SOLOMON SYSTECH

SOLOMON SYSTECH (INTERNATIONAL) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2878)

ANNOUNCEMENT OF 2008 FINAL RESULTS

FINANCIAL HIGHLIGHTS

- Sales amounted to US$92.8 million
- Net loss attributable to the equity holders of the Company was US$23.4 million
- Basic loss per share was 0.97 US cent (7.5 HK cents)
- The Board proposed a final dividend per share of 3 HK cents (0.39 US cent)
- Total dividends per share of the year totaled 3 HK cents (0.39 US cent)
- Book to bill ratio for the year ended 31 December 2008 was 0.82

FINAL RESULTS

The directors (the "Directors") of Solomon Systech (International) Limited (the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2008 together with the comparative figures for the corresponding year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	**2008 US$'000**	2007 US$'000
Sales	4	**92,813**	164,952
Cost of sales		**(75,891)**	(125,497)
Gross profit		**16,922**	39,455
Other income		**653**	1,008
Other gain/(loss) – net	5	**(5,116)**	(227)
Research and development costs		**(19,327)**	(19,688)
Selling and distribution expenses		**(3,682)**	(3,308)
Administrative expenses		**(12,630)**	(11,479)
Other operating expenses		**(4,671)**	(28)
Operating (loss)/profit		**(27,851)**	5,733
Interest income		**4,603**	7,963
Finance costs		**(1)**	(1)
Share of results of associated companies		**(432)**	(754)
(Loss)/profit before taxation		**(23,681)**	12,941
Taxation	7	**283**	(2,752)
(Loss)/profit for the year		**(23,398)**	10,189
Attributable to:			
The equity holders of the Company		**(23,408)**	10,208
Minority interest		**10**	(19)
		(23,398)	10,189
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company (expressed in US cent per share)	8		
Basic		**(0.97)**	0.42
Diluted		**(0.96)**	0.41
Dividends	9	**9,466**	9,468

CONSOLIDATED BALANCE SHEET
As at 31 December 2008

	Notes	**2008 US$'000**	2007 US$'000
ASSETS			
Non-current assets			
Goodwill		**—**	931
Property, plant and equipment		**8,859**	8,885
Investments in associated companies		**5,661**	2,031
Available-for-sale financial assets		**2,535**	4,686
		17,055	16,533
Current assets			
Inventories		**6,738**	15,291
Trade and other receivables	10	**11,920**	29,365
Financial assets at fair value through profit or loss		**15,634**	3,234
Other financial assets		**4,167**	3,749
Pledged bank deposits		**130**	130
Short-term fixed deposits		**46,897**	10,000
Cash and cash equivalents		**59,801**	124,069
		145,287	185,838
Total assets		**162,342**	202,371
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**31,516**	31,516
Reserves			
Proposed final dividend		**9,466**	6,256
Own shares held		**(1,458)**	(963)
Others		**104,043**	135,082
		143,567	171,891
Minority interest in equity		**229**	219
Total equity		**143,796**	172,110
LIABILITIES			
Non-current liabilities			
Obligations under finance leases		**3**	9
Other payables		**265**	—
Deferred tax liabilities		**108**	221
		376	230
Current liabilities			
Trade and other payables	11	**15,893**	26,554
Tax payables		**2,271**	3,343
Derivative financial instruments		**—**	124
Obligations under finance leases		**6**	10
		18,170	30,031
Total liabilities		**18,546**	30,261
Total equity and liabilities		**162,342**	202,371
Net current assets		**127,117**	155,807
Total asset less current liabilities		**144,172**	172,340

Notes

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") and system solutions that enable a wide range of display applications for mobile phones, portable devices, LCD TVs, consumer electronic products, industrial appliances and lighting.

2. Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

3. Significant accounting policies

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) Amendments and interpretations effective in 2008

In 2008, the Group has adopted the following amendments and interpretations to existing standards ("new HKFRS") effective for the Group's financial year beginning on or after 1 January 2008:

- HKAS 39 & HKFRS 7 (Amendments) — Amendments to HKAS 39 Financial instruments: Recognition and measurement and HKFRS 7 Financial instruments: Disclosures – Reclassification of financial assets
- HK(IFRIC) – Int 11 — HKFRS 2 – Group and treasury share transactions

(b) Interpretations effective in 2008 but not relevant

The following interpretations to published standards are mandatory for the accounting periods beginning on or after 1 January 2008 but are not relevant to the Group's operations:

- HK(IFRIC) – Int 12 — Service concession arrangements
- HK(IFRIC) – Int 14 — HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

The adoption of the above amendments and interpretations to existing standards did not result in substantial changes to the accounting policies of the Group and had no material effect on how the results and financial position for the current or prior accounting years have been prepared and presented.

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them:

- HKAS 1 (Revised) — Presentation of financial statements
- HKAS 23 (Revised) — Borrowing costs
- HKAS 27 (Revised) — Consolidated and separate financial statements

• HKAS 32 and HKAS 1 (Amendments)	Financial instruments: Presentation and Presentation of financial statements - Puttable financial instruments and obligations arising on liquidation
• HKAS 39 (Amendment)	Financial instruments: Recognition and measurement - Eligible hedged items
• HKFRS 1 (Amendment) and HKAS 27	First time adoption of HKFRS and Consolidated and separate financial statements
• HKFRS 2 (Amendment)	Share-based payment
• HKFRS 3 (Revised)	Business combinations
• HKFRS 8	Operating segments
• HK(IFRIC) - Int 13	Customer loyalty programmes
• HK(IFRIC) - Int 15	Agreements for construction of real estates
• HK(IFRIC) - Int 16	Hedges of a net investment in a foreign operation
• HK(IFRIC) - Int 17	Distributions of non-cash assets to owners
• HK(IFRIC) - Int 18	Transfers of assets from customers

Improvements to the following HKFRS from the Hong Kong Institute of Certified Public Accountants published in October 2008:

• HKAS 1 (Amendment)	Presentation of financial statements
• HKAS 16 (Amendment)	Property, plant and equipment (and consequential amendment to HKAS 7, 'Statement of cash flows')
• HKAS 19 (Amendment)	Employee benefits
• HKAS 20 (Amendment)	Accounting for government grants and disclosure of government assistance
• HKAS 23 (Amendment)	Borrowing costs
• HKAS 27 (Amendment)	Consolidated and separate financial statements
• HKAS 28 (Amendment)	Investments in associates (and consequential amendments to HKAS 32, 'Financial instruments: Presentation' and HKFRS 7, 'Financial instruments: Disclosures')
• HKAS 29 (Amendment)	Financial reporting in hyperinflationary economies
• HKAS 31 (Amendment)	Interests in joint ventures (and consequential amendments to HKAS 32 and HKFRS 7)
• HKAS 38 (Amendment)	Intangible assets
• HKAS 39 (Amendment)	Financial instruments: Recognition and measurement
• HKAS 40 (Amendment)	Investment property (and consequential amendment to HKAS 16)
• HKAS 41 (Amendment)	Agriculture
• HKFRS 5 (Amendment)	Non-current assets held for sale and discontinued operations (and consequential amendment to HKFRS 1, 'First-time adoption')

- Minor amendments to HKFRS 7 ‘Financial instruments: Disclosures’, HKAS 8 ‘Accounting policies, changes in accounting estimates and errors’, HKAS 10 ‘Events after the balance sheet date’, HKAS 18 ‘Revenue’ and HKAS 34 ‘Interim financial reporting’.

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

4. Sales and segment information

(a) Primary reporting format – business segment

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

The Group has been operating in one single business segment, i.e. the design, development and sales of ICs and system solutions. Sales amounted to US$92,813,000 and US$164,952,000 for the years ended 31 December 2008 and 2007 respectively.

(b) Secondary reporting format – geographical segments

The Group mainly operates in Hong Kong SAR ("Hong Kong"). The Group mainly sells to customers located in Hong Kong, Taiwan, Mainland China ("China") and Japan.

	2008 **US$'000**	2007 US$'000
Hong Kong	**56,026**	112,094
Taiwan	**13,272**	24,720
China	**10,237**	5,644
Japan	**4,501**	6,042
Korea	**2,934**	1,425
South East Asia	**2,718**	11,845
United States of America ("USA")	**550**	280
Others	**2,575**	2,902
	92,813	164,952

5. Other gain/(loss) – net

	2008 **US$'000**	2007 US$'000
Financial assets at fair value through profit or loss:		
- Fair value gain	**234**	27
- Fair value loss	**(5,474)**	(129)
Other financial assets	**—**	(1)
Derivative financial instruments – fair value gain/(loss)	**124**	(124)
	(5,116)	(227)

6. Expenses by nature

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

	2008 **US$'000**	2007 US$'000
Loss on disposal of property, plant and equipment	**1**	99
Auditor's remuneration	**162**	151
Depreciation of owned property, plant and equipment	**5,296**	6,225
Depreciation of leased property, plant and equipment	**3**	11
Operating leases for land and buildings	**1,289**	1,107
Employee benefit expenses (excluding Directors' emoluments)	**19,448**	17,514
Directors' emoluments	**1,711**	2,479
Net exchange loss/(gain)	**712**	(187)
Provision for impairment loss of available-for-sale financial assets	**2,151**	—
Provision for impairment loss of investments in associated companies	**1,555**	—
Provision for impairment loss of goodwill	**931**	—
Provision for impairment of receivables	**29**	20
Provision for obsolete or slow moving inventories	**4,716**	1,926

7. Taxation

No provision for Hong Kong and overseas profits tax has been made as the Group has no assessable profits for the year. Hong Kong profits tax had been provided at the rate of 17.5% in 2007 on the estimated assessable profit for the year ended 31 December 2007. Taxation on overseas profits had been calculated on the estimated assessable profit for the year ended 31 December 2007 at the rates of taxation prevailing in the countries in which the Group operated.

	2008 **US$'000**	2007 US$'000
Current tax:		
Hong Kong profits tax	**—**	3,118
Overseas profits tax	**—**	51
(Over)/under provisions in prior years	**(170)**	189
Deferred tax	**(113)**	(606)
	(283)	2,752

The tax on the Group's (loss)/profit before tax differs from the theoretical amount that would arise using the tax rate of Hong Kong, the Group's principal place of operation, as follows:

	2008 **US$'000**	2007 US$'000
(Loss)/profit before tax	**(23,681)**	12,941
Tax calculated at a tax rate of 16.5% (i)	**(3,907)**	2,265
Income not subject to tax	**(1,486)**	(1,444)
Expenses not deductible for tax purposes	**2,195**	1,032
Utilization of previously unrecognized tax losses	**—**	(164)
Tax losses not recognized	**3,095**	852
Remeasurement of deferred tax - change in Hong Kong tax rate (ii)	**(13)**	—
Effect of different tax rates in other countries	**3**	22
(Over)/under provisions in prior years	**(170)**	189
Tax (credit)/expense	**(283)**	2,752

Notes:

(i) Profits tax rates for 2008 and 2007 are 16.5% and 17.5% respectively.

(ii) During the year, as a result of the change in the Hong Kong Corporation tax rate from 17.5% to 16.5% that has been effective from 1 April 2008, deferred tax balances were remeasured.

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets of US$4,022,000 (2007: US$927,000) in respect of losses amounting to US$24,376,000 (2007: US$5,297,000) that are available indefinitely for offsetting against future taxable profit.

8. (Loss)/earnings per share

The calculation of basic and diluted (loss)/earnings per share is based on the (loss)/profit attributable to the equity holders of the Company. The loss attributable to the equity holders of the Company is US$23,408,000 (2007 profit: US$10,208,000).

Basic (loss)/earnings per share is based on the weighted average number of 2,416,930,170 (2007: 2,453,274,184) ordinary shares in issue during the year excluding own shares held during the year.

Diluted (loss)/earnings per share is based on 2,437,669,973 (2007: 2,476,967,789) ordinary shares which is the adjusted weighted average number of ordinary shares outstanding assuming conversion of all share options outstanding but excluding unallocated own shares held during the year. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2008	2007
Weighted average number of ordinary shares in issue	**2,416,930,170**	2,453,274,184
Adjustments for allocated own shares under Share Award Scheme	**20,739,803**	23,693,605
Weighted average number of ordinary shares for diluted (loss)/earnings per share	**2,437,669,973**	2,476,967,789

9. Dividends

	2008 **US$'000**	2007 US$'000
(a) Final dividend attributed to the year:		
2008 final dividend, proposed, of HK$0.03 (approximately 0.39 US cent) per ordinary share[(i)]	**9,466**	—
2007 final dividend, paid, of HK$0.02 (approximately 0.26 US cent) per ordinary share[(ii)]	—	6,286
Less : Company's share of dividends paid on the shares held by a special purpose entity of the Group	—	—
	9,466	6,286
(b) Interim dividend declared and paid during the year:		
2007 interim dividend, paid of HK$0.01 (approximately 0.13 US cent) per ordinary share	—	3,182
Less : Company's share of dividends paid on the shares held by a special purpose entity of the Group	—	—
	—	3,182
Dividends attributed to the year	**9,466**	9,468

Notes:

(i) At a meeting held on 25 March 2009, the Directors recommended the payment of a final dividend of HK$0.03 per ordinary share, totaling HK$73,359,000 (approximately US$9,466,000). The proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2009.

(ii) On 27 March 2008, the Directors recommended the payment of a final dividend of HK$0.02 per ordinary share. The final dividend was paid on 22 May 2008.

10. Trade and other receivables

	2008 US$'000	2007 US$'000
Trade receivables	**8,971**	24,843
Less: provision for impairment of receivables	**(60)**	(395)
Trade receivables - net	**8,911**	24,448
Prepayments and other receivables	**3,009**	4,917
	11,920	29,365

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

	2008 US$'000	2007 US$'000
Current	**2,188**	11,164
Ageing:		
1 - 30 days	**2,530**	6,861
31 - 60 days	**1,407**	4,863
61 - 90 days	**861**	1,385
91 - 180 days	**1,925**	169
181 - 365 days	**—**	6
	6,723	13,284
	8,911	24,448

As of 31 December 2008, trade receivables of US$6,723,000 (2007: US$13,284,000) were considered past due if measured strictly against the credit terms offered. The overdue sum is not impaired since these customers are settling the past due amount and there is no recent history of default.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2008 US$'000	2007 US$'000
US Dollar (USD)	**10,592**	26,946
Hong Kong Dollar (HKD)	**802**	592
Singapore Dollar (SGD)	**85**	1,607
Other currencies	**441**	220
	11,920	29,365

As of 31 December 2008, trade receivables of US$60,000 (2007: US$395,000) were impaired and provided for. The amount of the provision was US$60,000 as of 31 December 2008 (2007: US$395,000). The ageing of these receivables is as follows:

	2008 US$'000	2007 US$'000
Over 6 months	**60**	395

Movements on the Group's provision for impairment of trade receivables are as follows:

	2008 US$'000	2007 US$'000
At 1 January	**395**	61
Provision for impairment of receivable	**29**	20
Provision for receivable impairment arising on acquisition of a subsidiary	**—**	314
Receivables written off during the year as uncollectible	**(364)**	—
At 31 December	**60**	395

The creation and reversal of provision for impaired receivables have been included in selling and distribution expenses in the consolidated income statement (note 6). Amounts charged to the allowance account are generally written off, when there is no expectation of recovery.

There is no further impaired asset within trade and other receivables.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

11. Trade and other payables

	2008 US$'000	2007 US$'000
Trade payables	**7,553**	19,708
Accrued expenses and other payables	**8,340**	6,846
	15,893	26,554

At 31 December 2008, the ageing analysis of trade payables is as follows:

	2008 US$'000	2007 US$'000
Current	**5,010**	14,708
1 - 30 days	**2,387**	4,709
31 - 60 days	**146**	193
61 - 90 days	**7**	23
Over 90 days	**3**	75
	7,553	19,708

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2008 US$'000	2007 US$'000
US Dollar (USD)	**11,206**	23,312
Hong Kong Dollar (HKD)	**1,683**	1,499
Japanese Yen (JPY)	**1,002**	1,007
Other currencies	**2,002**	736
	15,893	26,554

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Overview

For the year ended 31 December 2008, the book to bill ratio stood at 0.82 (2007: 0.64). The US financial crisis which erupted during the year caused a slump in consumption sentiment and in turn created a challenging market environment for the Group. A drop in demand for driver ICs was experienced by the Group. In the meantime, sales increase to new customers and new businesses yet to mature was unable to offset the drop.

Sales and Profit

The Group's sales amounted to US$93 million (2007: US$165 million). The decline was mainly due to (1) average selling price erosion; (2) weaker than expected demand for consumer electronics against deteriorating macroeconomic conditions and (3) slower than expected development of the Group's new businesses. The Group had a 34% decline year-on-year in shipment quantity of Solomon Systech Limited, the major subsidiary of the Company, and a 15 % year-on-year drop in the blended average selling prices of its products. Gross profit at US$16.9 million was 57 % lower year-on-year as a result of the lower unit shipment and average selling price. Gross profit margin for the year was 18.2% (2007: 23.9%). The lower gross profit margin was the result of inventory provision of US$4.7 million due to rapid market and technology change thus taking away 5.1 percentage points from the gross profit margin, despite that efforts were made by the Group to lower manufacturing cost in the bid to defend the gross profit margin.

Total operating expenses of the Group in 2008 were 3.4% higher than that of 2007 as a result of the full consolidation of WE3 Technology Company Limited ("WE3"). The Group continued to be more selective on R&D spending, therefore, total R&D expenses remained the same as 2007. Affected by (1) a lower gross profit; (2) the provision for impairment loss of available-for-sale financial assets ("AFS") of US$2.2 million; (3) the provision for impairment loss of investment in associated companies of US$1.6 million; (4) the provision for impairment loss of goodwill of US$0.9 million related to a subsidiary of the Group; and (5) the unrealized loss on financial assets at fair value through profit or loss ("FVTPL") of US$5.1 million, the Group recorded net loss attributable to the equity holders of the Company for the year of US$23.4 million (2007: US$10.2 million net profit).

Liquidity and Financial Resources

Net cash generated from operations during the year was US$2.8 million (2007: US$38.0 million). Total cash and bank deposits and equivalents (including other financial assets) of the Group amounted to US$111 million at year-end, compared to US$138 million as at 31 December 2007. The change in cash position was mainly a result of (1) dividends paid of US$6.3 million; (2) purchase of property, plant and equipment of US$4.9 million; (3) corporate strategic investments of US$5.6 million; and (4) net increase in the holding of FVTPL by US$17.7 million for yield enhancement purpose under treasury. Regarding use of its cash reserves, the Group will continue to invest primarily in product development, securing production capacity, strategic corporate venture investments as well as spending on general corporate purposes. As at 31 December 2008, the Group had no significant borrowings and there had been no significant changes on the Group's assets other than those reflected in the consolidated balance sheet. The Group's cash balance was mainly deposited in banks.

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

The Board of the Company recommended the payment of a final dividend of 3 HK cents per share out of the retained earnings to shareholders whose names appear on the Register of Members of the Company on 13 May 2009. The full year dividend per share will then be 3 HK cents translating into a yield of 8.7% based on the average daily closing price of HK$0.344 for 2008.

Capital Expenditure and Contingent Liabilities

In 2008, the Group spent a total of US$10.5 million in capital expenditure, of which US$4.9 million was for property, plant and equipment purchases and US$5.6 million was for strategic corporate venture investment. Property, plant and equipment purchases made during the year were primarily in relation to the office in Taiwan and software tools for IC design.

The Group explored opportunities to purchase office space for own use upon the expiry of the tenancy in Taiwan. Appropriate office space was identified in Hsinchu, Taiwan at a total consideration of NTD55 million (approximately US$1.7 million). The new office has been in use since late December 2008.

A mortgage loan of US$0.9 million with the Taiwan Business Bank was set up in connection with the newly purchase office in Hsinchu, Taiwan. The drawdown date of the mortgage loan was on 14 January 2009 and the initial mortgage interest rate was 2.09% per annum.

In late November 2008, a proposal to invest in a PRC limited liabilities company ("BJ-LED") by injecting CNY4.7 million (approximately US$0.7 million) to transfer the BJ-LED to a Sino-foreign joint venture limited liabilities company ("BJ-LED-JV") for a 47% ownership was approved by the Investment Committee. Subject to PRC government approval, the cash outlay is expected to be within 1H of 2009.

As at 31 December 2008, the Group had no other material capital commitments or contingent liabilities.

BUSINESS PERFORMANCE AND OUTLOOK

Product Shipment

The Group shipped a total 115 million units of display IC, declined by 34% year-on-year (2007: 173 million units). The shipment of monochrome STN and color STN ("CSTN") display ICs decreased as the mobile phone market continued to shift its demand to mobile TFT ("m-TFT") display ICs. M-TFT display ICs shipment recorded a 23% growth to 36.6 million units, reflecting the rate at which the m-TFT product family has been over-taking the monochrome STN and CSTN in sales. OLED display ICs shipment stayed in the range of 25 to 29 million units. The OLED display market has more or less stabilized with the OLED display technology finding its way into various new applications. The shipment of new display ICs fluctuated as the volume shipment changed from mobile phone application to other new emerging applications like electronic shelf label ("ESL"), e-card and portable storage device. The Group also shipped an initial volume of system ICs, Printed Circuit Board Assembly ("PCBA") and LED drivers per the system solution businesses in 2008.

Shipment breakdown by product type is as follows:

Units Shipped (million)	2008	2007	Change
Monochrome STN	**20.6**	32.2	-36.0%
CSTN	**23.9**	63.7	-62.5%
m-TFT	**36.6**	29.8	+22.8%
OLED	**24.6**	29.1	-15.5%
New Display	**7.8**	16.8	-53.6%
System IC	**0.8**	1.2	-33.3%
Miscellaneous	**0.4**	0.6	-33.3%
Total	**114.7**	**173.4**	**-33.9%**

Note: Miscellaneous includes PDA drivers, large display drivers, LED drivers and PCBA.

Business Relationship

To enhance business development and customer relations, the Group strategically focused resources on developing several key customer accounts in 2008. Each key account identified has a dedicated support team, including an account champion, technical and field application support and quality assurance personnel to ensure delivery of timely service to customers as well as explore more opportunities for new projects. The focused-arrangement led to the landing of several major projects in new market applications such as audio video ("AV") products, personal navigation device ("PND"), mobile digital TV ("MDTV") and ESL. The Group will continue to support these strategic accounts targeting to open more business opportunities.

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

For the Display Panel Electronics businesses, the Group currently serves most of the major display module makers in the world. The Group continues to focus on approaching both display module makers and end-product manufacturers directly to ensure it delivers the most appropriate product solutions and value-added services to them. During the year, the Group strengthened relationship with leading customers and top-tier end-product manufacturers from China, Europe, Japan, Korea and Taiwan.

Regarding the Display System Solution businesses, the Group provides customers with total system solutions that support specific emerging applications such as MDTV, PND, portable media player ("PMP"), LED lighting (indoor and outdoor) and LED display. In alignment with independent design house ("IDHs") and lighting system design houses, the Group offers timely and total system solutions to original design manufacturers ("ODMs"). With an enlarged solution offering, the Group was able to broaden its customer base for emerging consumer product applications during the year. The leading technology in system solutions of the Group has allowed it to reinforce business relationship with existing customers and attract new key customers.

Research and Development

Research and development capability is a core competence of the Group. Continual investment in targeted areas testifies to the Group's determination to develop and offer innovative products, expand business, capture new opportunities and stay ahead in the competition. To support business growth and stay competitive in the market, the Group has been relentless in enhancing the features of existing products and developing new products including touch panel IP, dynamic backlight control, new generation Mobile Industry Processor Interface ("MIPI") ICs, as well as supporting total system solutions for MDTV comprising hardware, software and firmware; dual SIM/dual operation GSM/GPRS mobile technology for mobile phones; and LED driver ICs, power supply modules and system design for LED lighting.

In 2008, the Group was granted two patents in the US, two patents in Taiwan and two others in China. It also filed four new patents in the US and presented three technical papers to Synopsys Users Group in China and Singapore.

The Group spent roughly US$19.3 million on research and development in 2008, more or less the same as previous year notwithstanding the full consolidation of WE3 in 2008. As at 31 December 2008, the Group had a research and development workforce of over 280, representing approximately 60% of its entire staff. The personnel mix had been realigned to include more system application and software engineers to match the requirement of the total system solution businesses. The Group's R&D team continually designs products using various wafer technologies as advanced as 90nm. It also has specialist teams in Hong Kong, Shenzhen, Singapore and Taiwan including different 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 31 December 2008, the Group had a workforce of 458, of which approximately 52% were based in Hong Kong and the rest were located in China, Japan, Singapore, Taiwan and the USA. In all, there was a 7% decrease in headcount against 2007 as a result of realignment of the workforce and appropriate cost control.

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

In the first half of 2008, employees who delivered exceptional performances in 2007 were granted cash bonuses. On 24 July 2008, executive directors, selected senior management and employees were granted shares, subject to vesting, in recognition of their performance and as incentive for them to continue to serve the Company. And, for the same purposes, at the Board level, directors were awarded share options.

Prospects

With the book to bill ratio at 0.82 as at 31 December 2008, the first half of 2009 is expected to stay challenging for the Group. Heeding the situation, the Group has been pushing for progress in delivering new technologically leading ICs, new system solutions for emerging applications and expanding its customer base. The Group will continue to diversify its product portfolio and provide fast turnkey solutions to customers.

DISPLAY PANEL ELECTRONICS BUSINESSES

Mobile Display

The Mobile Display business unit had been mainly supporting display ICs for mobile phones for years. Key technologies were migrated from monochrome STN to CSTN and m-TFT display ICs, along with the changes in mobile phone market from black and white display, to color display for showing images, then to color display that supported video streaming, and then to larger size color display with touch panel. Applications of mobile display had also expanded from mobile phones to a variety of consumer electronics.

Aligning with the market changes, the Mobile Display business unit continues to develop new generation display IC products with competitive features and supporting more display resolution formats. Features such as touch panel IP, dynamic backlight control and MIPI interface that integrated within the display ICs are examples of new competitive edges for the Mobile Display products to compete in the market. Meanwhile, market covered by this business unit has increased from mobile phones to MP3/MP4, PND, AV applications and other portable equipment, etc where new family of m-TFT driver IC in landscape display resolution format are developed specifically to address those new applications.

In 2009, the Group expects that m-TFT display ICs will continue to make up a major portion of the IC unit shipment of mobile display business as the product family continues to develop and support competitive features for diversified applications.

OLED Display

Passive Matrix OLED (“PMOLED”) and Active Matrix OLED (“AMOLED”) are two families of OLED technology. The Group continues to be the leader in the PMOLED display ICs market and develop AMOLED display ICs with leading panel makers.

The market for OLED display ICs may be affected by the uncertain consumer confidence, but in general, it will remain stable and steady in 2009, taking into account that the increasing maturity of the OLED display technology for mass production and the OLED display continues to expand to new applications: from mobile phones and consumer electronics like MP3 and Bluetooth headsets, to industrial applications, office equipment as well as health care products.

New Display

Being a leader in the industry with its high-volume production of new display ICs, the Group maintains a positive view on the emerging new display IC business as more applications realize the advantages of the new display technology. The Group began shipping production quantities to electronic shelf label applications in 2008 and the design-in work continues in 2009 for other e-paper projects involving e-signage and portable storage devices. As the e-paper technology improves, new market such as e-cards and mobile decorative display, etc will surface.

All-in-all, the Group believes the demand for new display will surge and it will bring in new revenue streams through tapping into emerging market and new applications; thus it will keep researching and expanding the business to make sure it stays ahead in the competition.

DISPLAY SYSTEM SOLUTION BUSINESSES

Display System Solution

The Group continues to invest in Display System Solution because it believes this business unit is a key part of the Group's success in transforming its business from IC component sales to delivering total system solutions. This business unit will bring in diverse sources of revenue stream and gradually become an important contributor to the Group's financial performance. The Display System Solution business unit delivers total system solutions that can (1) increase display image quality and functions; (2) support high-speed mobile interfaces; (3) generate high-performance multimedia solutions, and (4) integrate advanced wireless technology.

Products in production like image processors and graphic controllers are supporting consumer applications such as MP4, PND, digital photo frames and other portable consumer products. Given the continual design-wins for new display controller products, the Group expects volume shipments continue for the segment in 2009.

With an early leadership in MIPI, the business unit won several design products from top-tier players in the high-speed mobile interface markets. Mass production of the MIPI chipset commenced in 2008 and one of the end products employing the chipset was launched to the market at the end of the year. More design-win projects are expected to be ready for mass production in 2009.

The high-performance MagusCore™ multimedia system solution was launched in the third quarter of 2008, and the end products using MagusCore™ for CMMB, the MDTV standard adopted in China, were subsequently introduced in the China market in November 2008. The Group believes the MagusCore™ system solution stands well in capturing the market and will help to accelerate development of the MDTV industry in China.

As a subsidiary of the Group, WE3 focuses on design, development and integration of advanced wireless technology and devices. It specializes in designing new mobile multimedia applications for end products including GSM/GPRS for mobile phones, GPS for PND and mobile multimedia broadcasting technology for MDTV. With the capability of WE3, the Group expects it to facilitate to the delivery of total system solutions based on the current MDTV platform and expansion of system solutions into other high-volume applications like PND, WiFi and 3.5G mobile internet device.

Green Power

In alignment with the business transformation and diversification, the Group continues to seek for new business opportunities in emerging market. It sees promises in the growing solid state lighting and signage industry for extending its display business with a special focus on the energy-saving or "green" products. To immediately tap opportunities in the thriving industry and provide customers with total system solutions, the Group set up the Green Power business unit in 2008, which aligns its core IC design capability with display specialist and system integrator in the value chain to supply immediate LED lighting solution to the market.

The business alignment involved: (1) acquisition of 21.6% equity ownership of Advanced Packaging Technology Limited ("APT") in 2008, the name of which was changed to Advanced Photoelectronic Technology Limited effective from 17 February 2009; (2) Investment Committee approved in November 2008 a proposal to inject CNY4.7 million (approximately US$0.7 million) into a PRC limited liabilities company ("BJ-LED") by transferring the BJ-LED to a Sino-foreign joint venture limited liabilities company ("BJ-LED-JV") for a 47% ownership subject to PRC government approval, and (3) development of a new LED driver IC family by Solomon Systech Limited.

Armed with the proprietary technology for high-brightness LED from APT, lighting system integration expertise of BJ-LED-JV and the complementary LED driver ICs of Solomon Systech, the collaboration has enabled the Group to capture business in the green power market right away and will be able to bring in new sources of revenue beyond 2009.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SHARES

During the year, the trustee of the Share Award Scheme had, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased from the market total of 8,632,000 shares of HK$0.10 each of the Company for awarded shares. Except for the abovementioned purchase of the Company's own ordinary shares, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the year.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES AND MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUER

The Company has complied with all applicable code provisions as set out in the Code on Corporate Governance Practices in Appendix 14 of The Rules Governing the Listing of Securities (the "Listing Rule") on the Stock Exchange during the year ended 31 December 2008.

The Company has its own written guidelines on securities transactions by directors and relevant employees on no less exacting terms than the required standard set out in Appendix 10 of the Listing Rules of the Stock Exchange. Specific enquiry has been made to all directors and all of them were in compliance with such guidelines during the year ended 31 December 2008.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The audit committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2008. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2008 have been agreed by the Company's auditor, PwC Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year 2008. The procedures performed by PwC Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC Hong Kong on the preliminary announcement.

FINAL DIVIDEND

The Directors of the Company recommended the payment of a final dividend of 3 HK cents per ordinary share to the shareholders of the Company whose names appear on the Register of Shareholders of the Company on 13 May 2009. Subject to the approval in the 2009 Annual General Meeting, the final dividend will be paid on 20 May 2009.

CLOSURE OF REGISTERS OF SHAREHOLDERS

The Register of Shareholders of the Company will be closed from Thursday, 7 May 2009 to Wednesday, 13 May 2009 (both days inclusive), during which no transfer of shares can be registered. In order to qualify for the final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar in Hong Kong, Tricor Investor Services Limited, 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 6 May 2009.

PUBLICATION OF FINAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the financial and other related information of the Company required by the Listing Rules of the Stock Exchange will be published on the Stock Exchange's website at www.hkex.com.hk and the Group's website www.solomon-systech.com.

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

Hong Kong, 25 March 2009

As at the date of this announcement, the Board comprises:

- Executive Directors – Mr. LEUNG Kwong Wai (Managing Director), Mr. CHEUNG Wai Kuen, Kenny, Mr. HUANG Hsing Hua, Mr. LAI Woon Ching and Mr. LO Wai Ming;
- Non-executive Directors – Mr. CHANG Ching Yi, Steven, Dr. LAM Pak Lee, Mr. SHEU Wei Fu (Alternate to Dr. LAM Pak Lee) and Mr. LAM Shun Fu, Percy; and
- Independent Non-executive Directors – Mr. SUN, Patrick (Chairman), Mr. CHOY Kwok Hung, Patrick, and Mr. WONG Yuet Leung, Frankie.