

SOLOMON SYSTECH (INTERNATIONAL) LIMITED
2015 ANNUAL RESULTS ANNOUNCEMENT

23 March 2016 HONG KONG

HKSE : 2878



**SOLOMON
SYSTECH**
晶門科技

ACCELERATION
提速增長

solutions in silicon

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Highlights

Financial Review

Business Review

Outlook

Highlights

- Sales amounted to US\$70.9 million
- Gross profit was US\$23.2 million
- Gross margin was 32.7%
- Net loss was US\$6.4 million
- Loss per share was 0.26 US cent (2.02 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 2015

Highlights

Financial Review

Business Review






Outlook

Financial Review - Profit and Loss



(US\$ million)	2015	2014	Remarks
Sales	70.9	60.1	↑ 18%
Gross profit	23.2	20.8	↑ 12%
Gross margin	32.7%	34.6%	↓ 1.9pts
Net profit/(loss)	(6.4)	(3.0)	
(HK cent)			
Earnings/(loss) per share	(2.02)	(0.95)	
Dividends per share	Nil	Nil	
Book-to-bill ratio	1.1	1.1	

Financial Review - Financial Remarks

		Key Factors	
Sales	US\$70.9m ('14: US\$60.1m)		<ul style="list-style-type: none"> • Unit shipments: up 62% YOY • Blended ASP: down 27% YOY
Gross Profit	US\$23.2m ('14: US\$20.8m)		<ul style="list-style-type: none"> • Gross margin: 32.7% ('14: 34.6%)
Total Operating Expenses	US\$31.4m ('14: US\$27.4m)		<ul style="list-style-type: none"> • Product R&D costs: US\$19.5m ('14: US\$16.3m) • S&D expenses: US\$2.8m ('14: US\$3.0m) • Admin expenses: US\$9.0m ('14: US\$8.0m)
Finance Income	US\$1.5m ('14: US\$3.4m)		<ul style="list-style-type: none"> • Treasury income: US\$3.4m ('14: US\$3.9m) • Net unrealizable fair value loss from treasury investment: US\$2.0m ('14: loss US\$0.5m)
Net Loss	US\$6.4m ('14: US\$3.0m)		

Financial Review - Balance Sheet



(US\$ million)	As at 31 Dec		YoY
	2015	2014	
Total assets	123.4	130.1	
Total borrowings	0.3	0.4	
Shareholders' funds	108.5	115.3	-6%
Net cash	26.1	35.3	-26%
(HK cents)			
Shareholders' funds per share	34	36	
Net cash per share	8	11	

Financial Review – Net Cash Analysis 2015 vs 2014



Net Cash @31 Dec:	Change
<ul style="list-style-type: none"> US\$26.1m ('15) vs US\$35.3m ('14) 	-US\$9.2m

Major Cash Inflow	US\$	Major Cash Outflow	US\$
<ul style="list-style-type: none"> Interest and Dividend Received 	+2.3m	<ul style="list-style-type: none"> Net cash Used in Operating Activities 	-10.9m
<ul style="list-style-type: none"> Disposal of Treasury Investment 	+1.8m	<ul style="list-style-type: none"> Capital Expenditure 	-1.9m
		<ul style="list-style-type: none"> Others 	-0.5m

Highlights

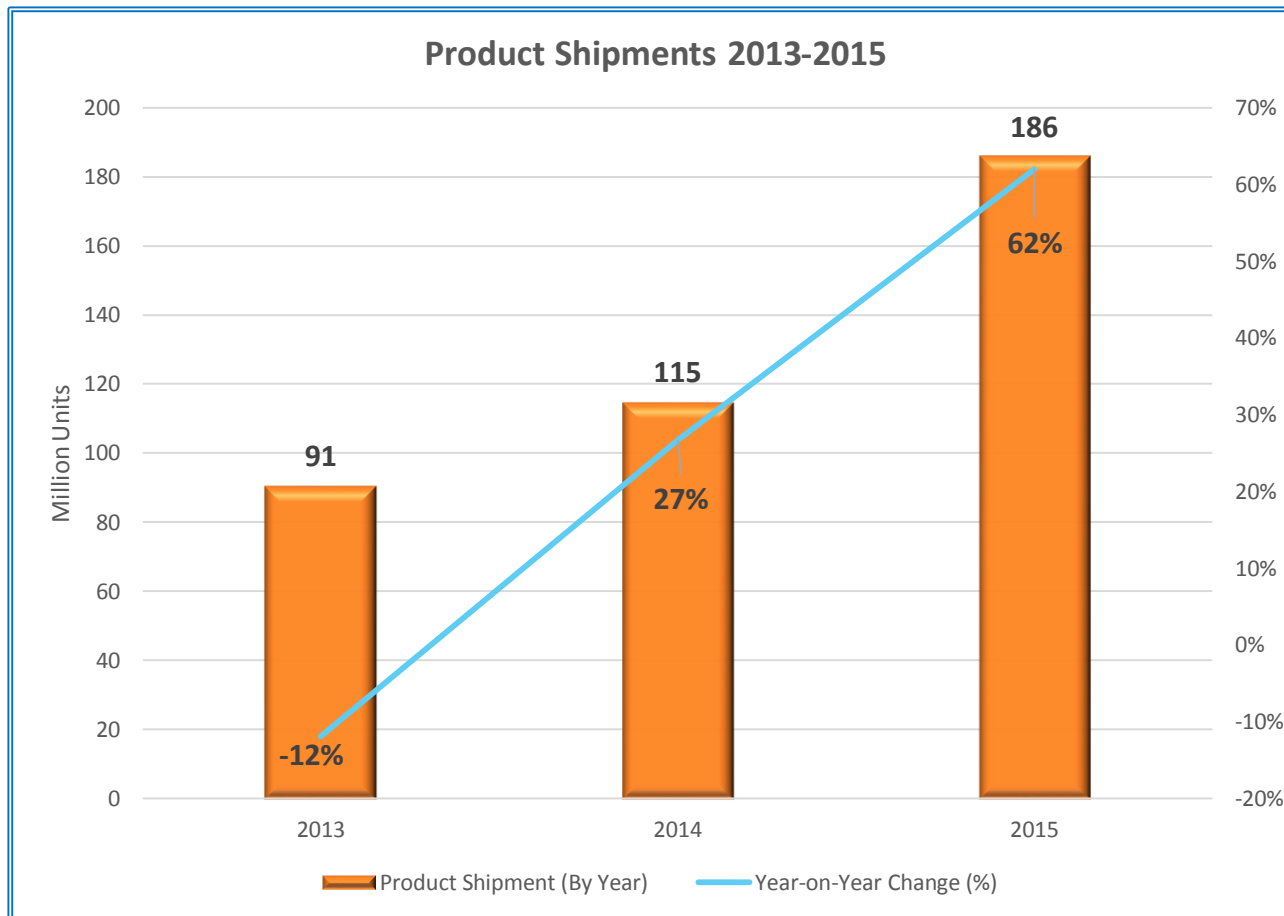
Financial Review

Business Review

Outlook

Business Review – Product Shipments

- Total unit shipments in 2015: around 186 million units (↑ 62% year-on-year)



Business Review – Advanced Display

Advanced Display



Wearable
Health &
Fitness
Device

Electronic
Shelf Label



HD AMOLED
Smartphone



- **Unit shipment:**
 - Increased 91% year-on-year to 131.6 million units
- **PMOLED display driver ICs**
 - Scored design wins with global wearable health & fitness devices brands
 - Developed new ICs: for larger and curved displays with high resolution, DPI & brightness
 - Cumulative IC shipments: >500 million units
- **Bistable display driver ICs**
 - Developed new ICs for AMEPD and EPD
- **AMOLED display driver ICs**
 - New IC for HD smartphones started pilot shipment at end of 2015
- **OLED lighting driver ICs**
 - Developed new IC for customer trial run

Business Review – Mobile Display

Mobile Display



Smartphone

- **Unit shipment**
 - Increased 2% year-on-year to 14.0 million units
- **TFT In-cell touch display driver ICs (TDDI)**
 - New product for FWVGA display adopted by renowned smartphone brand and started mass production in Q4
 - Started to develop new products for HD/FHD panels
- **TFT display driver ICs (DDI) for HD/FHD/QHD IGZO panels**
 - Samples ready for design-in projects
- **STN LCD DDI**
 - Designed-in automotive and industrial applications

Business Review – Mobile System

Mobile System

Wearable
Health &
Fitness
Device



Smartphone &
Tablet

- **Unit shipment**
 - Increased 58% year-on-year to 9.5 million units
- **Touch panel controller ICs**
 - In-Cell touch products scored design-win with a top-tier smartphone manufacturer
 - Out-Cell touch products for renowned tablets started mass production in Q3
 - On-Cell touch products designed-in with leading panel manufacturers
- **Display interface controller ICs**
 - Started high volume mass production in Q3 for a leading wearable brand
 - Designed-in new eDP-to-MIPI solution with a key tablet brand and other smart applications

Business Review - Large Display

Large Display



HDTV

WQHD
Monitor



- **Unit shipment**
 - Increased 17% year-on-year to 30.6 million units
- **Large TFT display driver ICs**
 - First half-year: substantial increase
 - Second half-year: reduced demand for specific categories due to excess inventory
 - New products: WQHD monitors, 4k2k TVs and FHD notebooks

Highlights

Financial Review

Business Review

Outlook

Our Strategy

Growth at Full Speed Return to Profitability

Focus on Bright Growth Spots

Capitalize on Strong Potential Markets

- China as a key market
- Leverage Japan resources to capture China and global LCD market growth

Leverage New Technologies & Capitalize on Fast Growth Applications

- **Technologies:** TDDI, DDI, OLED, E-paper, 4k2k
- **Applications:**
 - Smartphones
 - Smart TVs
 - Smart Devices

Change for the Better

Enhance Effectiveness and Efficiency

- Focus on key customers
- Focus on products with sustained value
 - Focused resources
 - Streamline operations
 - Reduce time and cost of NPI

Outlook – Smartphones

- Focus on emerging technologies with strong potential: In-cell TDDI, high resolution DDI and AMOLED

- **In-cell TDDI for FWVGA panels**
 - Continue mass production
- **New In-cell TDDI for FHD/HD panels**
 - Complete development in 1st half-year
- **DDI for FHD IGZO panels**
 - Reach out to more potential customers to secure additional design-in
- **New eDP-to-MIPI display interface controller IC for WQVGA tablets & AMOLED display driver IC for HD720 panels**
 - Secure more design wins

Outlook – Smart TVs

- Leverage key customer's enlarged production capacity and business development plan
- **New TFT display driver IC for 4k2k TV**
 - Proceed to sample development
- **New TFT display driver IC for FHD notebooks**
 - Samples ready for qualification

Outlook – Other Smart Devices

- Capitalize on the continued strong growth of wearables and other surging Internet of Things (IoT) devices
 - **New PMOLED display driver IC for low power, high brightness & high resolution applications**
 - Samples ready
 - **New AMEPD display driver ICs**
 - Increase market share in ESL
 - **Segment-type EPD display driver ICs**
 - Explore more new applications
 - **MIPI display interface controller ICs**
 - Started pilot production for Virtual Reality (VR) devices

Summary

2015 Summary

- Growth momentum further accelerated: robust year-on-year growth in unit shipments
- Focused on high growth, high volume smart device applications
- Strengthened technological capability
- Expanded product and application portfolios

Gross Profit Margin

- Target to stay in line with industry

Operating Expenses

- Continue monitoring and ensure effective use of resources

2016 Focus

- Focus on Bright Growth Spots: strong potential markets, new technologies and fast growth applications
- Change for the Better: enhance effectiveness and efficiency
 - Focus on key customers and products with sustained value

Drive Business to New Heights of Success

Thank You

Solomon Systech (International) Limited

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