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

2009 FINAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Sales amounted to US\$61.8 million
- Net profit attributable to the equity holders of the Company was US\$0.7 million
- Basic earnings per share was 0.03 US cent (0.2 HK cent)
- The Board proposed a final dividend per share of 1 HK cent (0.13 US cent)
- Book to bill ratio for the year ended 31 December 2009 was close to 1.0

FINAL RESULTS

The directors (the "Directors") of Solomon Systech (International) Limited (the "Company") are pleased to announce the consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2009 together with the comparative figures for the corresponding year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Note	2009 US\$'000	2008 US\$'000
Sales	4	61,832	92,813
Cost of sales		(41,449)	(75,891)
Gross profit		20,383	16,922
Other income	5	1,382	653
Other gain/(loss) - net	6	3,412	(5,116)
Research and development costs		(14,259)	(19,327)
Selling and distribution expenses		(3,266)	(3,682)
Administrative expenses		(8,449)	(12,630)
Other operating expenses		(1,032)	(4,671)
Operating loss		(1,829)	(27,851)
Interest income		2,104	4,603
Finance costs		(15)	(1)
Share of results of associated companies		(791)	(432)
Loss before income tax		(531)	(23,681)
Income tax credit	8	1,216	283
Profit/(loss) for the year		685	(23,398)
Attributable to:			
- The equity holders of the Company		684	(23,408)
- Minority interest		1	10
		685	(23,398)
Earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company: (expressed in US cent per share)	9		
- Basic		0.03	(0.97)
- Diluted		0.03	(0.96)
Dividend	10	3,158	9,466

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	2009 US\$'000	2008 US\$'000
Profit/(loss) for the year	685	(23,398)
Other comprehensive income for the year:		
- Currency translation differences	4	445
Total comprehensive income/(loss) for the year	689	(22,953)
Attributable to:		
- The equity holders of the Company	688	(22,963)
- Minority interest	1	10
	689	(22,953)

CONSOLIDATED BALANCE SHEET

As at 31 December 2009

	Note	2009 US\$'000	2008 US\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		6,621	8,859
Investments in associated companies		4,493	5,661
Available-for-sale financial assets		2,346	2,535
		13,460	17,055
Current assets			
Inventories		10,302	6,738
Trade and other receivables	11	13,456	11,920
Financial assets at fair value through profit or loss		20,035	15,634
Other financial assets		2,713	4,167
Pledged bank deposits		130	130
Short-term fixed deposits		45,318	46,897
Cash and cash equivalents		44,798	59,801
		136,752	145,287
Total assets		150,212	162,342
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		31,542	31,516
Reserves			
Proposed dividend		3,158	9,466
Own shares held		(858)	(1,458)
Others		101,989	104,043
		135,831	143,567
Minority interest in equity		—	229
Total equity		135,831	143,796
LIABILITIES			
Non-current liabilities			
Obligations under finance leases		7	3
Other payables	12	133	265
Bank loan		708	—
Deferred income tax liabilities		50	108
		898	376
Current liabilities			
Trade and other payables	12	12,391	15,893
Bank loan		86	—
Current income tax liabilities		1,000	2,271
Obligations under finance leases		6	6
		13,483	18,170
Total liabilities		14,381	18,546
Total equity and liabilities		150,212	162,342
Net current assets		123,269	127,117
Total assets less current liabilities		136,729	144,172

Notes

1. General information

Solomon Systech (International) Limited and its subsidiaries 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

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

3. Significant accounting policies

The preparation of the consolidated 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 Group's accounting policies.

(a) Standards, amendments and interpretations to existing standards effective in 2009

The Group has adopted the following new standards, amendments and interpretations to existing standards ("new HKFRS") effective from 1 January 2009:

• HKAS 1 (Revised)	Presentation of financial statements
• HKFRS 2 (Amendment)	Share-based payment
• HKFRS 7	Financial instruments - disclosures (Amendment)
• HKFRS 8	Operating segments

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.

The Group has elected to present two statements: a consolidated income statement and a consolidated statement of comprehensive income with all non-owner changes in equity presented. All owner changes in equity were presented in the consolidated statement of changes in equity. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on the equity and the earnings/(loss) per share.

HKFRS 2 (Amendment) - Share-based payment

The amendment deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not taken as vesting conditions. These features have to be included in the grant date fair value for transactions with employees and others providing similar services; they will not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment does not have a material impact on the Group's or Company's financial statements.

HKFRS 7 Financial instruments – disclosures (Amendment)

The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on the equity and earnings/(loss) per share.

HKFRS 8 - Operating segments

HKFRS 8 replaces HKAS 14, "Segment reporting", and requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. There has been no change in the number of reportable segments presented. In addition, the segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker.

- (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, revised standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them:

		Effective for annual periods beginning or after
• HKFRS 1 (Revised)	First-time adoption of HKFRS	1 July 2009
• HKFRS 3 (Revised)	Business combinations	1 July 2009
• HKFRS 9	Financial instruments	1 January 2013
• HKAS 24 (Revised)	Related party disclosures	1 January 2011
• HKAS 27 (Revised)	Consolidated and separate financial statements	1 July 2009
• Amendment to HKAS 32	Classification of rights issues	1 February 2010
• Amendment to HKAS 39	Financial instruments: recognition and measurement – eligible hedged items	1 July 2009
• Amendment to HK(IFRIC) - Int 14	Prepayments of a minimum funding requirement	1 January 2011
• HK(IFRIC) - Int 17	Distributions of non-cash assets to owners	1 July 2009
• HK(IFRIC) - Int 18	Transfers of assets from customers	1 July 2009
• HK(IFRIC) - Int 19	Extinguishing financial liabilities with equity instruments	1 July 2010
• Amendment to HKFRS 1	Additional exemptions for first-time adopters	1 January 2010
• Amendment to HKFRS 2	Group cash-settled share-based payment transactions	1 January 2010
• Various improvements to HKFRS published by HKICPA in May 2009		

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

4. Segment information

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 operating segment, i.e. the design, development and sales of proprietary IC products and system solutions.

The chief operating decision-makers have been identified as the Executive Directors led by the Group CEO (Managing Director). The Executive Directors review the Group's internal reporting to assess performance and allocate resources. A management approach has been used for the operating segment reporting.

Sales amounted to US\$61,832,000 and US\$92,813,000 for the years ended 31 December 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, Taiwan, Mainland China ("China"), and Korea.

Sales

	2009	2008
	US\$'000	US\$'000
Hong Kong	28,380	56,026
Taiwan	10,353	13,272
China	9,601	10,237
Korea	7,909	2,934
South East Asia	1,769	2,718
Japan	1,667	4,501
United States of America ("USA")	255	550
Others	1,898	2,575
	61,832	92,813

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

Total assets

	2009	2008
	US\$'000	US\$'000
Hong Kong	130,686	146,776
China	11,004	6,685
Taiwan	7,319	7,413
Others	1,203	1,468
	150,212	162,342

Assets are allocated based on where the assets are located. Others comprise Japan, South East Asia and the USA.

Capital expenditures

	Property, plant and equipment		Investment in associated companies	
	2009	2008	2009	2008
	US\$'000	US\$'000	US\$'000	US\$'000
Hong Kong	725	1,383	—	4,700
China	198	298	690	857
Taiwan	23	2,801	—	—
South East Asia	94	422	—	—
Others	—	9	—	—
	1,040	4,913	690	5,557

Capital expenditures are allocated based on where the assets are located.

5. Other income

	2009 US\$'000	2008 US\$'000
Gain on disposal of financial assets at fair value through profit or loss	1,017	2
Dividend income	186	125
Government grant	131	460
Others	48	66
	1,382	653

6. Other gain/(loss) – net

	2009 US\$'000	2008 US\$'000
Financial assets at fair value through profit or loss:		
- Fair value gain	3,529	234
- Fair value loss	(117)	(5,474)
Derivative financial instruments – fair value gain	—	124
	3,412	(5,116)

7. 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:

	2009 US\$'000	2008 US\$'000
Cost of inventories sold	41,683	67,198
(Gain)/loss on disposal of property, plant and equipment	(9)	1
Auditor's remuneration	148	162
Depreciation of owned property, plant and equipment	2,762	5,296
Depreciation of leased property, plant and equipment	3	3
Operating leases for land and buildings	1,182	1,289
Employee benefit expenses (excluding Directors' emoluments)	15,553	19,448
Directors' emoluments	1,248	1,711
Net exchange (gain)/loss	(104)	712
Provision for impairment loss of available-for-sale financial assets	—	2,151
Gain on disposal of an available-for-sale financial asset	(95)	—
Provision for impairment loss of investments in associated companies	1,067	1,555
Provision for impairment loss of goodwill	—	931
(Write-back of provision)/provision for impairment of receivables	(27)	29
(Write-back of provision)/provision for obsolete or slow moving inventories	(3,538)	4,716

8. Income tax

No provision for Hong Kong and overseas income taxes has been made as the Group has no assessable profits for the years ended 31 December 2009 and 2008.

	2009 US\$'000	2008 US\$'000
Current income tax:		
- Hong Kong	—	—
- Overseas	—	—
Write-back of income tax provision in prior years	(1,158)	(170)
Deferred income tax	(58)	(113)
Income tax credit	(1,216)	(283)

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the income tax rate of Hong Kong, the Group's principal place of operation, as follows:

	2009 US\$'000	2008 US\$'000
Loss before income tax	(531)	(23,681)
Income tax loss calculated at a tax rate of 16.5%	(88)	(3,907)
Income not subject to tax	(1,309)	(1,486)
Expenses not deductible for tax purposes	274	2,195
Income tax losses not recognized	1,065	3,095
Re-measurement of deferred income tax – change in Hong Kong tax rate	—	(13)
Effect of different income tax rates in other countries	—	3
Write-back of income tax provision in prior years	(1,158)	(170)
Income tax credit	(1,216)	(283)

Notes:

- Hong Kong income tax rate for 2009 is 16.5% (2008: 16.5%).
- The write-back of provision in prior years is related to the receipt of notices of revised tax assessment in July 2009 for the years of assessment 2005, 2006 and 2007 from the Hong Kong Inland Revenue Department to Solomon Systech Limited, a wholly-owned operating subsidiary of the Group, confirming the tax treatment on equity compensation expenses.
- Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets of US\$5,234,000 (2008: US\$4,022,000) in respect of losses amounting to US\$31,722,000 (2008: US\$24,376,000) that can be carried forward against future taxable profits. These tax losses have no expiry date.

9. Earnings/(loss) per share

The calculation of basic and diluted earnings/(loss) per share is based on the profit attributable to the equity holders of the Company of US\$684,000 (2008 loss: US\$23,408,000).

The basic earnings/(loss) per share is based on the weighted average number of 2,429,743,177 (2008: 2,416,930,170) ordinary shares in issue during the year excluding own shares held during the year.

The diluted earnings/(loss) per share is based on 2,457,281,028 (2008: 2,437,669,973) ordinary shares which is the adjusted weighted average number of ordinary shares outstanding assuming conversion of all dilute/potential 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 calculated is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2009	2008
Weighted average number of ordinary shares in issue	2,429,743,177	2,416,930,170
Adjustments for:		
– allocated own shares under Share Award Scheme	16,330,699	20,739,803
– share options	11,207,152	—
Weighted average number of ordinary shares for diluted earnings/(loss) per share	2,457,281,028	2,437,669,973

10. Dividend

	2009 US\$'000	2008 US\$'000
Final dividend attributed to the year:		
– 2009 final dividend, proposed, of HK\$0.01 (approximately 0.13 US cent) per ordinary share ⁽ⁱ⁾	3,158	—
– 2008 final dividend, paid, of HK\$0.03 (approximately 0.39 US cent) per ordinary share ⁽ⁱⁱ⁾	—	9,466
Dividend attributed to the year	3,158	9,466

Notes:

- (i) At a meeting held on 20 April 2010, the Directors recommended the payment of a final dividend of HK\$0.01 per ordinary share, totaling HK\$24,473,000 (approximately US\$3,158,000) for the year ended 31 December 2009. The proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2010.
- (ii) At a meeting held on 25 March 2009, the Directors recommended the payment of a final dividend of HK\$0.03 per ordinary share for the year ended 31 December 2008. The final dividend was paid on 20 May 2009.

11. Trade and other receivables

	2009 US\$'000	2008 US\$'000
Trade receivables	10,546	8,971
Less: provision for impairment of receivables	—	(60)
Trade receivables - net	10,546	8,911
Deposits, prepayments and other receivables	2,910	3,009
	13,456	11,920

The Group's sales to corporate customers are mainly on credit terms of 30 to 90 days. The ageing analysis of trade receivables is as follows:

	2009 US\$'000	2008 US\$'000
Current	8,166	2,188
1 - 30 days	2,029	2,530
31 - 60 days	222	1,407
61 - 90 days	72	861
91 - 180 days	27	1,925
181 - 365 days	30	—
	2,380	6,723
	10,546	8,911

As at 31 December 2009, trade receivables of US\$2,380,000 (2008: US\$6,723,000) were considered past due if measured strictly against the credit terms offered. The overdue sum is not impaired since the majority of the overdue sum has been settled after the balance sheet date.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2009 US\$'000	2008 US\$'000
US Dollar (USD)	12,314	10,592
Hong Kong Dollar (HKD)	768	802
Singapore Dollar (SGD)	98	85
Other currencies	276	441
	13,456	11,920

As at 31 December 2009, no trade receivables was impaired (2008: US\$60,000) and provided for (2008 provision: US\$60,000).

The ageing of these impaired receivables by overdue date is as follows:

	2009 US\$'000	2008 US\$'000
Over 6 months	—	60

11. Trade and other receivables (continued)

Movements on the Group's provision for impairment of trade receivables are as follows:

	2009 US\$'000	2008 US\$'000
At 1 January	60	395
(Write-back of provision)/provision for impairment of receivables	(27)	29
Uncollectible receivables written off during the year	(33)	(364)
At 31 December	—	60

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

12. Trade and other payables

	2009 US\$'000	2008 US\$'000
Trade payables	9,283	7,553
Accrued expenses and other payables	3,241	8,605
	12,524	16,158
Other payables – non-current portion	(133)	(265)
	12,391	15,893

At 31 December 2009, the ageing analysis of the trade payables is as follows:

	2009 US\$'000	2008 US\$'000
Current	8,261	5,010
1 - 30 days	947	2,387
31 - 60 days	19	146
61 - 90 days	8	7
Over 90 days	48	3
	9,283	7,553

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2009 US\$'000	2008 US\$'000
US Dollar (USD)	10,290	11,471
Hong Kong Dollar (HKD)	1,530	1,683
Japanese Yen (JPY)	17	1,002
Other currencies	687	2,002
	12,524	16,158

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Overview

For the year ended 31 December 2009, the Group's sales was US\$62 million (2008: US\$93 million) and the book to bill ratio stood at 1.0 (2008: 0.8). The effect of the US financial crisis in 2008 spread around the world late in that year and carried over to 2009. The ensuing financial turmoil caused an overall decline in the global semiconductor industry and created a challenging environment for the Group especially at the beginning of the year. The demand for display ICs in the second half gradually revived but annual sales in 2009 was yet to be brought back to 2008 level due to the severe demand drop in the 1H 2009.

Sales and Profit

The Group recorded a 19% decline year-on-year in shipment quantity, and a 18% year-on-year drop in the blended average selling price of its products which led to net sales of US\$62 million, representing 67% of the 2008 sales. The decline was mainly due to (1) the global financial crisis which drove down demand in early 2009 prior to the launch of international economic stimulus programs; (2) average selling price erosion; (3) lower than forecasted growth for certain target applications that the Group has developed solutions for; and (4) slower than expected development of the Group's new businesses.

Gross profit was US\$20.4 million, up by 21% compared with last year (2008: US\$16.9 million). The Group's gross margin rose to 33.0% from 18.2% in 2008. The increase in gross profit and gross margin were due to higher percentage of products with relatively higher profit margin contributions, and the selling off of approximately US\$2.5 million inventory for which provisions were made in previous years. Inventory scrap was minimal in 2009. The Group has been putting tremendous effort to improving its manufacturing productivity through product yield improvement and full utilization of its own manufacturing assets.

Total expenses, including research and development cost ("R&D expenses"), selling and distribution expenses ("S&D expenses") and administrative expenses, were US\$26.0 million, down by US\$9.7 million which represented a 27% trim over 2008. The Group implemented an array of expense control and belt tightening measures including headcount reduction, no-pay-leave and other cutback in fringe benefits.

S&D expenses were reduced by 11%. Administrative expenses were down by 33% which was in line with sales. The Group continued to invest in R&D and business development, but was more selective in its R&D spending. R&D expenses were US\$14.3 million which was about 74% of the spending in 2008, though still accounted for around half of total expenses incurred in 2009.

During the year, the Group recognized a total of US\$8.0 million in favorable contributions and approximately US\$1.9 million in adverse contributions respectively in areas other than the core IC business of the Group as listed below:

Favorable contributions

- US\$1.3 million in realized earnings and gains from financial assets at fair value through profit or loss ("FVTPL");
- US\$2.1 million from interest income;
- US\$3.4 million unrealized gains resulted from a mark-to-market valuation of the investment in FVTPL portfolio as at 31 December 2009; and
- US\$1.2 million Hong Kong income tax credit as per Notices of Revised Tax Assessment issued by the Hong Kong Inland Revenue Department in July 2009 for the years of assessment 2005, 2006 and 2007 confirming the tax treatment on equity compensation of Solomon Systech Limited, a wholly-owned operating subsidiary of the Group.

Adverse contributions

- US\$0.8 million share of results of associated companies; and
- US\$1.1 million provision made for the impairment of the investment in an associated company.

As a result, the Group managed to turn around from a loss making position in 2008 to profitability in 2009. Profit attributable to the equity holders of the Company in 2009 amounted to US\$0.7 million (2008 loss: US\$23.4 million).

Liquidity and Financial Resources

Net cash used in operations during the year was US\$10.1 million (2008 net cash generated from operations: US\$2.8 million). Total cash and bank deposits and equivalents (including other financial assets) of the Group amounted to US\$93 million at year-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 operations amounted to US\$10.0 million because of net increase in working capital; (2) dividend payment of US\$9.5 million; and (3) investment in an associated company in the amount of US\$0.7 million.

Regarding the use of cash reserves, the Group will continue to allocate funds for product development, securing production capacity, entering into strategic corporate ventures as well as meeting general corporate purposes. As at 31 December 2009, the Group had no major borrowings other than the US\$0.8 million in a mortgaged bank loan for the purchase of 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 trade 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 year, the Group did not use any derivative instruments to hedge against foreign currency exposure as the Directors considered the exposure to be insignificant.

The Board of the Company recommended the payment of a final dividend of 1 HK cent per share to shareholders whose names appear on the Register of Members of the Company on 9 June 2010. The dividend yield will be of 1.9% based on the average daily closing price of HK\$0.538 for 2009.

Capital Expenditure and Contingent Liabilities

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

As at 31 December 2009, there was US\$1.5 million capital expenditure approved but not contracted for in respect of certain manufacturing equipment for the Group's manufacturing subsidiary in Dongguan, China. Saved as aforesaid, the Group had no other material capital commitment or contingent liability.

BUSINESS PERFORMANCE AND OUTLOOK

Product Shipment

The Group shipped a total of 93 million display IC units during the year, representing a year-on-year decline of 19% (2008: 115 million units). Mobile Display business unit included monochrome STN, color STN ("CSTN"), m-TFT LCD driver ICs and touch panel ICs. The monochrome STN display IC shipment remained at around 20 million units while CSTN display IC dropped below 3 million units and m-TFT display IC shipment was over 31 million units. Decrease in the total unit shipment of Mobile Display was mainly affected by the slow demand for mobile handsets during the year. Besides, touch panel ICs were at the initial shipment stage.

Advanced Display business unit combined OLED display product family with new display product family. OLED display IC shipment increased to over 30 million units, as the OLED display technology continued to expand into new applications that had helped creating demand in spite of an overall market downturn. The shipment of new display ICs fluctuated because market adaptation of the emerging applications remained slow in 2009 as the technology was comparatively new to the market.

Display System IC shipment increased by more than twofold to 2.5 million units as it gradually picked up in the system solution business, which included Multimedia Processor, Image Processor, Graphic Controller and MIPI IC.

The Group's Green Power business also shipped an initial volume of LED driver IC and LED power module in 2009.

Shipment breakdown by business units is as follows:

Units Shipped (million)	2009	2008	Change
Mobile Display	55.5	81.1	-32%
Advanced Display	34.6	32.4	7%
Display System Solution	2.5	0.8	213%
Green Power	0.1	0	>100%
Miscellaneous	0.0	0.4	-99%
Total	92.7	114.7	-19%

Business Relationship

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

For Display IC business, the Group currently serves most of the major display module makers in the world. We continue to focus on approaching both display module makers and end-product manufacturers directly to ensure we deliver the most appropriate product solutions and value-added services to them. During the year, the Group strengthened relationship with leading customers and top-tier end-product manufacturers from China, Europe, Japan, Korea and Taiwan.

Regarding System Solution business, the Group provides customers with total system solutions in two focus areas: Display System and Green Power. Display System Solution supports specific multimedia applications such as mobile digital TVs ("MDTV"), pico-projectors, personal navigation devices ("PND") for global positioning system ("GPS") and eBooks. Working in alignment with independent design house ("IDHs"), the Group offers timely and total system solutions to original design manufacturers ("ODMs"). Green Power provides lighting system solutions to the emerging green power market including LED lighting (indoor and outdoor) and LED backlight unit. In collaboration with lighting system design houses, we were able to enlarge our total solutions offering and broaden our customer base for emerging market applications during the year.

Research and Development

Research and development capability is a core competence of the Group. Continual investment in targeted areas testifies to the Group's determination to develop and offer innovative products, expand business, capture new opportunities and stay ahead of the competition. To support business growth and stay competitive in the market, the Group has been relentlessly enhancing the features of existing products and developing new products. Numerous intellectual properties ("IP") were developed or under development during the year. They included (1) semiconductor IP such as high performance embedded memory, high current DC/DC step-down converter; (2) application IP including multi-touch panel technology, dual MIPI/MDDI interface, low-voltage differential signaling (LVDS) interface, and AC-DC LED lighting controller with Silicon-Controlled Rectifier (SCR) dimming; and (3) system IP like dual SIM/dual operation GSM/GPRS mobile technology, total system solutions for pico-projectors, eBooks and Android-based mobile internet devices.

In 2009, the Group had eight patents filed with and five patents granted by trademark offices in various countries. We also published a technical paper to Power Electronics and Drive Systems (PEDS 2009) conference in Taiwan, covering the topic, "High-Output-Current and Low-Power-Loss Mobile Thin-film Transistor Liquid-Crystal Display Driver IC". Also, the Group released several articles to technology media for sharing our know-how in capacitive touch panel controller, OLED drivers, multimedia solutions and LED lighting development.

The Group spent roughly US\$14.3 million on research & development in 2009, representing about 55% of the total expenses in 2009 and 23% of sales for the year. As at 31 December 2009, the Group had a research and development workforce of over 225, representing approximately 53% of our entire staff. The personnel mix included IC designers, product engineers as well as system application and software engineers to match the requirements for operating total system solution business. The Group's R&D team continually designs products using various wafer technologies as advanced as 90nm. We also have specialist teams in Hong Kong, Shenzhen, Singapore and Taiwan possessing expertise in mix-signal high-voltage IC design, VLSI (Very-large-scale-integration) design, application software design, system applications and wireless technology.

Human Resources

As at 31 December 2009, the Group had a work force of 423 employees, 51% were based in the Hong Kong head office and the rest were located in China, Japan, Singapore, Taiwan and the USA. Overall, there was an 8% decrease in headcount compared to last year, the result of realigning of the workforce and employing appropriate cost control measures.

As a technology company relying on intellectual excellence, the Group highly values our 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 support from employees, belt tightening measures were implemented in 2009. During the year, employees of the Group including Executive Directors and senior management took no-pay-leave and certain fringe benefits were reduced. In support of the cost saving efforts, Non-executive Directors and Independent Non-executive Directors voluntarily reduced their director emoluments in 2H 2009.

New product introduction bonus and first sales incentive, which aims at driving the success of new product development and new business, remained in place and were paid to certain employees in 2009.

During 2009, selected employees were granted shares under the Share Award Plan, subject to vesting, to recognize their past performance and contribution, and served as an incentive for their continuing contribution to the Group.

Prospects

With the book to bill ratio close to 1.0 as at 31 December 2009, the first half of 2010 is expected to require continued diligent monitoring of the Group's operations as well as careful attention to market trends. The Group intends to continue our march forward by delivering innovative industrial-leading ICs, new system solutions for emerging high-growth applications, expanding our customer base and further developing our business in the emerging China market. We will keep on diversifying our product portfolio and provide fast turnkey solutions to customers. As at 31 December 2009, the Group registered a backlog of orders at around 19 million units for 1H 2010.

DISPLAY IC BUSINESS

Mobile Display

The Mobile Display business unit supports display driver ICs and touch panel ICs for small to medium size LCD display such as mobile phones, smart phones, PND, audio/video ("AV") applications, mobile internet devices ("MID"), netbooks and other portable equipment. The unit covers key technologies including monochrome STN, CSTN, m-TFT LCD display ICs and touch panel ICs, for monochrome and color displays as well as displays with touch panel functions.

Aligning with the market changes, the Mobile Display business unit continues to develop new generation display IC products with competitive features and support more display resolution formats. New products such as capacitive and resistive touch panel controllers, WVGA TFT driver controllers and high definition ("HD") TFT driver controllers are examples of new ICs with competitive edges to compete in the market.

The Group believes that the market for touch panel applications has great potential and therefore in 2010, touch panel technology will be the new driver for bringing in new business for the Mobile Display business unit. To tap this potential, we will continue our effort to advance the technology and introduce cutting-edge products related to touch panel applications.

Advanced Display

The Advanced Display business unit groups together OLED Display product and New Display product families.

OLED Display includes two major technologies: Passive Matrix OLED ("PMOLED") and Active Matrix OLED ("AMOLED"). With more than 170 million PMOLED IC units shipped in the past 10 years, the Group continues to be the leader in the PMOLED display IC market.

The market for OLED display ICs in general is expected to maintain steady growth in 2010, considering that the increasing maturity of the OLED display technology for mass production and the fact that OLED display continues to expand into new applications targeting different market segments from mobile phones and consumer electronics like MP3 and Bluetooth headsets, to industrial applications, office equipment as well as health care products.

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

For the New Display, the Group maintains a positive view on the potential of ICs for this emerging business as more applications recognize the value of the new display technology, of which e-paper display is perhaps the best known kind. The Group continues to ship production quantities to electronic shelf label applications in 2009 and the design-in work continues in 2010 for other new e-paper display projects involving e-signage, portable storage devices, mobile phone indices, mobile decorative displays and e-cards, and more.

The Group continues to provide different varieties of IC solutions to cater for 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 ICs will surge and it will bring in new revenue streams through tapping into emerging market and new applications. Thus the Group will continue researching these and other technologies and expanding the business to ensure we stay ahead of the competition.

Large Display

The Large Display business unit addresses large display applications such as LCD TVs, LCD monitors and notebook computers. As large display manufacturing begins blooming in China, we will start new projects to support our business partners on large display related business as part of our commitment to support the local supply chain in China. Towards that objective, a dedicated team is set up and will move in a new Beijing office in 2010. The new team will continue the product development of LCD driver ICs and work closely with the Green Power business unit on LED backlight solutions to provide local support to major LCD customers in China.

SYSTEM SOLUTION BUSINESS

Display System Solution

The Group continues to invest in Display System Solution because we believe this business unit is a key part of the Group's success in transforming our business from IC component sales to delivering total system solutions. This business unit has shipped over 2.5 million IC units in 2009 and the Group believes it will bring in diverse sources of revenue stream and gradually become an important contributor to the Group's financial performance. The Display System Solution business unit delivers total system solutions that can (1) increase display image quality and functionality; (2) support high-speed mobile interfaces; (3) generate high-performance multimedia solutions; and (4) integrate advanced wireless communication technology.

Products in production like image processors and graphic controllers are supporting the latest consumer applications such as MP4, PND, digital photo frames and other portable consumer electronic devices. Given the continual design-wins for new display controller products, the Group expects volume shipments continue for the segment in 2010.

With an early leadership in MIPI, the business unit won several design-ins for a variety of products in 2009 including some new model Android phones from top-tier players in the high-speed mobile interface market. The MIPI-related business is expected to continue to have more design-win projects for mass production in 2010.

After the first launch of the high-performance MagusCore™ multimedia system solution in the third quarter of 2008, this product family expanded in 2009 with a new, advanced version multimedia processor, and enhanced software and middleware to support broader applications beyond MDTVs, such as pico-projectors, PNDs and eBooks. The Group believes the MagusCore™ system solution is poised to capture the market and will help to accelerate development of our business in China.

The Display System Solution business unit also has a strong competence in design, development and integration of advanced wireless communication technology and devices. The unit specializes in designing new mobile multimedia application solutions for end products including GSM/GPRS, EDGE and 3G for mobile phones, GPS for PND and mobile multimedia broadcasting technology for MDTV. It has successfully launched dual mode and dual standby mobile phones for a top-tier mobile brand's products. With its current MDTV platform solution, the unit continues to expand its total system solutions for other high-volume applications such as pico-projectors, eBooks and Android-based mobile internet devices.

Green Power

The Green Power business unit focuses on providing energy-saving LED indoor and outdoor lighting solutions and LED backlighting where the Group sees the booming market of solid state lighting and signage industry, for the environmental friendly concern as well as for features enhancement in large display applications. Since this business unit was set up in 2008, it has recorded some small quantity of shipments in 2009. The Group will continue to expand its product portfolio in 2010, with more value-added LED driver ICs and LED power modules, while also developing new LED backlight solutions for supporting large display applications such as LCD TVs, LCD monitors and notebook computers.

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 year.

It was noted that the Remuneration Committee of the Company has directed HSBC International Limited, the Trustee of the share award plan to utilize the funds made available under the Trust Deed to purchase 2,000,000 existing shares from the market at a purchase price of HK\$0.67 per share to replenish the pool of shares held by the Trustee pursuant to the share award scheme of the Company on 9 February 2010.

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 Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year ended 31 December 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 of the Stock Exchange. Specific enquiry has been made to all directors and all of them were in compliance with such guidelines during the year ended 31 December 2009.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The audit committee alongside with the internal audit team of the Company has reviewed the annual results of the Group for the year ended 31 December 2009. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2009 have been agreed by the Company's independent auditor, PricewaterhouseCoopers ("PwC HK"), to the amounts set out in the Group's audited consolidated financial statements for the year 2009. The procedures performed by PwC HK 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 PwC HK on the preliminary announcement.

FINAL DIVIDEND

The Board of the Company recommended the payment of a final dividend of 1 HK cent per share to shareholders whose names appear on the Register of Members of the Company on 9 June 2010. Subject to the approval in the 2010 Annual General Meeting, the final dividend will be paid on 18 June 2010.

CLOSURE OF REGISTERS OF SHAREHOLDERS

The Register of Shareholders of the Company will be closed from Thursday, 3 June 2010 to Wednesday, 9 June 2010 (both days inclusive), during which no transfer of shares can be registered. In order to qualify for the final dividend and attending the Annual General Meeting, 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 4:00 p.m. on Thursday, 3 June 2010.

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.hkexnews.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, 20 April 2010

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.