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**SOLOMON  
SYSTECH**

**SOLOMON SYSTECH (INTERNATIONAL) LIMITED**

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

(Stock code: 2878)

**2015 FINAL RESULTS ANNOUNCEMENT**

**FINANCIAL HIGHLIGHTS**

- Sales increased by 18% to US\$70.9 million
- Gross profit increased by 12% to US\$23.2 million
- Gross margin was 32.7%, down 1.9 percentage points
- Net loss was US\$6.4 million, increased by US\$3.4 million due to additional investment in new products and technology, and additional provision of net unrealizable fair value loss from the financial assets at fair value through profit or loss
- Loss per share was 0.26 US cent (2.02 HK cents)
- Book-to-bill ratio was 1.1
- The Board of Directors resolved not to propose any final dividend for the year ended 31 December 2015

## 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 2015 together with the comparative figures for the corresponding year as follows:

### CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

	Note	2015 US\$'000	2014 US\$'000
Sales	4(a)	70,902	60,072
Cost of sales	5	(47,684)	(39,276)
Gross profit		23,218	20,796
Research and development costs	5	(19,505)	(16,289)
Selling and distribution expenses	5	(2,844)	(3,042)
Administrative expenses	5	(9,042)	(8,023)
Other income	6	517	141
		(7,656)	(6,417)
Finance income – net	7	1,451	3,365
		(6,205)	(3,052)
Share of results of associated companies		(228)	71
Loss before income tax		(6,433)	(2,981)
Income tax expense	8	(2)	(24)
Loss attributable to the equity holders of the Company		(6,435)	(3,005)
Loss per share attributable to the equity holders of the Company: (expressed in US cent per share)	9		
- Basic		(0.26)	(0.12)
- Diluted		(0.26)	(0.12)
Dividend	10	—	—

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015 US\$'000	2014 US\$'000
Loss for the year	(6,435)	(3,005)
Other comprehensive loss for the year:		
Item that may be reclassified to profit or loss		
- Currency translation differences	(828)	(128)
Total comprehensive loss attributable to the equity holders of the Company	(7,263)	(3,133)

## CONSOLIDATED BALANCE SHEET

As at 31 December 2015

	Note	2015 US\$'000	2014 US\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets		38	60
Property, plant and equipment		3,544	2,593
Investments in associated companies		552	780
Available-for-sale financial assets		2,206	2,206
Prepayments and deposits	11	225	215
Bank deposits		—	9,836
		<b>6,565</b>	<b>15,690</b>
<b>Current assets</b>			
Inventories		9,435	7,334
Trade and other receivables	11	18,959	16,357
Financial assets at fair value through profit or loss		62,193	65,209
Pledged bank deposits		130	130
Fixed bank deposits		9,665	402
Cash and cash equivalents		16,434	25,013
		<b>116,816</b>	<b>114,445</b>
<b>Total assets</b>		<b>123,381</b>	<b>130,135</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>			
Share capital		31,926	31,803
Reserves		76,556	83,452
<b>Total equity</b>		<b>108,482</b>	<b>115,255</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank loan		187	288
Deferred income tax		—	—
		<b>187</b>	<b>288</b>
<b>Current liabilities</b>			
Trade and other payables	12	13,593	13,593
Bank loan		83	89
Deferred income		494	368
Income tax		542	542
		<b>14,712</b>	<b>14,592</b>
<b>Total liabilities</b>		<b>14,899</b>	<b>14,880</b>
<b>Total equity and liabilities</b>		<b>123,381</b>	<b>130,135</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, 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, Umland 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 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 all applicable 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) 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 (Amendment) Employee Benefits: Defined Benefit Plans
  - HKFRSs (Amendments) Annual Improvements 2012, 2013
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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 year that could be expected to have a material impact on the Group.

## (b) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

## (c) New standards and amendments to standards that are not effective and have not been early adopted by the Group

The following new standards and amendments to standards have been issued, but are 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, HKFRS 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 2018
• 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

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, 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 Chief Executive Officer ("CEO"). 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.

Sales amounted to US\$70,902,000 and US\$60,072,000 for the years ended 31 December 2015 and 2014 respectively.

The Company is domiciled in Hong Kong. The Group mainly operates in Hong Kong. During 2015, the Group's products were mainly sold to customers located in China, Taiwan and Hong Kong.

**(a) Sales**

	2015 US\$'000	2014 US\$'000
China	21,929	18,623
Taiwan	20,713	9,094
Hong Kong	14,626	9,998
Europe	6,764	10,349
Korea	2,127	5,393
Japan	2,070	2,755
South East Asia	1,082	2,469
USA	661	753
Others	930	638
	<b>70,902</b>	<b>60,072</b>

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

**(b) Total assets**

	2015 US\$'000	2014 US\$'000
Hong Kong	97,752	105,551
China	19,882	18,862
Taiwan	4,964	5,074
South East Asia	285	498
Others	498	150
	<b>123,381</b>	<b>130,135</b>

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

**(c) Capital expenditures**

	Property, plant and equipment	
	2015 US\$'000	2014 US\$'000
China	1,181	223
Hong Kong	409	213
South East Asia	159	28
Others	104	9
	<b>1,853</b>	<b>473</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 sales of the Group are as follows:

Customer and location	2015 US\$'000	2014 US\$'000
Customer A China	12,455	12,018
Customer B Europe	NA	6,431
Customer C Taiwan	10,947	NA

## 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:

	2015 US\$'000	2014 US\$'000
Cost of inventories sold	43,920	36,026
Product engineering costs	4,978	3,221
Provision for obsolete or slow moving inventories	799	2,169
Amortization of intangible assets	15	27
Depreciation of owned property, plant and equipment	787	851
Depreciation of leased property, plant and equipment	—	1
Operating leases for land and buildings	1,179	1,040
Auditor's remuneration		
- Audit services	196	191
- Non-audit services	24	25
Employee benefit expenses (excluding Directors' emoluments)	20,221	18,217
Directors' emoluments	692	723
Net exchange loss/(gain)	88	(122)

## 6. Other income

	2015 US\$'000	2014 US\$'000
Government grant	454	148
Loss on disposal of intangible assets and property, plant and equipment	(5)	(71)
Others	68	64
	517	141

## 7. Finance income – net

	2015 US\$'000	2014 US\$'000
Interest income	1,799	2,030
Dividend income	900	955
Gain on disposal of FVTPL	702	914
Net unrealizable gain or loss from FVTPL:		
- Fair value gain	800	1,249
- Fair value loss	(2,759)	(1,784)
Interest expense of bank loan	(6)	(8)
Others	15	9
	1,451	3,365

## 8. 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.

	2015 US\$'000	2014 US\$'000
Current income tax:		
- Hong Kong	—	—
- Overseas	2	24
Deferred income tax	—	—
	2	24

The tax on the Group's 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:

	2015 US\$'000	2014 US\$'000
Loss before income tax	(6,433)	(2,981)
Income tax calculated at a tax rate of 16.5%	(1,061)	(492)
Income not subject to tax	(683)	(631)
Expenses not deductible for tax purposes	414	114
Income tax losses not recognized	1,332	1,033
	2	24

Deferred income tax assets are recognized for tax losses carried 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\$11,208,000 (2014: US\$9,876,000) in respect of losses amounting to US\$67,927,000 (2014: US\$59,851,000) that can be carried forward against future taxable profits. These tax losses have no expiry date.

## 9. Loss per share

### (a) Basic loss per share

The basic loss per share for the year is calculated based on the Group's loss in 2015 attributable to the equity holders of the Company of US\$6,435,000 (2014: US\$3,005,000) and the weighted average number of 2,469,461,802 (2014: 2,462,430,618) ordinary shares in issue during the year.

### (b) Diluted loss per share

The diluted loss per share is calculated based on the Group's 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 year.

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

	Number of shares	
	2015	2014
Weighted average number of ordinary shares in issue	2,469,461,802	2,462,430,618
Conversion of all dilutive share options outstanding <sup>(i)</sup>	—	—
Adjusted weighted average number of ordinary shares for diluted loss per share calculation	2,469,461,802	2,462,430,618

(i) As at 31 December 2015, there were 17,700,000 share options outstanding which could potentially have a dilutive impact but were anti-dilutive for the year then ended. Hence, there was no dilutive effect on the calculation of the diluted loss per share for the year ended 31 December 2015.

## 10. Dividend

No dividend for the years ended 31 December 2015 and 2014 was declared or paid by the Company. In addition, the Board resolved not to propose any final dividend for the year ended 31 December 2015.



## 11. Trade and other receivables

	2015 US\$'000	2014 US\$'000
Trade receivables	12,022	8,194
Trade receivable from a related party	2,629	4,810
Trade receivables – net	14,651	13,004
Deposits, prepayments and other receivables	4,071	3,102
Prepayment to related party	237	251
Trade and other receivables – current portion	18,959	16,357
Prepayments and deposits – non-current portion	225	215
	<b>19,184</b>	<b>16,572</b>

As at 31 December 2015, 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 day is as follows:

	2015 US\$'000	2014 US\$'000
Current	10,422	9,818
1 - 30 days	3,545	2,389
31 - 60 days	527	570
61 - 90 days	85	169
91 - 180 days	36	58
181 - 365 days	36	—
	<b>4,229</b>	<b>3,186</b>
	<b>14,651</b>	<b>13,004</b>

As at 31 December 2015, trade receivables of US\$4,229,000 (2014: US\$3,186,000) were considered past due if measured against the credit terms offered. As at 31 December 2015, all the overdue balances are not impaired since the most of the overdue balances have been settled after the balance sheet date.

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

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

	2015 US\$'000	2014 US\$'000
USD	15,299	14,095
CNY	2,130	1,324
HKD	1,556	979
Other currencies	199	174
	<b>19,184</b>	<b>16,572</b>

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.

## 12. Trade and other payables

	2015 US\$'000	2014 US\$'000
Trade payables	10,029	10,638
Accrued expenses and other payables	3,564	2,955
	<b>13,593</b>	<b>13,593</b>

At 31 December 2015, the ageing analysis of the trade payables based on overdue day is as follows:

	2015 US\$'000	2014 US\$'000
Current	7,227	9,180
1 - 30 days	2,535	1,309
31 - 60 days	185	58
61 - 90 days	—	—
Over 90 days	82	91
	<b>10,029</b>	<b>10,638</b>

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

	2015 US\$'000	2014 US\$'000
USD	10,663	11,425
CNY	1,639	772
HKD	1,019	1,076
Other currencies	272	320
	<b>13,593</b>	<b>13,593</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Overview

For the year ended 31 December 2015, the Group managed to achieve solid year-on-year growth in both unit shipments and sales. Total unit shipments were approximately 186 million and sales amounted to US\$70.9 million. The book-to-bill ratio was 1.1 (2014: 1.1).

During 2015, the Group further invested to develop an array of new products, of which some have been launched in the market, contributing to sales increase during the year and others are in the pipeline to market. Despite the sales increase, the Group recorded a net loss of US\$6.4 million (2014: US\$3.0 million) mainly because of the investment in product design, development and engineering and a net unrealized loss of US\$2.0 million (2014: US\$0.5 million) from the investment in the FVTPL portfolio pursuant to mark-to-market price as at 31 December 2015.

#### Sales and Gross Profit

The Group's total shipments increased around 62% to approximately 186 million units (2014: 115 million units), while the total sales rose 18% to US\$70.9 million (2014: US\$60.1 million).

Gross profit of the Group was US\$23.2 million (2014: US\$20.8 million), increased by 12%. Gross margin decreased by 1.9 percentage points to 32.7% (2014: 34.6%) because of a drop in the average selling price of products and a change in the product mix which lowered the overall gross profit percentage year-on-year.

#### Costs and Expenses

The Group has remained vigilant in controlling its expenses. The Group's total expenses, including product R&D costs, S&D expenses and administrative expenses, were US\$31.4million (2014: US\$27.4 million), up by US\$4.0 million, representing an increase of 15%. This was mainly due to the increase in product R&D costs.

The Group continued to invest in product R&D and business development and remained selective in its product R&D spending. To strengthen new technology development and new product introduction, and also enhance customer outreach activities, its product R&D costs in the year increased US\$3.2 million to US\$19.5 million (2014: US\$16.3 million), up 20% year-on-year.

S&D expenses were US\$2.8 million (2014: US\$3.0 million) whilst the S&D expenses to sales ratio was 4.0% (2014: 5.1%).

Administrative expenses were US\$9.0 million, increased by US\$1.0 million compared with US\$8.0 million in 2014.

## Other Income

Other income in 2015 totalled US\$0.5 million (2014: US\$0.1 million).

## Finance Income – Net

During 2015, the Group recorded an interest income of US\$1.8 million (2014: US\$2.0 million) as well as dividends and other income of US\$1.6 million (2014: US\$1.9 million) from FVTPL, totaling US\$3.4 million (2014: US\$3.9 million). In addition, a net unrealized loss of US\$2.0 million (2014: US\$0.5 million) was recorded from the investment in the FVTPL portfolio pursuant to mark-to-market price as at 31 December 2015.

## Net Profit and Loss

For the year ended 31 December 2015, the loss attributable to the equity holders of the Company was US\$6.4 million (2014 loss: US\$3.0 million), mainly because of the investment in product design, development and engineering and a net unrealized loss of US\$2.0 million (2014: US\$0.5 million) from the investment in the FVTPL portfolio pursuant to mark-to-market price as at 31 December 2015.

## Liquidity and Financial Resources

Total cash and cash equivalents and bank deposits (both current and noncurrent) of the Group amounted to US\$26.1 million as at 31 December 2015 (2014: US\$35.3 million).

Net cash used in operating activities during the year was US\$10.9 million (2014: US\$6.0 million). The cash outflow in operating activities was mainly due to the net loss before income tax of US\$6.4 million and the increase in working capital, which comprised net of receivables, inventories and payables, amounted to US\$4.2 million.

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 and meeting general corporate operational purposes. As at 31 December 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 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 2015, capital expenditure of the Group was US\$1.9 million (2014: US\$0.5 million).

As at 31 December 2015, there was no material capital expenditure contracted but not provided for nor capital expenditure approved but not contracted for. As at December 2014, there was US\$0.2 million capital expenditure contracted but not provided for, but 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 REVIEW AND OUTLOOK

### Business Review

In 2015, the Group managed to accelerate its growth momentum from 2014 to achieve a strong year-on-year growth in both total shipments and total sales. The total shipments increased around 62% to approximately 186 million units, while the total sales climbed about 18% to approximately US\$71 million.

The Group's shipment volume registered a double-digit percentage growth in both the first half and the second half of the year. In the first half-year, total shipments were mainly contributed by an increase in shipments in the Advanced Display and Large Display businesses. Meanwhile, in the second half-year, the growth of the Advanced Display business unit further accelerated, and the Mobile System and Mobile Display business units also achieved significant shipment growth and design wins. The Large Display business, however, slowed down in the face of challenging market conditions and excess inventory in specific product categories.

The Group has managed to attain solid progress in tapping the potential of a number of high growth, high volume market segments, in particular smartphones, tablets, wearables and ESL, achieving substantial growth in unit shipments, as well as engaging international brands and developing new leading-edge products. The Group has also expanded its product and application portfolios, laying a strong foundation for future growth.

### PRODUCT SHIPMENT (BY BUSINESS UNIT)

Units Shipped (million)	2015	2014	Change
Advanced Display	131.6	68.8	91%
Mobile Display	14.0	13.7	2%
Mobile System	9.5	6.0	58%
Large Display	30.6	26.2	17%
<b>Total</b>	<b>185.7</b>	<b>114.7</b>	<b>62%</b>

### Advanced Display

The Advanced Display business unit includes OLED displays and lighting products, as well as bistable 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 cater to the specific needs of customers.

In 2015, the total unit shipments of Advanced Display products jumped 91% year-on-year to 131.6 million units (2014: 68.8 million units). The strong increase was mainly due to the Group's success in capturing the wearables market which has expanded exponentially, and in further expanding the product and application portfolios of both its OLED and bistable products.

The Group's PMOLED display driver ICs gained a number of high-profile design-wins during the year with world-renowned brands of wearable health and fitness devices, contributing significantly to the increase in unit shipments. The Group has also launched new products to capture the increasing demand for wearables for larger and curved displays, and with higher resolution, DPI and brightness. These new products with small form factors mark a remarkable advancement of the high brightness PMOLED display technology. It has continued to expand both product applications and the customer base to other fast-growing market segments, including healthcare devices, set-top boxes, etc.

In addition, the Group, as the market leader in PMOLED display driver ICs who has forged solid relationships with a number of world-class customers and international brands, has achieved cumulative shipments exceeding 500 million IC units up till 2015. With regard to AMOLED technology, the Group has successfully launched its first AMOLED display driver IC for HD720 smartphone panels with pilot production starting at the end of 2015.

In terms of bistable display business, the Group has developed a range of new products, including bistable display driver ICs for three-pigment (red, black and white) AMEPD and EPD for further expanding its share of the ESL market, and also supporting applications spanning from smart cards and timepieces to wearable devices, healthcare and medical devices. The Group has also further extended the application portfolio of its segment-type EPD solutions to broaden its revenue base.

To tap the strong potential of OLED lighting, the Group has successfully developed a single-chip OLED lighting driver IC to enable ultra-slim form factors, energy-efficient and smooth dimming control of OLED lighting as well as LED backlight applications. This innovative product has received positive feedback during a customer trial run in 2015.

### **Mobile Display**

The Mobile Display business unit provides LCD display driver ICs targeting high resolution and high value-added applications, including smartphones, industrial and other portable applications. During the year, the business unit focused on leveraging its new products for high resolution displays to drive business growth, while also continuing to develop next-generation products to meet the fast-changing market needs.

The Group's TFT In-cell touch display driver IC (TDDI) for FWVGA panels has been adopted by a renowned smartphone brand and started mass production in the last quarter of the year. The design of In-cell touch display driver ICs for HD/FHD panels has also commenced at the end of the year. The TFT display driver IC for HD/FHD/QHD IGZO panels targeting the China smartphone market and tablet markets had samples ready as well at the end of 2015 for design-in projects.

The Group has also designed-in its STN LCD display driver IC within other portable display applications, including automotive, smart watches and power meters, extending the product application portfolios and further enhancing the revenue base of the business unit.

The unit shipments of Mobile Display products in 2015 were approximately 14.0 million units (2014: 13.7 million units), a slight 2% increase year-on-year, as mass production of the new products had only started to commence close to the end 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 applications including smartphones, tablets and wearable devices. The Group's strategy of investing to develop new products with more value-added features and extend the product portfolio of its capacitive touch panel controller ICs has started to bear fruit. The total unit shipments of the Mobile System business unit climbed about 58% to 9.5 million units (2014: 6.0 million units) year-on-year.

One of the Group's Out-Cell touch panel controller ICs, which achieved design wins with world renowned brands' tablets in the first half of the year, started mass production in the third quarter of the year. Another Out-Cell touch panel controller IC of the Group targeting larger display panels has been qualified for Windows 8/10 and designed-in within leading notebook brands. Moreover, the Group's On-Cell touch panel controller IC has garnered design-in projects with a few leading panel manufacturers.

With regard to the MIPI high speed display interface controller IC business, the Group started high-volume mass production for a wearable device of a leading brand in the third quarter of the year. The Group successfully designed-in its new eDP-to-MIPI display interface controller IC within a key tablet brand, and also completed a number of design-in projects within other smart applications, including a virtual display device of a key international brand, a DVR, a blood pressure meter and a security system, further extending the product application portfolio.

### **Large Display**

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

Following a substantial year-on-year surge in unit shipments in the first half of 2015, the Large Display business unit experienced a reduction in demand from its major customer for specific product categories in the face of challenging market conditions and excess inventory in the second half of the year. Nonetheless, the total shipments of the Large Display business unit for 2015 still saw a year-on-year increase of 17% to 30.6 million units (2014: 26.2 million units).

During 2015, the Group has been developing more advanced new products, including TFT display driver ICs for WQHD monitors, 4k2k TVs and FHD notebooks to capture increasing demand for high resolution display. The Group's new TFT display driver IC for WQHD monitors has been qualified and started mass production in June 2015.

## Outlook

In 2016, the Group will continue to strive to focus on its key customers and expand footprint in its target application segments, especially those products with sustained value, including mainstream display products supporting LCD display technologies, and advanced display products supporting other display technologies including OLED, bistable, etc. With a favorable book-to-bill ratio of 1.1 which is a positive indicator for future growth, an array of new, high performance products with extended application portfolio to capture the market segments with rising potential, and a streamlined structure to boost efficiency, the Group is well-positioned to move full speed ahead to its next phase of growth.

### Smartphones

The Group will focus on In-cell touch display driver IC (TDDI) and high resolution DDI products, while also keep track of the development of the emerging AMOLED technology to capitalize on its strong potential.

For TFT display driver ICs, the Group's new In-cell TDDI for FWVGA panels is expected to continue mass production aimed at driving growth. The Group plans to complete design and release its new In-cell TDDI for HD/FHD in the first half-year of 2016, and conduct outreach to potential customers. The Group also aims to secure additional design-in projects for its display driver ICs for FHD IGZO panels to capture the rising market opportunities.

The Group will build on the growth momentum of its MIPI display interface controller ICs to further advance business growth, and secure more design-wins for its new eDP-to-MIPI display interface controller ICs tailored for high performance WQXGA tablets.

As AMOLED panels are expected to gain more ground in the high-end smartphone market, the Group is supporting our module manufacturer partner in its efforts to reach out to more end customers – the various smartphone manufacturers – with the Group's new AMOLED display driver IC for HD720 panels.

### Smart TVs

The Group will strive to leverage its key customer's enhanced capacity and business development plan. With its array of more advanced new products in the pipeline, the Group aims to capture these potential market segments to boost growth. These new products include TFT display driver ICs for 4k2k TVs, as well as FHD notebooks.

### Other Smart Devices

The wearables market, with its outstanding growth potential, continues to be a key target application market of the Group. The Group is particularly focusing on extending the customer base of its new products featuring high brightness curved display for wristbands, and leveraging this growing market segment to further ramp up shipments for PMOLED display driver ICs and MIPI display interface controller ICs.

In terms of ESL, the Group targets to score more design wins with its new solutions for AMEPD to increase its share of the ESL market. The Group also expects to enhance its revenue stream with the expanded applications of its new three-pigment AMEPD and segment-type EPD solutions.

The Group plans to further expand the application portfolio of its MIPI display interface controller ICs and also develop high resolution display driver ICs for the automotive market.

The Group will also reach out to potential markets for its new single-chip OLED lighting driver controller IC developed during 2015.

## Product Development

Leading-edge product development capability has always been one of the Group's core competencies. It is also the cornerstone of the Group's business as innovation remains its foundation. To enhance our strengths in targeted product display applications and differentiate ourselves, the Group has focused on developing new technologies and also enhancing the features of and adding functionality to existing products. In 2015, the Group spent roughly US\$19.5 million on product R&D engineering, representing about 62% of total expenses and 28% of sales for the year.

As of 31 December 2015, the Group had a product R&D engineering workforce of 236 (2014: 201), representing 65% (2014: 62%) of our total employees (excluding those of a manufacturing subsidiary in China). The Group's product R&D engineering teams possess domain expertise in various areas, spanning from design of high-speed serial master bridges, FHD TDDI 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 continues to adopt advanced high-voltage wafer processes on 12" wafer to address the challenge of increasingly higher resolution and lower power consumption in mobile consumer end products.

### ***IP Development***

The IPs that have been developed or under development during 2015 aiming at low power, high resolution smart applications included: smart power management units in both LV and MV domains and various RAM memory compression codecs for mobile display driver products, a new power scheme designed to reduce both the operating current by 30% and the number of external components reducing system cost for OLED display driver ICs, and a long distance communication link for OLED lighting applications. The Group has also successfully designed a peer-to-peer interface of up to 1.35Gbps per lane with low power consumption for large display driver ICs.

All the above innovations have been further optimized with advanced low-power implementation techniques from front-end to back-end designs, to ensure that the Group's products are not only smart but also environmentally friendly at the same time.

During the year, the Group has been granted one patent and filed seven patents covering various display design and application areas. The Group has also added resources to encourage patent application and filing, with a view to further strengthening its intellectual property portfolio to facilitate business growth in the future.

## **PURCHASE, SALE OR REDEMPTION OF 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 year ended 31 December 2015.

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

For the year ended 31 December 2015, the Company has complied with all the applicable Code Provisions in the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules. To maintain high standards of corporate governance, the Company has adopted the recommended best practices in the Code where appropriate.

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 the Model Code contained in Appendix 10 of the Listing Rules. Specific enquiry has been made to all Directors, and all the Directors have confirmed that they have been in compliance with such guidelines during the year ended 31 December 2015.

## **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 2015. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2015 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 2015.

## **CLOSURE OF REGISTERS OF SHAREHOLDERS**

The Register of Shareholders of the Company will be closed from Thursday, 2 June 2016 to Tuesday, 7 June 2016 (both days inclusive), during which no transfer of shares can be registered. In order to qualify for attending the 2016 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, 1 June 2016.

## **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.hkex.com.hk](http://www.hkex.com.hk)) and the Company's website ([www.solomon-systech.com](http://www.solomon-systech.com)) on 23 March 2016.



## Definitions and Glossary

AMEPD	Active Matrix Electrophoretic Display
AMOLED	Active Matrix Organic Light Emitting Diode
Board	Board of Directors
China	Mainland China
Code Provision(s)	Code provision(s) in the Corporate Governance Code contained in Appendix 14 to the Listing Rules
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
EPD	Electrophoretic Display
ESL	Electronic Shelf Label
FHD	Full High Definition, a display resolution spec of 1920 x 1080 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 spec of 1280 x 720 pixels
HK\$/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
IC	Integrated Circuit
IP	Intellectual Property
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 contained in Appendix 10 to the Listing Rules
OLED	Organic Light Emitting Diode
PMOLED	Passive Matrix Organic Light Emitting Diode
QHD	Quad High Definition, a display resolution of 2560 x 1440 pixels
R&D	Design, development and engineering
S&D	Selling and Distribution
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	United States of America
US\$/USD	US dollars
WQXGA	Wide Quad Extended Graphics Array, a display resolution spec of 2560 x 1600 pixels

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

Hong Kong, 23 March 2016

As at the date of this announcement, the Board comprises: (a) Executive Directors – Dr. LEUNG Kwong Wai (Chairman) ; Dr. Yeh Tsuei Chi (Chief Executive Officer) 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.