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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)

2024 ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Revenue decreased by 25.9% to US\$113.4 million.
- Gross profit was US\$38.0 million, decreased by 17.9%.
- Gross margin was 33.5%, increased by 3.2 percentage points.
- Profit attributable to owners of the parent was US\$10.1 million, decreased by 47.9%.
- Earnings per share was 0.4 US cents (3.1 HK cents).
- The Board resolved not to declare any final dividend for the year ended 31 December 2024.

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 2024 together with the comparative figures for the immediate preceding year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2024

	Notes	2024 US\$'000	2023 US\$'000
Revenue	4	113,440	153,151
Cost of sales		(75,394)	(106,813)
Gross profit		38,046	46,338
Research and development costs		(18,673)	(17,801)
Selling and distribution expenses		(4,735)	(3,288)
Administrative expenses		(10,033)	(10,499)
Other expenses	5	(212)	–
Other income and gains – net	6	1,582	2,282
Finance income – net	7	5,975 3,982	17,032 2,470
Share of profit/(losses) of associates		9,957 144	19,502 (14)
Profit before tax	8	10,101	19,488
Income tax credit/(expense)	9	29	(45)
Profit for the year		10,130	19,443
Attributable to:			
– Owners of the parent		10,130	19,443
– Non-controlling interests		–	–
		10,130	19,443
Earnings per share attributable to ordinary equity holders of the parent: (expressed in US cent(s) per share)	10		
– Basic		0.4	0.8
– Diluted		0.4	0.8

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	2024 US\$'000	2023 US\$'000
Profit for the year	10,130	19,443
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	(228)	(2,007)
Total comprehensive income for the year	9,902	17,436
Attributable to:		
– Owners of the parent	9,902	17,436
– Non-controlling interests	–	–
	9,902	17,436

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	2024 US\$'000	2023 US\$'000
NON-CURRENT ASSETS			
Intangible assets		—	—
Property, plant and equipment		5,480	4,836
Right-of-use assets		3,052	1,391
Investments in associates		905	761
Equity investment designated at fair value through other comprehensive income		1,161	1,161
Other receivables, prepayments and deposits	12	398	679
Total non-current assets		10,996	8,828
CURRENT ASSETS			
Inventories		13,357	27,920
Trade and other receivables, prepayments and deposits	12	31,611	31,817
Pledged bank deposits		3,500	6,000
Cash and cash equivalents		104,242	80,339
Financial asset at fair value through profit or loss		—	2,522
Total current assets		152,710	148,598
CURRENT LIABILITIES			
Trade and other payables	13	22,974	26,908
Interest-bearing bank borrowings		—	1,657
Lease liabilities		1,412	985
Tax payable		376	424
Total current liabilities		24,762	29,974
NET CURRENT ASSETS		127,948	118,624
TOTAL ASSETS LESS CURRENT LIABILITIES		138,944	127,452
NON-CURRENT LIABILITIES			
Lease liabilities		1,903	521
Net assets		137,041	126,931
EQUITY			
Equity attributable to owners of the parent			
Issued capital		32,193	32,166
Reserves		104,848	94,830
Non-controlling interests		137,041	126,996
		—	(65)
Total equity		137,041	126,931

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 P.O. Box 31119, Grand Pavillion Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205 Cayman Islands (with effect from 31 December 2024) 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 revised HKFRSs for the first time for the current year’s financial statements.

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

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\$113,440,000 and US\$153,151,000 for the years ended 31 December 2024 and 2023, respectively.

The Company is domiciled in Hong Kong. The Group mainly operates in Hong Kong. During 2024, the Group's products were mainly sold to customers located in Hong Kong, Mainland China, Taiwan, Japan and Europe.

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

	2024 US\$'000	2023 US\$'000
Hong Kong	63,532	83,465
Mainland China	4,895	2,224
Taiwan	18,744	16,812
Europe	19,785	24,662
Japan	6,107	22,410
Korea	179	188
South East Asia	48	154
USA	60	3,139
Others	90	97
	113,440	153,151

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

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

	2024 US\$'000	2023 US\$'000
New Display ICs	59,063	72,167
OLED Display ICs	16,335	15,887
Mobile Display and Mobile Touch ICs	24,151	59,125
Large Display ICs	13,891	5,972
	113,440	153,151

(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:

	2024 US\$'000	2023 US\$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sales of ICs	941	6,832

(d) Non-current assets

	2024 US\$'000	2023 US\$'000
Hong Kong	2,599	1,403
Mainland China	5,145	3,953
Taiwan	1,693	1,632
	9,437	6,988

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

(e) Capital expenditures

	2024 US\$'000	2023 US\$'000
Property, plant and equipment		
Mainland China	1,825	759
Hong Kong	200	328
Taiwan	229	—
	2,254	1,087

Capital expenditures are listed based on the locations of assets.

(f) Major customers

For the year ended 31 December 2024, the largest customer was located in Hong Kong and the second largest customer was located in Europe. Sales to them were US\$43,171,000 and US\$16,857,000 respectively which were all over 10% of the Group's total revenue. 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.

(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

	2024 US\$'000	2023 US\$'000
Impairment loss of trade receivables	78	—
Impairment loss of other receivables and deposits	25	—
Loss from dissolution of a subsidiary	109	—
	212	—

6. Other income and gains – net

	2024 US\$'000	2023 US\$'000
Government grants*	440	677
Gain on disposal of items of property, plant and equipment	36	3
Reversal of impairment loss of trade receivables	—	91
Reversal of impairment loss of other receivables and deposits	—	120
Foreign exchange differences, net	1,086	1,380
Others	20	11
	1,582	2,282

* 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

	2024 US\$'000	2023 US\$'000
Interest income	4,116	2,547
Interest on bank loans	(6)	(14)
Interest on lease liabilities	(128)	(63)
	3,982	2,470

8. Profit before tax

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

	2024 US\$'000	2023 US\$'000
Cost of goods sold	78,575	104,982
Product engineering costs	1,784	2,642
(Reversal of)/provision for obsolete or slow moving inventories, net	(3,978)	1,211
Depreciation of property, plant and equipment	1,589	1,387
Depreciation of right-of-use assets	1,433	1,391
Gain on disposal of items of property, plant and equipment*	(36)	(3)
Loss on termination of lease	—	11
Lease payments not included in the measurement of lease liabilities	8	46
Impairment loss /(reversal of impairment loss) of other receivables and deposits*	25	(120)
Impairment loss/(reversal of impairment loss) of trade receivables*	78	(91)
Loss from dissolution of a subsidiary*	109	—
Foreign exchange differences, net*	(1,086)	(1,380)
Auditor's remuneration	155	155
Employee benefit expenses (including directors' emoluments):		
– Salaries, allowances, bonuses and other benefits	23,226	21,440
– Equity-settled share option expense	6	274
– Pension scheme contributions (defined contribution schemes)**	392	375
– Termination benefits	68	46
	23,692	22,135

* The balances are included in "Other income and gains – net" for gains/reversal of impairment loss and "Other expenses" 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.

	2024 US\$'000	2023 US\$'000
Current – Hong Kong and Elsewhere: (Credit)/charge for the year	(29)	45
Total income tax (credit)/expense	(29)	45

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 2024 attributable to owners of the parent of US\$10,130,000 (2023: US\$19,443,000) and the weighted average number of 2,496,128,581 (2023: 2,495,151,529) 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	
	2024	2023
Weighted average number of ordinary shares in issue	2,496,128,581	2,495,151,529
Effect of dilution – weighted average number of ordinary shares: share options	–	–
Adjusted weighted average number of ordinary shares for diluted earnings per share calculation	2,496,128,581	2,495,151,529

11. Dividends

No dividend for the years ended 31 December 2024 and 2023 was declared or paid by the Company. In addition, the Board resolved not to propose final dividend for the year ended 31 December 2024.

12. Trade and other receivables, prepayments and deposits

	2024 US\$'000	2023 US\$'000
Trade receivables	12,421	12,477
Trade receivables from related parties	7,666	4,938
Impairment	(201)	(123)
Trade receivables – net	19,886	17,292
Other receivables, prepayments and deposits	11,561	14,344
Prepayments to related parties	225	221
Impairment	(61)	(40)
Trade and other receivables, prepayments and deposits – current portion	31,611	31,817
Other receivables, prepayments and deposits – non-current portion	402	679
Impairment	(4)	–
Other receivables, prepayments and deposits, net, non current portion	398	679
	32,009	32,496

As at 31 December 2024, the Group's trade receivables from corporate customers were mainly on credit terms of 30 to 90 days. As at 31 December 2024, the ageing analysis of trade receivables based on invoice dates and net of loss allowance, is as follows:

	2024 US\$'000	2023 US\$'000
1–30 days	14,278	12,102
31–60 days	2,958	2,430
61–90 days	1,917	1,257
91–180 days	730	1,197
181–360 days	3	–
over 360 days	–	306
	19,886	17,292

13. Trade and other payables

	Notes	2024 US\$'000	2023 US\$'000
Trade payables		7,439	8,610
Trade payables to a related party		96	–
	(a)	7,535	8,610
Accrued expenses and other payables		11,313	13,140
Contract liabilities	(b)	2,647	3,282
Contract liabilities from a related party	(b)	167	456
Refund liabilities		1,312	1,420
		22,974	26,908

Notes:

- (a) At 31 December 2024, the ageing analysis of the trade payables based on invoice dates is as follows:

	2024 US\$'000	2023 US\$'000
1 – 30 days	3,614	3,891
31 – 60 days	2,266	3,529
61 – 90 days	1,131	765
Over 90 days	524	425
	7,535	8,610

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 2024 US\$'000	31 December 2023 US\$'000	1 January 2023 US\$'000
Advances received from customers			
Sales of ICs	2,647	3,282	6,346
Advances received from a related party			
Sales of ICs	167	456	4,224
	2,814	3,738	10,570

Contract liabilities include advances received to deliver semiconductor products. The decrease in contract liabilities in 2024 and 2023 was mainly due to the decrease in advances received.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Business Review

In 2024, the global economy continued its slow recovery. Although trade picked up and inflation began to ease in the second half of the year, the world economy remained challenging, with trade protectionism continuing to affect the global supply chain and countries undergoing a difficult adjustment period in their economic policies. China's economic growth continued to slow, and consumer demand remained under pressure due to weak domestic demand and the ongoing downturn in the real estate sector. After a long period of excess inventory in the end products market, most industries completed destocking in the second half of 2024 and resumed placing orders upstream. Despite the ongoing price reductions in end products, the Group managed to alleviate cost pressure as a result of the simultaneous decline in wafer prices.

During the year under review, the Group's shipment volume for the year decreased by 12.7% to approximately 293.2 million units compared with 2023 (336 million units), due to a delay in new product launch. Continued price reductions in end products, coupled with industry competition, led to a decline in the average product price. With the drop in shipment volume, the Group's sales revenue for the year decreased by 25.9% to US\$113.4 million compared with 2023 (US\$153.2 million).

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 market for three-color (E4) and four-color (E5) electronic display labels was in a changeover period. As retailers were waiting for the launch of the new generation four-color displays (E5), sales of three-color display labels (E4) were affected. This, along with market competition, led to a decrease in the average selling price of the Group's new display IC products. 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. This has successfully enabled a four-color spectrum display which helped place the Group in a leading position in this vast market. The large-size four-color display labels supported by the Group's IC products were launched on the market in the fourth quarter of 2023, while some models of the small-sized four-color display labels have completed the upgrade and commenced mass production in the fourth quarter of 2024. The Group will continue to upgrade the remaining models.

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, meeting the global trend of paperless for sustainable development. Thanks to its advantages, 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.

In 2025, the Group will invest in the development of IC products supporting six or seven-color electronic display labels, with mass production scheduled for the second half of the year. The color display technology will allow a wider range of applications for electronic display labels and is expected to further increase the application rate. Apart from ESL, the Group is committed to expanding the color electronic paper display technology into other applications, including electronic paper photo frames that can be applied to various products, and electronic badges that can display photos for wearer identification.

OLED Display ICs

Solomon Systech offers a wide range of OLED display driver ICs for various applications, including PMOLED display products, mini/micro-LED products and icon IC products. The Group is the world's largest PMOLED display driver IC manufacturer, holding a dominant market share in terms of unit of shipment for the year.

During the year under review, the Group capitalised on the significant increase in demand for OLED display ICs, driven by the generation upgrade of certain high-demand electronic products. Our timely response to this market opportunity enabled us to secure a slight increase in the shipment volume of OLED display ICs during the year. 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 that are ideal display solutions for portable devices.

The Group offers a series of competitively priced icon ICs. Since the launch in 2023, customers have continued to promote their end products utilising this series of icon ICs. The Group's icon ICs are designed for displays ranging from 1 to 4 inches, making them suitable for portable products and enabling the Group to expand into the large display market for smart home appliances. Smart home appliances have already become a major market trend, and the Group will continue to focus on the growing market demand for PMOLED smart home solutions and the Internet of Things (IoT). In addition, the Group continued to promote its newly developed IC products that can support transparent PMOLED displays during the year. Transparent PMOLED displays are a new technology suitable for end-use applications such as diving goggles and golf goggles that require transparent displays. These end products were launched in the market during the year under review.

The Group is also a forerunner in the application of mini/micro-LED. Our mini-LED DDI solutions for 50-inch to 100-inch 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 launched the world's first small-sized passive matrix micro-LED display driver IC – SSD2363 in 2023, which can be applied to next-generation high brightness 16.7M color displays of 3 inches or less for wearable devices, home appliances and industrial applications. This IC product is currently used mainly for customers to validate and test the micro-LED function of their end products, and the Group is also actively approaching various types of customers to explore applications of this product in different types of high value-added projects, such as automotive devices.

Mobile Display and Mobile Touch ICs

Solomon Systech 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.

During the year under review, sales of game console controller ICs were boosted by the launch of new games in the market. However, the shipment volume and revenue of the Group's mobile display and mobile touch IC products significantly declined as other products in the segment were affected by the weakening personal consumption market.

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 manufacturers. This product is expected to enter mass production in the second half of 2025.

With profound expertise in TDDI technology, the Group designs game console controller ICs that offer more accurate controls, faster response and longer battery runtime. We are actively researching and developing the application of mobile display and mobile touch ICs across a wider range of areas. The Group is currently developing a mini-LED backlight solution, with the FPGA development platform already completed and the production of a conceptual product confirmed by the customer. Following this, we will proceed to develop standard ICs. The product is expected to be launched in the second half of 2025 for automotive head-up display (HUD) applications. We will continue to reach out to customers producing various end products to gather insights into their needs so as to develop products tailored to specific applications.

Large Display ICs

The Group is committed to working with domestic and overseas display manufacturers to develop a wide range of large display driver IC solutions that support various applications, including commercial displays, high-end gaming monitors, smart TVs of various sizes, and medium and large-size electronic color signages and e-book readers.

During the year under review, the Group benefitted from a series of home appliance subsidy policies introduced in mainland China in 2024, leading to a surge in the sales of large-size display such as monitors and smart TVs. This resulted in a shipment volume and revenue growth of over 50% for the Group's large display ICs compared with last year. The global market trends, along with subsidies that encouraged consumers to choose high-end and large-size display, and the accelerated product mix upgrade that brought more high-end offerings such as commercial displays/gaming monitors with high refresh rate and high resolution TVs, all contributed positively to the Group's revenue during the year.

The Group continued to mass-produce a number of mainstream new products for different brands in collaboration with major panel manufacturers, including projects for 23.8-inch UHD gaming monitors with a high-refresh rate of 100Hz, 43/50/58-inch smart FHD TVs 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 P2P high-speed interface display driver IC. Prototypes for project validation are expected to be produced in the second quarter of 2025, which will enhance the competitiveness of the Group's products.

Looking ahead to 2025, the Group plans to remain focused on the medium and large display market while actively expanding into the emerging automotive display market. The Group signed a memorandum of understanding on strategic cooperation with a Shenzhen automotive display manufacturer in 2023 and began cooperation in the design and development of the first automotive-specific integrated driver IC, which will be mass-produced in 2025 for application in major automotive systems.

Regarding the medium and large-size electronic paper market, the Group successfully shipped large quantities of full-color electronic paper notebook driver IC packages during the year under review. Co-developed by the Group, the full-color electronic paper notebook, which utilises the Group's AMEPD driver IC for Advanced Color e-Paper Active Matrix Electrophoresis Display (ACeP) products, was launched in the second half of 2024. In addition, the Group completed validation for its ultra-large-size e-Paper learning whiteboards and ultra-large-size color electronic retail signage driver ICs in 2024. Both products will enter mass production in 2025. The Group is actively engaged in the electronic paper market and will continue to monitor demand trends. The shipment volume of the Group's IC products is expected to continue to grow in the future.

Outlook

Looking ahead to 2025, global inflation is largely under control and will continue to ease. The positive impact of the global interest rate cut cycle is anticipated to offset the negative factors of economic slowdown, paving the way for a soft landing for the economy. However, due to the intensifying protectionism and the resulting uncertainties in national policies, the global economy will continue to face adjustment pressure in 2025. The Group is cautiously optimistic about the future.

Existing products in various market segments are still under price reduction pressure, while competition among suppliers is becoming increasingly intense. In terms of costs, it is expected that wafer foundries will maintain or reduce prices in 2025, with a low likelihood of price increases. The Group will allocate more resources to develop high value-added new products and applications, and create differentiated products tailored to market demands. This approach aims to create a competitive edge, improve pricing power, and ultimately drive greater profits for the Group.

In addition to investment in the automotive display market, the Group is focusing on the rapidly growing electronic paper market. With advancements in technology, electronic paper has been constantly evolving, bringing more vivid, colorful and higher resolution displays as well as a wider range of applications. Against the backdrop of global emphasis on environmental protection, the Group is fully confident in the future development of electronic paper and believes that, with the Group's dedicated effort, the launch of new products is expected to generate substantial returns and enhance the overall profitability of the Group.

FINANCIAL REVIEW

Revenue and Results Overview

The Group recorded a decrease of about 25.9% in revenue to US\$113.4 million during the year (2023: US\$153.2 million). The decrease mainly attributable to the drop in average selling price as well as the total shipment quantities of the Group's products the group.

Profit attributable to owners of the parent was reported at US\$10.1 million, representing a decrease of approximate 47.9% from US\$19.4 million in 2023. Earnings per share were 0.4 US cents, down 0.4 US cents from 2023.

Despite the decrease in shipment quantities and average selling price, the Group is still able to manage a stable gross profit margin. We believe that total shipment volume could rebound after the launch of the new products. At the same time, we have sufficient resources to support our continued commitment on research and development projects, which is critical to sustain the long term competitiveness of the Group.

Gross profit

Gross profit of US\$38.0 million and gross margin of 33.5% were recorded during the Period (2023: US\$46.3 million and 30.3%, respectively). The decrease in gross profit amount was mainly attributable to the decrease in revenue, in the meantime, a slight improvement in gross profit margin (33.5%) compared to 2023 (30.3%).

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 2024 amounted to about US\$33.7 million (2023: US\$31.6 million), representing an increase of 6.5% as compared to that for the year 2023.

The Group is committed to investing in product R&D and business development. During the year under review, the product R&D costs amounted to US\$18.7 million (2023: US\$17.8 million) representing an increase of US\$0.9 million, or 4.9%, and the product R&D costs to sales ratio for the year ended 31 December 2024 was 16.5% (2023: 11.6%), representing an increase in 4.9 percentage points. 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 viable businesses. The Group has set a bold target in R&D for innovation to solidify its leading position in IC display industry.

S&D expenses for 2024 amounted of US\$4.7 million (2023: US\$3.3 million), represent an increase of 44.0%, whilst the S&D expenses to sales ratio was 4.2% (2023: 2.1%), the increase mainly attributable to more marketing efforts were involved in current year for promoting the Group's new products launched in 2024 and potential new products for 2025.

Administrative expense amounted to US\$10.0 million (2023: US\$10.5 million), decreased by 4.4% as compare to that of 2023. The decrease was mainly attributable to the group on-going stringent cost control measures on overall expenses.

Other Income and Gains – Net

During the year under review, other income amounted to US\$1.6 million (2023: US\$2.3 million), decreased by US\$0.7 million, which was mainly due to decrease in government subsidies and foreign exchange gain in 2024.

Profit Attributable to the Owners of the Parent

During the year under review, the Group reported a profit attributable to shareholders of US\$10.1 million, as compared to a profit attributable to shareholders for the year ended 31 December 2023 of US\$19.4 million. The main reasons for the decrease in profit attributable to shareholders in the year 2024 were because of the decrease in revenue, which was mainly due to the decrease in average selling price as well as the total shipment quantities due to the new product launch delay of the Group's products, which in turn lead to decrease in profit. The total shipment volume could rebound after the launch of the new products. At the same time, we have sufficient resources to support our continued commitment on research and development projects, which is critical to sustain the long term competitiveness of the Group.

Liquidity and Financial Resources

	As at 31 December	
	2024	2023
	US\$'000	US\$'000
Current assets	152,710	148,598
Current liabilities	24,762	29,974
Net current assets	127,948	118,624
Current ratio	6.17	4.96

The Group's current ratio was 6.17 as at 31 December 2024 (31 December 2023: 4.96), reflecting a strong liquidity in its financial position. Working capital position of the Group remains healthy.

The Group does not have any significant interest-bearing loans and borrowings at 31 December 2024, and is in net cash position. The Gearing Ratio at 31 December 2023 was 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\$107.7 million as at 31 December 2024 (2023: US\$86.3 million), of which US\$3.5 million denominated in US dollars (2023: 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 2024, the Group had no bank borrowing. As at 31 December 2023, the Group had 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 during the year 2024.

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 2024, capital expenditure of the Group was US\$2.3 million (2023: US\$1.1 million).

As at 31 December 2024, capital expenditure contracted for but not yet incurred was approximately US\$3.5 million (2023: US\$2.3 million).

The Company has provided corporate guarantees amounted to US\$14.0 million (2023: US\$14.0 million) to banks in connection with banking facilities granted to a subsidiary, of which US\$5 million (2023: US\$8 million) were utilised as at 31 December 2024 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 2024, 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 2024, the Group did not have any other charge on its assets except for time deposits amounted to a total of US\$3.5 million (2023: US\$6.0 million) pledged to banks for securing banking facilities.

HUMAN RESOURCES

As of 31 December 2024, the Group had a total workforce of 315 employees*. About 35% 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 64 employees. Employee salary and other benefit expenses increased to approximately US\$23.7 million during the year under review from approximately US\$22.1 million in the year 2023, which represented an increase of 7.2%. The increase was attributable to the increase 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

Save in respect of the shares issued by the Company pursuant to its share option scheme, 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 2024.

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

For the year ended 31 December 2024, 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 2024 ("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 2024.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2024.

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 2024 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 2025.

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
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 2025

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 Ms. Liu Fei; and (c) Independent Non-executive Directors – Mr. Chan Chi Kong, Dr. Chan Philip Ching Ho and Dr. Kwok Hoi Sing.