

# 2016 FINAL RESULTS ANNOUNCEMENT

15 MAR 2017 HONG KONG



**CHANGE**  
TO  
變 革 增 長 **GROW**

# 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.

**Highlights**

**Financial Review**

**Business Review**

**Outlook**

# Highlights

---

- Sales amounted to US\$68.4 million
- Gross profit was US\$23.5 million
- Gross margin was 34.4%
- Net loss was US\$6.9 million
- Loss per share was 0.28 US cent (2.17 HK cents)
- Book-to-bill ratio for the year was 1.0
- The Board resolved not to propose any final dividend for the year ended 31 December 2016

Highlights

Financial Review

Business Review

Outlook

# Financial Review - Profit and Loss



(US\$ million)	2016	2015	Remarks
<b>Sales</b>	<b>68.4</b>	<b>70.9</b>	<b>↓ 3.5%</b>
<b>Gross profit</b> <i>Gross margin</i>	<b>23.5</b> <b>34.4%</b>	<b>23.2</b> <b>32.7%</b>	<b>↑ 1.7pts</b>
<b>Net loss</b>	<b>6.9</b>	<b>6.4</b>	
<b>(HK cents)</b>			
<b>Loss per share</b>	<b>2.17</b>	<b>2.02</b>	
<b>Dividends per share</b>	<b>Nil</b>	<b>Nil</b>	
<b>Book-to-bill ratio</b>	<b>1.0</b>	<b>1.1</b>	

# Financial Review - Financial Remarks

			Key Factors
<b>Sales</b>	US\$68.4m (‘15: US\$70.9m)		<ul style="list-style-type: none"> <li>Unit shipments: up 0.8% YOY</li> <li>Blended ASP: down 4.4% YOY</li> </ul>
<b>Gross Profit</b>	US\$23.5m (‘15: US\$23.2m)		<ul style="list-style-type: none"> <li>Gross margin: 34.4% (‘15: 32.7%)</li> </ul>
<b>Total Operating Expenses</b>	US\$36.0m (‘15: US\$31.4m)		<ul style="list-style-type: none"> <li>Product R&amp;D costs:                             <ul style="list-style-type: none"> <li>US\$21.1m (‘15: US\$19.5m) - up 8.1% YoY</li> <li>30.8% of Sales (‘15: 27.5%)</li> </ul> </li> <li>S&amp;D expenses:                             <ul style="list-style-type: none"> <li>US\$3.2m (‘15: US\$2.8m) – up 11.2% YoY</li> <li>4.6% of Sales (‘15: 4.0%)</li> </ul> </li> <li>Admin expenses:                             <ul style="list-style-type: none"> <li>US\$11.7m (‘15: US\$9.0m) – up 29.8% YoY</li> <li>Include US\$1.7m one-off severance and long services expenses</li> </ul> </li> </ul>
<b>Finance Income</b>	US\$3.7m (‘15: US\$1.5m)		<ul style="list-style-type: none"> <li>Treasury income: US\$3.9m (‘15: US\$3.4m)</li> <li>Net unrealizable fair value loss from treasury investment: US\$0.2m (‘15: loss US\$2.0m)</li> </ul>
<b>Net Loss</b>	US\$6.9m (‘15: US\$6.4m)		

# Financial Review - Balance Sheet



(US\$ million)	As at 31 Dec		YoY
	2016	2015	
<b>Total assets</b>	<b>115.6</b>	<b>123.4</b>	
<b>Total borrowings</b>	<b>0.2</b>	<b>0.3</b>	
<b>Shareholders' funds</b>	<b>101.0</b>	<b>108.5</b>	<b>-7%</b>
<b>Net cash</b>	<b>24.6</b>	<b>26.1</b>	<b>-6%</b>
<b>(HK cents)</b>			
<b>Shareholders' funds per share</b>	<b>32</b>	<b>34</b>	
<b>Net cash per share</b>	<b>8</b>	<b>8</b>	

# Financial Review – Net Cash Analysis 2016 vs 2015



Net Cash @31 Dec:	Change
<ul style="list-style-type: none"> <li>US\$24.6m ('16) vs US\$26.1m ('15)</li> </ul>	-US\$1.5m

Major Cash Inflow	US\$	Major Cash Outflow	US\$
<ul style="list-style-type: none"> <li>Interest and Dividend Received</li> </ul>	+3.3m	<ul style="list-style-type: none"> <li>Net cash Used in Operating Activities</li> </ul>	-13.2m
<ul style="list-style-type: none"> <li>Disposal of Treasury Investment</li> </ul>	+26.5m	<ul style="list-style-type: none"> <li>Capital Expenditure</li> </ul>	-17.5m
		<ul style="list-style-type: none"> <li>Others</li> </ul>	-0.6m

Highlights

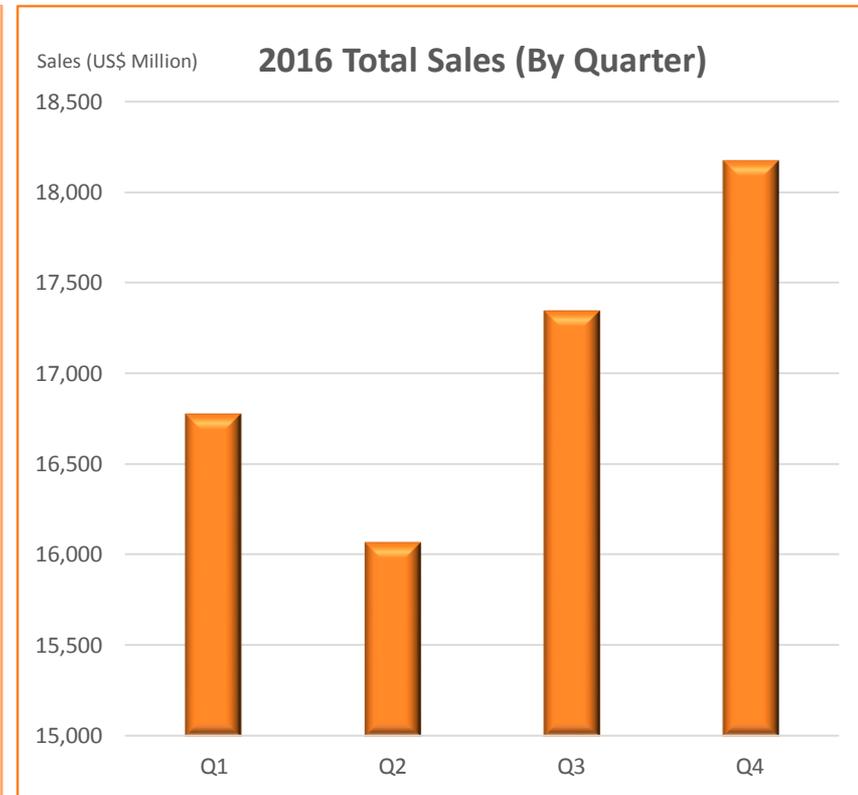
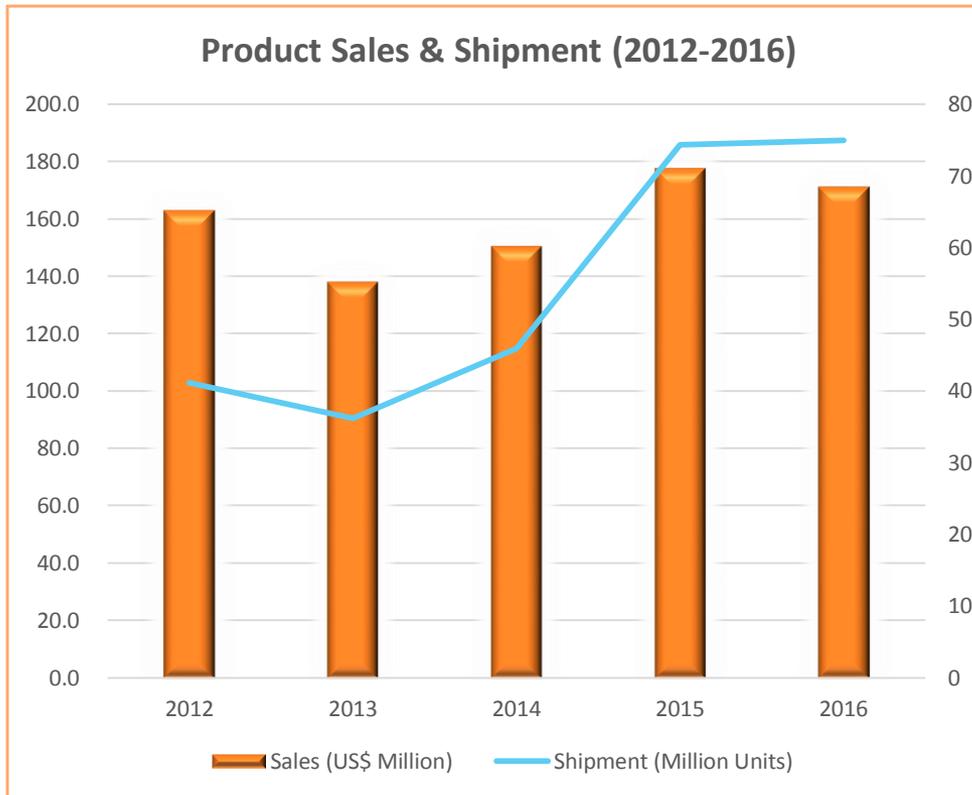
Financial Review

Business Review

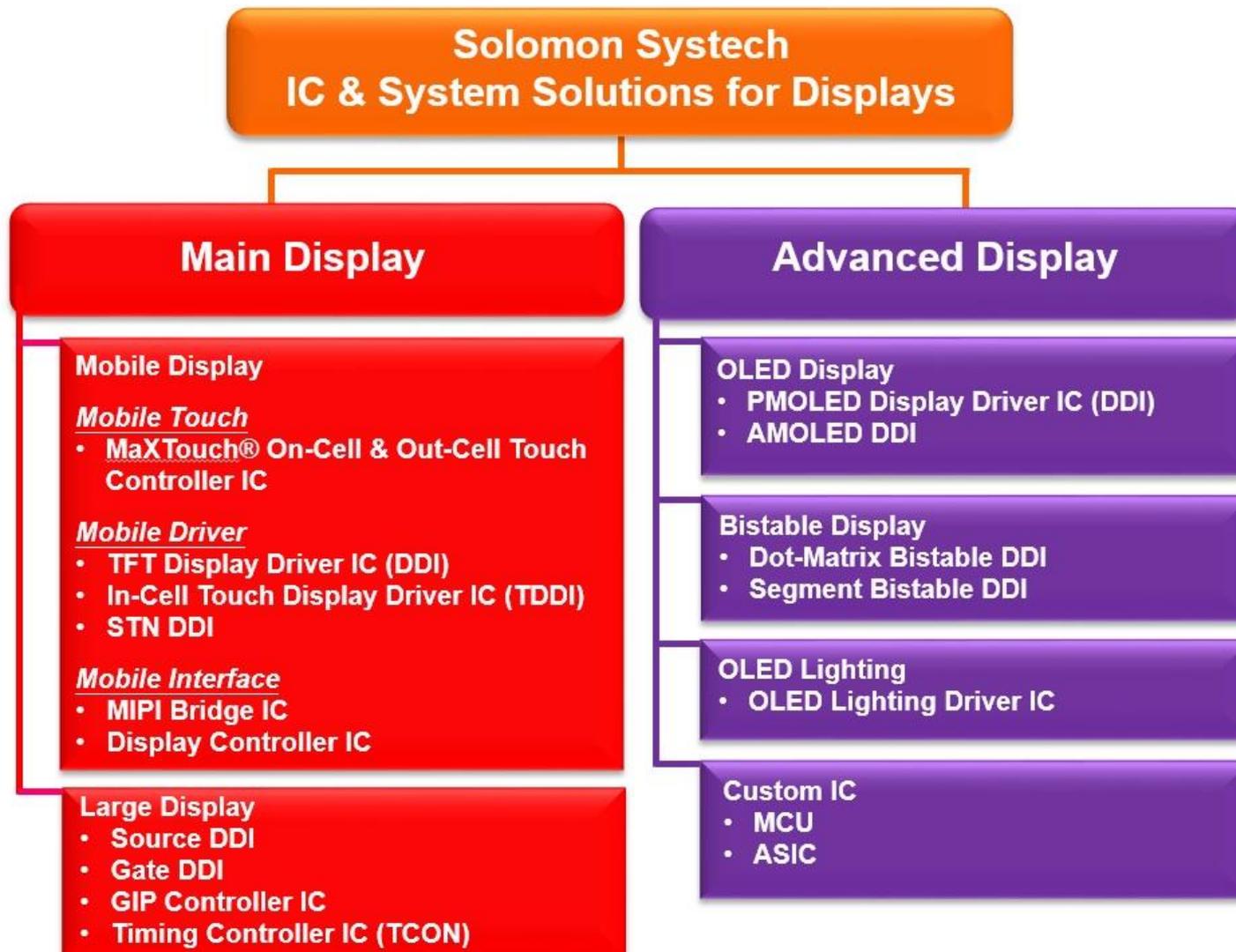
Outlook

# Business Review – Sales & Shipments

- 2016 Total Sales: ~US\$68.4 million
- 2016 Total Shipment: ~187.3 million units



# Business Review – New Structure



# Business Review – Main Display

## Main Display



maXTouch® Technologies  
& Assets

- **Total Sales**
  - Decreased 4.4% year-on-year to US\$31.6 million
- **Purchased market-leading maXTouch® technologies, semiconductor products and patent licenses**
- **Set up UK Business & Technology Center at end of 2016 focusing on Mobile Touch**



# Business Review – Main Display

## Main Display



World's 1<sup>st</sup> TDDI for FHD IGZO Panels



TDDI for FHD LTPS Panels



MIPI Bridge IC for UHD VR Applications



DDI for UHD TV and FHD Notebooks

- **Touch & Display Driver IC (TDDI)**
  - Launched World's 1<sup>st</sup> TDDI for FHD IGZO panels with Nanjing CEC Panda
  - TDDI for FWVGA LTPS Panels: strong growth >10 million units
  - TDDI for FHD LTPS Panels: pilot shipment in 2H
- **TFT LCD DDI (Display Driver IC)**
  - Developed new IC targeting automotive display
- **MIPI Bridge IC for UHD Displays for VR Devices**
  - Steady growth in shipment
- **Large TFT LCD DDI**
  - Reduced demand from key customer
  - New product for FHD notebooks qualified and sample for UHD TV ready

# Business Review – Advanced Display

## Advanced Display



Wearable  
Health &  
Fitness  
Device

Electronic  
Shelf Label



IoT Application

- **Total Sales:**
  - Decreased 2.9% year-on-year to US\$36.8 million
- **PMOLED Display Driver IC**
  - Scored design wins with global wearable health & fitness devices brands
  - Cumulative IC shipments (2008-2016) of one single IC (SSD1306): 200 million units
- **Bistable Display Driver IC**
  - Intense competition: decrease in shipment and sales
  - Scored design-wins: healthcare, wearable and ESL applications
  - New products: achieved design-in projects
- **OLED lighting Driver IC**
  - Started mass production

Highlights

Financial Review

Business Review

Outlook

# Our Strategy

## Ready to Capture Growth Opportunities

### Main Display Business Unit

- Capitalize on growing TDDI & AMOLED markets
- Leverage maXTouch® Technologies & Assets for market penetration
- Leverage new R&D Centers in UK and Taiwan for new product development

### Advanced Display Business Unit

- Capitalize on growing smart devices and IoT markets
- Acquire new customers and boost market penetration
- Enhance product and application portfolios

Increased  
Organizational  
Efficiency

Enhanced  
NPI Quality & Speed

Strengthened  
Product & IP  
Portfolios

Reinforced  
Technological  
Capability

### Change for Growth

- Re-alignment of operations & resources
- Purchase of new technologies, products & patent licenses
- Establishment of new technology centers (UK & Taiwan)

# Main Display – Outlook

## Mobile Display IC

- **In-Cell TDDI**
  - Secure more design wins for TDDI for FHD panels
  - New TDDIs for FHD LTPS & IGZO panels to start mass production
- **Touch Controller IC**
  - Develop POLED touch controller IC
  - Drive growth leveraging maXTouch®'s customer base
- **TFT LCD DDI**
  - New IC for automotive display to secure design-wins
- **MIPI Bridge IC**
  - New IC for UHD resolution to be launched in 1H
  - Develop new IC for VR devices

## Large Display Driver IC

- **New ICs**
  - New ICs for FHD notebooks & monitors and UHD TV ready for mass production
- **Key Customer Nanjing CEC Panda**
  - Enhance collaboration and expand presence in Nanjing

# Advanced Display – Outlook

## PMOLED Display Driver IC

### ➤ **New Products**

- Develop new products to capture the growth momentum of wearables market
- Explore other fast-growing applications to drive business growth

## Bistable Display Driver IC

### ➤ **Rapport Building to Drive Growth**

- Enhance relationship with LCD module manufacturers
- Collaborate with independent design houses (IDH)

### ➤ **AMEPD:**

- Score more design-wins for new products
- Extend applications of 3-pigment AMEPD and segment-type EPD solutions
- Develop custom-IC for ESL customers

## OLED Lighting Driver IC

### ➤ **New IC:**

- Target to ramp up shipment

# Summary

## 2016 Summary

- Total sales decreased slightly: ASP erosion of certain products under intense price competition
- Increased organizational efficiency via operational realignment
- Enhanced NPI quality & speed
- Strengthened product and IP portfolios
- Reinforced technological capability

## Looking Ahead

- ***Favorable market conditions:*** LCD and OLED production capacity to grow significantly → demand increase for TDDI and display driver ICs

.....

### ***Ready To Drive Growth:***

- Capitalize on favorable market conditions
- Develop more competitive new products
- Acquire new customers and enhance market penetration
- Explore strategic investment opportunities

# Thank You

**Solomon Systech (International) Limited**

**Stock code: 2878**

**[www.solomon-systech.com](http://www.solomon-systech.com)**