SOLOMON
SYSTECH

SOLOMON SYSTECH
Interim Report 2010

Solomon Systech (International) Limited

solutions in silicon

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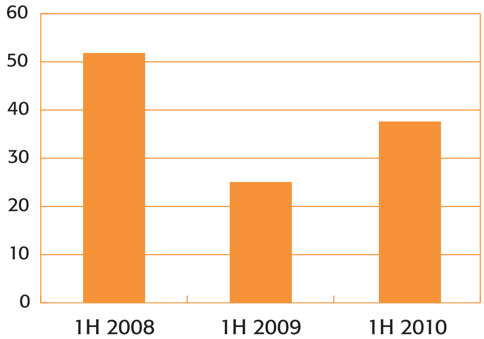
This Interim Report is printed on environmental friendly paper.

Highlights

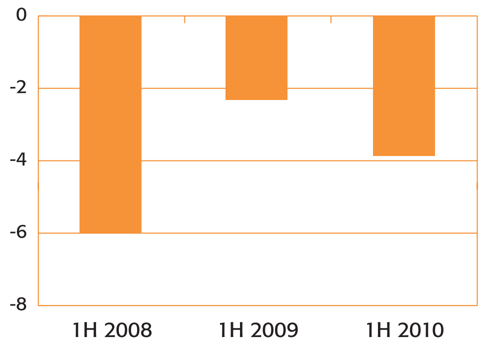
	Unaudited Six months ended 30 June		
	2010 US$ million	2009 US$ million	Change
Sales	**38.0**	26.7	42%
Gross profit	**11.2**	7.4	51%
(Loss)/profit before income tax	**(3.9)**	(3.6)	
– in respect of principal business	**(2.9)**	(5.7)	-49%
– in respect of financial assets and strategic investments	**(1.0)**	2.1	
Net loss	**(3.9)**	(2.3)	
Basic loss per share (US cent)	**(0.16)**	(0.10)	
Book to bill ratio	**1.6**	1.1	
	Unaudited 30 June 2010 US$ million	Audited 31 December 2009 US$ million	
Total assets	**147.5**	150.2	-2%
Shareholders' funds	**129.1**	135.8	-5%

- Sales grew by 42% to US$38.0 million
- Gross profit grew by 51% to US$11.2 million
- Loss in respect of the principal business was US$2.9 million, reduced by 49%
- Net loss was US$3.9 million
- Basic loss per share was 0.16 US cent (1.24 HK cents)
- Book to bill ratio for the period ended 30 June 2010 was 1.6

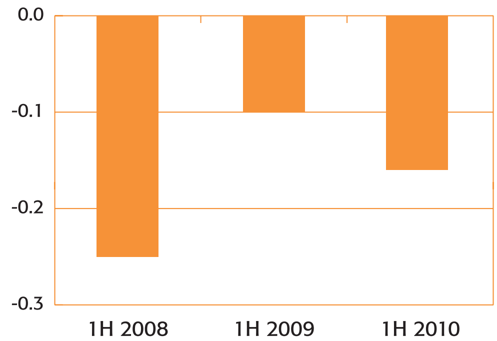
Sales (US$ million)



Net Loss (US$ million)



Basic Loss per Share (US cent)



Note:

(i) Basic loss per share calculation is based on the weighted average number of shares for the period.

(ii) All the numbers presented in the charts are unaudited.

Interim Dividend

The directors (the "Directors") of Solomon Systech (International) Limited (the "Company") did not declare the payment of interim dividend for the period ended 30 June 2010.

Interim Results

The Directors are pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2010 together with the comparative figures for the corresponding period as follows.

Condensed Consolidated Interim Income Statement

For the six months ended 30 June 2010

	Note	Unaudited Six months ended 30 June 2010 US$'000	 2009 US$'000
Sales	7	**38,018**	26,663
Cost of sales		**(26,799)**	(19,218)
Gross profit		**11,219**	7,445
Other income	8	**196**	852
Other gain/(loss) - net	9	**(946)**	1,415
Research and development costs		**(7,259)**	(6,866)
Selling and distribution expenses		**(1,932)**	(1,582)
Administrative expenses		**(4,905)**	(4,743)
Other operating expenses		**(680)**	(1,105)
Operating loss	10	**(4,307)**	(4,584)
Interest income		**633**	1,388
Finance costs		**(7)**	—
Share of results of associated companies		**(260)**	(390)
Loss before income tax		**(3,941)**	(3,586)
Income tax (expense)/credit	11	**(2)**	1,256
Loss for the period		**(3,943)**	(2,330)
Attributable to:			
– Equity holders of the Company		**(3,943)**	(2,331)
– Non-controlling interests		**—**	1
		(3,943)	(2,330)
Loss per share for loss attributable to the equity holders of the Company:			
(expressed in US cent per share)	13		
– Basic		**(0.16)**	(0.10)
– Diluted		**(0.16)**	(0.10)
Dividend		**—**	—

The notes on pages 8 to 24 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 June 2010

	Unaudited Six months ended 30 June	
	2010	2009
	US$'000	US$'000
Loss for the period	**(3,943)**	(2,330)
Other comprehensive income for the period:		
– Currency translation differences	**17**	44
Total comprehensive loss for the period	**(3,926)**	(2,286)
Attributable to:		
– Equity holders of the Company	**(3,926)**	(2,287)
– Non-controlling interests	**—**	1
	(3,926)	(2,286)

The notes on pages 8 to 24 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Balance Sheet

As at 30 June 2010

	Note	Unaudited 30 June 2010 US$'000	Audited 31 December 2009 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		8,157	6,621
Investments in associated companies	14	1,627	4,493
Available-for-sale financial assets	15	4,852	2,346
		14,636	13,460
Current assets			
Inventories		12,443	10,302
Trade and other receivables	16	17,830	13,456
Financial assets at fair value through profit or loss		24,144	20,035
Other financial assets		—	2,713
Pledged bank deposits		130	130
Short-term fixed deposits		36,413	45,318
Cash and cash equivalents		41,875	44,798
		132,835	136,752
Total assets		147,471	150,212
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	17	31,619	31,542
Reserves			
Proposed dividend	12	—	3,158
Own shares held		(279)	(858)
Others		97,741	101,989
Total equity		129,081	135,831
LIABILITIES			
Non-current liabilities			
Obligations under finance leases		6	7
Other payables	18	—	133
Bank loan		665	708
Deferred income tax liabilities		50	50
		721	898
Current liabilities			
Trade and other payables	18	16,580	12,391
Bank loan		86	86
Current income tax liabilities		1,000	1,000
Obligations under finance leases		3	6
		17,669	13,483
Total liabilities		18,390	14,381
Total equity and liabilities		147,471	150,212
Net current assets		115,166	123,269
Total assets less current liabilities		129,802	136,729

The notes on pages 8 to 24 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2010

	Unaudited										
	Attributable to the equity holders of the Company										
	Share capital US$'000	Share premium US$'000	Own shares held US$'000	Merger reserve US$'000	Exchange reserve US$'000	Equity compen -sation reserve US$'000	Other reserve US$'000	Retained earnings/ (loss) US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2009	31,516	82,809	(1,458)	2,082	646	15,064	—	12,908	143,567	229	143,796
Comprehensive income/(loss)											
Loss for the period	—	—	—	—	—	—	—	(2,331)	(2,331)	1	(2,330)
Currency translation differences	—	—	—	—	44	—	—	—	44	—	44
Total comprehensive income/(loss)	—	—	—	—	44	—	—	(2,331)	(2,287)	1	(2,286)
Transactions with owners											
2008 final dividend paid, net of portion for own shares held	—	—	—	—	—	—	—	(9,466)	(9,466)	—	(9,466)
Equity compensation	—	—	562	—	—	419	—	(562)	419	—	419
Total transactions with owners	—	—	562	—	—	419	—	(10,028)	(9,047)	—	(9,047)
At 30 June 2009	31,516	82,809	(896)	2,082	690	15,483	—	549	132,233	230	132,463
At 1 January 2010	31,542	82,855	(858)	2,082	650	15,804	230	3,526	135,831	—	135,831
Comprehensive income/(loss)											
Loss for the period	—	—	—	—	—	—	—	(3,943)	(3,943)	—	(3,943)
Currency translation differences	—	—	—	—	17	—	—	—	17	—	17
Total comprehensive income/(loss)	—	—	—	—	17	—	—	(3,943)	(3,926)	—	(3,926)
Transactions with owners											
2009 final dividend paid, net of portion for own shares held	—	—	—	—	—	—	—	(3,166)	(3,166)	—	(3,166)
Shares issued from exercise of share options	77	135	—	—	—	—	—	—	212	—	212
Shares purchased for Share Award Scheme	—	—	(174)	—	—	—	—	—	(174)	—	(174)
Equity compensation	—	—	753	—	—	304	—	(753)	304	—	304
Total transactions with owners	77	135	579	—	—	304	—	(3,919)	(2,824)	—	(2,824)
At 30 June 2010	31,619	82,990	(279)	2,082	667	16,108	230	(4,336)	129,081	—	129,081

The notes on pages 8 to 24 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Cash Flow Statement

For the six months ended 30 June 2010

	Unaudited Six months ended 30 June	
	2010	2009
	US$'000	US$'000
Net cash used in operating activities	**(4,002)**	(7,709)
Net cash generated from/(used in) investing activities	**4,248**	(10,972)
Net cash used in financing activities	**(3,175)**	(8,646)
Net decrease in cash and cash equivalents	**(2,929)**	(27,327)
Exchange gain on cash and cash equivalents	**6**	122
Cash and cash equivalents at 1 January	**44,798**	59,801
Cash and cash equivalents at 30 June	**41,875**	32,596
Analysis of balances of cash and cash equivalents:		
– Bank balances and cash	**41,875**	32,596

The notes on pages 8 to 24 form an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

1. General information

Solomon Systech (International) Limited (the "Company") and its subsidiaries (together the "Group") are fabless semiconductor companies specializing in the design, development and sales of proprietary integrated circuits ("IC") products and system solutions that enable a wide range of display applications for mobile phones, portable devices, LCD TVs, consumer electronic products, industrial appliances and lighting.

The Company was incorporated in the Cayman Islands on 21 November 2003 as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Cayman Companies Law"). The address of its registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and the address of its principal office in Hong Kong Special Administrative Region ("Hong Kong") is 6/F., No.3 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong.

The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 8 April 2004.

These condensed consolidated interim financial information are presented in US dollars unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors ("the Board") on 18 August 2010.

This condensed consolidated interim financial information has not been audited.

2. Key events

On 17 March 2010, one of the associated companies that the Group held 20.6% equity interest as at 31 December 2009 issued 4,120,098 new shares to strategic investors. As a result, the Group's holding was diluted to 10.3%. The associated company would no longer be accounted for under equity method of accounting as the Group has had no significant influence over it since then. Further details are provided in note 14.

On 19 March 2010, the Group set up a new subsidiary in Beijing, Mainland China ("China") with registered capital of US$8 million. US$1.2 million was injected to the entity in June 2010. The balance of registered capital will be paid up by March 2012.

On 4 June 2010, the Group entered into the Sale and Purchase Agreement for the disposal of the entire interest in an available-for-sale financial asset for a consideration of US$5.5 million, which is higher than the carrying value (amounting to US$2.3 million) on the balance sheet as at 30 June 2010. The completion of the Sale and Purchase Agreement is subject to the purchaser obtaining the relevant governmental/regulatory approval in Taiwan.

3. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2010 ("Interim Financial Information") of the Group has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting".

The condensed consolidated interim financial information should be read in conjunction with the Company's annual report for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

4. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2009, as described in those annual consolidated financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and amended standards and interpretations to existing standards effective in 2010

The Group has adopted the following new and amended standards and interpretations to existing standards ("new HKFRSs") that have been issued and are effective for the Group's financial year commencing on 1 January 2010:

•	HKFRS 1 (Revised)	First-time adoption of HKFRSs
•	HKFRS 3 (Revised)	Business combinations
•	HKAS 27 (Revised)	Consolidated and separate financial statements
•	HKAS 39 (Amendment)	Financial instruments: recognition and measurement - eligible hedged items
•	HK(IFRIC) - Int 17	Distributions of non-cash assets to owners
•	HK(IFRIC) - Int 18	Transfers of assets from customers
•	HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
•	HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
•	HKFRS 5	Non-current assets held for sale and discontinued operations (and consequential amendment to HKFRS 1 "First-time adoption")
•	Various improvements to HKFRSs published by the Hong Kong Institute of Certified Public Accountants in May 2009	

HKFRS 3 (Revised) - Business combinations

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. All payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. When a business combination achieved in stages, the acquirer should re-measure its previously held interest in the acquiree at its fair value at the date of control is obtained, recognizing a gain/loss in the income statement. All acquisition-related costs should be expensed.

HKAS 27 (Revised) - Consolidated and separate financial statements

The amendment requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control ("economic entity model"). These transactions will no longer result in goodwill or gains and losses. When control over a previous subsidiary is lost, any remaining interest in the entity is re-measured to fair value and the resulting gain or loss is recognized in the income statement.

Saved as aforesaid, the adoption of the new HKFRSs did not result in substantial changes to the accounting policies of the Group and had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented.

4. Accounting policies (continued)

(b) New and amended standards and interpretations to existing standards that are not effective and have not been early adopted by the Group

The following new and amended standards and interpretations to existing standards have been issued, but not effective for the financial year beginning 1 January 2010 and have not been early adopted by the Group:

• HKAS 24 (Revised)	Related party disclosures
• HKAS 32 (Amendment)	Classification of rights issue
• HKFRS 9	Financial instruments
• Amendment to HKFRS 1	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters
• HK(IFRIC) - Int 19	Extinguishing financial liabilities with equity instruments
• Amendment to HK(IFRIC) - Int 14	Prepayments of a minimum funding requirement
• Various improvements to HKFRSs published by the Hong Kong Institute of Certified Public Accountants in May 2010	

The Group has already commenced an assessment of the impact of the above new and amended standards and interpretations to existing standards but is not yet in a position to state whether these new and amended standards and interpretations to existing standards would have a significant impact to its results of operations and financial position.

5. Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and cash flow and fair value interest rate risk.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Hong Kong Dollar ("HKD"). Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

Since the United States Dollar ("USD") is pegged to the HKD, the management considered that the Group does not have any material foreign exchange exposure in this regard.

(ii) Price risk

The Group is exposed to price risk because investments held by the Group are classified on the condensed consolidated balance sheet as financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in financial instruments, the Group diversifies its portfolio or invests only on high turnover blue chips with good dividend yield.

The Group's investments in equity-linked deposits also exposed the Group to equity securities price risk as their fair values were mainly linked to the share prices of the underlying shares traded in Hong Kong stock market.

The investments in the available-for-sales financial assets are exposed to price risk. As majority of the available-for-sale financial assets held by the Group do not have quoted market price in any active market and are stated at cost less impairment loss. The price risk is therefore reflected in the impairment loss.

5. Financial risk management (continued)

5.1 Financial risk factors (continued)

(b) Credit risk

Customers of the Group are mainly well-known distributors with sound financial background. In addition, the Group has policies in place to ensure that sales of products are made to customers with appropriate credit history and within their respective credit limits.

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. Deposits are only placed with reputable banks and financial institutions. For credit exposures to customers, Group management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

The maximum exposure to credit risk at the reporting date is the carrying value of the trade and other receivables. The Group has been monitoring the receivables aging closely.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

(d) Cash flow and fair value interest rate risk

Except for the cash and cash equivalents, bank deposits, other financial assets and certain bonds and notes classified as financial assets at fair value through profit or loss ("FVTPL"), the Group has no other significant interest-bearing assets or liabilities.

The bonds and notes were issued at fixed interest rates which exposed the Group to fair value interest rate risk.

The Group's other financial assets consist of structured deposits, which were linked to foreign currencies such as Australian Dollar, Euro Dollar, Japanese Yen, etc. Upon maturity, if the market exchange rate has reached the benchmarks as defined in respective contracts, the Group would be entitled to interest income at the agreed interest rate and receiving both principal and interest income in original currency. Otherwise, the Group would still be entitled to interest income at the agreed interest rate but both principal and interest income would be converted at the agreed exchange rate to the linked foreign currency. The structured deposits were issued at fixed interest rates which exposed the Group to fair value interest rate risk.

The investments in available-for-sale financial assets and FVTPL did not have material interest rate risk.

Since there is no significant borrowing in the Group and the cash and cash equivalents and bank deposits are under short maturity terms, the cash flow and fair value interest rate risk is considered to be low.

5. Financial risk management (continued)

5.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or repurchase shares.

During the period, the Group has no material borrowing. The reduction in shareholders' funds is mainly due to the payment of the final dividend for the year ended 31 December 2009 and the loss for the period.

5.3 Fair value estimation

The Group's investments in financial instruments are measured in the balance sheet at fair value. The fair value measurements are disclosed by level of the following fair value measurement hierarchy:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- Level 3 - inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs);

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group was the current bid price. These instruments were included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter instruments) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The fair value of financial instruments is established by using advanced financial valuation technique by the reputable financial institutions. Valuation technique can range from simple discounted cash flow analysis to complex pricing model such as Binomial Option Pricing Model, Monte Carlo Simulation Method, Black-Scholes Option Pricing Model, etc.

Available-for-sale financial assets that do not have quoted market prices in any active markets and those fair values cannot be reliably measured are stated at cost less impairment.

The carrying value less impairment provision of cash, bank loan, other financial assets, trade receivables and payables approximate their fair values.

6. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are addressed below.

6.1 Income tax

The Group is subject to income tax in several jurisdictions. Significant judgement is required in determining the worldwide provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional tax will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision and deferred tax assets and liabilities in the period in which such determination is made.

6.2 Equity compensation

In determining the total expenses for the Group's share-based compensation plans, the Group estimates the number of options or shares that are expected to become exercisable or vested at the date of grant. At each balance sheet date before the options or shares become fully exercisable or vested, the Group will revise the total expenses where the number of share options or shares that are expected to become exercisable or vested is different from previously estimated.

6.3 Estimate impairment of investments in associated companies

Goodwill is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of goodwill arising from acquisition of associated companies have been determined based on the higher of fair value less cost-to-sell or value-in-use calculations. These calculations require the use of estimates.

6.4 Provision for impairment of trade receivables

The Group makes provision for impairment of trade receivables based on an assessment of the recoverability of trade receivables. Provisions are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade receivables and provision for impaired receivables in the period in which such estimate has been changed.

6.5 Provision for obsolete or slow moving inventories

The Group makes provision for obsolete or slow moving inventories based on consideration of obsolescence of raw materials and work in progress and the net realizable value of finished goods. The identification of inventory obsolescence and estimated selling price in the ordinary course of business require the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventory and impairment provision in the period in which such estimate has been changed.

7. Segment information

During the period, the Group is principally engaged in the design, development and sales of proprietary IC products and system solutions that enable a wide range of display applications for mobile phones, portable devices, LCD TVs, consumer electronic products, industrial appliances and lighting.

The Group has been operating in one single operating segment, i.e. the design, development and sales of proprietary IC products and system solutions.

The chief operating decision-makers have been identified as the Executive Directors led by the Group CEO (Managing Director). The Executive Directors review the Group's internal reporting to assess performance and allocate resources. A management approach has been used for the operating segment reporting. Sales amounted to US$38,018,000 and US$26,663,000 for the periods ended 30 June 2010 and 2009 respectively.

The Company is domiciled in Hong Kong. The Group mainly operates in Hong Kong. The Group mainly sells to customers located in Hong Kong, Korea, Taiwan and China.

Sales

	Unaudited Six months ended 30 June	
	2010 US$'000	2009 US$'000
Hong Kong	**10,677**	10,725
Korea	**10,094**	1,846
Taiwan	**7,346**	4,365
China	**4,166**	7,027
Japan	**1,711**	484
South East Asia	**928**	822
United States of America ("USA")	**622**	91
Others	**2,474**	1,303
	38,018	26,663

Sales are allocated based on the places/countries in which customers are located.

Total assets

	Unaudited 30 June 2010 US$'000	Audited 31 December 2009 US$'000
Hong Kong	**123,466**	130,686
China	**12,781**	11,004
Taiwan	**9,198**	7,319
Others	**2,026**	1,203
	147,471	150,212

Assets are allocated based on where the assets are located. Others comprise Japan, South East Asia and the USA.

7. Segment information (continued)

Capital expenditures

	Unaudited Six months ended 30 June			
	Property, plant and equipment		Investments in associated companies	
	2010 US$'000	2009 US$'000	**2010 US$'000**	2009 US$'000
Hong Kong	**113**	49	**—**	—
China	**1,980**	100	**—**	690
Taiwan	**—**	23	**—**	—
South East Asia	**732**	30	**—**	—
Japan	**6**	—	**—**	—
	2,831	202	**—**	690

Capital expenditures are allocated based on where the assets are located.

8. Other income

	Unaudited Six months ended 30 June	
	2010 US$'000	2009 US$'000
Gain on disposal of financial assets at fair value through profit or loss	**28**	719
Dividend income	**116**	85
Government grant	**—**	43
Others	**52**	5
	196	852

9. Other gain/(loss) - net

	Unaudited Six months ended 30 June	
	2010 US$'000	2009 US$'000
Financial assets at fair value through profit or loss:		
– Fair value gain	**503**	1,445
– Fair value loss	**(2,004)**	(30)
Gain on dilution for deemed disposal of an associated company	**555**	—
	(946)	1,415

10. Operating loss

The following items which have been (credited)/charged to the operating loss during the period are listed because of their nature, size or incidence:

	Unaudited Six months ended 30 June	
	2010 **US$'000**	2009 US$'000
Cost of goods sold	**26,362**	18,281
Depreciation of owned property, plant and equipment	**1,299**	1,883
Depreciation of leased property, plant and equipment	**1**	1
Operating leases for land and buildings	**643**	590
Provision for impairment loss of investment in an associated company	**655**	—
Provision/(Write-back of provision) for obsolete or slow moving inventories	**85**	(2,664)
Director and employee benefit expenses:		
– Equity compensation	**304**	419
– Non-equity compensation	**8,512**	8,163
Net exchange loss	**450**	25

11. Income tax

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

Hong Kong and overseas income tax has been provided at the rate of 16.5% (2009: 16.5%) and at the rates of taxation prevailing in the countries in which the Group operates respectively. No provision for Hong Kong income tax has been made as the Group has no estimated assessable profits for the periods ended 30 June 2010 and 2009.

	Unaudited Six months ended 30 June	
	2010 **US$'000**	2009 US$'000
Current income tax:		
– Hong Kong	**—**	—
– Overseas	**2**	(2)
Write-back of income tax provisions in prior years	**—**	(1,156)
Deferred income tax	**—**	(98)
Income tax expense/(credit)	**2**	(1,256)

12. Dividend

	Unaudited Six months ended 30 June	
	2010 **US$'000**	2009 US$'000
Dividend attributable to the previous year, approved and paid during the period :		
– 2009 final dividend, paid, of HK$0.01 (approximately 0.13 US cent) per ordinary share[i]	**3,166**	—
– 2008 final dividend, paid, of HK$0.03 (approximately 0.39 US cent) per ordinary share	**—**	9,466
	3,166	9,466

(i) At a meeting held on 20 April 2010, the Directors recommended the payment of a final dividend of HK$0.01 per ordinary share for the year ended 31 December 2009. The final dividend totaling HK$24,533,000 (approximately US$3,166,000) was paid on 18 June 2010.

13. Loss per share

The calculation of basic and diluted loss per share is based on the Group's loss attributable to the equity holders of the Company of US$3,943,000 (2009 loss: US$2,331,000).

The basic loss per share is calculated based on the weighted average number of 2,437,134,484 (2009: 2,442,928,853) ordinary shares in issue excluding own shares held during the period.

The diluted loss per share is calculated based on 2,455,090,342 (2009: 2,445,001,025) ordinary shares which is the adjusted weighted average number of ordinary shares outstanding assuming the conversion of all dilute/potential share options outstanding but excluding unallocated own shares held during the period. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the reporting period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Unaudited Six months ended 30 June	
	2010	2009
Weighted average number of ordinary shares in issue	**2,437,134,484**	2,422,928,853
Adjustments for:		
– allocated own shares held under share award scheme	**11,150,387**	21,361,288
– share options	**6,805,471**	710,884
Weighted average number of ordinary shares for diluted loss per share calculation	**2,455,090,342**	2,445,001,025

14. Investments in associated companies

On 17 March 2010, Advanced Photoelectronic Technology Limited ("APT"), one of the associated companies that the Group held 20.6% equity interest as at 31 December 2009, issued 4,120,098 new shares to strategic investors. As a result, the Group's holding was diluted to 10.3%. APT would no longer be accounted for under equity method of accounting as the Group has had no significant influence over APT since then.

The Group has recognized US$555,000 profit arising from this deemed disposal, which represented the difference between the fair value of the retained investment in APT and the carrying amount of the investment at the date when significant influence ceased.

The Group's retained investment in APT was subsequently recognized as an available-for-sale financial asset.

The carrying amounts of the investments in associated companies have been further reduced through recognition of an impairment loss of US$655,000 for Shenzhen aigo Research and Development Co., Ltd ("Aigo"). The loss has been included in other operating expenses in the condensed consolidated interim income statement.

15. Available-for-sale financial assets

	Unaudited 30 June 2010 US$'000	Audited 31 December 2009 US$'000
Unlisted shares, at cost	**4,781**	4,781
Transfer from an investment in associated company	**2,506**	—
	7,287	4,781
Less: Provision for impairment loss	**(2,435)**	(2,435)
	4,852	2,346

Saved as disclosed in note 14 above, there was no addition nor disposal of available-for-sale financial assets during the six months ended 30 June 2010. All the available-for-sale financial assets are unlisted equity securities.

16. Trade and other receivables

	Unaudited 30 June 2010 US$'000	Audited 31 December 2009 US$'000
Trade receivables	**12,792**	10,546
Less: provision for impairment of receivables	**—**	—
Trade receivables - net	**12,792**	10,546
Deposits, prepayments and other receivables	**5,038**	2,910
	17,830	13,456

The Group's sales to corporate customers are mainly entered into on credit terms of 30 to 90 days. The ageing analysis of trade receivables based on overdue days is as follows:

	Unaudited 30 June 2010 US$'000	Audited 31 December 2009 US$'000
Current	**11,408**	8,166
1 - 30 days	**1,250**	2,029
31 - 60 days	**95**	222
61 - 90 days	**37**	72
91 - 180 days	**—**	27
181- 365 days	**2**	30
	1,384	2,380
	12,792	10,546

As at 30 June 2010, trade receivables of US$1,384,000 (31 December 2009: US$2,380,000) were considered past due if measured strictly against the credit terms offered. The overdue sum is not impaired since the majority of the overdue sum has been settled after the balance sheet date.

As at 30 June 2010, no trade receivables was impaired (31 December 2009: Nil) and provided for (31 December 2009 provision: Nil).

17. Share capital

	Unaudited 2010		Audited 2009	
	Number of shares	US$'000	Number of shares	US$'000
Authorized:				
– Ordinary shares of HK$0.10 each	5,000,000,000	64,433	5,000,000,000	64,433
Issued and fully paid:				
– At 1 January	2,447,302,351	31,542	2,445,302,351	31,516
– Exercise of share options	6,000,000	77	2,000,000	26
– At 30 June 2010 and 31 December 2009	2,453,302,351	31,619	2,447,302,351	31,542

18. Trade and other payables

	Unaudited 30 June 2010 US$'000	Audited 31 December 2009 US$'000
Trade payables	12,968	9,283
Accrued expenses and other payables	3,612	3,241
	16,580	12,524
Other payables - non-current portion	—	(133)
	16,580	12,391

At 30 June 2010, the ageing analysis of trade payables based on overdue days is as follows:

	Unaudited 30 June 2010 US$'000	Audited 31 December 2009 US$'000
Current	12,770	8,261
1 - 30 days	159	947
31 - 60 days	—	19
61 - 90 days	—	8
Over 90 days	39	48
	12,968	9,283

19. Equity compensation scheme

(a) *The Share Option Scheme*

The Company adopted the Share Option Scheme at an extraordinary general meeting held on 25 February 2004 and a meeting of the Board on 19 March 2004 under which options may be granted to subscribe for the Company's shares. Participants of the Scheme shall include directors (including executive directors, non-executive directors and independent non-executive directors) and employees of any member of the Group and any advisers, consultants, distributors, contractors, contract manufacturers, suppliers, agents, customers, business partners, joint venture business partners, service providers of any member of the Group who the Board considers have contributed or will contribute to the Group (the "Participants"). The purpose of the Share Option Scheme is to provide Participants with the opportunity to acquire proprietary interests in the Company and its shares for the benefits of the Company with a flexible mean of either retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to the Participants. The terms of the Scheme are in accordance with the provisions of the Chapter 17 of the Listing Rules on the Stock Exchange.

— On 28 June 2010, share options to subscribe for 12,000,000 new shares of the Company were granted by the Company to directors and senior management of the Company at a nominal consideration of HK$1.0 payable by each grantee under the Share Option Scheme. These options are exercisable during the period from 1 July 2011 to 30 June 2013, at the exercise price of HK$0.62 per share.

— On 30 June 2010, 6,300,000 share options granted on 28 June 2007 with an exercise price of HK$1.118 per share were lapsed. During the period, 72,000 share options granted on 7 February 2007 with an exercise price of HK$1.43 per share were forfeited and cancelled.

Movements in the number of share options outstanding and their related exercise prices are as follows:

		Unaudited Movement during the period Number of share options (in thousand units)						
Grant date	**Exercise price in HK$ per share**	**Held at 1 January 2010**	**Granted**	**Exercised**	**Forfeited and cancelled**	**Lapsed**	**Held at 30 June 2010**	**Expiry date**
7 February 2007	1.430	1,528	—	—	—	—	1,528	31 March 2011
7 February 2007	1.430	2,292	—	—	(72)	—	2,220	31 March 2012
28 June 2007	1.118	6,300	—	—	—	(6,300)	—	30 June 2010
24 July 2008	0.275	9,000	—	(6,000)	—	—	3,000	30 June 2011
13 July 2009	0.632	11,000	—	—	—	—	11,000	30 June 2012
28 June 2010	0.620	—	12,000	—	—	—	12,000	30 June 2013
		30,120	12,000	(6,000)	(72)	(6,300)	29,748	

During the period, 6,000,000 share options granted on 24 July 2008 with an exercise price of HK$0.275 per share were exercised, which resulted in 6,000,000 shares (2009: Nil) being issued at a weighted average price of HK$0.275 each.

19. Equity compensation scheme (continued)

(a) The Share Option Scheme (continued)

The Company has been using the Black-Scholes Valuation Model to value the share options granted. The key parameters used in the Model and the corresponding fair values of the options granted during 2010 and 2009 are listed below:

	2010	2009
Date of grant	**28 June**	13 July
Number of share options granted	**12,000,000**	11,000,000
Total option value	**US$242,000**	US$307,000
	HK$1,877,000	HK$2,382,000
Share price at date of grant (HK$)	**0.620**	0.632
Exercise price (HK$)	**0.620**	0.632
Expected life of options	**2 years**	2 years
Annualized volatility	**48.2%**	79.7%
Risk free interest rate	**0.76%**	0.39%
Dividend payout rate	**1.6%**	4.9%

The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the Model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

The volatility measured at the standard deviation of continuously compounded share returns is based on historical statistical analysis of daily closing share prices.

19. Equity compensation scheme (continued)

(b) The Share Award Plan

The Share Award Plan was adopted by the Company at an extraordinary general meeting held on 25 February 2004 and a meeting of the Board on 19 March 2004 with an initial pool of 46,223,520 shares held by HSBC International Trustee Limited (the "Trustee") as trustee for the benefit of the directors and employees. The initial pool brought forward at the time of listing of the Company has been used up. Trustee will execute instruction to replenish the pool by purchasing shares from the market with the approval of the Remuneration Committee of the Company.

Under the terms and conditions of the grant, 40% of the shares will be vested 1 year from the grant date and the remaining 60% will be vested 2 years from the grant date.

At 30 June 2010, the number of shares allocated but remained unvested under the Trustee for directors and employees of the Group was 2,792,000 while the total number of shares held by the Trustee was 3,543,520 leaving a balance of 751,520 shares for future grant to directors and employees in the rest of 2010 and beyond.

Shares held by the Trustee under the Share Award Plan are listed below:

	Unaudited Number of shares	
	2010	2009
At 1 January	**10,547,520**	22,507,520
Shares purchased from market[i]	**2,000,000**	—
Shares vested during the period	**(9,004,000)**	(11,694,000)
At 30 June	**3,543,520**	10,813,520

(i) The Remuneration Committee of the Company has directed the Trustee of the Share Award Plan to utilize the funds made available under the Trust Deed to purchase 2,000,000 existing shares from the market at a purchase price of HK$0.67 per share to replenish the pool of shares held by the Trustee pursuant to the Share Award Plan of the Company on 9 February 2010.

On 17 February 2010 and on 28 June 2010, 660,000 and 200,000 shares respectively were provisionally awarded to employees of the Group pursuant to Share Award Plan. Subject to the vesting conditions, 40% of the awarded shares shall vest in the awardees after 1 year and 60% of the awarded shares shall vest in the 2 years from date of grant.

20. Commitments

(a) Capital commitments

Capital expenditure committed at the balance sheet date is as follows:

	Unaudited 30 June 2010 US$'000	Audited 31 December 2009 US$'000
Approved but not contracted for	—	1,541
Contracted but not provided for[i]	450	—

(i) As at 30 June 2010, there was US$450,000 intellectual property license contracted but not provided for in the Group's subsidiary in Singapore.

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancelable leases are as follows:

	Unaudited 30 June 2010 US$'000	Audited 31 December 2009 US$'000
Not later than 1 year	1,181	1,145
Later than 1 year and not later than 5 years	1,242	1,642
Later than 5 years	42	82
	2,465	2,869

Report on Review of Interim Financial Information

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

TO THE BOARD OF DIRECTORS OF
SOLOMON SYSTECH (INTERNATIONAL) LIMITED
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 3 to 24, which comprises the condensed consolidated balance sheet of Solomon Systech (International) Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2010 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 August 2010

Management Discussion and Analysis

Financial Review

Overview

For the six months ended 30 June 2010, the Group's sales was US$38.0 million (1H 2009: US$26.7 million), up 42% year-on-year. The overall market showed signs of recovery in the 1H 2010. Demand for semiconductors in the global market increased while manufacturing capacity in the supply chain was tight.

The Group recorded a 71% increase year-on-year in shipment quantity and a 15% year-on-year drop in the blended average selling price ("ASP") of its products. The drop in blended ASP was caused by a change of product mix. The increase in net sales of US$11.4 million was mainly due to (1) global market recovery and stronger demand for overall semiconductors products; (2) the percentage increase in shipment quantity being significantly larger than the change in ASP; (3) Advanced Display products gaining a foothold in emerging market applications; and (4) the Group's new businesses gradually increasing their contribution. Gross profit was US$11.2 million, up by 51% compared with the last period (1H 2009: US$7.4 million) as a result of increase in sales. The Group's gross margin rose slightly to 29.5% from 27.9% in 1H 2009. The increase in gross margin was due to a higher percentage of products with relatively higher profit margin contributions. Inventory scrap was minimal in 1H 2010. The Group has redoubled its efforts to improve its manufacturing productivity through product yield improvement and full utilization of its own manufacturing assets.

The Group has remained vigilant on controlling its expenses. Total expenses, including research and development costs ("R&D expenses"), selling and distribution expenses ("S&D expenses") and administrative expenses, were US$14.1million, up by US$0.9 million, representing a 7% increase.

S&D expenses increased by US$0.4 million, up 22%, to support the sales growth of 42%.

Administrative expenses grew slightly by 3% year-on-year after the gradual relaxation of certain belt-tightening measures since 2H 2009. The Group continued to invest in R&D and business development, and remained selective in its R&D spending. R&D expenses were US$7.3 million, up 6% over the spending in 1H 2009.

During the period, the Group recognized a gain of US$0.2 million from financial assets at fair value through profit or loss ("FVTPL") and interest income of US$0.6 million. However, an unrealized loss of US$1.5 million (1H 2009 unrealized gain: US$1.4 million) was recorded from the investment in FVTPL portfolio as at 30 June 2010. The Group also made a provision of impairment on the goodwill arising from the acquisition of an associated Company in 2008 amounted to US$0.7 million.

Loss before income tax was US$3.9 million (1H 2009: US$3.6 million) of which US$2.9 million (1H 2009: US$5.7 million) was related to the principal business from display ICs and system solutions. The loss before income tax in respect of the principal business was significantly reduced by half. The Group recorded a net loss attributable to the Company's equity holders of US$3.9 million (1H 2009: US$2.3 million, which included a special tax credit of US$1.2 million).

No interim dividend for the six months ended 30 June 2010 was declared by the Board.

Liquidity and Financial Resources

Net cash used in operating activities during the period was US$4.0 million (1H 2009: US$7.7 million). Total cash and bank deposits and equivalents (including other financial assets) of the Group amounted to US$78.3 million as at 30 June 2010, compared to US$92.8 million at 2009 year end. The change in cash position was mainly a result of (1) net outflow from operations amounting to US$4.0 million because of net increase in working capital; (2) dividend payment of US$3.2 million; (3) investment in equipment of US$2.8 million; and (4) increase in investment in FVTPL US$5.6 million.

Regarding the use of cash reserves, the Group will continue to allocate funds for product development, securing production capacity, and entering into strategic corporate ventures as well as supporting general corporate operational purposes. At 30 June 2010, the Group had no major borrowing other than the US$0.8 million in mortgaged loan for the purchase of office property in Hsinchu, Taiwan. The Group's cash balance was mainly invested in various bank deposits.

Most of the Group's trade receivables and payables are quoted in US dollars. The Group closely monitors foreign exchange rates and constantly seeks to obtain favorable exchange rates for conversion of US dollars into other currencies for paying local operating expenses. During the review period, the Group did not use any derivative instruments to hedge against foreign currency exposure as the Directors considered this exposure to be insignificant.

Capital Expenditure and Contingent Liabilities

On 17 March 2010, Advanced Photoelectronic Technology Limited ("APT"), one of the associated companies that the Group held 20.6% equity interest as at 31 December 2009, issued 4,120,098 new shares to strategic investors. As a result, the Group's holding was diluted to 10.3%. APT would no longer be accounted for under equity method of accounting as the Group has had no significant influence over APT since then.

On 19 March 2010, the Group set up a new subsidiary in Beijing, China with registered capital of US$8 million. US$1.2 million was injected into the entity in June 2010. The balance of registered capital is to be paid up by March 2012.

On 4 June 2010, the Group entered into the Sale and Purchase Agreement for the disposal of the entire interest in an available-for-sale financial asset for a consideration of US$5.5 million, which is higher than the carrying value (amounting to US$2.3 million) on the balance sheet as at 30 June 2010. The completion of the Sale and Purchase Agreement is subject to the purchaser obtaining the relevant governmental/regulatory approval in Taiwan.

In 1H 2010, capital expenditure was US$2.8 million, the majority of which was related to the Group's set up and purchase of equipment in China.

As at 30 June 2010, there was US$0.5 million intellectual property license contracted but not provided for in the Group's subsidiary in Singapore. Saved as aforesaid, the Group had no other material capital commitment or contingent liability.

Business Review

Product Shipment

In the review period, the Group has shipped a total of 69.1 million units of display ICs, up by 71% year-on-year. The shipments of Mobile Display products, including STN/CSTN driver ICs, mobile TFT driver ICs and touch panel ICs, were up by 34% as the overall consumer electronics market demand was stronger during the period. The shipment of Advanced Display products increased more than a double as its OLED display ICs and new display ICs were securing design-wins for a wide range of new applications. In the 1H 2010, the Group also shipped more than 1.5 million units of graphic controllers, multimedia processors and Mobile Industry Processor Interface ("MIPI") chipsets under the Display System Solution business, and the Green Power business shipped an initial consignments of LED driver ICs and power modules. The shipment breakdown by business units is as follows:

Units Shipped (million)	**1H 2010**	**1H 2009**	**Change**	**2009**
Mobile Display	**32.0**	23.8	34%	55.5
Advanced Display	**35.5**	15.6	128%	34.6
Display System Solution	**1.5**	1.1	36%	2.5
Green Power	**0.1**	0	>100%	0.1
Total	**69.1**	**40.5**	**71%**	**92.7**

Business Relationships

The business units of the Group are grouped into two categories: the Display IC businesses and the System Solution businesses.

For the Display IC businesses, the Group currently serves most of the major display module makers in the world. The Group continues to focus on approaching both display module makers and end-product manufacturers directly to ensure it delivers the most appropriate product solutions and value-added services to them. During the period, the Group has been actively engaged with leading customers and top-tier end-product manufacturers from China, Europe, Japan, Korea Taiwan and USA to support them with the best products and to develop the next generation products with new competitive features.

Regarding System Solution businesses, the Group provides customers with total system solutions in two focus areas: Display System and Green Power. Display System Solution supports specific multimedia applications. Working in alignment with independent design house ("IDHs"), the Group offers timely and total system solutions to original design manufacturers ("ODMs"). During the review period, several top-tier brands' advanced pico-projectors were successfully launched into the market using the Group's **MagusCore**™ multimedia system solution. Green Power provides lighting system solutions to the emerging green power market including LED lighting (indoor and outdoor) and LED backlight units. In collaboration with lighting system design houses, the Group was able to enlarge its total solutions offerings and broaden its customer base for emerging market applications. The leading-edge technology in the system solutions business unit of the Group has further reinforced its business relationships with existing customers while attracting new key customers.

Research and Development

In the past six months, research and development costs were approximately US$7.3 million. To support business transformation and stay competitive in the marketplace, the Group continues to enhance the features of existing products and develop new product technologies and product lines including multi-touch panel intellectual property ("IP"), high speed Mobile Display Digital Interface ("MDDI") ICs, display memory compression, non-flickering frame rate control ("FRC"), Android 2.1 software platform for mobile multimedia products, M4/T4 standard for hearing aids for elderly phone, offline dimmable LED driver ICs, power supply modules and LED lighting system designs for energy-saving lighting.

In the first half of 2010, the Group had filed two patents for operating capacitive touch panel and image compression technology in different regions including the US, China, Taiwan, Korea and Europe.

As at 30 June 2010, the Group had 221 professionals in the design and engineering function, representing approximately 48% of its total employee headcount. The Group's R&D team continually designs products using various wafer process technologies as advanced as 90nm. Besides, the Group has specialist teams in Hong Kong, Beijing, Shenzhen and Singapore with different expertise including mix-signal high-voltage IC design, VLSI (Very-large-scale-integration) design, application software design, system applications and wireless technology.

Human Resources

As at 30 June 2010, the Group had a workforce of 459 employees, 45% of which were based in the Hong Kong head office and the rest were located in China, Japan, Singapore, Taiwan and the USA. Overall, there was a 7% increase in headcount compared to 30 June 2009. The increase is mainly in the production area of the Group's subsidiary in China.

As a technology company relying on intellectual excellence, the Group highly values its human resources. To reward and retain talent, the Group offers competitive remuneration to employees and constantly provides employees with training, career development programs and a first-rate working environment to ensure they enjoy working with the Group and contributing their efforts to the Group's success.

During 1H 2010, salary reduction for Executive Directors and certain senior management continued as part of the cost control measures.

New product introduction bonus and first sales incentive, which aim at driving the success of new product development and new business, have remained in place and were paid to certain employees in the first half of 2010. Selected employees were granted shares under the Share Award Plan, subject to vesting, to recognize their performance and contribution during the period, and served as an incentive for their continuing contribution to the Group.

Prospects

With the book to bill ratio at 1.6 for the period ended 30 June 2010, the Group sees strong market demand in the second half of 2010 and customers are also more willing to place long term orders. To fulfill that demand, the Group will continue to work closely with its foundry partners and manage the supply chain efficiently. The Group intends to continue its march forward by delivering innovative industry-leading ICs, launching new system solutions for emerging high-growth applications, expanding its customer base and further developing its business in the emerging China market. The Group will keep on diversifying its product portfolio and provide fast turnkey solutions to customers. As at 30 June 2010, the Group registered a backlog of orders at around 52 million units for the second half of 2010.

Display IC Businesses

Mobile Display

The Mobile Display business unit supports display driver ICs and touch panel ICs for small to medium size LCD displays found in mobile phones, smart phones, personal navigation devices ("PND"), audio/video ("AV") applications, mobile internet devices ("MID"), netbooks and other portable equipment. The unit covers key technologies including STN, m-TFT LCD display ICs and touch panel ICs, for monochrome and color displays as well as displays with touch panel functions.

The Group believes there is a huge market potential for high-end products such as smart phones and MID that come with high definition ("HD"), medium size display and multi-touch functions. Hence, the Mobile Display business unit will continue to develop new generation display IC products to support higher display resolution and bigger display size, including multi-touch panel controllers for 5", 7" or bigger displays and TFT driver controllers for WVGA and HD display.

As the Group continues its efforts to advance its technology and introduce cutting-edge products, the Mobile Display business unit has also started the development of new display ICs to support the next generation 3D display.

Advanced Display

The Advanced Display business unit groups together OLED Display and New Display product families.

The Group continues to be the leader in the Passive Matrix OLED ("PMOLED") display IC market, providing a full range of PMOLED driver ICs from icon, mono and grey scale to full color with integrated new features to stay ahead of the competition. As the PMOLED display technology and its manufacturing process become mature, it finds its new competitive edge in small size, mono display applications. To further expand its business opportunity, the Advanced Display business unit is developing new PMOLED display ICs with built-in Character ROMs, which will be launched in 2H 2010. The Group also develops Active Matrix OLED ("AMOLED") display ICs with leading panel makers.

In addition to PMOLED and AMOLED displays, the Group sees another great market potential in OLED Lighting, which the OLED is in thin film form and can emit bright light with high power efficiency. Riding on the success on its PMOLED display IC, the Group is extending its technology to support OLED Lighting and expects to capture the growth of this market segment in coming years.

The market for OLED display ICs in general is expected to carry on its stable growth in the 2H 2010, considering that the increasing maturity of the OLED display technology for mass production and the fact that OLED display keeps on expanding into new applications targeting different market segments from mobile phones and consumer electronics such as MP3, Bluetooth headsets and pocket WiFi, to industrial applications including USB bank keys, as well as office equipment and health care products.

For the New Display, the Group maintains a positive view on the potential of ICs for this emerging business as more applications recognize the value of the new display technology, of which e-paper display is perhaps the best known kind. The Group is shipping large volume new display IC for electronic shelf label applications and the design-in work will continue in 2H 2010 involving e-signage, portable storage devices, mobile phone indices, mobile decorative displays and e-cards, and more.

The Group continues to provide different varieties of IC solutions to cater for the requirements of different new display technologies such as electrophoretic, cholesteric and other bistable displays.

All in all, the Group believes the demand for new display ICs will surge and it will bring in new revenue streams through tapping into emerging markets and new applications. Thus the Group will continue to research these and other new technologies and to expand this business to ensure it stays ahead of the competition.

Large Display

The Large Display business unit addresses large display applications such as LCD TVs, LCD monitors and notebook computers. As large display manufacturing begins booming in China, a dedicated team has been set up and moved-in to its new Beijing Technology and Business Center. New products to support its business partners in large display are under development and to be ready for customers' qualification in 2H 2010. The team intends to work closely with the Green Power business unit on LED backlight solutions to provide local support to major LCD customers in China and Asia.

System Solution Businesses

Display System Solution

The Display System Solution business unit is a key part of the Group's success in transforming its business from IC component sales to delivering total system solutions. This business unit will continue to build up its momentum in 2H 2010 and the Group believes it will bring in diverse sources of revenue stream and gradually become an important contributor to the Group's future results.

Products in production like image processors and graphic controllers are supporting the latest consumer applications such as mobile phones, PND, MID and other portable consumer electronic devices. Given the continuous design-wins for its new display controller products, the Group expects increase in volume shipments for this segment in 2H 2010.

With an early leadership in MIPI, the business unit won several design-ins for its MIPI ICs into a variety of products including some new model Android phones from top-tier players in the high-speed mobile interface market. The MIPI-related business is expected to increase the volume shipment in 2H 2010.

The Group continues to expand its product offering on the high-performance **MagusCore**™ multimedia system solution through the launch of 3rd generation multimedia chip, thereby gaining new businesses. During the review period, several top-tier customers had successfully launched new, advanced pico-projectors incorporating the **MagusCore**™ multimedia system solution. In 2H 2010, the Group will further promote to the market the capability of **MagusCore**™ , aiming at Android-based applications for the 3CC - Converged Communication, Cloud Computing and Consumer Content - enabling more advanced high volume applications such as eBooks, MID and 3D TV. The Group believes the **MagusCore**™ system solution is poised to capture the market and help to accelerate development of its business.

The Display System Solution business unit also has a strong competence in design, development and integration of advanced wireless communication technology and devices. It specializes in designing new mobile multimedia application solutions for end products including dual mode mobile phones, elderly phones, global positioning system ("GPS") for PNDs and mobile multimedia broadcasting technology for mobile digital TVs. It has successfully launched a few more new mobile phone solutions for dual mode and elderly market segment for top-tier mobile brands' products in 1H 2010. To seize a potentially booming opportunity in the market for Android-based devices, the unit is also working on building its technical capabilities in Android mobile system solutions.

Green Power

The Green Power business unit focuses on providing energy-saving LED indoor and outdoor lighting solutions and LED backlighting where the Group sees the booming market for solid state lighting and signage industry, for the environmental friendly concern as well as for features enhancement in large display applications. The Green Power business unit shipped a small production quantity in 1H 2010 and also developed a new dimmable LED lighting solution. As this business is still at its initial stage of development, there is considerable room for to grow and expand. Therefore, the Group will keep working on new products and market development in 2H 2010, with more value-added LED driver ICs and LED power modules, and also LED backlight solutions for supporting large display applications such as LCD TVs, LCD monitors and notebook computers.

Directors' Interests

As at 30 June 2010, the interests and short positions of each director and the chief executive in the shares and underlying shares of the Company or its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of part XV of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

		Ordinary shares of HK$0.10 each in the Company as at 30 June 2010				
Name of directors		**Directly owned shares**	**Directly owned options**	**Beneficially owned shares[i]**	**Total**	**% of the issued shares capital of the Company**
Independent Non-executive Directors						
Sun, Patrick	Long	800,000	2,200,000	—	3,000,000	0.12%
	Short	—	—	—	—	—
Choy Kwok Hung, Patrick	Long	2,712,000	2,200,000	—	4,912,000	0.20%
	Short	—	—	—	—	—
Wong Yuet Leung, Frankie	Long	—	3,200,000	—	3,200,000	0.13%
	Short	—	—	—	—	—
Non-executive Directors						
Lam Pak Lee	Long	800,000	3,200,000	—	4,000,000	0.16%
	Short	—	—	—	—	—
Sheu Wei Fu	Long	—	—	—	—	—
(alternate to Lam Pak Lee)	Short	—	—	—	—	—
Executive Directors						
Leung Kwong Wai	Long	118,400,308	4,220,000	—	122,620,308	5.00%
	Short	—	—	—	—	—
Cheung Wai Kuen, Kenny	Long	500,000	2,200,000	600,000[ii]	3,300,000	0.13%
	Short	—	—	600,000[ii]	600,000	0.02%
Huang Hsing Hua	Long	11,150,746	2,200,000	—	13,350,746	0.54%
	Short	—	—	—	—	—
Lai Woon Ching	Long	26,899,032	2,250,000	—	29,149,032	1.19%
	Short	—	—	—	—	—
Lo Wai Ming	Long	33,572,179	2,200,000	—	35,772,179	1.46%
	Short	—	—	—	—	—

Note:

(i) The shares are held by HSBC International Trustee Limited ("the Trustee") for the benefit of the grantees. Under the terms and conditions of the Share Award Plan, 40% of the shares will be vested 1 year from the grant date and the remaining 60% will be vested 2 years from the grant date.

(ii) The shares for Mr. Cheung Wai Kuen, Kenny are to be vested by 18 March 2011.

As at 30 June 2010, Mr. Lo Wai Ming, Executive Director and Mr. Choy Kwok Hung, Patrick, Independent Non-executive Director through investment vehicles under their control continued to hold the investment in Beijing LED Lighting Engineering Co., Ltd. ("BJ-LED"), an associated company of the Group, at the same time in 2009 and same term of the Group's investment in BJ-LED. The investment vehicles hold 9% and 4% respectively in BJ-LED.

Saved as disclosed above, at no time during the period was the Company, its subsidiaries or its associated companies a party to any arrangement to enable the directors and chief executives of the Company (including their spouse and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated company, other than Mr. Leung Kwong Wai who holds shares of certain subsidiaries solely for the purpose of ensuring that the relevant subsidiary has more than one member.

Substantial Shareholders

The register of substantial shareholders required to be kept by the Company under section 336 of Part XV of the SFO shows that as at 30 June 2010, the Company had been notified of the following substantial shareholders' interests and short positions in the shares or underlying shares of the Company, being interests of 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and the chief executives of the Company.

	Ordinary shares of HK$0.10 each in the Company as at 30 June 2010			
Name	**Capacity**	**Position**	**Number of shares held**	**% of the issued share capital of the Company**
China Electronics Corporation	Interest of controlled corporation	Long	664,288,000	27.08%

Saved as disclosed above, the Company had not been notified of any interest or short positions in the shares or underlying shares of the Company as at 30 June 2010.

Share Option Scheme

The Company adopted the Share Option Scheme at an extraordinary general meeting held on 25 February 2004 and a meeting of the Board on 19 March 2004 under which options may be granted to subscribe for the Company's shares. Participants of the Scheme shall include directors (including executive directors, non-executive directors and independent non-executive directors) and employees of any member of the Group and any advisers, consultants, distributors, contractors, contract manufacturers, suppliers, agents, customers, business partners, joint venture business partners, service providers of any member of the Group who the Board considers have contributed or will contribute to the Group (the "Participants"). The purpose of the Share Option Scheme is to provide Participants with the opportunity to acquire proprietary interests in the Company and its shares for the benefits of the Company with a flexible mean of either retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to the Participants. The terms of the Scheme are in accordance with the provisions of the Chapter 17 of the Listing Rules on the Stock Exchange.

The Company can issue options so that the total number of shares that may be issued upon exercise of all options to be granted under all the share option schemes does not in aggregate exceed 10% of the shares in issue as at the date of approval of the Share Option Scheme. The Company may renew this limit at any time, subject to shareholders' approval and the issue of a circular and in accordance with the Listing Rules provided that the number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes does not exceed 30% of the shares in issue from time to time.

— On 28 June 2010, options to subscribe for 12,000,000 new shares of the Company were granted by the Company to directors and senior management of the Company at a nominal consideration of HK$1.0 payable by each grantee under the Share Option Scheme. These options are exercisable during the period from 1 July 2011 to 30 June 2013, at the exercise price of HK$0.62 per share.

— On 30 June 2010, 6,300,000 share options granted on 28 June 2007 with an exercise price of HK$1.118 per share were lapsed. During the period, 72,000 share options granted on 7 February 2007 with an exercise price of HK$1.43 per share were also forfeited and cancelled.

— During the period, Messrs. Choy Kwok Hung, Patrick, Huang Hsing Hua, Lai Woon Ching, Lo Wai Ming and Chang Ching Yi, Steven, the Non-executive Director who retired from office after the close of 2010 Annual General Meeting ("AGM") on 9 June 2010, have exercised their options granted on 24 July 2008 in full at an exercise price of HK$0.275 per share.

Details of the share options outstanding as at 30 June 2010 which have been granted under the Share Option Scheme are as follows:

	Number of options								Exercise period	
Name of participants	Held on 1 January 2010	Lapsed during the period	Forfeited and cancelled during the period	Granted during the period	Exercised during the period	Held on 30 June 2010	Exercise price HK$	Grant date	Begins	Ends
Independent Non-executive Directors										
Sun, Patrick	500,000	(500,000)	—	—	—	—	1.118	28 June 2007	1 July 2008	30 June 2010
	1,000,000	—	—	—	—	1,000,000	0.632	13 July 2009	1 July 2010	30 June 2012
	—	—	—	1,200,000	—	1,200,000	0.620	28 June 2010	1 July 2011	30 June 2013
	1,500,000	(500,000)	—	1,200,000	—	2,200,000				
Choy Kwok Hung, Patrick	500,000	(500,000)	—	—	—	—	1.118	28 June 2007	1 July 2008	30 June 2010
	1,000,000	—	—	—	(1,000,000)	—	0.275	24 July 2008	1 July 2009	30 June 2011
	1,000,000	—	—	—	—	1,000,000	0.632	13 July 2009	1 July 2010	30 June 2012
	—	—	—	1,200,000	—	1,200,000	0.620	28 June 2010	1 July 2011	30 June 2013
	2,500,000	(500,000)	—	1,200,000	(1,000,000)	2,200,000				
Wong Yuet Leung, Frankie	500,000	(500,000)	—	—	—	—	1.118	28 June 2007	1 July 2008	30 June 2010
	1,000,000	—	—	—	—	1,000,000	0.275	24 July 2008	1 July 2009	30 June 2011
	1,000,000	—	—	—	—	1,000,000	0.632	13 July 2009	1 July 2010	30 June 2012
	—	—	—	1,200,000	—	1,200,000	0.620	28 June 2010	1 July 2011	30 June 2013
	2,500,000	(500,000)	—	1,200,000	—	3,200,000				
Subtotal	6,500,000	(1,500,000)	—	3,600,000	(1,000,000)	7,600,000				

Share Option Scheme (continued)

Details of the share options outstanding as at 30 June 2010 which have been granted under the Share Option Scheme are as follows: (continued)

	Number of options								Exercise period	
Name of participants	Held on 1 January 2010	Lapsed during the period	Forfeited and cancelled during the period	Granted during the period	Exercised during the period	Held on 30 June 2010	Exercise price HK$	Grant date	Begins	Ends
Executive and Non-executive Directors										
Chang Ching Yi, Steven	500,000	(500,000)	—	—	—	—	1.118	28 June 2007	1 July 2008	30 June 2010
(retired on 9 June 2010)	1,000,000	—	—	—	(1,000,000)	—	0.275	24 July 2008	1 July 2009	30 June 2011
	1,000,000	—	—	—	—	1,000,000	0.632	13 July 2009	1 July 2010	30 June 2012
	2,500,000	(500,000)	—	—	(1,000,000)	1,000,000				
Lam Pak Lee	500,000	(500,000)	—	—	—	—	1.118	28 June 2007	1 July 2008	30 June 2010
	1,000,000	—	—	—	—	1,000,000	0.275	24 July 2008	1 July 2009	30 June 2011
	1,000,000	—	—	—	—	1,000,000	0.632	13 July 2009	1 July 2010	30 June 2012
	—	—	—	1,200,000	—	1,200,000	0.620	28 June 2010	1 July 2011	30 June 2013
	2,500,000	(500,000)	—	1,200,000	—	3,200,000				
Leung Kwong Wai	408,000	—	—	—	—	408,000	1.430	7 February 2007	1 April 2009	31 March 2011
	612,000	—	—	—	—	612,000	1.430	7 February 2007	1 April 2010	31 March 2012
	500,000	(500,000)	—	—	—	—	1.118	28 June 2007	1 July 2008	30 June 2010
	1,000,000	—	—	—	—	1,000,000	0.275	24 July 2008	1 July 2009	30 June 2011
	1,000,000	—	—	—	—	1,000,000	0.632	13 July 2009	1 July 2010	30 June 2012
	—	—	—	1,200,000	—	1,200,000	0.620	28 June 2010	1 July 2011	30 June 2013
	3,520,000	(500,000)	—	1,200,000	—	4,220,000				
Cheung Wai Kuen, Kenny	1,000,000	—	—	—	—	1,000,000	0.632	13 July 2009	1 July 2010	30 June 2012
	—	—	—	1,200,000	—	1,200,000	0.620	28 June 2010	1 July 2011	30 June 2013
	1,000,000	—	—	1,200,000	—	2,200,000				

	Number of options								Exercise period	
Name of participants	Held on 1 January 2010	Lapsed during the period	Forfeited and cancelled during the period	Granted during the period	Exercised during the period	Held on 30 June 2010	Exercise price HK$	Grant date	Begins	Ends
Huang Hsing Hua	500,000	(500,000)	—	—	—	—	1.118	28 June 2007	1 July 2008	30 June 2010
	1,000,000	—	—	—	(1,000,000)	—	0.275	24 July 2008	1 July 2009	30 June 2011
	1,000,000	—	—	—	—	1,000,000	0.632	13 July 2009	1 July 2010	30 June 2012
	—	—	—	1,200,000	—	1,200,000	0.620	28 June 2010	1 July 2011	30 June 2013
	2,500,000	(500,000)	—	1,200,000	(1,000,000)	2,200,000				
Lai Woon Ching	20,000	—	—	—	—	20,000	1.430	7 February 2007	1 April 2009	31 March 2011
	30,000	—	—	—	—	30,000	1.430	7 February 2007	1 April 2010	31 March 2012
	500,000	(500,000)	—	—	—	—	1.118	28 June 2007	1 July 2008	30 June 2010
	1,000,000	—	—	—	(1,000,000)	—	0.275	24 July 2008	1 July 2009	30 June 2011
	1,000,000	—	—	—	—	1,000,000	0.632	13 July 2009	1 July 2010	30 June 2012
	—	—	—	1,200,000	—	1,200,000	0.620	28 June 2010	1 July 2011	30 June 2013
	2,550,000	(500,000)	—	1,200,000	(1,000,000)	2,250,000				
Lo Wai Ming	500,000	(500,000)	—	—	—	—	1.118	28 June 2007	1 July 2008	30 June 2010
	1,000,000	—	—	—	(1,000,000)	—	0.275	24 July 2008	1 July 2009	30 June 2011
	1,000,000	—	—	—	—	1,000,000	0.632	13 July 2009	1 July 2010	30 June 2012
	—	—	—	1,200,000	—	1,200,000	0.620	28 June 2010	1 July 2011	30 June 2013
	2,500,000	(500,000)	—	1,200,000	(1,000,000)	2,200,000				
Subtotal	17,070,000	(3,000,000)	—	7,200,000	(4,000,000)	17,270,000				
Senior management and employees										
Others	1,100,000	—	—	—	—	1,100,000	1.430	7 February 2007	1 April 2009	31 March 2011
	1,650,000	—	(72,000)	—	—	1,578,000	1.430	7 February 2007	1 April 2010	31 March 2012
	1,800,000	(1,800,000)	—	—	—	—	1.118	28 June 2007	1 July 2008	30 June 2010
	1,000,000	—	—	—	(1,000,000)	—	0.275	24 July 2008	1 July 2009	30 June 2011
	1,000,000	—	—	—	—	1,000,000	0.632	13 July 2009	1 July 2010	30 June 2012
	—	—	—	1,200,000	—	1,200,000	0.620	28 June 2010	1 July 2011	30 June 2013
Subtotal	6,550,000	(1,800,000)	(72,000)	1,200,000	(1,000,000)	4,878,000				
Total	30,120,000	(6,300,000)	(72,000)	12,000,000	(6,000,000)	29,748,000				

Corporate Governance and Supplementary Information

Corporate Governance is highly regarded within the Group. The Group keeps abreast of the best practices in the corporate governance area and strives to implement such practices as appropriate. At present, the roles of Non-executive Chairman and the Chief Executive Officer (in the case of the Group, the Managing Director) are separated. In addition, Independent Non-executive Directors ("INEDs") and Non-executive Directors ("NEDs") are appointed for a specific term, subject to re-election according to the procedures set out in the Company's Articles of Association. INEDs and NEDs are encouraged to take educational courses at the expense of the Group on duties of the Board and corporate governance.

Code on Corporate Governance Practices

The Company has complied with all applicable code provisions as set out in the Appendix 14 of the Listing Rules throughout the six months ended 30 June 2010. As at 30 June 2010, Audit Committee, Remuneration Committee, Nomination Committee and Investment Committee had been formed with their respective terms of reference in force.

As at 18 August 2010, the composition of the Board of the Company was as follows:

NED	INED	Executive Directors
Dr. Lam Pak Lee Mr. Sheu Wei Fu (alternate to Dr. Lam Pak Lee)	Mr. Sun, Patrick – Chairman of the Board – Chairman of Nomination Committee Mr. Choy Kwok Hung, Patrick Mr. Wong Yuet Leung, Frankie – Chairman of Audit Committee	Mr. Leung Kwong Wai – Managing Director – Chairman of Investment Committee Mr. Cheung Wai Kuen, Kenny Mr. Huang Hsing Hua Mr. Lai Woon Ching Mr. Lo Wai Ming

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuer

Pursuant to Appendix 14 of the Listing Rules, the Group established its own written guidelines ("Guidelines") on no less exacting terms than the Appendix 10 of the Listing Rules ("Model Code") for the Directors and relevant employees who are likely to be in possession of unpublished price sensitive information in respect of their dealings in the securities of the Company. Specific enquiry had been made with the Directors and relevant employees and they had complied with the Group's own Guidelines throughout the six months ended 30 June 2010.

After due enquiry to all the directors, there is no change in any of the information of directors as required to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) during the course of the director's term of office required to publish an announcement according to Rule 13.51B(2).

Other Changes about Directors

In accordance with Article 95 and Article 112 of the Company's Articles of Association, the retiring directors namely Mr. Sun, Patrick, Mr. Leung Kwong Wai and Mr. Choy Kwok Hung, Patrick, at the 2010 AGM were all successfully re-elected.

Mr. Chang Ching Yi, Steven retired from office after the close of the 2010 AGM on 9 June 2010.

As a cost reduction measure, Executive Directors continue to be subject to pay reduction of 3 days per month during 1H 2010.

On 28 June 2010, directors were awarded share options under the share option scheme of the Company, for their past and forthcoming contributions to the Group.

Purchase, Sale or Redemption of the Company's Listed Shares

The Remuneration Committee of the Company has directed HSBC International Trustee Limited, the Trustee of the Share Award Plan to utilize the funds made available under the Trust Deed to purchase 2,000,000 existing shares from the market at a purchase price of HK$0.67 per share to replenish the pool of shares held by the Trustee pursuant to the share award scheme of the Company on 9 February 2010.

Saved as aforesaid, there was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the review period.

Review of Interim Condensed Consolidated Financial Information

The Audit Committee is composed of three INEDs. The unaudited Interim Condensed Consolidated Financial Information of the Group for the six months ended 30 June 2010 have been reviewed by the Audit Committee of the Company alongside the internal audit team.

The unaudited Interim Condensed Consolidated Financial Information of the Group for the six months ended 30 June 2010 have been reviewed by the Company's independent auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The auditor's independent review report is included in the interim report of the Group.

Investor Relations and Communications

The Group recognizes the rights of the Company's shareholders to know more about its business and prospect, and therefore it has always taken a proactive approach to communicate with the investment community, for example institutional investors, sell-side analysts and retail investors. In the first half of 2010, the Group held more than 18 meetings and conference calls with investors and analysts. To enhance the Group's profile among the general public in Hong Kong, several interviews were conducted with local media, and several group visits to its head office were arranged with local universities and technology institution. Stakeholders of the Company are recommended to visit the Group's website (www.solomon-systech.com) from time to time, where up-to-date information of the Group can be accessed.

Publication of Interim Results on the Stock Exchange's Website and the Company's Website

All the financial and other related information of the Company required by the Listing Rules of the Stock Exchange has been published on the Stock Exchange's website (www.hkex.com.hk) and the Company's website (www.solomon-systech.com) on 18 August 2010.

On behalf of the Board
Solomon Systech (International) Limited
LEUNG Kwong Wai
Managing Director

Hong Kong, 18 August 2010

Corporate and Shareholder Information

Financial Calendar

Financial Year End	31 December
Interim Results Announced	18 August 2010

Share Listing

Listing Venue	Main Board of The Stock Exchange of Hong Kong Limited
Listing Date	8 April 2004
Stock Code	2878
Board Lot	2,000 shares
Trading Currency	HKD
Issued Shares	2,453,302,351 (as at 30 June 2010)

Share Registrars

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FCMA, FHKCPA, ACS, ACIS
Vice President, Finance

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Website

www.solomon-systech.com

This 2010 Interim Report ("Interim Report") (both English and Chinese versions) has been posted on the Company's website (www.solomon-systech.com).

Shareholders who have chosen to receive the Company's Corporate Communications (including but not limited to annual report, summary financial report (where applicable), interim report, summary interim report (where applicable), notice of meeting, listing document, circular and proxy form) via the Company's website and for any reason have difficulty in gaining access to the Interim Report posted on the Company's website will promptly upon request be sent by post the Interim Report in printed form free of charge.

Shareholders may at any time change their choice of means of receipt and language of the Corporate Communications.

Shareholders may request for printed copy of the Interim Report or change their choice of means of receipt and language of the Corporate Communications by sending reasonable notice in writing to the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong or by sending an email to solomon2878-ecom@hk.tricorglobal.com.