

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**SOLOMON SYSTECH (INTERNATIONAL) LIMITED**  
*(Incorporated in the Cayman Islands with limited liability)*  
(Stock code: 2878)

**2015 INTERIM RESULTS ANNOUNCEMENT**

**FINANCIAL HIGHLIGHTS**

- Sales increased by around 23% to US\$33.4 million
- Gross profit increased by about 28% to US\$12 million
- Gross margin was 35.9% (1H 2014: 34.3%), up 1.6 percentage points
- Net profit was US\$0.9 million (1H 2014 net loss: US\$1.5 million)
- Earnings per share was 0.03 US cent (0.27 HK cent)
- Book-to-bill ratio was 1.13
- The Board of Directors resolved not to declare an interim dividend for the six months ended 30 June 2015

## INTERIM RESULTS

The Directors of Solomon Systech (International) Limited are pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2015 together with the comparative figures for the corresponding period as follows:

### CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2015

	Note	Unaudited Six months ended 30 June	
		2015 US\$'000	2014 US\$'000
Sales	4	33,386	27,250
Cost of sales	5	(21,404)	(17,908)
Gross profit		11,982	9,342
Research and development costs	5	(8,941)	(7,501)
Selling and distribution expenses	5	(1,397)	(1,579)
Administrative expenses	5	(4,390)	(3,857)
Other income		68	—
		(2,678)	(3,595)
Finance income – net	6	3,551	2,077
		873	(1,518)
Share of results of associated companies		(12)	77
Profit/(loss) before income tax		861	(1,441)
Income tax	7	(2)	(24)
Profit/(loss) attributable to the equity holders of the Company		859	(1,465)
Earnings/(loss) per share attributable to the equity holders of the Company: (expressed in US cent per share)	8		
– Basic		0.03	(0.06)
– Diluted		0.03	(0.06)
Dividend	9	—	—

### CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Unaudited Six months ended 30 June	
	2015 US\$'000	2014 US\$'000
Profit/(loss) for the period	859	(1,465)
Other comprehensive loss for the period:		
Item that may be reclassified to profit or loss		
– Currency translation differences	(41)	(60)
Total comprehensive income/(loss) attributable to the equity holders of the Company	818	(1,525)

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2015

	Note	Unaudited 30 June 2015 US\$'000	Audited 31 December 2014 US\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets		48	60
Property, plant and equipment		2,827	2,593
Investments in associated companies		768	780
Available-for-sale financial assets		2,206	2,206
Prepayments	10	28	215
Bank deposits		9,836	9,836
		<b>15,713</b>	<b>15,690</b>
<b>Current assets</b>			
Inventories		11,118	7,334
Trade and other receivables	10	17,035	16,357
Financial assets at fair value through profit or loss		62,981	65,209
Pledged bank deposits		130	130
Short-term fixed deposits		406	402
Cash and cash equivalents		23,734	25,013
		<b>115,404</b>	<b>114,445</b>
<b>Total assets</b>		<b>131,117</b>	<b>130,135</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>			
Share capital		31,803	31,803
Reserves		84,356	83,452
<b>Total equity</b>		<b>116,159</b>	<b>115,255</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank loan		244	288
		<b>244</b>	<b>288</b>
<b>Current liabilities</b>			
Trade and other payables	11	13,430	13,593
Bank loan		89	89
Deferred income		653	368
Income tax		542	542
		<b>14,714</b>	<b>14,592</b>
<b>Total liabilities</b>		<b>14,958</b>	<b>14,880</b>
<b>Total equity and liabilities</b>		<b>131,117</b>	<b>130,135</b>
<b>Net current assets</b>		<b>100,690</b>	<b>99,853</b>
<b>Total assets less current liabilities</b>		<b>116,403</b>	<b>115,543</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM 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, wearables, portable devices and industrial appliances.

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, Uglad House, Grand Cayman, KY1-1104, Cayman Islands and the address of its principal office in Hong Kong 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 condensed consolidated interim financial information is presented in US dollars, unless otherwise stated.

This condensed consolidated interim financial information has been reviewed but not audited, and it was approved for issue on 18 August 2015.

### 2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2015 of the Group has been prepared in accordance with HKAS 34 "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the Company's annual report for the year ended 31 December 2014, which was prepared in accordance with Hong Kong Financial Reporting Standards.

### 3. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2014, as described in those annual consolidated financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

#### (a) Amendments to standards effective in 2015

The Group has adopted the following amendments to standards that have been issued and are effective for the Group's financial year commencing on 1 January 2015:

---

• HKAS 19 (2011) (Amendments)	Employee Benefits: Defined Benefit Plans
• HKFRSs (Amendments)	Annual Improvements 2012, 2013

---

The adoption of the above 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, amendments to standards and interpretations to existing standards that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

**(b) New standards and amendments to standards that are issued but effective for periods commencing after 1 January 2015**

The following new and amendments to standards have been issued, but not effective for the financial year beginning 1 January 2015 and have not been early adopted by the Group:

		<b>Effective for annual periods beginning on or after</b>
HKAS 1 (Amendment)	Disclosure Initiative	1 January 2016
HKAS 16 and 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortization	1 January 2016
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements	1 January 2016
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
HKFRS 10, 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception	1 January 2016
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
HKFRSs (Amendments)	Annual Improvements 2014	1 January 2016

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

**4. Segment information**

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, wearables, portable devices and industrial appliances.

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 Directors and senior management led by the Group Chief Executive Officer (Managing Director). The Executive Directors 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.

**(a) Sales**

Sales amounted to US\$33,386,000 and US\$27,250,000 for the six months ended 30 June 2015 and 2014 respectively.

The Company is domiciled in Hong Kong. The Group mainly operates in Hong Kong. During the period under review, the Group's products were mainly sold to customers located in China, Taiwan and Hong Kong.

	Unaudited Six months ended 30 June	
	2015 US\$'000	2014 US\$'000
China	11,752	5,239
Taiwan	8,668	4,010
Hong Kong	6,139	4,539
Europe	3,230	6,274
Korea	1,356	3,281
Japan	1,058	1,207
South East Asia	504	1,821
USA	255	564
Others	424	315
	<b>33,386</b>	<b>27,250</b>

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

**(b) Total assets**

	Unaudited 30 June 2015 US\$'000	Audited 31 December 2014 US\$'000
Hong Kong	103,021	105,551
China	21,285	18,862
Taiwan	5,573	5,074
South East Asia	450	498
Others	788	150
	<b>131,117</b>	<b>130,135</b>

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

**(c) Capital expenditures**

	Property, plant and equipment Unaudited Six months ended 30 June	
	2015 US\$'000	2014 US\$'000
China	580	120
Hong Kong	49	126
Others	41	22
	<b>670</b>	<b>268</b>

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

## 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:

	Unaudited Six months ended 30 June	
	2015 US\$'000	2014 US\$'000
Cost of inventories sold	20,165	15,330
Product engineering costs	2,085	1,131
Provision for/(write-back of provision for) obsolete or slow moving inventories	(133)	2,023
Amortization of the intangible assets	8	17
Depreciation of owned property, plant and equipment	429	429
Depreciation of leased property, plant and equipment	—	1
Operating leases for land and buildings	547	519
Employee benefit expenses (including Directors' emoluments):		
– Equity compensation	86	116
– Non-equity compensation	9,966	9,243
Net exchange gain	(32)	(229)

## 6. Finance income – net

	Unaudited Six months ended 30 June	
	2015 US\$'000	2014 US\$'000
Interest income	902	996
Dividend income	509	503
Gain on disposal of FVTPL	716	109
Net unrealizable gain or loss from FVTPL:		
– Fair value gain of financial assets	2,055	1,386
– Fair value loss of financial assets	(628)	(918)
Interest expense of bank loan	(3)	(4)
Others	—	5
	3,551	2,077

## 7. Income tax

Hong Kong income tax has been provided at the rate of 16.5% (2014: 16.5%) while overseas income tax has been provided at the rates of taxation prevailing in the countries in which the Group operates. No provision for Hong Kong income tax has been made as the Group has no estimated assessable profits for the six months ended 30 June 2015 and 2014.

	Unaudited Six months ended 30 June	
	2015 US\$'000	2014 US\$'000
Current income tax :		
– Hong Kong	—	—
– Overseas	2	24
	2	24

## 8. Earnings/loss per share

### Basic earnings/loss per share

The basic earnings/loss per share is calculated based on the Group's profit/loss for the period attributable to the equity holders of the Company and the weighted average number of 2,467,502,351 (1H 2014: 2,459,623,162) ordinary shares in issue during the periods.

The Group's profit for the period attributable to the equity holders of the Company was US\$859,000 (1H 2014 loss: US\$1,465,000).

### 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 during the periods.

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

	Number of shares Unaudited Six months ended 30 June	
	2015	2014
Weighted average number of ordinary shares in issue	2,467,502,351	2,459,623,162
Conversion of all dilutive share options outstanding	2,483,384	—
Adjusted weighted average number of ordinary shares for diluted earnings/loss per share calculation	2,469,985,735	2,459,623,162

*As at 30 June 2015, there were 21,600,000 share options outstanding which could potentially have a dilutive impact.*

## 9. Dividend

No dividend for the year ended 31 December 2014 was declared or paid by the Company. In addition, the Board resolved not to declare an interim dividend for the six months ended 30 June 2015.



## 10. Trade and other receivables

	Unaudited 30 June 2015 US\$'000	Audited 31 December 2014 US\$'000
Trade receivables	9,696	8,194
Trade receivables from related parties	2,855	4,810
Total trade receivables - net	12,551	13,004
Deposits, prepayments and other receivables	4,384	3,102
Prepayment to related parties	100	251
Trade and other receivables – current portion	17,035	16,357
Prepayments – non-current portion	28	215
	<b>17,063</b>	<b>16,572</b>

As at 30 June 2015, the Group's trade receivables from 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:

	Unaudited 30 June 2015 US\$'000	Audited 31 December 2014 US\$'000
Current	10,161	9,818
1 - 30 days	1,864	2,389
31 - 60 days	440	570
61 - 90 days	86	169
91 – 180 days	—	58
	<b>2,390</b>	<b>3,186</b>
	<b>12,551</b>	<b>13,004</b>

As at 30 June 2015, trade receivables of US\$2,390,000 (31 December 2014: US\$3,186,000) were considered past due if measured strictly against the credit terms offered. All the overdue sum was not impaired since most of the overdue sum has been settled after the balance sheet date.

As at 30 June 2015 and 31 December 2014, no trade receivables were impaired and provided for.

## 11. Trade and other payables

	<b>Unaudited 30 June 2015 US\$'000</b>	Audited 31 December 2014 US\$'000
Trade payables	9,941	10,638
Accrued expenses and other payables	3,489	2,955
	<b>13,430</b>	13,593

As at 30 June 2015, the ageing analysis of trade payables based on overdue days is as follows:

	<b>Unaudited 30 June 2015 US\$'000</b>	Audited 31 December 2014 US\$'000
Current	9,152	9,180
1 - 30 days	495	1,309
31 - 60 days	219	58
61 - 90 days	2	—
Over 90 days	73	91
	<b>9,941</b>	10,638

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Overview

During the period under review, the Group's total sales were US\$33.4 million, representing an increase of approximately 23% year-on-year and a net profit of US\$0.9 million was achieved.

#### Sales and Gross Profit

For the six months ended 30 June 2015, the Group recorded total sales of US\$33.4 million (1H 2014: US\$27.3 million) with 87% increase in shipment quantity from 44.3 million units in 1H 2014 to 82.7 million units but 34% year-on-year drop in blended ASP of its products. The increase in unit shipments of 87% was contributed by the Advanced Display and Large Display businesses. The drop in the blended ASP was caused by a change of product mix. Gross profit was US\$12.0 million, up by 28% compared with the last period (1H 2014: US\$9.3 million) as a result of sales increase. The Group's gross margin rose slightly to 35.9% from 34.3% in 1H 2014. The Group will continue to extend the application portfolio of its products to increase revenue sources, and also to strengthen further its design engineering and marketing capabilities to enhance the quality and speed of new product development. The book-to-bill ratio for the period was 1.13 (1H 2014: 1.09), implying sales backlog would be carried over to the rest of 2015.

#### Costs and Expenses

The Group has remained vigilant in controlling its expenses but as a technology company, it is committed to investing in R&D and business development. The Group's total expenses, including R&D costs, S&D expenses and administrative expenses, were US\$14.7 million (1H 2014: US\$12.9 million).

The Group remained selective in its R&D spending. Its R&D costs were US\$8.9 million (1H 2014: US\$7.5 million), up US\$1.4 million. R&D expenses to sales ratio was 26.8% (1H 2014: 27.5%).

S&D expenses decreased to US\$1.4 million (1H 2014: US\$1.6 million). S&D expenses to sales ratio was 4.2% (1H 2014: 5.8%).

Administrative expenses were US\$4.4million, increased by US\$0.5 million compared with US\$3.9 million in 1H 2014.

#### Finance Income - Net

During the period under review, the Group recorded an interest income of US\$0.9 million (1H 2014: US\$1.0 million) as well as dividends and other income from FVTPL of US\$1.3 million (1H 2014: US\$0.6 million), totaling US\$2.2 million (1H 2014: US\$1.6 million).

Pursuant to mark-to-market prices as at 30 June 2015, a net unrealized gain of US\$1.4 million (1H 2014: US\$0.5 million) was recorded from the investment in the FVTPL portfolio at balance sheet date.

As a result, the Group recorded a net gain of US\$3.6 million (1H 2014: US\$2.1 million) from treasury investment.

## **Net Profit and Loss**

The Group returned to profit from a loss of US\$1.5 million in 1H 2014. The profit attributable to the equity holders of the Company for the six months ended 30 June 2015 was US\$0.9 million.

The Board resolved not to declare an interim dividend for the six months ended 30 June 2015.

## **Liquidity and Financial Resources**

Total cash and cash equivalents and bank deposits (both current and non-current) of the Group was US\$34.0 million as at 30 June 2015, a reduction of US\$1.3 million, compared to US\$35.3 million as at 31 December 2014.

Net cash used in operating activities during the period was US\$6.1 million (1H 2014: US\$1.8 million). The cash outflow in operating activities was mainly due to the increase in working capital for inventory building to fulfill the sales backlog brought over from 1H 2015.

Regarding the use of cash reserves, the Group will continue to allocate funds for product development, securing production capacity, broadening its customer base and capture market and sales opportunities, entering into strategic corporate ventures and meeting general corporate operational purposes. As at 30 June 2015, the Group had no major borrowing other than the US\$0.3 million in a mortgage loan for the purchase of 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 period under review, the Group did not use any derivative instruments to hedge against foreign currency exposure in operation as the Board considered this exposure to be insignificant.

## **Capital Expenditure and Contingent Liabilities**

In the 1H of 2015, capital expenditure of the Group was US\$0.7 million (1H 2014: US\$0.3 million), of which the majority was related to the Group's purchase of equipment.

As at 30 June 2015, there was US\$0.03 million (31 December 2014: US\$0.2 million) capital expenditure contracted but not provided for in respect of equipment purchase by the Group. As at 30 June 2015 and 31 December 2014, there was no material capital expenditure approved but not contracted for.

Aside from the aforesaid, the Group had no other material capital commitment or contingent liability.

## BUSINESS PERFORMANCE AND OUTLOOK

### Business Performance

During the period under review, the Group has achieved a substantial increase in both total sales amount and shipments. Total sales amount increased by approximately 23% year-on-year to US\$33.4 million while the total shipments surged 87% year-on-year to approximately 82.7 million units.

The increase of the Group's total shipments during the period under review was contributed by an increase in shipments in the Advanced Display and Large Display businesses.

The overall business growth was attributed to the Group's strategies of strengthening the product portfolio and also enhancing the new product introduction procedures. The Group was well positioned to capitalize on the opportunities arising in high growth market segments, in particular the wearables market. With more new products well-tailored to customers' needs, the Group managed to increase the share of its key customers' business, particularly in the Large Display business unit.

Moreover, with more high performance new products ready for launch, the Group managed to achieve design-in and design-win projects, preparing to push for further growth in the future. These products including touch panel controller ICs, MIPI display interface controller ICs, OLED and bistable display products, as well as OLED lighting solutions, each cater for different high growth and high volume market applications.

It is also worthy to note that the Group's book-to-bill ratio for 1H 2015 was 1.13 (1H 2014: 1.09), indicating that demand has outpaced supply.

### PRODUCT SHIPMENT (BY BUSINESS UNIT)

Units Shipped (million)	1H 2015	1H 2014	Change	2014
Advanced Display	57.2	28.9	97%	68.8
Mobile Display	6.3	6.9	(9%)	13.7
Mobile System	2.2	3.2	(31%)	6.0
Large Display	17.0	5.3	223%	26.2
<b>Total</b>	<b>82.7</b>	<b>44.3</b>	<b>87%</b>	<b>114.7</b>

### Advanced Display

The Advanced Display business unit includes OLED display and lighting products, as well as bistable products. In addition to standard ICs, the Advanced Display business unit also provides custom IC design services to meet the specific needs of customers.

During the period under review, the total unit shipments of Advanced Display products recorded a strong increase of 97% year-on-year to 57.2 million units (1H 2014: 28.9 million units), mainly attributed to the success of the Group's PMOLED products in capturing the rapidly growing wearables market, in particular high brightness displays for healthcare & fitness applications.

In addition to achieving a number of design-wins for the wearable healthcare & fitness applications, the Group has extended the application portfolio of its PMOLED display driver ICs to cover other consumer electronics applications, such as healthcare devices and set-top boxes, boosting its total shipments further.

In its bistable display business, the Group has further extended the product portfolio of its segment-type EPD solutions to cater to applications spanning from smart cards and timepieces to wearable health and fitness devices. The Group has also been developing color (red/white/black) EPD solutions and new AMEPD solutions supporting higher resolution and larger panel sizes to capture the rising demand.

For AMOLED display driver ICs, the Group's new product targeting HD smartphone applications have been undergoing customer evaluation and optimization of panel visual performance during the period under review. Upon the successful completion of these processes, sample ICs will be available for reaching out to potential smartphone manufacturers.

The Group remains highly committed to the development of OLED technology. In addition to PMOLED and AMOLED technologies, the Group has also stepped into the OLED lighting field and developed a

single chip OLED lighting driver controller IC to enable ultra-slim form factors, energy-efficiency and smooth dimming control in OLED lighting applications.

### **Mobile Display**

The Mobile Display business unit provides LCD display driver ICs targeting high resolution and high value-added applications, in particular smartphones, industrial and other portable applications.

During the period under review, the Group has continued to focus on the development of new products. Its In-Cell touch TFT LCD display driver IC supporting FWVGA panels has been designed-in a smartphone project with a leading smartphone manufacturer. The Group has also developed two new TFT LCD display driver ICs for metal oxide panels. One for FHD display panels has been taped out in May targeting the China smartphone market, while another one has been taped out in February supporting QHD panels targeting tablet applications.

The shipments of Mobile Display products during the period under review were approximately 6.3 million units (1H 2014: 6.9 million units), down by around 9% year-on-year. This was mainly due to a reduction in demand for the Group's STN LCD products as a number of projects have become obsolete, and the delay in mass production of its new TFT LCD products to the second half of the year.

### **Mobile System**

The Mobile System business unit focuses on capacitive touch panel controller ICs, high speed eDP display interface controller ICs and MIPI display interface controller ICs, targeting mainly applications such as smartphones, tablets and wearable devices.

During the period under review, the Group has achieved design wins for its Out-Cell touch panel controller ICs for world renowned brands' tablets which have been scheduled for mass production in the second half of the year. The Group has also designed-in its new In-Cell and On-Cell touch panel controller ICs within leading smartphone panel manufacturers, getting ready to reach out to key smartphone brands. The new In-Cell and On-Cell touch panel controller ICs provide further price performance advantages in smartphone applications.

The Group's MIPI high speed display interface controller ICs have achieved a number of design wins, including that for a wearable device of a leading brand which has started pilot production in June, and for other applications such as education tablets and industrial panels for low-tier CPUs. The Group has successfully designed-in within market-leading application processor platforms targeting high resolution media tablets, and it has also garnered a design-in project for dual display smart devices.

During the period under review, the total unit shipments of the Mobile System products decreased by approximately 31% to 2.2 million units (1H 2014: 3.2 million units), mainly because the Group's new range of touch panel controller ICs have not commenced mass production in time to contribute to the period's total shipments.

### **Large Display**

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

During the period under review, the total unit shipments of the Large Display business unit soared by 223% year-on-year to 17.0 million units (1H 2014: 5.3 million units). The Group managed to achieve this substantial increase in shipments as it has successfully produced new products to fit the demand of its major customer, in particular large TFT display driver ICs for HD and FHD monitors and also HD TVs. These products have been adopted as components of the major customer's key product lines.

The Group has also been developing a range of new products targeting high-end, high resolution large display applications to further enhance its product portfolio in order to capitalize on the increased production capacity of its major customer. The Group has just started mass production of a set of new TFT driver ICs for QHD monitors in June this year, and also started qualification of its new product for HD TVs and FHD VA monitors. Moreover, to meet the needs of its key customer's increased capacity, the Group has started to develop new ICs and system-on-chips for display panels for 4K2K TVs and FHD notebooks.

## OUTLOOK

The worldwide wearables market is forecast to grow at about 173% in 2015\*. The Group, with its portfolio of products tailored for wearable devices, is well-positioned to capitalize on this market trend to further boost its business growth.

Apart from wearables, the Group has a number of products for other applications, including smartphones, TVs, ESLs, etc., which are expected to start mass production or ramp up shipments in the second half of the year. Moreover, the Group's key customer is increasing its production capacity of panels for TVs, monitors and smartphones.

The favorable market trends outlined above and its business development strategy, together with the book-to-bill ratio of 1.13, constitute positive growth factors and an indicator of the Group's future prospects. To well capture the upcoming growth opportunities, the Group will secure adequate manufacturing capacity, continue to develop more new products timely, and increase product adoption rate and product penetration. The Group is ready for enhanced business growth and performance in the second half of the year and beyond.

\* Source: International Data Corporation (IDC) Worldwide Quarterly Wearable Device Tracker

### Smartphones and Tablets

During the second half of the year, the Group targets to start pilot production of a number of new display driver ICs for smartphone and tablet applications, including the In-Cell touch TFT LCD display driver IC, as well as TFT LCD display driver ICs for FHD and QHD metal oxide panels.

The Group's Out-Cell touch panel controller IC adopted by leading brands' tablets will start mass production and contribute to the total shipments. The Group will also work closely with leading display panel manufacturers to market its new In-Cell and On-Cell touch panel controller ICs to key smartphone brands.

Samples of the Group's new AMOLED display driver IC for high-definition resolution display in smartphones are expected to be ready for design-in projects during the third quarter of the year after the completion of the customer evaluation and optimization of panel visual performance processes.

With a strengthened product portfolio of display driver ICs and touch panel controller ICs targeted at high-growth smartphone and tablet applications, the Group aims to achieve more design wins and further boost its business growth.

### Smart TVs and Monitors

The Group aims to maintain the growth momentum of its large TFT display driver ICs in the second half of the year, in particular for applications including QHD, FHD and HD monitors, and also HD TVs. It will also start mass production of its new TFT display driver ICs for HD TV and FHD VA monitors. The Group will also continue the development of the new ICs and system-on-chips for display panels for 4K2K TVs and FHD notebooks.

With more new products in the pipeline, the Group strives to continue to further increase its share of the LCD business of its major customer.

### Other Smart Devices

The wearables market will continue to be the key focus of the Group. The Group will capitalize on this burgeoning market to ramp up shipments, in particular for PMOLED display driver ICs and MIPI display interface controller ICs. It will also explore the potential of Out-cell touch panel controller ICs in the wearable wristband market. More new products for wearables will be launched to address the growing trends of larger display size, enhanced features and power efficiency, higher resolution, DPI and brightness as well as component miniaturization.

Apart from wearables, the Group also sees strong potential for other smart applications, including ESL, automotive and OLED lighting. The Group's key customers for its bistable display solutions, who are world leading ESL makers, are expected to ramp up their demand in the second half of the year. The Group also plans to develop more new products for ESL applications supporting higher resolution and larger panel size to capture the growing market trend.

Apart from smartphone and tablet applications, the Group will also explore the potential of automotive applications for its touch panel controller ICs. In terms of OLED Lighting, the Group will have its first OLED lighting driver controller IC ready for customer evaluation in the second half of the year, getting ready for market launch.

## RESEARCH AND DEVELOPMENT

As part of the core strategy of building our strengths in the priority target of product display applications, and paving the way for future growth, the Group has focused on developing related new technologies and also enhancing the features of existing products. During the period under review, the Group has spent approximately US\$8.9 million on R&D, representing about 61% of total expenses and 27% of sales.

Intellectual property for many solutions has been developed or was under development during the past six months. More noteworthy examples include a noise reduction scheme created to increase the signal-to-noise ratio in In-Cell touch display, an AC-VCOM power scheme developed for reducing the operating power of the AMEPD driver by more than 30% and also minimizing the size of external components and a 15V cap-lite charge pump designed for reducing the external component cost and board space for customers. As for OLED/LED lighting, a long-distance communication protocol was developed for OLED lighting and a switched-capacitor current reference generator was designed for LED signboards. Moreover, an innovative signal-conditioning analog front-end circuit was also created to reduce die size and improve the ADC dynamic range.

During the period under review, the Group has filed several patent applications in different jurisdictions. The Group has been successfully granted two patents for its driving method for display panels.

As at 30 June 2015, the Group had an R&D workforce of 220, representing approximately 65% of our total employees (excluding those of a manufacturing subsidiary in China). The Group's R&D team possesses domain expertise in various areas, spanning from the design of display driver embedding touch analog front-end or even the entire touch master controller, high-speed serial master bridges, projected capacitive multi-touch controller ICs and OLED lighting driver ICs, to display driver ICs 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 fulfilment of customers' sophisticated specifications. 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 requirements in mobile consumer end products.

## HUMAN RESOURCES

As of 30 June 2015, the Group had a total workforce of 404 employees, of whom about 50% were based at the Hong Kong headquarters with the rest located in China, Japan, Singapore, Taiwan and the USA.

As a technology company relying on intellectual property and professional excellence, we highly value our human resources. To reward and retain talent, the Group offers competitive remuneration to employees and constantly provides them with training and career development programs and a first-rate working environment to ensure they enjoy and remain fulfilled working with the Group and contribute their best efforts to its success.

In addition to patent awards to encourage patent filing, new product introduction bonuses and first-sale incentives aimed at driving the success of new product development and new business remained in place during the first half of 2015.



## **CORPORATE GOVERNANCE AND SUPPLEMENTARY INFORMATION**

### **Compliance with Corporate Governance Code**

The Board and the management of the Group are committed to achieving and maintaining high standards of corporate governance, which the Group considers as critical in safeguarding the integrity of its business operations and maintaining investors' trust in the Company.

The Company has complied with all the applicable Code Provisions in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2015 except the following deviations:

Pursuant to the Code Provision A.6.7, Independent Non-executive Directors and Non-executive Directors should attend general meetings. Two Independent Non-executive Directors were unable to attend the annual general meeting of the Company held on 16 June 2015 ("AGM") due to their business engagements. All the other Independent Non-executive Directors, Non-executive Directors and other Directors were present and available to answer any questions from shareholders of the Company.

The roles of chairman and chief executive of the Company were separated from different individuals according to the Code Provision A.2.1. With effect from 16 June 2015, Mr. Sun, Patrick, ("Mr. Sun") retired from the position of the Independent Non-executive Chairman of the Board, and the existing Managing Director of the Company and Chief Executive Officer ("CEO") of the Group, Dr. Leung Kwong Wai ("Dr. Leung"), has been appointed as the Chairman of the Board, replacing Mr. Sun. Dr. Leung will continue to act as the Managing Director of the Company and CEO of the Group until an appropriate person is identified. The Board is of the opinion that it is appropriate and in the best interest to the Company for Dr. Leung to hold both positions during this transitional period, as it would maintain the continuity of the strategy execution and stability of the operations of the Company. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high caliber individuals.

### **Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers**

The Company has its own written guidelines on securities transactions by Directors and relevant employees on terms no less exacting than the required standard set out in the Model Code contained in Appendix 10 of the Listing Rules. Specific enquiry has been made to all Directors, and all Directors have confirmed that they have been in compliance with such guidelines during the six months ended 30 June 2015.

### **Purchase, Sale or Redemption of the Company's Listed Shares**

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the six months ended 30 June 2015.

### **Review of Condensed Consolidated Interim Financial Information**

The Audit Committee is composed of two Independent Non-executive Directors and one Non-executive Director. The unaudited condensed consolidated interim financial information has been reviewed by the Audit Committee of the Company alongside the internal audit team.

The unaudited condensed consolidated interim financial information has been reviewed by the Company's independent auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The auditor's independent review report is included in the Interim Report of the Group.

## Publication of Interim Results on the Stock Exchange's Website and the Company's Website

All the interim financial and other related information of the Group 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 18 August 2015.

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

Hong Kong, 18 August 2015

*As at the date of this announcement, the Board comprises: (a) Executive Directors – Dr. Leung Kwong Wai (Chairman, Managing Director & CEO) and Mr. Cheung Wai Kuen, Kenny; (b) Non-executive Directors – Dr. Li Jun, Mr. Li Rongxin and Mr. Zhao Guiwu; and (c) Independent Non-executive Directors – Mr. Leung Heung Ying, Mr. Sheu Wei Fu and Mr. Yiu Tin Chong, Joseph.*

## Definitions and Glossary

AMEPD	Active Matrix Electrophoretic Display
AMOLED	Active Matrix Organic Light Emitting Diode
ASP	Average Selling Price
Board	Board of Directors
China	Mainland China
Code Provision(s)	Code provision(s) in the Corporate Governance Code contained in Appendix 14 of the Listing Rules
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
EPD	Electrophoretic Display
ESL	Electronic Shelf Label
FHD	Full High Definition, a display resolution spec 1920x1080 pixels
FVTPL	Financial assets at fair value through profit or loss
FWVGA	Full Wide Video Graphics Array, a display resolution spec of 854 x 480 pixels
Group	The Company and its subsidiaries
HD	High Definition, a display resolution of 1280x720 pixels
HKAS	Hong Kong Accounting Standards
HKFRS	Hong Kong Financial Reporting Standards, or collectively for HKAS and Hong Kong Financial Reporting Standards
Hong Kong/HK/HKSAR	Hong Kong Special Administrative Region
IC	Integrated Circuit
LCD	Liquid Crystal Display
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 contained in Appendix 10 of the Listing Rules
OLED	Organic Light Emitting Diode
PMOLED	Passive Matrix Organic Light Emitting Diode
QHD	Quad High Definition, a display resolution standard of 2560x1440 pixels
RPC	Reduced Pin Count
R&D	Design, development and engineering
S&D	Selling and Distribution
SFO	Securities and Futures Ordinance
STN	Super Twisted Nematic, a technology for manufacturing passive-matrix LCD
TFT	Thin Film Transistor
the Stock Exchange	The Stock Exchange of Hong Kong Limited
USA/ US	United States of America
US\$	US dollars
VA	Vertical Alignment