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**SOLOMON  
SYSTECH**

**SOLOMON SYSTECH (INTERNATIONAL) LIMITED**

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

(Stock code: 2878)

**2016 FINAL RESULTS ANNOUNCEMENT**

**FINANCIAL HIGHLIGHTS**

- Sales decreased slightly by about 3.5% to US\$68.4 million
- Gross profit was US\$23.5 million, stayed flat with last year
- Gross margin was 34.4%, up 1.7 percentage points
- Net loss was US\$6.9 million
- Loss per share was 0.28 US cent (2.17 HK cents)
- Book-to-bill ratio was 1.0
- The Board of Directors resolved not to propose any final dividend for the year ended 31 December 2016

## 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 2016 together with the comparative figures for the corresponding year as follows:

### CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	Note	2016 US\$'000	2015 US\$'000
Sales	4(a)	68,408	70,902
Cost of sales	5	(44,878)	(47,684)
Gross profit		23,530	23,218
Research and development costs	5	(21,089)	(19,505)
Selling and distribution expenses	5	(3,164)	(2,844)
Administrative expenses	5	(11,738)	(9,042)
Other income – net	6	1,457	517
		(11,004)	(7,656)
Finance income – net	7	3,683	1,451
		(7,321)	(6,205)
Share of results of associated companies		(59)	(228)
Loss before income tax		(7,380)	(6,433)
Income tax credit / (expenses)	8	451	(2)
Loss attributable to the equity holders of the Company		(6,929)	(6,435)
Loss per share attributable to the equity holders of the Company: (expressed in US cent per share)	9		
- Basic		(0.28)	(0.26)
- Diluted		(0.28)	(0.26)

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016 US\$'000	2015 US\$'000
Loss for the year	(6,929)	(6,435)
Other comprehensive loss for the year:		
Item that may be reclassified to profit or loss		
- Currency translation differences	(631)	(828)
Total comprehensive loss attributable to the equity holders of the Company	(7,560)	(7,263)

## CONSOLIDATED BALANCE SHEET

As at 31 December 2016

	Note	2016 US\$'000	2015 US\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets		16,740	38
Property, plant and equipment		3,223	3,544
Investments in associated companies		493	552
Available-for-sale financial assets		2,206	2,206
Prepayments and deposits	11	661	225
		<b>23,323</b>	<b>6,565</b>
<b>Current assets</b>			
Inventories		13,053	9,435
Trade and other receivables	11	17,514	18,959
Financial assets at fair value through profit or loss		36,985	62,193
Pledged bank deposits		130	130
Fixed bank deposits		727	9,665
Cash and cash equivalents		23,830	16,434
		<b>92,239</b>	<b>116,816</b>
<b>Total assets</b>		<b>115,562</b>	<b>123,381</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>			
Share capital		31,926	31,926
Reserves		69,073	76,556
<b>Total equity</b>		<b>100,999</b>	<b>108,482</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank loan		107	187
		<b>107</b>	<b>187</b>
<b>Current liabilities</b>			
Trade and other payables	12	13,759	13,593
Bank loan		86	83
Deferred income		522	494
Income tax		89	542
		<b>14,456</b>	<b>14,712</b>
<b>Total liabilities</b>		<b>14,563</b>	<b>14,899</b>
<b>Total equity and liabilities</b>		<b>115,562</b>	<b>123,381</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 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, 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 and requirements of the Hong Kong Companies Ordinance Cap. 622. 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 standards and amendments to standards effective in 2016

The Group has adopted the following new standards and amendments to standards that have been issued and are effective for the Group's financial year commencing on 1 January 2016:

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• HKAS 1 (Amendment)	Disclosure Initiative
• HKAS 16 and 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortization
• HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
• HKFRS 10, 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception
• HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
• HKFRS 14	Regulatory Deferral Accounts
• HKFRSs (Amendments)	Annual Improvements 2014

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The adoption of the above new 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, 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 standards and amendments to standards that are issued but effective for periods commencing after 1 January 2016**

The following new standards and amendments to standards have been issued, but not effective for the financial year beginning 1 January 2016 and have not been early adopted by the Group:

		<b>Effective for annual periods beginning on or after</b>
• HKAS 7 (Amendment)	Statement of Cash Flows- Disclosure Initiative	1 January 2017
• HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealized Losses	1 January 2017
• HKFRS 2 (Amendment)	Classification and Measurement of Share- based Payment Transactions	1 January 2018
• 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	To be determined
• HKFRS 15	Revenue from Contracts with Customers	1 January 2018
• HKFRS 16	Leases	1 January 2019

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 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 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\$68,408,000 and US\$70,902,000 for the years ended 31 December 2016 and 2015 respectively.

The Company is domiciled in Hong Kong. The Group mainly operates in Hong Kong. During 2016, the Group’s products were mainly sold to customers located in Taiwan, Hong Kong and China.

**(a) Sales**

	<b>2016</b>	2015
	<b>US\$'000</b>	US\$'000
Taiwan	<b>23,189</b>	20,713
Hong Kong	<b>22,102</b>	14,626
China	<b>11,872</b>	21,929
Europe	<b>4,480</b>	6,764
South East Asia	<b>2,227</b>	1,082
Japan	<b>1,931</b>	2,070
Korea	<b>1,640</b>	2,127
USA	<b>342</b>	661
Others	<b>625</b>	930
	<b>68,408</b>	70,902

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

**(b) Total assets**

	<b>2016</b>	2015
	<b>US\$'000</b>	US\$'000
Hong Kong	<b>84,589</b>	97,752
China	<b>18,462</b>	19,882
Taiwan	<b>6,656</b>	4,964
South East Asia	<b>3,604</b>	285
United Kingdom	<b>1,265</b>	—
Korea	<b>859</b>	302
Others	<b>127</b>	196
	<b>115,562</b>	123,381

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

**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:

	<b>2016</b>	2015
	<b>US\$'000</b>	US\$'000
Cost of inventories sold	<b>41,731</b>	43,920
Product engineering costs	<b>5,380</b>	4,978
Provision for obsolete or slow moving inventories	<b>746</b>	799
Amortization of intangible assets	<b>298</b>	15
Depreciation of owned property, plant and equipment	<b>843</b>	787
Operating leases for land and buildings	<b>1,522</b>	1,179
Auditor's remuneration		
- Audit services	<b>197</b>	196
- Non-audit services	<b>24</b>	24
Employee benefit expenses	<b>22,427</b>	20,221
- Employee compensation and benefits	<b>20,681</b>	20,211
- Severance & long service expenses	<b>1,746</b>	10
Directors' emoluments	<b>842</b>	692
Net exchange loss	<b>340</b>	88

## 6. Other income – net

	2016 US\$'000	2015 US\$'000
Government grant	1,398	454
Loss on disposal of intangible assets and property, plant and equipment	(1)	(5)
Others	60	68
	<b>1,457</b>	<b>517</b>

## 7. Finance income – net

	2016 US\$'000	2015 US\$'000
Interest income	1,511	1,799
Dividend income	845	900
Gain on disposal of FVTPL	1,530	702
Net realized income	<b>3,886</b>	<b>3,401</b>
Fair value gain	1,220	800
Fair value loss	(1,421)	(2,759)
Net unrealizable loss from FVTPL	<b>(201)</b>	<b>(1,959)</b>
Interest expense of bank loan	(4)	(6)
Others	2	15
	<b>3,683</b>	<b>1,451</b>

## 8. Income tax

Hong Kong income tax has been provided at the rate of 16.5% (2015: 16.5%) while overseas income tax has been provided at the rates of taxation prevailing in the countries in which the Group operates.

	2016 US\$'000	2015 US\$'000
Current income tax:		
- Hong Kong	—	—
- Overseas	1	2
Reversal of income tax provision in prior years	(452)	—
Income tax expenses / (credit)	<b>(451)</b>	<b>2</b>

## 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 2016 attributable to the equity holders of the Company of US\$6,929,000 (2015: US\$6,435,000) and the weighted average number of 2,477,102,351 (2015: 2,469,461,802) 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	
	2016	2015
Weighted average number of ordinary shares in issue	2,477,102,351	2,469,461,802
Conversion of all dilutive share options outstanding <sup>(i)</sup>	—	—
Adjusted weighted average number of ordinary shares for diluted loss per share calculation	2,477,102,351	2,469,461,802

(i) As at 31 December 2016, there were 44,050,000 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 2016.

## 10. Dividend

No dividend for the years ended 31 December 2016 and 2015 was declared or paid by the Company. In addition, the Board resolved not to propose any final dividend for the year ended 31 December 2016.

## 11. Trade and other receivables

	2016	2015
	US\$'000	US\$'000
Trade receivables	13,171	12,022
Trade receivables from related parties	1,465	2,629
Trade receivables – net	14,636	14,651
Deposits, prepayments and other receivables	2,595	4,071
Prepayments to related parties	283	237
Trade and other receivables – current portion	17,514	18,959
Prepayments and deposits – non-current portion	661	225
	18,175	19,184

As at 31 December 2016, 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:

	2016	2015
	US\$'000	US\$'000
Current	10,751	10,422
1 - 30 days	3,592	3,545
31 - 60 days	293	527
61 - 90 days	—	85
91 - 180 days	—	36
181 - 365 days	—	36
	3,885	4,229
	14,636	14,651

As at 31 December 2016, trade receivables of US\$3,885,000 (2015: US\$4,229,000) were considered past due if measured against the credit terms offered. As at 31 December 2016, 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 2016 and 2015, no trade receivables were impaired and provided for.

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

	2016 US\$'000	2015 US\$'000
Trade payables	8,398	10,029
Other payables to a related party	55	—
Accrued expenses and other payables	5,306	3,564
	<b>13,759</b>	<b>13,593</b>

At 31 December 2016, the ageing analysis of the trade payables based on overdue day is as follows:

	2016 US\$'000	2015 US\$'000
Current	7,006	7,227
1 - 30 days	1,096	2,535
31 - 60 days	178	185
61 - 90 days	28	—
Over 90 days	90	82
	<b>8,398</b>	<b>10,029</b>

## 13. Event after the reporting period

On 22 February 2017, the Group acquired 52% of the share capital of Sentron Inc., a company specializing in IC design, for a cash consideration of US\$4,000,000.

The Directors are assessing the fair values of assets and liabilities of Sentron Inc. to be recognized at the date of acquisition. Up to the date of the approval for issuance of these consolidated financial statements, the fair value assessments of intangible assets and goodwill, if any, of Sentron Inc. had not been finalized. The Directors will report the detail in 2017 interim results.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Overview

For the year ended 31 December 2016, the Group's total sales were US\$68.4 million (2015: US\$70.9 million). A net loss of US\$6.9 million (2015: US\$6.4 million) was recorded mainly due to investment in product design, development and engineering and an increase in administrative expenses.

#### Sales and Gross Profit

The Group recorded a slight increase in total shipments by around 0.8% year-on-year to approximately 187.3 million units (2015: 185.7 million units). The overall book-to-bill ratio of the Group for 2016 was 1.0 (2015: 1.1).

With the strong growth registered by the Group's TDDI (Touch and Display Driver IC) and PMOLED display driver ICs in 2016 partly offset by reduced customer demand for its large panel display driver ICs, decline in the bistable display driver IC business and also erosion of the average selling price of certain products, the total sales decreased slightly by approximately 3.5% year-on-year to around US\$68.4 million (2015: US\$70.9 million).

Despite the intense price competition in the market, the gross margin increased by 1.7 percentage points to 34.4% (2015: 32.7%) attributed to a change in the product mix of the Group. The gross profit of the Group was maintained at US\$23.5 million (2015: US\$23.2 million).

## Costs and Expenses

The Group has remained vigilant in controlling its expenses but as a technology company, it is committed to investing in product R&D and business development. The Group's total expenses, including product R&D costs, S&D expenses and administrative expenses (inclusive of US\$1.7 million of severance and long service expenses), were US\$36.0 million (2015: US\$31.4 million), up by US\$4.6 million, representing an increase of 15% year-on-year.

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\$1.6 million to US\$21.1 million (2015: US\$19.5 million), up 8% year-on-year. Product R&D costs to sales ratio was 30.8% (2015: 27.5%).

S&D expenses were US\$3.2 million (2015: US\$2.8 million) whilst the S&D expenses to sales ratio was 4.6% (2015: 4.0%).

Administrative expenses were US\$11.7 million, increased by US\$2.7 million from US\$9.0 million in 2015. The increase was mainly attributed to one-off severance and long service expenses of US\$1.7 million as a result of the organizational realignment to focus on products with higher long-term value and to drive greater efficiency under the Group's customer-oriented strategy.

## Other Income – Net

Other income in 2016 totaled US\$1.5 million (2015: US\$0.5 million) comprising mainly government subsidy for the product R&D projects of the Group.

## Finance Income – Net

The Group has invested in financial assets as part of its treasury management for interest and dividend income. During 2016, the Group recorded an interest income of US\$1.5 million (2015: US\$1.8 million) and a dividend income of US\$0.9 million (2015: US\$0.9 million). On top of these, US\$1.5 million (2015: US\$0.7 million) was gained from disposal of certain securities and funds, making altogether a total realized income of US\$3.9 million (2015: US\$3.4 million).

The Group's financial assets at fair value through profit or loss ("FVTPL Portfolio") are stated at fair value. FVTPL Portfolio traded in active markets is based on quoted market prices as at the reporting date. The FVTPL Portfolio as at balance sheet date was pursuant to the mark-to-market prices as at 31 December 2016 and a net unrealizable loss of US\$0.2 million (2015: US\$2.0 million) was recorded.

As a result, the Group recorded a net finance income of US\$3.7 million (2015: US\$1.5 million) from treasury investment.

The Group has an internal treasury review team (the "Team") to execute treasury management policy, review the overall investment portfolio and monitor the performance on a regular basis to increase the yield of cash reserves. The Team conducts monthly review teleconferences with individual external portfolio managers and holds monthly internal review meetings to evaluate and monitor the investment performance. Approximately two-third of the FVTPL was under external professional portfolio management as at 31 December 2016.

To support strategic investment and expansion for product portfolio and business, the Group has disposed of approximately 40% of the investment in financial assets to meet the cash requirement during 2016.

With the FVTPL Portfolio maintained as of 31 December 2016 consists mainly of marketable bonds and funds as well as blue-chip equity securities, the Group expects a stable stream of income going forward.

## Net Profit and Loss

For the year ended 31 December 2016, the pretax loss for the year ended 31 December 2016 was US\$7.4 million (2015: US\$6.4 million). Furthermore, there was a reversal of US\$0.5 million for a provision of Hong Kong income tax. The loss attributable to the equity holders of the Company was US\$6.9 million (2015: US\$6.4 million), mainly because of the stagnant growth in gross profit compounded by the increase in expenses due to organization realignment.

## Liquidity and Financial Resources

As at 31 December 2016, total cash and cash equivalents and bank deposits of the Group amounted to US\$24.6 million (2015: US\$26.1 million). Net cash used in operating activities during the year was US\$13.2 million (2015: US\$10.9 million). The cash outflow in operating activities was mainly due to the net loss before income tax of US\$7.4 million and the increase in working capital, which, comprising net of receivables, inventories and payables, amounted to US\$3.4 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 and entering into strategic corporate ventures and meeting general corporate operational purposes. As at 31 December 2016, the Group had no major borrowing other than the US\$0.2 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.

## BUSINESS REVIEW AND OUTLOOK

### BUSINESS REVIEW

In 2016, the Group recorded a slight increase in total shipments by around 0.8% year-on-year to approximately 187.3 million units, while the total sales decreased slightly by approximately 3.5% year-on-year to around US\$68.4 million. The strong growth registered by the Group's TDDI (Touch and Display Driver IC) and PMOLED display driver ICs in 2016 was partly offset by reduced customer demand for its large display driver ICs, decline in the bistable display driver IC business and also erosion of the average selling price of certain products. Nonetheless, the strategic moves made by the Group to streamline its operations, enhance new product development, expand market reach, strengthen technology and product portfolios, and also reinforce technological capability have combined to create a strong foundation to boost future growth.

The Group's sales by business unit during the period under review were as follows:

Sales (US\$ million)	2016	2015	Change
Main Display	31.6	33.0	-4.4%
Advanced Display	36.8	37.9	-2.9%
Total	68.4	70.9	-3.5%

### Main Display

The Main Display Business Unit ("MDBU") provides In-Cell touch display driver ICs (TDDI), TFT LCD display driver ICs and MIPI bridge ICs targeting smart mobile devices; as well as TFT LCD display driver ICs for large display products, including TVs, monitors, notebooks, tablet PCs, etc. Meanwhile, maXTouch® On-Cell and Out-Cell touch controller ICs have also been added to MDBU's product portfolio subsequent to a purchase deal in November 2016.

The Group is among the first few in the industry to have achieved mass production of TDDIs. During the year under review, the Group's TDDIs for FWVGA panels exhibited strong growth and made important contribution to the total sales of MDBU. Nonetheless, the large display driver IC business dropped significantly year-on-year mainly because of reduced customer demand. As a result, the total sales of MDBU in 2016 amounted to approximately US\$31.6 million (2015: US\$33.0 million), a decrease of about 4.4% year-on-year.

The Group established the UK Business and Technology Center (“UKBTC”) at the end of 2016 to focus on the product development and sales and marketing of maXTouch® technologies and solutions. Not only has the UKBTC started to contribute to the revenue of MDBU, but the market-leading maXTouch® technologies and products purchased have also greatly enhanced the Group’s product portfolio and technological capability. The newly-added technologies would contribute to the timely development of more new touch controller solutions and also next generation TDDI solutions.

During 2016, the MDBU developed a total of seven new ICs. In addition to a new TDDI for FHD LTPS In-Cell panels which started pilot shipment in the second half of the year, the Group has partnered with its customer, Panda-FPD, to develop a breakthrough product: the world’s first single-chip TDDI supporting FHD IGZO In-Cell panels, of which the first sample was ready at the end of 2016. The Group has also started the development of more new TDDIs with enhanced firmware leveraging the advanced maXTouch® technologies.

The Group’s MIPI bridge ICs for UHD displays targeting virtual reality devices commenced shipment and recorded steady growth during 2016.

With regard to large display driver ICs, its sales in 2016 were reduced year-on-year due to a decline in demand from major customer. Nonetheless, the Group’s new display driver IC for FHD notebooks has been qualified by a major brand, while a new display driver IC sample for UHD TV has been produced for qualification.

### Advanced Display

The Advanced Display Business Unit (“ADBU”) includes PMOLED displays and OLED lighting products, as well as bistable products. In addition to standard ICs, the ADBU also provides custom IC design services, including analog, mixed-signal and high-voltage IC designs to cater to the specific needs of customers.

In 2016, the sales of ADBU products decreased slightly for about 2.9% year-on-year to approximately US\$36.8 million (2015: US\$37.9 million).

The Group has garnered a number of design-wins with world-renowned brands of wearable health and fitness devices for its PMOLED display driver ICs and benefited from the continued strong growth momentum of the wearables market during 2016. As the Group has been the market leader in PMOLED display driver ICs and has forged solid relationships with a number of world-class customers and international brands, a member of its PMOLED display driver IC family, the SSD1306, has set a new company shipment record by achieving cumulative shipments of 200 million units (2008 – 2016). This is also believed to have set a remarkable record in the PMOLED display driver business sector.

The Group has developed a number of new PMOLED products to address the growing trends of full color display, larger display size, enhanced functional features and power efficiency, as well as component miniaturization. It has also continued to extend the application portfolio of PMOLED display driver ICs to other fast-growing market segments, including set-top boxes, home appliances, industrial devices, healthcare devices, etc.

In terms of bistable display business, the Group has recorded a reduction in shipment and sales in 2016 due to intense competition. Nonetheless, the Group has secured design-wins for healthcare device, wearable and ESL applications, and has been engaged in a number of design-in projects for its new products which feature lower system cost, faster refresh rate, higher resolution and better power efficiency.

### OUTLOOK

The Group has embarked on a number of strategic initiatives. Highlights include realignment of operations to reinforce efficiency and to achieve synergies and optimization of resources, enhancement of the quality and speed of new product introductions, strengthening technology and product portfolios, and also expanding market reach through the purchase of technology assets and products, as well as reinforcement of technological capabilities through the establishment of new technology centers in the UK and Taiwan. These moves have ensured that the Group is well prepared to capture business opportunities to boost growth as it ventures into 2017.

## Main Display

The key strategies to boost growth for the MDBU in 2017 are to capitalize on the growing TDDI markets, and to leverage the newly purchased maXTouch® technologies and assets, as well as the newly established UK Business and Technology Center.

With TDDI becoming a key technology trend and a de facto standard for high-end smartphones, the Group aims to secure additional design-wins for its new TDDI for FHD panels to drive growth.

The Group is also utilizing the newly purchased maXTouch® technologies and products to further enhance the touch performance of its TDDI solutions, extend market reach to more key smartphone brands and develop next-generation products including POLED touch controller ICs, since foldable displays are becoming the new hot trend in mobile phones. The purchase of the maXTouch® technologies followed by the establishment of the UKBTC is expected to greatly strengthen the Group's competitiveness in the touch controller market. The Group would best leverage the enhanced touch technology and product portfolio, together with the well-established customer base of these products to increase its market share.

The Group's new MIPI bridge IC for UHD display is expected to be launched in the first half of 2017. The Group is also planning to start developing another new MIPI bridge IC tailored for virtual reality devices, aiming to capture that surging market.

For large LCD display, both the Group's newly-qualified display driver IC for FHD notebook applications and its new sample IC for UHD TV may start mass production in 2017. The sample IC for FHD monitors is expected to be ready for qualification. The Group will strive to further enhance collaboration with PandaFPD, and also to expand its presence in Nanjing to push business growth.

## Advanced Display

The upcoming business strategies of the ADBU include the development of more new competitive products, capitalizing on the anticipated strong growth of smart handheld devices in the IoT era, and also enhancing new customer penetration efforts.

The Group will also continue to develop new PMOLED display driver ICs to capture the growth momentum of the wearables market while exploring other fast-growing applications to underpin business growth.

In terms of bistable display driver ICs, the Group targets to further enhance its relationship with LCD module manufacturers and collaborate more closely with independent design houses to capture market opportunities. The Group also expects to enhance its revenue stream by scoring more design-wins for its new solutions for AMEPD, extending the applications of its new three-pigment AMEPD and segment-type EPD solutions and also developing custom-IC for prospective customers of electronic shelf labels.

## PRODUCT DEVELOPMENT

To enhance its strengths in targeted product display applications and set itself apart from competition, the Group has been developing new technologies and also enhancing the features of and adding functionality to existing products. In 2016, the Group spent roughly US\$21.1 million on product R&D engineering, representing about 59% of total expenses and 31% of sales for the year.

The Group's product R&D engineering teams possess domain expertise in various areas, spanning from design of high-speed serial master bridges, TDDIs, In-Cell and On-Cell touch controller ICs and OLED lighting driver ICs, to display drivers for various panel technologies such as amorphous silicon TFT, metal-oxide TFT, LTPS, POLED, AMOLED, PMOLED and AMEPD. This wide array of critical knowhow enables fast fulfillment of customers' increasingly sophisticated requirements.

## IP DEVELOPMENT

The IPs that have been developed or were under development during 2016 include a spread spectrum phase locked loop, a MIPI C-Phy bridge IC, an In-Cell touch sensing frontend for PMOLED display, a high speed interface for large display driver ICs and a new source cell architecture for AMEPD display, among others.

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 three patents and filed applications for nineteen 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.

The Group has purchased from Microchip Technology Incorporated mobile touch technology assets, semiconductor products and a portfolio of more than 500 patent licenses in November 2016. These technology assets and products are renowned in the touch controller market, in particular the maXTouch® technologies, which are leading in the flexible OLED touch controller market. Addition of these market-leading display technologies and patent licenses is expected to greatly strengthen the Group's market positioning, broaden and differentiate its product portfolio and also enhance its technological competency and accelerate future pace of innovation.

## **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 2016.

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

For the year ended 31 December 2016, 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 ("Appendix 14"). To maintain high standards of corporate governance, the Company has adopted the recommended best practices in Appendix 14 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 2016.

## **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 2016. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2016 have been agreed by the Group's independent auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft 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 2016.

## **CLOSURE OF REGISTERS OF SHAREHOLDERS**

The Register of Shareholders of the Company will be closed from Thursday, 1 June 2017 to Wednesday, 7 June 2017 (both days inclusive), during which no transfer of shares can be registered. In order to qualify for attending the 2017 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 Center, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 31 May 2017, Hong Kong time.

## **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 15 March 2017.

## DEFINITIONS AND GLOSSARY

AMEPD	Active Matrix Electrophoretic Display
AMOLED	Active Matrix Organic Light Emitting Diode
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 through its interests in Huada Semiconductors Co. Ltd.
China	Mainland China
Code Provision(s)	Code provision(s) in the Corporate Governance Code contained in Appendix 14 to 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 standard of 1920 x 1080 pixels
FVTPL	Financial assets at fair value through profit or loss
FWVGA	Full Wide Video Graphics Array, a display resolution standard of 854 x 480 pixels
Group	The Company and its subsidiaries
HD	High Definition, a display resolution standard of 1280 x 720 pixels
HK\$/HKD	Hong Kong dollars
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
IGZO	A semiconductor material consisting of indium (In), gallium (Ga), zinc (Zn) and oxygen (O)
IP	Intellectual Property
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 to the Listing Rules
OLED	Organic Light Emitting Diode
Panda-FPD	Nanjing CEC Panda Flat Panel Display Technology Co., Ltd.**, a company established in the PRC with limited liability, is a subsidiary of Nanjing Huadong Electronics Information & Technology Co., Ltd.**
PMOLED	Passive Matrix Organic Light Emitting Diode
POLED	Plastic Organic Light Emitting Diode
Product R&D	Product design, development and engineering
S&D	Selling and Distribution
the Stock Exchange	The Stock Exchange of Hong Kong Limited
TDDI	Touch with Display Driver
TFT	Thin Film Transistor
UHD	Ultra high definition (4K/8K) is a display resolution standard of at least 3840 x 2160 pixels (8.3 megapixels; 4K)
UK	United Kingdom
USA	United States of America
US\$/USD	US dollars

\*\* for identification purpose only

For and on behalf of the Board  
**Solomon Systech (International) Limited**  
 YE H Tsuei Chi  
 Chief Executive Officer

Hong Kong, 15 March 2017

As at the date of this announcement, the Board comprises: (a) Executive Directors – Dr. Yeh Tsuei Chi (Chief Executive Officer) and Mr. Lo Wai Ming; (b) Non-executive Directors – Mr. Li Rongxin (Chairman), Dr. Li Jun and Mr. Zhao Guiwu; and (c) Independent Non-executive Directors – Mr. Leung Heung Ying, Mr. Sheu Wei Fu and Mr. Yiu Tin Chong, Joseph.