(8,265)	(9,115)
Other income	7	680	148
		258	(14,013)
Finance income – net	8	5,677	(1,561)
		5,935	(15,574)
Results of associated companies:			
– Share of results of associated companies	13	(3,069)	(1,994)
– Provision for impairment loss	9	(4,234)	(21)
Loss before income tax		(1,368)	(17,589)
Income tax	10	(2)	(2)
Loss attributable to the equity holders of the Company		(1,370)	(17,591)
Loss per share attributable to the equity holders of the Company: (expressed in US cent per share)	11		
– Basic		(0.06)	(0.72)
– Diluted		(0.06)	(0.72)
Dividend	12	—	—

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012 US\$'000	2011 US\$'000
Loss for the year	(1,370)	(17,591)
Other comprehensive loss for the year:		
– Currency translation differences	(174)	(233)
Total comprehensive loss attributable to the equity holders of the Company	(1,544)	(17,824)

* Certain comparative figures in the consolidated income statement have been reclassified to conform to the current year presentation.

CONSOLIDATED BALANCE SHEET

As at 31 December 2012

	Note	2012 US\$'000	2011 US\$'000
ASSETS			
Non-current assets			
Goodwill and intangible assets		—	—
Prepaid operating lease		—	1,253
Property, plant and equipment		4,190	5,904
Investments in associated companies	13	672	7,533
Investment in derivative related to an associated company	13	—	442
Available-for-sale financial assets		2,206	2,506
		7,068	17,638
Current assets			
Inventories		6,788	7,087
Trade and other receivables	14	15,227	9,358
Financial assets at fair value through profit or loss		63,431	20,139
Other financial assets		—	2,476
Pledged bank deposits		130	130
Short-term fixed deposits		1,550	17,976
Cash and cash equivalents		36,816	51,660
		123,942	108,826
Total assets		131,010	126,464
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		31,658	31,658
Reserves			
Own shares held		(122)	(167)
Others		84,413	85,927
Total equity		115,949	117,418
LIABILITIES			
Non-current liabilities			
Obligations under finance leases		3	7
Bank loan		497	572
Deferred income tax liabilities		50	50
		550	629
Current liabilities			
Obligations under finance leases		3	7
Trade and other payables	15	13,413	7,183
Bank loan		95	92
Deferred income		—	135
Current income tax liabilities		1,000	1,000
		14,511	8,417
Total liabilities		15,061	9,046
Total equity and liabilities		131,010	126,464
Net current assets		109,431	100,409
Total assets less current liabilities		116,499	118,047

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. General information

Solomon Systech (International) Limited and its subsidiaries are fabless semiconductor companies specializing 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, smart projectors and other smart devices including consumer electronics products, portable devices, industrial appliances and green energy applications such as LED lighting.

The Company was incorporated in the Cayman Islands on 21 November 2003 as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and the address of its principal office in Hong Kong Special Administrative Region is 6/F., No.3 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong.

The Company has been listed on the main board of The Stock Exchange of Hong Kong Limited since 8 April 2004.

This consolidated financial information is presented in US dollars, unless otherwise stated. The consolidated financial information was approved for issue by the Board of Directors on 20 March 2013.

2. Key event

On 16 August 2012, SSL, a wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement with Beijing Guotian Investment Limited pursuant to which SSL sold the entire 100% ownership of SSBJ at a consideration of CNY41,460,000 (equivalent to approximately US\$6,580,000). The Disposal allowed the Group to focus its resources on its core businesses and be released from the commitment to spending additional resources to construct an industrial-office building in Beijing. The Group will continue its display business activities in Beijing and the PRC through its established offices and sales network. SSBJ was no longer treated as a subsidiary of the Group and its financial results ceased to be consolidated into the consolidated financial statements of the Company since the Disposal was completed on 29 August 2012.

3. Basis of preparation

The consolidated financial information of the Company has been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and derivative financial instruments.

4. Significant accounting policies

The preparation of the consolidated financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

(a) Amendments to standards effective in 2012

The Group has adopted the following amendments to standards that have been issued and are effective for the Group's financial year commencing on 1 January 2012:

• HKAS 12 (Amendment)	Deferred tax: recovery of underlying assets
• HKFRS 1 (Amendment)	First-time adoption of HKFRSs - severe hyperinflation and removal of fixed dates for first-time adopters
• HKFRS 7 (Amendment)	Disclosures - transfers of financial assets

The adoption of the amended HKFRSs did not result in substantial changes to the accounting policies of the Group and had no material effect on how the results and financial positions for the current or prior accounting periods have been prepared and presented.

(b) New, revised and amendments to standards that are not effective and have not been early adopted by the Group

The following new, revised and amendments to standards have been issued, but are not effective for the financial year beginning 1 January 2012 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
• HKAS 1 (Amendment)	Presentation of items of other comprehensive income	1 July 2012
• HKAS 19 (Revised 2011)	Employee benefits	1 January 2013
• HKAS 27 (Revised 2011)	Separate financial statements	1 January 2013
• HKAS 28 (Revised 2011)	Investments in associates and joint ventures	1 January 2013
• HKAS 32 (Amendment)	Offsetting financial assets and financial liabilities	1 January 2014
• HKFRS 9	Financial instruments	1 January 2015
• HKFRS 10	Consolidated financial statements	1 January 2013
• HKFRS 11	Joint arrangements	1 January 2013
• HKFRS 12	Disclosure of interests in other	1 January 2013
• HKFRS 13	Fair value measurement	1 January 2013
• HKFRS 1 (Amendment)	First-time adoption of HKFRS - government loans	1 January 2013
• HKFRS 7 (Amendment)	Disclosures - offsetting financial assets and financial liabilities	1 January 2013
• Annual improvement projects	Improvements to HKASs and HKFRSs 2011	1 January 2013
• Amendments to HKFRS 7 and HKFRS 9	Mandatory effective date of HKFRS 9 and transition disclosures	1 January 2015
• Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: transition guidance	1 January 2013
• Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investments Entities	1 January 2014

The Group has already commenced an assessment of the impact of the above new, revised and amendments to standards but is not yet in a position to state whether these new, revised and amendments to standards would have a significant impact to its results of operations and financial position.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective expected to have a material impact on the Group.

5. Segment information

During the year, the Group has principally engaged in the design, development and sales of proprietary IC products and system solutions that enabled a wide range of display applications for smartphones, smart TVs, smart projectors and other smart devices including consumer electronics products, portable devices, industrial appliances and green energy applications such as LED lighting.

The Group has been operating in one single operating segment, i.e. the design, development and sales of proprietary IC products and system solutions.

The chief operating decision-makers have been identified as the executive director and senior management led by the Group CEO (Managing Director). The executive director and senior management reviewed the Group's internal reporting to assess performance and allocate resources. A management approach has been used for the operating segment reporting.

Sales amounted to US\$65,123,000 and US\$51,600,000 for the years ended 31 December 2012 and 2011 respectively.

The Company is domiciled in Hong Kong. The Group mainly operates in Hong Kong. The Group mainly sells to customers located in China, Hong Kong, Europe and Taiwan.

(a) Sales

	2012 US\$'000	2011 US\$'000
China	16,895	3,756
Hong Kong	14,382	17,719
Europe	9,312	7,944
Taiwan	8,654	8,837
South East Asia	6,862	2,414
Korea	4,928	6,678
Japan	2,234	3,080
USA	1,379	905
Others	477	267
	65,123	51,600

Sales are classified based on the places/countries in which customers are located.

(b) Total assets

	2012 US\$'000	2011 US\$'000
Hong Kong	107,218	98,850
China	17,964	13,925
Taiwan	4,450	5,288
USA	49	7,438
Others	1,329	963
	131,010	126,464

Assets are listed based on where the assets are located. Others comprise Japan and South East Asia.

(c) Capital expenditures

	Investments in							
	Prepaid operating lease		Property, plant and equipment		Derivative related to an associated company		Associated companies	
	2012 US\$'000	2011 US\$'000	2012 US\$'000	2011 US\$'000	2012 US\$'000	2011 US\$'000	2012 US\$'000	2011 US\$'000
Hong Kong	—	—	116	443	—	—	—	—
China	—	37	41	391	—	—	—	—
South East Asia	—	—	74	126	—	—	—	—
USA	—	—	—	—	—	463	—	8,537
Others	—	—	—	11	—	—	—	—
	—	37	231	971	—	463	—	8,537

Capital expenditures are listed based on where the assets are located.

(d) Major customers

Details of customers accounting for 10% or more of total revenue are as follows:

	Location	2012 US\$'000	2011 US\$'000
Customer A	China	7,742	N/A
Customer B	Hong Kong, Taiwan, South East Asia	7,238	12,582
Customer C	South East Asia, Korea	7,028	5,056
Customer D	Europe	N/A	5,702

6. Expenses by nature

Expenses included in cost of sales, research and development costs, selling and distribution expenses and administrative expenses are analyzed as follows:

	2012 US\$'000	2011 US\$'000
Cost of inventories sold	40,704	32,330
Product engineering costs	2,487	3,047
(Gain)/loss on disposal of property, plant and equipment	7	(1)
Provision for/(written-back of provision for) obsolete or slow moving inventories	(1,514)	2,864
Provision for/(written-back of) impairment of trade receivables	(32)	153
Auditor's remuneration	178	172
Operating leases for land and buildings	1,175	1,372
Amortization of prepaid operating lease	17	26
Depreciation of owned property, plant and equipment	2,008	2,972
Depreciation of leased property, plant and equipment	7	9
Employee benefit expenses (excluding Directors' emoluments)	16,130	19,243
Directors' emoluments	684	683
Net exchange gain	(256)	(284)

7. Other income

	2012 US\$'000	2011 US\$'000
Gain on disposal of a subsidiary	539	—
Others	141	148
	680	148

8. Finance income - net

	2012 US\$'000	2011 US\$'000
Gain on disposal of FVTPL	107	81
Interest income	1,767	1,108
Dividend income	328	308
Unrealizable gain or loss from FVTPL:		
– Fair value gain	3,806	79
– Fair value loss	(40)	(3,287)
Interest element of finance leases	—	(1)
Interest expense of bank loan	(12)	(12)
Other gain / (loss)	(279)	163
	5,677	(1,561)

9. Provision for impairment loss of associated companies

	2012 US\$'000	2011 US\$'000
On the carrying value	3,792	—
On the derivatives related to an associated company	442	21
	4,234	21

10. Income tax

Hong Kong income tax has been provided at the rate of 16.5% (2011: 16.5%) while overseas income tax has been provided at the rates of taxation prevailing in the countries in which the Group operates.

No provision for Hong Kong income tax has been made as the Group has no estimated assessable profits for the years ended 31 December 2012 and 2011.

	2012 US\$'000	2011 US\$'000
Current income tax:		
– Hong Kong	—	—
– Overseas	2	2
Deferred income tax	—	—
	2	2

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the income tax rate of Hong Kong, the Group's principal place of operation, is as follows:

	2012	2011
	US\$'000	US\$'000
Loss before income tax	(1,368)	(17,589)
Income tax calculated at a tax rate of 16.5%	(226)	(2,902)
Income not subject to tax	(1,094)	(317)
Expenses not deductible for tax purposes	1,225	845
Income tax losses not recognized	97	2,376
	2	2

Deferred income tax assets are recognized for tax losses carry-forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets of US\$8,083,000 (2011: US\$7,986,000) in respect of losses amounting to US\$48,989,000 (2011: US\$48,403,000) that can be carried forward against future taxable profits. These tax losses have no expiry date.

11. Loss per share

(a) Basic loss per share

The basic loss per share for the year is calculated based on the Group's loss in 2012 attributable to the equity holders of the Company of US\$1,370,000 (2011: US\$17,591,000) and the weighted average number of 2,454,697,989 (2011: 2,452,286,337) ordinary shares in issue excluding own shares held during the year.

(b) Diluted loss per share

The diluted loss per share is calculated based on the Group's loss attributable to the equity holders of the Company and the weighted average number of ordinary shares after adjusting for the effects of all dilutive potential ordinary shares including allocated but excluding unallocated own shares held during the years.

During the year ended 31 December 2012, the conversion of all dilutive share options outstanding and inclusion of allocated own shares held would have an anti-dilutive effect on the loss per share. Hence, there was no dilutive effect on the calculation of the diluted loss per share in 2012 (2011: no shares affected on the diluted loss per share).

The information related to the weighted average number of ordinary shares is as follows:

	Number of shares	
	2012	2011
Weighted average number of ordinary shares in issue	2,454,697,989	2,452,286,337
Allocated own shares held under Share Award Scheme	1,392,519	1,102,927
Adjusted weighted average number of ordinary shares for diluted loss per share calculation	2,456,090,508	2,453,389,264

12. Dividend

No dividend related to the years ended 31 December 2012 and 2011 was declared or paid during 2012. In addition, the Board resolved not to propose any final dividend for the year ended 31 December 2012.

13. Investments in associated companies

	Note	Investment in			
		Associated companies		Derivative related to an associated company	
		2012 US\$'000	2011 US\$'000	2012 US\$'000	2011 US\$'000
At 1 January		7,533	990	442	—
Investment during the year		—	8,537	—	463
Share of results of associated companies		(3,069)	(1,994)	—	—
Provision for impairment loss ⁽ⁱ⁾	9	(3,792)	—	(442)	(21)
At 31 December		672	7,533	—	442

- (i) During the year ended 31 December 2012, the Group has fully provided for the impairment loss of the investment in one of the associated companies of the Group totaling US\$4,234,000 being US\$3,792,000 on the carrying value after sharing the current year of result and US\$442,000 for the related derivative.

14. Trade and other receivables

	2012 US\$'000	2011 US\$'000
Trade receivables	9,816	6,492
Trade receivables from related parties	3,161	57
Provision for impairment	(121)	(153)
Trade receivables - net	12,856	6,396
Deposits, prepayments and other receivables	2,199	2,860
Prepayments to related parties	172	102
	15,227	9,358

As at 31 December 2012, the Group's trade receivables from corporate customers were mainly on credit terms of 30 to 90 days. The ageing analysis of trade receivables not impaired based on overdue days is as follows:

	2012 US\$'000	2011 US\$'000
Current	8,998	4,106
1 - 30 days	3,500	1,806
31 - 60 days	254	448
61 - 90 days	86	10
91 - 180 days	18	26
181 - 365 days	—	—
	3,858	2,290
	12,856	6,396

As at 31 December 2012, trade receivables of US\$3,858,000 (2011: US\$2,290,000) were considered past due if measured strictly against the credit terms offered. The overdue sum is not impaired since the majority of the overdue sum has been settled after the balance sheet date.

As at 31 December 2012, US\$121,000 of trade receivables was impaired and provided for (2011: US\$153,000).

The ageing of these impaired receivables by overdue date is as follows:

	2012 US\$'000	2011 US\$'000
91 - 180 days	—	147
181 - 365 days	121	6
	121	153

Movements on the Group's provision for impairment of trade receivables are as follows:

	2012 US\$'000	2011 US\$'000
At 1 January	153	—
Provision for/ (written-back of) impairment of trade receivables	(32)	153
At 31 December	121	153

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2012 US\$'000	2011 US\$'000
USD	13,235	6,898
HKD	1,138	1,244
CNY	732	1,018
Other currencies	122	198
	15,227	9,358

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

15. Trade and other payables

	2012 US\$'000	2011 US\$'000
Trade payables	10,785	4,114
Payables to a related party	63	—
Accrued expenses and other payables	2,546	2,863
Accrued expenses and other payables to related parties	19	206
	13,413	7,183

As at 31 December 2012, the ageing analysis of the trade payables based on overdue days is as follows:

	2012 US\$'000	2011 US\$'000
Current	8,718	3,434
1 - 30 days	1,972	673
31 - 60 days	16	2
61 - 90 days	—	—
Over 90 days	79	5
	10,785	4,114

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2012 US\$'000	2011 US\$'000
USD	11,012	4,533
CNY	1,194	1,291
HKD	937	1,107
Other currencies	270	252
	13,413	7,183

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Overview

For the year ended 31 December 2012, the Group's sales were US\$65.1 million (2011: US\$51.6 million), increased by 26%. The book-to-bill ratio was maintained at about 1.07 (2011: 0.97).

Sales and Gross Profit

The Group recorded a 22% increase in the blended ASP of its products and a moderate increase of 3% in shipment quantity over 2011. The increase in blended ASP was mainly attributed to a change of product mix which included more new products targeting high-end, high-growth applications.

Gross profit of the Group was US\$25.1 million (2011: US\$15.8 million), up by 60% year-on-year as a result of significant improvement of gross margin by close to 8 percentage points to 38.6% for the year from 30.5% in 2011. The increase was mainly attributed to a higher percentage of products with higher margin contributions, and also the US\$1.5 million provision reversed from the provision for slow moving inventory made in prior years (2011: US\$2.9 million provision was made). The Group has redoubled its efforts to improve its manufacturing productivity through product yield improvement and full utilization of its own manufacturing assets.

Costs and Expenses

The Group has remained vigilant on controlling its expenses. The Group's total expenses, including R&D costs, S&D expenses and administrative expenses, were US\$25.6 million, down by US\$4.3 million, representing a decrease of 15%.

The Group continued to invest in R&D and business development, and remained selective in its R&D spending. Its R&D costs were US\$14.2 million, down 18% year-on-year.

S&D expenses were lowered by 13% from US\$3.6 million in 2011 to US\$3.1 million in the current year. S&D expenses to sales ratio was 4.8% (2011: 6.9%).

Administrative expenses were US\$8.3 million, decreased by US\$0.8 million compared with US\$9.1 million in 2011. The change was mainly related to the Group's one-time spending on the realignment of resources in late 2011 and the consequent savings from staff and facilities costs in 2012.

Other Income and Finance Income – Net

During 2012, the Group recorded an interest income of US\$1.8 million (2011: US\$1.1 million) as well as dividends and other income of US\$0.4 million from FVTPL, totaling US\$2.2 million (2011: US\$1.5 million). In addition, a net unrealized gain of US\$3.8 million (2011 loss: US\$3.2 million) was recorded from the investment in the FVTPL portfolio pursuant to mark-to-market price as at 31 December 2012.

In August 2012, SSL disposed of its wholly-owned subsidiary SSBJ at a consideration of CNY41.5 million (equivalent to approximately US\$6.6 million), and a gain on disposal amounted to US\$0.5 million was recorded as other income under the consolidated income statement.

Net Profit and Loss

The Group managed to attain a profit of US\$5.9 million (2011 loss: US\$15.6 million) for the year ended 31 December 2012 from core businesses (including finance income from treasury function) before the results of associated companies. Having taken into account the US\$7.3 million (2011: US\$2.0 million) loss from the results of associated companies, the Group recorded a net loss attributable to the Company's equity holders of US\$1.4 million (2011: US\$17.6 million).

The Board of the Company resolved not to propose any final dividend for the year ended 31 December 2012.

Liquidity and Financial Resources

Total cash and cash equivalents and bank deposits of the Group (including other financial assets) amounted to US\$38.4 million as at 31 December 2012 (2011: US\$72.1 million). The change in cash position was mainly a result of engaging bankers to help enhance the yield of cash on hand through investment in marketable fixed income type of financial assets. A corresponding increase of FVTPL by approximately US\$43 million should be noted. Net cash generated from operating activities during the year was US\$2.8 million (2011 net cash used in operating activities: US\$5.3 million). The change was mainly a result of a significant reduction of loss from operating activities.

Regarding the use of cash reserves, the Group will continue to allocate funds for product development, securing production capacity, strengthening its infrastructure in mainland China to broaden its customer base and capture market and sales opportunities, entering into strategic corporate ventures in a cautious manner and meeting general corporate operational requirements purposes. As at 31 December 2012, the Group had no major borrowing other than the US\$0.6 million mortgage loan for an office property in Hsinchu, Taiwan. The Group's cash balance was mainly invested in various deposits in banks.

Most of the Group's trade receivables and payables are quoted in US dollars. The Group closely monitors the movement of foreign exchange rates and constantly seeks to obtain favorable exchange rates for conversion of US dollars into other currencies for paying local operating expenses. During the year under review, the Group did not use any derivative instruments to hedge against foreign currency exposure in operation as the Directors considered this exposure to be insignificant.

Capital Expenditure and Contingent Liabilities

In 2012, capital expenditure of the Group was US\$0.2 million.

As at 31 December 2012, no material capital expenditure of the Group was approved but not contracted for nor contracted but not provided for.

Aside from the aforesaid, the Group had no other material capital commitment or contingent liability.

BUSINESS PERFORMANCE AND OUTLOOK

Business Performance

In 2012, in order to more effectively implement its strategy of focusing on the smart applications market, Solomon Systech has shifted its product mix towards high-end, high-growth applications with higher average selling prices and values. Attributed to this shift in business focus, in 2012, the Group's sales totaled US\$65.1 million (2011: US\$51.6 million), an increase of around 26% year-on-year, while its total shipment reached more than 100 million units (2011: 99.4 million units), an increase of around 3% year-on-year despite the challenging market conditions. The increase in sales was mainly contributed by the higher-growth smart products. It is noteworthy that the unit shipments recorded a strong year-on-year growth particularly in Q4 2012. This, together with a book-to-bill-ratio of 1.07, has set the stage for further growth.

PRODUCT SHIPMENT (BY BUSINESS UNIT)

Units Shipped (million)	2012	2011	Change
Mobile Display	24.9	32.7	(24%)
Advanced Display	54.0	63.4	(15%)
Large Display	16.2	-	-
Display System Solution	7.1	3.0	138%
Green Power	0.5	0.3	75%
Total	102.7	99.4	3%

Mobile Display

The Mobile Display business, which includes LCD driver ICs, capacitive touch panel controller ICs and MIPI display interface controller ICs, has been shifting towards applications with higher resolution and higher average selling price, in particular smartphones and tablets.

The Group introduced a number of innovative solutions towards the end of the year, including TFT LCD driver controllers which enhance the display of HD smartphones, MIPI-DSI bridge chips that support high-resolution, high-speed and low-power display of FHD smart devices, such as smartphones, tablets, Mobile Internet Devices, etc., as well as a variety of capacitive touch panel controllers targeting the diverse needs of the high-growth touchscreen applications, for example, solutions supporting FHD panels and Windows 8 applications. During the year, the Group also collaborated closely with world-leading LCD panel makers to develop driver controllers supporting in-cell touch panel technology and metal oxide TFT technology. The Group's new TFT LCD driver controller SSD2075 garnered EE Times' "China IC Design House Award – Hottest Controllers/ Driver ICs" in recognition of its excellent quality and performance.

Apart from successfully incorporating the Group's high speed display interface controllers into a number of the world's top-tier smartphone models launched into the market, the Group also secured design wins for its capacitive touch panel driver ICs for applications including smartphones and tablets.

The total unit shipment of Mobile Display products in 2012 decreased by approximately 24% to 24.9 million units (2011: 32.7 million units) owing to several factors: the decrease in shipment of driver ICs supporting lower resolution (QVGA) devices; the shortage of panels for tablets which hampered the growth of the Group's capacitive touch panel controller ICs in the first half of 2012; and that the new products focusing on higher-growth application markets were launched in the second half of the year and have not yet contributed significantly to total shipments.

The successful launch and penetration of the Group's Mobile Display products into the higher-end value-added applications in 2012 has put the Group in a better position to capture the growing high resolution smartphone and tablet applications market.

Advanced Display

The Advanced Display business unit includes OLED Display and New Display product families which support OLED and e-paper display technologies, respectively. In 2012, the business unit focused more on New Display technology and higher-end OLED applications.

The Group's New Display business recorded a satisfactory growth of 66% year-on-year in 2012, as the Group successfully launched a series of new solutions custom made for a number of world-leading electronic shelf label makers who have enjoyed steady expansion of their business. The Group has strived to expand the market outreach of ESL, capitalizing on the growing popularity of this new display application especially in Europe.

The Group continues to be the leader in the PMOLED display IC market. During the year, it garnered design wins including higher-end applications such as smart healthcare devices, portable WIFI routers, smart watches, enterprise security devices, etc. It has also worked on design-in projects for set-top boxes and has successfully diversified and extended further the applications of PMOLED display ICs. For AMOLED display ICs, the Group has partnered with leading display panel makers in China to develop AMOLED driver controllers for smartphone applications.

Due to the reduction in demand for mobile sub-displays and MP3 players using PMOLED driver ICs, and the shift of business focus to higher-end OLED and New Display applications, the Advanced Display business unit shipped a total of around 54.0 million units in 2012, a decrease from 63.4 million in 2011.

Large Display

The Large Display business unit focuses on providing large panel TFT driver ICs to address large display applications.

With mass production started in March 2012 and the Group became a key IC driver supplier of Panda-LCD, a major manufacturer of LTFT-LCD panels and modules in China, the total IC shipments of the Large Display business unit for 2012 have already reached 16.2 million units. This rapid increase was mainly attributed to the strong business growth and product demand of Panda-LCD.

Not only has the Group become a reliable supplier of Panda-LCD and received sales revenues from this high volume customer, it has also enriched its customer portfolio and strengthened its business relationship with Panda-LCD, becoming a potential supplier for other products of Panda-LCD.

Display System Solution

The Display System Solution business unit delivers total system solutions that provide high quality image processing functions, multimedia solutions and high-speed interfaces for mobile display devices.

In 2012, the unit shipments of the Display System Solution business unit surged 138% to approximately 7.1 million units (2011: 3.0 million units) year-on-year. This was mainly attributed to a strong growth in demand for the Group's display graphic controllers from 3D active shutter glasses and smartphones, as well as its multimedia processors from pico projectors, education projectors, IP Cams and Internet TV dongles.

The Group captured additional design wins in pico projectors and multimedia education projectors from the world's top projector makers. Apart from projectors, the Group also scored design wins in a number of smartphones, HD sports cameras, security systems and digital wireless recording monitor systems.

The excellent performance and market potential of the Group's system solutions is validated by the awards conferred. During the year, the world's first 3D dual-LCoS mini projector that the Group jointly developed with The Hong Kong Applied Science and Technology Research Institute won "The Best Lifestyle (Green, Healthy and Creative Living) Gold Award" at the Hong Kong ICT Awards. The Group's multimedia processor SSD1938 is incorporated within this innovative projector. In addition, the SSD1938 has garnered CSIP's "China Chip Award - Best Market Potential" during the year.

During the year, the Group launched an integrated software solution, ProMedia, which comprises a set of easy-to-use user-interface applications that should boost the growth of its smart display products.

The increase in sales contribution from the Display System Solution business over the past few years proves that the Group's strategy of transforming the business from an IC component company into a system solution provider has started to bear fruit. The Group intends to forge ahead to develop more advanced solutions, and strives to extend its applications to other smart products.

Green Power

The Green Power business unit focuses on providing energy-saving LED driver ICs and LED power modules for LED lighting and LED backlighting applications.

In 2012, the Green Power business unit shipped approximately 0.5 million units (2011: 0.3 million units), a 75% increase year-on-year. Despite the relatively slow business in the first three quarters of 2012, the Group saw a significant increase in demand for its products in Q4, in particular from customers in Europe seeking high quality products.

The Green Power business unit introduced new products and solutions during the year with a view to better capturing the growing LED lighting market. These included a series of constant-current power modules to support high power LED lighting, a smart touch LED lighting module for table lamps, etc. The Group also achieved design wins for spotlights, panel lights and tube lights.

The Company has become an LED solution provider of a world leader in LED technology. This is a testimony to the excellent quality, performance and reliability of the Group's products, as well as its customer service and support.

Outlook

In 2013, the Group is forging ahead with the strategy of focusing on the higher-growth smart applications. The Group strives to introduce more innovative, high quality products and system solutions to capture the growing market and extend its market outreach. As at 31 December 2012, the Group registered a backlog of orders at around 31.4 million units for 1H 2013. The Group believes that the backlog of orders, together with a book-to-bill ratio of 1.07 and the upward trend seen in its unit shipments over the year should boost the growth momentum of the company in 2013.

Smartphones & Tablets

Smartphones and tablets, in particular those with HD/FHD resolution, high speed and low power consumption, are expected to show strong growth in 2013. The Group has been working with leading display module makers to develop new technologies and ICs to tap this trend.

The Group's TFT LCD driver controllers for HD smartphones are scheduled to start mass production during 2013. The other new products of the Group, including the new series of MIPI DSI bridge chips tailored for FHD displays, high performance capacitive touch controllers targeting high-end smartphones and tablets, in-cell touch driver IC and metal oxide TFT driver IC are all expected to be launched in 2013. In addition, the Group has partnered with leading display panel makers in China to work in full swing on the development of AMOLED driver controllers for smartphone applications, strengthening the groundwork for the Group's development in this area.

The Group is confident that its continued technology innovation and the expansion of its product portfolio tailored for smartphone and tablet applications have put it in a competitive position to capitalize on this expanding market opportunity.

Smart TVs & Projectors

The Group's design wins with leading brands of smart projectors and its successful outreach to the education projector segment have enabled the Group to further strengthen its positioning in this business segment.

With the success of its display controllers for 3D active shutter glasses, the Group has started to develop other products using 3D display technology, including 3D cameras and accessories for 3D devices, paving the way for the Group's development in this potential business area.

As far as TV is concerned, with the high-volume customer, i.e. Panda-LCD, in hand, the Group will strive to engage with the customer for more new business projects.

Other Smart Devices

Apart from smartphones, tablets, TVs and projectors, the Group also strives to tap further into the smart devices markets with good potential, in particular ESLs, OLED displays and smart LED lighting.

The Group has established a firm footing in the e-paper business and we maintain a positive view about its potential. ESLs using e-paper technology are expected to sustain growth momentum. The Group is continuing to explore development opportunities, especially in potential application markets such as larger size ESL displays, and also extend its reach to the US and Asia.

For PMOLED, the Group will continue to expand into new applications targeting different market segments, in particular smart devices and healthcare applications, and the Group is also working on a design-in project to utilize the distinguishing features of PMOLED, i.e., high resolution and low power consumption, to replace Vacuum Fluorescent Display (VFD) in automotive, industrial and set-top box applications.

For LED lighting, the Group will focus on high-quality, high-volume applications and customers, apart from ramping up mass production of the new products with design wins secured.

While LEDs are widely regarded as the star lighting technology of tomorrow, OLED technology is also playing an increasingly important role in next-generation lighting. A number of countries have already launched their OLED lighting development plans. The Group is exploring the potential of this growing market.

Research and Development

Research and development has always been the cornerstone of the Group. To enhance our strengths in target product display applications and pave the way for future growth, the Group has focused on developing new related technologies and also enhancing the features of existing products. In 2012, the Group spent roughly US\$14.2 million on R&D, representing about 56% of total expenses and 22% of sales for the year.

As at 31 December 2012, the Group had an R&D workforce of 204, representing approximately 63% of the total workforce (excluding those from its manufacturing subsidiary). The personnel mix included IC designers and product engineers as well as system application and software engineers to meet the requirements for operating the total system solutions businesses.

Numerous IP Developed and Patents Granted

Many IPs were developed or under development in 2012, focusing on our target business areas. This included IP for display drivers and touch panel controllers supporting smartphones and tablets, such as high speed interface, RAM compression codec, in-cell touch and configurable gate control for metal oxide TFT; as well as a high SNR touch sensor, single layer multi-touch and passive pen algorithm. IP was also developed or under development for LED and OLED lighting, which included touch lighting and dimmable control in LED lighting drivers, as well as a wide dynamic range driver in OLED lighting.

In 2012, the Group altogether had six patents granted, covering areas including touch sensing, bistable display drivers, dynamic backlight control and local contrast management. The Group also had various patents filed at patent offices in the USA, China, Taiwan, and Korea. In addition, the Group released several articles to technology media to share our views about touch sensing technologies for smartphones, as well as testing of touch panels.

In the future, the Group will continue to develop innovative products and technologies for its target display applications, in particular smartphones, tablets, LED lighting and OLED lighting.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SHARES

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the year ended 31 December 2012.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUER

The Company has complied with the provisions of Code on Corporate Governance Practices, which were effective until 31 March 2012 and the Corporate Governance Code, which was effective since 1 April 2012 (the "Code") under Appendix 14 of the Listing Rules. To maintain high standards of corporate governance, the Company has complied with certain recommended best practices in the Code.

Pursuant to the Code Provisions A.6.7, it was noted that a number of the Non-executive Directors and Independent Non-executive Directors of the Company were unable to attend the following general meetings of the Company due to their unavoidable business engagements:

Date	Nature of general meeting	Numbers of Non-executive Directors and Independent Non-executive Directors unable to attend the general meetings
18 September 2012	Extraordinary General Meeting	Four Non-executive Directors and two Independent Non-executive Directors
24 May 2012	Annual General Meeting	Four Non-executive Directors and one Independent Non-executive Director

The Company has its own written guidelines on securities transactions by directors and relevant employees on no less exacting terms than the required standard set out in Appendix 10 of the Listing Rules of the Stock Exchange. Specific enquiry has been made to all directors, and all of the directors have confirmed that they have been in compliance with such guidelines during the year ended 31 December 2012.

REVIEW OF CONSOLIDATED FINANCIAL INFORMATION

The audit committee alongside with the corporate audit team of the Company has reviewed the annual results of the Group for the year ended 31 December 2012. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2012 have been agreed by the Group's independent auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial information for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

FINAL DIVIDEND

The Board resolved not to propose any final dividend for the year ended 31 December 2012.

CLOSURE OF REGISTERS OF SHAREHOLDERS

The Register of Shareholders of the Company will be closed from Monday, 27 May 2013 to Tuesday, 28 May 2013 (both days inclusive), during which no transfer of shares can be registered. In order to qualify for attending the 2013 Annual General Meeting, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar in Hong Kong, Tricor Investor Services Limited, 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 24 May 2013.

PUBLICATION OF FINAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the financial and other related information of the Company required by the Listing Rules of the Stock Exchange will be published on the Stock Exchange's website: www.hkexnews.hk and the Group's website: www.solomon-systech.com.

Definitions and Glossary

AMOLED	Active-matrix organic light-emitting diode
ASP	Average selling price
Board	Board of Directors of the Company
CEC	China Electronic Corporation, a state-owned information technology conglomerate under the administration of the central government of the PRC, a substantial shareholder of the Company
China	Mainland China
Code Provisions	Corporate Governance Code
CNY	Chinese Yuan, Renminbi
Company	Solomon Systech (International) Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
Director(s)	The director(s) of the Company
Disposal	The selling of the entire 100% ownership of SSL in SSBJ
ESL	Electronic shelf label
FHD	Full high definition
FVTPL	Financial assets at fair value through profit or loss
Group	The Company and its subsidiaries
HD	High definition
HK\$/HKD	Hong Kong dollars
Hong Kong/HK	Hong Kong Special Administrative Region
HKAS	Hong Kong Accounting Standards
HKFRS	Hong Kong Financial Reporting Standards, or collectively for HKAS and Hong Kong Financial Reporting Standards
HK(IFRIC)	Hong Kong (International Financial Reporting Standards Interpretations Committee)
IC	Integrated circuit
IP	Intellectual property
IP Cam	Internet protocol camera
LCD	Liquid crystal display
LED	Light emitting diode
Listing Rules	The Rules Governing the Listing of Securities in the Stock Exchange
LTFT-LCD	Large thin film transistor liquid crystal display
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers
OLED	Organic light-emitting diode
Panda-LCD	Nanjing CEC Panda LCD Technology Co., Ltd.,** a company incorporated in the PRC with limited liability, is an associate of CEC
PMOLED	Passive-matrix organic light-emitting diode
PRC	The People's Republic of China
QVGA	Quarter VGA, refers to screens that have a 320x240 display resolution
R&D	Design, development and engineering
S&D	Selling and distribution
SSBJ	Solomon Systech (Beijing) Limited, a company incorporated in the PRC with limited liability, was the wholly-owned subsidiary of SSL
SSL	Solomon Systech Limited, a company incorporated in Hong Kong with limited liability and is the major wholly-owned operating subsidiary of the Company
TFT	Thin film transistor
TV	Television
the Stock Exchange	The Stock Exchange of Hong Kong Limited
USA	United States of America
US\$/USD	US dollars

**for identification purpose only

On behalf of the Board
Solomon Systech (International) Limited
 LEUNG Kwong Wai
 Managing Director

Hong Kong, 20 March 2013

As at the date of this announcement, the Board comprises: (a) Executive Directors - Dr. LEUNG Kwong Wai (Managing Director) and Mr. LAI Woon Ching; (b) Non-executive Directors - Dr. LAM Pak Lee (Mr. SHEU Wei Fu as his alternate), Mr. LI Xiaochun, Mr. LAI Weide and Mr. ZHAO Guiwu; and (c) Independent Non-executive Directors - Mr. SUN, Patrick (Chairman), Mr. CHOY Kwok Hung, Patrick, Mr. WONG Yuet Leung, Frankie and Mr. YIU Tin Chong, Joseph.