SOLOMON
SYSTECH

# SOLOMON SYSTECH
# Interim Report 2011

Solomon Systech (International) Limited

*solutions in silicon*

# Contents



This Interim Report is printed on environmental friendly paper.

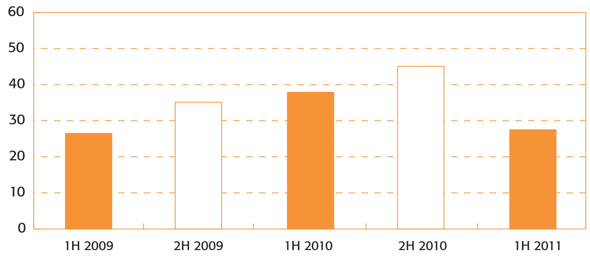
# Highlights

| | Unaudited Six months ended 30 June | | |
|---|---|---|---|
| | **2011 US$ million** | 2010 US$ million | Change |
| Sales | **27.5** | 38.0 | (28%) |
| Gross profit | **8.9** | 11.2 | (21%) |
| Gross profit margin (%) | **32.5** | 29.5 | 3.0 pt |
| Net loss | **(5.2)** | (3.9) | 31% |
| Basic loss per share (US cent) | **(0.21)** | (0.16) | 31% |
| Book to bill ratio | **1.1** | 1.6 | |

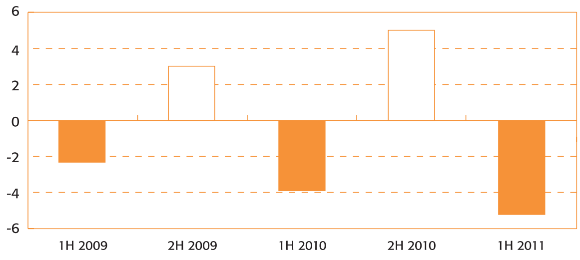
| | **Unaudited 30 June 2011 US$ million** | Audited 31 December 2010 US$ million | |
|---|---|---|---|
| Total assets | **142.9** | 154.2 | (7%) |
| Shareholders' funds | **129.7** | 135.0 | (4%) |

- Sales decreased by 28% to US$27.5 million
- Gross profit dropped by 21% to US$8.9 million
- Gross profit margin increased from 29.5% to 32.5%
- Net loss was US$5.2 million
- Basic loss per share was 0.21 US cent (1.6 HK cents)
- Book to bill ratio for the six months ended 30 June 2011 was 1.1

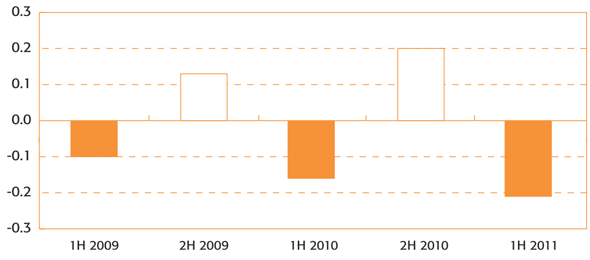
**Sales (US$ million)**




**Net Profit/Loss (US$ million)**




**Basic Earnings/Loss per share (US cent)**




Note:
(i) Basic earnings / 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") resolved not to declare any interim dividend for the six months ended 30 June 2011.

## Interim Results

The Directors are pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2011 together with the comparative figures for the corresponding period as follows.

# Condensed Consolidated Interim Income Statement

For the six months ended 30 June 2011

| | | Unaudited Six months ended 30 June | |
|---|---|---|---|
| | | **2011** | 2010 |
| | Note | **US$'000** | US$'000 |
| Sales | 7 | **27,454** | 38,018 |
| Cost of sales | 8 | **(18,534)** | (26,799) |
| Gross profit | | **8,920** | 11,219 |
| Research and development costs | 8 | **(8,348)** | (7,259) |
| Selling and distribution expenses | 8 | **(1,759)** | (1,932) |
| Administrative expenses | 8 | **(4,130)** | (4,931) |
| Other income/(expenses) | | **49** | (3) |
| | | **(5,268)** | (2,906) |
| Finance income/(costs) - net | 9 | **153** | (676) |
| Share of results of associated companies | | **(64)** | (359) |
| Loss before income tax | | **(5,179)** | (3,941) |
| Income tax expense | 10 | **(2)** | (2) |
| Loss attributable to the equity holders of the Company | | **(5,181)** | (3,943) |
| Loss per share attributable to the equity holders of the Company: | | | |
| (expressed in US cent per share) | 11 | | |
| – Basic | | **(0.21)** | (0.16) |
| – Diluted | | **(0.21)** | (0.16) |
| Dividend | 12 | **—** | — |

The notes on pages 8 to 25 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 2011

| | Unaudited Six months ended 30 June | |
|---|---|---|
| | **2011** | 2010 |
| | **US$'000** | US$'000 |
| Loss for the period | **(5,181)** | (3,943) |
| Other comprehensive income/(loss) for the period: | | |
| - Currency translation differences | **(341)** | 17 |
| Total comprehensive loss attributable to the equity holders of the Company | **(5,522)** | (3,926) |

The notes on pages 8 to 25 form an integral part of this condensed consolidated interim financial information.

# Condensed Consolidated Interim Balance Sheet

As at 30 June 2011

| | Note | Unaudited 30 June 2011 US$'000 | Audited 31 December 2010 US$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Prepaid operating lease | 13 | 1,233 | 1,185 |
| Property, plant and equipment | | 7,313 | 8,518 |
| Investments in associated companies | 14 | 926 | 990 |
| Available-for-sale financial assets | | 2,506 | 2,506 |
| | | 11,978 | 13,199 |
| **Current assets** | | | |
| Inventories | | 11,306 | 13,778 |
| Trade and other receivables | 15 | 11,858 | 22,477 |
| Financial assets at fair value through profit or loss | | 25,075 | 25,034 |
| Other financial assets | | 5,200 | 1,278 |
| Pledged bank deposits | | 130 | 130 |
| Short-term fixed deposits | | 13,058 | 27,219 |
| Cash and cash equivalents | | 64,303 | 51,102 |
| | | 130,930 | 141,018 |
| **Total assets** | | 142,908 | 154,217 |
| **EQUITY** | | | |
| **Capital and reserves attributable to the equity holders of the Company** | | | |
| Share capital | 16 | 31,658 | 31,619 |
| Reserves | | | |
| Own shares held | | (167) | (279) |
| Others | | 98,202 | 103,621 |
| **Total equity** | | 129,693 | 134,961 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Obligations under finance leases | | 11 | 35 |
| Bank loan | | 639 | 686 |
| Deferred income tax liabilities | | 50 | 50 |
| | | 700 | 771 |
| **Current liabilities** | | | |
| Obligations under finance leases | | 7 | 12 |
| Trade and other payables | 17 | 11,234 | 17,161 |
| Bank loan | | 95 | 95 |
| Deferred income | | 179 | 217 |
| Current income tax liabilities | | 1,000 | 1,000 |
| | | 12,515 | 18,485 |
| **Total liabilities** | | 13,215 | 19,256 |
| **Total equity and liabilities** | | 142,908 | 154,217 |
| **Net current assets** | | 118,415 | 122,533 |
| **Total assets less current liabilities** | | 130,393 | 135,732 |

The notes on pages 8 to 25 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 2011

| | 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$'000 | Equity compensation reserve US$'000 | Other reserve US$'000 | Retained earnings/ (Accumulated losses) US$'000 | Total equity US$'000 |
| At 1 January 2010 | 31,542 | 82,855 | (858) | 2,082 | 650 | 15,804 | 230 | 3,526 | 135,831 |
| **Comprehensive income/(loss)** | | | | | | | | | |
| Loss for the period | — | — | — | — | — | — | — | (3,943) | (3,943) |
| Currency translation differences | — | — | — | — | 17 | — | — | — | 17 |
| **Total comprehensive income/(loss)** | — | — | — | — | 17 | — | — | (3,943) | (3,926) |
| **Transactions with owners** | | | | | | | | | |
| 2009 final dividend paid, net of portion for own shares held | — | — | — | — | — | — | — | (3,166) | (3,166) |
| Shares issued from exercise of share options | 77 | 135 | — | — | — | — | — | — | 212 |
| Shares purchased for Share Award Scheme | — | — | (174) | — | — | — | — | — | (174) |
| Equity compensation | — | — | 753 | — | — | 304 | — | (753) | 304 |
| **Total transactions with owners** | 77 | 135 | 579 | — | — | 304 | — | (3,919) | (2,824) |
| At 30 June 2010 | 31,619 | 82,990 | (279) | 2,082 | 667 | 16,108 | 230 | (4,336) | 129,081 |
| At 1 January 2011 | **31,619** | **82,990** | **(279)** | **2,082** | **1,419** | **16,253** | **230** | **647** | **134,961** |
| **Comprehensive loss** | | | | | | | | | |
| Loss for the period | — | — | — | — | — | — | — | **(5,181)** | **(5,181)** |
| Currency translation differences | — | — | — | — | **(341)** | — | — | — | **(341)** |
| **Total comprehensive loss** | — | — | — | — | **(341)** | — | — | **(5,181)** | **(5,522)** |
| **Transactions with owners** | | | | | | | | | |
| Shares issued from exercise of share options | **39** | **68** | — | — | — | — | — | — | **107** |
| Equity compensation | — | — | **112** | — | — | **147** | — | **(112)** | **147** |
| **Total transactions with owners** | **39** | **68** | **112** | — | — | **147** | — | **(112)** | **254** |
| At 30 June 2011 | **31,658** | **83,058** | **(167)** | **2,082** | **1,078** | **16,400** | **230** | **(4,646)** | **129,693** |

The notes on pages 8 to 25 form an integral part of this condensed consolidated interim financial information.

# Condensed Consolidated Interim Cash Flow Statement

For the six months ended 30 June 2011

| | Unaudited<br>Six months ended 30 June | |
|---|---|---|
| | **2011**<br>**US$'000** | 2010<br>US$'000 |
| Net cash used in operating activities | **(1,131)** | (4,002) |
| Net cash generated from investing activities | **14,295** | 4,248 |
| Net cash generated from/(used in) financing activities | **31** | (3,175) |
| Net increase/(decrease) in cash and cash equivalents | **13,195** | (2,929) |
| Exchange differences on cash and cash equivalents | **6** | 6 |
| Cash and cash equivalents at 1 January | **51,102** | 44,798 |
| Cash and cash equivalents at 30 June | **64,303** | 41,875 |
| Analysis of balances of cash and cash equivalents: | | |
| – Bank balances and cash | **64,303** | 41,875 |

The notes on pages 8 to 25 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 TV, consumer electronic products, industrial appliances and green energy applications such as LED 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 2011.

This condensed consolidated interim financial information has not been audited.

## 2. Key event

Beijing LED Lighting Engineering Co., Ltd. ("BJ-LED"), the associated company that the Group had 47% ownership as at 31 December 2010, proposed a fund raising of CNY10,000,000 (approximately US$1,546,000) to increase the capital contribution to CNY20,000,000 (approximately US$3,091,000) in March 2011. Following the decision of the Investment Committee of the Company, the Group decided not to participate in the said fund raising exercise. Approval Certificate for the revised ownership was obtained from the Beijing Municipal Government in May 2011 and the Group's percentage ownership was diluted to 23.5%. Equity method of accounting continues to be used for consolidating BJ-LED to the financial results of the Group.

## 3. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2011 ("Interim Financial Information") of the Group has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The Amendment to HKAS 34 which has been effective for annual periods beginning on or after 1 January 2011 covering disclosure of changes to fair value measurement (if significant) and the need to update relevant information from the most recent annual report have been accounted for.

The condensed consolidated interim financial information should be read in conjunction with the Company's annual report for the year ended 31 December 2010, 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 2010, as described in those annual consolidated financial statements.

Income tax expense is calculated based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the profit before income tax of the interim period.

Certain comparative figures in the Interim Financial Information relating to the results arising from the Group's investments in financial instruments and associated companies, namely "other income/(expenses)", "finance income/(costs) - net" and "share of results of associated companies" have incorporated figures previously classified under "other gain/(loss) - net" and "other operating expenses" in order to conform to the current period's presentation for a fairer presentation of the Group's activities. These reclassifications have no effect on the Group's consolidated financial positions as at both 31 December 2010 and 30 June 2011, or the Group's loss or cash flows for the six months ended 30 June 2010 and 2011.

### *(a) New, revised and amended standards and interpretations to existing standards effective in 2011*

The Group has adopted the following new, revised 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 2011:

| | | |
|---|---|---|
| • | HKAS 24 (Revised) | Related party disclosures |
| • | HKAS 32 (Amendment) | Classification of rights issue |
| • | 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 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 positions for the current or prior accounting periods have been prepared and presented.

## 4. Accounting policies (continued)

### *(b) New, revised and amended standards that are not effective and have not been early adopted by the Group*

The following new, revised and amended standards have been issued, but not effective for the financial year beginning 1 January 2011 and have not been early adopted by the Group:

| | | | **Effective for annual periods beginning or after** |
|---|---|---|---|
| • | HKAS 1 (Amendment) | Presentation of items of other comprehensive income | 1 July 2012 |
| • | HKAS 12 (Amendment) | Deferred tax: Recovery of underlying assets | 1 January 2012 |
| • | HKAS 19 (Revised) | Employee benefits | 1 January 2013 |
| • | HKAS 27 (Revised) | Separate financial statements | 1 January 2013 |
| • | HKAS 28 (Revised) | Investments in associates and joint ventures | 1 January 2013 |
| • | HKFRS 9 | Financial instruments | 1 January 2013 |
| • | HKFRS 10 | Consolidated financial statements | 1 January 2013 |
| • | HKFRS 11 | Joint arrangements | 1 January 2013 |
| • | HKFRS 12 | Disclosure of interests in other entities | 1 January 2013 |
| • | HKFRS 13 | Fair value measurement | 1 January 2013 |
| • | Amendment to HKFRS 1 | First-time adoption of HKFRSs - severe hyperinflation and removal of fixed dates for first-time adopters | 1 July 2011 |
| • | Amendment to HKFRS 7 | Disclosures - transfers of financial assets | 1 July 2011 |

The Group has already commenced an assessment of the impact of the above new, revised and amended standards but is not yet in a position to state whether these new, revised and amended 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 HKD is pegged to the United States Dollar ("USD"), 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 interim 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 in high turnover blue chips with good dividend yield.

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

Available-for-sales financial assets are exposed to price risk. 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 available-for-sales financial assets as at 30 June 2011 are stated at cost less impairment since there are no quoted market prices in any active markets. The price risk is therefore reflected in the impairment loss.

(b) Credit risk

Customers of the Group are mainly well-known distributors and manufacturers 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 days 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 balance sheet date is the carrying value of the trade and other receivables. The Group has been monitoring the receivables aging closely. No provision for impairment was made to these receivables as at 30 June 2011 since majority of the overdue sum has been settled after the balance sheet date.

## 5. Financial risk management (continued)

### *5.1 Financial risk factors (continued)*

(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 are issued at fixed interest rates which expose the Group to fair value interest rate risk.

Other financial assets consist of structured deposits, which are linked to foreign currencies. The structured deposits are issued at fixed interest rates which expose the Group to fair value interest rate risk.

The investments in available-for-sale financial assets and FVTPL as at 30 June 2011 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.

### *5.2 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 had no material borrowing. The reduction in shareholders' funds was mainly due to the loss for the period.

## 5. Financial risk management (continued)

### *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.

The carrying values less impairment provision of trade receivables, other financial assets, cash, payables and bank loans 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 share options or shares that are expected to become exercisable or vested at the date of grant. At each balance sheet date before the share options/shares become fully exercisable/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 Estimated 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 under review, the Group has been principally engaged in the design, development and sales of proprietary IC products and system solutions that enabled a wide range of display applications for mobile phones, portable devices, LCD TVs, consumer electronic products, industrial appliances and green energy applications such as LED 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 and senior management led by the Group CEO (Managing Director). The executive directors and senior management reviewed 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$27,454,000 and US$38,018,000 for the six months ended 30 June 2011 and 2010 respectively.

The Company is domiciled in Hong Kong. The Group mainly operates in Hong Kong. The sales of the Group were mainly to customers located in Hong Kong, Taiwan and Korea.

### *(a) Sales*

| | **Unaudited Six months ended 30 June** | |
|---|---|---|
| | **2011 US$'000** | 2010 US$'000 |
| Hong Kong | **9,375** | 10,677 |
| Taiwan | **5,423** | 7,346 |
| Korea | **4,465** | 10,094 |
| Japan | **1,617** | 1,711 |
| Mainland China ("China") | **1,075** | 4,166 |
| South East Asia | **1,147** | 928 |
| United States of America ("USA") | **460** | 622 |
| Others | **3,892** | 2,474 |
| | **27,454** | 38,018 |

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

## 7. Segment information (continued)

### (b) *Total assets*

| | Unaudited 30 June 2011 US$'000 | Audited 31 December 2010 US$'000 |
|---|---|---|
| Hong Kong | **117,586** | 127,701 |
| China | **15,621** | 15,383 |
| Taiwan | **8,472** | 9,771 |
| Others | **1,229** | 1,362 |
| | **142,908** | 154,217 |

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

### (c) *Capital expenditures*

| | Unaudited Six months ended 30 June | | | |
|---|---|---|---|---|
| | Prepaid operating lease | | Property, plant and equipment | |
| | **2011 US$'000** | 2010 US$'000 | **2011 US$'000** | 2010 US$'000 |
| Hong Kong | **—** | — | **313** | 113 |
| China | **36** | — | **109** | 1,980 |
| South East Asia | **—** | — | **126** | 732 |
| Japan | **—** | — | **—** | 6 |
| | **36** | — | **548** | 2,831 |

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

## 8. Expenses by nature

Expenses included in cost of sales, research and development costs, selling and distribution expenses and administrative expenses are analyzed as follows:

| | Unaudited<br>Six months ended 30 June | |
|---|---|---|
| | **2011**<br>**US$'000** | 2010<br>US$'000 |
| Cost of inventories sold | **17,784** | 26,362 |
| Amortization of the prepaid operating lease | **12** | — |
| Depreciation of owned property, plant and equipment | **1,373** | 1,299 |
| Depreciation of leased property, plant and equipment | **3** | 1 |
| Operating leases for land and buildings | **686** | 643 |
| Provision for impairment loss of investment in an associated company | **—** | 655 |
| Provision for obsolete or slow moving inventories | **819** | 85 |
| Employee benefit expenses (including Directors' emoluments): | | |
| – Equity compensation | **147** | 304 |
| – Non-equity compensation | **9,483** | 8,512 |
| Net exchange gain or loss | **(597)** | 450 |

## 9. Finance income/(costs) - net

| | Unaudited<br>Six months ended 30 June | |
|---|---|---|
| | **2011**<br>**US$'000** | 2010<br>US$'000 |
| Income: | | |
| – Gain on disposal of financial assets at fair value through profit or loss | **1** | 28 |
| – Interest income from deposits | **539** | 633 |
| – Dividend income | **152** | 116 |
| – Others | **153** | 55 |
| – Net unrealizable gain or loss from financial assets at fair value through profit or loss: | | |
| – Fair value gain | **155** | 503 |
| – Fair value loss | **(840)** | (2,004) |
| Costs: | | |
| – Interest element of finance leases | **(1)** | (1) |
| – Interest expense of bank loan | **(6)** | (6) |
| | **153** | (676) |

## 10. Income tax expense

Income tax expense is calculated based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the profit before income tax of the interim period.

Hong Kong income tax has been provided at the rate of 16.5% (2010: 16.5%) while overseas income tax has been provided at the rates of taxation prevailing in the countries in which the Group operates. No provision for Hong Kong income tax has been made as the Group has no estimated assessable profits for the six months ended 30 June 2011 and 2010.

| | Unaudited<br>Six months ended 30 June | |
|---|---|---|
| | **2011**<br>**US$'000** | 2010<br>US$'000 |
| Current income tax : | | |
| – Hong Kong | **—** | — |
| – Overseas | **2** | 2 |
| Deferred income tax | **—** | — |
| | **2** | 2 |

## 11. Loss per share

### (a) *Basic loss per share*

The basic loss per share is calculated based on the Group's loss attributable to the equity holders of the Company of US$5,181,000 (2010: US$3,943,000) and the weighted average number of 2,450,862,633 (2010: 2,437,134,484) ordinary shares in issue excluding own shares held during the current period.

### (b) *Diluted loss per share*

The diluted earnings/(loss) per share is calculated based on the Group's profit/(loss) attributable to the equity holders of the Company and the weighted average number of ordinary shares after adjusting for the effects of all dilutive potential ordinary shares including allocated but excluding unallocated own shares held during the periods.

During the six months ended 30 June 2011 and 2010, the conversion of all dilutive share options outstanding and inclusion of allocated own shares held would have an anti-dilutive effect on the loss per share. Accordingly, there was no dilutive effect on the calculation of the diluted loss per share in both periods.

### (c) *Weighted average number of ordinary shares*

| | Unaudited<br>Six months ended 30 June<br>Number of shares | |
|---|---|---|
| | **2011** | 2010 |
| Weighted average number of ordinary shares in issue | **2,450,862,633** | 2,437,134,484 |
| Allocated own shares held under Share Award Scheme | **1,642,853** | 11,150,387 |
| Conversion of all dilutive share options outstanding | **—** | 6,805,471 |
| Adjusted weighted average number of ordinary shares for diluted loss per share calculation | **2,452,505,486** | 2,455,090,342 |

## 12. Dividend

No dividend related to the year ended 31 December 2010 was declared or paid during the period. In addition, the Board resolved not to declare any interim dividend for the six months ended 30 June 2011.

## 13. Prepaid operating lease

| | Unaudited 2011 US$'000 | Unaudited 2010 US$'000 |
|---|---|---|
| **At 1 January** | | |
| Cost | 1,185 | — |
| Accumulated amortization | — | — |
| Net book amount | 1,185 | — |
| **Six months ended 30 June** | | |
| Opening net book amount | 1,185 | — |
| Additions | 36 | — |
| Amortization | (12) | — |
| Exchange differences | 24 | |
| Closing net book amount | 1,233 | — |
| **At 30 June** | | |
| Cost | 1,245 | — |
| Accumulated amortization | (12) | — |
| Net book amount | 1,233 | — |

## 14. Investments in associated companies

BJ-LED, the associated company that the Group had 47% ownership as at 31 December 2010 proposed a fund raising of CNY10,000,000 (approximately US$1,546,000) to increase the capital contribution to CNY20,000,000 (approximately US$3,091,000) in March 2011. Following the decision of the Investment Committee of the Company, the Group decided not to participate in the said fund raising exercise. Approval Certificate for the revised ownership was obtained from the Beijing Municipal Government in May 2011 and the Group's percentage ownership was diluted to 23.5%. No gain or loss has been recognized upon the deemed partial disposal of the interest in BJ-LED.

## 15. Trade and other receivables

| | Unaudited 30 June 2011 US$'000 | Audited 31 December 2010 US$'000 |
|---|---|---|
| Trade receivables | 8,866 | 13,327 |
| Provision for impairment of receivables | — | — |
| Trade receivables - net | 8,866 | 13,327 |
| Deposits, prepayments and other receivables | 2,992 | 9,150 |
| | 11,858 | 22,477 |

As at 30 June 2011, the Group's trade receivables from corporate customers were mainly on credit terms of 30 to 90 days. The ageing analysis of trade receivables based on overdue days is as follows:

| | Unaudited 30 June 2011 US$'000 | Audited 31 December 2010 US$'000 |
|---|---|---|
| Current | 7,297 | 10,876 |
| 1 - 30 days | 1,423 | 2,330 |
| 31 - 60 days | 23 | 120 |
| 61 - 90 days | 118 | — |
| 91 - 180 days | 5 | — |
| 181- 365 days | — | 1 |
| | 1,569 | 2,451 |
| | 8,866 | 13,327 |

As at 30 June 2011, trade receivables of US$1,569,000 (31 December 2010: US$2,451,000) were considered past due if measured strictly against the credit terms offered. The overdue sum was not impaired since the majority of the overdue sum has been settled after the balance sheet date.

As at 30 June 2011 and 31 December 2010, no trade receivables were impaired and provided for.

## 16. Share capital

| | Unaudited 2011 | | Audited 2010 | |
|---|---|---|---|---|
| | 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 | 2,453,302,351 | 31,619 | 2,447,302,351 | 31,542 |
| – Exercise of share options (note 18) | 3,000,000 | 39 | 6,000,000 | 77 |
| – At 30 June 2011 and 31 December 2010 | 2,456,302,351 | 31,658 | 2,453,302,351 | 31,619 |

## 17. Trade and other payables

| | Unaudited 30 June 2011 US$'000 | Audited 31 December 2010 US$'000 |
|---|---|---|
| Trade payables | 7,668 | 11,835 |
| Accrued expenses and other payables | 3,566 | 5,326 |
| | 11,234 | 17,161 |

At 30 June 2011, the ageing analysis of trade payables based on overdue days is as follows:

| | Unaudited 30 June 2011 US$'000 | Audited 31 December 2010 US$'000 |
|---|---|---|
| Current | 7,612 | 8,524 |
| 1 - 30 days | 14 | 3,201 |
| 31 - 60 days | 1 | 36 |
| 61 - 90 days | — | 34 |
| Over 90 days | 41 | 40 |
| | 7,668 | 11,835 |

## 18. 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 Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

Movements in the number of share options outstanding and their related exercise prices for the six months ended 30 June 2011 are as follows:

| | | Unaudited Movement during the period Number of share options (in thousand units) | | | | |
|---|---|---|---|---|---|---|
| **Grant date** | **Exercise price per share HK$** | **Held at 1 January 2011** | **Exercised** | **Lapsed** | **Held at 30 June 2011** | **Expiry date** |
| 7 February 2007 | 1.430 | 1,528 | — | (1,528) | — | 31 March 2011 |
| 7 February 2007 | 1.430 | 2,220 | — | — | 2,220 | 31 March 2012 |
| 24 July 2008 | 0.275 | 3,000 | (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 |
| | | 29,748 | (3,000) | (1,528) | 25,220 | |

1,528,000 share options granted on 7 February 2007 with an exercise price of HK$1.43 per share were lapsed on 31 March 2011.

During the period, 3,000,000 share options granted on 24 July 2008 with an exercise price of HK$0.275 per share were exercised, which resulted in 3,000,000 shares (2010: 6,000,000 share options with an exercise price of HK$0.275 per share exercised) being issued at a weighted average price of HK$0.275 each.

Options to subscribe for 12,000,000 new shares of the Company were granted by the Company to Directors and senior management of the Group at a nominal consideration of HK$1.0 payable by each grantee under the Share Option Scheme on 28 June 2010. 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.

## 18. 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. There has been no share option granted for the six months ended 30 June 2011. The key parameters used in the Model and the corresponding fair values of the options granted during 2010 are listed below:

| | |
|---|---|
| Date of grant | 28 June 2010 |
| Number of share options granted | 12,000,000 |
| Total option value | US$242,000 |
| | (HK$1,877,000) |
| Share price at date of grant (HK$) | 0.62 |
| Exercise price (HK$) | 0.62 |
| Expected life of options | 2 years |
| | |
| Annualized volatility | 48.2% |
| Risk free interest rate | 0.76% |
| Dividend payout rate | 1.6% |

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 statistical analysis of daily closing share prices over the last one year.

## 18. 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 Institutional Trust Services (Asia) Limited (the "Trustee") as trustee for the benefit of the directors and employees. The initial pool of shares brought forward at the time of listing of the Company has been fully used up. The 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 2011, the number of shares allocated but remained unvested under the Trustee for Directors and employees of the Group was 468,000 while the total number of shares held by the Trustee was 1,967,520 leaving a balance of 1,499,520 shares for future grant to directors and employees in the rest of 2011 and beyond.

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

| | **Unaudited Number of shares** | |
|---|---|---|
| | **2011** | 2010 |
| At 1 January | **3,543,520** | 10,547,520 |
| Shares purchased from market | **—** | 2,000,000 |
| Shares vested during the period | **(1,576,000)** | (9,004,000) |
| At 30 June | **1,967,520** | 3,543,520 |

There was no share of the Company provisionally awarded to employees of the Group pursuant to Share Award Plan for the six months ended 30 June 2011.

The Group has been using HKFRS 2 to account for the equity compensation expenses of the shares granted at fair value at the date of grant.

## 19. Commitments

### (a) Capital commitments

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

| | Unaudited 30 June 2011 US$'000 | Audited 31 December 2010 US$'000 |
|---|---|---|
| Approved but not contracted for | 2 | 2,250 |
| Contracted but not provided for | 505 | — |

### (b) Operating lease commitments

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

| | Unaudited 30 June 2011 US$'000 | Audited 31 December 2010 US$'000 |
|---|---|---|
| Not later than 1 year | 1,107 | 1,265 |
| Later than 1 year and not later than 5 years | 464 | 753 |
| Later than 5 years | — | — |
| | 1,571 | 2,018 |

## 20. Event after balance sheet date

On 9 August 2011, the Group entered into the Sale and Purchase Agreement (the "Agreement") to subscribe for approximately 24.0% new shares of a fabless semiconductor company ("Target"), an independent third party, focusing on the development and sales of System-on-chip ("SOC") for Smart TV at a consideration of US$9 million. The subscription was completed simultaneously with the execution of the Agreement. The Target will be accounted for under equity method of accounting.

# Report on Review of Interim Financial Information

羅兵咸永道

**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 25, which comprises the interim condensed consolidated balance sheet of Solomon Systech (International) Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2011 and the related interim 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 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 2011

# Management Discussion and Analysis

## FINANCIAL REVIEW

### *Overview*

For the six months ended 30 June 2011, the Group's sales were US$27.5 million (1H 2010: US$38.0 million), decreased by 28% year-on-year. The overall market demand was not strong in 1H 2011 due to a cautious outlook for 2011 economic growth in the aftermath of the Japan earthquake and lingering European sovereign debt issues.

### *Sales and Profit*

The Group recorded a 22% decrease year-on-year in shipment quantity and a 8% year-on-year decrease in the blended average selling price ("ASP") of its products. The decrease in blended ASP was caused by a change of product mix. The sales decrease was mainly due to (1) lower than expected Mobile Display business unit sales, and (2) later than anticipated start of volume sales for new products resulting from a weakened demand from customers. Gross profit was US$8.9 million, down by 21% (1H 2010: US$11.2 million) as a result of the drop in sales. During the period, the Group's gross margin rose to 32.5% from 29.5% in the first half of 2010. The increase in gross margin was mainly due to a higher percentage of products with higher profit margin contributions. Inventory scrap was US$0.8 million (including an offset of approximately US$0.4 million to the standard cost written on for slow moving inventory with full provision made in prior years) in the first half of 2011. 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. The Group's total expenses, including research and development ("R&D") costs, selling and distribution ("S&D") expenses and administrative expenses, were US$14.2 million, up by US$0.1million, representing a minor increase of 1%.

S&D expenses were lowered by 9% from US$1.9 million in the first half of 2010 to US$1.8 million in the current period.

Administrative expenses decreased by 16% year-on-year to US$4.1 million which included an exchange gain of US$0.6 million (1H 2010: exchange loss of US$0.5 million). The Group continued to invest in R&D and business development, and remained selective in its R&D spending. Its R&D expenses were US$8.3 million, up 15% over the spending in the first half of 2010.

During the period under review, the Group recorded interest income of US$0.5 million as well as dividends and other income of US$0.3 million from financial assets at fair value through profit or loss ("FVTPL"), totaling US$0.8 million. However, a net unrealized loss of US$0.7 million (1H 2010: US$1.5 million) was recorded from the investment in the FVTPL portfolio as at 30 June 2011.

Net loss was US$5.2 million (1H 2010: US$3.9 million).

The Board resolved not to declare any interim dividend for the six months ended 30 June 2011.

### *Liquidity and Financial Resources*

Net cash used in operating activities during the period was US$1.1 million (1H 2010: US$4.0 million). Total bank deposits and cash and cash equivalents (including other financial assets) of the Group amounted to US$82.6 million as at 30 June 2011, compared to US$79.6 million at the end of 2010. The change in cash position was mainly a result of (1) net outflow from operations amounting to US$1.1 million resulted from loss for the period adjusted for non-cash items and the decrease in working capital; (2) receipt of US$5.5 million in early 2011 as the proceeds from the disposal of an available-for-sale financial assets in late 2010; (3) addition of fixed assets US$0.5 million and FVTPL of US$0.7 million; and (4) payment of US$1.0 million related to the prepaid operating lease in connection with the land use rights in Beijing, China.

Regarding the use of cash reserves, the Group will continue to allocate funds for product development, securing production capacity, strengthening its infra-structure in mainland China to broaden its customer base and capture market and sales opportunities, entering into strategic corporate ventures and meeting general corporate operational purposes. As at 30 June 2011, the Group had no major borrowing other than the US$0.7 million in a mortgage loan for the purchase of an office property in Hsinchu, Taiwan. The Group's cash balance was mainly invested in various deposits.

## FINANCIAL REVIEW (continued)

Most of the Group's trade receivables and payables are quoted in US dollars. The Group closely monitors the movement of 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 period under review, 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*

In the first half of 2011, capital expenditure of the Group was US$0.6 million, of which the majority was related to the Group's purchase of equipment in Hong Kong and China.

As at 30 June 2011, US$0.5 million of capital expenditure was contracted but not provided for, majority of which was for the preliminary preparations needed for the construction in Beijing, China.

Saved as aforesaid, the Group had no other material capital commitment or contingent liability.

## BUSINESS PERFORMANCE AND OUTLOOK

### *Product Shipment*

During the period under review, the Group shipped a total of approximately 54 million display IC units, representing a year-on-year decrease of 22%. This decrease was primarily attributable to: (1) lower than expected Mobile Display business unit sales and (2) a later than anticipated start of volume sales for new products resulting from a weakened demand from customers. The weakened demand was due to a cautious outlook for 2011 economic growth in the aftermath of the Japan earthquake and lingering European sovereign debt issues.

The unit shipments of Mobile Display products, including STN/TFT LCD driver ICs and touch panel ICs, decreased by approximately 42% to 18.6 million units (2010: 32.0 million units). Despite the growing demand for the Group's touch panel products, its Mobile Display unit experienced a sequential sales decline during the period due to reduced sales contribution of driver IC from Korea, its largest sales market in 2010. The unit shipments of Advanced Display products, including OLED display ICs and new display ICs, dropped slightly by about 5% to approximately 33.8 million units. This was attributed to a reduction in demand for mobile sub-displays using Passive Matrix OLED ("PMOLED") driver ICs as the mobile phone market was dominated by smartphones. The unit shipments of Display System Solution products decreased by approximately 10% to 1.4 million units year-on-year, as the demand for eReader products was reduced. The Group's Green Power business unit shipped approximately 0.2 million units of LED driver IC and LED backlight power modules to new clients in China and Europe, a 256% increase compared to the same period last year.

Breakdown of unit shipments by business units is as follows:

| Units Shipped (million) | 1H 2011 | 1H 2010 | Change | 2010 |
|---|---|---|---|---|
| Mobile Display | **18.6** | 32.0 | (42%) | 72.1 |
| Advanced Display | **33.8** | 35.5 | (5%) | 67.0 |
| Display System Solution | **1.4** | 1.5 | (10%) | 2.9 |
| Green Power | **0.2** | 0.1 | 256% | 0.2 |
| **Total** | **54.0** | **69.1** | **(22%)** | **142.2** |

### *Business Relationship*

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

For its Display IC business, the Group is serving most of the major global display module makers. We focus on approaching both display module makers and end-product manufacturers directly to ensure we deliver the most appropriate product solutions and value-added services to them. During the period under review, in addition to display module makers and related end-product manufacturers, the Mobile Display business unit has also been collaborating with capacitive touch panel makers and related end-product manufacturers to produce the Group's first capacitive touch panel solutions. The Group's Large Display business unit has been working with target customers to qualify its new driver ICs for monitor modules, to be in time for volume shipments; while its Advanced Display business unit has secured design wins in OLED applications as well as electronic shelf labels. Looking ahead, the Group intends to further strengthen relationships with leading customers and top-tier end-product manufacturers from China, Europe, Japan, Korea and Taiwan.

Regarding the System Solution business, the Group provides customers with total system solutions in two focus areas: Display System Solutions and Green Power. Display System Solutions supports specific multimedia applications. Working in alignment with independent design houses ("IDHs"), the Group offers timely and total system solutions to original design manufacturers ("ODMs"). During the period under review, the Group's MagusCore™ multimedia system solution secured several design wins in pico and pocket projectors with rich multimedia and connectivity capabilities. Green Power provides lighting system solutions to the emerging green power market, including LED lighting (indoor and outdoor) and LED backlight units ("BLU"). In collaboration with lighting system design houses, the Group was able to enlarge its total solutions offering and broaden its customer base for emerging market applications. In addition, the Group's Large Display business unit has been collaborating with the Green Power business unit on LED backlighting to provide total TV display solutions.

### *Research and Development*

As a technology company, the Group is deeply devoted to R&D. The Group spent approximately US$8.3 million on R&D in the first half of 2011, representing about 59% of the total expenses and 30% of sales for the period. The Group's continual investment in R&D testifies to its determination to develop and offer innovative products to cater to the rapidly changing market trends and to capture new business opportunities.

The Group has been relentlessly enhancing the features of existing products and developing new products. Numerous intellectual properties ("IP") were developed or under development during the past six months, such as display driver power management, an electronic signage embedded control, display color management and memory compression, a multi-lane high speed mobile interface and touch panel control.

In the past six months, the Group had three patents granted, including two for display driver design and one for image enhancement, and one patent filed for LED controller driver. The Group also had several patents being filed with patent offices in different regions, including the USA, China, Taiwan, Korea and Europe.

As at 30 June 2011, the Group had an R&D workforce of 248, representing approximately 51% of our entire staff. The Group's R&D team continually designs products using various wafer technologies as advanced as 90nm. We also have specialist teams in Hong Kong, Beijing, Shenzhen and Singapore possessing expertise in 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 2011, the Group had a workforce of 487 employees (31 December 2010: 480), of whom about 43% were based at the Hong Kong headquarters and the rest were located in China, Japan, Singapore, Taiwan and the USA. The Group always optimizes human resources with a strategic staffing arrangement. During the period under review, the Group has transferred manpower internally to support the rapidly growing capacitive touch panel business.

As a technology company relying on intellectual excellence, we value our human resources highly. 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 make sure they enjoy working with the Group and contribute their best efforts to the Group's success.

New product introduction bonus and first sales incentives, which aim at driving the success of new product development and new business, have remained in place and have been paid to certain employees in the first half of 2011.

## PROSPECTS

The Group sees potentials for stable growth in the second half of the year, given our efforts in strategic investment and development of new technologies and products. However, we are cautious about the possible impact of the global economy, in view of the weak US economy, lingering European sovereign debt issues and aftermath of the Japan earthquake.

To generate incremental revenue and to expand its customer base, the Group intends to continue delivering new technologically leading ICs and fast turnkey solutions for emerging high-growth applications.

## DISPLAY IC BUSINESS

### *Mobile Display*

The Mobile Display business unit provides display driver ICs and touch panel ICs for small to medium size LCD displays. This unit supports key technologies including STN / TFT LCD and capacitive touch panels for monochrome and color displays as well as displays with touch panel functions.

The Group believes there is good market potential for smartphones, tablet PCs and MIDs that come with high definition ("HD"), medium size display and multi-touch functions. A number of the Mobile Display unit's new generation products supporting higher display resolution and bigger display size, including multi-touch capacitive panel controllers for displays ranging from 3" to 12", high-speed display interface controllers and TFT driver controllers for HD displays, are commencing full production soon to tap this growing market.

The Group will also continue its efforts to advance its technology and introduce cutting-edge products to support the next generation of 3D display.

### *Advanced Display*

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

As the leader in the Passive Matrix OLED ("PMOLED") display IC market, the Group will work with clients in the automotive, industrial and healthcare markets on design-in projects to further diversify and extend the applications of PMOLED display IC to achieve growth.

The Group sees market potential in Active Matrix OLED ("AMOLED") display ICs as well as OLED Lighting. The Group has developed AMOLED display ICs with leading panel makers, and intends to continue extending its technology to support both AMOLED and OLED lighting to capture the anticipated growth of these market segments in coming years.

For the New Display business, the Group maintains a positive view on its growth potential as more applications recognize the value of the new display technology. The overall e-paper display market is expected to remain positive. For electronic shelf labels in particular, the Group has shipped a large volume of new display ICs during the period to cater for the surging demand, and will ramp up its business in this booming market. The Group will continue to enrich the product portfolio of its New Display business and develop new technologies to establish leadership in this emerging market.

### *Large Display*

The Large Display business unit addresses large display applications such as LCD TVs, LCD monitors and notebook computers. The business and product development team in Beijing is working with target customers to qualify its new driver products in time for volume shipment this year. The team has also been working actively with the Green Power business unit on LED backlighting to provide total TV display solutions. The business unit is developing new products to support the growing 6G and 8.5G LCD production lines in China.

## SYSTEM SOLUTION BUSINESS

### *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. During the period under review, the Group has continued to expand the product offerings of its high-performance MagusCore™ multimedia system solution. Its newly launched system solutions for multimedia products with advanced features, such as HD & 3D, have received good initial market response. In addition, the Group has won a number of design-wins in graphic controller-related products and custom-design IC projects in the advanced 3D glasses product segment.

In the second half of 2011, the Group will continue to promote MagusCore™ to the market, aiming at Android-based applications for 3CC - Converged Communication, Cloud Computing and Consumer Content - enabling more advanced high volume applications such as Android portable media players ("PMP"), eBook readers, MIDs, surveillance devices and smart TVs. During the period under review, the business unit has successfully developed the world's first Android-based GPS tracker, in addition to mobile phone solutions for dual mode and elderly market segments for top-tier mobile brands' products. The business unit will continue its efforts to develop more Android-based solutions to capitalize on these booming market segments.

### *Green Power*

The Green Power business unit focuses on providing energy-saving LED driver ICs and LED power module solutions for LED indoor and outdoor lighting as well as the LED BLU. It has also developed new high performance constant current driver ICs and modules to provide efficient solutions for offline LED lighting applications. As this business is still at its initial stage of development, there is considerable room for development. The Group will continue ramping up efforts to develop more new products and technologies with a view to capitalizing on this expanding market sector.

### *Investing in Booming Smart TV Market*

The Group entered into a Sale and Purchase Agreement on 9 August 2011 to subscribe for new shares of an IC design company which specializes in the development and sales of multimedia System-on-Chip ("SoC") solutions for Smart TV. The investment is a strategic move aiming to introduce a new product line, Smart TV, as one of the growth engines of the Group. It is expected that this new product line of Smart TV not only would expand the product offerings of the Group and provide total solutions to its customers in TV/large display business, but it also enables the Group to enjoy enhanced cost effectiveness as both parties share a similar set of technology requirements and intellectual property. This new product line is expected to enable the Group to capture the enormous potentials of the surging Smart TV market, and also enhance the Group's overall business development.

# Directors' Interests

As at 30 June 2011, 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 (the "Model Code") as set out in Appendix 10 of the Listing Rules, were as follows:

| | | Ordinary shares of HK$0.10 each in the Company as at 30 June 2011 | | | |
|---|---|---|---|---|---|
| | | Number of shares | Number of options | Total | % of the issued shares capital of the Company |
| **Independent Non-executive Directors** | | | | | |
| Sun, Patrick | Long | — | 2,200,000 | 2,200,000 | 0.09% |
| Choy Kwok Hung, Patrick | Long | 2,712,000 | 2,200,000 | 4,912,000 | 0.20% |
| Wong Yuet Leung, Frankie | Long | 1,000,000 | 2,200,000 | 3,200,000 | 0.13% |
| **Non-executive Directors** | | | | | |
| Lai Weide | Long | — | — | — | — |
| Lam Pak Lee | Long | 1,800,000 | 2,200,000 | 4,000,000 | 0.16% |
| Sheu Wei Fu (alternate to Lam Pak Lee) | Long | — | — | — | — |
| Li Xiaochun | Long | — | — | — | — |
| Zhao Guiwu | Long | — | — | — | — |
| **Executive Directors** | | | | | |
| Leung Kwong Wai | Long | 119,400,308 | 2,812,000 | 122,212,308 | 4.98% |
| Lai Woon Ching | Long | 26,899,032 | 2,230,000 | 29,129,032 | 1.19% |

Mr. Choy Kwok Hung, Patrick ("Mr. Choy"), Independent Non-executive Director and Mr. Lo Wai Ming ("Mr. Lo"), who resigned from the role as Executive Director of the Company effective 1 December 2010 but remained as a member of senior management of the Group, through investment vehicles under their control invested in BJ-LED at the same time in 2009 and same term of the Group's investment in BJ-LED. The investment vehicles hold 4% and 9% respectively in BJ-LED as at 31 December 2010. BJ-LED proposed a fund raising of CNY10,000,000 to increase the capital contribution to CNY20,000,000 in March 2011 (refer to note 14 to the condensed consolidated interim financial information). Both Mr. Choy and Mr. Lo participated in the said fund raising. Mr. Choy's effective ownership in BJ-LED was substantially increased from 3.6% to a percentage approximately 24.7% while Mr. Lo's ownership in BJ-LED increased from 9% to 11.5% as at 30 June 2011.

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 Dr. 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 2011, 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 2011 | | | |
|---|---|---|---|---|
| **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 | 27.04% |

Note:

China Electronics Corporation was controlling the entire issued share capital of 中國電子進出口總公司 ("CEC-IE"), which in turn was holding 100% interest in 華電有限公司 ("HDC "). The long position of 664,288,000 shares as at 30 June 2011 held by HDC represented the same parcel of shares in which China Electronics Corporation, CEC-IE were deemed to be interested in by virtue of the SFO.

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 2011.

# 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.

During the period, Mr. Wong Yuet Leung, Frankie, Dr. Lam Pak Lee and Dr. Leung Kwong Wai have exercised their share options granted on 24 July 2008 in full at an exercise price of HK$0.275 per share, resulting 3,000,000 new shares issued.

Details of the share options outstanding as at 30 June 2011 which have been granted under the Share Option Scheme are as follows:

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

Details of the share options outstanding as at 30 June 2011 which have been granted under the Share Option Scheme are as follows (continued):

| | Number of share options (in thousand units) | | | | | | | | Exercise period | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Held on 1 January 2011 | Lapsed during the period | Forfeited and cancelled during the period | Granted during the period | Exercised during the period | Held on 30 June 2011 | Exercise price HK$ | Grant date | Begins | Ends |
| **Executive and Non-executive Directors** | | | | | | | | | | |
| Lam Pak Lee | 1,000 | — | — | — | (1,000) | — | 0.275 | 24 July 2008 | 1 July 2009 | 30 June 2011 |
| | 1,000 | — | — | — | — | 1,000 | 0.632 | 13 July 2009 | 1 July 2010 | 30 June 2012 |
| | 1,200 | — | — | — | — | 1,200 | 0.620 | 28 June 2010 | 1 July 2011 | 30 June 2013 |
| | 3,200 | — | — | — | (1,000) | 2,200 | | | | |
| Leung Kwong Wai | 408 | (408) | — | — | — | — | 1.430 | 7 February 2007 | 1 April 2009 | 31 March 2011 |
| | 612 | — | — | — | — | 612 | 1.430 | 7 February 2007 | 1 April 2010 | 31 March 2012 |
| | 1,000 | — | — | — | (1,000) | — | 0.275 | 24 July 2008 | 1 July 2009 | 30 June 2011 |
| | 1,000 | — | — | — | — | 1,000 | 0.632 | 13 July 2009 | 1 July 2010 | 30 June 2012 |
| | 1,200 | — | — | — | — | 1,200 | 0.620 | 28 June 2010 | 1 July 2011 | 30 June 2013 |
| | 4,220 | (408) | — | — | (1,000) | 2,812 | | | | |
| Lai Woon Ching | 20 | (20) | — | — | — | — | 1.430 | 7 February 2007 | 1 April 2009 | 31 March 2011 |
| | 30 | — | — | — | — | 30 | 1.430 | 7 February 2007 | 1 April 2010 | 31 March 2012 |
| | 1,000 | — | — | — | — | 1,000 | 0.632 | 13 July 2009 | 1 July 2010 | 30 June 2012 |
| | 1,200 | — | — | — | — | 1,200 | 0.620 | 28 June 2010 | 1 July 2011 | 30 June 2013 |
| | 2,250 | (20) | — | — | — | 2,230 | | | | |
| Subtotal | 9,670 | (428) | — | — | (2,000) | 7,242 | | | | |
| **Senior management and employees** | | | | | | | | | | |
| Others | 1,100 | (1,100) | — | — | — | — | 1.430 | 7 February 2007 | 1 April 2009 | 31 March 2011 |
| | 1,578 | — | — | — | — | 1,578 | 1.430 | 7 February 2007 | 1 April 2010 | 31 March 2012 |
| | 5,000 | — | — | — | — | 5,000 | 0.632 | 13 July 2009 | 1 July 2010 | 30 June 2012 |
| | 4,800 | — | — | — | — | 4,800 | 0.620 | 28 June 2010 | 1 July 2011 | 30 June 2013 |
| Subtotal | 12,478 | (1,100) | — | — | — | 11,378 | | | | |
| Total | 29,748 | (1,528) | — | — | (3,000) | 25,220 | | | | |

# 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 2011. As at 30 June 2011, Audit Committee, Remuneration Committee, Nomination Committee and Investment Committee had been formed with their respective terms of reference in force.

Mr. Yiu Joseph Tin-chong ("Mr. Yiu") was appointed as an INED of the Company with effect from 6 July 2011. Upon the appointment of Mr. Yiu, the number of INED of the Company increased from a minimum of three pursuant to Rule 3.10 of the Listing Rules to four. The percentage of INED in the Board becomes over one-third which is in compliance with the Recommended Best Practices (A.3.2 of the Appendix 14 of the Listing Rules).

As at 18 August 2011, the composition of the Board of the Company was as follows:

| NEDs | INEDs | Executive Directors |
|---|---|---|
| Mr. Lai Weide<br><br>Dr. Lam Pak Lee<br><br>Mr. Sheu Wei Fu<br>(alternate to Dr. Lam Pak Lee)<br><br>Mr. Li Xiaochun<br><br>Mr. Zhao Guiwu | Mr. Sun, Patrick<br>– Chairman of the Board<br>– Chairman of Remuneration Committee<br>– Chairman of Nomination Committee<br><br>Mr. Choy Kwok Hung, Patrick<br><br>Mr. Wong Yuet Leung, Frankie<br>– Chairman of Audit Committee<br><br>Mr. Yiu Joseph Tin-chong | Dr. Leung Kwong Wai<br>– Managing Director<br>– Chairman of Investment Committee<br><br>Mr. Lai Woon Ching |

## 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 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 2011.

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) of the Listing Rules during the course of the director's term of office required to publish an announcement according to Rule 13.51B(2) of the Listing Rules.

## Other Changes about Directors

In accordance with Article 95 and Article 112 of the Company's Articles of Association, the retiring directors namely Mr. Li Xiaochun, Mr. Lai Weide, Mr. Zhao Guiwu, Dr. Lam Pak Lee and Mr. Wong Yuet Leung, Frankie were all successfully re-elected at the 2011 Annual General Meeting.

Mr. Sun, Patrick was appointed as an Independent Non-executive Director on 1 March 2010 of China NT Pharma Group Company Limited (HKSE: 1011) which has been listed on the Main Board of the Stock Exchange on 20 April 2011.

Mr. Zhao Guiwu resigned as Chairman of Beijing Huahong IC Design Co., Ltd with effect from 31 May 2011.

Mr. Yiu Joseph Tin-chong was appointed as an INED of the Company with effect from 6 July 2011.

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the period under review.

## Review of Interim Condensed Consolidated Financial Information

The Audit Committee is composed of three INEDs and one NED. The unaudited Condensed Consolidated Interim Financial Information of the Group for the six months ended 30 June 2011 has been reviewed by the Audit Committee of the Company alongside the internal audit team.

The unaudited Condensed Consolidated Interim Financial Information of the Group for the six months ended 30 June 2011 has 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 2011, the Group held meetings and conference calls with investors and analysts. To enhance the Group's profile among the general public in Hong Kong, interviews were conducted with local media, and group visits to its head office were arranged with local universities and technology institutions. 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 2011.

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

Hong Kong, 18 August 2011

# Corporate and Shareholder Information

## Financial Calendar

| | |
|---|---|
| Financial Year End | 31 December |
| Interim Results Announced | 18 August 2011 |

## 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 | 2,456,302,351 (as at 30 June 2011) |

## Share Registrar

Tricor Investor Services Limited
26/F Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong
Tel: (852) 2980 1333
Fax: (852) 2810 8185
Website: www.tricoris.com

## Independent Auditor

PricewaterhouseCoopers

## Solicitors

ReedSmith Richards Butler

## Principal Office

6/F., No.3 Science Park East Avenue
Hong Kong Science Park
Shatin, New Territories
Hong Kong
Tel: (852) 2207 1111
Fax: (852) 2267 0800

## Company Secretary

Mrs. Fung Lui Kit Har, Keziah *FCMA, FHKCPA, ACS, ACIS*
Vice President, Finance

## Investor Relations

Mr. John Leong
Vice President, Corporate Development
Email: ir@solomon-systech.com

## Corporate Communications

Ms. Jessica Lee
Corporate Communications Manager
Tel: (852) 2207 1672
Fax: (852) 2207 1372
Email: communication@solomon-systech.com

## Website

www.solomon-systech.com

This 2011 Interim Report ("Interim Report") (in both English and Chinese versions) has been posted on the Company's website at 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 copies 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 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong or by sending an email to solomon2878-ecom@hk.tricorglobal.com.