

SOLOMON SYSTECH (INTERNATIONAL) LIMITED

2014 ANNUAL RESULTS ANNOUNCEMENT

26 March 2015 HONG KONG

HKSE : 2878



**SOLOMON
SYSTECH**

Building on
Momentum
乘勢而上



solutions in silicon



Disclaimer



This presentation does not constitute an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation or is unlawful without compliance with any registration, filing or other requirements.

The statements contained in this presentation that are not historical facts are forward-looking statements. These forward-looking statements are based on current expectations, estimates and projections about the financial markets in which Solomon Systech (International) Limited (the "Group") will invest, and the beliefs and assumptions of the Group. Words such as "expects", "targeted", "anticipates", "should", "intends", "plans", "believes", "seeks", "estimates", "forecasts", "projects", variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions which are difficult to predict. Therefore, actual outcomes and returns may differ materially from what is expressed or forecasted in such forward-looking statements. We caution readers not to place undue reliance on these statements as a number of important factors could cause the actual results to differ materially from the expectations expressed in such forward-looking statements. These factors include, but are not limited to changes in economic conditions; changes in the level of capital investment; success of business and operating initiatives; changes in the regulatory environment; fluctuations in interest and exchange rates; the outcome of litigation; changes in political and economic stability; government actions; and natural phenomena such as floods, earthquakes and hurricanes. Other unknown or unpredictable factors could cause actual results or performance to differ materially from those in the forward-looking statements contained in this presentation. We caution that the foregoing list of important factors is not exhaustive.

Agenda

Highlights

Financial Review

Business Review & Outlook

Highlights

Financial Review

Business Review & Outlook

Highlights

- Sales amounted to US\$60.1 million
- Gross profit was US\$20.8 million
- Gross margin was 34.6%
- Net loss was US\$3.0 million
- Loss per share was 0.12 US cent (0.95 HK cent)
- Book-to-bill ratio for the year was 1.1
- The Board resolved not to propose any final dividend for the year ended 31 December 2014

Highlights

Financial Review






Business Review & Outlook

Financial Review - Profit and Loss



(US\$ million)	2014	2013	Remarks
Sales	60.1	55.2	↑ 9%
Gross profit	20.8	21.0	↓ 1%
Gross margin	34.6%	38.1%	↓ 3.5pts
Net profit/(loss)	(3.0)	1.3	
(HK cent)			
Earnings/(loss) per share	(0.95)	0.42	
Dividends per share	Nil	Nil	
Book-to-bill ratio	1.1	0.86	

Financial Review - Financial Remarks

		Key Factors	
Sales	US\$60.1m ('13: US\$55.2m) 	<ul style="list-style-type: none"> • Unit shipments: up 27% YOY • Blended ASP: down 14% YOY 	
Gross Profit	US\$20.8m ('13: US\$21.0m) 	<ul style="list-style-type: none"> • Gross margin: 34.6% ('13: 38.1%) 	
Total Operating Expenses	US\$27.4m ('13: US\$25.1m) 	<ul style="list-style-type: none"> • Product R&D costs: US\$16.3m ('13: US\$13.9m) • S&D expenses: US\$3.0m ('13: US\$3.1m) • Admin expenses: US\$8.0m ('13: US\$8.1m) 	
Finance Income	US\$3.4m ('13: US\$3.9m) 	<ul style="list-style-type: none"> • Treasury income: US\$3.9m ('13: US\$3.0m) • Net unrealizable loss from treasury investment: US\$0.5m ('13 gain: US\$0.9m) 	
Net Profit/ (Loss)	US\$(3.0m) ('13: profit US\$1.3m) 		

Financial Review - Balance Sheet



(US\$ million)	As at 31 Dec		YoY
	2014	2013	
Total assets	130.1	129.0	
Total borrowings	0.4	0.5	
Shareholders' funds	115.3	117.8	-2%
Net cash	35.3	32.9	+7%
(HK cents)			
Shareholders' funds per share	36	37	
Net cash per share	11	10	

Financial Review – Net Cash Analysis 2014 vs 2013



Net Cash @31 Dec:	Change
<ul style="list-style-type: none"> US\$35.3m ('14) vs US\$32.9 ('13) 	+2.4m

Major Cash Inflow	US\$	Major Cash Outflow	US\$
<ul style="list-style-type: none"> Interest and Dividend Received 	+2.7m	<ul style="list-style-type: none"> Net cash Used in Operating Activities 	-6.0m
<ul style="list-style-type: none"> Disposal of Treasury Investment 	+6.2m	<ul style="list-style-type: none"> Capital Expenditure 	-0.5m

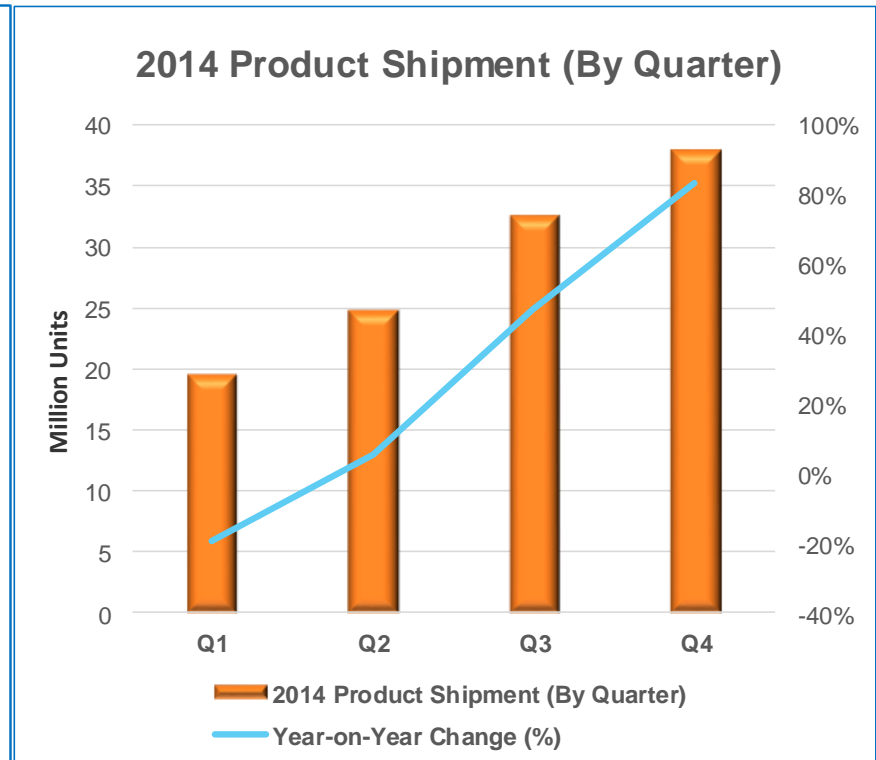
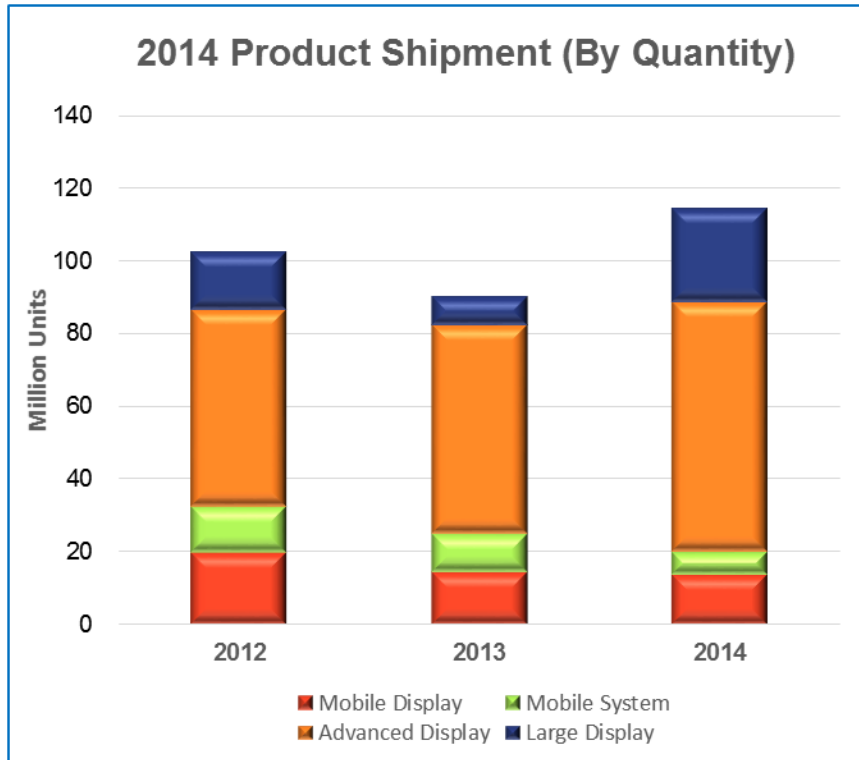
Highlights

Financial Review

Business Review & Outlook

Business Review – Product Shipments

- ▶ Total unit shipments in 2014 ~ 115 million units (↑ 27% year-on-year)
- ▶ Solid year-on-year and quarter-to-quarter unit shipment increase



Advanced Display



Wearable Health & Fitness Devices



Review

- **PMOLED display driver ICs**
 - Scored design wins with global wearable health & fitness devices brands
- **Bistable display driver ICs**
 - Apart from ESLs, extended applications of AMEPD products to smart thermostats, healthcare products, smart cards.
- **AMOLED display driver ICs**
 - Developed new IC for HD smartphones
- **Unit shipment increased**
 - Successfully captured rapidly rising wearables market and extended applications of OLED and bistable products

Advanced Display

Outlook

- **PMOLED display driver ICs**
 - Continue to capitalize on strong growth momentum of wearables to further ramp up shipment
 - Develop new products for larger size, higher resolution & DPI, curved surface color displays
- **Bistable display driver ICs**
 - Leverage extended application portfolio to ramp up shipments of AMEPD products
- **AMOLED display driver ICs**
 - Target pilot production for new IC supporting HD display
- **OLED Lighting driver ICs**
 - Target customer trial run for new IC sample

Business Review & Outlook

Mobile Display



Smartphone

Review

- **IGZO TFT LCD display driver ICs**
 - Started HD/FHD driver design for mobile applications
- **In-cell Touch TFT LCD display driver ICs**
 - Developed new product and scored design-wins for FWVGA displays
- **Unit shipment reduced**
 - Change of product technology

Outlook

- **IGZO TFT LCD display driver ICs**
 - Qualify new products and ramp up shipment
- **In-Cell Touch TFT LCD display driver ICs**
 - For FWVGA panels: start mass production
 - For FHD panels: develop new product

Business Review & Outlook

Mobile System

Smart
Watches



Smartphones &
Tablets

Review

- **Touch panel controller ICs**
 - Out-Cell touch products enhanced with value-added features and scored design wins for smartphones and education tablets
 - New On-Cell and In-Cell touch products ready in Q4 for customer trial run
- **High speed display interface controller ICs**
 - Scored new design wins for smart watches
 - New eDP product for large-sized WQXGA panels ready for customer trial run
- **Unit shipment decreased**
 - Delay in the launch of new touch products

Mobile System

Outlook

- **Touch panel controller ICs**
 - Boost up design-wins for In-Cell and On-Cell touch products targeting LCD module makers
 - Further penetrate Out-Cell market in China with multidrive technology
 - New product for larger-sized panels ready to boost business
- **High speed display interface controller ICs**
 - Ramp up shipment for smart watch application
 - Start pilot production of new products for large-sized WQXGA displays
 - Develop next generation eDP products

Business Review & Outlook

Large Display



21.5"
Monitor

18.5"
Monitor



31.5"
TV

Review

- **Large TFT display driver ICs**
 - 21.5" Full HD monitors and 18.5" HD monitors completed qualification and started mass production
- **Unit shipment surged**
 - New products adopted by key product lines of major customer

Outlook

- Further increase share of LCD business of major customer
- Launch more new products to capitalize on the increased capacity from major customer's new production line

Summary

2014 Summary

- Strong growth momentum: solid year-on-year and quarter-to-quarter growth in shipments
- Focused on high growth, high volume smart device applications
- Strengthened technological capability and optimized new product introduction: In-Cell touch display driver ICs, touch panel controller ICs, AMEPD display driver ICs and large display driver ICs

Gross Profit Margin

- Target to stay in line with industry

Operating Expenses

- Continue monitoring & investing to boost strength and capabilities

2015 Focus

- Invest in product R&D to further strengthen technology capabilities, new product introduction and customer outreach
- Ramp up shipments of products with strong growth potential:
 - Wearables: PMOLED display driver ICs
 - ESLs: AMEPD display driver ICs
- Capitalize on key customer's increased capacity to further boost the Large Display and Mobile Display business
- Leverage emerging new technologies of In-cell and multi-touch

Further Build up the Growth Momentum

Thank You

Solomon Systech (International) Limited

Stock code: 2878

www.solomon-systech.com