

SOLOMON SYSTECH

**Interim Results
Presentation 2017**

22 August 2017, Hong Kong

solutions in silicon

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Highlights

Financial Review

Business Review

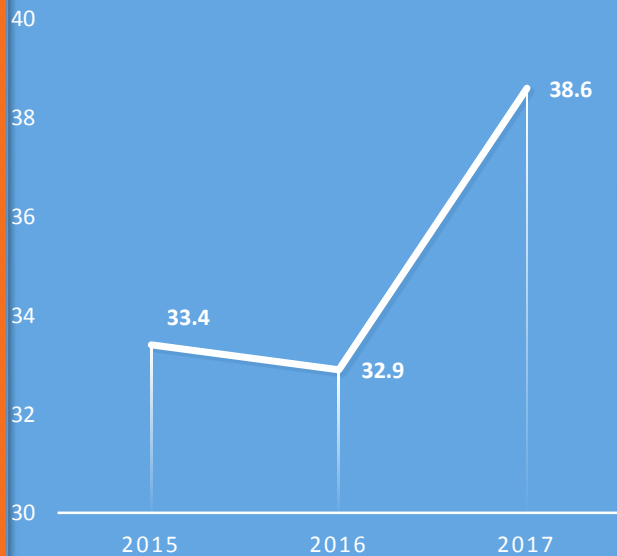
Outlook

Highlights

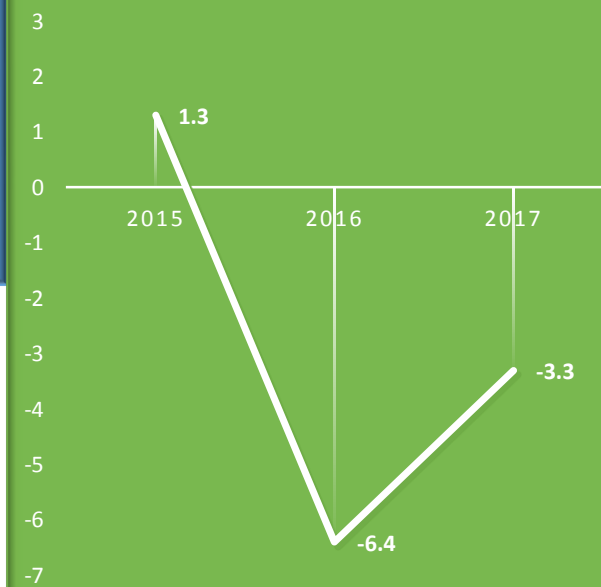
- Sales amounted to US\$38.6 million
- Gross profit was US\$14.7 million
- Gross margin was 38.1%
- Net loss was US\$5.6 million
- Loss per share was 0.23 US cent (1.74 HK cents)
- Book-to-bill ratio for the period was 1.1
- Performance rebounded (sales, gross profit margin & E/(L)BITDA)
- The Board resolved not to propose any interim dividend for the six months ended 30 June 2017

Performance Charts

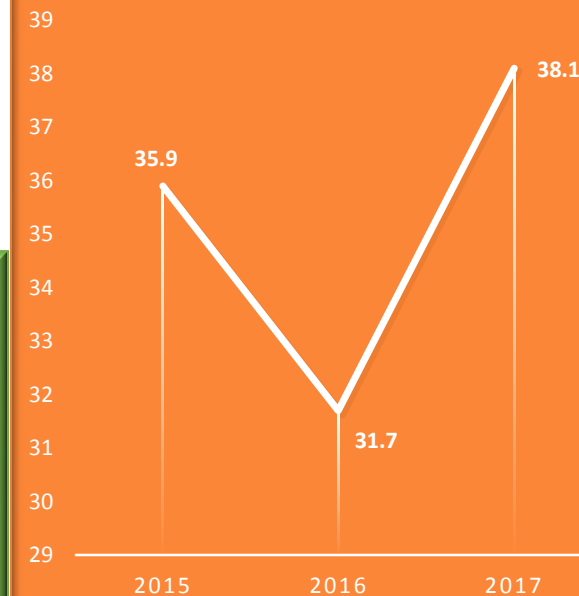
SALES (US\$ MILLION)



E/(L) BITUDA (US\$ MILLION)



GROSS PROFIT MARGIN (%)



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Financial Review - Profit and Loss



(US\$ million)	1H 2017	1H 2016	Remarks
Sales	38.6	32.9	↑18%
Gross profit	14.7	10.4	↑41%
Gross margin	38.1%	31.7%	↑6.4pts
Net loss	5.6	6.4	
(HK cents)			
Loss per share	1.74	2.00	
Dividends per share	Nil	Nil	
Book-to-bill ratio	1.1	1.0	

Financial Review – Key Factors on P&L

			Key Factors
Sales	US\$38.6m (1H16: US\$32.9m)	↑	<ul style="list-style-type: none"> Sales: up 18% YOY Unit shipments: up 7% YOY Blended ASP: up 10% YOY
Gross Profit	US\$14.7m (1H16: US\$10.4m)	↑	<ul style="list-style-type: none"> Gross margin: 38.1% (1H16: 31.7%) Enhanced overall ASP (addition of higher margin new products)
Total Operating Expenses	US\$23.7m (1H16: US\$17.6m)	↑	<ul style="list-style-type: none"> Product R&D costs: <ul style="list-style-type: none"> US\$16.3m (1H16: US\$9.6m) - up 69% YoY (costs of new business operations and new product development) 42.1% of Sales (1H16: 29.2%) S&D expenses: <ul style="list-style-type: none"> US\$1.6m (1H16: US\$1.7m) – down 9% YoY 4.1% of Sales (1H16: 5.3%) Admin expenses: <ul style="list-style-type: none"> US\$6.0m (1H16: US\$6.3m) – down 5% YoY
Finance Income	US\$2.50m (1H16: US\$0.1m)	↑	<ul style="list-style-type: none"> Treasury income: US\$1.1m (1H16: US\$0.8m): <ul style="list-style-type: none"> Interest: \$0.4m; Dividend: \$0.2m; Disposal gain: \$0.5m Net MTM unrealizable fair value gain from treasury investment: US\$1.4m (1H16: loss of US\$0.7m)
Net Loss	US\$5.6m (1H16: US\$6.4m)	↓	

Financial Review - Balance Sheet



(US\$ million)	As at 30 Jun 2017	As at 31 Dec 2016	YoY
Total assets	116.5	115.6	
Total borrowings	0.3	0.2	
Shareholders' funds	95.8	101.0	-5%
Net cash	24.5	24.7	-1%
(HK cents)			
Shareholders' funds per share	30	32	
Net cash per share	8	8	

Financial Review – Net Cash Analysis 2017 vs 2016



Net Cash:	Change
<ul style="list-style-type: none"> US\$24.5m (30 Jun 17) vs US\$24.7m (31 Dec 16) 	-US\$0.2m

Major Cash Inflow	US\$	Major Cash Outflow	US\$
<ul style="list-style-type: none"> Interest and Dividend Received 	+0.6m	<ul style="list-style-type: none"> Net cash Used in Operating Activities 	-1.1m
<ul style="list-style-type: none"> Change in FVTPL 	+5.4m	<ul style="list-style-type: none"> Acquisition of Subsidiary, net 	-3.9m
		<ul style="list-style-type: none"> Capital Expenditure 	-1.2m

Highlights

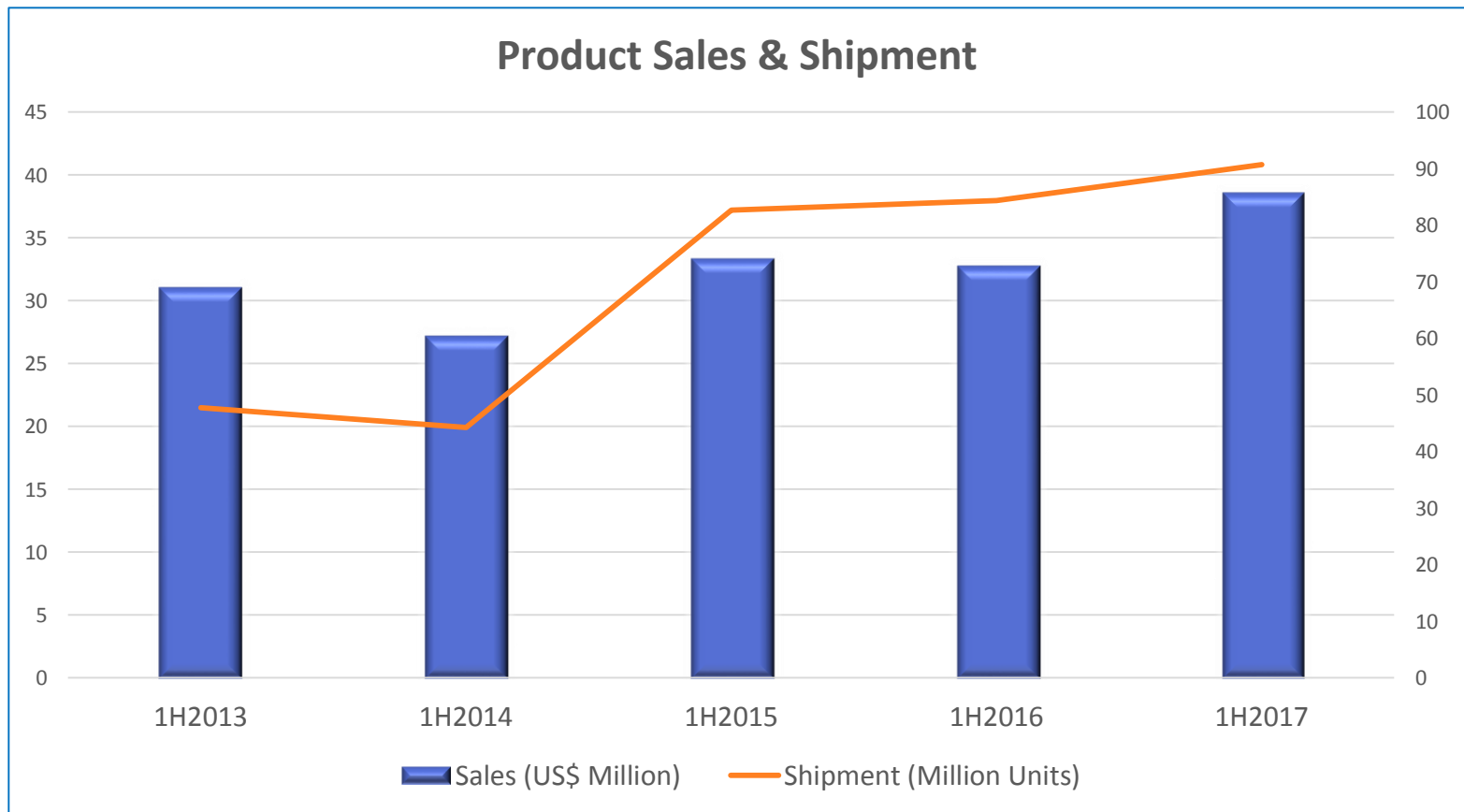
Financial Review

Business Review

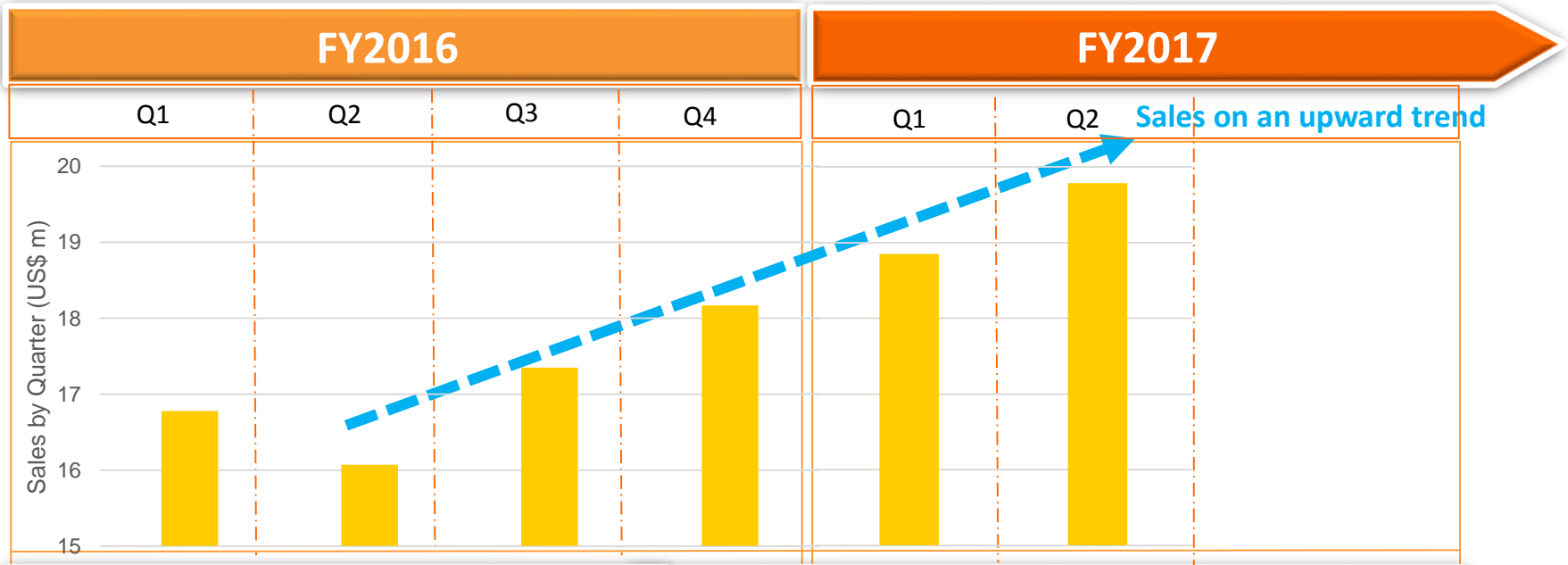
Outlook

Business Review – Sales & Shipments

- 1H 2017 Total Sales: ~US\$38.6 million
- 1H 2017 Total Shipments: ~90.7 million units



Sales On a Growth Momentum



Change to Grow

- Management change
- Customer-oriented re-alignment of operations & resources
- Purchase of new technologies & patent licenses
- Establishment of new technology centers

Strong Groundwork for Growth

- Increased organizational efficiency
- Enhanced new product development speed & quality
- Strengthened product & IP portfolios
- Reinforced technological capability
- China business development under CEC

Business Review – Main Display

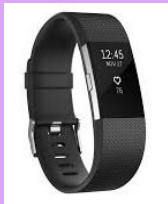
Main Display



- **Total Sales:** Increased 31% year-on-year to US\$20m
- **maXTouch® Touch Controller IC**
 - Design-wins and design-in projects with key international brands
- **Touch & Display Driver Integration (TDDI) IC**
 - TDDI for FWVGA LTPS panels: continued revenue contribution
 - Started developing new TDDI for bezel-less, 18:9 smartphones
- **TFT LCD DDI (Display Driver IC)**
 - HD IGZO panel IC started pilot production
- **MIPI Bridge IC**
 - Design-win with international notebook brand
- **Large TFT LCD DDI**
 - Demand from key customer started to pick up
 - New product for UHD LCD TV: ready for qualification

Business Review – Advanced Display

Advanced Display



- **Total Sales:**
 - Increased 6% year-on-year to US\$18.6 million
- **PMOLED Display Driver IC**
 - Continued to score design wins with global wearable health & fitness devices brands
 - Gained design-wins and design-in projects with smart home appliances, healthcare devices, etc.
- **Bistable Display Driver IC**
 - Enhanced relationship with module manufacturers and independent design houses
 - Scored design-wins (ESL custom IC, scoreboards, logistics tags) and design-in projects
- **Micro LED Display Driver IC**
 - Mass production started
- **OLED Lighting Driver IC**
 - Engaged in design-in activities

Highlights

Financial Review

Business Review

Outlook

Main Display – Outlook

Mobile Display IC

- **Touch Controller IC**
 - Drive growth leveraging maXTouch® solutions for AMOLED, In-Cell and On-Cell panels
 - Develop new product for flexible AMOLED displays
- **TDDI IC**
 - Target to secure design wins for FHD panels
 - Gain design-in projects for new IC for bezel-less, 18:9 smartphones

Large Display Driver IC

- **New R&D Center**
 - Leverage new Nanjing Technology Center to drive business with key customer
- **New ICs**
 - Strive to start mass production for notebooks, monitors and UHD LCD TV.

Advanced Display – Outlook

PMOLED Display Driver IC

- **Growth Momentum To Continue**
 - Leverage growing wearables market
- **New ICs & Applications**
 - Develop new ICs: In-Cell TDDI, and for color displays of higher resolution
 - Further extend application portfolio

Bistable Display Driver IC

- **New ICs**
 - Complete evaluation of new ICs and score design-in projects
- **Applications:**
 - Target ESL of higher resolution and larger size
 - Extend applications to more IoT products

MicroLED Display Driver IC

- **Custom IC:**
 - Capture rising market to ramp up shipment in 2H

OLED Lighting Driver IC

- **New IC:**
 - Start pilot production

Summary

1H 2017 Summary

- Total sales, unit shipments & gross profit increased
- Net loss:
 - Technology investment (R&D expenses & amortization of the cost of purchasing maXTouch® technologies)
 - Additional provision made for slow moving inventories
- New products developed & in the pipeline
- Reinforced technological capability

Looking Ahead

- ***Favorable market and industry conditions:***
 - Strong growing markets: wearables, ESL, smart handheld devices
 - Expanding LCD and OLED production capacity

Drive Further Growth:

- Capitalize on favorable market and industry conditions
- Capitalize on new products developed
- Reach out to new customers
- Close collaboration with CEC

Thank You

Solomon Systech (International) Limited

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www.solomon-systech.com