



SOLOMON SYSTECH (INTERNATIONAL) LIMITED
(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2878)

2008 INTERIM RESULTS ANNOUNCEMENT

HIGHLIGHTS

- Sales amounted to US\$51 million
- Net loss attributable to equity holders of the Company was US\$6.0 million
- Basic loss per share was 0.25 US cent (1.95 HK cents)
- Book to bill ratio for the period ended 30 June 2008 was 0.90

INTERIM RESULTS

The directors (the “Directors”) of Solomon Systech (International) Limited (the “Company”) are pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2008 together with the comparative figures for the corresponding period as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2008

		Unaudited	
		Six months ended 30 June	
	Notes	2008	2007
		US\$'000	US\$'000
Sales	4	50,774	103,420
Cost of sales		(39,761)	(78,461)
Gross profit		11,013	24,959
Other income		306	650
Other gain / (loss) - net		(1,360)	-
Research and development costs		(8,509)	(9,210)
Selling and distribution expenses		(1,790)	(1,550)
Administrative expenses		(6,957)	(6,964)
Other operating expenses	5(b)	(1,094)	(16)
Operating (loss) / profit		(8,391)	7,869
Interest income		2,565	3,979
Finance costs		(1)	(1)
Share of results of associated companies		(173)	(159)
(Loss) / profit before taxation		(6,000)	11,688
Taxation	6	38	(1,879)
(Loss) / profit for the period		(5,962)	9,809
Attributable to:			
Equity holders of the Company		(5,957)	9,809
Minority interest		(5)	-
		(5,962)	9,809
Dividends	7	-	3,184
(Loss) / earnings per share for (loss) / profit attributable to the equity holders of the Company (expressed in US cents per share)	8		
Basic		(0.25)	0.40
Diluted		(0.24)	0.39

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2008

	<i>Notes</i>	Unaudited 30 June 2008 US\$'000	Audited 31 December 2007 US\$'000
ASSETS			
Non-current assets			
Goodwill		931	931
Property, plant and equipment		8,714	8,885
Investments in associated companies		2,715	2,031
Available-for-sale financial assets		3,610	4,686
		<u>15,970</u>	<u>16,533</u>
Current assets			
Inventories		12,172	15,291
Trade and other receivables	9	18,597	29,365
Financial assets at fair value through profit or loss		15,988	3,234
Other financial assets		8,410	3,749
Pledged bank deposits		130	130
Short-term fixed bank deposits		61,912	10,000
Cash and cash equivalents		55,998	124,069
		<u>173,207</u>	<u>185,838</u>
Total assets		<u><u>189,177</u></u>	<u><u>202,371</u></u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		31,516	31,516
Reserves			
Proposed dividend		-	6,256
Own shares held		(1,477)	(963)
Others		130,344	135,082
		<u>160,383</u>	<u>171,891</u>
Minority interest		<u>214</u>	<u>219</u>
		<u><u>160,597</u></u>	<u><u>172,110</u></u>

	<i>Notes</i>	Unaudited 30 June 2008 US\$'000	Audited 31 December 2007 US\$'000
LIABILITIES			
Non-current liabilities			
Obligations under finance leases		5	9
Other payables – non-current		265	-
Deferred tax liabilities		181	221
		<u>451</u>	<u>230</u>
Current liabilities			
Trade and other payables	10	25,413	26,554
Tax payables		2,605	3,343
Derivative financial instruments		101	124
Obligations under finance leases		10	10
		<u>28,129</u>	<u>30,031</u>
Total liabilities		<u>28,580</u>	<u>30,261</u>
Total equity and liabilities		<u>189,177</u>	<u>202,371</u>
Net current assets		<u>145,078</u>	<u>155,807</u>
Total assets less current liabilities		<u>161,048</u>	<u>172,340</u>

Notes to the Condensed Consolidated Interim Financial Statements

1. General information

Solomon Systech (International) Limited (the “Company”) and its subsidiaries (together the “Group”) are fabless semiconductor companies specializing in the design, development and sales of proprietary integrated circuits (“IC”) and system solutions that enable a wide range of display applications for mobile phones, portable devices, LCD TVs and other innovative consumer electronic products.

2. Basis of preparation

These unaudited interim financial statements of the Group for the half year ended 30 June 2008 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

These interim financial statements of the Group should be read in conjunction with the Company’s 2007 annual report.

3. Accounting policies

The accounting policies adopted are consistent with those of the annual consolidated financial statements for the year ended 31 December 2007.

In 2008, the Group has applied the following new standards, amendments and interpretations (“new HKFRS”) issued by the HKICPA, which are effective for the Group’s financial year beginning on or after 1 January 2008:

- HK (IFRIC) – Int 11 HKFRS 2: Group and Treasury Share Transactions
- HK (IFRIC) – Int 12 Service Concession Arrangements
- HK (IFRIC) – Int 14 HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs did not result in substantial changes to the accounting policies of the Group and had no material effect on how the results and financial position for the current or prior accounting years have been prepared and presented.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but not yet effective:

- HKAS 1 (Revised) Presentation of Financial Statements
- HKFRS 8 Operating Segments
- HKAS 23 (Revised) Borrowing Costs
- HKFRS 2 (Amendment) Share-based Payment - Vesting Conditions and Cancellations
- HKAS 32 (Amendment) Puttable Financial Instruments and Obligations Arising on Liquidation
- HK (IFRIC) – Int 13 Customer Loyalty Programmes
- HKFRS 3 (Revised) Business Combinations
- HKAS 27 (Revised) Consolidated and Separate Financial Statements

The Directors of the Company anticipate that the application of these standards, amendments or interpretations will not result in substantial changes to the accounting policies of the Group and will have no material impact on the results and financial position of the Group.

4. Segment information

(a) Primary reporting format – business segment

During the period, the Group is principally engaged in the design, development and sales of proprietary IC and system solutions that enable a wide range of display applications for mobile phones, portable devices, LCD TVs and other innovative consumer electronic products.

The Group has been operating in one single business segment, i.e. the design, development and sales of ICs and system solutions. Sales amounted to US\$50,774,000 and US\$103,420,000 for the periods ended 30 June 2008 and 2007 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, Mainland China (“China”) and Japan.

	Unaudited	
	Six months ended 30 June	
	2008	2007
	US\$'000	US\$'000
Hong Kong	34,370	76,263
Taiwan	6,525	13,151
China	3,581	1,849
Japan	2,670	3,622
South East Asia	1,888	5,998
Korea	516	679
United States of America (“USA”)	259	99
Others	965	1,759
	<u>50,774</u>	<u>103,420</u>

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

5. Expenses by nature

(a) Expenses included in cost of sales, research and development costs, selling and distribution expenses, and administrative expenses are analyzed as follows:

	Unaudited	
	Six months ended 30 June	
	2008	2007
	US\$'000	US\$'000
Depreciation of owned property, plant and equipment	2,792	3,124
Depreciation of leased property, plant and equipment	7	7
Operating leases for land and buildings	642	521
Director and employee expenses		
- Equity compensation	1,139	2,538
- Non-equity compensation	9,631	7,908
Net exchange gain	(161)	(89)
Provision for impairment of receivables	7	3
Provision / (write-back of provision) for obsolete or slow moving inventories	2	(149)
Scrap of inventories	1,324	1,046
	<u>1,324</u>	<u>1,046</u>

(b) Expenses included in other operating expenses are analyzed as follows:

	Unaudited Six months ended 30 June	
	2008	2007
	US\$'000	US\$'000
Provision for impairment loss of an available-for-sale financial asset	<u>1,076</u>	<u>-</u>

6. Taxation

No provision for Hong Kong current profits tax has been made as the Group has no assessable profits for the period. Hong Kong profits tax has been provided at the rate of 17.5% in 2007 on the estimated assessable profits for the period ended 30 June 2007. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Unaudited Six months ended 30 June	
	2008	2007
	US\$'000	US\$'000
Current taxation:		
- Hong Kong profits tax	-	2,261
- Overseas profits tax	(3)	1
Under provision in prior year	5	-
Deferred taxation	<u>(40)</u>	<u>(383)</u>
Taxation	<u>(38)</u>	<u>1,879</u>

7. Dividends

	Unaudited Six months ended 30 June	
	2008	2007
	US\$'000	US\$'000
(a) Dividend attributable to the previous year, approved and paid during the period:		
2007 final dividend, paid, of HK\$0.02 (approximately 0.26 US cent) per ordinary share ⁽ⁱ⁾	6,286	-
2006 final dividend, paid, of HK\$0.04 (approximately 0.51 US cent) per ordinary share	-	12,802
	<u>6,286</u>	<u>12,802</u>
(b) Dividend attributable to the period:		
2007 interim dividend, paid, of HK\$0.01 (approximately 0.13 US cent) per ordinary share	-	3,182
	<u>-</u>	<u>3,182</u>

Notes:

- (i) At a meeting held on 27 March 2008, the Directors proposed a final dividend of HK\$0.02 (approximately 0.26 US cent) per ordinary share. The final dividend was paid on 22 May 2008.

8. (Loss) / earnings per share

The calculation of basic and diluted (loss) / earnings per share is based on the Group's loss attributable to equity holders of the Company of US\$5,957,000 (2007 profit: US\$9,809,000).

The basic (loss) / earnings per share is based on the weighted average of 2,412,217,765 (2007: 2,461,715,063) ordinary shares in issue excluding own shares held during the period.

Diluted (loss) / earnings per share information is based on 2,432,154,507 (2007: 2,485,384,312) ordinary shares which is the adjusted weighted average number of ordinary shares outstanding assuming the conversion of all share options outstanding but excluding unallocated own shares held during the period. 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.

	Unaudited Six months ended 30 June	
	2008	2007
Weighted average number of ordinary shares in issue	2,412,217,765	2,461,715,063
Adjustments for		
– allocated own shares held	19,936,742	23,669,249
– share options	-	-
Weighted average number of ordinary shares for diluted (loss) / earnings per share calculation	<u>2,432,154,507</u>	<u>2,485,384,312</u>

9. Trade and other receivables

	Unaudited 30 June 2008 US\$'000	Audited 31 December 2007 US\$'000
Trade receivables	14,093	24,843
Less: provision for impairment of receivables	(38)	(395)
Trade receivables - net	<u>14,055</u>	<u>24,448</u>
Prepayments and other receivables	4,542	4,917
	<u>18,597</u>	<u>29,365</u>

The ageing analysis of trade receivables is as follows:

	Unaudited 30 June 2008 US\$'000	Audited 31 December 2007 US\$'000
Current	10,365	11,164
1 - 30 days	1,230	6,861
31 - 60 days	976	4,863
61 - 90 days	1,187	1,385
91 - 180 days	297	169
181 - 365 days	-	6
	<u>14,055</u>	<u>24,448</u>

The Group's sales to corporate customers are mainly entered into on credit terms of 30 days. As of 30 June 2008, trade receivables of US\$3,690,000 (31 December 2007: US\$13,284,000) were considered past due if measured strictly against the credit terms offered. The overdue sum is not impaired since these are related to a number of independent customers for whom there is no recent history of default.

10. Trade and other payables

	Unaudited 30 June 2008 US\$'000	Audited 31 December 2007 US\$'000
Trade payables	18,481	19,708
Accrued expenses	6,932	6,846
	<u>25,413</u>	<u>26,554</u>

The ageing analysis of trade payables is as follows:

	Unaudited 30 June 2008 US\$'000	Audited 31 December 2007 US\$'000
Current	17,678	14,708
1 - 30 days	488	4,709
31 - 60 days	62	193
61 - 90 days	29	23
Over 90 days	224	75
	<u>18,481</u>	<u>19,708</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

An Overview

For the six months ended 30 June 2008, the Group's sales was US\$50.8 million (1H 2007: US\$103.4 million). The decline was mainly due to (1) average selling price erosion; (2) reduced business from a major customer; (3) demand for consumer electronics dampened by global economic slowdown; and (4) sluggish demand from module maker customers possibly with chipset and module stocks to be used up. The Group had a 38% decline year-on-year in shipment quantity of Solomon Systech Limited, the major subsidiary of the Company, and a 20% year-on-year drop in the blended average selling prices of its products. During the review period, the Group's gross margin was 21.7%, down 2.4% year-on-year with inventory scrap accounting for 1.6%. By altering its product mix, implementing cost reduction measures and continuous price discussion with contract manufacturers, the Group managed to offset part of the gross margin pressure brought by industry price erosion. For the first half of 2008, gross profit was US\$11.0 million.

In the review period, the Group continued to expend on R&D and business development, but was more selective on R&D spending. Therefore, there was a moderate saving in R&D expenses. Affected by (1) a lower gross profit, (2) a provision for impairment of an available-for-sale financial asset ("AFS") of US\$1.1 million and (3) the unrealized loss on financial assets at fair value through profit or loss ("FVTPL") of US\$1.4 million, the Group recorded net loss attributable to equity holders of US\$6.0 million. No interim dividend for the six months ended 30 June 2008 was declared by the Board.

Liquidity and Financial Resources

The Group incurred total operation losses of US\$8.4 million of which US\$5.9 million was operation loss from the lower sales and gross profit of the IC business, and US\$1.1 million and US\$1.4 million were impairment provision for an investment in AFS and the unrealized loss on FVTPL respectively. Total cash and bank deposits or equivalents (including other financial assets) of the Group amounted to US\$126 million at period-end, compared with US\$138 million as at 31 December 2007. The change in cash position was mainly a result of (1) dividend paid of US\$6.3 million and (2) acquisition of US\$14.1 million in FVTPL. Regarding use of the cash reserves, the Group will continue to invest in product development, securing production capacity, strategic corporate venture investment as well as general corporate purposes. As at 30 June 2008, the Group had no major borrowings and there were no significant changes on the Group's assets. The Group's cash balance was mainly deposited in banks.

All of the Group's trade receivables and most of its payables are quoted in US dollars. The Group closely monitors 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 review period, the Group did not use any derivative instruments to hedge against foreign currency exposure as the Directors considered that exposure to be insignificant.

Capital Expenditure and Contingent Liabilities

In 1H 2008, the Group spent a total of US\$3.1 million in capital expenditure, of which US\$2.2 million was for property, plant and equipment purchases and US\$0.9 million was for strategic corporate venture investment. Property, plant and equipment purchases primarily consisted of spending on purchases of EDA (electronic design automation) tools and back-end manufacturing equipment.

The Group explored opportunities to purchase office space for own use upon the expiry of the current tenancy in Taiwan. Appropriate office space was identified in Hsin Chu, Taiwan at a total consideration of NTD55 million (approximately US\$1.8 million). An agreement to buy was executed on 16 July 2008 and a 10% down payment was made on 23 July 2008. Another 20% of the total is payable tentatively in early October 2008 and the balance of 70% shall be payable tentatively in November 2008 prior to move-in.

As at 30 June 2008, the Group had no other material capital commitments or contingent liabilities.

On 5 August 2008, the Group entered into an agreement with Advanced Packaging Technology Limited ("APT"), pursuant to which it will subscribe for 841,469 new shares of APT, representing approximately 21.6% of the issued share capital of APT at a consideration of US\$4.7 million. Other than that, the Group did not make any material acquisitions or disposals of subsidiaries and associated companies during the review period.

BUSINESS REVIEW

Book to Bill Ratio and Backlog

In the review period, the book to bill ratio stood at 0.90, reflecting the challenging market environment. In addition to the global economy slowdown, serious inflation in China has also dampened the demand for consumer electronics. As at 30 June 2008, the Group registered a backlog of orders at around 40 million units for the second half of 2008.

Product Shipment

In the review period, the Group has shipped a total 61 million units of display ICs, declined by 38% year-on-year. The shipment of monochrome STN and color STN (“CSTN”) display ICs decreased as the mobile phone market continued to shift its demand to mobile TFT (“m-TFT”) display ICs. M-TFT display ICs shipment recorded a growth of 29% to 22 million units, reflecting that the m-TFT product family was progressively over-taking the monochrome STN and CSTN in sales. OLED display ICs showed a drop of 15% year-on-year to 11 million units. The OLED display market more or less stabilized with the OLED display technology finding its way into various new applications. The shipment of new display ICs fluctuated as the volume shipment had shifted from mobile phone application to electronic-shelf-label application. In the first half year, the Group also shipped a small volume of display system ICs. The shipment breakdown by product type is as follows:

Units Shipped (million)	1H 2008	1H 2007	Change	2007
Monochrome STN	11	18	-39%	32.2
CSTN	14	41	-66%	63.7
m-TFT	22	17	29%	29.8
OLED	11	13	-15%	29.1
New Display	3	9	-67%	16.8
System IC	0	0	-	1.2
Miscellaneous	0	1	-100%	0.6
Total	61	99	-38%	173.4

*Note: Miscellaneous includes microdisplay ICs, large display driver ICs and others.
Abbreviation: STN stands for super twisted nematic; TFT, thin-film transistor; and
OLED, organic light-emitting device.*

Going into the second half of 2008, the Group will concentrate on developing projects with strategic alliances, providing dedicated services, launching new and comprehensive products and solutions to customers in order to defend its market position and prepare for long-term growth.

Business Relationships

After a year of strategic focus in key customer accounts, the Group won several major projects in new market applications such as audio video (“AV”) products and personal navigation device (“PND”). The Group will continue to dedicate its support to these strategic accounts so as to open up more business opportunities.

For the Display Panel business, the Group currently serves most of the major display module makers in the world. The Group continues to focus on approaching both display module makers and end-product manufacturers directly to ensure it delivers the most appropriate product solutions and value-added services to them. During the period, the Group strengthened relationships with leading customers and top-tier end-product manufacturers from China, Europe, Japan, Korea and Taiwan.

Regarding the Display System Solution business, the Group provides customers with total display system solutions that support specific emerging applications such as mobile digital TV (“MDTV”), PND, portable media players (“PMP”) and others. The Group aligns with independent design house (“IDH”) and offers timely and total system solution to original design manufacturer (“ODM”). During the review period, it launched the **MagusCore™** multimedia solution with initial focus on MDTV application in China. Given this enlarged solutions offering, the Group broadened its customer base for the emerging consumer product applications. The leading technology of the Group in system solutions has reinforced the business relationships of the Group with existing customers and also attracted new key customers to it.

Research and Development

In the past six months, research and development costs were approximately US\$8.5 million. To support business growth and stay competitive in the marketplace, the Group focuses on enhancing the features of existing products and developing new products including touch panel intellectual property (“IP”), dynamic backlight control, new generation Mobile Industry Processor Interface (“MIPI”) ICs, as well as supporting total system solutions with hardware, software and firmware for MDTV. In the first half of 2008, the Group had one patent filed with one patent granted by the United States Patent and Trademark Office and presented two technical papers in Synopsys Users Group China 2007-2008.

As at 30 June 2008, the Group had around 280 professionals in the design and engineering function, representing approximately 55% of its total employee headcount. The mix of the professionals had been broadened to include also system application and software engineering in order to develop and support its total system solutions for multimedia products. The Group’s R&D team continually designs products using various wafer technologies as advanced as 90nm. Besides, the Group has specialist teams in Hong Kong, Shenzhen and Singapore with different expertise in mix-signal high-voltage IC design, application software design and VLSI (Very-large-scale-integration) design.

Human Resources

As at 30 June 2008, the Group had a workforce of about 510 (after the adding on of about 60 headcounts resulted from the acquisition of a subsidiary effective 1 December 2007), of which approximately 53% were based in its head office in Hong Kong and the rest were located in China, Japan, Singapore, Taiwan and the USA.

As a technology company, the Group highly values its human resources. To reward and retain talent, the Group offers competitive remuneration to employees and constantly provides employees with training, career development programs and a first-rate working environment in the hope that they will enjoy working with the Group and contribute their efforts to the Group’s success.

In the first half of 2008, employees who delivered exceptional performances in 2007 were granted cash bonuses. On 24 July 2008, executive directors, selected senior management and employees were granted shares, subject to vesting, in recognition of their performance and as incentive for them to continue to serve the Company. At the Board level, directors were awarded share options for their past and forthcoming contributions to the Group.

PROSPECTS

With the book to bill ratio at 0.90 as at 30 June 2008, the second half of 2008 is expected to stay challenging for the Group. To improve the situation, the Group has made progress in delivering new technologically leading ICs, and has expanded its customer base. The Group will continue its efforts in product diversification and in providing fast turnkey solutions for customers.

Display Panel

Mobile Display

The markets covered by this business unit include mobile phones, MP3/MP4, GPS, portable equipment, AV applications, etc. Key display panel technologies range from monochrome STN, CSTN, m-TFT and OLED displays to new display technologies like E-paper display. Each of these display technologies has its own unique display characteristics and is therefore experiencing different phases of growth in different applications.

As regards the Group's mobile display business in the next six months, it is expected that the shipment of monochrome display ICs will decrease gradually in time with the migration of monochrome displays to color displays. Due to the cost of m-TFT modules becoming more competitive, which has limited the shipment of CSTN display modules, the CSTN display IC shipment will continue to decline. The Group expects m-TFT LCD will become the major panel technology for mobile display applications in the coming six months and therefore m-TFT will continue to take up a major portion of the Group's IC unit shipment. The Group carries on expanding its m-TFT business through introducing new generation driver IC products with competitive features and supporting more display resolution formats for product application diversification.

About OLED display ICs, the market will remain stable in the second half of 2008 due to (1) the increasing maturity of the OLED display technology in mass production; and (2) the steady demand from new applications, such as fashion designed mobile applications, Bluetooth headsets, health products and industrial applications. Passive Matrix OLED ("PMOLED") and Active Matrix OLED ("AMOLED") are two families of OLED technology. The Group continues to be the leader in the PMOLED display ICs market and will develop AMOLED display ICs with leading panel makers.

Large Display

The Group will continue to look for business opportunities through partnership with large TFT LCD panel makers in China, Japan and Taiwan region. It will take time for this business to start to contribute to the turnover of the Group.

New Display

Being the leader in the industry with its high-volume production of new display ICs, the Group maintains a positive view on the emerging new display IC business as more applications realize the advantages of the new display technology. The Group has begun shipping production quantities to electronic shelf label applications in the first half of 2008 and the design-in work continues in other E-paper projects such as price tag and USB disk. Potential applications are plentiful as the E-paper technology improves.

For the microdisplay business, the Group will continue to support microdisplay ICs and module products for application in high-definition movies, stereo 3D games and viewfinders of high-end digital cameras.

All-in-all, the Group believes the demand for new display will surge; thus it will keep researching and expanding this business to make sure it stays ahead of the competition.

Display System Solution

The Display System Solution business unit focuses on developing total system solution that (1) increase display image quality and functions; (2) support high-speed mobile interfaces; and (3) generate high-performance multimedia solutions.

Products in production like image processors and graphic controllers are supporting consumer applications such as MP4, GPS, digital photo frames and other portable consumer products. With design-wins for new display controller products continuing, the Group expects the segment to make volume shipment in the next six months.

In the high-speed mobile interface market, the business unit leverages its early leadership in MIPI and has several design-wins projects from top-tier industry players that are expected to command mass production in the second half of 2008.

The Group is hopeful that the high-performance **MagusCore™** multimedia processor, which was launched in the second quarter of 2008, will bring additional opportunities with strategic alliances. End products using **MagusCore™** for CMMB, the MDTV standard adopted in China, will be introduced in the China market in the second half of 2008.

The quick expansion of the system solution business relies on some new resources including the solution center in Shenzhen and the newly acquired IDHs. These new resources will contribute to the delivery of total system solutions based on the current MDTV platform and expansion of system solutions into other high-volume applications like PND and PMP. The Group expects more projects will adopt the products from Display System Solution in the second half of 2008.

Other New Business

On 5 August 2008, the Group signed an agreement to acquire 21.6% equity ownership of APT, after which APT will become an associated company of the Group. APT is in the business of development, manufacturing and sale of high-brightness light-emitting devices (“LED”) and advanced integrated circuit products. It also undertakes research, development and consultancy work in relation to those products.

With regard to this subscription, the Group considered the solid state lighting and signage industry has been growing and has become an attractive extension of its display IC applications into the energy-saving or “green” product arena. Armed with proprietary technology for high-brightness lighting emitting devices, APT will immediately give the Group strength to tap the growing industry. Meanwhile, the Group will develop new associated IC products like LED drivers and controllers etc to complement this investment.

As the Group constantly reviews its business strategy in maximizing the value of the Group, it will continue to explore new business opportunities.

CORPORATE GOVERNANCE & SUPPLEMENTARY INFORMATION

Corporate Governance is highly regarded within the Group. The Group keeps abreast of the best practices in the corporate governance area and strives to implement such practices as appropriate. At present, the roles of Non-executive Chairman and the Chief Executive Officer (in the case of the Group, the Managing Director) are separated. In addition, Independent Non-executive Directors (“INEDs”) and Non-executive Directors (“NEDs”) are appointed for a specific term up to 30 June 2010, subject to re-election according to the procedures set out in the Company’s Articles of Association. INEDs and NEDs are encouraged to take educational courses at the expense of the Group on duties of the Board and corporate governance. The above-mentioned practices were well implemented and basically follow the Code on Corporate Governance Practices contained in Appendix 14 of The Rules Governing the Listing of Securities (the “Listing Rule”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) which came into effect on 1 January 2005.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE 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 Rule on the Stock Exchange during the period ended 30 June 2008.

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 on the Stock Exchange. Specific enquiry has been made to all directors and all of them were in compliance with such guidelines during the period ended 30 June 2008.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SHARES

Except for the purchase of 8,632,000 shares from the market by HSBC International Trustee Limited at prices ranging from HK\$0.55 to HK\$0.65 in January 2008 for the Share Award Plan, there was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the review period.

REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

This unaudited interim financial statements of the Group for the six months ended 30 June 2008 have been reviewed by the Audit Committee of the Company, and the independent auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of The Entity" issued by the HKICPA. The unqualified review report is included in the 2008 Interim Report to shareholders of the Company.

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

Hong Kong, 11 September 2008

As at the date of this announcement, the Board of the Company comprises:

1. 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;
2. Non-executive Directors – Mr. Chang Ching Yi, Steven, Dr. Lam Pak Lee and Mr. Sheu Wei Fu (alternate to Dr. Lam Pak Lee); and
3. Independent Non-executive Directors - Mr. Sun, Patrick (Chairman), Mr. Choy Kwok Hung, Patrick and Mr. Wong Yuet Leung, Frankie.