



SOLOMON SYSTECH

Interim Results Presentation 2006

3 August 2006
Hong Kong

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Summary

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

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Profit and loss

	Six months ended 30 June		YoY
(US\$ million)	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	

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%

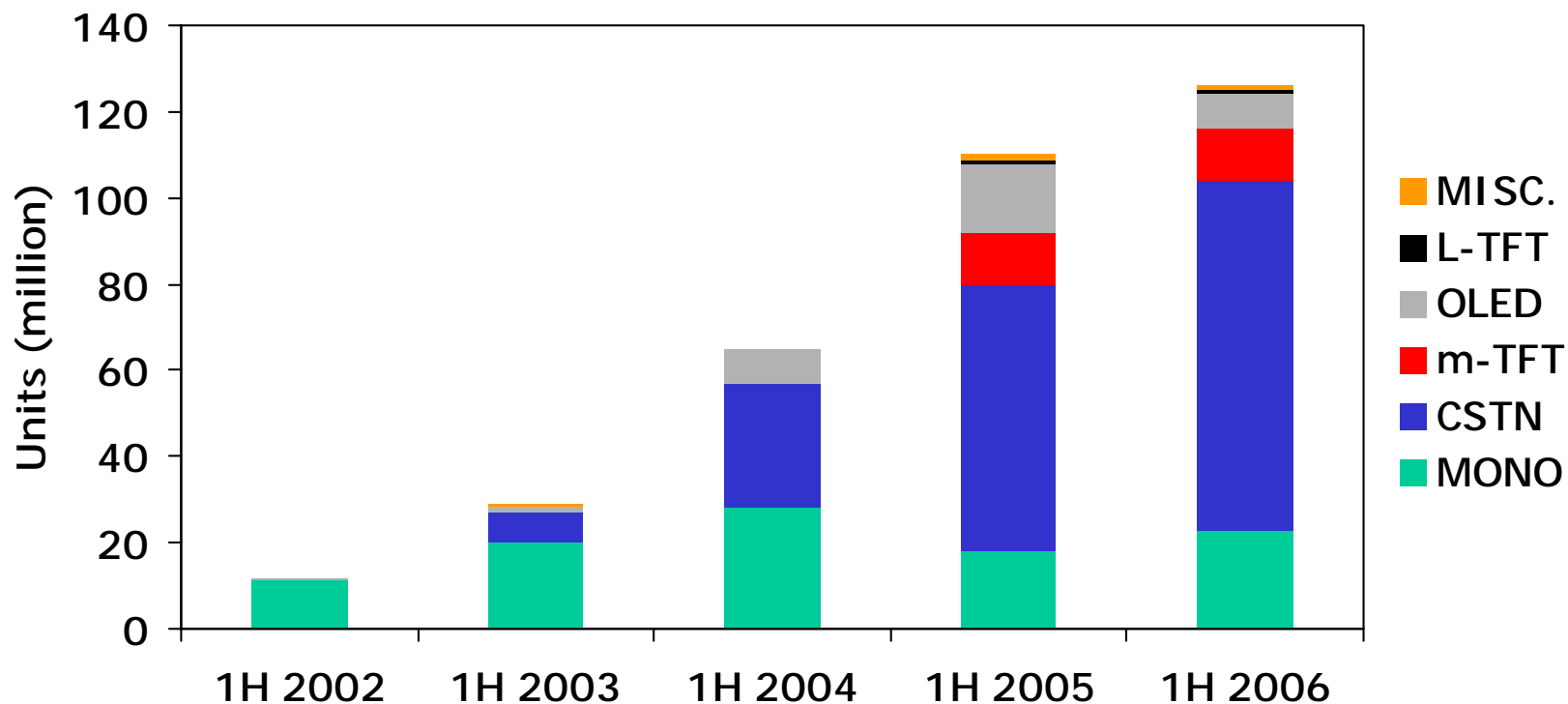
*Note: Net cash includes all bank deposits, other financial assets, cash and cash equivalents less bank loans
All per share figures are based on the outstanding shares of the Company at the period-end*

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Business Review

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Units shipment by product line



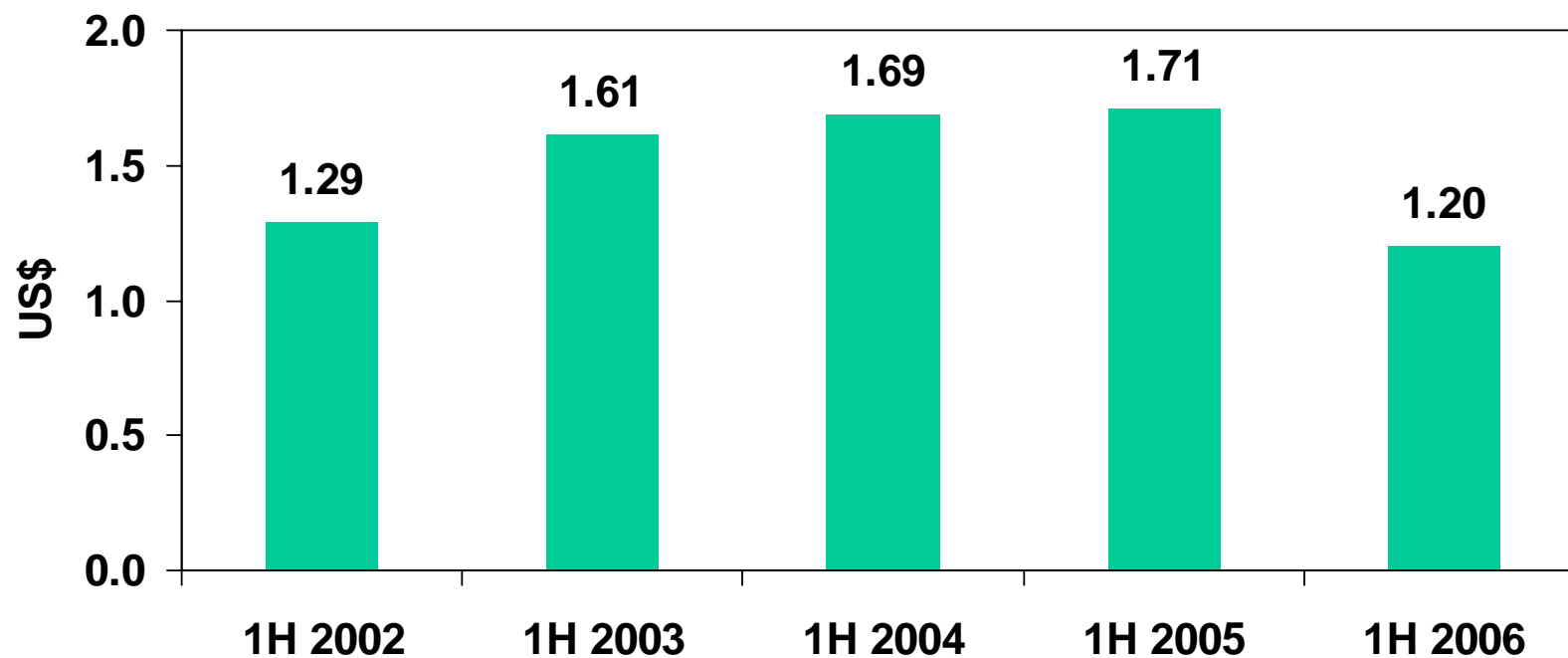
Note:

L-TFT denotes large display driver ICs

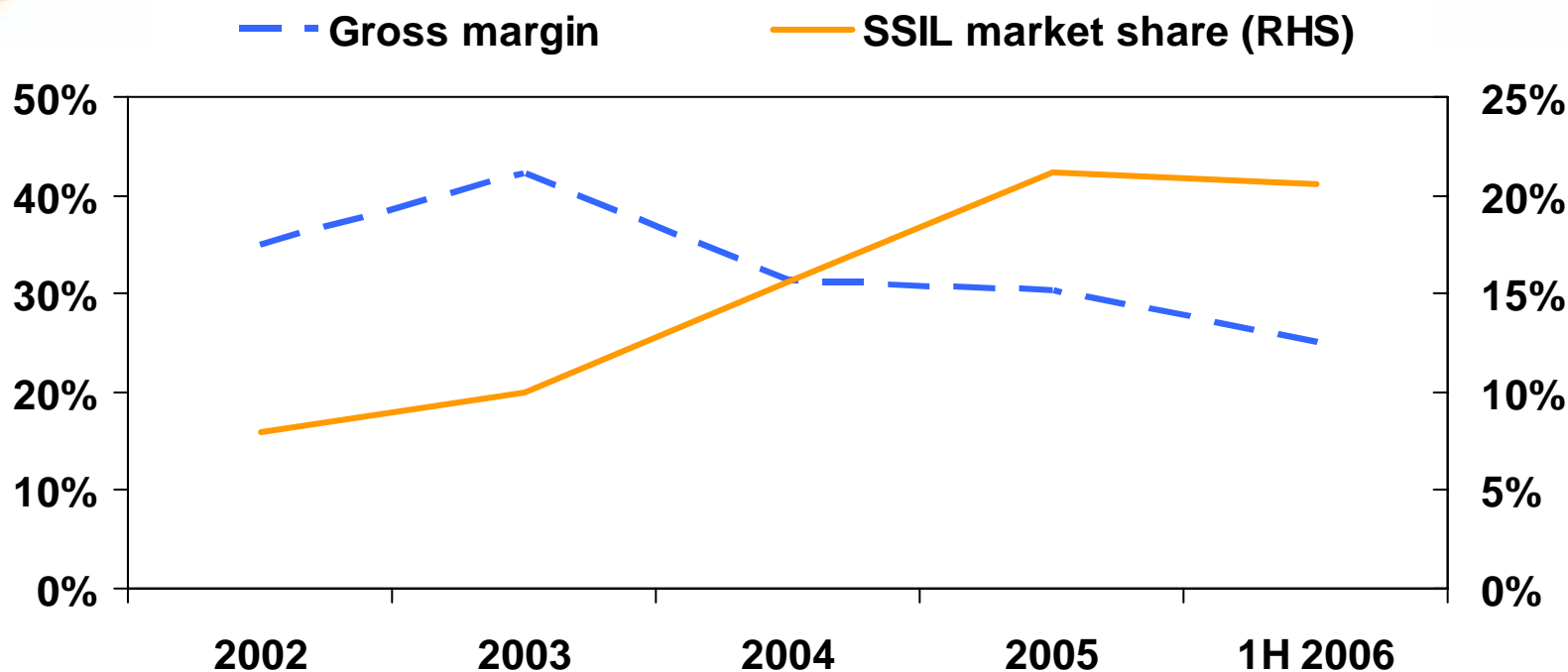
Miscellaneous includes other IC products

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Change in blended ASP



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)

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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

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New products expected in 2H

To strengthen leading position with competitive products

- Mobile Display
 - STN / CSTN → More cost down, features rich display ICs
 - m-TFT / LTPS → Broader customers base & products offering
 - OLED → New products for main display, MP4 & notebook PC
- New Display / Display System
 - Electrophoretic display → Aiming high volume, low-cost phones
 - Timing controller → Targeting large panel customers
 - MIPI interface ICs → High speed connectivity for 3G phones

Outlook

General views on 2H

Market	<ul style="list-style-type: none"> • Mobile phone market moderate growth • Limited visibility for 4Q and mindful of channel inventory • OLED demand recovery from 1H 	
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

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Thank You

Solomon Systech (International) Limited
Stock code: 2878

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