



SOLOMON SYSTECH

Interim Results Presentation 2016

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solutions in silicon

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Agenda

Highlights

Financial Review

Business Review & Outlook

Summary

Highlights

- Sales amounted to US\$32.9 million
- Gross profit was US\$10.4 million
- Gross margin was 31.7%
- Net loss was US\$6.4 million
- Loss per share was 0.26 US cent (2.00 HK cents)
- Book-to-bill ratio was 1.0
- The Board resolved not to propose an interim dividend for the six months ended 30 June 2016

Highlights

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Financial Review - Profit and Loss

(US\$ million)	1H16	1H15	Remarks
Sales	32.9	33.4	↓ 1%
Gross profit	10.4	12.0	↓ 13%
Gross margin	31.7%	35.9%	↓ 4.2pts
Net profit/(loss)	(6.4)	0.9	
(HK cent)			
Earnings/(loss) per share	(2.00)	0.27	
Dividends per share	Nil	Nil	
Book-to-bill ratio	1.0	1.1	

Financial Review - Financial Remarks

		Key Factors
Sales	US\$32.9m (1H15: US\$33.4m)	<ul style="list-style-type: none"> Unit Shipments: up 2% YoY Blended ASP: down 4% YoY
Gross Profit	US\$10.4m (1H15: US\$12.0m)	<ul style="list-style-type: none"> Gross margin: 31.7% (1H15: 35.9%)
Total Operating Expenses	US\$17.6m (1H15: US\$14.7m)	<ul style="list-style-type: none"> Product R&D costs: US\$9.6m (1H15: US\$8.9m) S&D expenses: US\$1.7m (1H15: US\$1.4m) Admin expenses: US\$6.3m (1H15: US\$4.4m)
Finance Income	US\$0.1m (1H15: US\$3.6m)	<ul style="list-style-type: none"> Treasury income: US\$0.8m (1H15: US\$2.2m) Net unrealizable loss from treasury investment: US\$0.7m (1H15: US\$1.4m gain)
Net Profit/ (Loss)	US\$(6.4m) (1H15: net profit: US\$0.9m)	

Financial Review - Balance Sheet

(US\$ million)	As at 30 Jun 2016	As at 31 Dec 2015	Change
Total assets	116.2	123.4	
Total borrowings	0.2	0.3	
Shareholders' funds	102.2	108.5	↓ 6%
Net cash	22.0	26.1	↓ 16%
(HK cents)			
Shareholders' funds per share	32	34	
Net cash per share	7	8	

Financial Review – Net Cash Analysis 2016 vs 2015

Net Cash:	Change
• US\$22.0m (30 Jun'16) vs US\$26.1m (31 Dec'15)	-US\$4.1m

Major Cash Inflow	US\$	Major Cash Outflow	US\$
• Interest and Dividends Received	+1.0m	• Net Cash Used in Operating Activities	-2.8m
		• Treasury Investment	-2.1m
		• Capital Expenditure	-0.1m
		• Others	-0.1m

Highlights

Financial Review

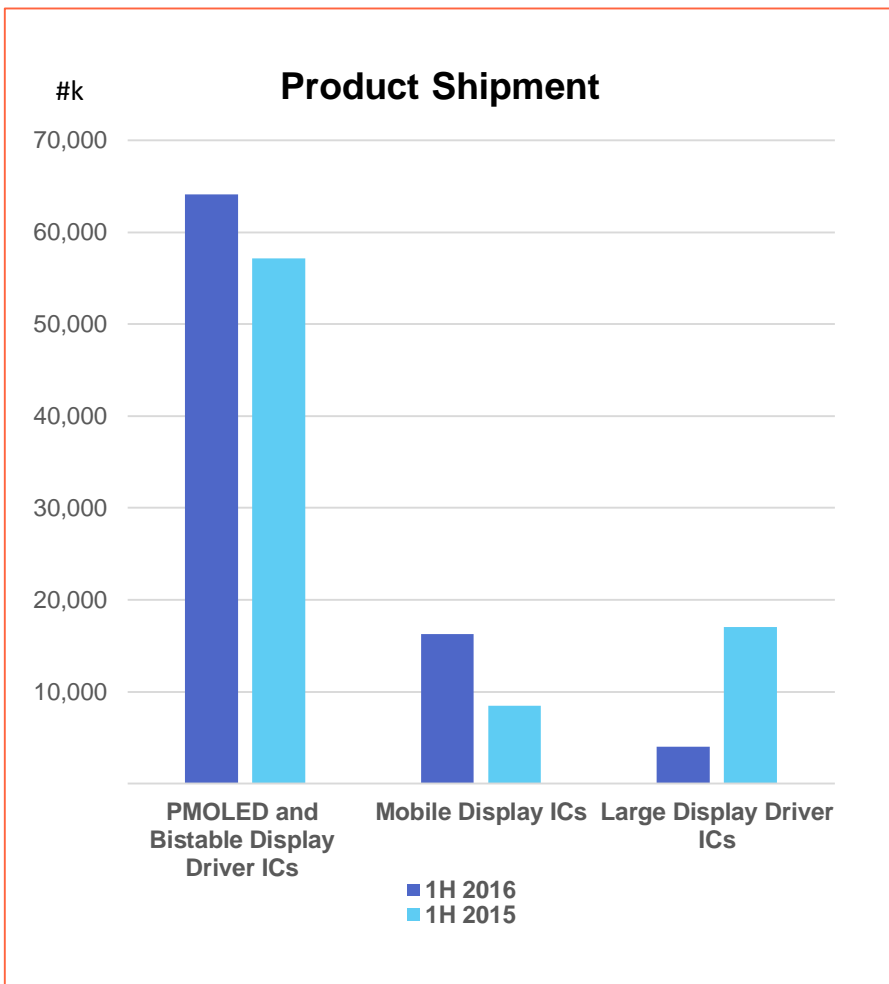
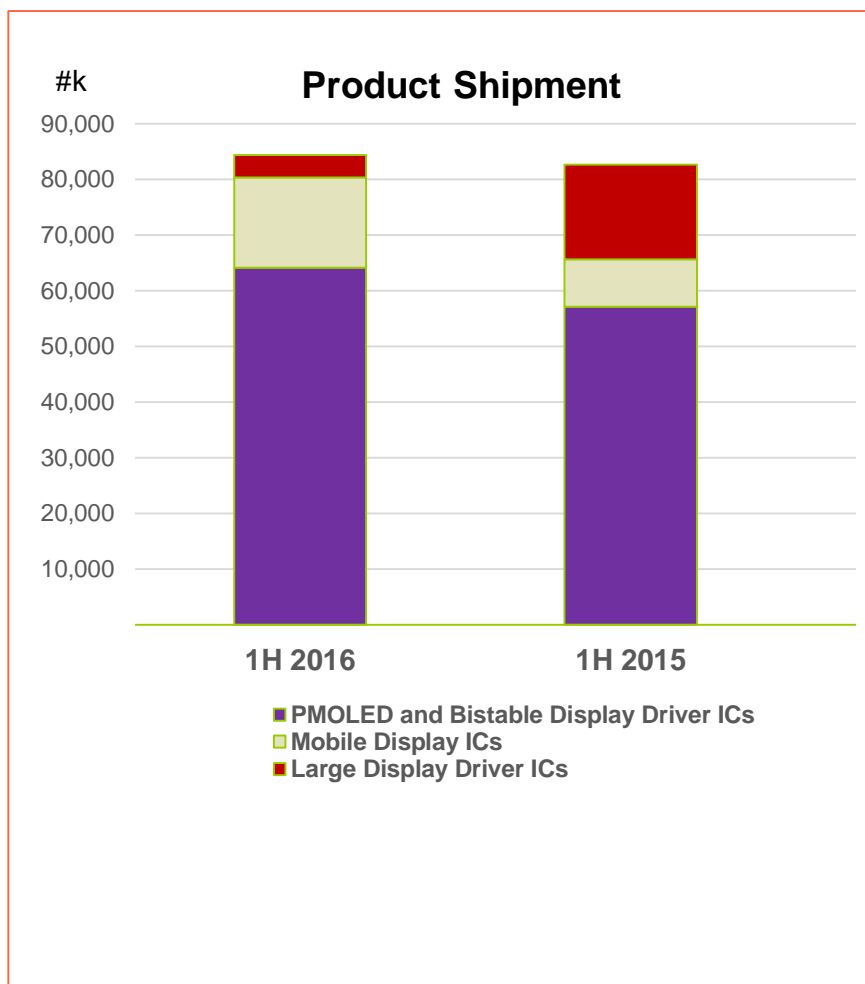
Business Review & Outlook

Summary

Business Review – Product Shipments



1H 2016 total shipments: 84.4 million units (1H 2015: 82.7 million units)



Advanced Display – Business Review

Overall Unit Shipments: increased by 12% to 64.1 million units

PMOLED & Bistable Display Driver ICs

- **Design wins:**
 - PMOLED – world-renowned wearable health and fitness devices
 - Bistable – ESLs, portable health trackers, medical devices, kids' smartphones
- **Extended product portfolio:**
 - 8 new solutions developed
 - Color support, higher resolution, greater power efficiency, lower production cost

OLED Lighting Driver IC

- **Single-chip IC:**
 - Supports ultra-slim form factor, high power efficiency, smooth dimming control and brightness transition

Advanced Display – Outlook

PMOLED Display Driver ICs

- **Expect mild growth:**
 - Panel manufacturing capacity expansion
- **New products:**
 - Full color display, larger die size, enhanced functional features, power efficiency, component miniaturization

Bistable Display Driver ICs

- **Strong potential:**
 - Growing smart hand held devices market in IoT era
- **New products:**
 - Multi-color support, higher resolution, larger panel size, power efficiency, lower production cost

OLED Lighting Driver IC

- **Design-in:** expect in 2H 2016

Main Display – Business Review

Overall Unit Shipments: decreased by 20% to 20.3 million units

Mobile Display ICs

- **Touch Display Driver IC (TDDI):**
 - Started volume shipment of TDDI for FWVGA panels
 - Developed new TDDI IC for FHD panels
- **Display Driver IC for FHD IGZO Panels:**
 - New IC undergoing major customer's qualification
- **MIPI Bridge IC:**
 - Volume shipment to 1st tier VR devices brand

Large Display Driver ICs

- **Shipments:**
 - Decreased demand from major customer
 - New products' design-wins slow to contribute to shipment
- **Display Driver IC for TV & Notebook Panels:**
 - New IC for UHD TV & FHD notebooks undergoing customer qualification

Main Display – Outlook

Mobile Display ICs

- **Touch Display Driver IC (TDDI):**
 - High volume shipment of TDDI for FWVGA panels in the near term
 - Start shipment of new TDDI for FHD panels
 - Develop more new TDDI for other resolutions
- **MIPI Bridge IC:**
 - New bridge IC for UHD resolution
 - Develop new IC for advanced VR applications

Large Display Driver ICs

- **Good potential:**
 - Design-wins of new products for UHD TV and FHD notebook markets
- **New driver ICs :**
 - Start mass production for UHD TV in 2H 2016 after customer qualification

Highlights

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Summary

1H Summary

- Total unit shipments increased yet sales decreased slightly: ASP erosion of certain products under intense price competition
- Organizational realignment under customer-focused strategy
- Strengthened product and application portfolios

Looking Ahead

- **Favorable market conditions:** LCD and OLED production capacity to grow significantly → demand increase for TDDI and display driver ICs
- **The Group:** more competitive new products & new customer penetration

To Boost Growth:

- Capitalize on favorable market conditions
- Develop more competitive new products
- Enhance new customer penetration and market penetration
- Explore strategic investment opportunities

Thank You

Solomon Systech (International) Limited

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