



**SOLOMON
SYSTECH**

**SOLOMON
SYSTECH
GROWING FROM
STRENGTH TO
STRENGTH**

**Deutsche Securities
Corporate Day 11-12 Oct-06**

solutions in silicon

Table of contents

- Interim results summary
- Financial review
- Business review
- Outlook

Interim Results Summary

solutions in silicon

Results summary

- Unit shipment was up 16%, year-on-year
- Sales amounted to approximately US\$150 million
- Net profit was about US\$18 million
- Basic EPS reached 5.7 HK cents for the 6-month period
- Dividend per share was 2.0 HK cents
- Global market share in mobile phone display ICs was roughly 20%

Financial Review

solutions in silicon

Profit and loss

(US\$ million)	Six months ended 30 June		YoY
	2006	2005	Change
Sales	149.4	185.7	-20%
Gross profit	37.0	57.9	-36%
<i>Gross margin</i>	<i>25%</i>	<i>31%</i>	
Net profit	17.9	36.3	-51%
<i>Net margin</i>	<i>12%</i>	<i>20%</i>	
(HK cents)			
Earnings per share	5.7	11.7	
Dividends per share	2.0	4.0	

solutions in silicon

Balance sheet

(US\$ million)	As at 30 June 2006	As at 30 June 2005	YoY Change
Total assets	230.2	238.2	-3%
Total borrowings	Nil	Nil	N/A
Shareholders' funds	180.1	176.3	2%
Net cash	106.0	159.2	-33%
(HK cents)			
Shareholders' funds per share	56	55	2%
Net cash per share	33	49	-33%

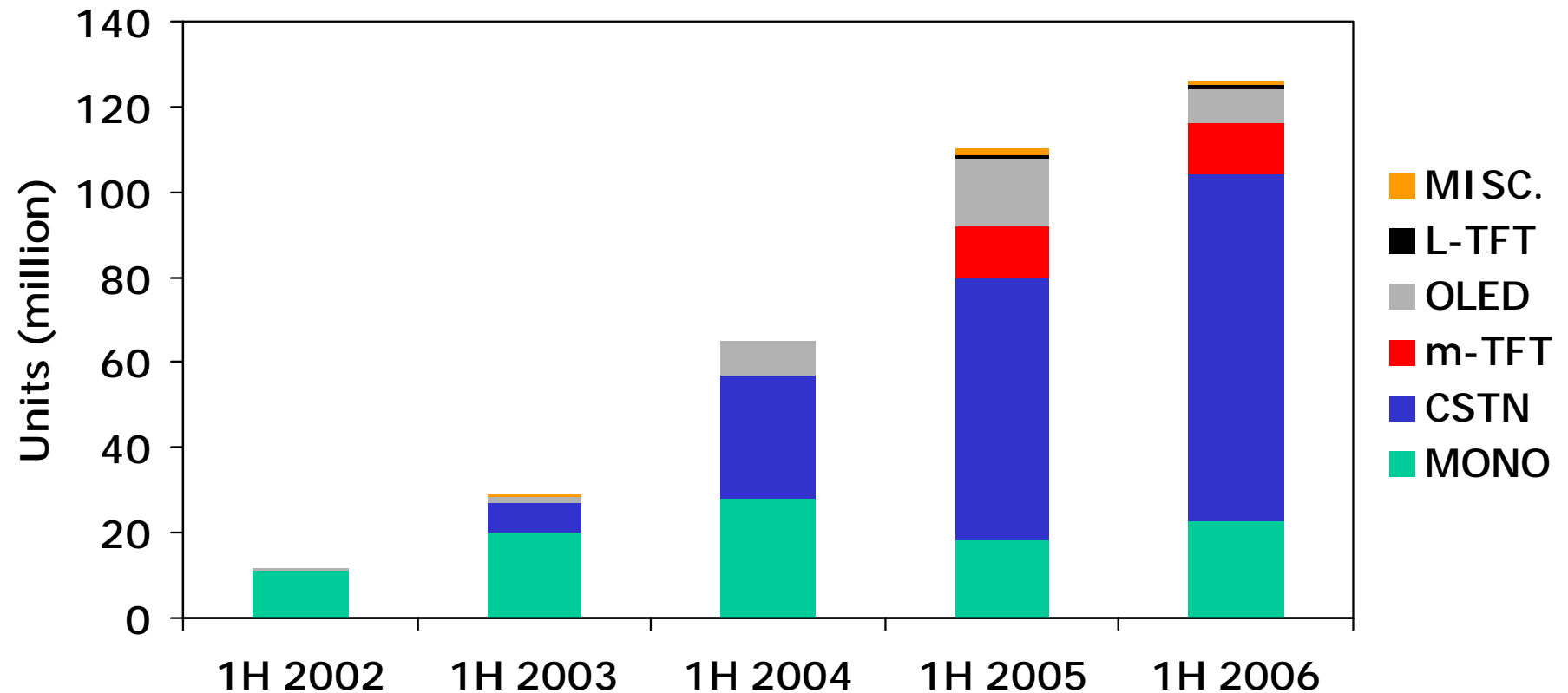
*Note: Net cash includes all bank deposits, other financial assets, cash and cash equivalents less bank loans
All per share figures are based on the outstanding shares of the Company at the period-end*

solutions in silicon

Business Review

solutions in silicon

Units shipment by product line



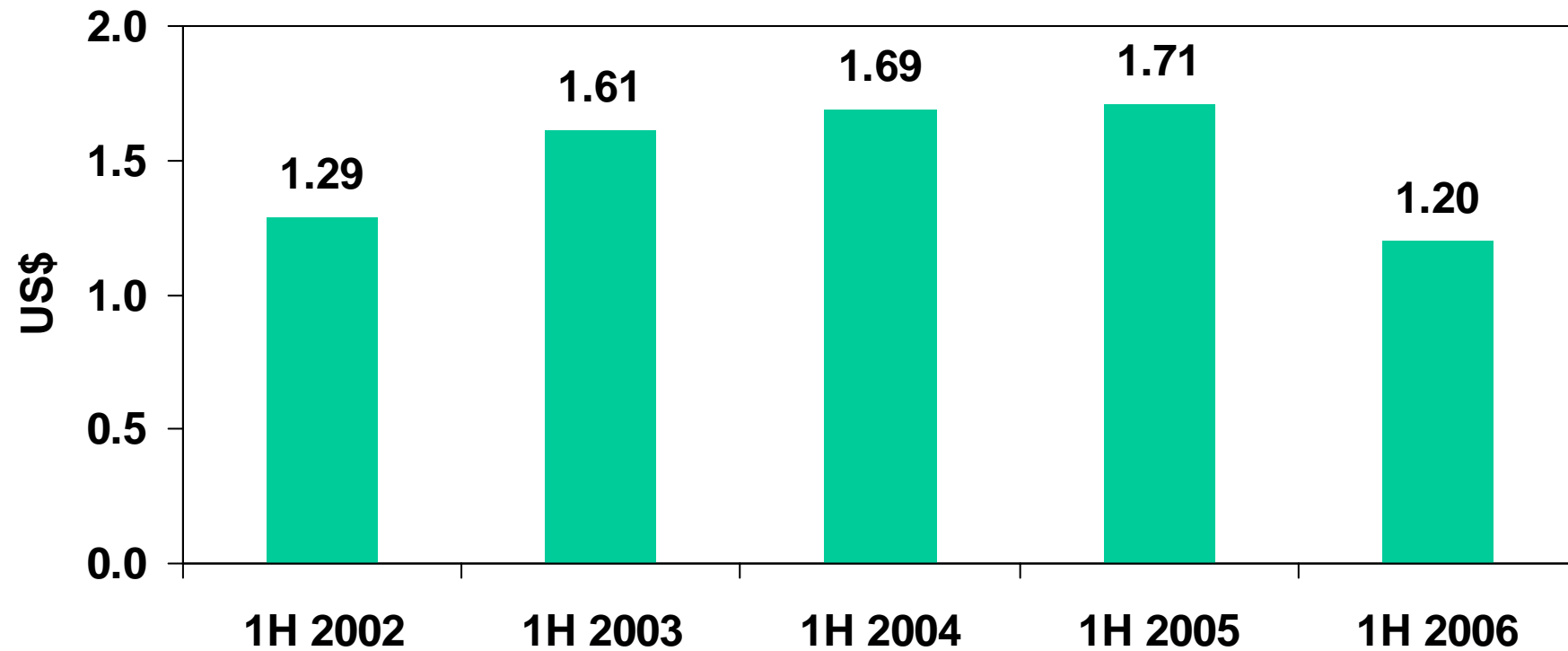
Note:

L-TFT denotes large display driver ICs

Miscellaneous includes other IC products

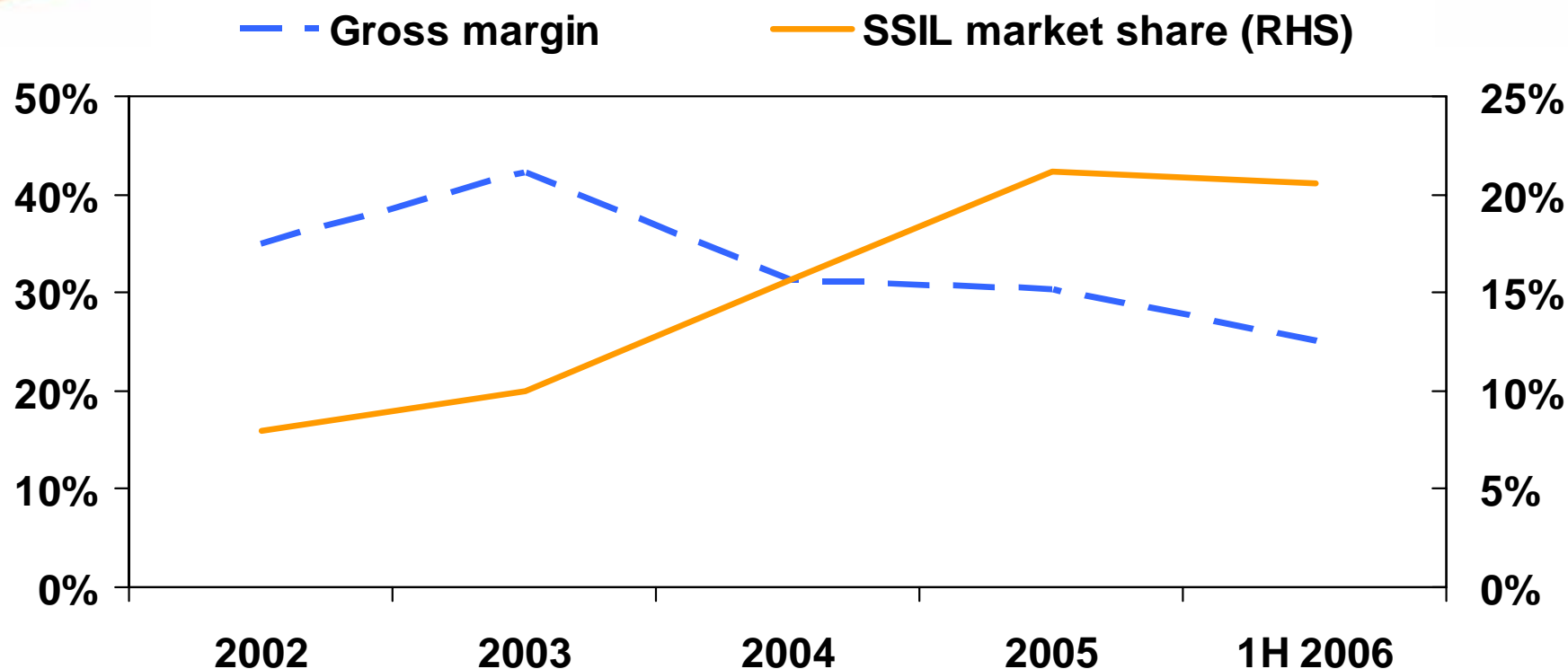
solutions in silicon

Change in blended ASP



solutions in silicon

Gross margin and market share



Assumptions:

(1) The percentage of mobile phone with dual display versus the total mobile phone shipment – 20% (2002), 23% (2003), 27% (2004), 30% (2005) and 23% (1H 2006)

(2) The percentage of the Group's display ICs used in mobile phones – 90% (2002 – 2004), 85% (2005) & 90% (1H 2006)

(3) Mobile phone shipment in million units – 439 (2002), 521 (2003), 713 (2004), 813 (2005) & 445 (1H 2006)

solutions in silicon

New products & applications

STN / CSTN
m-TFT



- Solid relationship with core customers
- New m-TFT phone apart from RAZR

OLED



- New application in main display of mobile phone
- New design-wins from top-tier brand names

New display



- E-paper & microdisplay products launched
- Image processors for car AV system

solutions in silicon

Outlook

solutions in silicon

General views on 2H

Market	<ul style="list-style-type: none"> • Mobile phone market moderate growth • OLED demand recovery from 1H • Limited visibility for 4Q and mindful of channel inventory 	
Products	<ul style="list-style-type: none"> • Electrophoretic Display ICs into mass production • Expanded products portfolio for CSTN & m-TFT areas 	
Customers	<ul style="list-style-type: none"> • Mobile + consumer electronics • Taiwan / China + Japan / Korea 	
Price	<ul style="list-style-type: none"> • Display industry ASP trending down 	
Cost	<ul style="list-style-type: none"> • Balanced wafers supply & room for wafer cost reduction • Cost saving from yield improvement & die-shrink 	
Competition	<ul style="list-style-type: none"> • Keen competition from global & regional players 	



Most favorable



Most unfavorable

solutions in silicon



General views on 2H (continued)

- Unit shipment growth half-on-half
 - Challenging
- Sales growth
 - Subject to unit shipment growth and ASP
- Gross margin
 - Still under pressure
- Operating expenses
 - Under control in absolute dollar term
- New business or customers
 - Taking time to develop

Products for future growth

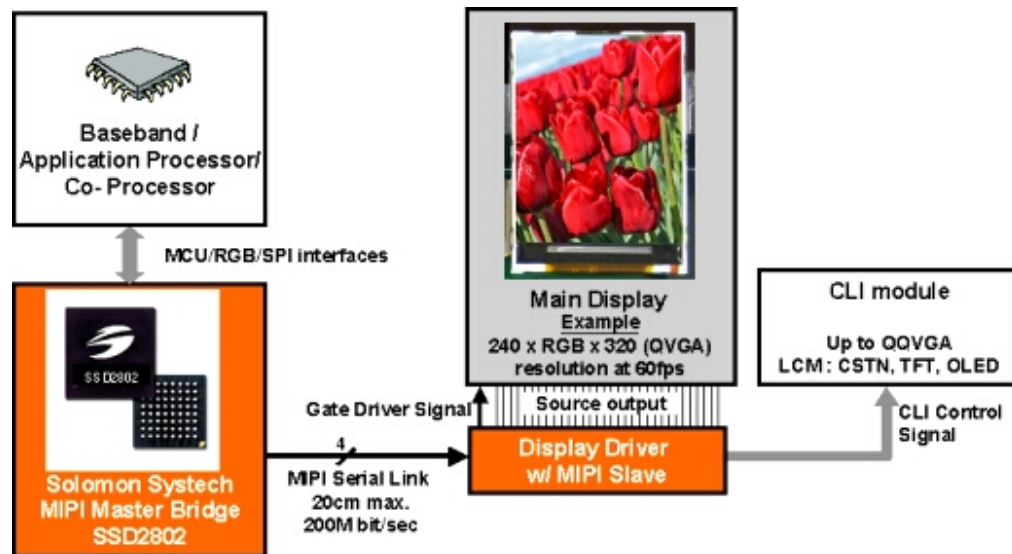
Preparation is underway

- Mobile Display
 - STN / CSTN → Target more on top-tier brand names
 - m-TFT / LTPS → Establish closer ties with module makers
 - OLED → Launch products for main display, MP4 & notebook PC
- Other IC Products
 - Electrophoretic display → Aim mobile phones & other apps
 - MIPI interface ICs → Make early availability for 3G phones
 - MM processor → Offer modular solutions for short time-to-market
 - Large panel → Re-set target customers

Example: SSD2802 MIPI Master Bridge Chip

Seamless connectivity for displays in mobile devices

- Support QVGA quality with 30 frames per second
- Interface to most baseband / application processors and co-processors



SSD2802 application block diagram
Source: Solomon Systech

SSD2802 demo board

solutions in silicon

Thank You

Solomon Systech (International) Limited
Stock code: 2878

solutions in silicon

