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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)

2023 ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Revenue decreased by 19.8% to US\$153.2 million.
- Gross profit was US\$46.3 million, decreased by 29.2%.
- Gross margin was 30.3%, decreased by 4.0 percentage points.
- Profit attributable to owners of the parent was US\$19.4 million, decreased by 30.1%.
- Earnings per share was 0.8 US cents (6.2 HK cents).
- The Board resolved not to declare any final dividend for the year ended 31 December 2023.

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 2023 together with the comparative figures for the immediate preceding year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	2023 US\$'000	2022 US\$'000
Revenue	4	153,151	190,843
Cost of sales		(106,813)	(125,370)
Gross profit		46,338	65,473
Research and development costs		(17,801)	(27,071)
Selling and distribution expenses		(3,288)	(4,221)
Administrative expenses		(9,119)	(8,254)
Other expenses	5	–	(154)
Other income and gains – net	6	902	2,002
Finance income – net	7	17,032	27,775
		2,470	246
Share of losses of associates		19,502	28,021
		(14)	(114)
Profit before tax	8	19,488	27,907
Income tax expense	9	(45)	(83)
Profit for the year		19,443	27,824
Attributable to:			
– Owners of the parent		19,443	27,833
– Non-controlling interests		–	(9)
		19,443	27,824
Earnings per share attributable to ordinary equity holders of the parent: (expressed in US cent(s) per share)	10		
– Basic		0.8	1.1
– Diluted		0.8	1.1

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023	2022
	US\$'000	US\$'000
Profit for the year	19,443	27,824
Other comprehensive income/(loss)		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
– Exchange differences arising on translation of foreign operations	(2,007)	(2,772)
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	–	96
Other comprehensive loss for the year	(2,007)	(2,676)
Total comprehensive income for the year	17,436	25,148
Attributable to:		
– Owners of the parent	17,436	25,157
– Non-controlling interests	–	(9)
	17,436	25,148

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 US\$'000	2022 US\$'000
NON-CURRENT ASSETS			
Intangible assets		–	–
Property, plant and equipment		4,836	5,089
Right-of-use assets		1,391	1,802
Investments in associates		761	968
Equity investment designated at fair value through other comprehensive income		1,161	1,161
Other receivables, prepayments and deposits	12	679	3,117
Total non-current assets		8,828	12,137
CURRENT ASSETS			
Inventories		27,920	48,221
Trade and other receivables, prepayments and deposits	12	31,817	46,308
Pledged bank deposits		6,000	6,041
Cash and cash equivalents		80,339	45,556
Financial asset at fair value through profit or loss		2,522	–
Total current assets		148,598	146,126
CURRENT LIABILITIES			
Trade and other payables	13	26,908	45,347
Interest-bearing bank borrowings		1,657	1,421
Lease liabilities		985	1,304
Tax payable		424	315
Total current liabilities		29,974	48,387
NET CURRENT ASSETS		118,624	97,739
TOTAL ASSETS LESS CURRENT LIABILITIES		127,452	109,876
NON-CURRENT LIABILITIES			
Lease liabilities		521	692
Net assets		126,931	109,184
EQUITY			
Equity attributable to owners of the parent			
Issued capital		32,166	32,149
Reserves		94,830	77,100
Non-controlling interests		(65)	(65)
Total equity		126,931	109,184

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 electronic shelf-labels (ESLs), 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 Third Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands (with effect from 1 October 2022) and the address of its principal office in Hong Kong is Unit 607-613, 6/F. Wireless Centre, 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.

The consolidated financial statements are presented in US dollars, unless otherwise stated.

2. Basis of preparation

The 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”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for a financial asset at fair value through other comprehensive income and a financial asset at fair value through profit or loss which have been measured at fair value.

3. Changes in accounting policies and disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current year’s financial statements.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments did not have any significant impact on the financial position or performance of the Group upon initial application.
- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

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 electronic shelf-labels (ESLs), 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\$153,151,000 and US\$190,843,000 for the years ended 31 December 2023 and 2022, respectively.

The Company is domiciled in Hong Kong. The Group mainly operates in Hong Kong. During 2023, the Group's products were mainly sold to customers located in Hong Kong, Mainland China, Taiwan, USA, Japan and Europe.

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

	2023 US\$'000	2022 US\$'000
Hong Kong	83,465	107,126
Mainland China	2,224	8,702
Taiwan	16,812	32,973
Europe	24,662	19,124
Japan	22,410	17,763
Korea	188	418
South East Asia	154	650
USA	3,139	3,376
Others	97	711
	153,151	190,843

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

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

	2023 US\$'000	2022 US\$'000
New Display ICs	72,167	87,827
OLED Display ICs	15,887	24,778
Mobile Display and Mobile Touch ICs	59,125	66,953
Large Display ICs	5,972	11,285
	153,151	190,843

(c) Revenue from contracts with customers that was included in the contract liabilities at the beginning of the reporting period

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

	2023 US\$'000	2022 US\$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sales of ICs	6,832	1,480

(d) Non-current assets

	2023 US\$'000	2022 US\$'000
Hong Kong	1,403	3,865
Mainland China	3,953	3,983
Taiwan	1,632	1,511
	6,988	9,359

Non-current assets are listed based on the locations of assets which exclude financial assets.

(e) Capital expenditures

	2023 US\$'000	2022 US\$'000
Property, plant and equipment		
Mainland China	759	1,907
Hong Kong	328	561
Taiwan	–	64
	1,087	2,532

Capital expenditures are listed based on the locations of assets.

(f) Major customers

For the year ended 31 December 2023, the largest customer was located in Hong Kong, the second largest customer was located in Europe and the third largest customer was located in Japan. Sales to them were US\$56,534,000, US\$22,565,000 and US\$22,410,000 respectively which were all over 10% of the Group's total revenue. For the year ended 31 December 2022, the largest customers was located in Hong Kong. Sales to that customer was US\$71,151,000 and over 10% of the Group's total revenue. No other customer contributes more than 10% of total revenue in 2022.

(g) 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 expenses

	2023 US\$'000	2022 US\$'000
Impairment loss of other receivables and deposits	–	92
Others	–	62
	–	154

6. Other income and gains – net

	2023 US\$'000	2022 US\$'000
Government grants*	677	1,898
Gain on disposal of items of property, plant and equipment	3	3
Gain from dissolution of a subsidiary	–	86
Reversal of impairment loss of trade receivables	91	6
Reversal of impairment loss of other receivables and deposits	120	–
Others	11	9
	902	2,002

* Various government grants have been received for the Group's research and development projects during the year. There are no unfulfilled conditions relating to these grants.

7. Finance income – net

	2023 US\$'000	2022 US\$'000
Interest income	2,547	363
Interest on bank loans	(14)	(36)
Interest on lease liabilities	(63)	(81)
	2,470	246

8. Profit before tax

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

	2023 US\$'000	2022 US\$'000
Cost of goods sold	104,982	112,718
Product engineering costs	2,642	9,182
Provision for obsolete or slow moving inventories, net	1,211	12,013
Amortisation of intangible assets	–	504
Depreciation of property, plant and equipment	1,387	1,293
Depreciation of right-of-use assets	1,391	1,355
Gain on disposal of items of property, plant and equipment	(3)	(3)
Loss on termination of lease	11	–
Lease payments not included in the measurement of lease liabilities	46	64
(Reversal of impairment loss)/impairment loss of other receivables and deposits*	(120)	92
Reversal of impairment loss of trade receivables*	(91)	(6)
Gain from dissolution of subsidiaries*	–	(86)
COVID-19-related rent concession from lessor	–	(76)
Foreign exchange differences, net	(1,380)	(1,366)
Auditor's remuneration	155	148
Employee benefit expenses (including directors' emoluments):		
– Salaries, allowances, bonuses and other benefits	21,440	23,997
– Equity-settled share option expense	274	496
– Pension scheme contributions (defined contribution schemes)**	375	337
– Termination benefits	46	78
	22,135	24,908

* The balances are included in "other income and gains – net" for gains and "other expense" for losses in the consolidated statement of profit or loss.

** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

9. Income tax

No provision for Hong Kong profits tax has been made in the current period as the Group has available tax losses brought forward from prior periods to offset the assessable profits generated during the current period. Hong Kong profits tax had been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the prior years.

	2023 US\$'000	2022 US\$'000
Current – Hong Kong and Elsewhere: Charge for the year	45	83
Total income tax expense	45	83

10. Earnings per share

(a) Basic earnings per share

The basic earnings per share for the year is calculated based on the Group's profit in 2023 attributable to owners of the parent of US\$19,443,000 (2022: US\$27,833,000) and the weighted average number of 2,495,151,529 (2022: 2,493,903,036) ordinary shares in issue during the year.

(b) Diluted earnings per share

The diluted earnings per share is calculated based on the Group's profit 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	
	2023	2022
Weighted average number of ordinary shares in issue	2,495,151,529	2,493,903,036
Effect of dilution – weighted average numbers of ordinary shares: share options	–	1,373,259
Adjusted weighted average number of ordinary shares for diluted earnings per share calculation	2,495,151,529	2,495,276,295

11. Dividends

No dividend for the years ended 31 December 2023 and 2022 was declared or paid by the Company. In addition, the Board resolved not to propose final dividend for the year ended 31 December 2023.

12. Trade and other receivables, prepayments and deposits

	2023 US\$'000	2022 US\$'000
Trade receivables	12,477	19,227
Trade receivables from related parties	4,938	4,534
Impairment	(123)	(214)
Trade receivables – net	17,292	23,547
Other receivables, prepayments and deposits	14,344	22,700
Prepayments to related parties	221	221
Impairment	(40)	(160)
Trade and other receivables, prepayments and deposits – current portion	31,817	46,308
Other receivables, prepayments and deposits – non-current portion	679	3,117
	32,496	49,425

As at 31 December 2023, the Group's trade receivables from corporate customers were mainly on credit terms of 30 to 90 days. As at 31 December 2023, the ageing analysis of trade receivables based on invoice dates and net of loss allowance, is as follows:

	2023	2022
	US\$'000	US\$'000
1–30 days	12,102	11,658
31–60 days	2,430	3,728
61–90 days	1,257	2,785
91–180 days	1,197	4,431
181–360 days	–	945
over 360 days	306	–
	17,292	23,547

13. Trade and other payables

		2023	2022
	Notes	US\$'000	US\$'000
Trade payables	(a)	8,610	15,807
Accrued expenses and other payables		13,140	17,825
Contract liabilities	(b)	3,282	6,346
Contract liabilities from a related party		456	4,224
Refund liabilities		1,420	1,145
		26,908	45,347

Notes:

- (a) At 31 December 2023, the ageing analysis of the trade payables based on invoice dates is as follows:

	2023	2022
	US\$'000	US\$'000
1 - 30 days	3,891	7,939
31 - 60 days	3,529	3,422
61 - 90 days	765	4,096
Over 90 days	425	350
	8,610	15,807

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

(b) Details of contract liabilities are as follows:

	31 December 2023 US\$'000	31 December 2022 US\$'000	1 January 2022 US\$'000
Advances received from customers			
Sales of ICs	3,282	6,346	6,350
Advances received from a related party			
Sales of ICs	456	4,224	–
	3,738	10,570	6,350

Contract liabilities include advances received to deliver semiconductor products. The decrease in contract liabilities in 2023 was mainly due to the decrease in advances received. The increase in contract liabilities in 2022 was mainly due to the increase in advances received.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Business Review

In 2023, the global economy was plagued by uncertainties, such as high interest rates and the Russia-Ukraine war, which affected the demand for consumer electronics, and it still takes time for the economy to fully recover. Despite the downward price pressure on end products, the overall inventory level of the industry remained high. Fortunately, the Group's overall shipment volume was still growing and the overall inventory has dropped by approximately 42% compared to the end of last year, which helped reduce operating risks. In terms of costs, wafer foundries began to allow room for price reductions in the middle of the year which slightly alleviated the cost pressure on the Group, and the real benefits are expected to be reflected in early 2024.

During the year under review, the Group's shipment volume for the year increased by 7.4% to approximately 336 million units compared with 2022 (312.9 million units). However, sales revenue decreased by 19.8% to US\$153.2 million compared with 2022 (US\$190.8 million) due to lower average product prices.

New Display ICs

New Display IC products mainly refer to bistable display products of the Group. Bistable display is a non-traditional display technology where the display device is illuminated by reflecting ambient light.

During the year under review, the shipment volume of the Group's new display IC products grew steadily. In addition to the sales of existing three-color display labels, it was also driven by the new launch of four-color display labels into the market in the fourth quarter. The Group supported E Ink in developing the Display IC Solutions for Spectra™ 3100, a next-generation specialised platform for ESL and retail signage application in 2021. This significant technological breakthrough that enables the production of a four-color spectrum display has helped place the Group in a leading position in this huge market. The large-size four-color display labels supported by the Group's IC products was launched onto the market in the fourth quarter of 2023, and other sizes of the four-color display labels are expected to be launched subsequently.

Affected by the change from three-color to four-color displays and market competition, the average selling price of the Group's new display IC products dropped, resulting in a decrease in revenue. The sales of three-color display labels slowed down as retailers waited for the launch of the new generation four-color display. The high level of inflation and strong US dollar have also reduced the incentives of some retailers in Europe and Asia to install ESL.

ESL provides flexibility in price update and facilitates efficiency improvement and easy stock management. It not only reduces long-term costs, but also reduces the carbon footprint of merchants, which aligns with the global trend of sustainable development. ESL is not only prevailing in Europe and North America, but it is also becoming an emerging trend in other Asian countries. The Group has been a pioneer in developing ESL ICs for many years, and our customers include many of the world's top-ranked supermarkets. To further tap into the markets of e-Signage and e-Reader applications, the Group commenced mass production of the AMEPD driver IC for Advanced Color e-Paper (ACeP) products in 2022, which is expected to have a wide application in 2024, such as e-books. In addition to ESL, the Group is also committed to expanding the application of IC products to other areas, such as translators and large retail signage applications. As global businesses are becoming more environmentally conscious, the Group believes that energy-efficient displays will be crucial aspect of its future development. As such, the Group will commit to transition towards the production of multi-color and large-size displays.

OLED Display ICs

The Group offers a wide range of OLED display driver ICs to match with various applications, including PMOLED display products and mini/micro-LED products. The Group is the world's number one PMOLED display driver IC player with a dominant market share in terms of unit of shipment during the year under review.

The Group provides a full range of PMOLED driver ICs from icon to matrix, mono and grey scale to full color with highly integrated features and are ideal display solutions for portable devices. During the year under review, the Group launched a series of icon ICs with competitive prices. The products are applicable to displays ranging from 1 to 4 inches, which can help the Group expand into the large display market for smart home appliances. With the increasing popularity of smart home appliances in the market, it is expected that demand for PMOLED smart home solutions and the Internet of Things (IoT) will continue to grow in the future.

The Group is a forerunner in the application of mini/ micro-LED. Our mini-LED DDI solutions for 50" to 100" indoor signage display have been in mass production since 2018 and are used in the curved signage display in the underground and subways in the UK and the US. The Group has launched the world's first small-sized passive matrix micro-LED display driver IC – SSD2363 during the year, which can be applied to next-generation high brightness displays of 3 inches or less for wearable devices, home appliances and industrial appliances. The Group is actively approaching various types of customers to seek application of our products in different types of high value-added projects, such as automotive devices.

Mobile Display and Mobile Touch ICs

The Group provides a wide range of Mobile Display and Mobile Touch IC solutions that is ever-expanding, including In-Cell Touch Display Driver IC, TFT Display Driver IC, STN Display Driver IC, MIPI Bridge IC and Display Controller IC, which support industrial and consumer applications, such as smartphones, tablets, wearables, gaming devices and IoT devices.

The Group pioneers the MIPI solutions for display with a series of proprietary features that support high-resolution, high-speed and low-power display of smart devices. During the year under review, the Group co-developed a human interface display platform with a number of leading small-to-medium-sized TFT-LCD panel makers, which has successfully entered mass production in the second half of the year.

With profound expertise in TDDI technology, the Group designs game console controller ICs that enable more accurate controls, faster response and longer battery runtime. The demand for the Group's game console controller and MIPI Bridge ICs remains steady, providing a sustainable revenue base for the Group. We are also actively researching and developing the application of mobile display and mobile touch ICs to a wider range of areas, such as the newly developed mini-LED backlight solution of the Group. We are reaching out to customers who produce different kinds of end products to gather and understand their needs so as to develop products for specific applications, including mobile or automotive electronics.

Large Display ICs

The Group provides a wide range of large display driver IC solutions that support various applications, including commercial displays, high-end gaming monitors, medium and large color ESLs and smart TVs of various sizes.

Looking back on 2023, the accumulation of inventory after the pandemic, coupled with the high interest rate environment that suppressed overall corporate and consumer spending, cooled down demand for the large-size display market. A steady price rise of display panels, panel makers still experienced declining demand and losses, which led to a freeze in sales of large-size display driver ICs. Nevertheless, since the second half of the year, as we continued to improve our products, demand for some major products has shown signs of gradual recovery.

During the year under review, the Group carried out mass production of a number of mainstream new products for international brands in conjunction with panel makers, including projects for 23.8-inch UHD gaming monitors with a high-refresh-rate of 100Hz, 43-inch smart FHDTVs and 32-inch HD entry-level smart TV. The Group has also been authorized by a major Chinese display manufacturer to develop a new generation point-to-point (P2P) high-speed interface display driver IC, which is expected to commence trial production in the third quarter of 2024. In addition to the existing IC solutions for medium and large displays, the Group has identified the main trends in the future and started the development of automotive driver IC solutions. The Group signed a memorandum of understanding on strategic cooperation with a major Shenzhen display manufacturer in July 2023 and began cooperation in the design and development of the first integrated driver IC with automotive specifications. The product targets mass production in the fourth quarter of 2024 and will be applied to major automotive systems in the PRC.

Product Development

The Group stresses the importance of novel product development to keep abreast of the rapid technology advancement and fast-moving trends. By leveraging our technological edge and pool of intellectual properties, we continue to expand our scope of collaboration. This strategy will enable our accelerated presence in the targeted fronts, leading us to the less explored market with promising rewards.

During the year under review, the Group launched the world's first small-sized passive matrix micro-LED display driver IC – SSD2363. The product features high brightness and can be applied to three-inch or less 16.7M color display according to customers' personal needs. As for the newly developed mini-LED backlight solution of the Group, we are actively reaching out to customers in different fields to launch products for specific applications.

As for electronic paper, the Group supported E Ink in developing the Display IC Solutions that enables a four color spectrum display for Spectra™ 3100, a next-generation specialised platform for ESL and retail signage application, which has been launched in the second half of 2023. To further expand the application of the Group's IC products in electronic paper, the Group is developing large display applications in addition to ESL, such as large color electronic retail signage of over 20 inches, which is expected to commence mass production in the first half of 2024. The Group is also cooperating with two internationally renowned e-book brands to launch full-color e-book reader tablets, and has delivered the related display IC products in the first quarter of 2024. The shipment volume is expected to keep growing in the future. E-books have the advantage of being environmentally friendly, easy to carry, and friendly to the eyes. As the new generation of color e-books are able to offer a richer digital reading experience in comparison to the traditional black and white e-books, it is expected to become a new trend.

Awards and Recognitions

In 2023, the Group was honoured with the “Product Award – Best of the MCU/Driver IC (Asia) of the Year” award at EE Awards Asia 2023 for its PM-micro-LED display driver SSD2363, which was the Product Award from EE Awards Asia won by the Group for the second time in a row. Being the world's first PM-micro-LED display driver, the award-winning display driver SSD2363 is targeted at the next generation of high-brightness and high-resolution display with high-speed data transmission for wearables, home appliances and industrial applications.

Outlook

Against the backdrop of ongoing high interest rate, the macro economy remains uncertain and weak demand growth poses challenges to the manufacturing industry. An upturn in the market is still awaited. One thing is for sure, destocking will continue for the industry in 2024. Upon total depletion of the inventory accumulated during the pandemic, the supply chain is expected to return to normal. On the other hand, wafer fabs have started to lower the average price since the second half of 2023, which is expected to have a positive impact on the gross profit of the Group in 2024.

As the Group started the official partnership with well-known e-book brands to launch color e-book readers, the Group's new display IC segment revenue will gain new impetus. Regarding the OLED segment, we are confident that the series of competitively priced large-size icon ICs launched in 2023 would allow the Group to expand into the market of large-panel smart home appliances. We will also strengthen the promotion of other newly developed products including SSD2363 and mini-LED backlight solutions to potential customers to expand the scope of product applications and increase sales.

Although the market recovery is slower than expected, we have kept up our effort. We will be cautiously optimistic and continue to focus on technology improvement while keeping abreast of market developments to develop high value-added products that meet market demand. We will also actively look for opportunities to bring better returns to the Group.

FINANCIAL REVIEW

Revenue and Results Overview

The Group recorded a decrease of about 19.8% in revenue to US\$153.2 million during the year (2022: US\$190.8 million). With the global supply chain is returning to normal and the supply of wafer stabilised, the group adjusted the average selling price of our products accordingly, which lead to decrease in revenue.

Profit attributable to owners of the parent was reported at US\$19.4 million, representing a decrease of approximate 30.1% from US\$27.8 million in 2022. Earnings per share were 0.8 US cents, down 0.3 US cents from 2022.

Despite the decrease in the profit attributable to shareholders, the Group was still able to manage a stable growth in total IC shipment in 2023 when comparing to 2022, which shows the Group's capability to maintain a stable market share despite the unfavorable market condition. The Group's product development strategies coping with market needs has in turn led to the stable growth in IC shipment, and we will also continue our on-going effective stringent cost control measures to enhance operational efficiency.

Gross profit

Gross profit of US\$46.3 million and gross margin of 30.3% were recorded during the Period (2022: US\$65.5 million and 34.3%, respectively). The decrease in gross profit and gross profit margin was mainly attributable to the decrease of average selling price which was disproportionate to some of the costs of the Group's products.

Costs and Expenses

The Group's total expenses (including product R&D costs, S&D expenses, administrative expenses and other expenses) for the year ended 31 December 2023 amounted to about US\$30.2 million (2022: US\$39.7 million), representing a decrease of 23.9% as compared to that for the year 2022.

The Group is committed to investing in product R&D and business development R&D spending. The Group has utilised the resources on the new product introduction and technology development mainly on the products that more adopt with the global market trend and on more viable businesses, therefore resulting in an overall reduction in R&D expenditure. During the year under review, the product R&D costs amounted to US\$17.8 million (2022: US\$27.1 million) representing a decrease of US\$9.3 million and a decrease of 34.2%. The product R&D costs to sales ratio for the year ended 31 December 2023 was 11.6% (2022: 14.2%), a decrease of 2.6 percentage points. Apart from that, USD is still strong against all other major currencies during the year, this driven down the R&D salary costs in the Taiwan and the PRC when translating their salary expenses from local currencies back to USD. Still, the Group has set a bold target in R&D for innovation to solidify its leading position in IC display industry.

S&D expenses were US\$3.3 million (2022: US\$4.2 million) whilst the S&D expenses to sales ratio was 2.1% (2022: 2.2%).

Administrative expense amounted to US\$9.1 million (2022: US\$8.3 million), increased by 10.5% as compare to that of 2022. The increase was mainly due to the rent and management fee concession from lessors decrease, depreciation of the additional fixed assets in computer equipment and software, and business travel related expenses for business development.

Other Income and Gains – Net

During the year under review, other income amounted to US\$0.9 million (2022: US\$2.0 million), decreased by US\$1.1 million, which was mainly due to decrease in government subsidies in 2023. Government subsidies mainly consisted of grants for the product R&D projects totalling US\$0.5 million in 2023 (2022: US\$1.9 million).

Profit Attributable to the Owners of the Parent

During the year under review, the Group reported a profit attributable to shareholders of US\$19.4 million, as compared to a profit attributable to shareholders for the year ended 31 December 2022 of US\$27.8 million. The main reasons for the decrease in profit attributable to shareholders in the year 2023 were because of the decrease in sales revenue, which was mainly due to the decrease in average selling price of the Group's products, which in turn lead to decrease in profit. The Group will continue the on-going stringent cost control measures on overall expenses to maintain stable profit.

Liquidity and Financial Resources

	As at 31 December	
	2023	2022
	US\$'000	US\$'000
Current assets	148,598	146,126
Current liabilities	29,974	48,387
Net current assets	118,624	97,739
Current ratio	4.96	3.02

The Group's current ratio was 4.96 as at 31 December 2023 (31 December 2022: 3.02), reflecting a strong liquidity in its financial position. Working capital position of the Group remains healthy.

The Group is in net cash position. The Gearing Ratio is 0.013 (2022: 0.013).

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\$86.3 million as at 31 December 2023 (2022: US\$51.6 million), of which US\$6.0 million denominated in US dollars (2022: US\$6.0 million) were pledged to banks to secure for general banking facilities for general operation purpose. Cash and cash equivalents and bank deposits of the Group were mainly denominated in US dollars and Renminbi.

As at 31 December 2023, the Group had no major borrowing other than a bank loan in connection with a PRC subsidiary for working capital financing amounting to US\$1.7 million, which was denominated in Renminbi. The amount was fully repaid before the date of this announcement.

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 entered into any major 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 2023, capital expenditure of the Group was US\$1.1 million (2022: US\$2.5 million).

As at 31 December 2023, capital expenditure contracted for but not yet incurred was approximately US\$2.3 million (2022: US\$0.7 million).

The Company has provided corporate guarantees amounted to US\$14.0 million (2022: US\$12.9 million) to banks in connection with banking facilities granted to a subsidiary, of which US\$8.0 million (2022: US\$8 million) were utilised as at 31 December 2023 as bank guarantees.

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 2023, 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 2023, the Group did not have any other charge on its assets except for time deposits amounted to a total of US\$6.0 million (2022: US\$6.0 million) pledged to banks for securing banking facilities.

HUMAN RESOURCES

As of 31 December 2023, the Group had a total workforce of 302 employees*. About 37% of the workforce were based at the Hong Kong headquarters, with the rest located in Mainland China and Taiwan. The Group also has a testing center located in Mainland China, with a workforce of 67 employees. Employee salary and other benefit expenses decreased to approximately US\$22.1 million during the year under review from approximately US\$24.9 million in the year 2022, which represented a decrease of 11%. The decrease was attributable to the decrease in the average number of employees. The Group's remuneration were determined based on the performance of individual employees, which will be reviewed every year. Apart from the provident fund scheme (according to the provisions of the Mandatory Provident Fund Schemes for Hong Kong employees) or the government-managed retirement pension scheme (for Mainland China and Taiwan employees), medical and other insurances, discretionary bonus is also awarded to employees according to the assessment of individual performance.

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 2023.

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

For the year ended 31 December 2023, the Company has complied with all the applicable Code Provisions in the Corporate Governance Code as set out in Appendix C1 to the Listing Rules effective for the year ended 31 December 2023 ("Appendix C1"). To maintain high standards of corporate governance, the Company has adopted the recommended best practices in Appendix C1 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 C3 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 year ended 31 December 2023.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2023.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditors, 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 and consequently no opinion or assurance conclusion has been expressed by Ernst & Young on the preliminary announcement.

FINAL DIVIDEND

The Board of the Company does not recommend the payment of a final dividend.

* Data excludes the testing center in Mainland China

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 20 March 2024.

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 C1 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
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
Mainland China	The People's Republic of China, for the purpose of this announcement, excludes Hong Kong and Macau Special Administrative Regions and Taiwan
MIPI	Mobile Industry Processor Interface
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules
OLED	Organic Light Emitting Diode
PMOLED	Passive Matrix Organic Light Emitting Diode
R&D	Research and development
S&D	Selling and distribution
Stock Exchange	The Stock Exchange of Hong Kong Limited
TDDI	Touch and Display Driver Integration
TFT	Thin Film Transistor
UK	United Kingdom
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, 20 March 2024

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), Mr. Wang Hui and Dr. Kang Jian; and (c) Independent Non-executive Directors – Mr. Chan Chi Kong, Dr. Chan Philip Ching Ho and Dr. Kwok Hoi Sing.