



**SOLOMON
SYSTECH**

**Solomon Systech
(International)
Limited**

**JPMorgan Asia Pacific Tech Conf
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2006 Business Recap

Low-light

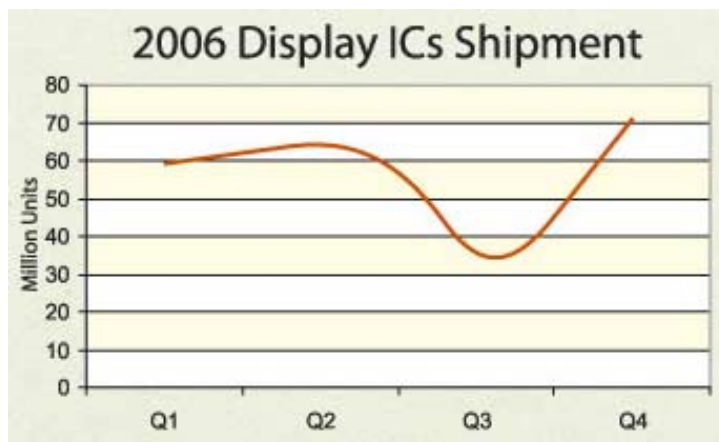
- Unit shipment: 1Q Promising Start, 2Q Correction, 3Q Inventory Management, 4Q Seasonal Peak
- Market ASP decline faster than unit growth
- Market share loss
- >5 OLED module customers exit / slowdown
- Lost I-TFT anchor customer

High-light

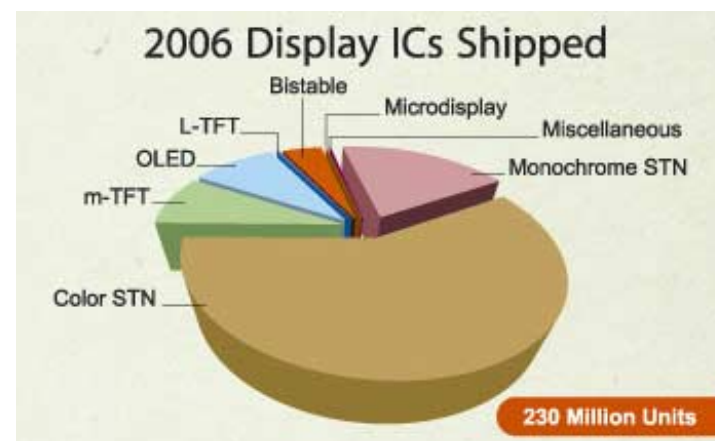
- Differentiating IP: MIPI...
- Technology leadership: E-paper applications...
- Stronger key customer relationships
- Stable wafer price
- Implemented new ERP system for operation improvement

2006E Shipment Summary

- Shipped 230mu, primarily mobile display driver IC
- 4Q06 unit shipment hit a peak after 3Q06 demand slowdown
- Maintained STN leadership
- Stopped OLED business decline with 2H06 seasonal strength
- Shipped more than 10mu bi-stable driver IC
- Renewing m-TFT growth momentum; some QVGA products required product allocation in 4Q06



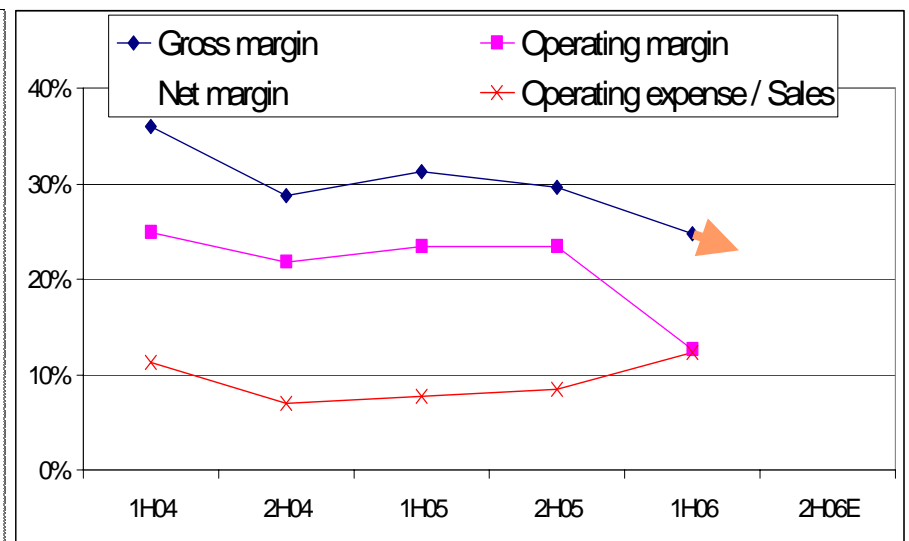
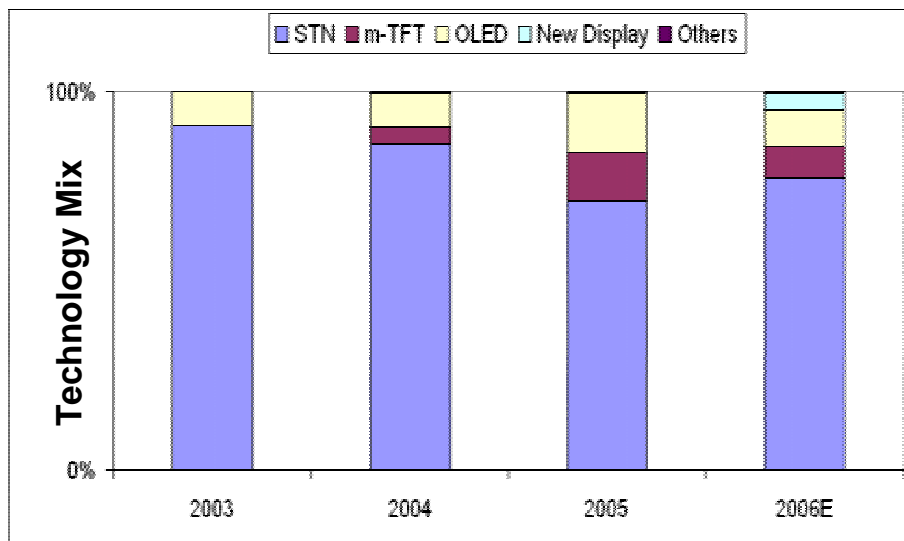
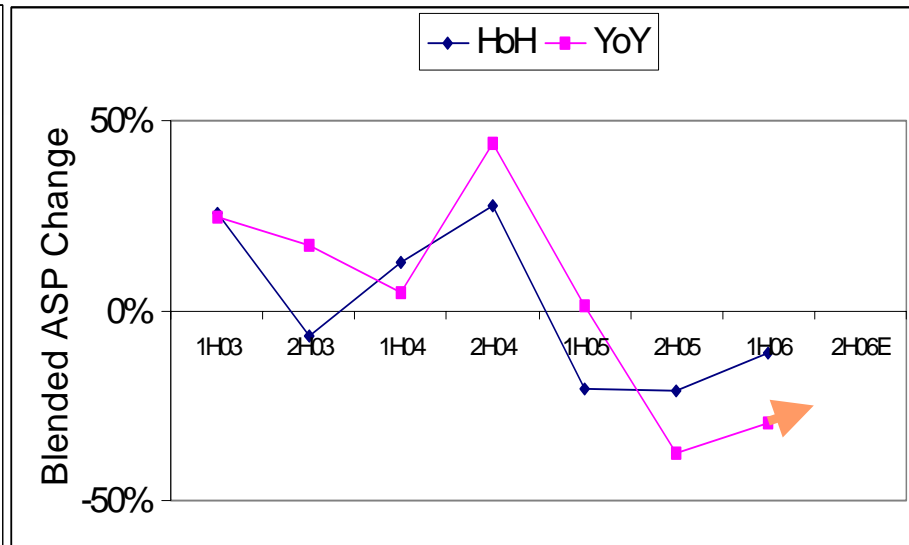
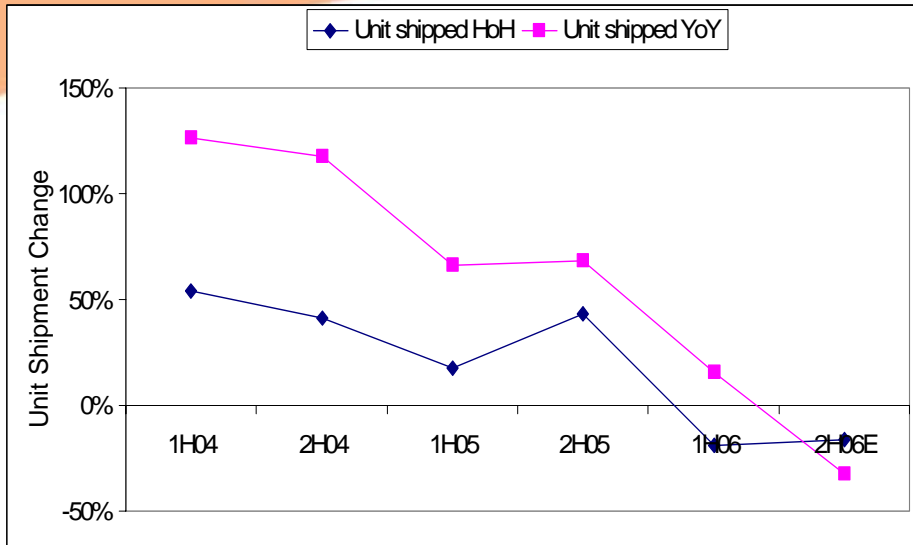
Source: Solomon Systech



Source: Solomon Systech

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Unit Shipment & Blended ASP Trends



Source: Solomon Systech

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Future Growth Enablers

Preparation is underway

- Mobile Display
 - STN / CSTN → Target more on top-tier brand names
 - m-TFT / LTPS → Establish closer ties with brand names as well as module makers
 - OLED → Launch products for main display, MP4 & notebook PC
- Other IC Products
 - E-paper 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

Mobile Phone Brands Market Share Exceeded 80%

Design wins via Brand Name models are critical for growth

Global Shipments (Millions of Units)	4Q05	2005	4Q06E	2006E	
Nokia	83.7	264.9	105.5	347.5	Up 31.2%
Motorola	44.7	146	65.7	217.4	Up 48.9%
Samsung	27.2	102.9	32	118.0	Up 14.7%
Sony Ericsson	16.1	51.1	26	74.8	Up 46.4%
LG	16.2	54.9	17	64.4	Up 17.3%
Others	57.6	197.4	53.4	196.7	
Total	245.5	817.2	299.6	1018.8	
Source: Strategy Analytics, Jan-07					

- **Mobile Phone unit shipment exceeded 1bu**
- **YoY unit growth based on '06E data was 24.6%**

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Display Module Makers as Supply Chain Partners

- Mobile display module makers comprise of a group short-listed by Tier-1 Brands, and a long tail of smaller ones
- Partnership with module makers gets more important

Table: 2Q06 mobile phone display unit distribution

Rank	Panel Supplier	Q2'06 Shipments (M)	Share	Q/Q	YY
1	Samsung SDI	44.9	16.3%	-2%	9%
2	Philips	32.1	11.7%	-7%	15%
3	Sanyo Epson	30.5	11.1%	-17%	11%
4	Sharp	26.0	9.4%	-3%	62%
5	Wintek	21.8	7.9%	-3%	3%
	Others	120.1	43.6%	11%	59%
	Total	275.3	100.0%	0%	32%


Source: Display Search

New Product Examples – STN/m-TFT

<u>Device</u>	<u>Schedule</u>
<ul style="list-style-type: none">• 96x68 STN	Sample ready
<ul style="list-style-type: none">• 132x132 65K CSTN	Sample ready
<ul style="list-style-type: none">• 130x130 GS STN	MP now
<ul style="list-style-type: none">• LQVGA 262K AV TFT	MP now
<ul style="list-style-type: none">• QVGA 262K TFT/LTPS	MP now
<ul style="list-style-type: none">• QCIF+ 262K TFT	Sample ready
Coming Soon ...	
<ul style="list-style-type: none">• QVGA 262K TFT+MIPI	Sample ready in Mar-07
<ul style="list-style-type: none">• LQVGA 16M AV TFT	Sample ready in Mar-07
<ul style="list-style-type: none">• ...etc	
<ul style="list-style-type: none">• More products to be announced	


Emerging Display Applications from Vista Sideshow

Short Term: Notebook




m-TFT Display

Source: Asustek



OLED Display



Source: Toshiba

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Long Term: Consumer / Non-PC



Travel Bag



Remote Controller

Source: Microsoft

E-paper applications proliferate

- Immediate: Clocks/Watches, Mobile Phones, Public Reading Terminals
- High Volume Targets: Price Tags, Memory Cards, IC Cards
- Optimal Target: Reading/Writing Paper Substitute



Source: Motorola



Source: Sweda

General-purpose display

Hitachi
Practical application
Spring 2006

Reading terminal

Tianjin Jinke Electronics and about 4 other firms
Practical application
Dec 2005 to 2006
Photo shows V8 reading terminal from Tianjin Jinke Electronics



Source: Incard

Wrist watch

Seiko Watch
Practical application
Jan 2006

Equipment clock

Citizen Watch
Practical application
Fiscal 2005

Price tag

Ishida
Practical application
Jan 2006

Public display terminals

Asahi Glass
Practical application
Fiscal 2006



Source: A-Data

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Mobile Driver IC Business Tactics by Technology

STN <ul style="list-style-type: none"> • Expect low market unit growth • Be cost competitive and profitable 	m-TFT <ul style="list-style-type: none"> • Seek market share growth • Execute product / marketing plan
OLED <ul style="list-style-type: none"> • Go after new applications • Continue technology development 	Bi-stable / E-paper <ul style="list-style-type: none"> • Leverage initial leadership • Expand non-handset applications

Technology	Q1'05	Q2'05	Q3'05	Q4'05	Q1'06	Q2'06	Q3'06	Q4'06
MSTN	16.3%	18.5%	18.8%	17.5%	15.3%	15.5%	11.7%	10.6%
CSTN	42.8%	39.7%	35.9%	34.3%	32.5%	30.4%	28.5%	28.7%
a-Si TFT LCD	28.2%	29.4%	32.7%	35.7%	37.9%	37.8%	39.1%	38.5%
LTPS TFT LCD	12.5%	12.3%	12.6%	12.3%	14.2%	15.9%	20.2%	21.8%
PMOLED	0.2%	0.2%	0.1%	0.2%	0.2%	0.3%	0.3%	0.4%
LTPS TFT OLED	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

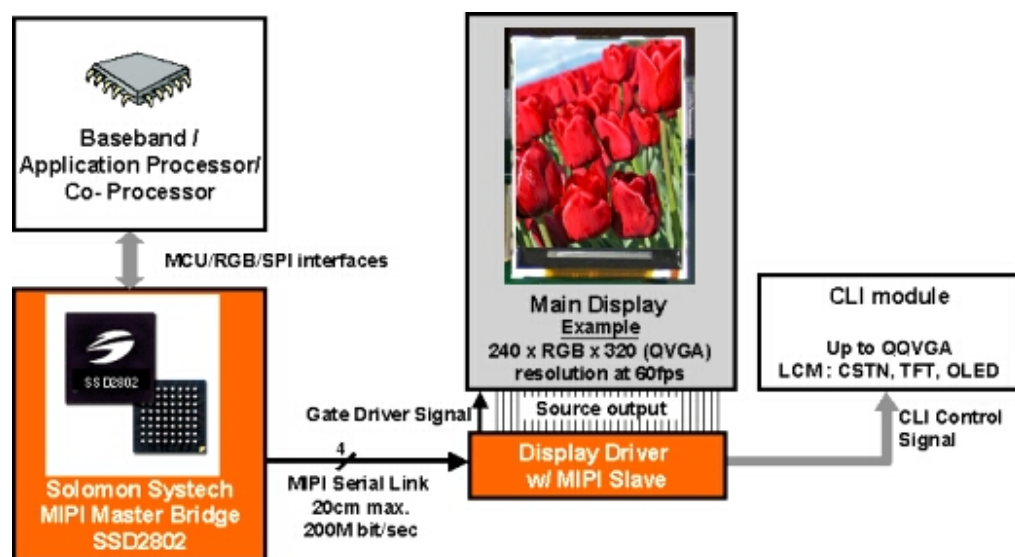
Source: Display Search

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Display System's Differentiating 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

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More Display System Design-win Examples



Study Machine – Graphics Controller



Vehicle Instrumentation Console – Image Processor









Mobile Blogging Device – Image Processor



VGA Eyewear – Microdisplay Solution

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Preliminary 2007F outlook

Market	<ul style="list-style-type: none"> • Mobile phone market moderate growth ~10% YoY • 1Q07F demand aligns with a typical business cycle • New volume display applications emerge 	
Products	<ul style="list-style-type: none"> • Expanding products portfolio • Developing design-ins outside mobile phone business 	
Customers	<ul style="list-style-type: none"> • Improving relationships with target customers • Mobile + consumer electronics • Taiwan / China + Japan / Korea 	
Price	<ul style="list-style-type: none"> • Display industry ASP decline continues 	
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"> • Continuous keen competition from global & regional players 	



Most favorable

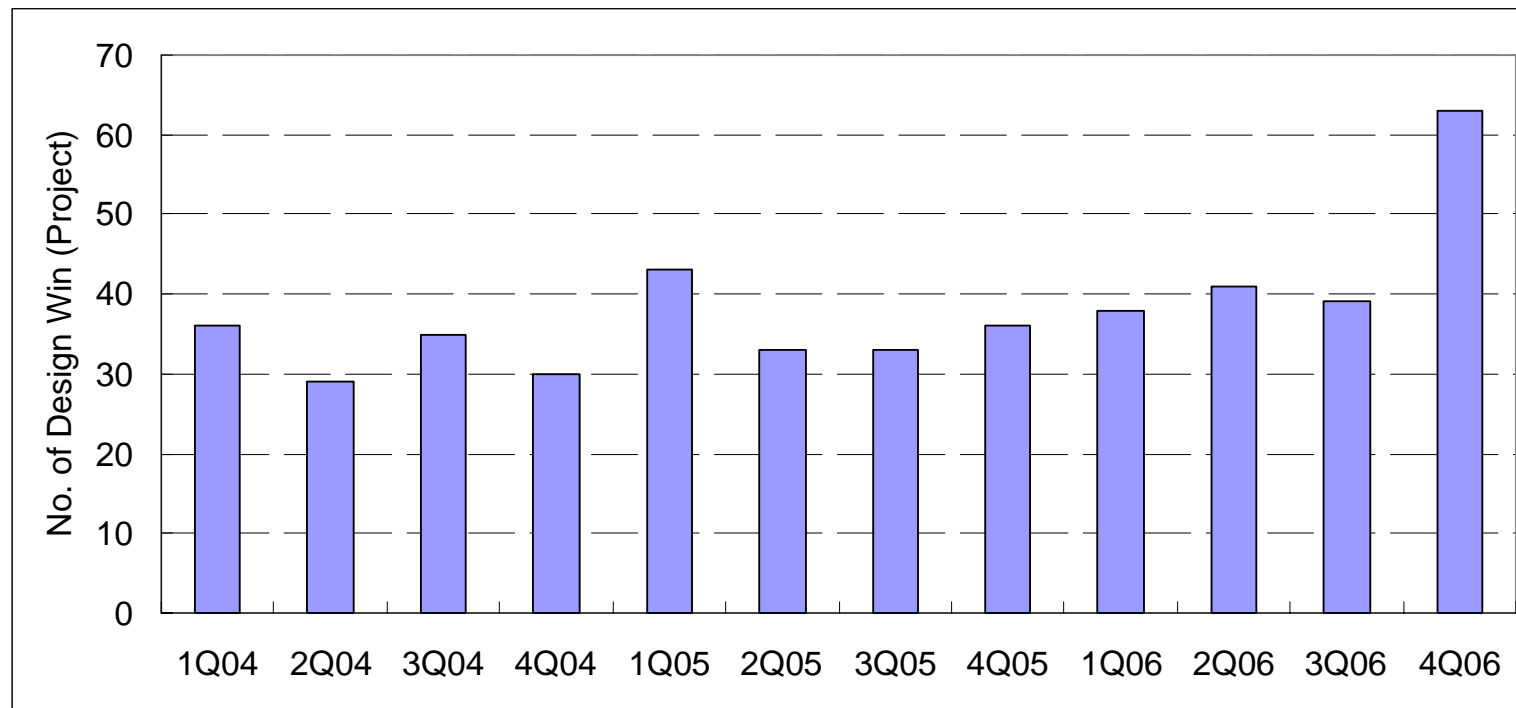


Most unfavorable

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Design Win Trend

- Positive initial response to better product offerings and improving customer relationships



Source: Solomon Systech

Note: Correlation between Design Win and Sales varies due to multiple factors:
Sales/Project, Volume/Project, Production Schedule Change...etc

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Appendix: 1H04 – 1H06 Financial Data

	1H04	2H04	1H05	2H05	1H06
Sales (US\$m)	110	198	186	208	149
Gross profit	40	57	58	62	37
Other gain - net	0	0	0	4	0
Research and development costs	(5)	(7)	(6)	(12)	(8)
Selling and distribution expenses	(1)	(2)	(2)	(1)	(2)
Administrative expenses	(7)	(4)	(7)	(5)	(9)
Other operating expenses	0	(0)	(0)	(0)	(0)
Operating profit	27	43	44	49	19
Profit before taxation	27	43	45	47	22
Taxation	(5)	(8)	(8)	(7)	(4)
Profit attributable to shareholders	22	35	36	40	18
Cash & cash equivalents	124	126	150	156	99
Trade and other receivables	30	57	39	52	64
Inventories	20	42	28	36	44
Trade and other payables	33	63	45	56	43
Total assets	191	250	238	270	230
Total liabilities	42	73	62	63	50
Equity	149	177	176	207	180
	1H04	2H04	1H05	2H05	1H06
Gross margin	36.0%	28.7%	31.2%	29.6%	24.7%
Operating margin	25.0%	21.9%	23.5%	23.3%	12.6%
Net margin	20.4%	17.9%	19.5%	19.2%	12.0%
Operating expense / Sales	11.2%	7.0%	7.7%	8.4%	12.2%

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Thank You

Solomon Systech (International) Limited

Stock code: 2878

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