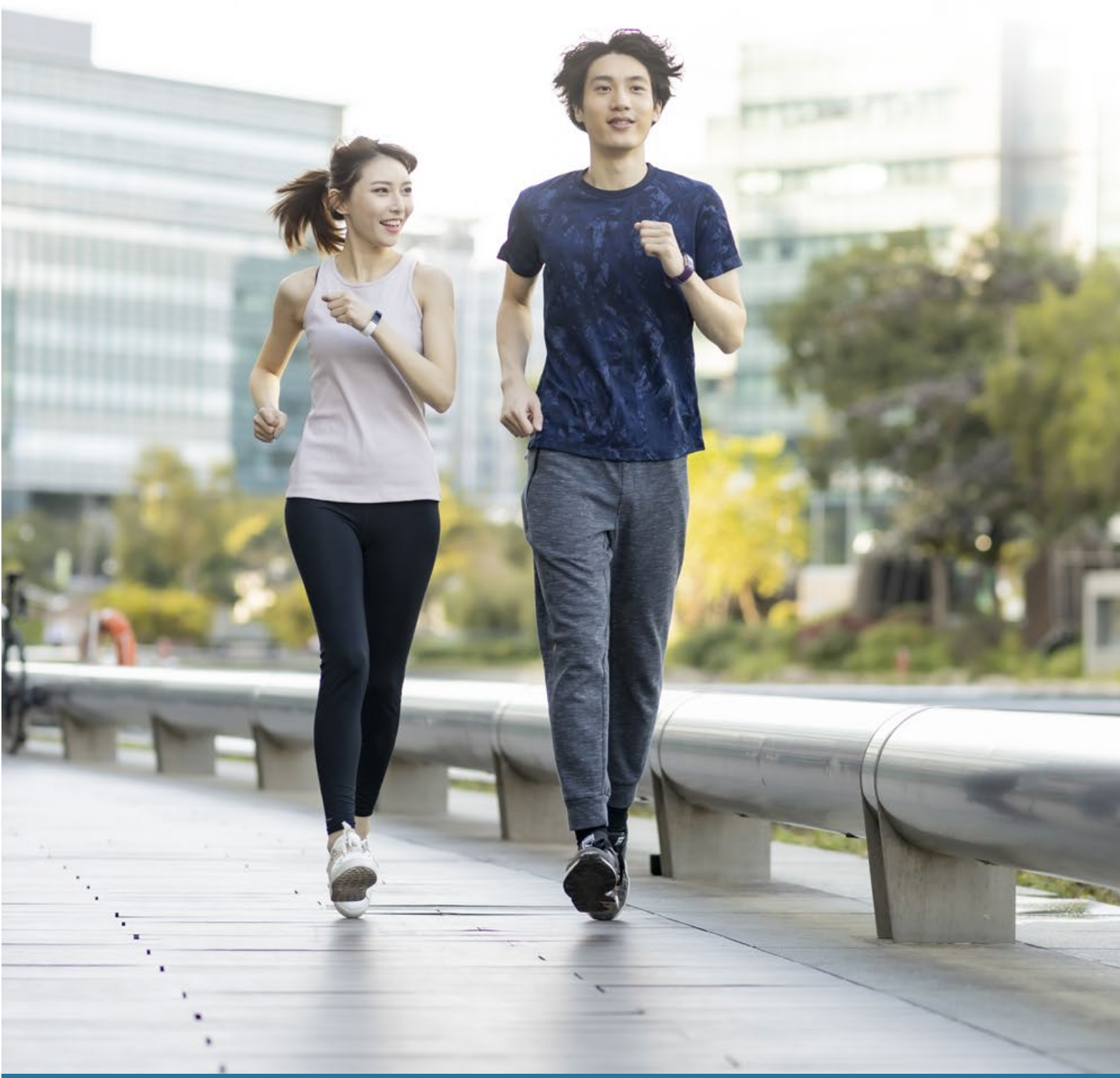




**SOLOMON
SYSTECH**



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About Solomon Systech

Solomon Systech (International) Limited (“Solomon Systech” or “the Group”) is a leading semiconductor company providing Integrated Circuit (“IC”) products and system solutions. Adopting a “fabless” business model, Solomon Systech specializes in the design, development and sales of IC products and system solutions that enable a wide range of display and touch applications for smartphones, tablets, TVs/monitors, notebooks and other smart devices, including wearables, healthcare devices, smart home devices, as well as industrial appliances, etc.

Solomon Systech has a high calibre and experienced design team to develop its Intellectual Properties (IP) for highly integrated IC products and total system solutions. We serve a number of renowned brands and well established companies across the globe. Over the years, we have received a wide array of prestigious awards that have been widely recognized by the market and the industry.

The Group was listed on the Main Board of the Stock Exchange of Hong Kong Limited on 8 April 2004 (HKSE: 2878).

OUR VISION

Provide the ultimate silicon solution for every display system

OUR FOUNDATION – THE 5 ‘I’S

- **Industry Talents**
Our most important asset
- **Innovation**
Put us at the forefront of the industry
- **Institutionalization**
Structure our “work” for persistent growth
- **International Partnership**
Commercialize our technology in global market
- **Integrity**
Build a reserve of trust and goodwill



02 Our ESG Approach

WHAT DOES “ESG” MEAN TO SOLOMON SYSTECH?

Solomon Systech believes that Environmental, Social and Governance (“ESG”) is an integral part of our business excellence and a means to achieving long-term sustainable growth.

Solomon Systech’s customer base comprises some of the world’s most renowned and respected electronics corporations, including leading cellular phone brand owners and display module makers. In this context, Solomon Systech is committed to providing high quality products and customer services through continually improving the product quality, minimizing the environmental impact, ensuring sustainable operating practices through managing our supply chain in a socially and environmentally responsible manner, and also fulfilling applicable statutory/regulatory requirements and compliance obligations. As a technology firm, we have been committed to support lifelong learning, nurture talents and provide our employees with an open and healthy workplace. Last but not least, we firmly believe that for a company to be sustainable in the long term, it is essential for it to create value for both its stakeholders and society as a whole. It has been our strategies to leverage our expertise and resources to support the communities in which we operate.

ABOUT THIS REPORT

This Environmental, Social and Governance Report (“ESG Report” or “the Report”) is prepared by Solomon Systech to present the Group’s approach and performance with regard to relevant Environmental, Social and Governance issues during the reporting period from 1 January 2019 to 31 December 2019.

The content of this report has been prepared with reference to the Environmental, Social and Governance Reporting Guide (“Reporting Guide”) issued by the Stock Exchange of Hong Kong Limited. To facilitate reader navigation, a HK Stock Exchange content index has been included in this Report.



OUR APPROACH

Our ESG strategies adopt a **4-pillar approach**, centering on four core areas that we believe are the fundamental building blocks contributing to a sustainable business model.



Environmental Protection

- Green operations – minimize environmental footprint
- Instill “green thinking” among employees
- Design to minimize environmental impact



Employees and Workplace Quality

- Respect labor and human rights
- Foster continuous learning and development
- Provide an open, supportive and healthy workplace
- Motivate and reward our people



Sustainable Operating Practices

- Supply chain management and product responsibility
- Internal control, risk management and information
- Code of conduct and anti-fraud policy



Community Investment

- Nourish industry talents
- Contribute to the community to fulfil our responsibilities as a good corporate citizen



Environmental Protection

Solomon Systech adopts a “fables” business model. We focus on the design and development, logistics management, as well as quality control and marketing of IC solutions, and we outsource the manufacturing processes. Highly committed to mitigating the direct impact of our operations on the environment, we have in place clear quality and environmental policies. In 2019, we continued our efforts to introduce the policies into our workplace.

QUALITY AND ENVIRONMENTAL POLICY

Solomon Systech has committed to achieve best in class quality with continual improvement in order to:

- Enhance customer satisfaction;
- Provide benefits to interested parties and the environment;
- Fulfil applicable statutory / regulatory requirements and compliance obligations; and
- Protect the environment by restricting the use of hazardous substances in products and utilizing natural resources prudently and rationally.

To fulfil the environmental policy, we have set clear environmental objectives and targets. The table on p. 6 shows our “Environmental Objectives, Targets and Results” in 2019, comparing to that of the previous year.

In addition to these environmental objectives and targets, we also strive to utilize natural resources prudently and rationally. The following table shows the electricity, paper and packaging materials consumed and also the non-hazardous waste disposed in 2019 in comparison with 2018.

Both electricity and paper consumption in 2019 decreased due to a reduction of the number of printing devices in the headquarters. The packaging materials (plastic) and non-hazardous waste consumption increased due to increased total product shipment and an increase in the number of shipments in smaller quantities.

Given our business nature, we have minimal impact on air emissions, including NOx, SOx, and other pollutants; as well as greenhouse gases including carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Also, we have not produced any hazardous waste.

Water consumption data is not reported, since we operate in leased office premises, of which both the water supply and discharge are solely controlled by the building management.



Items	2017 [#]	2018 [#]	2019 [#]
Electricity	598,828kWh	575,548kWh	532,448kWh
Paper	1,080kg	1,057kg	1,050kg
Packaging Materials:			
– Plastic	38kg	54kg	62kg
– Paper	239kg	490kg	270kg
Non-hazardous waste	1,340kg	1,456kg	1,744kg

[#] This table uses figures applicable to our principle office in Hong Kong.

ENVIRONMENTAL OBJECTIVES, TARGETS AND RESULTS (2017 – 2019)

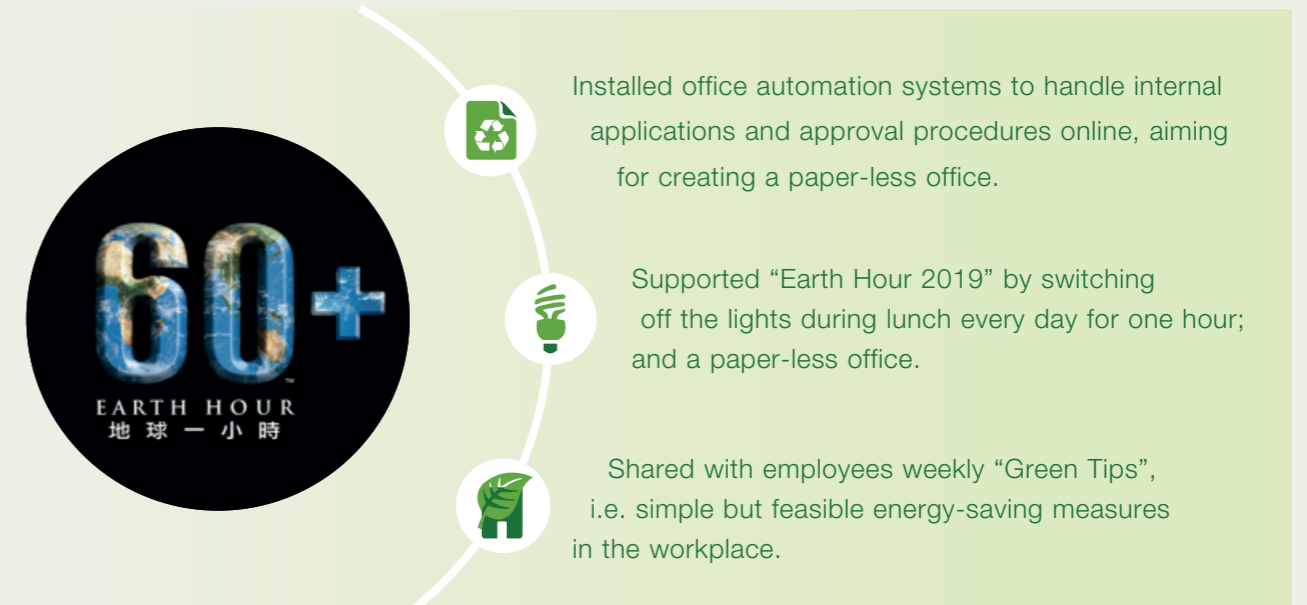
Objectives	Targets	2017 Results*	2018 Results*	2019 Results*
1 Reduce electricity consumption	To reduce by 0.2% of 2017 actual consumption	<ul style="list-style-type: none"> Reduced by 4.68% year-on-year: 	<ul style="list-style-type: none"> Reduced by 8.8% year-on-year 	<ul style="list-style-type: none"> Reduced by 10.91%
2 Encourage recycling	To conduct 2 recycling programs	<ul style="list-style-type: none"> Centralized paper recycling Gold recycling 	<ul style="list-style-type: none"> Centralized paper recycling Gold recycling 	<ul style="list-style-type: none"> Centralized paper recycling Gold recycling
3 Enhance staff's environmental protection awareness	To organize 3 environmental protection related activities for staff	<ul style="list-style-type: none"> Red packets recycling Rechargeable batteries recycling Weekly green tips 	<ul style="list-style-type: none"> Red packets recycling Rechargeable batteries recycling Weekly green tips 	<ul style="list-style-type: none"> Red packets recycling Rechargeable batteries recycling Weekly green tips
4 Compliance with environmental legal requirements	To receive zero complaint on environmental legal requirements	No complaints received	No complaints received	No complaints received
5 Compliance with customer's environmental requirements	To receive zero complaint on customers' environmental requirements	No complaints received	No complaints received	No complaints received

* Items 1 to 3 present and highlight the results of the principle office in Hong Kong.

GREEN THINKING AND GREEN OPERATIONS

We also strive to instill “**green thinking**” and a passion for sustainability among employees by introducing a series of measures and organizing a variety of activities to engage our employees to help protect the environment.

Apart from red packets recycling and rechargeable batteries recycling, we also:



During the year, we have complied with relevant laws and statutory requirements on environmental protection, and also customers’ environmental requirements, with no complaints received.

DESIGN TO MINIMIZE ENVIRONMENTAL IMPACT

Low power consumption design has become one of the most important design requirements for smartphones, tablets, smart watches, video game controllers and many other consumer and industrial applications. Our IC products, integrated and system solutions play a vital role to lower the power consumption of these applications. In striving for environmental excellence while also enhancing customer satisfaction, we are committed to continuously producing innovative products and also improving the eco-features of our products by enhancing their energy efficiency.

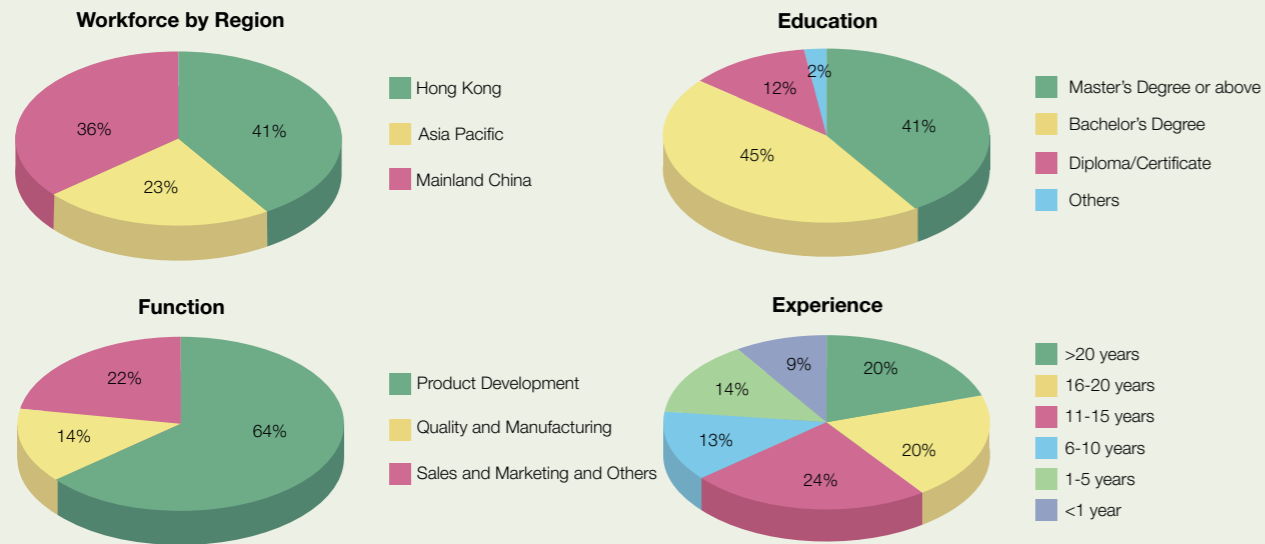
All of our products are Restriction of Hazardous Substances (RoHS) compliant and halide-free. We have also earned ISO14001 certification for our environmental management systems and procedures.



Employees and Workplace Quality

We strive to maintain a work environment that respects and supports human rights, foster a “continuous learning” culture, encourage innovation as well as provide employees with an open, supportive and healthy workplace. We also motivate and reward our people for their hard work and achievements.

As at 31 December 2019, the Group had a total headcount of 284 employees (excluding workers at its manufacturing subsidiary in China). Of the entire workforce, around 41% were based in the Hong Kong head office, with the rest located in Mainland China and Asia Pacific (Japan, Korea and Taiwan).



About 87% of the Group’s employees hold a bachelor’s degree or above, and around 41% have obtained a master’s degree or higher academic education. The Group’s emphasis on research and development and new product innovation is reflected in the composition of our workforce, as 64% are engineers specializing in product development. The entire team has, on average, about 14 years of working experience.

RESPECT LABOR AND HUMAN RIGHTS

We have in place a set of well-defined Human Resources Policies and Procedures, and we comply with the statutory and regulatory requirements related to labor and equal opportunities. During the reporting period, there were no cases of non-compliance with the relevant regulations of our operating locations.

Child labor is also strictly prohibited and no use of forced labor will be allowed to meet the regulations of local government. To ensure the compensation and benefits for our employees stay competitive in the market, we strive to either comply with or exceed the minimum legal requirements of the country where employees are employed.

We also adopt family-friendly practices by providing special leave for marriage and newborn baby, etc., in addition to maternity and paternity leave. To allow employees to have more flexibility to meet family needs and personal obligations, the Group has also adopted the policy of “Flexible Work Hours” since 2016.

FOSTER CONTINUOUS TRAINING AND DEVELOPMENT

As a technology company, “Innovation” is what puts us at the forefront of the industry. Our employees are our key drivers for innovation and thus are pivotal to our company’s development. Committed to unleashing the full potential of our employees, we provide training courses and workshops to employees, and strive to ensure that they become continuous learners with enhanced capabilities to create and innovate.

In 2019, the Group dedicated a total of 3,713 man-hours to training and development (an average of 13 man-hours per employee), covering industrial and technical training, and others including project management and internal controls, etc.

PROVIDE AN OPEN, SUPPORTIVE AND HEALTHY WORKPLACE

Solomon Systech promotes a culture of honest, transparent communication, to create an open and collaborative work environment that increases job satisfaction. We conduct monthly “Operations Review”, to share with employees about the current status of the business, our strategy and other topics of importance. We also use the intranet as a key platform to disseminate information about corporate strategy and activities, events and achievements. There is also a direct communication email platform, “CEO Mailbox”, to encourage anonymous communications between individual employees and the CEO.

We advocate sharing and interactive communications among employees to foster collective creativity and a long-term commitment to the Company. All departments are encouraged to hold information-sharing sessions and departmental gatherings.

Solomon Systech invests in the health, safety, and wellness of our employees, and complies with relevant legal and statutory requirements on occupational health and safety. We provide a safe working environment and health insurance covering medical, disability, accidental and life benefits to eligible employees. During the reporting period, no work-related fatalities were recorded.

To help our staff strike a healthy work-life balance and also promote team building, a variety of employee relations activities were organized in 2019 for employees and some also for their families.





Apart from corporate events such as annual dinner and Christmas party, activities organized or joined in 2019 included basketball competition, bowling competition, Mid-Autumn Festival tea party, Dragon Boat Festival tea party and Women’s Day snack sharing. Outdoor activities held included Christmas barbecue party and 2-day team building activities in Conghua and nearby area, etc.

MOTIVATE AND REWARD OUR PEOPLE

We offered the “**NPI First Order Award**”, which was granted for new products garnered design wins for mass production with the first sample ready, and also performance-based cash reward schemes, including the “**KPI Incentive Program**”, the “**Profit Sharing Incentive**” and the “**ES1 MP Award**”, for enhancing quality of work, revenue generation and cost reduction.

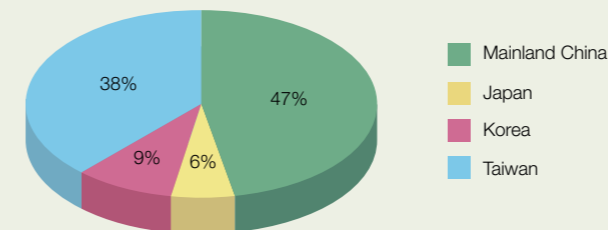
The “**Patent Granted Award**” was in place to encourage and reward technological innovation, while the “**Long Service Award**” was granted to employees of long standing.



Sustainable Operating Practices

SUPPLY CHAIN MANAGEMENT AND PRODUCT RESPONSIBILITY

Suppliers by geographical region



We strive to manage our supply chain in a socially and environmentally responsible manner to promote sustainability and create long-term value for the Group and society.

The Group engages suppliers to manufacture, assemble and test our designed products. In 2019, we had a total of 34 suppliers and subcontractors, of which 47% were located in Mainland China, with the rest in Japan, Korea and Taiwan.

We work closely with suppliers to convey our requirements, monitor compliance, improve performance and build capability.

Attaching great importance to quality and environmental protection, we have in place a Supplier Quality Management System to ensure the quality of all aspects related to new product development, procurement, production, service provision, etc.

All of our suppliers are expected to comply with relevant local laws and also the international quality and environmental management standards that we have attained. Similar to the year before, 100% of our major suppliers have achieved ISO9001 Quality Management Certification and ISO14001 Environmental Management Certification in 2019.

Our suppliers are required to conduct laboratory analysis of raw materials supplied and sign a Green Warranty letter to ensure the raw materials and the manufacturing processes comply with international environmental standards. We also conduct quality reviews annually with our suppliers, who supply over 30% of any specific materials or services.

We assess suppliers’ sustainability performance through our business scoreboard. Site audits will be conducted with suppliers based on the rating on the scoreboard, and also when any issues or serious product quality problems occur.

We also embed sustainability into our core business practices by integrating our Code of Conduct and related policies and guidelines into supplier contracts.

With regard to customers, we have in place a well-established working instructions and a two-level system to encourage communication with customers, and to ensure efficient handling of customer enquiries and requests for material returns. The first level is for “Customer Incidents” (“CI”) which focus on the investigation and handling of customer enquiries or complaints. We target to complete each CI with investigation report generated within 7 days of the customer enquiries or complaints. The second level is for “Return Material Requests” (“RMR”) through which we handle valid CIs that lead to the return of materials. In 2019, we attained a 86.7% achievement rate for the first level CI handling (compared to 78.8% in 2018), and no products were subject to recalls for safety and health reasons.

We also conduct customer satisfaction survey (“CSS”) annually to closely monitor our performance in terms of product development, logistics arrangement, services, quality and price. In 2019, we conducted the CSS with 12 customers in different regions.

12 INTERNAL CONTROL, RISK MANAGEMENT AND INFORMATION PROTECTION

Solomon Systech has set up risk management and internal control systems with a view to helping the Group achieve its key initiatives. They also represent Solomon Systech's efforts in protecting its physical assets, information and technology. The board of the Group oversees its risk management and internal control systems on an ongoing basis.

To facilitate an effective internal control system, Solomon Systech adopted the Internal Control-Integrated Framework issued by COSO. The presence of risk management and internal control systems empowers the Group to implement best business practices in dynamic and challenging business environments.

“THREE LINES OF DEFENSE” MODEL

Solomon Systech implemented the “Three Lines of Defense” model as a way of explaining the relationship between functions and as a guide to how responsibilities of risk management should be divided:

- 1st line of defence: Operational management has ownership, responsibility and accountability for directly assessing, controlling and mitigating risks;
- 2nd line of defence: Activities covered by components of internal governance (compliance, financial control, quality, IT and other control departments); and
- 3rd line of defence: Internal audit by the Corporate Audit Section (reporting directly to the Audit Committee) to provide assurance to the Group's board of directors and senior management.

The board of the Group reviewed and assessed the effectiveness of the risk management and internal control systems for the year ended 31 December 2019, including financial, operational and compliance controls, and various risk management functions.

For more details about the Group's overall risk management and internal control strategy and framework, please refer to the Corporate Governance Report in the Group's 2019 Annual Report: <http://www.solomon-systech.com/en/page/annual-interim-reports/>.

The proper handling and dissemination of inside information is one of the key considerations in assessing the effectiveness of Solomon Systech's risk management and internal control. With regard to the protection of proprietary information, the Group has in place a **Protection and Proprietary Information Policy** which aims to identify, classify and protect information (business, technical or personal) that is confidential or sensitive from inadvertent or unauthorized disclosure, theft, fraud, misappropriation and loss. The policy is posted on the Group's internal intranet site for easy access of employees. Internal Control and Information Protection Training sessions were conducted in the offices located in Hong Kong, Nanjing and Shenzhen in 2019.

PROTECTING INTELLECTUAL PROPERTY RIGHTS

Intellectual Property (IP) rights contribute significantly to a company's assets and market value, in particular to a technology company like Solomon Systech.

To encourage patent development to reduce IP risk and to strengthen its IP portfolio, Solomon Systech has set up “**Intellectual Property Incentive Program**” and “**Patent Granted Award**” to acknowledge patent inventors. The Patent Committee of the Group is responsible for evaluating new patent applications with respect to development status, intellectual property status, market potential, market maturity, and competing technologies. It also works with a patent attorney on patent application.

In 2019, the Group was granted 17 patents and filed 8 patent applications covering various display design and application areas.

CONSUMER DATA PROTECTION AND PRIVACY POLICIES

Solomon Systech is a B2B business entity targeting display module makers and electronic devices manufacturers instead of the consumer market. Our data protection and privacy policies focus on business related information, confidential and proprietary information or trade secrets.

Apart from the Protection and Proprietary Information Policy as mentioned on p. 12, we also sign non-disclosure agreements with our existing or potential business partners to protect non-public business information.

CODE OF CONDUCT AND ANTI-FRAUD POLICY

Integrity forms an essential cornerstone in the foundation of the Group's success. To ensure that the highest standards of integrity are applied to all our business activities, we have in place a **Code of Conduct** and an **Anti-Fraud Policy**. These together with associated policies and guidelines, including Business Principles, Internal Control Policies and Procedures, Human Resources Policies and Procedures, Gift Handling Policies, Finance Policies and Procedures and Protection of Proprietary Information, have provided a strong framework for the operation of the Group.

These policies and guidelines are in line with our shareholders' best interest and legal requirements. All of these policies and guidelines are available on the company intranet for easy access of all employees.

An Anti-Fraud Management Team (“AFM”) comprising the Chief Executive Officer, Executive Director, Finance Director, Human Resources Director, Corporate Audit Manager and IT Manager has been formed to be responsible for the control and administration of the Group's Anti-Fraud policy. All department heads share the responsibility for ensuring that there are mechanisms in place within their area of control to assess the risk of fraud, promote employee awareness of ethical principles subscribed to by the Group, and educate the employees about fraud prevention and detection. All employees have the responsibility to report suspected fraud immediately to their supervisor or a member of the AFM Team.

In 2019, no incident of fraud or misconduct was reported from the employees or stakeholders.

Community Investment

NOURISH INDUSTRY TALENTS AND CONTRIBUTE TO THE COMMUNITY

Solomon Systech is committed to creating positive impact on the communities in which we operate.

As a key industry player, we focus on leveraging our expertise and resources on talent education and industrial development to sustainably contribute to the economic growth of the communities.

The Group's representatives have been invited to sit on the executive boards of major industry associations as well as be the speakers of international industry events, such as the Hong Kong Electronic Forum organized by the Hong Kong Trade Development Council, to share their professional experiences and insights. We target to contribute to the development of the industry and a better society.

We participated in more than 10 career fairs in Mainland China to recruit industry talents at universities. In 2019, we hired 17 trainees in total with a view to grooming young talents and make contribution to the communities.



To enhance the interests and knowledge of youngsters on the semiconductor industry, we liaised with universities and provided company visit opportunities to undergraduates and postgraduate students with job sharing session. In October, 2019, we received a group of students and academics from Department of Electronic Engineering, The Chinese University of Hong Kong and shared with them the latest landscape of the industry and our products resulted from our research and development efforts.

In recognition of our continuous efforts in fulfilling our responsibilities as a good corporate citizen, the Group has obtained the "Corporate Citizenship Logo" (Enterprise Category) under the Hong Kong Corporate Citizen Program co-organized by the Hong Kong Productivity Council and the Committee on the Promotion of Civic Education since 2015. In addition, the Group has been named as a "Happy Company" under the "Happiness-at-Work Promotional Scheme" launched by the Promoting Happiness Index Foundation and the Hong Kong Productivity Council.



16 **HK Stock Exchange ESG Guide Content Index**

KPI	Description	Page Number	Remarks
A. Environmental			
A1	General Disclosure — Emissions	5-6	
A1.1	The types of emissions and respective emissions data	N/A	Due to the nature of Solomon Systech's business, this KPI is considered not material.
A1.2	Greenhouse gas emissions in total and intensity	N/A	Due to the nature of Solomon Systech's business, this KPI is considered not material.
A1.3	Total hazardous waste produced and intensity	N/A	Due to the nature of Solomon Systech's business, this KPI is considered not material.
A1.4	Total non-hazardous waste produced and intensity	5-6	
A1.5	Description of measures to mitigate emissions and results achieved.	5	
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	5-6	
A2	General Disclosure — Use of Resources	5-7	
A2.1	Direct and/or indirect energy consumption by type and intensity	6	Indirect energy consumption (electricity) was measured and reported.
A2.2	Water consumption in total and intensity	N/A	We operate in leased office premises of which both the water supply and discharge are solely controlled by the building management.
A2.3	Description of energy use efficiency initiatives and results achieved.	6-7	
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	N/A	Due to the nature of Solomon Systech's business, this KPI is considered not material.
A2.5	Total packaging material used for finished products and with reference to per unit produced.	5-6	
A3	General Disclosure — The Environment and Natural Resources	4-7	
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	4-7	
B. Social			
B1	General Disclosure — Employment	8-10	
B1.1	Total workforce by gender, employment type, age group and geographical region.	8	Total workforce by gender is not reported, as it is an industry norm for the semiconductor industry to be male-dominated.

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KPI	Description	Page Number	Remarks
B2	General Disclosure — Health and Safety	9	
B2.1	Number and rate of work-related fatalities.	9	There were no reported cases of work-related fatalities.
B3	General Disclosure — Development and Training	9	
B3.2	The average training hours completed per employee by gender and employee category.	9	The average training hours completed per employee is reported, but not by gender and employee category.
B4	General Disclosure — Labor Standards	8	
B. Operating Practices			
B5	General Disclosure — Supply Chain Management	11-13	
B5.1	Number of suppliers by geographical region.	11	
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	11	
B6	General Disclosure — Product Responsibility	11-13	
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	11	
B6.2	Number of products and service related complaints received and how they are dealt with.	11	
B6.3	Description of practices relating to observing and protecting intellectual property rights.	13	
B6.4	Description of quality assurance process and recall procedures.	11	
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	12-13	
B7	General Disclosure — Anti-corruption	13	
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	13	
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	13	
B. Community			
B8	General Disclosure — Community Investment	14-15	
B8.1	Focus areas of contribution	14-15	



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