

# Chairman's Statement

**As global economies were gathering pace in 2004, I recalled the short letter "Timely Clearing After Snowfall" written by the sage calligrapher Wang XiZhi some 1,700 years ago. The letter was about Wang's greetings to his friend after a snowfall. Similarly, I would like to send my greetings to all shareholders, quoting the first two sentences of the letter 快雪時晴，佳想安善<sup>1</sup>.**

## Shareholders' Value

Like weather, business conditions change very often. On the macro front, there were a number of events in 2004 that made running business somewhat unpredictable such as weakening of the US dollar, the oil price hike and the less expansive monetary policy by the Federal Reserve. Industry-wise, wafer supply and prices were very volatile and the mobile phone market grew more than 30% in 2004. Remarkably, the Group<sup>2</sup> managed to achieve a 3-digit growth in both turnover and net profit.

The Group's turnover increased by more than 180% in 2004, while net profit grew by 161% in the corresponding period. The significant growth in turnover was due mainly to strong demand for the Group's color display ICs, which saw shipment units quadruple. Overall, the Group's global market share in mobile display ICs has increased to approximately 16%.

For each dollar of capital, the Group generated 52 cents for shareholders in 2004, i.e. a return on equity of 52%. The Group also recognizes that some long term investors, whether institutional or retail, expect stable income streams for their investments. The Group will always be mindful of the expectation of investors as to financial returns, and the dividends payable will be based on the prevailing financial situation of the Group. Dividends paid will total 14.6 HK cents per share for the year, with a final dividend payable of 12 HK cents per share. The overall dividend payout ratio of the Group was approximately 80%, or equivalent to a yield of 8.3% against the IPO price of HK\$1.75.

1. English translation: A blue sky comes after a quick snowfall, I remember my friends and hope they are all doing well.
2. Solomon Systech (International) Limited refers to "Solomon Systech" or the "Company". The "Group" is referred to the Company and its subsidiaries, where the context requires, means any member or members of the Group.



While the Group is running a global business, the Group's management continuously gives priority to care about the community, social and environmental responsibilities. More details of the Group's activities can be found in the section "Social Responsibility".

### Corporate Governance

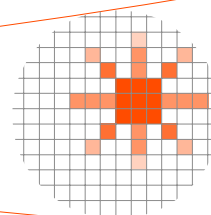
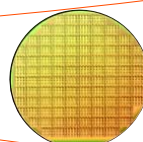
Since the Listing<sup>3</sup> last April, the running of the Group's business and operations have been the responsibility of the Managing Director and other senior executives. As the Chairman of the Group, I am fully accountable to the shareholders and thus take steps to ensure that the Board is functioning effectively. Besides me, the Board consists of another five non-executive directors (including three independent non-executive directors) who also take active roles in various Board committees such as the Audit Committee and the Remuneration Committee.

Apart from complying with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") during 2004, the Group had implemented a number of measures to improve its corporate governance standard. For instance, the Group has taken on additional staff to take care of internal control, audit functions, as well as Listing Rules compliance. Further, a company-wide compulsory training on Code of Conduct was regularly conducted to all employees in all regions. These activities served to highlight one clear message - the Group has high regard for the ethics and integrity of its employees.

### Prospects

2004 was a good year for the global semiconductor industry, which saw its strongest growth since the year 2000. The Group expects the market to be volatile and to present it with even more business opportunities and challenges in 2005. Gaining market share and achieving earnings growth are undoubtedly the focus of the Group. In order to achieve this, the Group will launch more new products and secure more new customers in 2005.

3. The Company was listed on 8 April 2004 on the Main Board of the Stock Exchange of Hong Kong Limited (the "Listing"). The Listing and the offering of shares (the "Shares") of the Company in connection therewith shall be referred to as the "IPO".



Over the years, the Group's products had rapidly evolved from a single product line (i.e. monochrome display IC for mobile phones) into several key product lines namely CSTN display ICs, mobile TFT display ICs and OLED display ICs. This progression has transformed the Group into a leading global provider of display IC products, especially in the mobile phone market.

The Group also plans to explore more business opportunities in MP3 players, digital cameras, large display and new display areas. Having said that, the Group will take prudent note of variable factors that may affect business in the opposite way, for instance tightening wafer supply, price erosion and a more competitive environment.

In closing, I am very pleased to see the rapid growth of the Group over the past three years (2002 - 2004). The compound annual growth rate of the Group's turnover and net profit have been 102% and 180% respectively. These achievements are very respectable by any measure, in my opinion. In particular, I would like to express my sincere thanks for the unrelenting effort of the management team as well as for the trust and support provided by the existing shareholders. Lastly, I believe given the talented and energetic management team in place, I strongly believe that the Group will grow even bigger and stronger in the years to come.



**LAM Pak Lee**  
*Chairman*

