

Persevere to Achieve
堅持不懈 • 實現目標



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Highlights

Financial Review

Business Review

Outlook

Highlights

- Revenue amounted to US\$98.1 million
- Gross profit was US\$28.2 million
- Gross margin was 28.7%
- Net loss was US\$13.8 million
- Loss per share was 0.55 US cent (4.26 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 2018

Highlights

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Financial Review - Profit and Loss



(US\$ million)	2018	2017	Variance
Revenue	98.1	82.5	+19%
Gross profit <i>Gross margin</i>	28.2 28.7%	29.3 35.6%	-6.9% Pts
Net loss	13.8	10.3	
(US cents)			
Loss per share	0.55	0.41	
Dividends per share	Nil	Nil	
Book-to-bill ratio	1.0	1.1	

Financial Review - Financial Remarks



		Key Factors
Revenue	US\$98.1m (‘17: US\$82.5m) 	<ul style="list-style-type: none"> Revenue: up 19% Unit shipments: up 37% YOY
Gross Profit	US\$28.2m (‘17: US\$29.3m) 	<ul style="list-style-type: none"> Gross margin: 28.7% (‘17: 35.6%)
Total Operating Expenses	US\$48.7m (‘17: US\$49.7m) 	<ul style="list-style-type: none"> Product R&D costs: <ul style="list-style-type: none"> US\$31.5m (‘17: US\$34.5m) - down 9% YoY 32.1% of Sales (‘17: 41.8%) S&D expenses: <ul style="list-style-type: none"> US\$4.0m (‘17: US\$3.3m) 4.1% of Sales (‘17: 4.0%) Admin expenses: <ul style="list-style-type: none"> US\$13.2m (‘17: US\$11.9m)
Finance Income	US\$2.0m (‘17: US\$3.9m) 	<ul style="list-style-type: none"> Interest: US\$0.4m; Dividend: US\$0.1m Net fair value gain from treasury investment: US\$1.5m (‘17: US\$2.8m)
Net Loss	US\$13.8m (‘17: US\$10.3m) 	Increased loss in 2018 of US\$3.5m is mainly due to specific provisions made for slow moving inventories, and decrease in net finance income due to a less favourable investment environment during 2018 compared to 2017.

Financial Review - Balance Sheet



(US\$ million)	As at 31 Dec		Variance
	2018	2017	
Total assets	107.0	116.2	-7.9%
Total borrowings	0.2	0.3	-33.3%
Shareholders' funds	79.0	91.8	-13.9%
Cash and cash equivalents	13.4	23.3	-42.5%
(HK Cents)			
Shareholders' funds per share	25	29	-13.8%
Net cash per share	4.2	7.3	-42.5%

Financial Review – Cash and cash equivalents Analysis 2018 vs 2017



Cash and cash equivalents @31 Dec:	Change
<ul style="list-style-type: none"> US\$13.4m ('18) vs US\$23.3m ('17) 	-US\$9.9m

Major Cash Inflow	US\$	Major Cash Outflow	US\$
<ul style="list-style-type: none"> Interest and Dividend Received 	+0.5m	<ul style="list-style-type: none"> Net cash used in Operating Activities 	-26.8m
<ul style="list-style-type: none"> Change in FVTPL 	+17.6m	<ul style="list-style-type: none"> Capital Expenditure 	-1.9m

Highlights

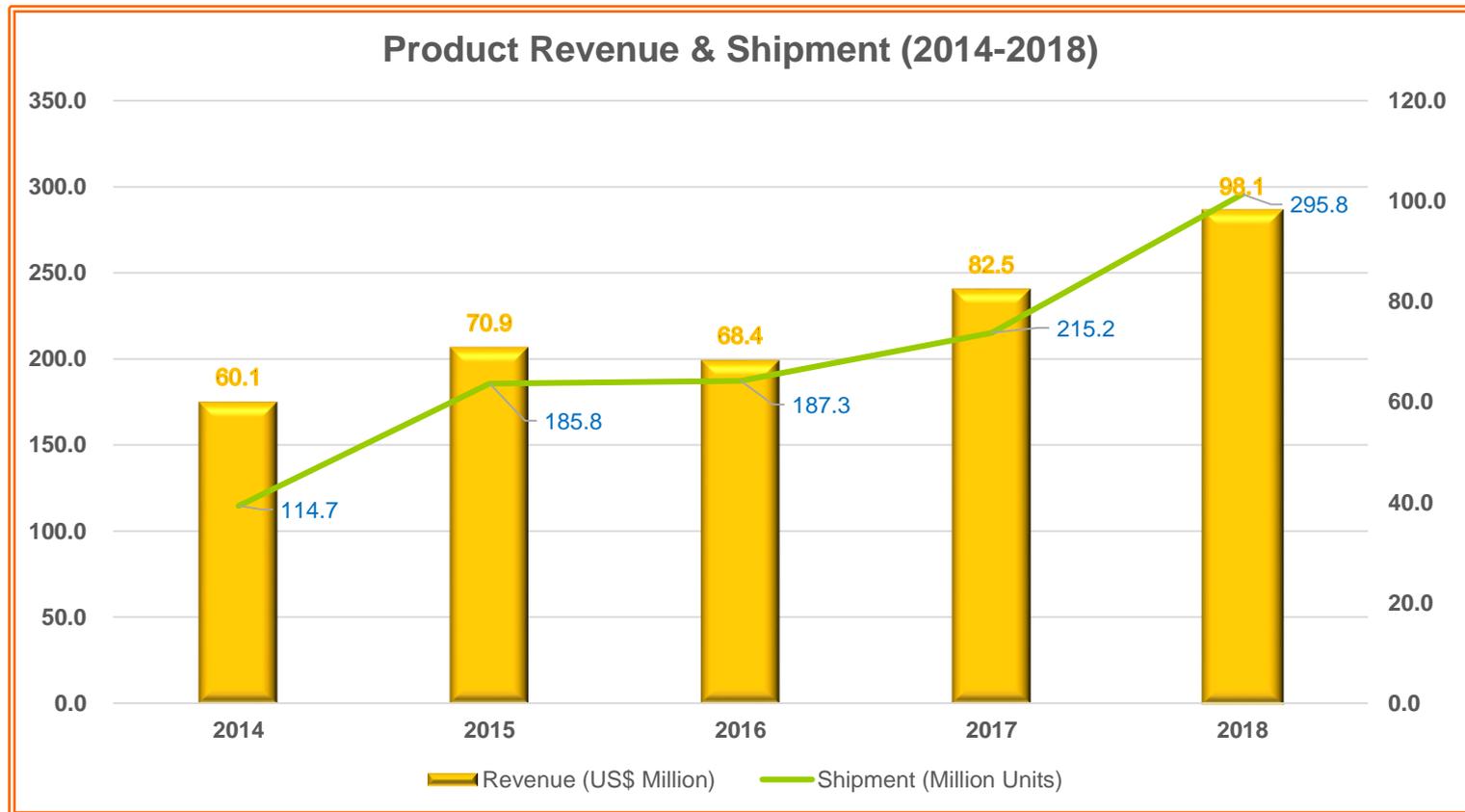
Financial Review

Business Review

Outlook

Business Review – Sales & Shipments

- 2018 Total Revenue ~US\$98.1 million (Up 19% YoY)
- 2018 Total Shipments: ~295.8 million units (Up 37% YoY)



Business Review – Advanced Display Products

Advanced Display



- **Total Shipments:**
 - Increased 15% year-on-year to 184.4 million units

- **PMOLED Display Driver IC (DDI)**
 - 2H performance less robust due to reduced market demand for certain applications
 - Scored design wins with key international brands: wearables, smart home appliances
 - Captured new display trend: higher resolution grayscale

- **PMOLED Touch and Display Driver Integration (TDDI)**
 - World's 1st PMOLED TDDI IC
 - Launched at end 2018
 - Setting industry milestone

- **Bistable DDI**
 - Strong growth momentum throughout 2018: flourishing unmanned stores and retail chain automation in China
 - New products for larger-sized (7"-13") panels started mass production

Business Review – Advanced Display Products



World's 1st PMOLED TDDI IC SSD7317 garnered key industry awards:

1. The IET Innovation Awards 2018 - Highly Commended
2. 2018 Hong Kong Awards for Industries - Technological Achievement Award
3. Gold Panel Awards 2018 in Taiwan - Outstanding Product Award (Materials and Components Category)



IET Innovation Awards 2018



2018 Hong Kong Awards for Industries Technological Achievement Award

Gold Panel Awards 2018 - Outstanding Product Award



Business Review – Large Display Products

Large Display



- **Total Shipments:**
 - Increased 289% year-on-year to 58.0 million units
- **Increased Share in Key Customer's Business**
 - Increased share of 4K UHD TV and FHD monitor business with Nanjing CEC Panda Flat Panel Display Technology (Panda-FPD)
- **New IC**
 - Collaborating with Panda-FPD and CEC Panda's new Gen 8.6 fab in Chengdu (Chengdu fab) to develop a point-to-point display driver IC for high-end 120Hz UHD TV and 8K TV
- **New Customers**
 - Qualified as major supplier of Chengdu fab and Caihong Optoelectronics Technology in Xianyang
 - Mass production started at end 2018 for Chengdu fab

Mobile Display/ Mobile Touch



- **Total Shipments:** Increased 34% year-on-year to 53.4 million units.
- **Mobile Touch Products**
 - maXTouch® touch controller IC for flexible AMOLED displays scored design wins with international brands: smartphones, tablets, smart watches
 - Adopted in touch-pads of a well-known video game console brand
 - Taped out new foldable AMOLED touch controller IC
- **Mobile Display Products**
 - Sales undermined by delays in the launch of LCD TDDI products
 - In-cell TDDI IC for FHD+ LTPS panels featured in a key smartphone, designed-in independent design houses and qualified by China smartphone makers
 - MIPI bridge ICs scored design wins: virtual reality devices, test jigs, GPS devices, learning devices, etc.

Highlights

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Business Review

Outlook

Outlook

Advanced Display

- **PMOLED TDDI IC**
 - Expected to start mass production in 2H 2019
- **PMOLED display driver IC**
 - Capitalize on market trends (smart handheld devices, wristbands with grayscale displays)
- **Bistable display driver IC**
 - Continue to capture strong growth of ESL market & develop new IC for next generation of e-paper displays

Large Display Driver ICs

- **Strong growth momentum:**
 - 4K UHD TV & FHD monitor business with Panda-FPD
 - Mass production for Chengdu fab to ramp up
 - Mass production for Caihong Optoelectronics Technology started in March 2019
 - New point-to-point display driver IC for high-end 120Hz UHD TV and 8K TV to start mass production in 2019

Mobile Touch/Mobile Display

- **Mobile Touch Products**
 - Design wins with key brands and new IC for foldable AMOLED panels to start mass production
- **Mobile Display Products**
 - Strive to achieve design wins and ramp up shipments

Summary

2018 Summary

- Total revenue & unit shipments recorded double-digit growth
- Net loss due to:
 - Diminished gross profit margins resulting from provision of slow moving inventories
 - High amortization charges on IP and related investments,
 - Decrease in net finance income due to less favorable investment environment
- Progress achieved:
 - Enhanced technological capabilities
 - Broadened product portfolio with highly innovative products
 - Bolstering Solomon Systech (China) Limited
 - Strengthened customer base and revenue streams

Looking Ahead

Persevere to Overcome Challenges & Increase Shareholder Value:

- **Risks/Challenges:** unstable global economy and uncertain semiconductor industry outlook
- **Bright Growth Spots:** ESL, IoT smart devices, large displays

Thank You

Solomon Systech (International) Limited

Stock code: 2878

www.solomon-systech.com