



**SOLOMON
SYSTECH**

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GROWING FROM
STRENGTH TO
STRENGTH**

Solomon Systech (International) Limited

2005 Annual Results Announcement

13 March 2006

Hong Kong

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Summary

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Growing from strength to strength

- Sales US\$394 million (+28%)
- Net profit US\$76.3 million (+32%)
- EPS reaching 24.3 HK cents
- Final dividend per share 15 HK cents
- Total dividends per share of the year 19 HK cents
- Global market share in mobile display ICs exceeding 20%

Financial Review

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Profit and loss

(US\$ million)	Twelve months ended 31 Dec		YoY
	2005	2004	Change
Sales	394.1	308.2	28%
Gross profit	119.6	96.6	24%
Net profit	76.3	57.9	32%
(HK cents)			
Earnings per share*	24.3	20.5	19%
Dividends per share	19.0	14.6	30%

* Basic EPS calculation is based on the adjusted weighted average number of ordinary shares in issue for the period (2005: 2,445,135,773 and 2004 restated: 2,204,501,037)

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Balance sheet

(US\$ million)	As at 31 Dec 2005	As at 31 Dec 2004	Change
Total assets	270.3	250.1	8%
Total borrowings	Nil	Nil	N/A
Shareholders' funds	207.0	176.8	17%
Net cash	161.4	136.7	18%
(HK cents)			
Shareholders' funds per share	66	62	6%
Net cash per share	51	48	6%

* Per share figures are based on the adjusted weighted average number of ordinary shares in issue for the period (2005: 2,445,135,773 and 2004 restated: 2,204,501,037)

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HKFRS 2 – Share based payments

- The first year adoption of HKFRS2
- Its impact on financials is summarized below:

Impact on	2005	2006E	2007E
Expense (as % of revenue)	0.8% ^a	~1.5% ^b	~2.0% ^b
Dilution (increase in no. of shares)	~0.2%	~0.2%	~1.0%

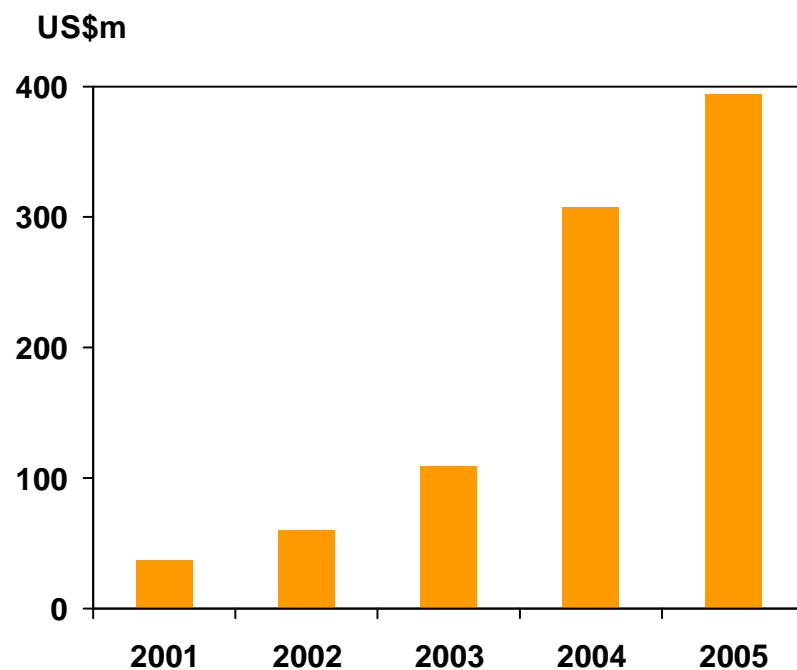
* The dollar value impact on expense is reflected as a percentage of 2005 revenue (US\$394 million)

Note (a): Actual provision for equity compensation

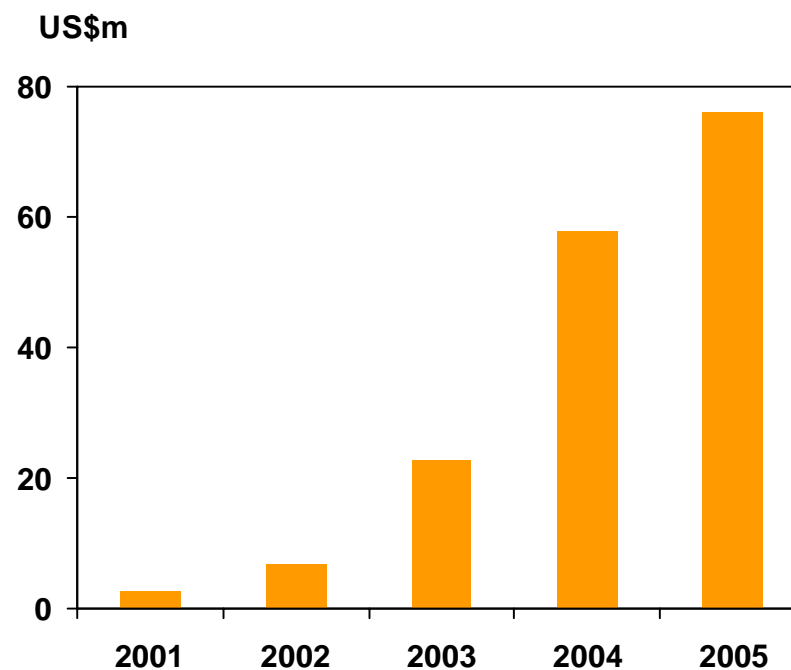
Note (b): Forecast impact on expense assuming revenue remains unchanged

Historical financials

Sales



Net Profit



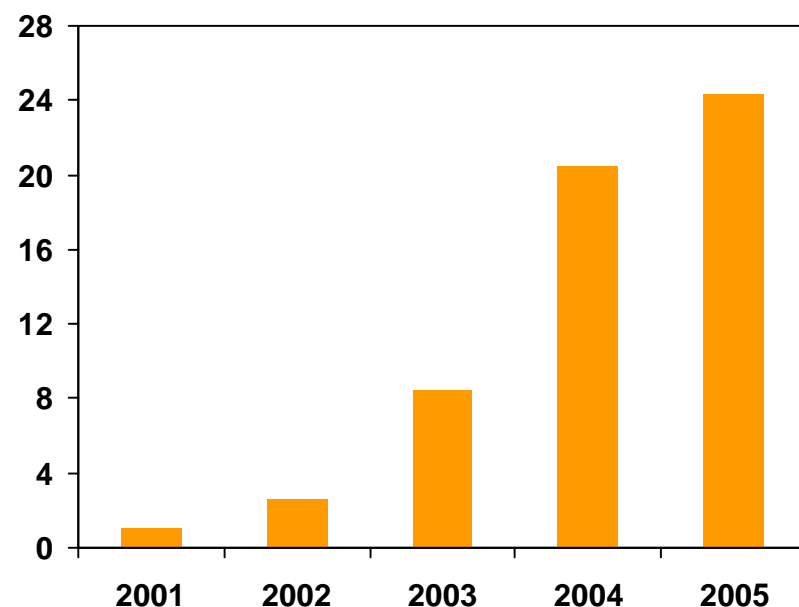
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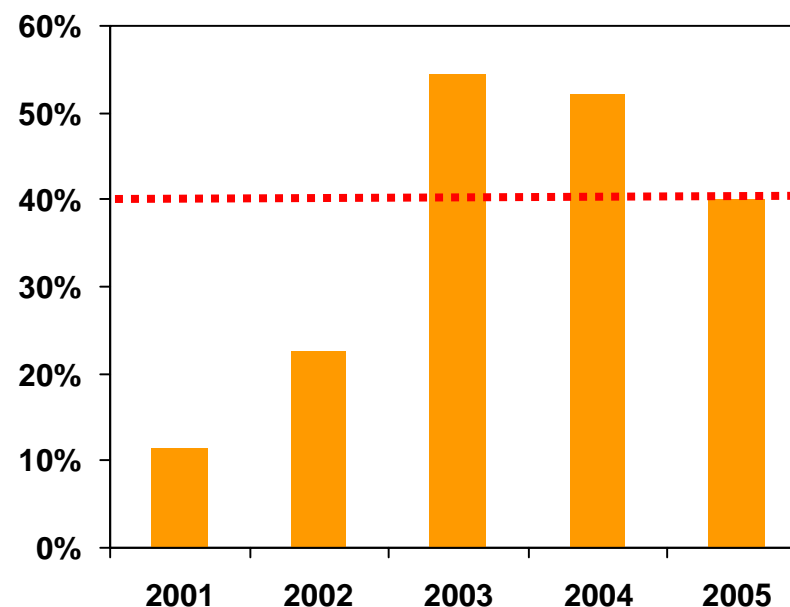
Historical financials

Earnings Per Share

HK cents



Return on equity



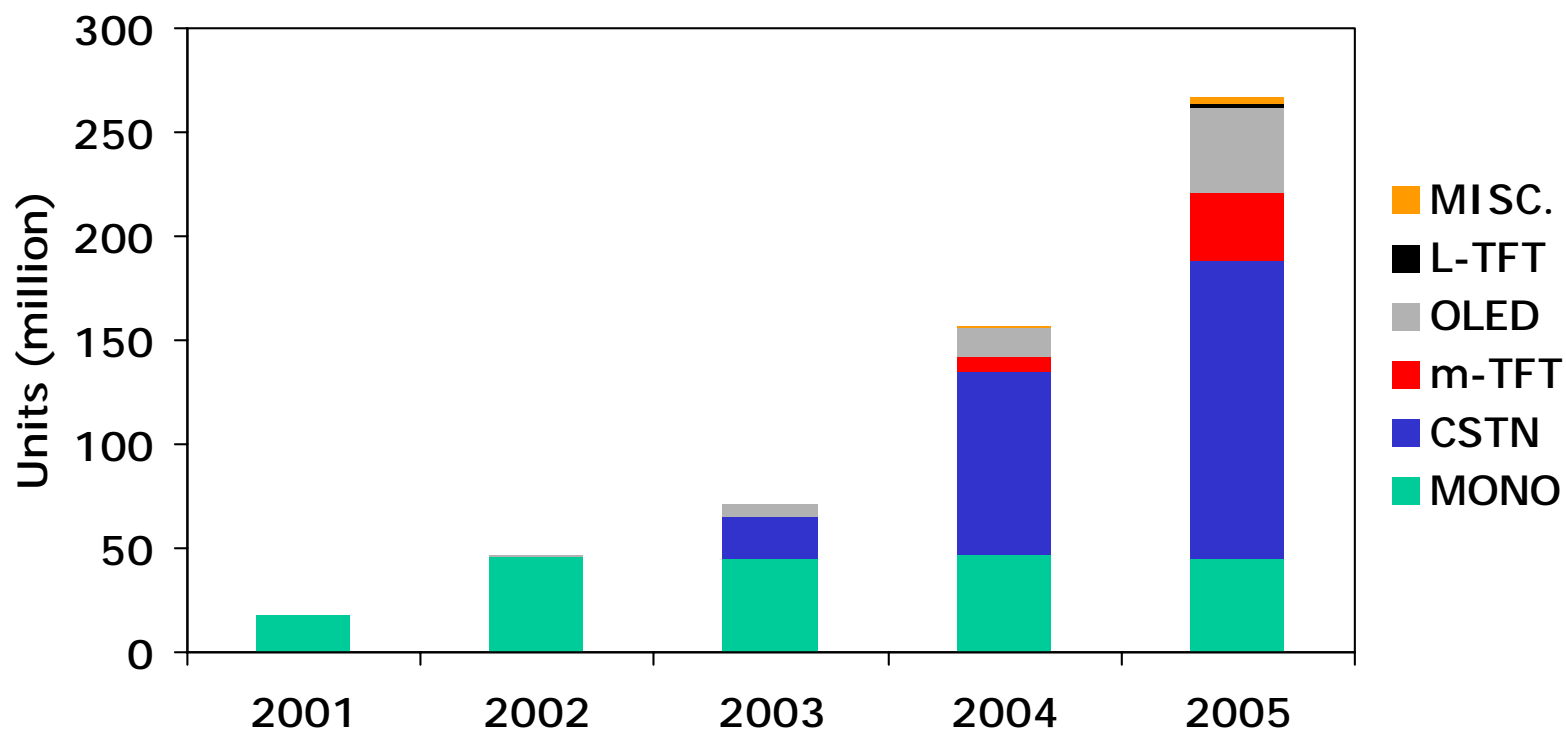
* Return on equity ("ROE") is calculated by dividing the net profit for the year by simple average of shareholders' funds at the beginning and end of the year.

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Business Review

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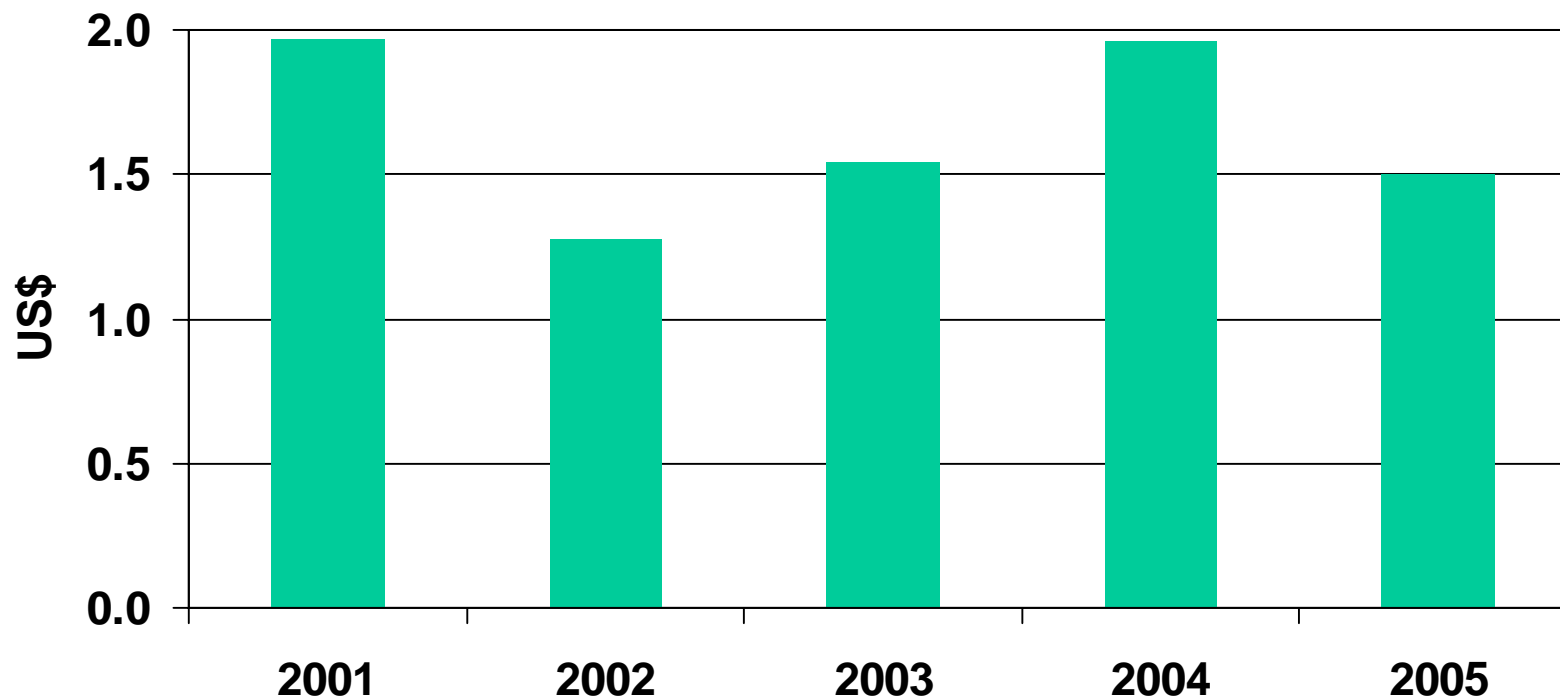
Units shipment by product line



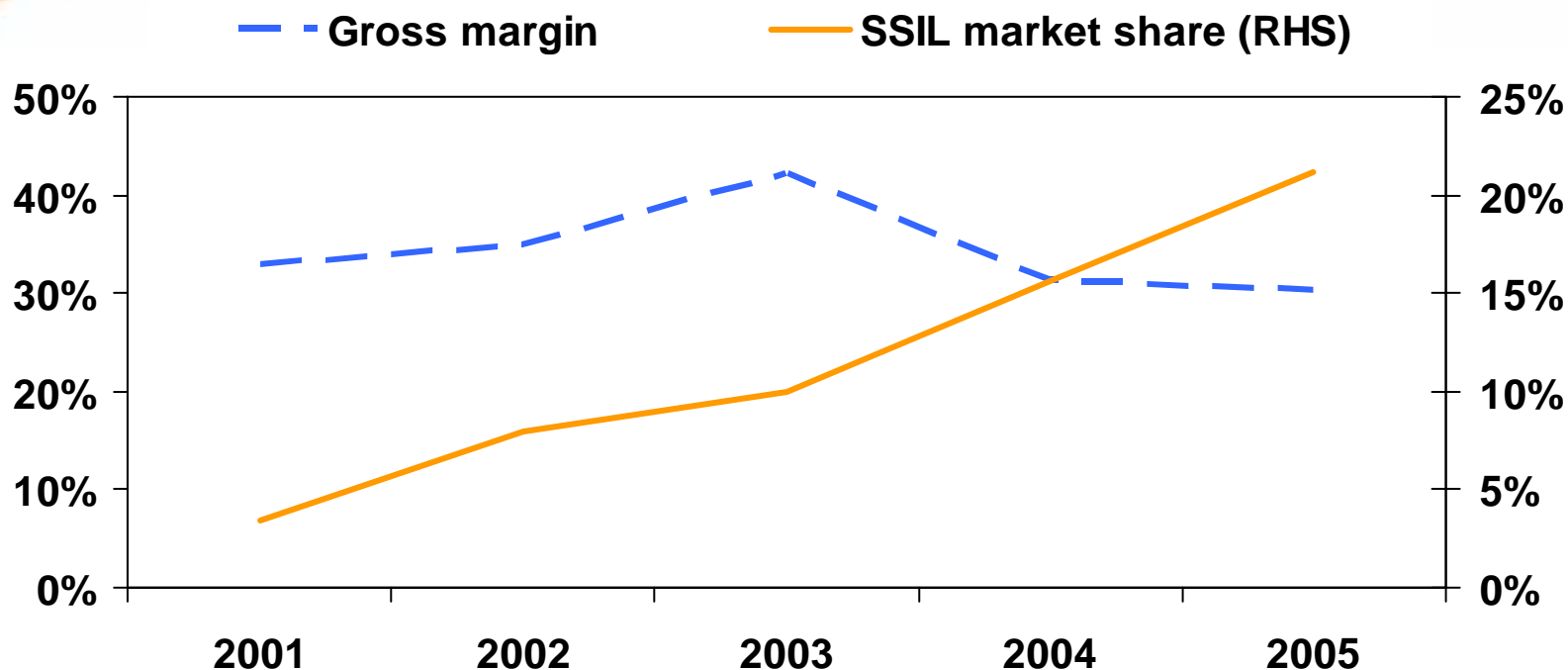
Note: TFT denotes large display driver ICs. Miscellaneous includes graphics controller, display ICs for PDA and other applications

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Blended average selling price (ASP)



Gross margin and market share



Assumptions:

- (1) The percentage of mobile phone with dual display versus the total mobile phone shipment – 15% (2001), 20% (2002), 23% (2003), 27% (2004) and 30% (2005) respectively
- (2) The percentage of the Group's display ICs used in mobile phones – 90% (2001 – 2004), 85% (2005)
- (3) Mobile phone shipment in million units – 417 (2001), 439 (2002), 521 (2003), 713 (2004) and 813 (2005)

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What we delivered in 2005

New Products, New Applications & New Customers

Mobile display



- m-TFT display ICs for 3G phone
- OLED display ICs for MP3, MP4

Large display



- TFT driver ICs for LCD TV, monitor and notebook

New display



- Flexible and microdisplay ICs for portable applications

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Awards in 2005

Corporate Level:

Dec	Caring Company Award
Sep	2005 Grand Winner – Best of Hong Kong, 19 th Annual International ARC Awards
Mar	Employer Of The Year Award

Financial Performance:

Dec	Red Herring Global Small Cap 100
Dec	Outstanding Financial Performance by a Public Fabless Company Award
Oct	Honorable mentions, Grand Prix for Best Overall Investor Relations – Small to Mid-Cap, IR Magazine Awards 2005

Technological Innovation:

Dec	Deloitte Technology Fast 500 Asia Pacific (ranked: 121)
Nov	Deloitte Technology Fast 50 China (ranked: 26)
Oct	Leading Product Winners (Analog & Mixed Signal ICs), EDN China Innovation Award 2005
Oct	Grand Award and Gold Award for Outstanding Innovation and Technology Products



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Outlook

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General views on 2006

Market	<ul style="list-style-type: none"> • Healthy mobile phones growth • Strong demand for LCD TVs and consumer electronics • Seasonality factor and slow MP3 market in Q1 	
Products	<ul style="list-style-type: none"> • Continued growth in mobile display ICs • High volume L-TFT driver ICs • Production of new display ICs 	
Customers	<ul style="list-style-type: none"> • Mobile + PC / TV + consumer electronics • Taiwan / China + Japan / Korea 	
Price	<ul style="list-style-type: none"> • Constant lower price expectation from customers 	
Cost	<ul style="list-style-type: none"> • Balanced to tight wafers supply • Costs saving from yield improvement & die-shrink 	
Competition	<ul style="list-style-type: none"> • Competitive landscape shifting from global to regional players 	



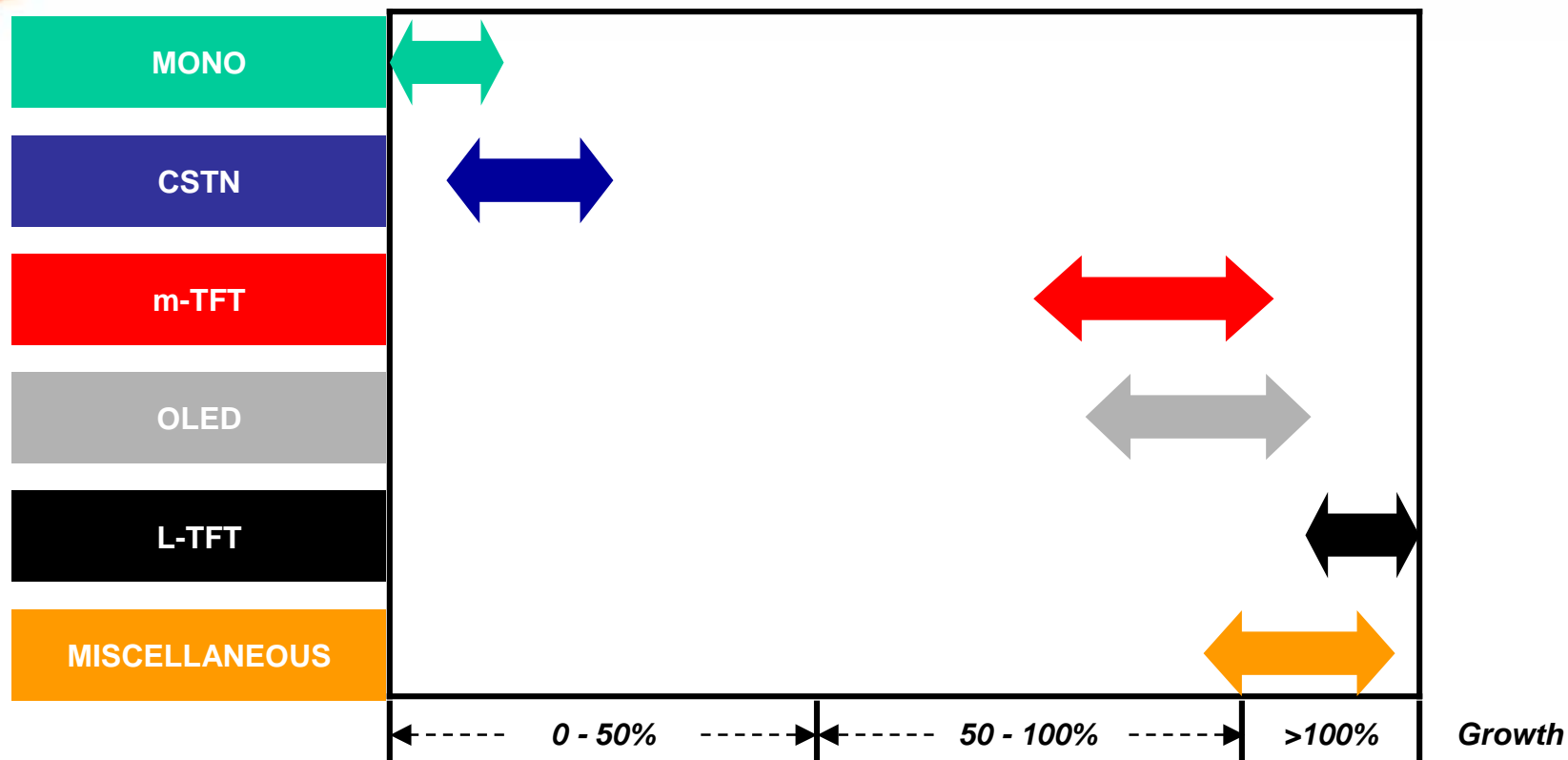
Most favorable



Most unfavorable

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Expected units growth for 2006



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Thank You

Solomon Systech (International) Limited
Stock code: 2878

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