SOLOMON
SYSTECH

SOLOMON SYSTECH (INTERNATIONAL) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2878)

ANNOUNCEMENT OF 2006 FINAL RESULTS

FINANCIAL HIGHLIGHTS

- Sales amounted to US$254 million
- Net profit was US$22.4 million
- Basic earnings per share was 0.91 US cents (7.1 HK cents)
- The Board proposed a final dividend per share of 4 HK cents (0.51 US cents)
- Total dividends per share for the year totaled 6 HK cents (0.77 US cents)

FINAL RESULTS

The directors (the "Directors") of Solomon Systech (International) Limited (the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2006 together with the comparative figures for the corresponding year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006

	Notes	**2006** *US$'000*	2005 *US$'000*
Sales	2	**254,092**	394,089
Cost of sales		**(194,823)**	(274,538)
Gross profit		**59,269**	119,551
Other gain - net		**787**	—
Research and development costs		**(17,373)**	(17,523)
Selling and distribution expenses		**(4,128)**	(2,255)
Administrative expenses		**(14,322)**	(11,789)
Other operating expenses		**(1,265)**	(235)
Operating profit		**22,968**	87,749
Interest income		**6,290**	4,485
Finance costs		**(1)**	(2)
Share of results of associated companies		**(662)**	(216)
Profit before taxation		**28,595**	92,016
Taxation	4	**(6,177)**	(15,762)
Profit attributable to shareholders		**22,418**	76,254
Dividends	5	**19,336**	61,452
Earnings per share (expressed in US cents per share)	6		
Basic		**0.91**	3.12
Diluted		**0.90**	3.08

CONSOLIDATED BALANCE SHEET
As at 31 December 2006

	Notes	**2006** **US$'000**	2005 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**13,785**	11,077
Investments in associated companies		**3,185**	903
Available-for-sale financial assets		**2,535**	—
Fixed bank deposits		**2,000**	5,000
		21,505	16,980
Current assets			
Inventories		**18,253**	36,212
Trade and other receivables	7	**61,688**	59,219
Other financial assets		**1,000**	1,250
Pledged bank deposits		**130**	130
Short-term fixed deposits		**8,083**	37,000
Cash and cash equivalents		**110,422**	119,479
		199,576	253,290
Total assets		**221,081**	270,270
EQUITY			
Capital and reserves			
Share capital		**32,251**	32,360
Own shares held		**(491)**	(605)
Reserves			
Proposed final dividend		**12,869**	48,540
Others		**135,254**	126,718
		179,883	207,013

	Notes	2006	2005
		US$'000	*US$'000*
LIABILITIES			
Non-current liabilities			
Obligations under finance leases		**19**	29
Deferred tax liabilities		**827**	574
		846	603
Current liabilities			
Trade and other payables	8	**38,527**	56,357
Tax payables		**1,815**	6,287
Obligations under finance leases		**10**	10
		40,352	62,654
Total liabilities		**41,198**	63,257
Total equity and liabilities		**221,081**	270,270
Net current assets		**159,224**	190,636
Total assets less current liabilities		**180,729**	207,616

NOTES

1. **Basis of preparation**

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

In 2006, the Group adopted the following new amendments and interpretations of HKFRS and Hong Kong Accounting Standards ("HKAS"), which are relevant to its operations:

- HKAS 19 (Amendment) — Actuarial Gains and Losses, Group Plans and Disclosures
- HKAS 21 (Amendment) — New Investment in a Foreign Operation
- HKAS 39 (Amendment) — Cash Flow Hedge Accounting of Forecast Intragroup Transactions
- HKAS 39 (Amendment) — The Fair Value Option
- HKAS 39 (Amendment) and HKFRS 4 (Amendment) — Financial Instruments: Recognition and Measuresment
- HKFRS — Int 4, Determining whether an Arrangement contains a Lease

The adoption of new/revised HKAS 19 (Amendment), 21 (Amendment), 39(Amendment), HKFRS 4 (Amendment) and HKFRS-Int 4 does not result in substantial changes to the accounting policies of the Group.

Certain new standards, amendments to standards and interpretations relevant to the Group's operation that have been issued but are not yet effective for 2006 and have not been early adopted by the Group, are as follows:

- HKAS 1 (Amendment) — Presentation of Financial Statement — Capital Disclosures
- HKFRS 7 — Financial Instruments: Disclosures
- HKFRS 8 — Operating Segments
- HK(IFRIC) — Int 7 — Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economics
- HK(IFRIC) — Int 8 — Scope of HKFRS 2
- HK(IFRIC) — Int 9 — Reassessment of Embedded Derivatives
- HK(IFRIC) — Int 10 — Interim Financial Reporting and Impairment
- HK(IFRIC) — Int 11 — HKFRS 2 — Group and Treasury Share Transactions
- HK(IFRIC) — Int 12 — Service Concession Arrangements

The new/revised HKAS 1 (Amendment), HKFRS 7 and 8, HK(IFRIC) — Int 7, 8, 9, 10, 11 and 12 will not result in substantial changes to the accounting policies of the Group.

2. **Sales and segment information**

(a) ***Primary reporting format — business segment***

During the year, the Group is principally engaged in the research, design, development and sales of proprietary integrated circuits ("IC").

The Group has been operating in one single business segment, i.e. the research, design, development and sales of ICs. Sales amounted to US$254,092,000 and US$394,089,000 for the years ended 31 December 2006 and 2005 respectively.

(b) ***Secondary reporting format — geographical segments***

The Group mainly operates in Hong Kong SAR ("Hong Kong"). The Group mainly sells to customers located in Hong Kong, Taiwan and Japan.

(i) *Sales*

	2006	2005
	US$'000	*US$'000*
Hong Kong	**182,004**	125,195
Taiwan	**24,820**	158,324
Japan	**21,759**	85,887
Mainland China ("China")	**10,847**	511
Singapore	**6,814**	1,046
Korea	**5,832**	21,467
United States of America ("U.S.A.")	**609**	94
Others	**1,407**	1,565
	254,092	394,089

(ii) *Total assets*

	2006	2005
	US$'000	*US$'000*
Hong Kong	**191,613**	230,519
Taiwan	**18,434**	32,723
Others	**11,034**	7,028
	221,081	270,270

(iii) *Capital expenditures*

	Property, plant and equipment		Investments in associated companies		Investments in available-for-sale financial assets	
	2006	2005	**2006**	2005	**2006**	2005
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Hong Kong	**4,162**	5,378	**2,944**	—	**—**	—
China	**3,205**	267	**—**	—	**2,346**	—
Taiwan	**736**	341	**—**	—	**1,556**	—
Others	**772**	219	**—**	—	**—**	—
	8,875	6,205	**2,944**	—	**3,902**	—

3 **Expenses by nature**

Expenses included in cost of sales, research and development costs, selling and distribution expenses, administrative expenses and other operating expenses are analysed as follows:

	2006	2005
	US$'000	*US$'000*
Loss on disposal of property, plant and equipment	**85**	12
Auditor's remuneration	**138**	123
Depreciation of owned property, plant and equipment	**6,053**	4,660
Depreciation of leased property, plant and equipment	**17**	9
Operating leases for land and buildings	**794**	778
Employee benefit expenses (excluding Directors' emoluments)	**18,399**	16,412
Directors' emoluments	**2,991**	2,608
Net exchange (gain)/loss	**(145)**	127
Provision for impairment loss of available-for-sale financial assets	**1,367**	—
Provision/(Write-back of provision) for impairment of receivables	**28**	(1,782)
Provision/(Write-back of provision) for obsolete or slow moving inventories	**2,268**	(65)

4 **Taxation**

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2006	2005
	US$'000	*US$'000*
Current taxation:		
Hong Kong profits tax	**5,654**	15,869
Overseas profits tax paid/(refunded)	**52**	(17)
Under/(over) provision in prior years	**218**	(635)
Deferred taxation	**253**	545
	6,177	15,762

5 **Dividends**

		2006	2005
		US$'000	*US$'000*
(a)	Final dividend attributed to the year:		
	2006 final dividend, proposed, of HK$0.04 (approximately 0.51 US cents) per ordinary share	**12,869**	—
	2005 final dividend, paid, of HK$0.15 (approximately 1.93 US cents) per ordinary share	**—**	48,540
	Less: Company's share of dividends paid on the shares held by a special purpose entity of the Group	**—**	(658)
		12,869	47,882
(b)	Interim dividend declared and paid by the Company during the year:		
	2006 interim, paid, of HK$0.02 (approximately 0.26 US cents) per ordinary share	**6,467**	—
	2005 interim, paid, of HK$0.04 (approximately 0.51 US cents) per ordinary share	**—**	12,912
	Less: Company's share of dividends paid on the shares held by a special purpose entity of the Group	**(94)**	(242)
		6,373	12,670
	Dividend attributed to the year	**19,336**	61,452

6 **Earnings per share**

The calculation of basic and diluted earnings per share is based on the Group's profit attributable to shareholders of US$22,418,000 (2005: US$76,254,000).

The basic earnings per share is based on the weighted average of 2,467,035,647 (2005: 2,445,135,773) ordinary shares in issue excluding own shares held during the year.

Diluted earnings per share information is based on 2,491,931,274 (2005: 2,473,217,108) ordinary shares which is the adjusted weighted average number of ordinary shares outstanding assuming conversion of all share options outstanding but excluding unallocated own shares held during the year. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares as calculated is compared with the number of shares that would have been issued assuming the exercise of the share options.

7 Trade and other receivables

	2006	2005
	US$'000	*US$'000*
Trade and bills receivables	**57,707**	56,146
Less: provision for impairment of receivables	**(61)**	(33)
Trade and bills receivables — net	**57,646**	56,113
Prepayments and other receivables	**4,042**	3,106
	61,688	59,219

The Group's sales to corporate customers are mainly entered into on credit terms of 30 days. The ageing analysis of trade and bills receivables is as follows:

	2006	2005
	US$'000	*US$'000*
0 - 30 days	**41,633**	53,997
31 - 60 days	**12,445**	1,843
61 - 90 days	**2,980**	273
91 - 120 days	**488**	—
121 -365 days	**100**	—
	57,646	56,113

8 Trade and other payables

	2006	2005
	US$'000	*US$'000*
Trade payables	**28,672**	43,408
Accrued expenses	**9,855**	12,949
	38,527	56,357

At 31 December 2006, the ageing analysis of trade payables is as follows:

	2006	2005
	US$'000	*US$'000*
0 - 30 days	**28,442**	42,650
31 - 60 days	**50**	728
61 - 90 days	**180**	30
	28,672	43,408

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

2006 was a challenging year for the Group having to manage industry and company specific issues. Nevertheless, with shrewd foresight, the Group was able to devise and implement proactive measures which allowed it to exit the year on a stronger foundation. Apart from stronger customer ties and better product offerings, it has expanded business coverage to beyond mobile phones. The Group has also enhanced its infrastructure including its information technology system and organization structure so as to support its increasingly spread out and diverse business needs. The Group as a flexible fabless designer sees business cycles offering it opportunities to improve.

To realize the maximum value of its key asset — its human resources, the Group improved its infrastructure during the year. In 2006, the Group adopted Oracle's Enterprise Resource Planning (ERP) System to help meet its operational needs. Apart from ensuring smooth operation, the ERP system also provides detailed operational analysis that can facilitate fast and accurate decisions by the management. The Group also realigned human resources to maximize internal efficiency and capability.

The Group continued to focus on IP generation and introducing new products, which it sees as critical initiatives to support its current and future successes. The Group's design team rose to the challenge and achieved a record high of 181 design-wins in 2006, up 25% year-on-year.

Financial Review

Sales and profit

The Group's sales were US$254 million (2005: US$394 million). The decline was mainly due to (1) average selling price erosion of 26%, (2) severe demand slowdown in 3Q 2006 and (3) the new business of m-TFT not taking off as quickly as the Group had expected. Gross profit at US$59 million was 50% lower year-on-year as a result of the lower unit shipment and average selling price. The Group's effort to lower manufacturing cost had limited the decline of gross profit margin. The gross profit margin for the year was 23.3% (2005: 30.3%).

The Group employed more resources to conduct business and product development, leading to moderate increase in SG&A and R&D expenses. For other operating expenses, the Group took a provision of US$1.4 million for impairment loss of investment because an invested entity planned to cease operation in 2007. With the higher expenses and lower gross profit, the Group's net profit for the year was US$22.4 million (2005: US$76.3 million).

Liquidity and financial resources

Net cash flow from operations during the year was US$25 million. Net cash of the Group amounted to US$122 million at year-end, compared to US$163 million as at 31 December 2005. The change in cash position was mainly a result of (1) dividends payments of US$55 million, (2) fixed assets purchase of US$9 million, and (3) corporate strategic investment of US$7 million. The Group conducted share buybacks that consumed US$1.5 million, resulting in the cancellation of 8.5 million shares. Regarding the cash reserves, the Group will continue to invest in product development, to secure production capacity, and to invest in corporate venture while keeping a healthy level of cash to meet general corporate purposes. As at 31 December 2006, the Group had no borrowings and its cash balance was mainly deposited in interest-bearing accounts.

All of the Group's account receivables and most of its payables are quoted in US dollars. The Group closely monitors foreign exchange rates, and seeks to obtain favorable exchange rates for conversion of US dollars into other currencies for the payment of local operating expenses. During the review period, the Group did not use any derivative instruments to hedge its foreign currency exposure as it considered the exposure to be insignificant.

In light of the Group's net profit and relatively rich cash position, the Board of the Company proposed a final dividend of 4 HK cents per share to shareholders whose names appear on the Register of Members of the Company on 3 May 2007. In summary, the full year dividends per share of 6 HK cents represent a payout ratio of approximately 86%, or a yield of 2.5% based on the average daily closing price of HK$2.38 for 2006.

Capital expenditure and contingent liabilities

In 2006, the Group spent a total of US$16 million in capital expenditure, of which US$9 million belonged to fixed asset purchase and US$7 million belonged to strategic investment. Fixed asset purchase was primarily consisted of spending on computer hardware and software, intellectual property ("IP") licenses, research and development tools, critical packaging and testing equipment. Currently, all research and development tools are located in the Group's offices while all production equipment is consigned to sub-contractors or located in the manufacturing subsidiary in Dongguan. As at 31 December 2006, the Group had no material capital commitments and contingent liabilities.

Business Review

Products shipment

For 2006, the book to bill ratio stood at 1.0 (2005: 0.93). In total, the Group shipped 229.7 million units of display IC. The unusually weak demand in 3Q 2006 caused the annual unit shipment to decline by 13% year-on-year. After achieving a strong start in 1H06 with unit shipment growth of 16% year-on-year, the Group experienced a severe demand slowdown in 3Q 2006 and shipment plunged to the lowest level for the year. Demand picked up again in 4Q 2006 and shipment amount bounced back to the second highest quarterly unit shipment in the Group's history. The blended average selling price (ASP) of the Group's products was US$1.11, down from US$1.50 for 2005. The decrease was mainly due to the pricing pressure exerted at the end-customer level.

LCD (STN, TFT) remained the most popular and dominant display technology found in mobile devices. Therefore, a vast majority of the Group's shipments still fall under the LCD category while transition from STN to TFT is underway. m-TFT had a severe sequential decline caused by customers' product transition as well as slower than expected ramp in new designs. On the OLED front, several panel makers announced their withdrawal from this area of business in 2006, and that affected the overall market demand for OLED driver IC and in turn the size of shipments made by the Group. Bistable display IC achieved strong growth with over 10 million units shipped in 2006, reflecting the successful adoption of E-paper technology in mobile phones and watches. Meanwhile, Large Display of Display Panel and Display System shipped a small amount of ICs in 2006.

New products and customers

The Group added 26 new products in 2006 for customer design-in and volume production, similar to 2005's total of 27. 16 of the 26 new products were mobile phone related ICs, including 9 belonging to the m-TFT. As part of its efforts to expand sales beyond mobile phones, the Group introduced a new bistable display IC for electronic signs, digital timepieces and smart cards. Regarding products under Display System, four new image processors were released for applications such as car AVs, digital photo frames, electronic dictionaries, MP4 players, Global Positioning Systems (GPS) and industrial products. Moreover, the Group introduced a world first MIPI master bridge chip that contained an interface in compliance with MIPI specifications. It should find applications in portable devices that require high video quality such as mobile TV and game consoles.

To win new business from existing or potential customers, the Group believes that apart from competitive pricing, its capability to offer field application support and reliable solutions are equally important. In 2006, the Group directed more resources in providing customers with more timely services and support.

In the Display Panel segment, the Group currently serves most of the major display module makers in the world. It is the Group's objective to focus on approaching ODM (original design manufacturer) and IDH (independent design house) directly so as to tighten connection with essential constituents in the value-chain. The Group plans to develop more business with Korean and Japanese customers, which will give it the leverage to ultimately forge relationship with more top-tier mobile phone brand names.

In the Display System segment, the Group provides customers with "total display IC solutions" for high volume specific applications. With an enlarged product offering, the Group is able to reinforce its business ties with existing customers and build relationship with new end-product manufacturers.

Research and development

Research and development capability is one of the Group's core competences. The Group's management team regularly keeps track of the Group's research output and its customers' new requirements in connection with product features or specifications.

During the year, the Group spent roughly US$17 million on research and development. As at 31 December 2006, the Group had a research and development workforce of more than 210. The expanded R&D headcount mirrored the Group's determination to expand its business, capture more business opportunities and stay ahead in the competition by developing and offering innovative products for tomorrow's applications.

Human Resources

As at 31 December 2006, the Group had 394 employees, 23% more than the previous year. Approximately 59% of the employees was based in its Hong Kong head office. In 2006, the Group recruited three senior management members for its operation and corporate development departments.

As a technology company, the Group highly values its human resources. To reward good performance and retain talents, the Group offers competitive remuneration to employees and provides employees with relevant trainings, career development programs, job satisfaction and a first-rate working environment in the hope that they will enjoy working for the Group and contribute their efforts to the Group's success.

Prospects

Following the 2005 initiative to establish two distinct business units, namely Display Panel and Display System, the Group has made progress and is better positioned to grow its business through product diversification.

Display Panel

Mobile display

Mobile phone will remain to be the dominant application for mobile display driver ICs. m-TFT had surpassed color STN to become the top display technology in 2006. m-TFT, color STN and monochrome STN will continue to be the major display technologies in 2007. OLED and bistable display technologies will continue to improve and accordingly gain greater market acceptance. The different technologies are in different phases of growth because of their uniqueness in display characteristics. Generally speaking, the mobile phone market will continue to migrate towards incorporating displays that are larger (e.g. from 1.0-in to 3.2-in) and can support more colors (e.g. from monochrome to 1,600k colors), higher resolution (e.g. from QCIF to VGA) and more demanding multimedia features (e.g. 3Mp embedded camera, mobile TV).

Although market researchers forecast mobile phone's unit growth to taper towards 10% (2007) from around 25% (2006), the Group expects its unit shipment to grow at a rate above the industry average in 2007 now that it has a complete set of display solutions fitting requirements of all segments. With mature presence in the monochrome and color STN segment, the Group sees potential growth primarily for its m-TFT and bistable display business. Seeing flat to low unit growth rate for STN products, the Group intends to strive for market share gain by introducing more cost competitive products.

To boost its relatively low share in the m-TFT market, the Group will devote more efforts into improving customer relationships, developing product leadership and extending into other volume applications. The Group is making progress in improving relationships with mobile phone brand names and IDH as well as module makers who are gaining influence in m-TFT supply chain management. The Group will continue to improve the competitiveness of its m-TFT products with die shrinkage and through enhancing their functions and integrating different features. Driven by the launch of Microsoft's Vista, the Group has recently extended m-TFT to cover Sideshow applications in notebook computers.

The Group will continue to develop OLED applications. Initial volume drivers, namely mobile phone (especially sub-display) and MP3 player, will require new OLEDs. Portable video player (e.g. MP4) and notebook sub-display are examples of new drivers and other potential applications of new OLEDs include Bluetooth headset, timepiece, radar detector, GPS, and industrial applications. Although several panel makers who saw uncertainties in the future of OLED exited from the market, the Group intends to extend its leadership into active matrix OLED (AMOLED) which commercial use is expected to begin in 2007.

Large display

In spite of lacking a new anchor customer after Quanta Display Inc.'s merger with AU Optronics, the Group continues to see potential reward from persistently developing its large display driver IC business with an estimated market value of more than US$3 billion a year. The Group is working with a few large TFT LCD panel makers in Japan and the Greater China region on new design-ins. To improve customer service, timing controller products are relocated from Display System to Large Display to facilitate bundling into total solutions. In the short run, progress will possibly be affected by low likelihood of imminent shortage in driver IC due to panel demand seasonality and slower than planned capacity ramp as panel makers encounter challenging times to stay profitable.

New display

The Group expects bistable display IC business to emerge as an important future growth driver. While mobile phone will be the major application in 2007, the bistable IC business is expected to grow faster than the Group's average growth as more applications adopt E-paper display. The Group is developing opportunities in high volume applications besides mobile phones and watches, namely flash memory cards (e.g. SD cards), electronic signs (e.g. remotely controlled price tags) and IC cards (e.g. smartcards) which did not have display incorporated previously.

The Group continues its collaboration with Kopin to promote the application of microdisplay technology in video-on-the-go eyewear systems. The Group's microdisplay IC can be applied in high definition movies, stereo 3D games entertainment as well as viewfinders of high-end digital cameras. As the pricing of microdisplay module with VGA resolution has lowered to a level affordable for the mass market, the Group is well positioned to reap financial benefits from sales of the product. Overall, the Group believes the demand for new display applications will surge, thus it will keep researching and expanding this business to make sure it stays ahead in the competition.

Display System

This business unit focuses on developing total solutions that complement display panel IC or enrich the image, graphics or functionality of a display. It covers three product families, namely high-speed interface IC, controller and multimedia processor. High-speed interface ICs, for example, the MIPI, MDDI and LVDS, deal with connectivity in a mobile phone, TV or other portable consumer products. Regarding controller, the Group launched image processor for portable products. In the area of multimedia processor, the Group will develop total solutions for high volume applications with strategic alliances.

The Group expects Display System to contribute higher sales in 2007 with its higher level of product readiness. Leveraging its early leadership in MIPI, the business unit will develop more products including IP to grow with increasing demand for mobile TV and VGA features. The Group will promote reference designs using its multimedia processor to accelerate customer's time-to-market of their products. By offering "total display IC solutions" to customers, the Group's Display System business can help to fortify the Group's relationship with key customers. In the long run, the Group believes this business will see strong sales growth and a more balanced business mix.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SHARES

During the year, a total of 8,500,000 shares of HK$ 0.10 each of the Company were repurchased by the Company at prices ranging from HK$1.19 to HK$1.70 per share through The Stock Exchange of Hong Kong Limited ("the Stock Exchange"). Except for this repurchase of the Company's own ordinary shares, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the year. Shares were repurchased during the year to enhance the net asset value.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERANCE PRACTICES AND MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUER

The Company has complied with all applicable code provisions as set out in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules during the year ended 31 December 2006.

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 Appendix 10 of the Listing Rules. Specific enquiry has been made to all Directors and all of them were in compliance with such guidelines during the year ended 31 December 2006.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The audit committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2006. The figures in respect of the preliminary announcement of the Group's results for the year have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year 2006. 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 Engagement 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 directors proposed a final dividend of 4 HK cents per share to shareholders whose names appear on the Register of Shareholders of the Company on 3 May 2007. The final dividend will be paid on 10 May 2007.

CLOSURE OF REGISTERS OF SHAREHOLDERS

The Register of Shareholders of the Company will be closed from Friday, 27 April 2007 to Thursday, 3 May 2007 (both days inclusive), during which no transfer of shares can be registered. In order to qualify for the final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar in Hong Kong, Tricor Investor Services Limited, 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 26 April 2007.

PUBLICATION OF FINAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the financial and other related information of the Company required by the Listing Rules of the Stock Exchange will be published on the Stock Exchange's website at www.hkex.com.hk and the Group's website www.solomon-systech.com.

On behalf of the Board
Solomon Systech (International) Limited
LEUNG Kwong Wai
Managing Director

Hong Kong, 26 March 2007

As at the date of this announcement, the Board comprises (a) Executive Directors — Mr. Leung Kwong Wai (Managing Director), Mr. Huang Hsing Hua, Mr. Lai Woon Ching, Mr. Lam Shun Fu, Percy and Mr. Lo Wai Ming; (b) Non-Executive Directors — Dr. Lam Pak Lee and Mr. Chang Ching Yi, Steven and (c) Independent Non-Executive Directors — Mr. Sun, Patrick (Chairman), Mr. Choy Kwok Hung, Patrick, Professor Kao Kuen, Charles and Mr. Wong Yuet Leung, Frankie.

Please also refer to the published version of this announcement in South China Morning Post.