



**SOLOMON
SYSTECH**



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BUILDING ON
CHANGE
MAKING A
DIFFERENCE

Solomon Systech (International) Limited
2006 Annual Results Announcement
26 March 2007
Hong Kong

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Summary

Results summary

- Annual IC unit shipment 230mu
- Sales US\$254 million
- Net profit US\$22.4 million
- Basic EPS 7.1 HK cents
- Final dividend per share 4 HK cents
- Total dividend per share for the year 6 HK cents
- Global market share in mobile phone display ICs ranged 16 -18%

Financial Review

Profit and loss

(US\$ million)	Twelve months ended 31 Dec		YoY
	2006	2005	Change
Sales	254.1	394.1	-36%
Gross profit	59.3	119.6	-50%
<i>Gross margin</i>	<i>23.3%</i>	<i>30.3%</i>	
Net profit	22.4	76.3	-71%
<i>Net margin</i>	<i>8.8%</i>	<i>19.3%</i>	
(HK cents)			
Earnings per share*	7.1	24.3	
Dividends per share	6.0	19.0	

* Basic EPS calculation is based on the adjusted weighted average number of ordinary shares in issue for the period (2006: 2,467,035,647 and 2005: 2,445,135,773)

Balance sheet

(US\$ million)	As at 31 Dec 2006	As at 31 Dec 2005	YoY Change
Total assets	221.1	270.3	-18%
Total borrowings	Nil	Nil	N/A
Shareholders' funds	179.9	207.0	-13%
Net cash	121.5	162.7	-25%
(HK cents)			
Shareholders' funds per share	57	66	-14%
Net cash per share	38	52	-27%

* Per share figures are based on the adjusted weighted average number of ordinary shares in issue for the period (2006: 2,467,035,647 and 2005: 2,445,135,773)

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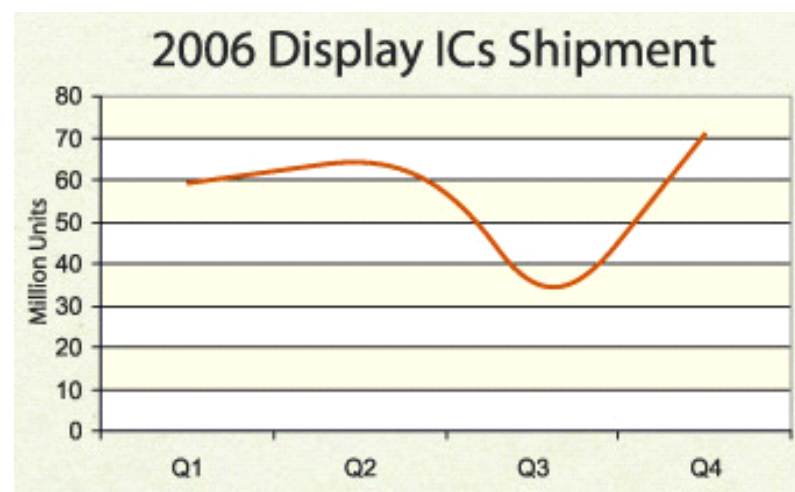
Financial remarks

	Key Factors
Sales 36% ↓	Unit shipment 13% YoY ↓ Blended ASP 26% YoY ↓
Net profit 71% ↓	Gross profit 50% YoY ↓ -- Gross profit margin 23% (2005: 30%) Operating expense 17% YoY ↑ -- US\$1.4m provision for investment impairment
Capex US\$16m	US\$9m Plant / Property /Equipment 43% YoY ↑ US\$7m strategic investment

Business Review

2006 business recap

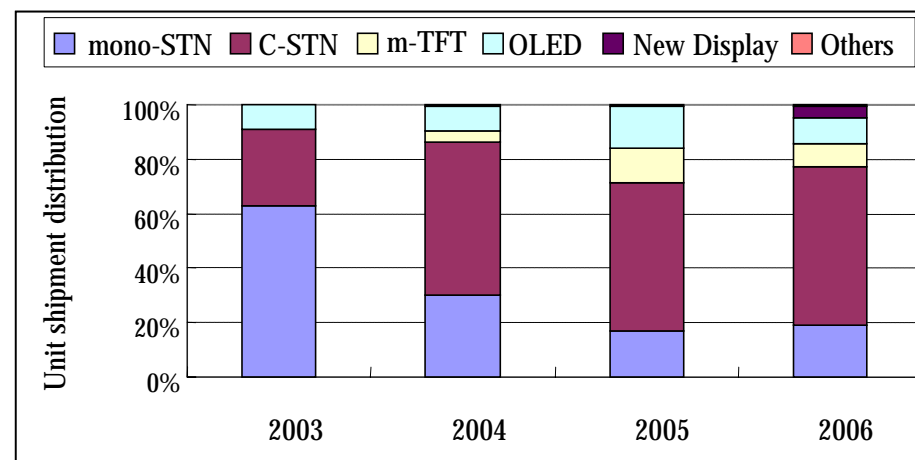
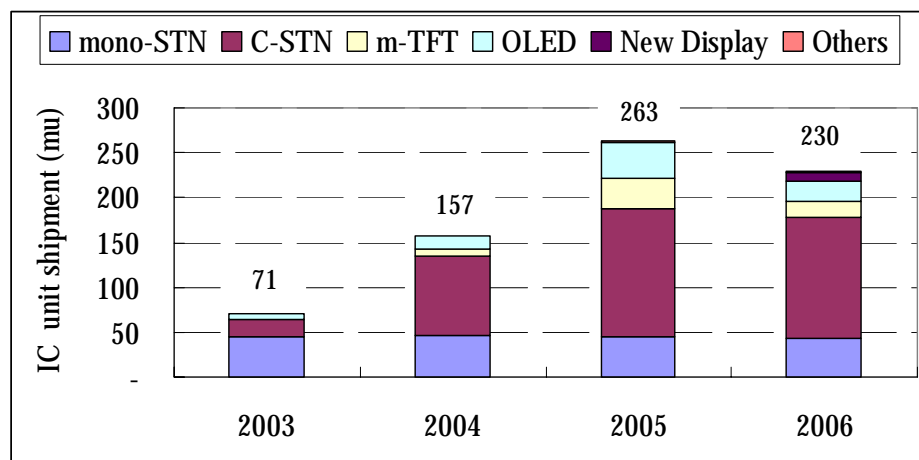
- Shipped 230mu, primarily mobile display driver IC
 - 1H06 unit shipment grew 16% YoY
 - 3Q experienced unusual demand drop
 - 4Q returned to seasonal pattern (2nd highest quarterly shipment)
- Enhanced competitiveness for future growth
 - Technology leadership in E-paper and high speed mobile interface
 - Customer partnership in mobile and non-mobile applications



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Unit shipment by product line

- Mono & Color STN: Leadership maintained
- m-TFT: Dragged by slower than expected ramp among design-wins
- OLED: Set back by customer exits and MP3 player's use of lower cost solutions
- New Display: Shipped >10mu bistable driver IC for E-paper applications
- L-TFT: Revamping as the anchor panel partner being merged
- Others: Incubating Display System business

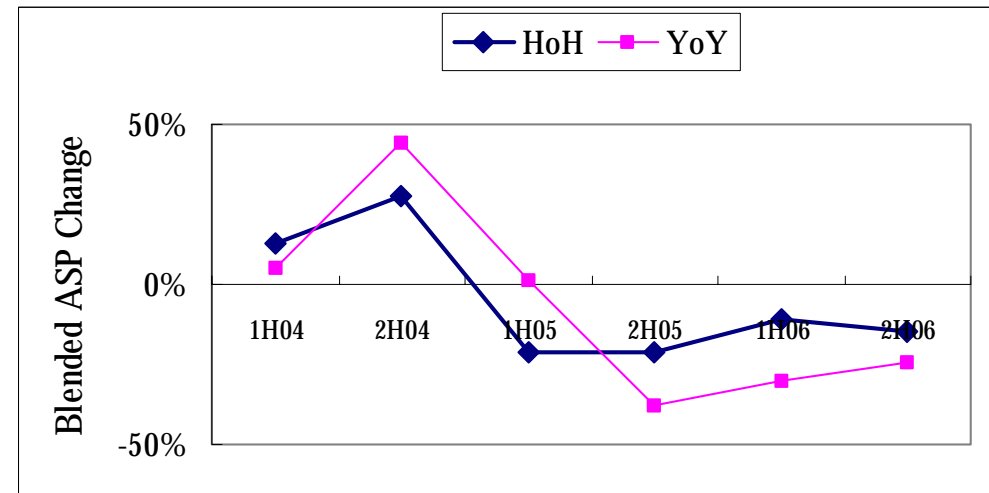
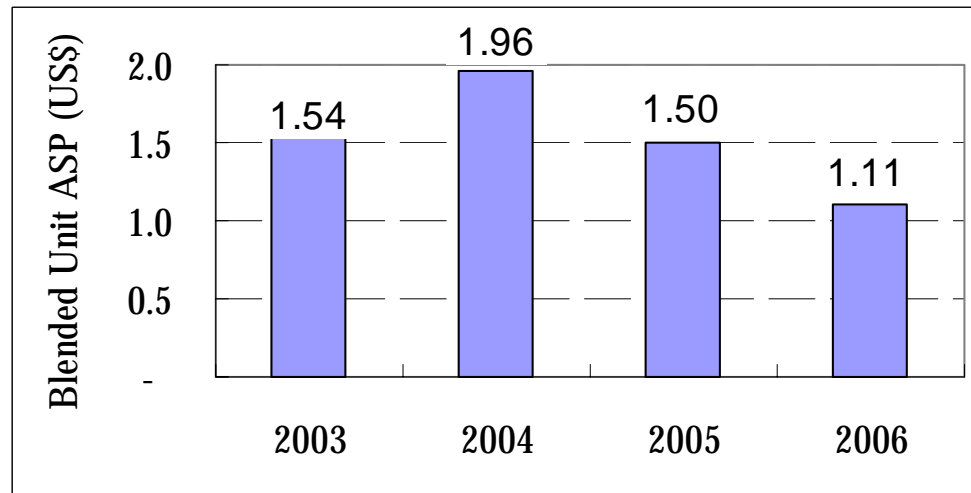


Note: Others include large panel TFT (L-TFT) driver IC, controllers and other IC products

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Blended average selling price

- 2006 blended ASP = US\$1.11, down 26% YoY
 - Sequential decline rate stabilized



Examples of 2006 design-wins

Mobile Display (STN, TFT)



Mobile Phone

MP4

Notebook with Sideshow

OLED



Mobile Phone

Bluetooth Watch with GSM Compatibility

Notebook with Sideshow

New Display



Mobile phone – Bistable IC

Wristwatch – Bistable IC

VGA Eyewear – Microdisplay Solution

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Display System



Mobile Blogging Device – Image Processor

Automotive AV Console – Image Processor

Study Machine – Graphics Controller



Outlook

Future Growth Enablers

New Customers, New Products, New Applications

- **Mobile Display**

- STN → Minimize cost and target more top-tier brand names
- m-TFT → Leverage MIPI to establish closer ties with brand names as well as module makers
- OLED → Launch products for mobile display, wireless peripherals, MP4 & notebook PC

- **Other IC Products**

- E-paper display → Aim mobile phones, IC card, price tag & other applications
- MIPI interface ICs → Make early availability for 3G phones
- MM processor → Offer total solutions for short time-to-market
- Large panel → Re-set target customers

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Examples of New Applications

Mobile Display (STN, TFT)



Mobile TV



GPS



DECT Phone

OLED



Bluetooth Earpiece



MP4

New Display



IC Card



Price Tag



Memory Card

Display System



Digital Photo Frame









GPS



Microdisplay for Games

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2007F Outlook

Market	<ul style="list-style-type: none"> • Mobile phone market moderate growth ~10% YoY • 1H07F demand aligns with typical business seasonality • New volume display applications emerge 	
Products	<ul style="list-style-type: none"> • Expanding products portfolio • Developing design-ins outside mobile phone business 	
Customers	<ul style="list-style-type: none"> • Improving relationships with target customers • Mobile + consumer electronics • Taiwan / China + Japan / Korea 	
Price	<ul style="list-style-type: none"> • Display industry ASP decline continues 	
Cost	<ul style="list-style-type: none"> • Balanced wafers supply & room for wafer cost reduction • Cost saving from yield improvement & die-shrink 	
Competition	<ul style="list-style-type: none"> • Continuous keen competition from global & regional players 	



Most favorable



Most unfavorable

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General Views on 1H 2007

- Unit shipment growth year-on-year
 - Challenging
- Sales growth
 - Subject to product mix and ASP uncertainty
- Gross profit margin
 - Still under pressure with market ASP erosion
- Operating expenses
 - Overall under control, keep investing in R&D
- New businesses or customers
 - Continue developing, take time to ramp up

Thank You

Solomon Systech (International) Limited
Stock code: 2878

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