



# **SOLOMON SYSTECH**

## **Interim Results Presentation 2011**

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SYSTECH**

# Summary



# Results summary

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- ▶ Units shipment down 22% to 54 million units
- ▶ Sales decreased by 28% to US\$27.5 million
- ▶ Gross profit decreased by 21% to US\$8.9 million
- ▶ Gross profit margin increased by 3 percentage points to 32.5%
- ▶ Net Loss US\$5.2 million
- ▶ Book to bill ratio @ 30 Jun 2011 was 1.1
- ▶ Basic loss per share 1.6 HK cents
- ▶ The Board resolved not to declare any interim dividend



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# Financial Review



# Profit and loss

<b>(US\$ million)</b>	<b>1H11</b>	<b>1H10</b>	<b>YoY</b>
<b>Sales</b>	<b>27.5</b>	<b>38.0</b>	<b>(28%)</b>
<b>Gross profit</b>	<b>8.9</b>	<b>11.2</b>	<b>(21%)</b>
<b><i>Gross profit margin</i></b>	<b>32.5%</b>	<b>29.5%</b>	<b>3pts.</b>
<b>Net loss</b>	<b>(5.2)</b>	<b>(3.9)</b>	<b>31%</b>
<b><i>Net margin</i></b>	<b>(18.9%)</b>	<b>(10.4%)</b>	
<b>(HK cents)</b>			
<b>Basic Loss per share</b>	<b>1.6</b>	<b>1.2</b>	<b>31%</b>
<b>Dividends per share</b>	<b>Nil</b>	<b>Nil</b>	
<b>Book to Bill ratio</b>	<b>1.1</b>	<b>1.6</b>	

# Financial Remarks

		Key Factors	
Sales	28% 	Unit shipment	22% YoY 
		Blended ASP	8% YoY 
Net loss • US\$5.2m 		Gross profit	\$8.9m 21% down YoY 
		• Gross margin 32.5% ('10: 29.5%)	
		Operating expenses	\$14.2m 1% up YoY 
		• S&D down 9%, Admin expenses down 16% and R&D up 15% YoY	
		Finance income - Net	
		• US\$0.2m Gain ('10: US\$0.7m Loss)	
		Strategic investment loss	
		• US\$0.1m Loss ('10: US\$0.4m Loss)	

# Balance sheet

<b>(US\$ million)</b>	<b>As at 30 Jun 2011</b>	<b>As at 31 Dec 2010</b>	<b>HoH Change</b>
<b>Total assets</b>	<b>142.9</b>	<b>154.2</b>	<b>(7%)</b>
<b>Total borrowings</b>	<b>0.7</b>	<b>0.8</b>	<b>-</b>
<b>Shareholders' funds</b>	<b>129.7</b>	<b>135.0</b>	<b>(4%)</b>
<b>Net cash</b>	<b>82.6</b>	<b>79.6</b>	<b>4%</b>
<b>(HK cents)</b>			
<b>Shareholders' funds per share</b>	<b>41</b>	<b>43</b>	<b>(4%)</b>
<b>Net cash per share</b>	<b>26</b>	<b>25</b>	<b>4%</b>

# Net cash delta analysis Jun 11 vs Dec 10



## ▶ Net Cash @ :

- ▶ US\$ 82.6 m (30 Jun 11) vs \$79.6m (31 Dec 10)

## ▶ Major Cash Outflow

- ▶ Loss & Working Capital Change - US\$ 1.1m
- ▶ Plant, Property & Equipment - US\$ 0.5m
- ▶ Land use rights in BJ - US\$ 1.0m
- ▶ Financial Assets Net Increase - US\$ 0.7m

## ▶ Major Cash Inflow

- ▶ Available-for-sale financial assets + US\$ 5.5 m
- ▶ Interest Received + US\$ 0.6 m



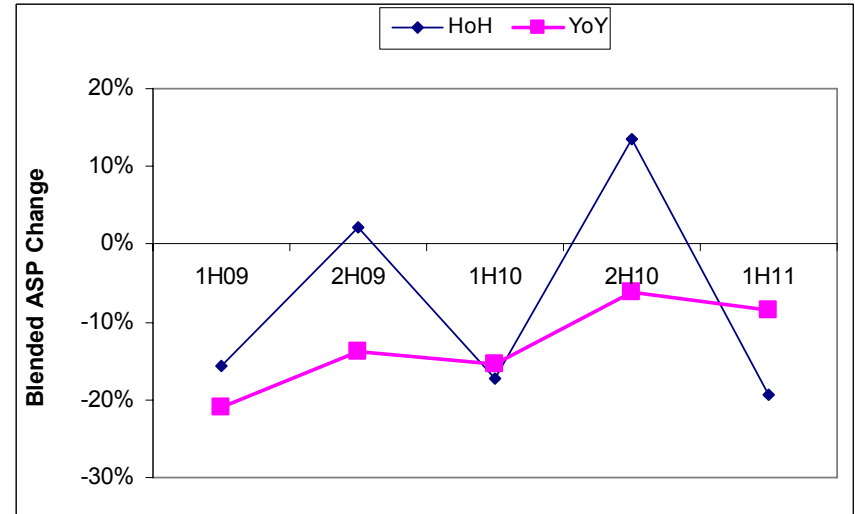
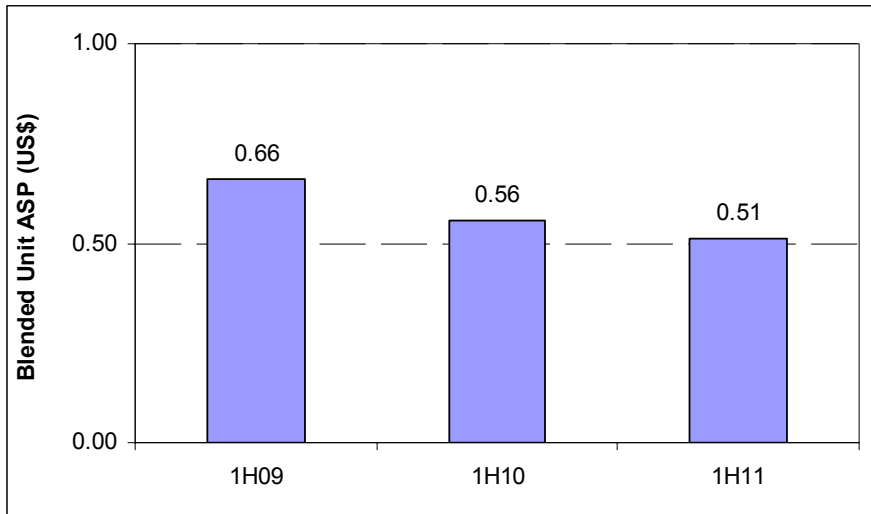
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# Business Review



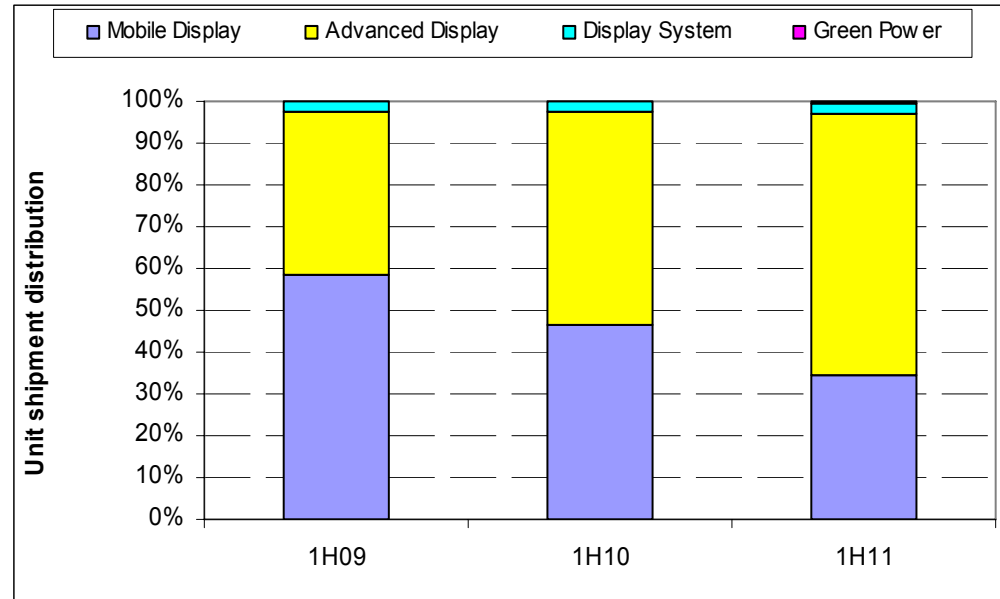
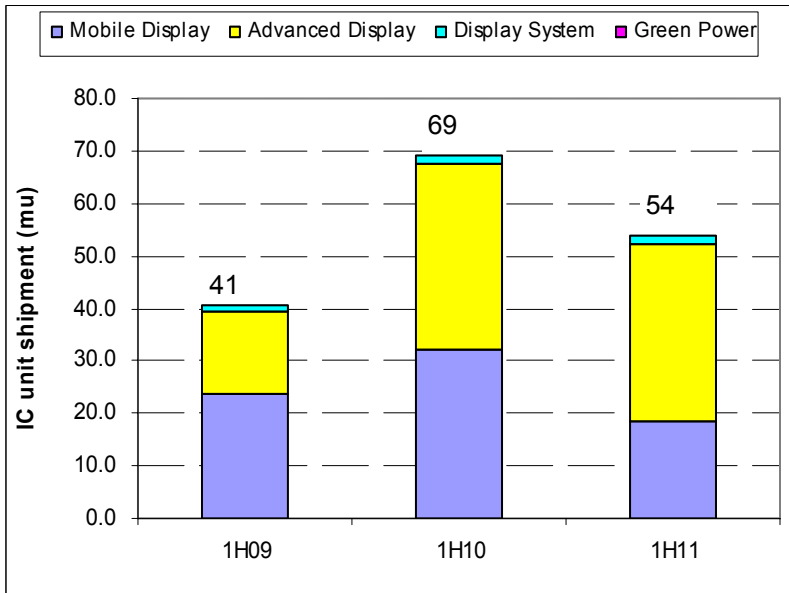
# Blended average selling price

- ▶ 1H11 blended ASP = US\$0.51, down 8% YoY



# Unit shipment by product line

- ▶ Total unit shipment for 1H 2011: 54 million



# Examples of 1H11 design-wins

## New Customers, New Products, New Applications

### Mobile Display



**7" Android  
Tablet**



**3.5" Smartphone  
Phone with HSSI**



**3D Display  
Camera**

### Advanced Display



**Mobile Phone**



**Electronic Shelf  
Label**



**Health Care Product**

### Display System Solution



**Pocket-Projector**



**Mobile Phone**



**Android PMP**



### Green Power



**LED Spotlight**



**LED Backlight**



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# Outlook

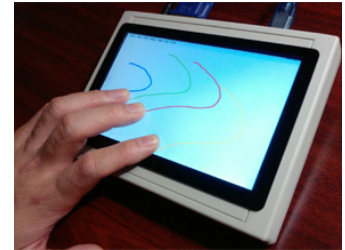


# Business Plan

## ▶ Display IC

### Mobile Display

- ▶ Production ramp-up for multi-touch capacitive panel controllers for smartphone and tablet applications
- ▶ New product line of display interface controller starts shipment in Q3'11 for smartphone applications
- ▶ Launch TFT driver controller IC for 3D camera applications
- ▶ Start In-cell touch driver IC development for mobile applications



Multi-touch Applications



3D Display Camera



3D Mobile Applications

# Business Plan

## ▶ Display IC

### Advanced Display

- ▶ PMOLED: diversify applications to automotive, industrial & healthcare market segments
- ▶ AMOLED: partnership with module makers in China and Taiwan targeting mobile phone applications
- ▶ OLED Lighting: start product design on new driver controller
- ▶ New Display: ramp up ESL business & enrich product portfolio



**Mobile Phone  
Applications**



**Electronic Shelf  
Labels**

### Large Display

- ▶ Work with target customers to qualify new driver ICs for monitor modules
- ▶ Develop new products, expand services and align with manufacturing partners to support growing 6G and 8.5G production lines in China.



**LCD TV**

# Business Plan

## ▶ System Solutions

### Display System Solution

- ▶ Increase sales of system solutions for multimedia products with advanced features, such as HD and 3D
- ▶ Enhance **MagusCore™** solutions with advanced software features for projector applications to increase market coverage
- ▶ Leverage investment in C2 Microsystems Inc. (“C2”) to introduce Android-based Internet TV SoC as a growth engine and also create synergies

Android 3D Projector



### Green Power

- ▶ Launch offline LED drivers for LED lighting market: high efficiency, high power factor and cost-effectiveness
- ▶ Introduce new LED drivers with enhanced dimmer compatibility for LED retrofit lighting market



LED Lighting

# Strategic Investment

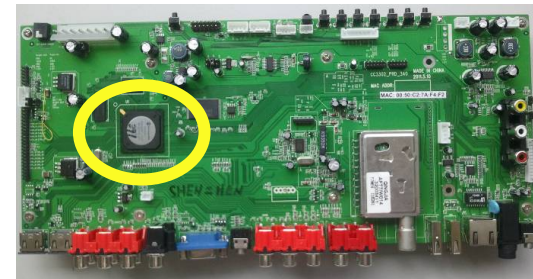
## Invest in Booming Internet TV Market

- ▶ SSIL subscribed approx. 24% of the issued share capital of C2 on 9 Aug 2011 at a consideration of US\$9 million.
- ▶ C2 – USA/China-based fabless semiconductor company focusing on development and sales of SoC for Internet TV.



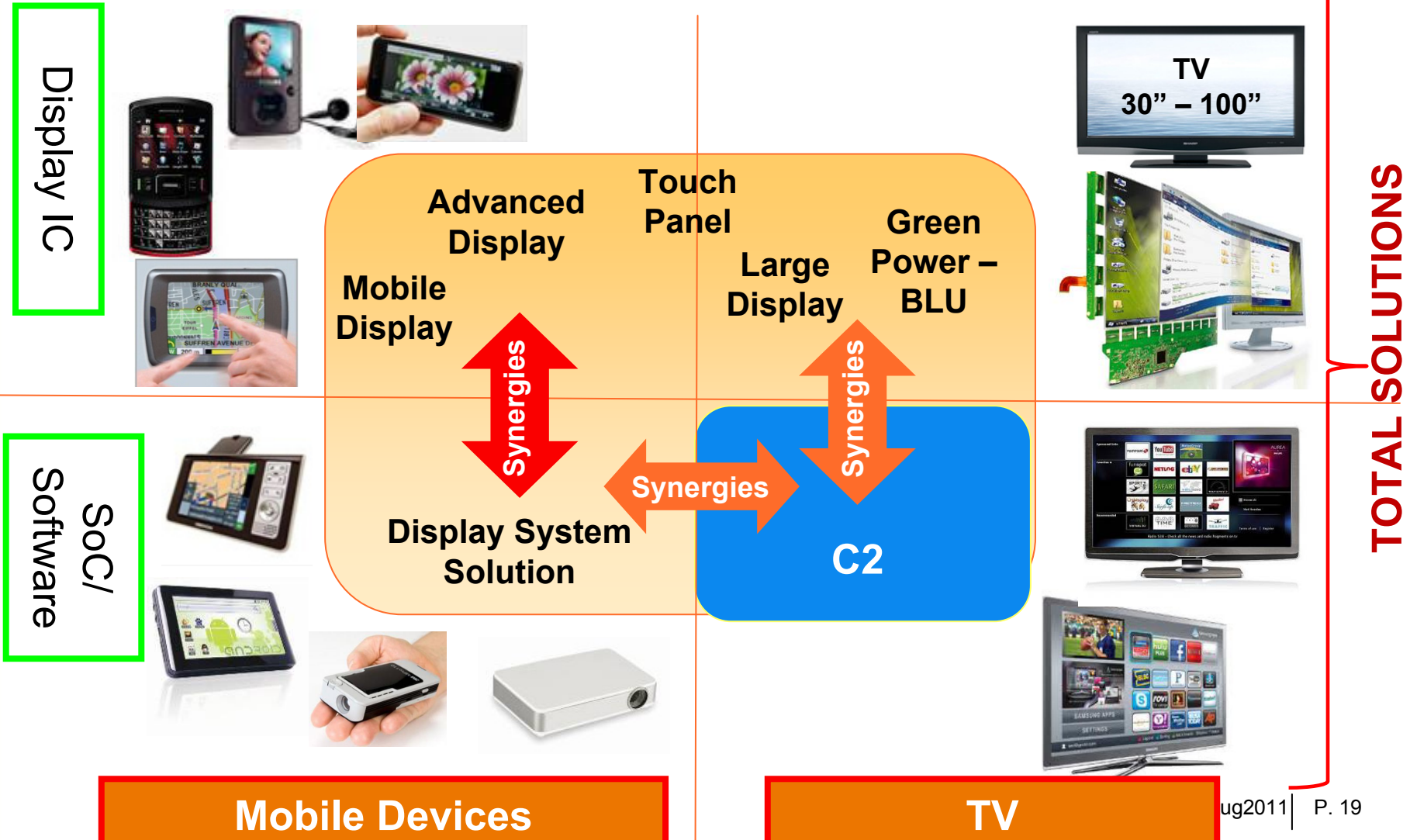
## Reasons for Investment

- ▶ Introduce Internet TV = new product line to tap into the booming Internet TV market
- ▶ Capitalize on the well-established business of our major business development partners in China by providing total solutions for large display/TV
- ▶ Leverage C2's innovative technologies, product readiness and client relationships
- ▶ Leverage two-dimensional synergies created



# Strategic Investment

## Synergies Achieved Through C2 Investment



# Outlook Overview



## ▶ Overall

- ▶ Stable growth: strategic investment and development of new technologies and products.
- ▶ Cautious about global economy: weak US economy, lingering European sovereign debt issues and aftermath of Japan earthquake

## ▶ Gross Profit Margin: Stay in line with industry

## ▶ Operating Expenses: Continue monitoring & invest in focused R&D projects

## ▶ 2H 2011 Focus

- ▶ Capitalize on booming Internet TV market
- ▶ Growth in sales of diversified business – capacitive Touch Panel IC, New Display IC, LED BLU and lighting modules, multimedia SoC and Android-based system solutions
- ▶ Execute China business plan
- ▶ Speed up product and market development for revenue generation

# Thank You



**Solomon Systech (International) Limited**

**Stock code: 2878**

**[www.solomon-systech.com](http://www.solomon-systech.com)**