SOLOMON
SYSTECH

SOLOMON SYSTECH (INTERNATIONAL) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2878)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

- Revenue increased by about 3.5% to US$58.6 million
- Gross profit was US$15.1 million, jumped by 51.7%
- Gross margin was 25.8%, increased 8.2% points
- Net profit was US$4.3 million, turnaround from loss of US$9.6 million
- Earnings per share was 0.18 US cent (1.40 HK cents)
- Book-to-bill ratio was 1.2

INTERIM RESULTS

The Directors of Solomon Systech (International) Limited announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2020 together with the comparative figures for the corresponding period as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2020

		Unaudited Six months ended 30 June	
		2020	2019
	Notes	**US$'000**	US$'000
Revenue	4	**58,574**	56,599
Cost of sales		**(43,442)**	(46,626)
Gross profit		**15,132**	9,973
Research and development costs		**(7,865)**	(14,015)
Selling and distribution expenses		**(1,286)**	(1,819)
Administrative expenses		**(4,598)**	(6,430)
Other income and gains – net		**2,753**	2,272
		4,136	(10,019)
Finance income – net	6	**38**	327
		4,174	(9,692)
Share of profits of associates		**165**	43
Profit/(loss) before tax	5	**4,339**	(9,649)
Income tax credit/(expense)	7	**(7)**	23
Profit/(loss) for the period		**4,332**	(9,626)
Attributable to:			
– Owners of the parent		**4,406**	(9,569)
– Non-controlling interests		**(74)**	(57)
		4,332	(9,626)
Earnings/(loss) per share attributable to ordinary equity holders of the parent: (expressed in US cent(s) per share)	8		
– Basic		**0.18**	(0.39)
– Diluted		**0.18**	(0.39)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Unaudited Six months ended 30 June	
	2020	2019
	US$'000	US$'000
Profit/(loss) for the period	**4,332**	(9,626)
Other comprehensive loss		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
– Exchange differences arising on translation of foreign operations	**(19)**	(37)
Total comprehensive income/(loss) for the period	**4,313**	(9,663)
Attributable to:		
– Owners of the parent	**4,387**	(9,606)
– Non-controlling interests	**(74)**	(57)
	4,313	(9,663)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	Unaudited 30 June 2020 US$'000	Audited 31 December 2019 US$'000
NON-CURRENT ASSETS			
Intangible assets		1,200	1,453
Property, plant and equipment		3,545	3,650
Right-of-use assets		1,247	1,697
Investments in associates		1,057	892
Equity investment designated at fair value through other comprehensive income		929	929
Prepayments and deposits	10	50	333
Financial assets at fair value through profit or loss		–	–
Total non-current assets		8,028	8,954
CURRENT ASSETS			
Inventories		19,091	26,791
Trade and other receivables, prepayments and deposits	10	24,055	22,968
Pledged bank deposit		130	130
Cash and cash equivalents		33,418	18,078
Total current assets		76,694	67,967
CURRENT LIABILITIES			
Trade and other payables	11	27,072	23,196
Lease liabilities		1,251	1,292
Deferred income		434	258
Tax payables		88	91
Total current liabilities		28,845	24,837
NET CURRENT ASSETS		47,849	43,130
TOTAL ASSETS LESS CURRENT LIABILITIES		55,877	52,084
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		169	169
Lease liabilities		86	606
Total non-current liabilities		255	775
Net assets		55,622	51,309
EQUITY			
Equity attributable to owners of the parent			
Issued capital		31,967	31,967
Reserves		23,693	19,306
		55,660	51,273
Non-controlling interests		(38)	36
Total equity		55,622	51,309

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. General information

Solomon Systech (International) Limited and its subsidiaries are fabless semiconductor companies specializing in the design, development and sales of proprietary integrated circuits products and system solutions that enable a wide range of display and touch applications for smartphones, tablets, TVs/monitors, notebooks and other smart devices, including wearables, healthcare devices, smart home devices, as well as industrial appliances, etc.

The Company was incorporated in the Cayman Islands on 21 November 2003 as an exempted company with limited liability under Cap.22, the Cayman Islands Companies Law (Law 3 of 1961, as consolidated and revised). The address of its registered office is 2/F., Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands (with effect from 1 April 2020) and the address of its principal office in 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 since 8 April 2004. This condensed consolidated interim financial information is presented in US dollars, unless otherwise stated.

This condensed consolidated interim financial information has been reviewed but not audited, and it was approved for issue on 18 August 2020.

2. Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2020 of the Group has been prepared in accordance with HKAS 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The unaudited condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's consolidated financial statements for the year ended 31 December 2019.

3. Significant accounting policies

The accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial information are consistent with those applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Changes in accounting policies and disclosures

The Group has adopted the following revised HKFRSs for the first time for the current period's financial information.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to HKAS 1 and HKAS 8	Definition of Material

Other than as explained below regarding the impact of the Amendment to HKFRS 16, the adoption of the above revised HKFRSs has had no significant financial effect on this financial information.

Amendment to HKFRS 16

Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's leased properties have been reduced by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the period ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of approximately US$203,000 has been accounted for as variable lease payments by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2020.

4. Segment information and disaggregation of revenue

The Group has principally engaged in the design, development and sales of proprietary IC products and system solutions that enable a wide range of display and touch applications for smartphones, tablets, TVs/monitors, notebooks and other smart devices, including wearables, healthcare devices, smart home devices, as well as industrial appliances, etc.

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 Chief Executive Officer. 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$58,574,000 for the six months ended 30 June 2020 (1H2019: US$56,599,000).

The Company is domiciled in Hong Kong. The Group mainly operates in Hong Kong. During the period under review, the Group's products were mainly sold to customers located in Hong Kong and Taiwan.

(a) Revenue from contracts with customers disaggregated by geographical market

	Unaudited Six months ended 30 June	
	2020	2019
	US$'000	US$'000
Hong Kong	**31,281**	36,887
Mainland China	**5,658**	2,936
Taiwan	**11,539**	6,676
Japan	**2,650**	3,977
Europe	**6,824**	3,538
Korea	**272**	1,841
South East Asia	**102**	152
USA	**50**	254
Others	**198**	338
	58,574	56,599

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

(b) Revenue from contracts with customers disaggregated by product types

	Unaudited Six months ended 30 June	
	2020	2019
	US$'000	US$'000
Advanced Display ICs	**29,056**	20,272
Large Display ICs	**13,430**	21,138
Other ICs	**16,088**	15,189
	58,574	56,599

Other ICs mainly comprises Mobile Touch and Mobile Display products.

(c) Non-current assets

	Unaudited 30 June 2020	Audited 31 December 2019
	US$'000	US$'000
Mainland China	**4,219**	3,956
Hong Kong	**1,135**	2,095
Taiwan	**1,683**	1,877
Korea	**62**	87
Others	**–**	10
	7,099	8,025

Non-current assets are listed based on where the assets are located which exclude financial instruments. Others mainly comprise Japan.

(d) Capital expenditures

	Unaudited Six months ended 30 June	
	2020	2019
	US$'000	US$'000
Property, plant and equipment		
Mainland China	**606**	20
Hong Kong	**20**	–
Taiwan	**–**	15
UK	**–**	15
Korea	**–**	9
	626	59

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

(e) Major customers

For the six months ended 30 June 2020, the largest and the second largest customers were located in Hong Kong. Sales to them were US$10,281,000 and US$8,474,000, respectively, which were all over 10% of the Group's total revenue. For the six months ended 30 June 2019, the largest and the second largest customers were located in Hong Kong. Sales to them were US$20,142,000 and US$7,196,000, respectively, which were all over 10% of the Group's total revenue.

5. Profit/(loss) before tax

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Unaudited Six months ended 30 June	
	2020	2019
	US$'000	US$'000
Cost of goods sold	**43,968**	41,944
Provision for obsolete or slow moving inventories/(reversal of provision for slow moving inventories), net	**(763)**	4,440
Impairment of/(reversal of impairment of) trade receivables, net	**(10)**	80
Amortisation of intangible assets	**253**	2,062
Depreciation of properties, plant and equipment (note)	**701**	847
Depreciation of right-of-use assets	**639**	720
Foreign exchange differences, net	**(76)**	208

Note: Depreciation expense of US$237,000 (1H2019: US$242,000) has been charged in cost of sales, US$137,000 (1H2019: US$172,000) in research and development costs and US$327,000 (1H2019: US$433,000) in administrative expenses.

6. Finance income – net

	Unaudited Six months ended 30 June	
	2020	2019
	US$'000	US$'000
Interest income	**89**	57
Interest on bank loans	**(1)**	(1)
Interest on lease liabilities	**(50)**	(82)
Dividend income	**–**	24
Fair value gains from financial assets at FVTPL, net	**–**	329
	38	327

7. Income tax

No provision for Hong Kong profits tax has been made as the Group has available tax losses brought forward from prior years to offset the assessable profits generate during the period. In the prior period, no provision for Hong Kong profits tax had been made as the Group had no estimated assessable profits. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Unaudited Six months ended 30 June	
	2020	2019
	US$'000	US$'000
Current – Elsewhere		
– Charge for the period	**7**	3
Deferred income tax	**–**	(26)
Total tax charge/(credit) for the period	**7**	(23)

8. Earnings/(loss) per share

(a) Basic earnings/(loss) per share

The basic earnings/(loss) per share is calculated based on the Group's profit/(loss) for the period attributable to owners of the parent and the weighted average number of 2,480,252,351 (1H2019: 2,480,252,351) ordinary shares in issue during the period.

The Group's profit for the period attributable to owners of the parent was US$4,406,000 (1H2019: loss of US$9,569,000).

(b) Diluted earnings/(loss) per share

The diluted earnings/(loss) per share is calculated based on the Group's profit/(loss) attributable to owners of the parent and the weighted average number of ordinary shares in issue after adjusting for the effects of all dilutive potential ordinary shares during the period.

The information related to the weighted average number of ordinary shares is as follows:

	Number of shares Unaudited Six months ended 30 June 2020	2019
Weighted average number of ordinary shares in issue	**2,480,252,351**	2,480,252,351
Conversion of all dilutive share options outstanding[i]	**–**	–
Adjusted weighted average number of ordinary shares for diluted earnings per share calculation	**2,480,252,351**	2,480,252,351

(i) No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 June 2020 in respect of a dilution as the impact of the 13,300,000 share options outstanding had no dilutive effect on the basic earnings per share amount presented.

No adjustment had been made to the basic loss per share amount presented for the six months ended 30 June 2019 in respect of a dilution as the impact of the 15,660,000 share options outstanding which could potentially have a dilutive impact but were anti-dilutive for the period then ended.

9. Dividend

No dividend for the year ended 31 December 2019 was declared or paid by the Company. In addition, the Board resolved not to declare an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

10. Trade and other receivables, prepayments and deposits

	Unaudited 30 June 2020 US$'000	Audited 31 December 2019 US$'000
Trade receivables	**19,917**	18,158
Trade receivables from related parties	**1,598**	1,702
Impairment	**(210)**	(220)
Trade receivables – net	**21,305**	19,640
Deposits, prepayments and other receivables	**2,675**	3,153
Prepayments to related parties	**75**	175
Trade and other receivables, prepayments and deposits – current portion	**24,055**	22,968
Prepayments and deposits – non-current portion	**50**	333
	24,105	23,301

As at 30 June 2020, 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 invoice date and net of loss allowance, is as follows:

	Unaudited 30 June 2020 US$'000	Audited 31 December 2019 US$'000
1–30 days	10,520	13,841
31–60 days	4,601	4,007
61–90 days	4,223	1,641
91–180 days	1,929	9
181–365 days	32	142
	21,305	19,640

The movements in the loss allowance for impairment of trade receivables are as follows:

	Unaudited 30 June 2020 US$'000	Audited 31 December 2019 US$'000
At beginning of period/year	220	140
Impairment losses/(reversal of impairment losses)	(10)	80
At end of period/year	210	220

11. Trade and other payables

	Unaudited 30 June 2020 US$'000	Audited 31 December 2019 US$'000
Trade payables	17,986	15,845
Accrued expenses and other payables	6,195	5,585
Contract liabilities	1,856	934
Refund liabilities	1,035	832
	27,072	23,196

As at 30 June 2020, the ageing analysis of trade payables based on invoice date is as follows:

	Unaudited 30 June 2020 US$'000	Audited 31 December 2019 US$'000
1–30 days	7,117	6,850
31–60 days	5,962	5,907
61–90 days	3,396	3,000
Over 90 days	1,511	88
	17,986	15,845

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

BUSINESS REVIEW

The business environment in the first half of 2020 was challenging and complicated due to the high uncertainties surrounding the COVID-19 pandemic ("the pandemic") and the U.S.-China trade dispute. According to the *First Quarter Economic Report* 2020 released by the Hong Kong government, the total exports of goods in Hong Kong saw a dramatic year-on-year fall of 9.9% in real terms in the first quarter of 2020. Domestic demand also weakened markedly, reflecting the serious disruptions caused by the threat of the pandemic across countries and subdued business sentiment.

To support communities during the pandemic, we continued to invest in R&D and leverage international partnerships to fulfill the need for shipment of millions of units of Advanced Display ("AD") products for medical devices in the reporting period.

> ***Attributable to the strong growth of the AD business, the Group's total shipments registered an increase of approximately 7.9% to about 175.5 million units, while revenue increased around 3.5% year-on-year to approximately US$58.6 million during the period under review.***

The Group's new management has devised a wide range of strategies to improve its business performance, including minimizing operating expenses and restructuring the product type mix, contributing to the remarkable business turnaround of the Group for the reporting period.

The Group's unit shipments by product types during the period under review were as follows:

Units Shipped (million units)	**1H 2020**	1H 2019	Change	2019 Full Year
Advanced Display	**109.0**	66.7	63.4%	134.9
Large Display	**38.9**	67.9	(42.7%)	122.6
Others	**27.6**	28.0	(1.4%)	51.2
Total	**175.5**	162.6	7.9%	308.7

Advanced Display

Our AD products include PMOLED displays, bistable products, micro-/mini-LED products and OLED lighting products. In addition to standard ICs, the Group also provides custom IC design services, including analog, mixed-signal and high-voltage IC designs to cater for the specific needs of individual customers.

During the period under review, the pandemic has triggered the demand for healthcare products worldwide, which was translated into increased orders for portable healthcare devices and related applications for the Group's PMOLED display driver ICs, and thereby has changed the mix of the AD products. The total unit shipments of the AD products during the period under review registered a double-digit growth of around 63.4% to approximately 109 million units (1H 2019: 66.7 million units).

Despite the sluggish economy dampening the global demand for wearable applications in general, the Group has maintained its business with renowned wearable brands. To capitalize on the growing potential of smart home appliances market under the rising trend of Artificial Intelligence of Things ("AIoT"), the Group has successfully achieved related design-in projects, including wireless Bluetooth speakers, smart door knobs, etc.

In view of dynamic shifts in global overseas retail market conditions, the Group shifted its focus to promote its new bistable display driver IC for medium-sized ESL panels of 4 inches to 6 inches used at mega stores in the first half of 2020, eyeing on the markets of Europe and the U.S.

Seeing the strong potential of micro-LED which is said to be emerging as a next generation display technology featuring ultra-high display brightness and fine pixel pitch, the Group has started engaging in the development of this ground-breaking technology since 2016. Over the years, we have made significant progress through strategic collaborations with leading companies. In the reporting period, we have received orders that paved the way for applying micro-LED technology to mass production.

Large Display

The Group's Large Display ("LD") products include large panel TFT LCD display driver ICs developed for TVs, monitors and other applications.

During the period under review, apart from a shortage of certain raw materials for wafer for its LD products, the global demand for TVs had also slowed down due to the pandemic. Nonetheless, China's market has gradually recovered since June 2020.

The Group's LD business registered a decline of about 42.7% in total shipments year-on-year to approximately 38.9 million units (1H 2019: 67.9 million units). In spite of this, the Group has continued to develop new product in this area to prepare for its future business growth.

Samples of the point-to-point ("P2P") display driver IC for the high-end 120Hz UHD TV and 8K TV markets were made ready-for-testing during the review period.

Others

In addition to AD and LD products, the Group also offers another range of products, which includes: Mobile Display ("MD") products such as In-Cell TDDI ICs, TFT display driver ICs and MIPI bridge ICs; and Mobile Touch ("MT") products including LCD touch controller ICs (Out-Cell/On-Cell), etc.

The unit shipments of this category of products decreased slightly by approximately 1.4% year-on-year to around 27.6 million units (1H 2019: 28.0 million units).

The pandemic has seriously impacted the demand for most consumer electronics products from February to April 2020, especially in the overseas market. The demand for mobile devices in China and consumer sentiment have gradually recovered and resumed respectively from May 2020 onwards that ultimately helped boost revenue from MD in relation to TDDI and DDI. Inventory level of the Group's MD business was gradually reduced in June this year.

Besides, demand from specific customer segments, such as video games related products boomed due to the COVID-19 pandemic. As more people stayed at home and played video games, the MT IC, the product line which supported game consoles, was one of the product lines that most benefited in the reporting period. As a result, the sales forecast for the reporting period could be achieved in conjunction with a number of design wins. The drastic demand for the aforesaid product consumed most of the inventories in May and June 2020 with inflows in return.

PRODUCT DEVELOPMENT

Product development has always been the cornerstone of the Group's business. To emerge stronger from the unprecedented pandemic and pave the way for future development, the Group has maintained its investment in R&D to develop new products and has continued to enhance the features of existing products. During the period under review, the Group has invested approximately US$7.9 million in R&D, representing about 57.2% of total expenses and 13.4% of sales.

OUTLOOK

Despite the fact that the lingering uncertainty in the global economy may continue to weigh on the Group's business as a whole, the AD business is expected to continue its strong growth. A number of new products and design win projects are expected to start contributing to the Group's revenue. For instance, its custom ICs are going to be widely used in digital signage benefiting both the AD and MD businesses. Moreover, the product type mix strategies implemented have yielded favorable returns. The favorable book-to-bill ratio of 1.2 is also a positive indicator of growth.

Advanced Display

The Group's key innovation of the PMOLED Touch and TDDI IC, SSD7317, is anticipated to enter mass production by the end of 2020 and contribute to the revenue stream. We have received and processed its sample orders in the first half of 2020. The Group also strives to capitalize on the growth potentials of smart home appliances and AIoT with grayscale displays.

The Group's bistable display driver IC business, bolstered by the constant development in retail automation and wide commercial applications spanning across logistics and signage demonstration, is set to continue its strong growth momentum in the second half of the year. The Group has put in efforts in developing a new generation bistable color display IC that supports multiple colors, so as to unleash new potential for business growth.

Resources will be devoted to working with market leading micro-LED panel manufacturers to develop more new ICs with technological breakthroughs plus fulfilling the market needs. Thanks to the efforts of the Group's team, these new products are now mature and ready for launch by the end of 2020.

Large Display

The Group's LD driver IC business is set to regain its growth momentum in the second half of 2020.

The Group's business with the key customer in Nanjing is anticipated to prosper, and as a major supplier of the key customers in Chengdu and Xianyang which have large production capacities, the Group is ready to leverage these customers' expanding business to drive its own further growth. The P2P display driver IC for the high-end TV markets is expected to be ready to start production in the second half of 2020.

Others

For MD, the demand for its products in the second half of the year is expected to remain strong, encouraged by the signs of China's economic recovery. In particular, we foresee that MIPI, TDDI and DDI products will be in demand. The major challenge is the capacity support on wafers. The MD business will continue to grow and to prosper with enhanced capacity and the support from our close factory partners.

To keep pace with the ever changing technology trends and diversify the risk from dependence on one single mobile market in China to multiple markets worldwide, a wide range of new driver products, custom ICs applicable to smart wearables along with public information display applications have been planned and developed for launch in the upcoming months. It is anticipated that this new target segment of MD products will be able to contribute to the Group's revenue starting from next year.

FINANCIAL REVIEW

Results

Despite the challenging and uncertain business environment during the period under review, the Group recorded a mild growth of 3.5% in revenue to US$58.6 million (1H 2019: US$56.6 million), mainly attributed to the strong growth of the Group's AD products. The overall book-to-bill ratio of the Group for the period in 2020 was 1.2 (1H 2019: 1.1).

Gross profit of US$15.1 million and gross margin of 25.8% were recorded for the six months ended 30 June 2020 (1H 2019: US$10.0 million and 17.6%, respectively). The significant improvement in gross profit and profit margin was mainly attributable to the change in profit mix types during the six months ended 30 June 2020.

S&D expenses of US$1.3 million and administrative expenses of US$4.6 million represented a decrease by 29.3% and 28.5% in respectively, as compared to corresponding period in last year, as a result of the effective cost controls starting from the last quarter in 2019.

Being a technology company, the Group is committed to investing in product R&D and business development. The Group remained selective in its product R&D spending. Its R&D costs during the period under review amounted to US$7.9 million (mainly staff costs and amortization of intangible assets) (1H 2019: US$14.0 million).

The Group has reported a net profit attributable to owners of the parent of US$4.4 million (1H 2019: loss of US$9.6 million). The Board resolved not to declare an interim dividend for the six months ended 30 June 2020.

Liquidity and Financial Resources

	Unaudited 30 June 2020 US'000	Audited 31 December 2019 US'000
Current assets	**76,694**	67,967
Current liabilities	**28,845**	24,837
Net current assets	**47,849**	43,130
Current ratio	**265.9%**	273.7%

The Group's current ratio was 265.9% as at 30 June 2020 (31 December 2019: 273.7%), reflecting a strong liquidity in its financial position. The position of working capital representing by net current assets was US$48 million, which had no significant change from the last corresponding period.

The Group has invested in financial assets as part of its treasury management for interest and dividend income. During the period under review, the Group recorded an interest and dividend income of US$0.1 million (1H 2019: US$0.1 million).

As a result, the Group recorded a net finance income of US$38,000 (1H 2019: US$0.3 million) from financial investments.

Treasury Management

The Group has an internal treasury review team (the "Team") to execute treasury management policy, review the overall investment portfolio and monitor the performance on a regular basis to increase the yield of cash reserves. The Team conducts regular review meetings or teleconferences with individual external portfolio managers and holds internal review meetings to evaluate and monitor the investment performance.

Total cash and cash equivalents and bank deposits of the Group were US$33.4 million as at 30 June 2020, an increment of US$15.3 million, compared to US$18.1 million as at 31 December 2019. Cash and cash equivalents and bank deposits of the Group were mainly denominated in US dollar and Renminbi.

The Group will continue to allocate funds for product development, securing production capacity, broadening its customer base and capture market and sales opportunities, entering into strategic corporate ventures and meeting general corporate operational purposes. The Group will also continue to execute its treasury management policy to enhance the yield of cash reserves during the period of low interest return. As at 30 June 2020, the Group had no major borrowing other than the revolving bank credit lines of a Korean subsidiary for working capital financing amounting to US$0.2 million denominated in Korean Won. The Group's cash balance was mainly invested in various deposits in banks.

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 had not used any derivative instruments to hedge against foreign currency exposure in operation as the Board considered this exposure to be insignificant.

Capital Expenditure and Contingent Liabilities

During 1H 2020, capital expenditure of the Group was US$626,000 (1H 2019: US$59,000).

As at 30 June 2020, there was US$0.5 million capital expenditure contracted but not provided for (31 December 2019: US$0.2 million).

Aside from the aforesaid, the Group had no other material capital commitment or contingent liability.

Acquisition and Disposal of Material Subsidiaries and Associates

The Group did not acquire or dispose of any material subsidiaries and associates during the period under review.

Charge of Assets

As at 30 June 2020, the Group did not have any charge on its assets.

HUMAN RESOURCES

As of 30 June 2020, the Group had a total workforce of 278 employees*. About 41% of the workforce were based at the Hong Kong headquarters, with the rest located in Mainland China, Japan, Korea and Taiwan.

* Data excludes the manufacturing subsidiary in Mainland China

CORPORATE GOVERNANCE AND SUPPLEMENTARY INFORMATION

Compliance with Corporate Governance Code

The Board and the management of the Group are committed to achieving and maintaining high standards of corporate governance, which the Group considers as critical in safeguarding the integrity of its business operations and maintaining investors' trust in the Company.

The Company has complied with all the applicable Code Provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2020.

Compliance with the Model Code

The Company has its own written guidelines on securities transactions by Directors and relevant employees on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules. Specific enquiry has been made to all Directors, and all Directors have confirmed that they have been in compliance with such guidelines during the six months ended 30 June 2020.

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 six months ended 30 June 2020.

Review of Condensed Consolidated Interim Financial Information

The Audit Committee is composed of two Independent Non- executive Directors and one Non-executive Director. The unaudited condensed consolidated interim financial information has been reviewed by the Audit Committee of the Company alongside the management.

The unaudited condensed consolidated interim financial information has been reviewed by the Company's independent auditor, Ernst & Young, 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 Company.

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

All the interim financial and other related information of the Group required by the Listing Rules has been published on the Stock Exchange's website (*www.hkexnews.hk*) and the Company's website (*www.solomon-systech.com*) on 18 August 2020.

On behalf of the Board
Solomon Systech (International) Limited
Wang Wah Chi, Raymond
Chief Executive Officer

Hong Kong, 18 August 2020

As at the date of this announcement, the Board comprises: (a) Executive Directors – Mr. Wang Wah Chi, Raymond (Chief Executive Officer) and Mr. Lo Wai Ming; (b) Non-executive Directors – Mr. Ma Yuchuan (Chairman), Dr. Li Jun and Mr. Yu Jian; and (c) Independent Non-executive Directors – Mr. Leung Heung Ying, Mr. Sheu Wei Fu and Mr. Yiu Tin Chong, Joseph.

DEFINITIONS AND GLOSSARY

Board	Board of Directors
China	Mainland China, for the purpose of this report, excludes Hong Kong and Macau Special Administrative Regions
Code Provision(s)	Code provision(s) in the Corporate Governance Code contained in Appendix 14 to the Listing Rules
Company	Solomon Systech (International) Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
Director(s)	The director(s) of the Company
ESL	Electronic Shelf Label
FVTPL	Fair value through profit or loss
Group	The Company and its subsidiaries
HKAS	Hong Kong Accounting Standards
HK$/HKD	Hong Kong dollars
HKFRS	Hong Kong Financial Reporting Standards, or collectively for HKAS and Hong Kong Financial Reporting Standards
Hong Kong/HK/HKSAR	Hong Kong Special Administrative Region
IC	Integrated Circuit
LCD	Liquid Crystal Display
Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange
MIPI	Mobile Industry Processor Interface
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
OLED	Organic Light Emitting Diode
PMOLED	Passive Matrix Organic Light Emitting Diode
PRC	The People's Republic of China, for the purpose of this report, excluded Hong Kong and Macau Special Administration Regions
R&D	Product Design, development and engineering
S&D	Selling and Distribution
the Stock Exchange	The Stock Exchange of Hong Kong Limited
TDDI	Touch and Display Driver Integration
TFT	Thin Film Transistor
UHD	Ultra high definition (UHD or 4K/8K) is a display resolution standard of at least 3840 x 2160 pixels (8.3 megapixels; 4K)
USA/U.S.	United States of America
US$	US dollars