



**SOLOMON
SYSTECH**

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Interim Results Presentation 2015

**18 August 2015
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HKSE: 2878

solutions in silicon

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Agenda

Highlights

Financial Review

Business Review & Outlook

Highlights

Financial Review

Business Review & Outlook

Highlights

- Sales amounted to US\$33.4 million
- Gross profit was US\$12.0 million
- Gross margin was 35.9%
- Net profit was US\$0.9 million
- Earnings per share was 0.03 US cent (0.27 HK cent)
- Book-to-bill ratio was 1.13
- The Board resolved not to propose an interim dividend for the six months ended 30 June 2015

Highlights

Financial Review

Business Review & Outlook

Financial Review - Profit and Loss

| (US\$ million) | 1H15 | 1H14 | Remarks |
|----------------------------------|--------------|---------------|-----------------|
| Sales | 33.4 | 27.3 | ↑ 23% |
| Gross profit | 12.0 | 9.3 | ↑ 28% |
| Gross margin | 35.9% | 34.3% | ↑ 1.6pts |
| Net profit/(loss) | 0.9 | (1.5) | |
| (HK cent) | | | |
| Earnings/(loss) per share | 0.27 | (0.46) | |
| Dividends per share | Nil | Nil | |
| Book-to-bill ratio | 1.13 | 1.09 | |

Financial Review - Financial Remarks

| | | Key Factors |
|---------------------------------|--|---|
| Sales | US\$33.4m (1H14: US\$27.3m) ↑ | <ul style="list-style-type: none"> Unit Shipments: up 87% YoY Blended ASP: down 34% YoY |
| Gross Profit | US\$12.0m (1H14: US\$9.3m) ↑ | <ul style="list-style-type: none"> Gross margin: 35.9% (1H14: 34.3%) |
| Total Operating Expenses | US\$14.7m (1H14: US\$12.9m) ↑ | <ul style="list-style-type: none"> Product R&D costs: US\$8.9m (1H14: US\$7.5m) - R&D costs to Sales ratio: 26.8% (1H14:27.5%) S&D expenses: US\$1.4m (1H14: US\$1.6m) Admin expenses: US\$4.4m (1H14: US\$3.9m) |
| Finance Income | US\$3.6m (1H14: US\$2.1m) ↑ | <ul style="list-style-type: none"> Treasury income: US\$2.2m (1H14: US\$1.6m) Net unrealizable gain from treasury investment: US\$1.4m (1H14: US\$0.5m) |
| Net Profit/ (Loss) | US\$0.9m (1H14: net loss: US\$1.5m) ↑ | |

Financial Review - Balance Sheet

| (US\$ million) | As at 30 Jun 2015 | As at 31 Dec 2014 | Change |
|--------------------------------------|------------------------------|------------------------------|---------------|
| Total assets | 131.1 | 130.1 | |
| Total borrowings | 0.3 | 0.4 | |
| Shareholders' funds | 116.2 | 115.3 | ↑1% |
| Net cash | 34.0 | 35.3 | ↓4% |
| (HK cents) | | | |
| Shareholders' funds per share | 36 | 36 | |
| Net cash per share | 11 | 11 | |

Financial Review – Net Cash Analysis 2015 vs 2014



| Net Cash: | Change |
|--|---------------|
| <ul style="list-style-type: none"> US\$34.0m (30 Jun'15) vs \$35.3m (31 Dec'14) | -1.3m |

| Major Cash Inflow | US\$ | Major Cash Outflow | US\$ |
|---|-------------|---|-------------|
| <ul style="list-style-type: none"> Interest and Dividends Received | +1.2m | <ul style="list-style-type: none"> Net Cash Used in Operating Activities | -6.1m |
| <ul style="list-style-type: none"> Treasury Investment | +4.3m | <ul style="list-style-type: none"> Capital Expenditure | -0.7m |

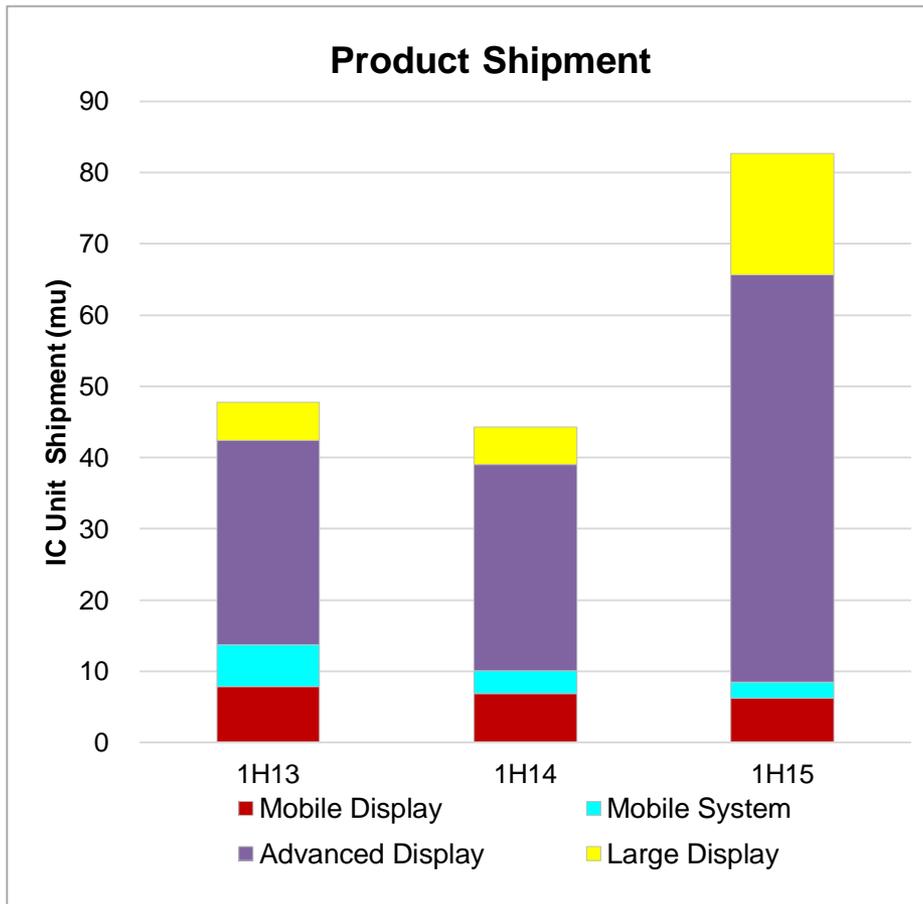
Highlights

Financial Review

Business Review & Outlook

Business Review – Product Shipments

- ▶ Substantial increase in total unit shipments: 82.7 million units



Capture Fast-growing Wearables Market



Strengthened Product Portfolio for Large Display Panels



Business Review & Outlook

Advanced Display



Wearable Health & Fitness Devices



Electronic Shelf Labels

Review

- **Unit shipment increased substantially by 97%**
 - Successfully captured high growth, high volume wearables market
- **PMOLED display driver ICs**
 - Capitalized strong growth wearables market
 - As leading supplier of top global wearable healthcare devices brands to drive further growth
 - Extended application portfolio to other consumer electronic devices
- **Bistable display driver ICs**
 - AMEPD: developing solutions for color and higher resolution panels
 - Segment-type: expanded to new applications
- **Others**
 - New ICs developed: AMOLED, OLED Lighting

Advanced Display

Outlook

➤ PMOLED display driver ICs

- Secure capacity for strong backlog and expected order in 2H
- Develop more new products for the next generation wearable applications

➤ Bistable display driver ICs

- AMEPD: Capitalize on rising customer demand and launch more new products to ramp up shipments
- Segment-type: Boost growth with extended applications

➤ Others

- AMOLED display driver ICs: reach out to smartphone manufacturers
- OLED Lighting driver controllers: for customer evaluation, get ready for market roll-out

Business Review & Outlook

Mobile Display



Smartphones

Review

- **In-Cell Touch TFT LCD display driver IC**
 - Designed-in with leading smartphone manufacturer for FWVGA panels
- **Metal Oxide TFT LCD display driver ICs**
 - Taped out products targeting FHD smartphones and QHD tablets
- **Unit shipment decreased by 9%**
 - Obsolete STN LCD product projects
 - Delayed mass production of new products

Outlook

- Start pilot production for new In-Cell Touch TFT LCD display driver ICs & Metal Oxide TFT LCD display drivers ICs
- Continue to develop higher resolution solutions to expand product portfolio

Business Review & Outlook

Mobile System



Tablets



Smartphones



Wearable
Waistbands



Industrial
Panels

Review

- **Touch panel controller ICs**
 - Out-Cell: Design-wins for leading brands' tablets
 - In-Cell & On-Cell: Design-ins with leading smartphone panel manufacturers
- **MIPI display interface controller ICs**
 - Design-win for leading wearable wristband
 - Design-wins for education tablets and industrial panels for low-tier CPUs
 - Designed-in within market leading Application Processor platforms for high-resolution media tablets and dual display smart devices
- **Unit shipment decreased by 31%**
 - New products yet to contribute to overall shipment.

Mobile System

Outlook

- **Touch panel controller ICs**
 - Out-Cell:
 - Ramp up shipment for tablet applications
 - Develop more solutions to capture rising wearables market
 - On-Cell & In-Cell:
 - Reach out to key smartphone brands
- **MIPI display interface controller ICs**
 - Ramp up shipment for wearables, tablets, industrial panels & other applications

Business Review & Outlook

Large Display



HD
Monitors

FHD VA
Monitors



HD TVs

4K2K
TVs



FHD
Notebooks

Review

- **Unit shipment soared by 223%**
 - More new products adopted by key product lines of major customer
- **Large TFT display drivers**
 - Ramped up shipments of products for HD & FHD monitors and HD TVs
 - Started mass production of new products for QHD monitors
 - Started qualification of new products for HD TVs and FHD VA monitors
 - Developing new products to meet the needs of key customer's increased capacity: 4k2k TVs and FHD notebooks

Large Display

Outlook

- Maintain growth momentum and continue mass production
- Start mass production:
 - HD TV and FHD VA monitors
- Continue development of new driver ICs and SoC to capture increased production capacity of major customer:
 - 4K2K TVs and FHD notebooks
- Increase share of LCD business of major customer to boost growth

Summary

1H Summary

Achieved substantial increase in shipments and sales:

- Captured fast-growing wearables market
- Enhanced product portfolio captured key customer's demand for large TFT display drivers

Looking Ahead



Wearables
market



Increased
production capacity
of major customer
(TV/monitors/
smartphone
panels)

- Major applications driving semiconductor business (PCs, smartphones, tablets) anticipated to be weaker than expected
- The Group's key application segments are seeing strong growth trends and customer is increasing production capacity

To capture growth opportunities ahead:

- Secure adequate manufacturing capacity
- Develop more new products timely
- Increase product adoption rate and product penetration

We are ready for enhanced business growth & performance

Thank You

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