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**SOLOMON
SYSTECH**

SOLOMON SYSTECH (INTERNATIONAL) LIMITED

晶門半導體有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2878)

2020 ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Revenue increased by about 12.0% to US\$121.3 million.
- Gross profit was US\$35.8 million, jumped by 68.1%.
- Gross margin was 29.6%, increased 9.9% points.
- Profit attributable to owners of the parent was US\$11.7 million, turnaround from loss of US\$27.3 million.
- Earnings per share was 0.5 US cent (3.9 HK cents).
- Book-to-bill ratio was 1.4.
- The Board proposed a final dividend per share of 0.8 HK cent (approximately 0.1 US cent) for the year ended 31 December 2020.

ANNUAL RESULTS

The Directors of Solomon Systech (International) Limited announce the consolidated annual results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2020 together with the comparative figures for the corresponding year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	2020 US\$'000	2019 US\$'000
Revenue	4	121,261	108,323
Cost of sales		(85,416)	(86,995)
Gross profit		35,845	21,328
Research and development costs		(16,876)	(24,728)
Selling and distribution expenses		(2,476)	(3,133)
Administrative expenses		(11,103)	(12,409)
Other expenses		–	(13,532)
Other income and gains – net	5	6,197	4,138
		11,587	(28,336)
Finance income – net	6	83	1
		11,670	(28,335)
Share of profits of associates		208	155
Profit/(loss) before tax	7	11,878	(28,180)
Income tax credit/(expense)	8	(198)	375
Profit/(loss) for the year		11,680	(27,805)
Attributable to:			
– Owners of the parent		11,715	(27,272)
– Non-controlling interests		(35)	(533)
		11,680	(27,805)
Earnings/(loss) per share attributable to ordinary equity holders of the parent: (expressed in US cent(s) per share)	9		
– Basic		0.5	(1.1)
– Diluted		0.5	(1.1)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 US\$'000	2019 US\$'000
Profit/(loss) for the year	11,680	(27,805)
Other comprehensive income/(loss)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
– Exchange differences arising on translation of foreign operations	378	(53)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
– Equity investment designated at fair value through other comprehensive income:		
Changes in fair value	–	90
Other comprehensive income for the year	378	37
Total comprehensive income/(loss) for the year	12,058	(27,768)
Attributable to:		
– Owners of the parent	12,097	(27,234)
– Non-controlling interests	(39)	(534)
	12,058	(27,768)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 US\$'000	2019 US\$'000
NON-CURRENT ASSETS			
Intangible assets		1,022	1,453
Property, plant and equipment		3,722	3,650
Right-of-use assets		839	1,697
Investments in associates		916	892
Equity investment designated at fair value through other comprehensive income		929	929
Prepayments and deposits	11	22	333
Financial assets at fair value through profit or loss		—	—
Total non-current assets		7,450	8,954
CURRENT ASSETS			
Inventories		16,428	26,791
Trade and other receivables, prepayments and deposits	11	19,402	22,968
Pledged bank deposit		130	130
Cash and cash equivalents		50,827	18,078
Total current assets		86,787	67,967
CURRENT LIABILITIES			
Trade and other payables	12	29,341	23,196
Interest-bearing bank borrowings		181	—
Lease liabilities		762	1,292
Deferred income		94	258
Tax payable		302	91
Total current liabilities		30,680	24,837
NET CURRENT ASSETS		56,107	43,130
TOTAL ASSETS LESS CURRENT LIABILITIES		63,557	52,084
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		—	169
Lease liabilities		125	606
Deferred tax liability		—	—
Total non-current liabilities		125	775
Net assets		63,432	51,309
EQUITY			
Equity attributable to owners of the parent			
Issued capital		31,977	31,967
Reserves		31,458	19,306
		63,435	51,273
Non-controlling interests		(3)	36
Total equity		63,432	51,309

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. General information

Solomon Systech (International) Limited and its subsidiaries are fabless semiconductor companies specializing in the design, development and sales of integrated circuits (“IC”) products and system solutions that enable a wide range of display applications for smartphones, tablets, smart 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 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.

These consolidated financial information are presented in US dollars, unless otherwise stated.

2. Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial assets which have been measured at fair value.

3. Change in accounting policies and disclosure

The Group has adopted the Conceptual Framework for Financial Reporting 2018 and the following revised HKFRSs for the first time for the current year’s financial statements:

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

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 these financial statements.

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 for annual periods beginning on or after 1 June 2020 with earlier application permitted, and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly leased 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 year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of approximately US\$281,000 has been accounted for as variable lease payments by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

4. Segment information and disaggregation of revenue

During the year, the Group was principally engaged in the design, development and sales of proprietary IC products and system solutions that enable a wide range of display applications for smartphones, tablets, smart 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 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 as a whole to assess performance and allocate resources. A management approach has been used for the operating segment reporting.

Sales amounted to US\$121,261,000 and US\$108,323,000 for the years ended 31 December 2020 and 2019, respectively.

The Company is domiciled in Hong Kong. The Group mainly operates in Hong Kong. During 2020, the Group's products were mainly sold to customers located in Hong Kong, Mainland China, Taiwan and Europe.

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

	2020 US\$'000	2019 US\$'000
Hong Kong	64,394	72,510
Mainland China	16,394	7,276
Taiwan	21,201	13,976
Europe	12,394	5,880
Japan	5,833	5,489
Korea	536	2,433
South East Asia	135	286
USA	84	329
Others	290	144
	121,261	108,323

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

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

	2020 US\$'000	2019 US\$'000
Advanced Display ICs	61,901	39,224
Large Display ICs	27,467	39,054
Other ICs	31,893	30,045
	121,261	108,323

Other ICs mainly comprise Mobile Touch and Mobile Display products.

(c) Non-current assets

	2020 US\$'000	2019 US\$'000
Hong Kong	686	2,095
Mainland China	4,052	3,956
Taiwan	1,725	1,877
Korea	36	87
Japan	—	10
	6,499	8,025

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

(d) Capital expenditures

	2020 US\$'000	2019 US\$'000
Property, plant and equipment		
Mainland China	963	177
Hong Kong	94	109
Taiwan	89	8
United Kingdom	—	15
Others	—	14
	1,146	323

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

(e) Major customers

For the year ended 31 December 2020, the largest and the second largest customers were located in Hong Kong. Sales to them were US\$19,364,000 and US\$18,781,000, respectively, which were all over 10% of the Group's total revenue. For the year ended 31 December 2019, the largest and the second largest customers were located in Hong Kong. Sales to them were US\$36,371,000 and US\$14,568,000, respectively, which were all over 10% of the Group's total revenue.

(f) Performance obligation

Sale of integrated circuits products

The performance obligation is satisfied upon delivery of the products and payment is generally due within 30 to 90 days from date of delivery. Some contracts provide customers with volume rebates which give rise to variable consideration subject to constraint.

5. Other income and gains – net

	2020 US\$'000	2019 US\$'000
Government grants*	3,639	3,920
Gain/(loss) on disposal of items of property, plant and equipment	677	(20)
Licensing income	1,600	—
Others	281	238
	6,197	4,138

* Various government grants have been received for the Group's research and development projects and certain supports from the Anti-epidemic Fund have been received for operation during the year. There are no unfulfilled conditions relating to these grants.

6. Finance income – net

	2020 US\$'000	2019 US\$'000
Interest income	180	146
Dividend income	—	25
Fair value loss from financial assets at FVTPL, net	—	(21)
Interest on bank loans	(2)	(2)
Interest on lease liabilities	(95)	(147)
	83	1

7. Profit/(loss) before tax

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

	2020 US\$'000	2019 US\$'000
Cost of goods sold	85,260	79,815
Product engineering costs	2,656	3,813
Provision for obsolete or slow moving inventories/(reversal of provision for slow moving inventories), net	(318)	6,696
Amortisation of intangible assets	490	3,851
Depreciation of property, plant and equipment	1,291	1,662
Depreciation of right-of-use assets	1,382	1,430
Lease payments not included in the measurement of lease liabilities	133	400
COVID-19-related rent concession from lessors	(281)	—
Foreign exchange differences, net	408	225
Auditor's remuneration	200	213
Impairment of goodwill	—	2,317*
Impairment of other intangible assets	—	7,988*
Impairment of right-of-use assets	—	67*
Impairment of property, plant and equipment	—	12*
Impairment of trade receivables	—	80*
Termination benefits	157	3,068*

* These items are included in "Other expenses" in the consolidated statement of profit or loss.

8. Income tax

No provision for Hong Kong profits tax has been made for the current year as the Group has available tax losses brought forward from prior years to offset the assessable profits generated during the year. In the prior year, 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.

	2020 US\$'000	2019 US\$'000
Current – Elsewhere:		
Charge for the year	198	5
Overprovision in prior years	—	(67)
Deferred income tax	—	(313)
Total income tax expense/(credit)	198	(375)

9. Earnings/(loss) per share

(a) Basic earnings/(loss) per share

The basic earnings/(loss) per share for the year is calculated based on the Group's profit/(loss) in 2020 attributable to owners of the parent of US\$11,715,000 (2019: loss of US\$27,272,000) and the weighted average number of 2,480,302,624 (2019: 2,480,252,351) ordinary shares in issue during the year.

(b) Diluted earnings/(loss) per share

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

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

	Number of shares	
	2020	2019
Weighted average number of ordinary shares in issue	2,480,302,624	2,480,252,351
Effect of dilution – weighted average numbers of ordinary share: Share options	213,386	–
Adjusted weighted average number of ordinary shares for diluted earnings/(loss) per share calculation	2,480,516,010	2,480,252,351

10. Dividends

	2020 US\$'000	2019 US\$'000
Final dividend attributed to the year:		
2020 final dividend, proposed, of 0.8 HK cent (approximately 0.1 US cent) per ordinary share ⁽ⁱ⁾	2,566	–

Note:

At a meeting held on 23 March 2021, the Directors recommend the payment of a final dividend of 0.8 HK cent per ordinary share, totaling HK\$19,885,000 (approximately US\$2,566,000). The proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retaining earnings for the year ended 31 December 2020.

11. Trade and other receivables, prepayments and deposits

	2020 US\$'000	2019 US\$'000
Trade receivables	13,899	18,158
Trade receivables from related parties	1,609	1,702
Impairment	(220)	(220)
Trade receivables – net	15,288	19,640
Deposits, prepayments and other receivables	3,928	3,153
Prepayments to related parties	186	175
Trade and other receivables, prepayment and deposits – current portion	19,402	22,968
Prepayments and deposits – non-current portion	22	333
	19,424	23,301

As at 31 December 2020, the Group's trade receivables from corporate customers were mainly on credit terms of 30 to 90 days. As at 31 December 2020, the ageing analysis of trade receivables based on invoice dates and net of loss allowance, is as follows:

	2020	2019
	US\$'000	US\$'000
1–30 days	6,391	13,841
31–60 days	3,971	4,007
61–90 days	2,687	1,641
91–180 days	2,239	9
181–365 days	–	142
	15,288	19,640

12. Trade and other payables

	2020	2019
	US\$'000	US\$'000
Trade payables	15,717	15,845
Trade payable to a related party	47	–
	15,764	15,845
Accrued expenses and other payables	9,696	5,585
Contract liabilities	2,598	934
Refund liabilities	1,283	832
	29,341	23,196

At 31 December 2020, the ageing analysis of the trade payables based on invoice dates is as follows:

	2020	2019
	US\$'000	US\$'000
1 - 30 days	7,278	6,850
31 - 60 days	6,812	5,907
61 - 90 days	1,462	3,000
Over 90 days	212	88
	15,764	15,845

The trade and other payables are non-interest-bearing and have an average term of three months.

Contract liabilities include short-term advances received from customers for the sale of ICs.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Business Review

The business environment in 2020 was complex and austere. The COVID-19 pandemic (the “Pandemic”) has prompted governments around the world to implement trade restrictions which has impacted the supply chain of semiconductor industry alongside the China-U.S. trade dispute. According to the 2020 Economic Background and 2021 Prospects released by the Government of the Hong Kong Special Administrative Region, total exports of goods fell mildly by 0.3% in real terms for the year of 2020. The fall of the total exports of goods in Hong Kong in the first half of the year, amid significant disruptions to the regional supply chains and plunging global demand, was followed by a visible revival in the second half alongside the recovery of the global economy and the sustained V-shaped rebound of the Mainland economy. Exports to the United States and the European Union fell sharply for the year as a whole, domestic demand also weakened noticeably resulting from job and income conditions worsened due to the threat of the Pandemic.

When facing the challenges caused by the supply chain disruptions and volatile markets, the Group’s management has, still, devised a vast 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)	2020	2019	Change
Advanced Display (“AD”)	245.8	134.9	82.2%
Large Display (“LD”)	78.9	122.6	-35.6%
Others	54.7	51.2	6.8%
Total	379.4	308.7	22.9%

Advanced Display

Our AD products include PMOLED displays, bistable products, micro-LED (“μLED”)/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 82.2% to approximately 245.8 million units (2019: 134.9 million units).

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 smart electric toothbrush and smart thermostat electric kettle, 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 2.6 inches to 4 inches used at mega stores in the second half of 2020, eyeing on the markets of Europe and the U.S.

Seeing the strong potential of mini-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 mini-LED technology to mass production.

Large Display

The Group’s LD products include large panel TFT LCD display driver ICs developed for TVs, monitors and other applications.

The Group’s LD business registered a decline of 35.6% in total shipments year-on-year to approximately 78.9 million units (2019: 122.6 million units).

Revenue from TVs products had also slowed down in the first quarter of 2020 due to the Pandemic, which was rebounded in the second quarter owing to strong work-from-home demand. Another factor for a drop in revenue driven by LD products as a whole was having model transition in the second half of the year. We quickly picked up and led the revenue stream adjustment after the model line reshuffling subsequent to a company acquisition of a customer.

In spite of the tight supply chain, the Group, a fabless player, has developed a foundry-sourcing strategy, so as to cope with capacity constraint of our LD product lines and facilitate its future business growth.

High speed point-to-point (“P2P”) display driver IC for the 165Hz high refresh rate gaming monitor and 8K TV markets was launched during the reporting 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 saw an increase of approximately 6.8% year-on-year to around 54.7 million units (2019: 51.2 million units). The revenue target of this category of products was achieved by seizing the opportunities in this period.

Notwithstanding the Pandemic has impacted the demand of consumer electronic products worldwide in 2020 and some new consumer electronic projects driven by brand owners might be pending or even suspended, the demand for mobile devices in China and the consumer sentiment have gradually recovered starting from the second half of 2020, which ultimately helped boost revenue from MD in relation to TDDI and DDI.

Furthermore, demand derived from specific customer segments, such as video games related products, in contrast boomed due to the 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 in these segments.

Product Development

In 2020, the Group spent approximately US\$16.9 million on R&D, representing about 55% of total operating expenses and 13.9% of total revenue for the year.

The Group's product R&D engineering teams possess domain expertise in various areas, spanning from design of high-speed serial master bridges, In-Cell and On-Cell touch controller ICs, to display drivers for various panel technologies such as amorphous silicon TFT, metal-oxide TFT, LTPS, PMOLED, μ LED/mini-LED and AMEPD. This wide array of critical knowhow enables us to drive sales growth in response to fulfilling market needs promptly and maintaining our competitive edges.

IP Development

The IPs that have been developed or were under development during 2020 included, among others, high bandwidth PLL for spread spectrum tracking; e-paper display panel diagnostic; high voltage booster circuit diagnostic; 2D local dimming engine with QD film color compensation; multi-line addressing scheme for high resolution passive matrix μ LED; and driving scheme for touch sensing and display driving on dual-gate TFT display.

During the year, the Group has been granted 28 patents and filed 15 patents covering various display design and application areas. With the competitive advantage of around 650 patents, the Group has been encouraging patent application, with a view to further strengthening its intellectual property portfolio to facilitate business growth in the future.

Outlook

Despite the fact that the lingering uncertainties in the global economy and supply chain 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 1.4 is also a positive indicator of growth.

Advanced Display

The Group's key innovation of the PMOLED (Touch + Display) TDDI IC, SSD7317, is anticipated to enter mass production in smart home appliances and contribute to the revenue stream. 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 2021 for the benefits to manage the out-of-stock shelves, absence of workers and increased consumer demand under the Pandemic. 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 μ LED/mini-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 expected to be launched in the first half of 2021.

Soaring demand for electronics devices has created a global shortage of semiconductors, encompassing PMOLED and bistable display driver ICs, and system components as well. With the growing demand and an elevated backlog, we are facing a constraint of operating with component supply shortages that may hinder our growth through in 2021.

Large Display

We expect that the Group's P2P product focusing on gaming monitors will be in demand with high growth potential in 2021. The major challenge is the capacity support on wafers for the overall large size DDI products. We will strive to fully utilize the wafer usage and our backend capacity, not only to meet the needs of our customers, but also achieve the Group's long-term business goals.

Others

Some of the countries have been locked down following a decline in economic activities since 2020, however, it is expected that the electronic products manufacturing market will rebound in the year of 2021. The advancement of 5G and the implementation of Internet of Things ("IoT") technology will be two of the driving engines of the market recovery in 2021.

For MD, the demand for its products in the first half of 2021 is expected to be kept up and seen as strong, benefited and supported by the signs of China's economic recovery and 5G adoption. In particular, we foresee that MIPI, TDDI and DDI products will be in demand. Though the semiconductor shortage is expected to last till the third quarter of 2021, our customers have placed orders early with a view to securing the provision of support. MD business will continue to grow and to prosper with enhanced capacity and the support from our cohesive factory partners in 2021.

To keep up with the ever changing technology trends and diversify the risk from one mobile market in China to multiple markets worldwide, samples of a vast of new driver products and custom ICs applicable to smart wearables as well as public information display applications were made ready-for-testing as scheduled at the end of 2020. New IC products design-in projects are on-going on a right track. It is anticipated that this new target segment of MD will be able to make contribution to the Group's revenue starting from the second half of 2021 by riding the trend of IoT.

FINANCIAL REVIEW

Results Overview

Year 2020 was a challenging year, with the COVID-19 pandemic adding to the headwind on the already challenging and uncertain global business environment. The unprecedentedly adverse global business environment had different impacts to our operation. Nevertheless, with the management's competency and the team's hardworking, we recorded an encouraging results of turnaround from a loss attributable to owners of the parent of US\$27.3 million for the year ended 31 December 2019 to a profit attributable to owners of the parent of US\$11.7 million for the year ended 31 December 2020. The turnaround from loss to a profit in the year 2020 was mainly attributable to (i) the increases in the average gross profit margin and the gross profit amount attributable to the change in its product type mix recorded in revenue; (ii) decrease in operating expenses as a result of the effective cost controls starting from the last quarter in 2019; and (iii) other income as a result from the disposal of certain non-current assets.

Sales and Gross Profits

The Group's total revenue reported at US\$121.3 million (2019: US\$108.3 million), representing a 12% increase as compared to the same period of the previous year. The overall book-to-bill ratio of the Group for the year ended 31 December 2020 was 1.4 (2019: 1.1).

Attributable to the change in product sales mix and the strong growth of the higher margin Advance Display products as a result of unexpected strong demand in healthcare devices, the gross margin amount for the year ended 31 December 2020 reported at US\$35.8 million (2019: US\$21.3 million), a jump of over 68.1%. And the gross margin ratio for the year ended 31 December 2020 recorded at 29.6% (2019: 19.7%), representing an improvement of 9.9 percentage points as compared with that in the year of 2019.

Costs and Expenses

As a result of the effective cost controls starting from last quarter in 2019 and the absence of certain material non-recurring retrenchment cost and impairment of intellectual properties and goodwill in 2019, the Group's total expenses (including product R&D costs, S&D expenses, administrative expenses and other expenses) for the year ended 31 December 2020 amounted to about US\$30.5 million (2019: US\$53.8 million), representing a significant drop of 43.3% as compared to the year 2019.

As affected by the COVID-19 pandemic and the uncertainty of the overall business environment, the progress of certain research and development projects were affected. Further to our effective cost controls on total expense in year 2020, during the year under review, the product R&D costs recorded at US\$16.9 million (2019: US\$24.7 million), representing a drop of US\$7.8 million and a decrease of 31.6%. The product R&D costs to sales ratio for the year ended 31 December 2020 reported at 13.9% (2019: 22.8%), a drop of 8.9 percentage points.

Followed to the high speed development of the semiconductor industry, we, as a technology company, are committed to have more investment in our product R&D and business development.

Administrative expense reported at US\$11.1 million (2019: US\$12.4 million), a decrease of US\$1.3 million, representing a drop of 10.5% as compared to that in 2019. The decrease was mainly attributable to certain effective cost controls measure as applied from last quarter in 2019.

Other expenses in year 2019 amounted to US\$13.5 million, mainly represented the non-recurring retrenchment cost and impairment of intellectual properties and goodwill as a result of business restructuring in that year. There was no material other expense during the year ended 31 December 2020.

Other Income and Gains – Net

During the year under review, other income recorded at US\$6.2 million (2019: US\$4.1 million), mainly representing (i) government subsidies for the product R&D projects and certain supports from the Anti-epidemic Fund for general operation of the Group in total of US\$3.6 million (2019: US\$3.9 million); (ii) licensing income of US\$1.6 million (2019: Nil); and (iii) the gain on disposal of certain non-current assets amounted to about US\$0.7 million (2019: loss of US\$0.02 million).

Profit/(loss) attributable to the owners of the parent

During the year under review, the Group reported a profit attributable to owners of the parent of US\$11.7 million, as compared to a loss attributable to owners of the parent for the year ended 31 December 2019 amounted to US\$27.3 million. The turnaround from loss to a profit in the year 2020 was mainly attributable to the improvement in revenue, gross profit margin and the operating expenses.

Liquidity and Financial Resources

	As at 31 December	
	2020	2019
	US\$'000	US\$'000
Current assets	86,787	67,967
Current liabilities	30,680	24,837
Net current assets	56,107	43,130
Current ratio	2.83	2.74

The Group's current ratio was 2.83 as at 31 December 2020 (31 December 2019: 2.74), reflecting a strong liquidity in its financial position. The position of working capital representing by net current assets was US\$56.1 million, which had no significant adverse change from the last corresponding period.

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\$50.8 million as at 31 December 2020, an increment of US\$32.7 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 dollars and Renminbi.

As at 31 December 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.

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 year 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 the year of 2020, capital expenditure of the Group was US\$1.1 million (2019: US\$0.3 million).

As at 31 December 2020, capital expenditure contracted for but not yet incurred was approximately US\$1 million (2019: US\$0.2 million).

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

Significant Investments held

During the year under review, there was no significant investments held by the Group.

Future plans for material investments and capital assets

As at 31 December 2020, the Group did not have any future plans for material investments and capital assets.

Acquisition and Disposal of Material Subsidiaries and Associates

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

Charge of Assets

As at 31 December 2020, the Group did not have any charge on its assets.

HUMAN RESOURCES

As of 31 December 2020, the Group had a total workforce of 341 employees. About 34% of the workforce were based at the Hong Kong headquarters, with the rest located in Mainland China, Japan, Korea and Taiwan. The Group also has a testing center located in Mainland China, with a workforce of 59 employees.

PURCHASE, SALE OR REDEMPTION OF 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 year ended 31 December 2020.

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

For the year ended 31 December 2020, the Company has complied with all the applicable Code Provisions in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules ("Appendix 14"). To maintain high standards of corporate governance, the Company has adopted the recommended best practices in Appendix 14 where appropriate.

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 the Model Code contained in Appendix 10 of 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 year ended 31 December 2020.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITORS

The audit committee alongside with the internal audit team of the Company has reviewed the annual results of the Group for the year ended 31 December 2020. The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young 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 Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

FINAL DIVIDEND

The proposed final dividend, if approved at the forthcoming annual general meeting of the Company to be held on 27 May 2021, is expected to be paid on 25 June 2021 to the shareholders of the Company whose names appear on the register of the members of the Company on 11 June 2021, and for the purpose of determining the entitlements of the shareholders, the register of members of the Company will be closed from 9 June 2021 to 11 June 2021, both days inclusive.

CLOSURE OF REGISTERS OF SHAREHOLDERS

The Register of Shareholders of the Company will be closed from 24 May 2021 to 27 May 2021 (both days inclusive), during which no transfer of shares can be registered. In order to qualify for attending the 2021 Annual General Meeting, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Center, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 21 May 2021, Hong Kong time.

PUBLICATION OF FINAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE AND THE COMPANY'S WEBSITE

All the annual financial and other related information of the Company required by the Listing Rules has been published on the Stock Exchange's website (www.hkex.com.hk) and the Company's website (www.solomon-systech.com) on 23 March 2021.

DEFINITIONS AND GLOSSARY

AMEPD	Active Matrix Electrophoretic Display
Board	Board of Directors
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
HK\$/HKD	Hong Kong dollars
HKAS	Hong Kong Accounting Standards
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 of the PRC
IC	Integrated Circuit
IP	Intellectual Property
LCD	Liquid Crystal Display
Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange
LTPS	Low Temperature Polysilicon, a technology for the manufacturing of TFT-LCD
Mainland China	Mainland China, for the purpose of this report, excludes Hong Kong and Macau Special Administrative Regions of the PRC
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
R&D	Research and development costs
S&D	Selling and distribution expenses
The Stock Exchange	The Stock Exchange of Hong Kong Limited
TDDI	Touch and Display Driver Integration
TFT	Thin Film Transistor
USA	United States of America
US\$/USD	US dollars

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

Hong Kong, 23 March 2021

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