

WE ACHIEVE

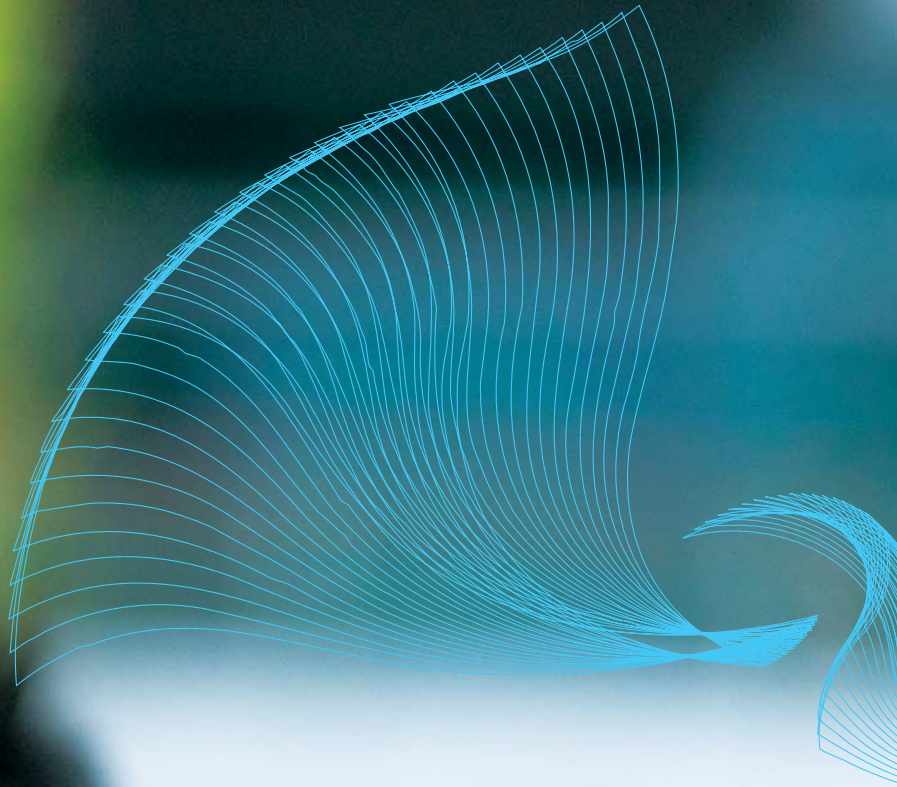
continuous growth in market share – we deliver products that benefit people around the world.





WE INSPIRE

people with new lifestyle dimensions – we create by
blending new ideas with innovative technologies.





WE ARE DEDICATED

to achieving the best – we nurture our people with knowledge and capabilities, and instill in them an attitude and culture that they can be proud of.





WE CARE

about the environment and the world – we act to bring a better tomorrow to our community.





Chairman's Statement



LAM Pak Lee, Barry
Chairman

The success of a business, in my opinion, relies on three elements namely vision, commitment and perseverance.



As you may be aware that I am a patron of Chinese fine art, and I am also fortunate to be heavily involved in science and technology in my career. With this background, I would like to share with you my view on the relationship between science and business.

I believe everybody has probably heard of Albert Einstein, possibly the best ever physicist, who together with Niels Bohr and Werner Heisenberg contributed to the developments of quantum theory back in the 1910s. Despite being one of the pioneers, Einstein seemingly did not agree with the probabilistic nature behind the theory. However about twenty years later, he eventually accepted the great quantum theory was about probability.

In contrast, running a successful business cannot entirely depend on probability. To me, success is not simply about luck. Instead, the success of a business, in my opinion, relies on three elements namely vision, commitment and perseverance. Frankly speaking, luck helps to some extent but it is definitely not a determining factor.

Value Accretion

For a newly listed company, investors will primarily evaluate the company based on financial performance. Over time, it is the management's responsibility to deliver more than just financial returns. As the Chairman of the Group¹, I would like to see the Group's share price increase gradually at the accretion of the Group's sound financial track record, sustainable business growth, high corporate governance standard and good corporate citizenship. And I am pleased to see the Group making progress in the right directions.

The Group's unit shipment grew by 68% in 2005. Compared with the growth of mobile phone market in the corresponding period of 14% (*Source: iSuppli*), the growth of the Group's business was indeed admirable. Net profit in 2005 also increased by 32% to US\$76 million. The Group's strong performance was attributable to the successful business ramp-up of new products. As a whole, the Group's global market share in mobile display ICs has exceeded 20%.

In 2005, the Group's share price grew by 68%. EPS growth was also up 19% to HK\$0.24 per share. Total dividend payout was as high as 80% of earnings, representing a yield of 7.3%². The Group will periodically review its expansion plans and cash position so as to achieve an optimal capital structure that balances the interest of shareholders and the business needs of the Group.

1. Solomon Systech (International) Limited refers to "Solomon Systech" or the "Company". The "Group" refers to the Company and its subsidiaries, and where the context requires, means any member or members of the Group.
2. Using the average daily closing price of the Company for 2005, which was HK\$2.60, in the calculation of dividend yield.

Chairman's Statement (continued)

The Group always meets the latest environmental requirements in conducting its business. Now, all the Group's products are RoHS³ compliant. In addition, the Group dedicated itself to making the society more "green" and sustainable. A noteworthy initiative of the Group was the "Ocean's 10" Project, a 3-year sponsorship for the WWF. Through this activity, the Group aims to arouse its employees' interest of what a socially responsible company is.

Corporate Governance

The Managing Director of the Group and other senior executives bear the primary responsibility of running the business while myself and other non-executive directors monitor the performance and business strategy of the Group and ensure that effective corporate governance practices are always in place and implemented.

The Board currently comprises 10 directors, of which 4 are executive, 3 non-executive and 3 independent non-executive. In addition to the Audit Committee and Remuneration Committee, a Nomination Committee and an Investment Committee were formed during the year with respective terms of reference approved by the Board. Going forward, the Board considers appointing additional members with relevant industry or professional background.

In 2005, the Group was in compliance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). Following the code provisions of Appendix 14 of the Listing Rules, the Group made its own dealing guidelines for "relevant employees" that included key department heads. In order to help the Board function more effectively, the Group set a policy to sponsor educational trainings for directors, and started to benchmark the remuneration of non-executive directors against that of well-managed companies.

3. An European Union's Directive of Restriction on Hazardous Substances (2002/95/EC), which became European Law in February 2003 and will go into effect on 1 July 2006, restricts the use of six hazardous materials (lead, mercury, cadmium, chromium VI, PBB and PBDE) in the manufacture of various types of electronic and electrical equipment.

Prospects

In dollar terms, the semiconductor industry and the mobile phone market recorded a growth of 6.6% and 7.9% respectively in 2005 (*Sources: SIA and Gartner*). For 2006, the respective growths are forecast to be 8.0% and 5.0%. In the coming year, the Group will introduce more new products to address the high-growth segments of the display sector.

According to the products roadmap of the Group, display system ICs will be launched in addition to existing display panel ICs. The penetration into these new areas will offer the Group more business opportunities and will speed up the Group's learning curve. In this competitive market, it is paramount to stay ahead of technology frontiers.

In the coming year, I will be comfortable with the developments of the Group as well as the execution capability of the management team. There may be some challenges ahead such as pricing pressure, unstable wafer prices and existent competition. However, I see the management has a very clear vision as to what to achieve, for instance, building a strong financial track record, maintaining a sustainable business growth and caring about the society. I strongly believe that the management will make myself and other shareholders satisfied with their performance in the years to come.



LAM Pak Lee

Chairman