



**SOLOMON
SYSTECH**

2019 Annual Results Announcement

**27 Mar 2020
Stock code: 2878**

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HIGHLIGHTS



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HIGHLIGHTS

- Revenue amounted to US\$108.3 million
- Gross profit was US\$21.3 million
- Gross margin was 19.7%
- Net loss was US\$27.8 million
- Loss per share was 1.1 US cent (8.53 HK cents)
- 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 2019



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FINANCIAL REVIEW



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PROFIT & LOSS



(US\$ million)	2019	2018	Variance
Revenue	108.3	98.1	+10%
Gross profit	21.3	28.2	
Gross margin	19.7%	28.7%	-9% Pts
Net loss	27.8	13.8	
(US cents)			
Loss per share	1.1	0.55	
Dividends per share	Nil	Nil	
Book-to-bill ratio	1.1	1.0	

FINANCIAL REMARKS



Key Factors		
Revenue	US\$108.3m (‘18: US\$98.1m)	<ul style="list-style-type: none"> Revenue: up 10% Unit shipments: up 4% YOY
Gross Profit	US\$21.3m (‘18: US\$28.2m)	<ul style="list-style-type: none"> Gross margin: 19.7% (‘18: 28.7%)
Total Operating Expenses	US\$40.2m (‘18: US\$48.7m)	<ul style="list-style-type: none"> Product R&D costs: <ul style="list-style-type: none"> US\$24.7m (‘18: US\$31.5m) - down 22% YoY 22.8% of Sales (‘18: 32.1%) Selling & distribution expenses: <ul style="list-style-type: none"> US\$3.1m (‘18: US\$4.0m) 2.9% of Sales (‘18: 4.1%) Admin expenses: <ul style="list-style-type: none"> US\$12.4m (‘18: US\$13.1m)
Finance Income	US\$1,000 (‘18: US\$2.0m)	<ul style="list-style-type: none"> Dividend: US\$25,000 Net fair value loss from treasury investment: US\$21,000 (‘18: Gain of US\$1.5m)
Net Loss	US\$27.8m (‘18: US\$13.8m)	Increased loss in 2019 of US\$14m is mainly due to impairment of intellectual properties and goodwill

BALANCE SHEET



(US\$ million)	As at 31 Dec		
	2019	2018	Variance
Total assets	76.9	107.0	-28.1%
Total borrowings	0.2	0.2	-
Shareholders' funds	51.3	79.0	-35.1%
Cash and cash equivalents	18.0	13.4	+34.3%
(HK Cents)			
Shareholders' funds per share	16	25	-36.0%
Net cash per share	5.6	4.2	+33.3%

CASH & CASH EQUIVALENTS ANALYSIS 2019 VS 2018

Cash and cash equivalents @31 Dec:	Change
• US\$18.0m ('19) vs US\$13.4m ('18)	+US\$4.6m

Major Cash Inflow	US\$
• Interest and Dividend Received	+0.2m
• Proceeds from disposal of FVTPL	+9.2m

Major Cash Outflow	US\$
• Net cash used in Operating Activities	-2.9m
• Lease payment	-1.4m

BUSINESS REVIEW

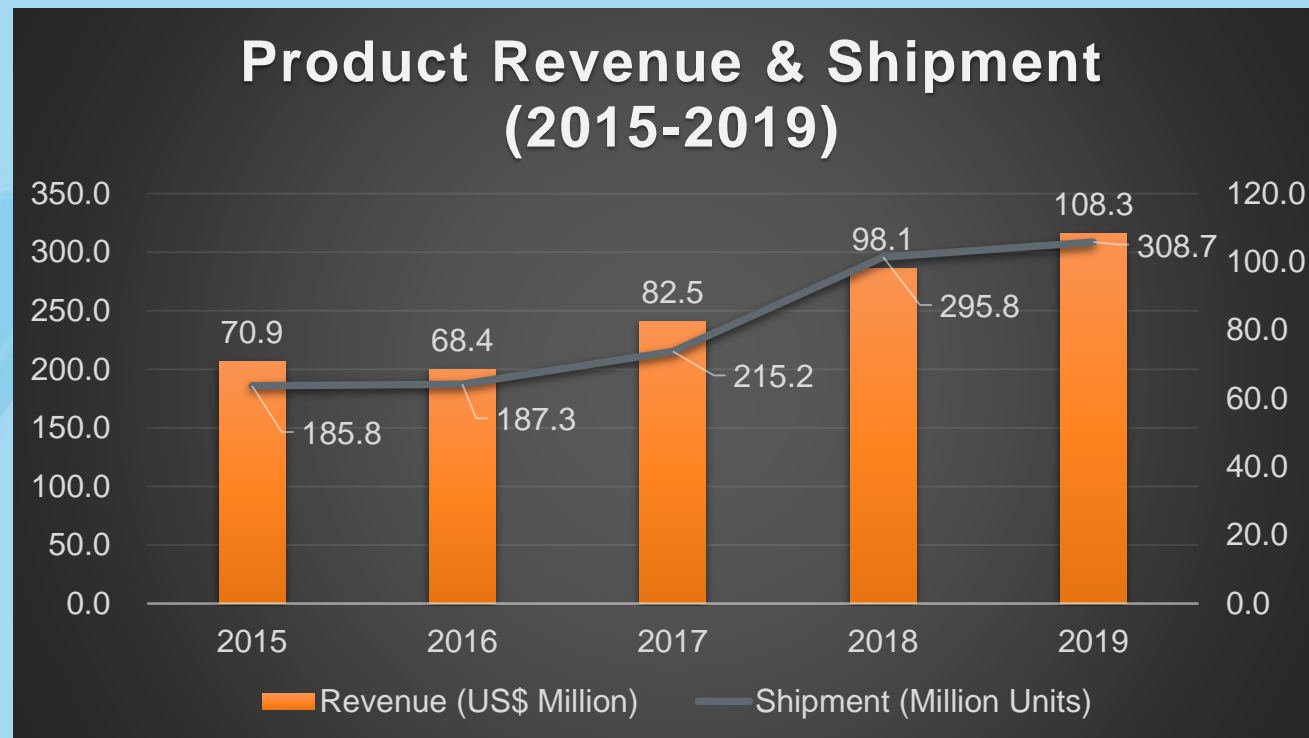


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SALES & SHIPMENTS



- 2019 total revenue: ~US\$108.3 (+10% YoY)
- 2019 total shipments: ~308.7 million units (+4% YoY)



ADVANCED DISPLAY

Advanced Display



- **Total Shipments:**
 - Decreased 27% year-on-year to 134.9 million units
- **PMOLED Display Driver IC (DDI)**
 - 1H business grew steadily, the overall sales of standard PMOLED display driver ICs of the Group was weakened due to dwindling demand in some application markets in 2H
- **PMOLED Touch and Display Driver Integration (TDDI)**
 - World's 1st PMOLED TDDI IC
 - Came second in the "Hong Kong Electronics Project Competition 2019" organized by the Hong Kong Institution of Engineers
- **Bistable DDI**
 - Strong growth momentum throughout 2019: Demand for electronic shelf label and the business model of retail automation in Japan and the US
 - New products that support seven colors and for smaller-sized (4"-7") panels started mass production

LARGE DISPLAY

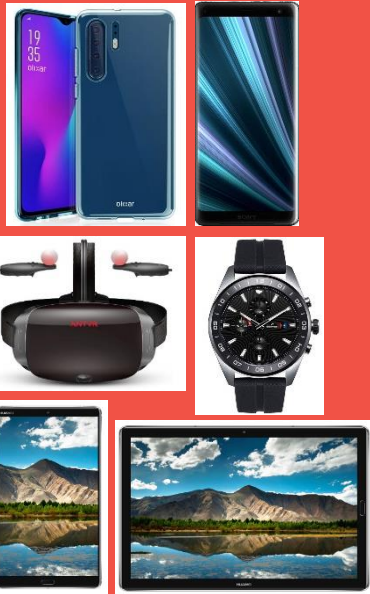
Large Display



- **Total Shipments:**
 - Increased 111% year-on-year to 122.6 million units
- **Obtained qualification**
 - As a display control driver integrated circuit engineering research centre for display driver controls in Nanjing
- **New IC**
 - Continued to collaborate with fab in Chengdu to develop a point-to-point display driver IC for high-end 120Hz UHD TV and 8K TV
- **New Customers**
 - Significant increase in the product shipments and sales resulting from the bulk shipment of the products supporting high-end 144Hz displays

OTHERS

Mobile Display/ Mobile Touch



- **Total Shipments:** Decreased 4% year-on-year to 51.2 million units.
- **Mobile Display Products**
 - In-cell TDDI IC for FHD+ LTPS panels and DDI IC for FHD IGZO panels well recognized by smartphone manufacturers in the Mainland, with mass production commencing in 2H
 - MIPI bridge ICs scored design wins: baby monitors, automotive rear camera devices, test jigs, GPS devices, learning devices, etc.
- **Mobile Touch Products**
 - Experienced restructuring so as to align with market direction
 - The UK office was closed to reduce on-going expenses.
 - Continued to sell its technology-based products mainly for the applications in electronic games

OUTLOOK



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OUTLOOK



Advanced Display

- **PMOLED TDDI IC**
 - Expected to start mass production in 1H 2020
- **PMOLED display driver IC**
 - Capitalize on growth potentials of smart home appliances and AIoT with grayscale displays
- **Bistable display driver IC**
 - Continue its strong growth momentum, bolstered by retail automation and commercial applications

Large Display

- **Large display driver IC**
 - Proactively identify more quality potential customers
 - Aiming to become one of the largest display chip suppliers in China
 - Capture market share with the point-to-point display driver IC for the high-end 120 Hz UHD TV and 8K TV markets jointly developed with the new wafer lab in Chengdu

Mobile Display / Mobile Touch

- **Mobile Display Products**
 - Extend applications to smart watches and public information displays
 - Create value for customers by taking part in projects with customization
- **Mobile Touch Products**
 - Design wins with internationally renowned brands of video games



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THANK YOU