

SOLOMON SYSTECH Interim Results Presentation 2005

7 September 2005
Hong Kong



SOLOMON
SYSTECH

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Summary

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Summary – Continuing to deliver

- Turnover up 69%, year-on-year
- Net profit growth of 62%
- EPS reaching 11.7 HK cents for the 6-month period
- Dividend per share of 4.0 HK cents
- Global market share in mobile display ICs approaching 20%

Financial Review

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Profit and loss

(US\$ million)	Six months ended 30 June		YoY
	2005	2004	Change
Turnover	185.7	110.1	69%
Gross profit	57.9	39.7	46%
Profit attributable to shareholders	36.3	22.5	62%
(HK cents)			
Earnings per share*	11.7	8.4	39%
Dividends per share	4.0	2.6	54%

* EPS calculation is based on the weighted average number of shares for the period

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Balance sheet

(US\$ million)	As at 30 June 2005	As at 30 June 2004	Change
Total assets	238.2	190.9	25%
Total borrowings	Nil	Nil	N/A
Shareholders' funds	176.3	148.7	19%
Net cash	149.9	124.4	20%
(HK cents)			
Shareholders' funds per share	55	46	20%
Net cash per share	47	39	21%

*Note: 2004 balance sheet items extracted from interim report without restatement
All per share figures are based on the outstanding shares of the Company at the period-end*

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Adopting of new accounting standards

- Effective date
January 1, 2005
- Impact immaterial
- One standard
worth mentioning

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS-Int 12	Scope of HKAS-Int 12 Consolidation – Special Purpose Entities
HKAS-Int 15	Operating Leases – Incentives
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciated Assets
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

HKFRS 2 – Share based payments

- Its impact on SSIL can be summarized below:

Impact on	2005E	2006P	2007P
Expense (as % of revenue)	<1.0% ^a	~1.5% ^b	~2.0% ^b
Dilution (increase in no. of shares)	~0.2%	~0.2%	~1.0%

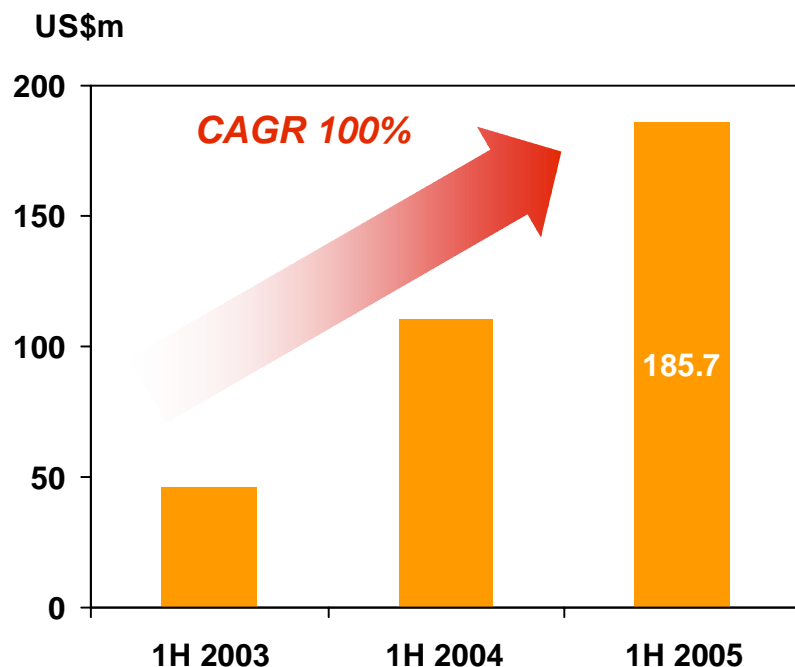
* The dollar value impact on expense is reflected as a percentage of 2005E revenue

Note (a): Estimated impact on expense

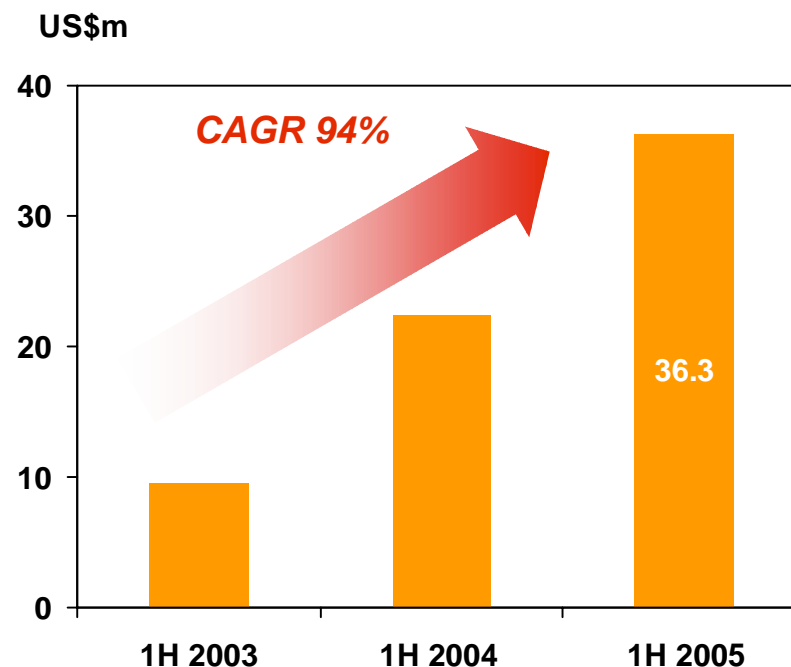
Note (b): Projected impact on expense assuming the equity compensation, revenue and profit are the same in 2005

Historical financials

Turnover



Net Profit

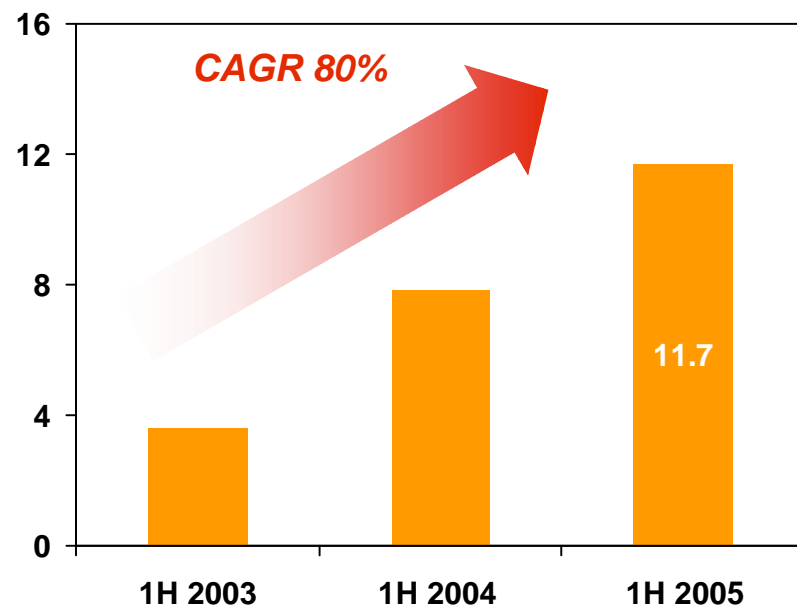


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Historical financials

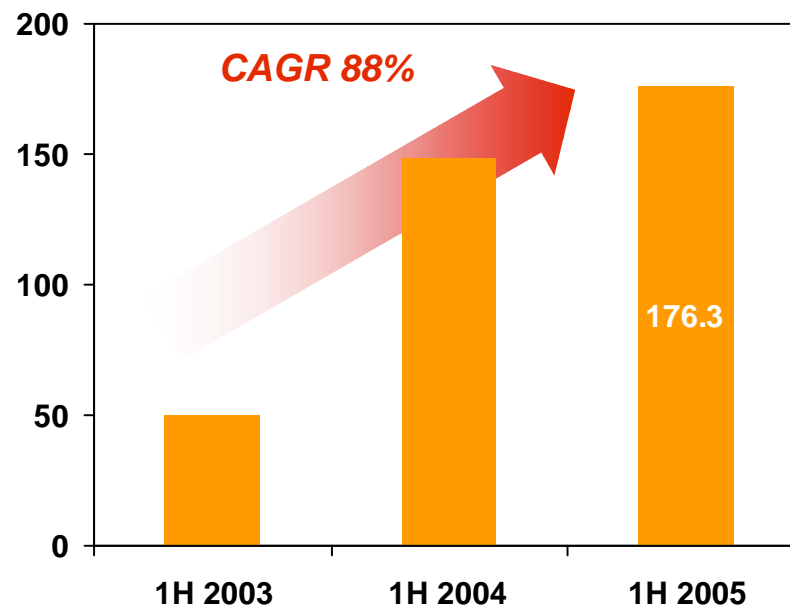
Earnings Per Share

HK cents



Shareholders' Funds

US\$m

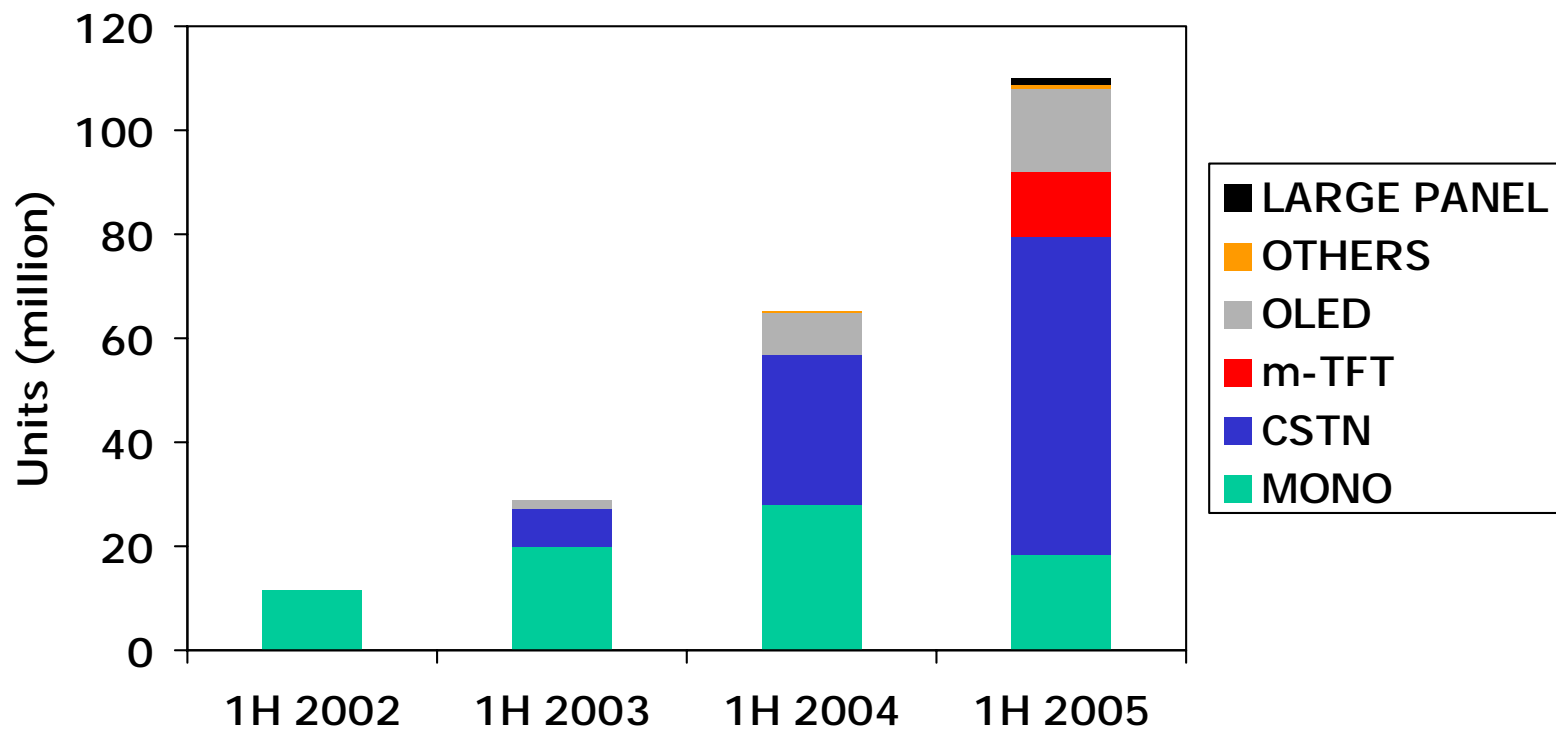


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Business Review

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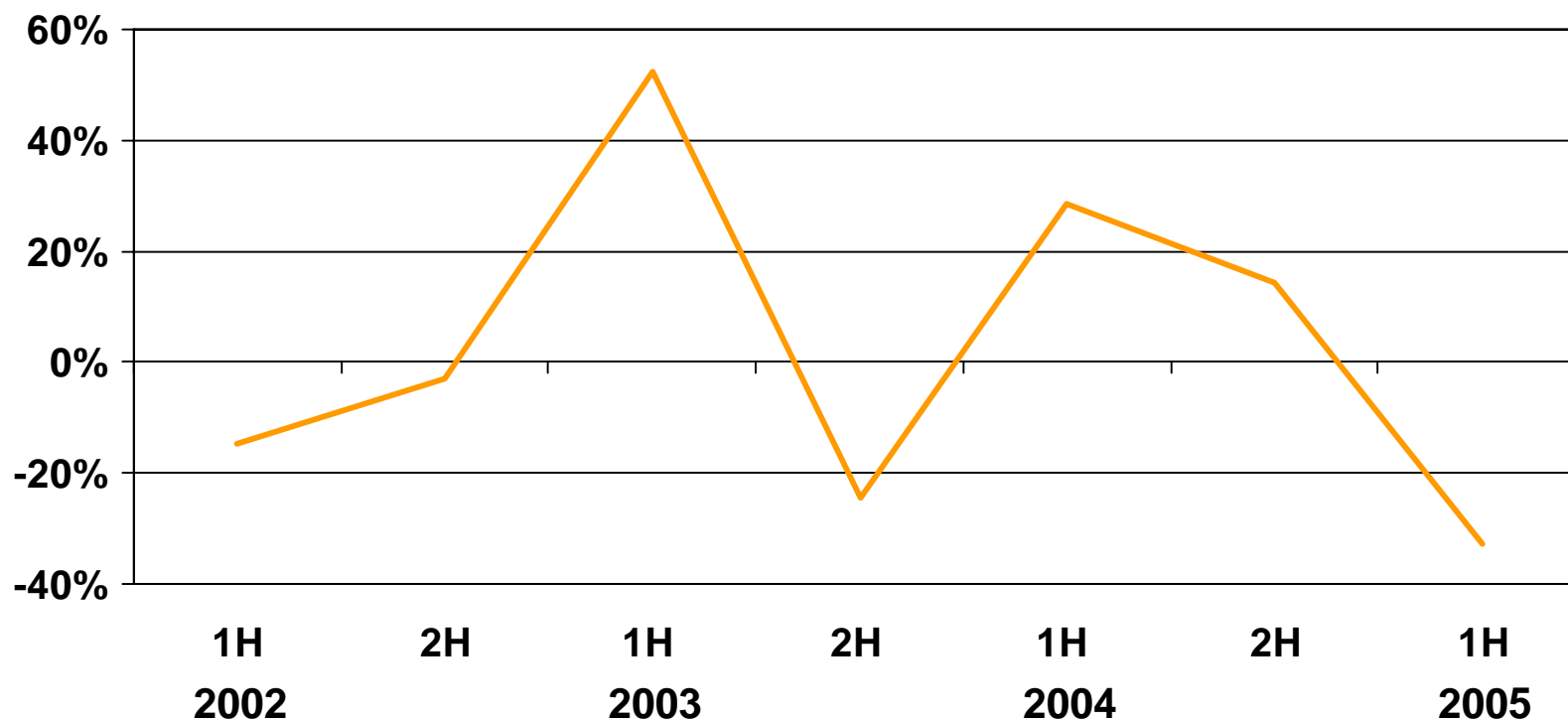
Units shipment by product line



Source: Solomon Systech

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Change in blended ASP



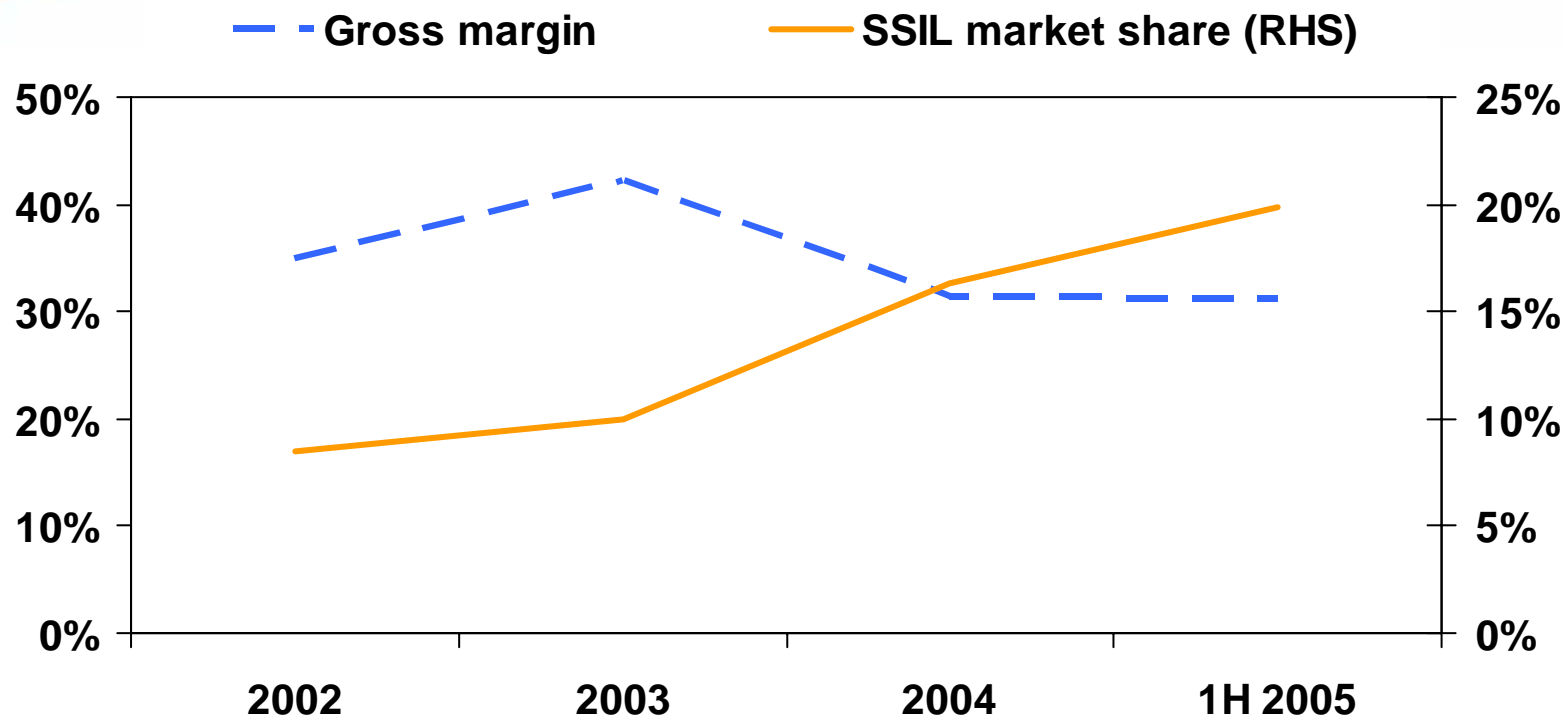
Note: Half-on-half change in blended ASP

Source: Solomon Systech

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Gross margin and market share



Assumptions:

(1) Mobile handsets with dual display as a percentage of overall mobile handsets shipped in the previous years are 15% (2001), 20% (2002), 23% (2003), 27% (2004) and 29% (1H 2005) respectively

(2) 90% of the Group's display ICs are used for the mobile handsets

(3) A total of 383 million units of mobile handsets shipped in 1H 2005

Note: 1H 2005 gross margin number is unaudited

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What we delivered in the first half?

Mobile display



- m-TFT display ICs for 3G phone
- OLED display ICs for MP3 player

Large display



- TFT driver ICs for LCD TV, monitor and notebook

New display



- Controller ICs for micro-display applications

New awards in the first half



2005 International ARC Awards
Overall Annual Report Gold Award
- Technology Consulting









2004 Employer of the Year Award
- Manufacturing

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Outlook

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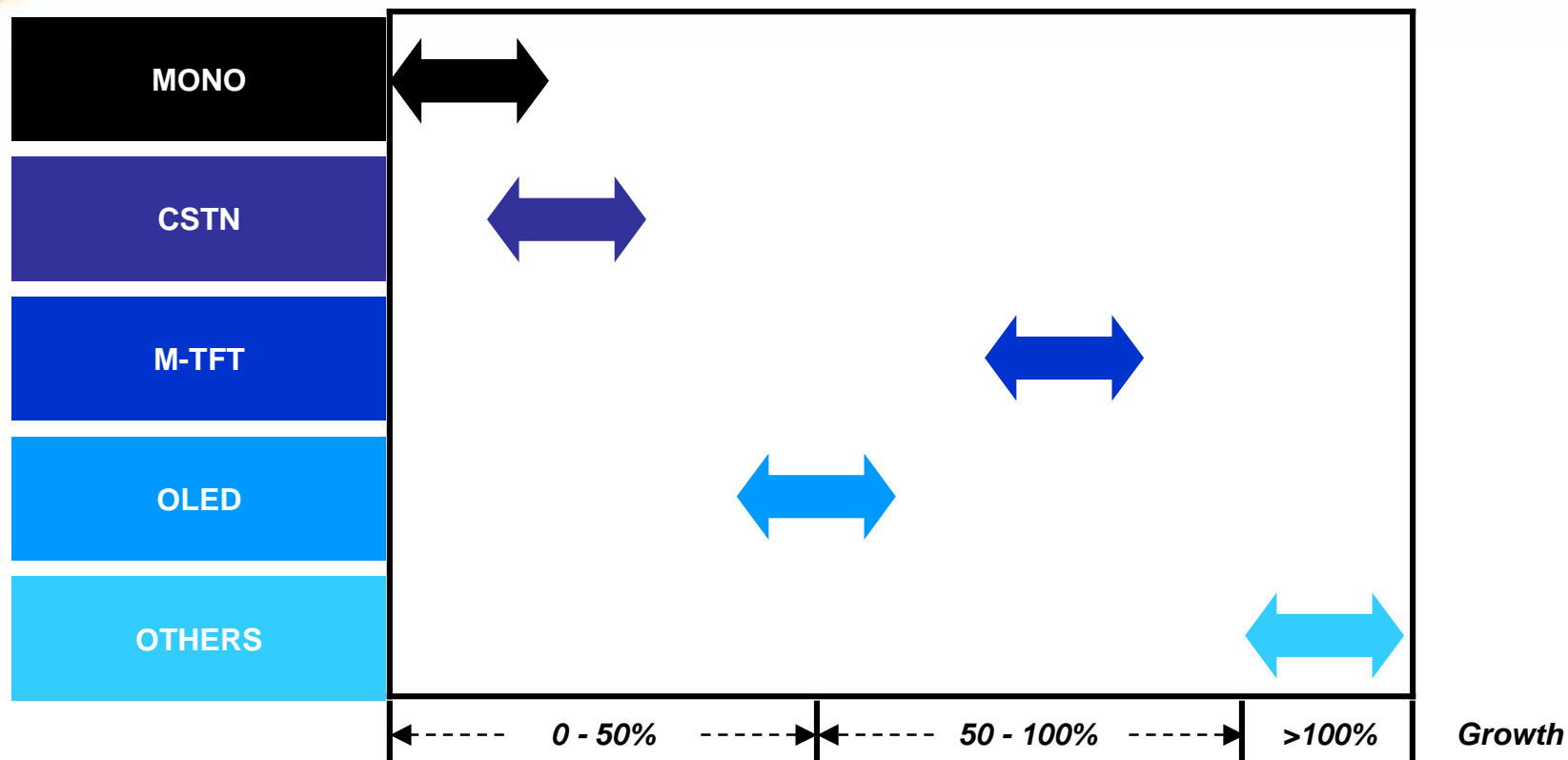
General views on the second half

-  • Demand for mobile handsets and MP3 players
-  • New products and customers
-  • Stability of wafers supply
-  • Cost of sales
-  • Pricing pressure
-  • Competition

 *Most favorable*  *Most unfavorable*

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Expected units growth of 2H versus 1H



Note: Others include large display driver ICs and new display products

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Thank You

Solomon Systech (International) Limited
Stock code: 2878

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