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**SOLOMON SYSTECH (INTERNATIONAL) LIMITED**  
*(Incorporated in the Cayman Islands with limited liability)*  
(Stock code: 2878)

**2009 INTERIM RESULTS ANNOUNCEMENT**

**HIGHLIGHTS**

- Sales amounted to US\$26.7 million
- Net loss attributable to the equity holders of the Company was US\$2.3 million
- Basic loss per share was 0.10 US cent (0.75 HK cent)
- Book to bill ratio for the period ended 30 June 2009 was 1.07

## 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 2009 together with the comparative figures for the corresponding period as follows:

### CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2009

		<b>Unaudited</b>	
		<b>For the six months ended 30 June</b>	
	Note	<b>2009</b>	2008
		<b>US\$'000</b>	US\$'000
Sales	4	<b>26,663</b>	50,774
Cost of sales		<b>(19,218)</b>	(39,761)
Gross profit		<b>7,445</b>	11,013
Other income		<b>852</b>	306
Other gain/(loss) - net		<b>1,415</b>	(1,360)
Research and development costs		<b>(6,866)</b>	(9,206)
Selling and distribution expenses		<b>(1,582)</b>	(1,790)
Administrative expenses		<b>(4,743)</b>	(6,260)
Other operating expenses		<b>(1,105)</b>	(1,094)
Operating loss	5	<b>(4,584)</b>	(8,391)
Interest income		<b>1,388</b>	2,565
Finance costs		-	(1)
Share of results of associated companies		<b>(390)</b>	(173)
Loss before income tax		<b>(3,586)</b>	(6,000)
Income taxes	6	<b>1,256</b>	38
Loss for the period		<b>(2,330)</b>	(5,962)
Attributable to:			
The equity holders of the Company		<b>(2,331)</b>	(5,957)
Minority interest		<b>1</b>	(5)
		<b>(2,330)</b>	(5,962)
Dividends	7	-	-
Loss per share for loss attributable to the equity holders of the Company (expressed in US cent per share)	8		
Basic		<b>(0.10)</b>	(0.25)
Diluted		<b>(0.10)</b>	(0.24)

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2009

	Note	Unaudited 30 June 2009 US\$'000	Audited 31 December 2008 US\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		7,099	8,859
Investments in associated companies		4,893	5,661
Available-for-sale financial assets		2,535	2,535
		<b>14,527</b>	17,055
<b>Current assets</b>			
Inventories		5,159	6,738
Trade and other receivables	9	14,200	11,920
Financial assets at fair value through profit or loss		19,377	15,634
Other financial assets		983	4,167
Pledged bank deposits		130	130
Short-term fixed deposits		59,551	46,897
Cash and cash equivalents		32,596	59,801
		<b>131,996</b>	145,287
<b>Total assets</b>		<b>146,523</b>	162,342
<b>EQUITY</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>			
Share capital		31,516	31,516
Reserves			
Proposed dividend		-	9,466
Own shares held		(896)	(1,458)
Others		101,613	104,043
		<b>132,233</b>	143,567
<b>Minority interest in equity</b>		<b>230</b>	229
<b>Total equity</b>		<b>132,463</b>	143,796
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Obligations under finance leases		10	3
Other payables	10	133	265
Bank loan		728	-
Deferred tax liabilities		10	108
		<b>881</b>	376
<b>Current liabilities</b>			
Trade and other payables	10	11,619	15,893
Bank loan		84	-
Current income tax liabilities		1,469	2,271
Obligations under finance leases		7	6
		<b>13,179</b>	18,170
<b>Total liabilities</b>		<b>14,060</b>	18,546
<b>Total equity and liabilities</b>		<b>146,523</b>	162,342
<b>Net current assets</b>		<b>118,817</b>	127,117
<b>Total assets less current liabilities</b>		<b>133,344</b>	144,172

## 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”) products and system solutions that enable a wide range of display applications for mobile phones, portable devices, LCD TVs, consumer electronic products, industrial appliances and lighting.

### 2. Basis of preparation

These unaudited condensed consolidated interim financial statements (“Interim Financial Statements”) for the six months ended 30 June 2009 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 (“HKICPA”).

These unaudited Interim Financial Statements should be read in conjunction with the Company’s annual report for the year ended 31 December 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

Certain comparative figures have been reclassified to conform to the current period’s presentation. These reclassifications have no effect on the Group’s consolidated financial position as at both 30 June 2009 and 31 December 2008, or the Group’s consolidated profit/loss or cash flow for the periods ended 30 June 2009 and 2008.

### 3. Accounting policies

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Except as described below, the accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2008, as described in those annual financial statements.

#### (a) Standards, amendments and interpretations effective in 2009

The following new standards, amendments and interpretations to existing standards (“new HKFRS”) are mandatory for the first time for the financial year beginning 1 January 2009:

• HKAS 1 (Revised)	Presentation of financial statements
• HKAS 23 (Revised)	Borrowing costs
• HKAS 32 (Amendment)	Financial instruments: Presentation
• HKAS 39 (Amendment)	Financial instruments: Recognition and measurement
• HKFRS 1 (Amendment) and HKAS 27	First time adoption of HKFRS and Consolidated and separate financial statements
• HKFRS 2 (Amendment)	Share-based payment
• HKFRS 7	Financial instruments: disclosures
• HKFRS 8	Operating segments
• HK(IFRIC) – Int 9 (Amendment) and HKAS 39 (Amendment)	Reassessment of embedded derivatives and Financial instruments: Recognition and measurement
• HK(IFRIC) - Int 13	Customer loyalty programmes
• HK(IFRIC) - Int 15	Agreements for the construction of real estates
• HK(IFRIC) - Int 16	Hedges of a net investment in a foreign operation

#### HKAS 1 (Revised) - Presentation of financial statements

The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

#### Amendment to HKFRS 7 - Financial instruments: disclosures

The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements for the year ending 31 December 2009.

Saved as aforesaid, 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.

- (b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following new standards, amendments and interpretations to existing standards have been issued, but not yet effective for the financial year beginning 1 January 2009 and have not been early adopted:

- HKAS 27 (Revised) Consolidated and separate financial statements
- HKAS 39 (Amendment) Financial instruments: Recognition and measurement – Eligible hedged items
- HKFRS 3 (Revised) Business combinations
- HK(IFRIC) - Int 17 Distributions of non-cash assets to owners
- HK(IFRIC) - Int 18 Transfers of assets from customers

Improvements to the following HKFRS from the Hong Kong Institute of Certified Public Accountants published in May 2009:

- HKAS 1 (Amendment) Presentation of financial statements
- HKAS 7 (Amendment) Cash flow statements
- HKAS 17 (Amendment) Leases
- HKAS 36 (Amendment) Impairment of assets
- HKAS 38 (Amendment) Intangible assets
- HKAS 39 (Amendment) Financial instrument: Recognition and measurement
- HKFRS 2 (Amendment) Share-based payments

- HKFRS 5 (Amendment) Non-current assets held for sale and discontinued operations
- HKFRS 8 (Amendment) Operating segments
- HK(IFRIC) – Int 9 Reassessment of embedded derivatives
- HK(IFRIC) – Int 16 (Amendment) Hedges of a net investment in a foreign operation

The Group has already commenced an assessment of the impact of the above revised standards, amendments and interpretations to existing standards but is not yet in a position to state whether these revised standards, amendments and interpretations to existing standards would have a significant impact to its results of operations and financial position.

#### 4. Segment information

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

The Group has been operating in one single business segment, i.e. the design, development and sales of proprietary ICs and system solutions.

The chief operating decision-maker has been identified as the Executive Directors led by the Group CEO (Managing Director). The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segment based on these reports.

Sales amounted to US\$26,663,000 and US\$50,774,000 for the periods ended 30 June 2009 and 2008 respectively.

The Company is domiciled in Hong Kong SAR ("Hong Kong"). The Group mainly operates in Hong Kong. The Group mainly sells to customers located in Hong Kong, Mainland China ("China"), Taiwan and Korea.

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

	<b>Unaudited</b>	
	<b>For the six months ended 30 June</b>	
	<b>2009</b>	2008
	<b>US\$'000</b>	US\$'000
Hong Kong	<b>10,725</b>	34,370
China	<b>7,027</b>	3,581
Taiwan	<b>4,365</b>	6,525
Korea	<b>1,846</b>	516
South East Asia	<b>822</b>	1,888
Japan	<b>484</b>	2,670
United States of America ("USA")	<b>91</b>	259
Others	<b>1,303</b>	965
	<b>26,663</b>	50,774

## 5. Expenses by nature

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

	Unaudited	
	For the six months ended 30 June	
	2009	2008
	US\$'000	US\$'000
Depreciation of owned property, plant and equipment	1,883	2,792
Depreciation of leased property, plant and equipment	1	7
Operating leases for land and buildings	590	642
Director and employee benefits expenses		
Equity compensation	419	1,139
Non-equity compensation	8,163	9,631
Net exchange loss/(gain)	25	(161)
Provision for impairment loss of an available-for-sale financial asset	-	1,076
Provision for impairment loss of investment in an associated company	1,068	-
Provision for impairment of receivables	-	7
(Write-back of provision)/provision for obsolete or slow moving inventories	(2,664)	1,326

## 6. Income taxes

No provision for Hong Kong and overseas income taxes has been made as the Group has no estimated assessable profits for the period.

	Unaudited	
	For the six months ended 30 June	
	2009	2008
	US\$'000	US\$'000
Current income taxes:		
Hong Kong	-	-
Overseas	(2)	(3)
(Over)/under provisions in prior years	(1,156)	5
Deferred income taxes	(98)	(40)
	(1,256)	(38)

- Hong Kong income tax rate for 2009 is 16.5% (2008: 16.5%).
- The reversal of the over-provisions in prior years is related to the receipt of notices of revised tax assessment in July 2009 for the years 2005, 2006 and 2007 from Hong Kong Inland Revenue Department to Solomon Systech Limited, the wholly-owned operating subsidiary of the Group, in connection with the equity compensation expenses.

## 7. Dividends

	Unaudited	
	For the six months ended 30 June	
	2009	2008
	US\$'000	US\$'000
Dividend attributable to the previous year, approved and paid during the period:		
- 2008 final dividend, paid, of HK\$0.03 (approximately 0.39 US cent) per ordinary share <sup>(i)</sup>	9,466	-
- 2007 final dividend, paid, of HK\$0.02 (approximately 0.26 US cent) per ordinary share	-	6,286
	<b>9,466</b>	<b>6,286</b>

Note:

(i) At a meeting held on 25 March 2009, the Directors proposed a final dividend of HK\$0.03 (approximately 0.39 US cent) per ordinary share. The final dividend was paid on 20 May 2009.

## 8. Loss per share

The calculation of basic and diluted loss per share is based on the Group's loss attributable to the equity holders of the Company of US\$2,331,000 (2008 loss: US\$5,957,000).

The basic loss per share is based on the weighted average number of 2,442,928,853 (2008: 2,412,217,765) ordinary shares in issue excluding own shares held during the period.

Diluted loss per share is based on 2,445,001,025 (2008: 2,432,154,507) 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 calculated is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Unaudited	
	For the six months ended 30 June	
	2009	2008
Weighted average number of ordinary shares in issue	2,422,928,853	2,412,217,765
Adjustments for:		
allocated own shares held	21,361,288	19,936,742
share options	710,884	-
Weighted average number of ordinary shares for diluted loss per share calculation	<b>2,445,001,025</b>	<b>2,432,154,507</b>

## 9. Trade and other receivables

	Unaudited 30 June 2009 US\$'000	Audited 31 December 2008 US\$'000
Trade receivables	11,757	8,971
Less: provision for impairment of receivables	(60)	(60)
Trade receivables - net	11,697	8,911
Prepayments and other receivables	2,503	3,009
	<b>14,200</b>	<b>11,920</b>

The ageing analysis of trade receivables is as follows:

	Unaudited 30 June 2009 US\$'000	Audited 31 December 2008 US\$'000
Current	8,415	2,188
1 - 30 days	2,762	2,530
31 - 60 days	414	1,407
61 - 90 days	18	861
91 - 180 days	88	1,925
	<b>3,282</b>	<b>6,723</b>
	<b>11,697</b>	<b>8,911</b>

The Group's sales to corporate customers are mainly entered into on credit terms of 30 to 90 days. As of 30 June 2009, trade receivables of US\$3,282,000 (31 December 2008: US\$6,723,000) 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 2009 US\$'000	Audited 31 December 2008 US\$'000
Trade payables	7,793	7,553
Accrued expenses and other payables	3,959	8,605
	<b>11,752</b>	<b>16,158</b>
Other payables – non-current portion	(133)	(265)
	<b>11,619</b>	<b>15,893</b>

The ageing analysis of trade payables is as follows:

	Unaudited 30 June 2009 US\$'000	Audited 31 December 2008 US\$'000
Current	7,469	5,010
1 - 30 days	265	2,387
31 - 60 days	19	146
61 - 90 days	5	7
Over 90 days	35	3
	<b>7,793</b>	<b>7,553</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### An Overview

For the six months ended 30 June 2009, the Group's sales was US\$26.7 million (1H 2008: US\$50.8 million). The decline was mainly due to (1) demand weakened by global market recession; (2) erosion of average selling price ("ASP") and change of product mix, and (3) long market development time required for the Group's new businesses. The Group recorded a 33% decline year-on-year in shipment quantity and a 21% year-on-year drop in the blended average selling price of its products. For the first half of 2009, gross profit was US\$7.4 million, down by US\$3.6 million compared with 1H 2008 because of smaller shipment quantity and drop in blended ASP. The Group's gross margin was 28%, a net increase of 6% year-on-year, which was mainly contributed by the selling off of US\$1.2 million worth of obsolete inventory of which full provisions were made in the previous year. With close monitoring on inventory, inventory scrap was minimal in 1H 2009.

In the review period, the Group implemented an array of expense control and belt tightening measures including headcount reduction, no-pay-leave, zero performance bonus, temporary reduction in 2009 of the 13th month year-end payment and voluntary provident fund contribution plus other cuts in fringe benefits. Total expenses (including Research & Development, Selling & Distribution, Administrative) were down by US\$4.1 million, representing a cut of 24%, approximately half was believed to have contributed by the temporary measures. Selling & Distribution expenses as well as Administrative expenses were reduced by 12% and 24% respectively. The Group continued to expend on R&D and business development, but was more selective on R&D spending. R&D expenses will have moderate increase in 2H 2009 with new products in the pipeline expected to be released for production.

During the period, the Group recognized a gain of US\$0.8 million from financial assets at fair value through profit or loss ("FVTPL") and interest income of US\$1.4 million. Furthermore, an unrealized gain of US\$1.4 million was recorded from the investment in FVTPL portfolio as at 30 June 2009.

Notices of Revised Tax Assessment for the years 2005, 2006 and 2007 were received from Hong Kong Inland Revenue Department in July 2009 confirming the tax treatment on the equity compensation of Solomon Systech Limited, the wholly-owned operating subsidiary of the Group. A total tax credit of US\$1.2 million was recognized.

Notwithstanding the total contribution of US\$3.6 million from interest income and FVTPL and also the tax credit of US\$1.2 million, the Group recorded net loss attributable to the Company's equity holders of US\$2.3 million as a result of low sales volume and poor contribution from gross profit and a provision for impairment of an investment in associated company.

No interim dividend for the six months ended 30 June 2009 was declared by the Board.

#### Liquidity and Financial Resources

The Group incurred total operating loss of US\$4.6 million of which US\$5.7 million was operating loss from the lower sales and gross profit of the IC business and US\$1.1 million on provision of impairment loss of investment in an associated company while there were realized and unrealized gain of US\$0.8 million and US\$1.4 million respectively from FVTPL. Total cash and bank deposits or equivalents (including other financial assets) of the Group amounted to US\$93 million at period-end, compared to US\$111 million as at 31 December 2008. The change in cash position was mainly a result of (1) net outflow from operation amounted to US\$8 million because of net increase in working capital; (2) dividend paid of US\$9.5 million; (3) net increase of US\$2.3 million in FVTPL, and (4) investment in an associated company in the amount of US\$0.7 million. 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 2009, the Group had no major borrowings other than the US\$0.8 million mortgaged bank loan for the new office property in Hsinchu, Taiwan and there were no significant changes in the Group's assets. The Group's cash balance was mainly deposited in banks.

Most of the Group's trade receivables and 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 this exposure to be insignificant.

### Capital Expenditure and Contingent Liabilities

In 1H 2009, the Group did not make any major capital spending other than investing US\$0.7 million on a strategic corporate venture.

As at 30 June 2009, the Group had no material capital commitment or contingent liability.

## BUSINESS REVIEW

### Book to Bill Ratio and Backlog

In the review period, the book to bill ratio stood at 1.07 (1H 2008: 0.90), showing potential improvement in second half of 2009. As at 30 June 2009, the Group registered a backlog of orders at around 22 million units for the second half of 2009.

### Product Shipment

In the review period, the Group has shipped a total 40.5 million units of display ICs, down by 33% year-on-year. The shipment of STN display ICs and mobile TFT ("m-TFT") display ICs decreased as the overall consumer electronics market weakened. OLED display ICs shipment moderately increased by 10% year-on-year to 11.8 million units. The OLED display market was more or less stabilized with the OLED display technology finding its way into various new applications. The shipment of new display ICs increased by 15% to 3.8 million units as demand in electronic shelf label ("ESL") application started to pick up. In the first half year, the Group also shipped over 1 million units of graphic controllers, multimedia processors and Mobile Industry Processor Interface ("MIPI") chipsets under the Display System Solution business, and the Green Power business started a small pilot run quantity shipment of LED lighting solution. The shipment breakdown by product type is as follows:

Units Shipped (million)	1H 2009	1H 2008	Change	2008
Mobile Display	23.8	46.7	-49%	81.1
OLED Display	11.8	10.7	10%	24.6
New Display	3.8	3.3	15%	7.8
Display System Solution	1.1	0.2	450%	0.8
Green Power	0	0	-	-
Miscellaneous	0	0	-	0.4
<b>Total</b>	<b>40.5</b>	<b>60.9</b>	<b>-33%</b>	<b>114.7</b>

Going into the second half of 2009, the Group will concentrate on developing projects with strategic alliances, providing dedicated services, launching new and comprehensive products and solutions to customers so as to defend its market position and prepare for long-term growth.

## **Business Relationships**

To enhance business development and customer relations, the Group has strategically focused resources on developing several key customer accounts since 2008. The initiative has led to the landing of several major projects in new market applications such as audio video (“AV”) products, personal navigation device (“PND”), mobile digital TV (“MDTV”), mini-projector, ESL and LED street lamp. The Group will continue to support these strategic accounts targeting to open more business opportunities.

The business units of the Group are grouped into two categories: the Display IC businesses and the System Solution businesses.

For the Display IC businesses, 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 relationship with leading customers and top-tier end-product manufacturers from China, Europe, Japan, Korea and Taiwan.

Regarding the System Solution businesses, the Group provides customers with total system solutions that support specific multimedia applications and also the emerging green power market such as LED lighting (indoor and outdoor) and LED display. Aligning with independent design houses (“IDHs”) and lighting system design houses, the Group offers timely and total system solutions to original design manufacturers (“ODMs”). During the review period, it launched the second multimedia processor in the **MagusCore™** family for cost performance solutions. Various LED lighting solutions were also introduced during the period. With an enlarged solutions offering, the Group was able to broaden its customer base for the emerging market applications. The leading technology in system solutions of the Group has also reinforced its business relationships with existing customers and attracted new key customers.

## **Research and Development**

In the past six months, research and development costs were approximately US\$6.9 million. To support business transformation and stay competitive in the marketplace, the Group continues to enhance the features of existing products and develop new product technologies and product lines including multi-touch panel intellectual property (“IP”) and dynamic backlight control; new generation MIPI / Mobile Display Digital Interface (“MDDI”) ICs; total display system solutions for MDTV comprising hardware, software and firmware; dual SIM/dual operation GSM/GRPS mobile technology for mobile phones; LED driver ICs, power supply modules and LED lighting system design for energy-saving lighting.

In the first half of 2009, the Group had 4 patent filed with and five patent granted by the United States Patent and Trademark Office.

As at 30 June 2009, the Group had 232 professionals in the design and engineering function, representing approximately 54% of its total employee headcount. The personnel mix had been realigned to include more system application and software engineers to match the requirement of the total system solution businesses. 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, Singapore and Taiwan with different expertise including mix-signal high-voltage IC design, VLSI (Very-large-scale-integration) design, application software design, system applications and wireless technology.

## **Human Resources**

As at 30 June 2009, the Group had about 430 employees, of whom approximately 52% were based in the Hong Kong head office and the rest were located in China, Japan, Singapore, Taiwan and the USA. In all, there was a 16% decrease in headcount against 30 June 2008 as a result of realignment of the workforce and appropriate cost control.

As a technology company relying on intellectual excellence, 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 to make sure they enjoy working with the Group and contributing their efforts to the Group’s success.

With the support from employees, belt tightening measures were implemented during 1H 2009. All employees of the Group including Executive Directors and senior management were subject to 2 days no-pay-leave per month, temporary reduction in 2009 the 13th month year-end payment and voluntary provident fund contribution plus other cuts in fringe benefits.

Executive Directors accepted more stringent pay reduction measure by increasing no-pay-leave from 2 days per month in 1H 2009 to 5 days per month in 2H 2009 while the no-pay-leave requirement for most employees was cancelled or relaxed in the second half of 2009. To support the cost saving efforts of the Group, Non-executive Directors and Independent Non-executive Directors have voluntarily reduced their respective fees by approximately 20% for 2H 2009.

New product introduction bonus and first sales incentive which aim at driving the success of new product development and new businesses were paid to certain employees in the first half of 2009.

On 14 July 2009, selected employees were granted shares under the Share Award Plan, subject to vesting, to recognize their past performance and as incentive for them to continue to serve the Company.

## **PROSPECTS**

With the book to bill ratio at 1.07 for the period ended 30 June 2009, the Group sees potential for improvement in market demand in second half of 2009. To prepare to tap that demand, the Group will continue to deliver new technologically leading ICs and expand its customer base. The Group will keep up its efforts in product diversification and in providing fast turnkey solutions to customers.

### **Display IC Businesses**

#### ***Mobile Display***

The Mobile Display business unit supports display driver ICs and touch panel ICs for mobile phones, MP3/MP4 players, PND, e-book, MDTV and other portable equipment. It covers key technologies including STN and m-TFT display ICs and multi-touch panel ICs, for monochrome display and color display that show images and support video streaming as well as touch panel functions.

The Mobile Display business unit continues to develop new generation display IC products with competitive features and support more display resolution formats. Features such as multi-touch panel IP, dynamic backlight control, landscape display resolution and MIPI/MDDI interface are examples of new competitive edges for the Mobile Display products to compete in the market.

In the next six months, the Group expects m-TFT display ICs to continue to make up a major portion of the IC unit shipment of mobile display business unit as the Group continues to add competitive features and find more diverse applications for the product family. Touch panel ICs are also expected to bring some new business opportunities to the unit.

#### ***OLED Display***

Passive Matrix OLED ("PMOLED") and Active Matrix OLED ("AMOLED") are two families of OLED technology. With more than 150 million units of PMOLED IC shipped in the past 9 years, the Group continues to boast leadership in the PMOLED display IC market.

The PMOLED market, in general, is having a steady single digit growth, taking into account the increasing market acceptance of OLED display technology in health care products, office equipment and industrial applications. Mobile phones and MP3 players continue to be the two major applications employing OLED display.

The OLED Display business unit provides a full product range of PMOLED driver ICs from icon, mono, gray scale to full color, and develops new innovative display solutions that integrate new features such as touch sensor and charge bump into the ICs to achieve overall system cost reduction. The Group also continues to develop AMOLED technology display ICs with leading panel makers.

### ***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, particularly in mobile phone index & decorative display, ESL, portable storage devices such as USB thumb drive and external hard disk drive, and e-cards.

The Group continues to provide different varieties of IC solutions to cater the requirements of different new display technologies such as Electrophoretic, Cholesteric and other bistable displays.

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.

## **System Solution Businesses**

### ***Display System Solution***

The Display System Solution business unit delivers total system solutions that can (1) increase display image quality and functions; (2) support high-speed mobile interfaces; (3) generate high-performance multimedia solutions, and (4) integrate advanced wireless technology.

Products in production like image processors and graphic controllers are supporting consumer applications such as handsets, MP4 players, PND and other portable consumer products. Given the continual design-wins for graphic controller products, the Group expects volume shipments to continue for the segment in the second half of 2009.

With an early leadership in MIPI, the business unit won several design-in projects from top-tier players in the high-speed mobile interface markets. Mass production of the MIPI chipset commenced in the first half of 2009 and more design-win projects are expected to be ready for mass production in second half of 2009.

Following the launch of the first high-performance **MagusCore™** multimedia system solution in the third quarter of 2008 for the China MDTV market, another multimedia processor promising to offer system solutions of high cost-performance has been added to the **MagusCore™** family in the first half of 2009. And there will be more advanced solutions ready for launch in the next six months. The Group believes the **MagusCore™** system solutions stand well in capturing new market opportunities in product applications like MDTV, PND, mini-projector and AV products.

The Display System Solution business unit also covers the business of WE3 Technology Company Limited ("WE3"), a subsidiary of the Group that focuses on design, development and integration of advanced wireless technology and devices. WE3 specializes in designing new mobile multimedia applications for end products including GSM/GPRS for mobile phones, global positioning system ("GPS") for PND and mobile multimedia broadcasting technology for MDTV. It facilitates delivery of total system solutions based on the current MDTV platform and expansion of system solutions into other high-volume applications like PND, WiFi and 3.5G mobile internet device.

### ***Green Power***

Set up in late 2008, the Green Power business unit focuses on the energy-saving or "green" products. It represents an extension as well as diversification of the Group's display business and aims to provide LED lighting system solutions that can capture the emerging environmental protection market. It aligns the Group's core IC design capability with the expertise of display specialist and system integrator in the value chain to supply immediate LED lighting solutions to the market.

Armed with its proprietary technology for high-brightness LED, lighting system integration expertise and the complementary LED driver ICs, the Group has already started selling LED driver ICs and LED emitter products for indoor LED lighting. It has also developed complete and competitive LED lighting solutions for outdoor LED lighting applications in China such as street lamp and architectural lighting. Many design-in projects with customers are in final product evaluation stage. In light of the potential of this emerging market, the Green Power business unit will strive to capture new business opportunities and bring in new sources of revenue beyond 2009.

## **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.

## **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 Rules on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) during the period ended 30 June 2009.

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 2009.

## **PURCHASE, SALE OR REDEMPTION OF COMPANY’S LISTED SHARES**

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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The Audit Committee is composed of three INEDs. The unaudited Interim Financial Statements of the Group for the six months ended 30 June 2009 have been reviewed by the Audit Committee of the Company alongside the internal audit team.

The unaudited Interim Financial Statements of the Group for the six months ended 30 June 2009 have been reviewed by the Company’s 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 auditor’s independent review report will be included in the 2009 Interim Report to shareholders of the Company.

On behalf of the Board  
**SOLOMON SYSTECH (INTERNATIONAL) LIMITED**  
LEUNG Kwong Wai  
Managing Director

Hong Kong, 18 August 2009

*As at the date of this announcement, the Board comprises (a) Executive Directors – Mr. LEUNG Kwong Wai (Managing Director), Mr. CHEUNG Wai Kuen, Kenny, Mr. HUANG Hsing Hua, Mr. LAI Woon Ching and Mr. LO Wai Ming, (b) Non-executive Directors – Mr. CHANG Ching Yi, Steven and Dr. LAM Pak Lee (Mr. SHEU Wei Fu as his alternate), (c) Independent Non-executive Directors – Mr. SUN, Patrick (Chairman), Mr. CHOY Kwok Hung, Patrick, and Mr. WONG Yuet Leung, Frankie.*