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**SOLOMON  
SYSTECH**

**SOLOMON SYSTECH (INTERNATIONAL) LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock code: 2878)

**2013 FINAL RESULTS ANNOUNCEMENT**

**FINANCIAL HIGHLIGHTS**

- Sales amounted to US\$55.2 million (2012: US\$65.1 million)
- Gross profit was US\$21.0 million (2012: US\$25.1 million)
- Gross margin was 38.1%, at a comparable level to 2012
- Net profit was US\$1.3 million (2012 loss: US\$1.4 million)
- Earnings per share was 0.05 US cent (0.42 HK cent)
- Book-to-bill ratio was 0.86 (2012: 1.07)
- The Board of Directors resolved not to propose any final dividend for the year ended 31 December 2013

## 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 2013 together with the comparative figures for the corresponding year as follows:

### CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

	Note	2013 US\$'000	2012 US\$'000
Sales	4	55,150	65,123
Cost of sales	5	(34,154)	(39,979)
Gross profit		20,996	25,144
Research and development costs	5	(13,854)	(14,203)
Selling and distribution expenses	5	(3,092)	(3,098)
Administrative expenses	5	(8,130)	(8,265)
Other income	6	956	680
		(3,124)	258
Finance income – net	7	3,913	5,677
		789	5,935
Results of associated companies			
– Share of results of associated companies		37	(3,069)
– Provision for impairment loss	8	—	(4,234)
Profit/(loss) before income tax		826	(1,368)
Income tax credit/(expenses)	9	508	(2)
Profit/(loss) attributable to the equity holders of the Company		1,334	(1,370)
Earnings/(loss) per share attributable to the equity holders of the Company: (expressed in US cent per share)	10		
– Basic		0.05	(0.06)
– Diluted		0.05	(0.06)
Dividend	11	—	—

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	2013 US\$'000	2012 US\$'000
Profit/(loss) for the year	1,334	(1,370)
Other comprehensive income/(loss) for the year:		
Item that may be reclassified to profit or loss		
– Currency translation differences	363	(174)
Total comprehensive income/(loss) attributable to the equity holders of the Company	1,697	(1,544)

## CONSOLIDATED BALANCE SHEET

As at 31 December 2013

	Note	2013 US\$'000	2012 US\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill and intangible assets		163	—
Property, plant and equipment		3,078	4,190
Investments in associated companies		709	672
Available-for-sale financial assets		2,206	2,206
Bank deposits		9,836	—
		<b>15,992</b>	<b>7,068</b>
<b>Current assets</b>			
Inventories		7,849	6,788
Trade and other receivables	12	10,875	15,227
Financial assets at fair value through profit or loss		71,087	63,431
Pledged bank deposits		130	130
Short-term fixed deposits		10,846	1,550
Cash and cash equivalents		12,181	36,816
		<b>112,968</b>	<b>123,942</b>
<b>Total assets</b>		<b>128,960</b>	<b>131,010</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>			
Share capital		31,720	31,658
Reserves			
Own shares held		(89)	(122)
Others		86,204	84,413
<b>Total equity</b>		<b>117,835</b>	<b>115,949</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Obligations under finance leases		—	3
Bank loan		402	497
Deferred income tax		—	50
		<b>402</b>	<b>550</b>
<b>Current liabilities</b>			
Obligations under finance leases		2	3
Trade and other payables	13	9,684	13,413
Bank loan		95	95
Deferred income		400	—
Income tax		542	1,000
		<b>10,723</b>	<b>14,511</b>
<b>Total liabilities</b>		<b>11,125</b>	<b>15,061</b>
<b>Total equity and liabilities</b>		<b>128,960</b>	<b>131,010</b>
<b>Net current assets</b>		<b>102,245</b>	<b>109,431</b>
<b>Total assets less current liabilities</b>		<b>118,237</b>	<b>116,499</b>

## 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 and other smart devices including consumer electronics products, portable devices, industrial appliances and green energy applications.

The Company was incorporated in the Cayman Islands on 21 November 2003 as an exempted company with limited liability under Cap.22, the Cayman Islands Companies Law (Law 3 of 1961, as consolidated and revised). The address of its registered office is P.O. Box 309, Uglund 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.

### 2. Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have 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.

### 3. Significant accounting policies

The preparation of the consolidated financial statements 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) New, revised standards and amendments to standards effective in 2013

The Group has adopted the following new, revised standards and amendments to standards that have been issued and are effective for the Group's financial year commencing on 1 January 2013:

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• HKAS 1 (Amendment)	Financial Statements Presentation: Other Comprehensive Income
• HKAS 19 (2011)	Employee Benefits
• HKAS 27 (Revised 2011)	Separate Financial Statements
• HKAS 28 (Revised 2011)	Associates and Joint Ventures
• HKFRS 10	Consolidated Financial Statements
• HKFRS 11	Joint Arrangements
• HKFRS 12	Disclosure of Interests in Other Entities
• HKFRS 13	Fair Value Measurement
• HKFRS 1 (Amendment)	First-time Adoption: Government Loans
• HKFRS 7 (Amendment)	Financial Instruments: Disclosures (assets and liabilities offsetting)
• HKFRS 10, 11 and 12 (Amendment)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

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The adoption of the above new, revised standards and amendments to standards did not result in substantial changes to the accounting policies of the Group and had no material impact on how

the results and financial positions for the current or prior accounting periods have been prepared and presented.

There are no other new, revised standards and amendments to standards or interpretations that are effective for the first time for this year that could be expected to have a material impact on the Group.

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

The following new standard, amendments to standards and interpretation to existing standards have been issued, but are not effective for the financial year beginning 1 January 2013 and have not been early adopted by the Group:

		<b>Effective for annual periods beginning on or after</b>
• HKAS 19 (Amendment)	Employee Benefits: Defined Benefit Plan	1 July 2014
• HKAS 32 (Amendment)	Financial Instruments Presentation: Assets and Liabilities Offsetting	1 January 2014
• HKAS 36 (Amendment)	Impairment of Assets: Recoverable Amount Disclosure	1 January 2014
• HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement (novation of derivatives)	1 January 2014
• HKFRS 14	Regulatory Deferral Accounts	1 January 2016
• HKFRS 10, 12 and HKAS 27 (Amendment)	Consolidation for Investment Entities	1 January 2014
• HK(IFRIC) – Interpretation 21	Levies	1 January 2014
• Annual improvement projects	Improvements to HKASs and HKFRSs	1 July 2014

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

**4. 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 and other smart devices including consumer electronics products, portable devices, industrial appliances and green energy applications.

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\$55,150,000 and US\$65,123,000 for the years ended 31 December 2013 and 2012 respectively.

The Company is domiciled in Hong Kong. The Group mainly operates in Hong Kong. During 2013, the Group mainly sold to customers located in Hong Kong, China and Taiwan.

**(a) Sales**

	2013 US\$'000	2012 US\$'000
Hong Kong	14,589	14,382
China	12,452	16,895
Taiwan	9,363	8,654
Europe	7,896	9,312
South East Asia	4,088	6,862
Korea	3,816	4,928
Japan	2,146	2,234
USA	486	1,379
Others	314	477
	<b>55,150</b>	<b>65,123</b>

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

**(b) Total assets**

	2013 US\$'000	2012 US\$'000
Hong Kong	105,046	107,218
China	18,520	17,964
Taiwan	4,857	4,450
South East Asia	484	1,188
Others	53	190
	<b>128,960</b>	<b>131,010</b>

Assets are listed based on where the assets are located. Others comprise Japan and USA.

**(c) Capital expenditures**

	Investments in			
	Property, plant and equipment		Intangible assets	
	2013 US\$'000	2012 US\$'000	2013 US\$'000	2012 US\$'000
Hong Kong	170	116	—	—
China	142	41	174	—
South East Asia	28	74	—	—
Others	37	—	—	—
	<b>377</b>	<b>231</b>	<b>174</b>	<b>—</b>

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

**(d) Major customers**

Details of customers accounted for 10% or more of total revenue of the Group are as follows:

Customer and location	2013 US\$'000	2012 US\$'000
Customer A China	N/A	7,742
Customer B Hong Kong, Taiwan, South East Asia	N/A	7,238
Customer C South East Asia, Korea	N/A	7,028

## 5. Expenses by nature

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

	2013 US\$'000	2012 US\$'000
Cost of inventories sold	32,100	40,704
Product engineering costs	2,135	2,487
Loss on disposal of property, plant and equipment	—	7
Provision for/ (written-back of provision for) obsolete or slow moving inventories	711	(1,514)
Written-back of impairment of trade receivables	—	(32)
Auditor's remuneration	179	178
Operating leases for land and buildings	1,037	1,175
Amortization of intangible assets	11	—
Amortization of prepaid operating lease	—	17
Depreciation of owned property, plant and equipment	1,400	2,008
Depreciation of leased property, plant and equipment	1	7
Employee benefit expenses (excluding Directors' emoluments)	16,710	16,130
Directors' emoluments	702	684
Net exchange gain	(54)	(256)

## 6. Other income

	2013 US\$'000	2012 US\$'000
Gain on disposal of property, plant and equipment	770	—
Gain on disposal of a subsidiary	—	539
Others	186	141
	956	680

## 7. Finance income – net

	2013 US\$'000	2012 US\$'000
Gain/(loss) on disposal of FVTPL	(23)	107
Interest income	2,464	1,767
Dividend income	539	328
Net unrealizable gain or loss from FVTPL:		
– Fair value gain	2,005	3,806
– Fair value loss	(1,077)	(40)
Interest expense of bank loan	(10)	(12)
Other gain/(loss)	15	(279)
	3,913	5,677

## 8. Provision for impairment loss of associated companies

	2013 US\$'000	2012 US\$'000
On the carrying value	—	3,792
On the derivatives related to an associated company	—	442
	—	4,234

## 9. Income tax

Hong Kong income tax has been provided at the rate of 16.5% (2012: 16.5%) while overseas income tax has been provided at the rates of taxation prevailing in the countries in which the Group operates.

	2013 US\$'000	2012 US\$'000
Current income tax:		
- Hong Kong	88	—
- Overseas	2	2
Write-back of income tax provision in prior years	(548)	—
Deferred income tax	(50)	—
	<b>(508)</b>	<b>2</b>

The tax on the Group's profit/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, as follows:

	2013 US\$'000	2012 US\$'000
Profit/(loss) before income tax	826	(1,368)
Income tax calculated at a tax rate of 16.5%	136	(226)
Income not subject to tax	(881)	(1,094)
Expenses not deductible for tax purposes	25	1,225
Income tax losses not recognized	760	97
Write-back of income tax provision in prior years	(548)	—
	<b>(508)</b>	<b>2</b>

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\$8,843,000 (2012: US\$8,083,000) in respect of losses amounting to US\$53,594,000 (2012: US\$48,989,000) that can be carried forward against future taxable profits. These tax losses have no expiry date.

## 10. Earnings/loss per share

### (a) Basic earnings/loss per share

The basic earnings/loss per share for the year is calculated based on the Group's profit in 2013 attributable to the equity holders of the Company of US\$1,334,000 (2012 loss: US\$1,370,000) and the weighted average number of 2,457,154,439 (2012: 2,454,697,989) ordinary shares in issue excluding own shares held during the year.

### (b) Diluted earnings/loss per share

The diluted earnings/loss per share is calculated based on the Group's profit/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 of 2,465,042,003 (2012: 2,456,090,508) shares during the year.

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

	Number of shares	
	2013	2012
Weighted average number of ordinary shares in issue	2,457,154,439	2,454,697,989
Allocated own shares held under Share Award Scheme	3,518,646	1,392,519
Conversion of all dilutive share options outstanding <sup>(i)</sup>	4,368,918	—
Adjusted weighted average number of ordinary shares for diluted earnings/ loss per share calculation	<b>2,465,042,003</b>	2,456,090,508

(i) In 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.



## 11. Dividend

No dividend related to the years ended 31 December 2013 and 2012 was declared or paid during 2013. In addition, the Board resolved not to propose any final dividend for the year ended 31 December 2013.

## 12. Trade and other receivables

	2013 US\$'000	2012 US\$'000
Trade receivables	7,007	9,816
Trade receivables from related parties	1,271	3,161
Provision for impairment	—	(121)
Trade receivables - net	8,278	12,856
Deposits, prepayments and other receivables	2,436	2,199
Prepayments to related parties	161	172
	10,875	15,227

As at 31 December 2013, 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:

	2013 US\$'000	2012 US\$'000
Current	6,203	8,998
1 - 30 days	1,563	3,500
31 - 60 days	369	254
61 - 90 days	93	86
91 - 180 days	31	18
181 - 365 days	19	—
	2,075	3,858
	8,278	12,856

As at 31 December 2013, trade receivables of US\$2,075,000 (2012: US\$3,858,000) were considered past due if measured strictly against the credit terms offered. As at 31 December 2013, all the overdue sum is not impaired since most of the overdue sum has been settled after the balance sheet date.

As at 31 December 2013, no trade receivables were impaired and provided for (2012: US\$121,000 of trade receivables were impaired and provided for).

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

	2013 US\$'000	2012 US\$'000
91 - 180 days	—	—
181 - 365 days	—	121
	—	121

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

	2013 US\$'000	2012 US\$'000
At 1 January	121	153
Written-back of provision for impairment of receivables	—	(32)
Provision for impairment of receivables written off	(121)	—
At 31 December	—	121

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

	<b>2013</b>	2012
	<b>US\$'000</b>	US\$'000
USD	<b>9,002</b>	13,235
HKD	<b>924</b>	1,138
CNY	<b>826</b>	732
Other currencies	<b>123</b>	122
	<b>10,875</b>	15,227

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

### 13. Trade and other payables

	<b>2013</b>	2012
	<b>US\$'000</b>	US\$'000
Trade payables	<b>5,694</b>	10,785
Payables to a related party	<b>—</b>	63
Accrued expenses and other payables	<b>3,990</b>	2,546
Accrued expenses and other payables to related parties	<b>—</b>	19
	<b>9,684</b>	13,413

At 31 December 2013, the ageing analysis of the trade payables based on overdue days is as follows:

	<b>2013</b>	2012
	<b>US\$'000</b>	US\$'000
Current	<b>4,091</b>	8,718
1 - 30 days	<b>1,375</b>	1,972
31 - 60 days	<b>135</b>	16
61 - 90 days	<b>28</b>	—
Over 90 days	<b>65</b>	79
	<b>5,694</b>	10,785

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

	<b>2013</b>	2012
	<b>US\$'000</b>	US\$'000
USD	<b>7,201</b>	11,012
CNY	<b>1,010</b>	1,194
HKD	<b>1,175</b>	937
Other currencies	<b>298</b>	270
	<b>9,684</b>	13,413

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Overview

For the year ended 31 December 2013, the Group's sales were US\$55.2 million (2012: US\$65.1 million). The book-to-bill ratio was about 0.86 (2012: 1.07). Despite a volatile industry landscape in 2013, in particular in the second half of the year, the Group managed to achieve a net profit of US\$1.3 million (2012: net loss of US\$1.4 million).

#### Sales and Gross Profit

Total unit shipments of the Group's products decreased by around 12% from 102.7 million units in 2012 to 90.5 million units in 2013. The decrease was mainly due to inventory adjustment in the display panel market and also the volatile market conditions in the second half of the year causing customer-driven schedule delays and low quantity orders for some of our products.

Gross profit of the Group was US\$21.0 million, down by 17% year-on-year (2012: US\$25.1 million). Gross margin was 38.1% (2012: 38.6%), a comparable level to the industry. This was attributed to the Group's strategy of focusing on innovative, high value-added smart products. As usual, the Group has continued to improve its manufacturing productivity through product yield improvement and better utilization of its own manufacturing assets.

#### Costs and Expenses

The Group has remained vigilant in controlling its expenses. The Group's total expenses, including R&D costs, S&D expenses and administrative expenses, were US\$25.1 million, down by US\$0.5 million, representing a decrease of 2%.

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\$13.9 million, down 3% year-on-year.

S&D expenses were maintained flat at US\$3.1 million. S&D expenses to sales ratio was 5.6% (2012: 4.8%).

Administrative expenses were US\$8.1 million, decreased by US\$0.2 million compared with US\$8.3 million in 2012.

#### Other Income

Other income totaled US\$1.0 million (2012: US\$0.7 million), with US\$0.8 million attributed to a gain on disposal of certain manufacturing equipment.

#### Finance Income – Net

During 2013, the Group recorded an interest income of US\$2.5 million (2012: US\$1.8 million) as well as dividends and other income of US\$0.5 million from FVTPL, totaling US\$3.0 million (2012: US\$2.2 million). In addition, a net unrealized gain of US\$0.9 million (2012: US\$3.8 million) was recorded from the investment in the FVTPL portfolio pursuant to mark-to-market price as at 31 December 2013.

#### Net Profit and Loss

The Group managed to attain a breakeven position for the year ended 31 December 2013, with a pre-tax profit of US\$0.8 million (2012 loss: US\$1.4 million). Furthermore, there was a reversal of US\$0.5 million for a provision of Hong Kong income tax and deferred income tax. Accordingly, the profit attributable to the equity holders of the Company for the year ended 31 December 2013 was US\$1.3 million, returning to profit from the loss of US\$1.4 million for the year ended 31 December 2012.

The Board of the Company resolved not to propose any final dividend for the year ended 31 December 2013.

## **Liquidity and Financial Resources**

Total cash and cash equivalents and bank deposits of the Group amounted to US\$32.9 million as at 31 December 2013 (2012: US\$38.4 million). The change in cash position was mainly a result of engaging bankers to help enhancing the yield of cash on hand through investment in marketable type of financial assets as noted by a corresponding increase of FVTPL by approximately US\$6.8 million. Net cash used in operating activities during the year was US\$2.4 million (2012: net cash generated from operating activities of US\$2.4 million) which is mainly due to the loss incurred before accounting for the net finance income. Working capital maintained at the same level as 2012.

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 purposes. As at 31 December 2013, the Group had no major borrowing other than the US\$0.5 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 2013, capital expenditure of the Group was US\$0.6 million (2012: US\$0.2 million).

As at 31 December 2013, 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 2013, the Group managed to achieve a profit of US\$1.3 million despite a volatile market environment in particular during the second half of the year. The Group's total shipments saw a year-on-year decrease of around 12.0% to approximately 90.5 million units, as some of the Group's products faced customer-driven schedule delays and low quantity orders within the volatile industry landscape and subsequent to inventory adjustment of some application market segments. Nevertheless, given the good progress achieved particularly in new product development during the year, the Group has set the stage for growth in the future.

### PRODUCT SHIPMENT (BY BUSINESS UNIT)

Units Shipped (million)	2013	2012	Change
Mobile Display	14.2	19.4*	(27%)
Mobile System	10.5	12.6*	(17%)
Advanced Display	57.5	54.5*	6%
Large Display	8.3	16.2	(49%)
<b>Total</b>	<b>90.5</b>	<b>102.7</b>	<b>(12%)</b>

\* Figures aligned based on the regrouping of product lines resulting from the operational restructuring

### Mobile Display

The Mobile Display business unit, which focuses on LCD display driver ICs, has been shifting towards higher resolution, high-end and higher value-added applications, in particular smartphones and industrial applications.

The Group launched a number of LCD display driver ICs targeting the rapidly growing HD resolution smartphone market in China and a number of design wins with key smartphone brands were scored, in addition to design wins for smart meters and industrial applications. The Group also collaborated with top-tier customers to develop HD LCD display driver ICs supporting metal oxide TFT technology, which resulted in a pilot shipment in the last quarter of 2013, as well as an in-cell touch technology solution for HD smartphones, which has been undergoing qualification. These technology advances facilitated our shift towards high-resolution display applications.

The unit shipments of Mobile Display products in 2013 were approximately 14.2 million units (2012: 19.4 million units), a 27% decrease year-on-year as a result of reduced shipments of products for low-resolution applications.

### Mobile System

The Mobile System business unit delivers a wide range of products, including capacitive touch panel controller ICs, MIPI display interface controller ICs, graphic display controller ICs and multimedia processors, all of which target system customers for applications spanning smartphones, tablets, projectors, automotive DVRs, 3D displays, IP cameras, etc.

During the year, the Group added a number of new products to enrich its portfolio of touch panel controller ICs for high-resolution smartphones and tablets, which successfully scored a number of design-wins and design-in projects for smartphones and tablets. Its MIPI display interface controller ICs, with enhanced image processing functions targeting high-resolution, high-speed and low-power display of Full HD and WQXGA smart devices, garnered additional design wins with global tablet brands and enjoyed strong growth in the first half of 2013. The robust shipment growth slowed down in the third quarter due to inventory adjustments in the market but shipments picked up at the end of year due to new product applications.

The Group's graphic display controller ICs achieved design wins including smartphones, baby monitors, security camcorders and smart watches, while its multimedia processors scored design wins in projectors and video cameras.

Mainly due to the inventory adjustment of the MIPI display interface controllers market, the unit shipments of the Mobile System business unit saw a decrease of about 17% to 10.5 million units (2012: 12.6 million units) year-on-year.

## **Advanced Display**

The Advanced Display business unit includes the OLED Display and New Display product families which support OLED and e-paper display technologies, respectively. Subsequent to the merger with the Green Power business unit, the Advanced Display business unit further extended the applications of its energy-saving OLED lighting product family to include LED lighting products. In addition to standard ICs, the Advanced Display business unit also provides custom IC design services, including analog, mixed-signal and high-voltage IC designs to better cater to the specific needs of customers.

The total unit shipments of Advanced Display products during the year increased by 6% to 57.5 million units (2012: 54.5 million units).

The increase was mainly attributed to the Group's strategy of expanding further the product portfolio and also diversifying its OLED applications. The Group garnered a number of design wins, including smart healthcare devices, portable WIFI routers, smart watches, optical viewfinders, bicycle meters, etc.

During the year, the Group also successfully launched a qHD display driver IC for China's first AMOLED panel, which marked an important milestone in the advance of AMOLED technology in China and also laid a strong foundation for the Group to develop AMOLED display driver ICs with even higher resolution.

For the New Display business, the Group continued to score design wins in electronic shelf labels (ESL). The Group also launched a number of new AMEPD display driver ICs as this advanced e-Paper display technology has seen strong growth momentum, underpinned by increasing demand for displaying complex content in high resolution with ultra-low power consumption.

## **Large Display**

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

In 2013, the total shipments of the Large Display business unit decreased by 49% year-on-year to 8.3 million units (2012: 16.2 million units). This was mainly due to inventory adjustment in the market, as well as highly fluctuating demand for the Group's current product models.

To boost business, during the year the Group developed new large TFT display driver ICs for high-resolution displays covering 31.5" TVs as well as 18.5" and 21.5" monitors. Two new sets of TFT display driver ICs for 31.5" TVs have completed qualifications and started mass production in the second half of 2013. The TFT display driver ICs for 18.5" HD monitors and 21.5" Full HD monitors are undergoing qualifications for mass production in 2014.

## **Outlook**

The start of 2014 shows signs of growing market confidence. Along with the recovering global economy, more customers, in particular in the smart device sector, are placing longer term orders, and many suppliers of wafer fab and other IC manufacturing supplies are seeing tightening of capacities.

The Group will aim to score additional design wins for the array of new products launched and in the pipeline. It will also continue to roll out more innovative, high performance products and system solutions to capture the business opportunities arising. The Group will continue to strive to expand our footprint in the high-growth, high-volume smart applications market segments to boost growth.

## **Smartphones & Tablets**

Smartphones and tablets are expected to remain the major growth drivers of the semiconductor market for the coming few years. The Group's LCD display driver ICs targeting the HD resolution smartphones market in China are ramping up shipment growth during 2014, as the HD smartphone is expected to capture a larger share of the China market. The Group's HD LCD display driver ICs supporting in-cell touch technology are to start mass production once qualification has been completed. The Group is also striving to achieve more design wins for its HD LCD display driver ICs supporting metal oxide technology. A number of design-in projects for the Group's new MIPI display interface controller ICs are expected to start mass production during 2014.

More new products with enhanced features targeting more high-resolution applications will be launched in the pipeline. These will include LCD display driver ICs targeting Full HD resolution displays, touch panel controller ICs supporting "dual touch" technology and Windows 8, etc.

## **Smart TVs**

In the smart TV sector, the Group expects to slowly ramp up the shipment volume of its new products for 31.5" LCD TVs. The new products for 18.5" HD monitors and 21.5" Full HD monitors should start mass production once qualifications have been completed.

The Group will strive to engage with its customers for more new business projects, and also leverage the 8.5-generation LCD panel line to be set up jointly by CEC Panda and Sharp Corporation to further boost its business performance.

## **Other Smart Devices**

Apart from smartphones, tablets and TVs, the Group also strives to further penetrate the smart devices markets with good potential, in particular AMEPD displays and OLED displays.

With the new AMEPD display driver ICs launched, the Group is in a good position to capitalize on the rapidly growing ESL industry.

More new PMOLED display driver ICs with enhanced features will be launched, in particular products supporting super high brightness OLED display for outdoor applications and for VFD direct replacement which are in growing demand. The Group will strive to further diversify the applications of its PMOLED display driver ICs to tap other rapidly growing market segments, in particular wearable health & fitness devices which integrate smart watches, wristbands, smartphones, GPS and health care sensors. Widespread adoption of mobile sensing health and fitness devices has wearable technology companies ramping up production. The Group expects its PMOLED to see a more pronounced demand from these applications.

The Group will also continue to collaborate with module makers to develop OLED lighting ICs, as well as AMOLED display driver ICs with resolution above qHD.

## **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 2013, the Group spent roughly US\$13.9 million on R&D, representing about 55% of total expenses and 25% of sales for the year.

As at 31 December 2013, the Group had an R&D workforce of 195, representing 60% of our total employees (excluding those of a manufacturing subsidiary in China). The Group's R&D teams possess domain expertise in various areas, spanning from design of high-speed serial master bridges, projected capacitance multi-touch controller ICs and OLED lighting driver ICs, to display drivers for various panel technologies such as amorphous silicon TFT, metal-oxide TFT, LTPS, AMOLED, PMOLED, and AMEPD. This wide array of critical knowhow enables fast fulfillment of customers' sophisticated requirements. The Group has adopted wafer technologies as advanced as 55nm high voltage process on 12" wafer to address the challenge of increasingly higher resolution and lower power consumption in mobile consumer end products.

## **Numerous IP Developed**

Many IPs have been developed or were under development during 2013 aiming at low power, high resolution smart applications. These included numerous power saving techniques for mobile display drivers and in-cell touch architecture designs, new high speed serial interfaces with high quality image compression and ultra-low power consumption for resolution up to WQXGA, intelligent touch algorithms to enable fast and accurate response for both double- and single-layer multi-touch, smart analog front end with optimal touch sensitivity, innovative architecture in OLED lighting drivers for major intelligent lighting control systems, novel high voltage discharge techniques for improving panel reliability and image sticking, improved efficiency buck/ boost converters, high accuracy temperature sensors, etc.

The Group has filed 22 patent applications with patent offices in different regions, including the USA, China, Taiwan, Korea and Europe, and has been granted 8 patents covering various display design and application areas.

## **PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SHARES**

The Remuneration Committee of the Company has directed HSBC Institutional Trust Services (Asia) Limited, the Trustee of the Share Award Plan to utilize the funds made available under the Trust Deed to purchase 1,500,000 existing shares from the market at a purchase price of HK\$0.33 per share to replenish the pool of shares held by the Trustee pursuant to the share award scheme of the Company on 3 July 2013.

Save as disclosed above, 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 2013.

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

For the year ended 31 December 2013, the Company had complied with most of the code provisions of the Corporate Governance Code under Appendix 14 of the Listing Rules. To maintain high standards of corporate governance, the Company had complied with certain recommended best practices in the Code.

Pursuant to the Code Provision A.6.7, Independent Non-executive Directors and Non-executive Directors should attend general meetings. One Independent Non-executive Director and three Non-executive Directors of the Company were unable to attend the annual general meeting of the Company held on 28 May 2013 due to their business engagements. All other Independent Non-executive Directors and Non-executive Directors were present and available to answer any questions from shareholders of the Company.

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. 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 2013.

## **REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS**

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 2013. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2013 have been agreed by the Group's independent auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements 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 Engagements 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 2013.

## **CLOSURE OF REGISTERS OF SHAREHOLDERS**

The Register of Shareholders of the Company will be closed from Thursday, 22 May 2014 to Tuesday, 27 May 2014 (both days inclusive), during which no transfer of shares can be registered. In order to qualify for attending the 2014 Annual General Meeting, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 21 May 2014.

## **PUBLICATION OF FINAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE AND THE COMPANY'S WEBSITE**

All the annual financial and other related information of the Company required by the Listing Rules has been published on the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.solomon-systech.com](http://www.solomon-systech.com)) on 20 March 2014.



## Definitions and Glossary

AMEPD	Active Matrix Electrophoretic Display
AMOLED	Active Matrix Organic Light Emitting Diode
ASP	Average Selling Price
Board	Board of Directors
CEC	China Electronics 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 Provision(s)	Code Provision(s) in the 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
DVR	Digital Video Recorder
ESL	Electronic Shelf Label
FHD	Full High Definition, a display resolution of 1920 x 1080 pixels
FVTPL	Financial assets/ liabilities at fair value through profit or loss
GPS	Global Positioning System
Group	the Company and its subsidiaries
HD	High Definition, a display resolution of 1280 x 720 pixels
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 Camera	Internet Protocol Camera
LCD	Liquid Crystal Display
LED	Light Emitting Diode
Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange
LTPS	Low Temperature Polysilicon, a technology for the manufacturing of TFT-LCD
MIPI	Mobile Industry Processor Interface
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers
OLED	Organic Light Emitting Diode
PMOLED	Passive Matrix Organic Light Emitting Diode
qHD	Quarter High Definition, a display resolution of 960 x 540 pixels
PRC	the People's Republic of China
R&D	Design, development and engineering
S&D	Selling and Distribution
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
VFD	Vacuum Fluorescent Display
WIFI	Wireless fidelity, wireless local area network products based on the IEEE 802.11 standards
WQXGA	Wide Quad Extended Graphics Array, a display resolution of 2560 x 1600 pixels

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

Hong Kong, 20 March 2014

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.