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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

- Revenue increased by about 27.7% to US\$74.8 million
- Gross profit was US\$29.1 million, jumped by 92.4%
- Gross margin was 38.9%, increased 13.1% points
- Profit attributable to owners of the parent was US\$10.7 million
- Earnings per share was 0.43 US cent (equivalent to 3.33 HK cents)
- Book-to-bill ratio was 2.0

INTERIM RESULTS

The Directors of Solomon Systech (International) Limited announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2021 together with the comparative figures for the corresponding period as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

		Unaudited Six months ended 30 June	
	Notes	2021 US\$'000	2020 US\$'000
Revenue	4	74,828	58,574
Cost of sales		(45,720)	(43,442)
Gross profit		29,108	15,132
Research and development costs		(12,118)	(7,865)
Selling and distribution expenses		(1,377)	(1,286)
Administrative expenses		(5,353)	(4,598)
Other income and gains – net		272	2,753
		10,532	4,136
Finance income – net	6	101	38
		10,633	4,174
Share of profits of associates		108	165
Profit before tax	5	10,741	4,339
Income tax expense	7	(70)	(7)
Profit for the period		10,671	4,332
Attributable to:			
– Owners of the parent		10,710	4,406
– Non-controlling interests		(39)	(74)
		10,671	4,332
Earnings per share attributable to ordinary equity holders of the parent: (in US cent)	8		
– Basic		0.43	0.18
– Diluted		0.43	0.18

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Unaudited	
	Six months ended 30 June	
	2021	2020
	US\$'000	US\$'000
Profit for the period	10,671	4,332
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	(27)	(19)
Total comprehensive income for the period	10,644	4,313
Attributable to:		
– Owners of the parent	10,683	4,387
– Non-controlling interests	(39)	(74)
	10,644	4,313

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		Unaudited 30 June 2021 US\$'000	Audited 31 December 2020 US\$'000
	Notes		
NON-CURRENT ASSETS			
Intangible assets		764	1,022
Property, plant and equipment		4,254	3,722
Right-of-use assets		2,985	839
Investments in associates		1,024	916
Equity investment designated at fair value through other comprehensive income		929	929
Prepayments and deposits	10	371	22
Financial assets at fair value through profit or loss		—	—
Total non-current assets		10,327	7,450
CURRENT ASSETS			
Inventories		19,052	16,428
Trade and other receivables, prepayments and deposits	10	29,294	19,402
Pledged bank deposit		—	130
Cash and cash equivalents		54,634	50,827
Total current assets		102,980	86,787
CURRENT LIABILITIES			
Trade and other payables	11	37,393	29,341
Interest-bearing bank borrowings		181	181
Lease liabilities		1,104	762
Deferred income		450	94
Tax payables		327	302
Total current liabilities		39,455	30,680
NET CURRENT ASSETS		63,525	56,107
TOTAL ASSETS LESS CURRENT LIABILITIES		73,852	63,557
NON-CURRENT LIABILITIES			
Lease liabilities		1,895	125
Total non-current liabilities		1,895	125
Net assets		71,957	63,432
EQUITY			
Equity attributable to owners of the parent			
Issued capital		32,083	31,977
Reserves		39,916	31,458
		71,999	63,435
Non-controlling interests		(42)	(3)
Total equity		71,957	63,432

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. General information

Solomon Systech (International) Limited and its subsidiaries are fabless semiconductor group specializing in the design, development and sales of proprietary integrated circuits (“IC”) products and system solutions that enable a wide range of display applications for smartphones, tablets, TVs/monitors, notebooks and other smart devices, including wearables, electronic shelf labels (ESL), 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 Unit 607-613, 6/F. Wireless Centre, 3 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong (with effect from 28 May 2021).

The Company has been listed on the main board of The Stock Exchange of Hong Kong Limited since 8 April 2004. This interim condensed consolidated financial information is presented in US dollars, unless otherwise stated.

This interim condensed consolidated financial information has been reviewed but not audited, and it was approved for issue on 18 August 2021.

2. Basis of preparation

This interim unaudited condensed consolidated financial information for the six months ended 30 June 2021 (the “period under review”) of the Group has been prepared in accordance with HKAS 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s consolidated financial statements for the year ended 31 December 2020.

3. Significant accounting policies

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

Changes in accounting policies and disclosures

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

Amendments to HKFRS 9,
HKAS 39, HKFRS 7, HKFRS 4
and HKFRS 16

Interest Rate Benchmark Reform – Phase 2

Amendment to HKFRS 16

*Covid-19-Related Rent Concessions beyond 30 June 2021
(early adopted)*

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

The adoption of the above revised HKFRSs has had no significant financial effect on this financial information.

4. Segment information and disaggregation of revenue

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

The Group has been operating in one single operating segment, i.e. the design, development and sales of proprietary IC products and system solutions.

The chief operating decision-makers have been identified as the Executive Directors and senior management led by the Chief Executive Officer. The Executive Directors and senior management reviewed the Group’s internal reporting to assess performance and allocate resources. A management approach has been used for the operating segment reporting.

Sales amounted to US\$74,828,000 for the six months ended 30 June 2021 (1H2020: US\$58,574,000).

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

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

	Unaudited	
	Six months ended 30 June	
	2021	2020
	US\$'000	US\$'000
Hong Kong	40,220	31,281
Mainland China	8,528	5,658
Taiwan	14,112	11,539
Japan	4,217	2,650
Europe	7,100	6,824
Korea	463	272
South East Asia	35	102
USA	54	50
Others	99	198
	74,828	58,574

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

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

	Unaudited	
	Six months ended 30 June	
	2021	2020
	US\$'000	US\$'000
New Display ICs	31,696	16,298
OLED Display ICs	17,377	12,758
Mobile Display and Mobile Touch ICs	16,883	16,088
Large Display ICs	8,872	13,430
	74,828	58,574

(c) **Non-current assets**

	Unaudited	Audited
	30 June	31 December
	2021	2020
	US\$'000	US\$'000
Hong Kong	3,428	686
Mainland China	3,803	4,052
Taiwan	1,776	1,725
Korea	20	36
	9,027	6,499

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

(d) **Capital expenditures**

	Unaudited	
	Six months ended 30 June	
	2021	2020
	US\$'000	US\$'000
Property, plant and equipment		
Mainland China	527	606
Hong Kong	387	20
Taiwan	55	—
	969	626

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

(e) Major customers

For the six months ended 30 June 2021, the largest customer was located in Hong Kong and sales amount to this customer was US\$28,232,000, which was over 10% of the Group's total revenue. For the six months ended 30 June 2020, the largest and the second largest customers were located in Hong Kong. Sales to them were US\$10,281,000 and US\$8,474,000, respectively, each of which was all over 10% of the Group's total revenue.

5. Profit before tax

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

	Unaudited	
	Six months ended 30 June	
	2021	2020
	US\$'000	US\$'000
Cost of goods sold	47,498	43,968
Reversal of provision for slow moving inventories, net	(2,072)	(763)
Reversal of impairment of trade receivables, net	–	(10)
Amortisation of intangible assets	258	253
Depreciation of properties, plant and equipment (note)	527	701
Depreciation of right-of-use assets	668	639
Foreign exchange differences, net	97	(76)

Note: Depreciation expense of US\$294,000 (1H2020: US\$237,000) has been charged in cost of sales, US\$45,000 (1H2020: US\$137,000) in research and development costs and US\$188,000 (1H2020: US\$327,000) in administrative expenses.

6. Finance income – net

	Unaudited	
	Six months ended 30 June	
	2021	2020
	US\$'000	US\$'000
Interest income	126	89
Interest on bank loans	–	(1)
Interest on lease liabilities	(25)	(50)
	101	38

7. Income tax

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

	Unaudited	
	Six months ended 30 June	
	2021	2020
	US\$'000	US\$'000
Current – Elsewhere		
– Charge for the period	70	7
Deferred income tax	–	–
Total tax charge for the period	70	7

8. Earnings per share

(a) Basic earnings per share

The basic earnings per share is calculated based on the Group's profit for the period attributable to owners of the parent and the weighted average number of 2,485,479,976 (1H2020: 2,480,252,351) ordinary shares in issue during the period.

The Group's profit for the period attributable to owners of the parent was US\$10,710,000 (1H2020: US\$4,406,000).

(b) Diluted earnings per share

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

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

	Number of shares Unaudited	
	Six months ended 30 June 2021	2020
Weighted average number of ordinary shares in issue	2,485,479,976	2,480,252,351
Conversion of all dilutive share options outstanding ⁽ⁱ⁾	4,586,626	—
Adjusted weighted average number of ordinary shares for diluted earnings per share calculation	2,490,066,602	2,480,252,351

- (i) *Adjustment has been made to the basic earnings per share amount presented for the six months ended 30 June 2021 in respect of a dilution on the 12,900,000 share options outstanding for the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.*

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

9. Dividend

At a meeting held on 23 March 2021, the Directors recommended the payment of a final dividend of 0.8 HK cent per ordinary share for the year ended 31 December 2020. The final dividend was paid on 25 June 2021.

In addition, the Board resolved not to declare an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

10. Trade and other receivables, prepayments and deposits

	Unaudited 30 June 2021 US\$'000	Audited 31 December 2020 US\$'000
Trade receivables	16,332	13,899
Trade receivables from related parties	6,026	1,609
Impairment	(220)	(220)
Trade receivables – net	22,138	15,288
Deposits, prepayments and other receivables	7,069	3,928
Prepayments to related parties	87	186
Trade and other receivables, prepayments and deposits – current portion	29,294	19,402
Prepayments and deposits – non-current portion	371	22
	29,665	19,424

As at 30 June 2021, the Group's trade receivables from corporate customers were mainly on credit terms of 30 to 90 days. The ageing analysis of trade receivables based on invoice date and net of loss allowance, is as follows:

	Unaudited 30 June 2021 US\$'000	Audited 31 December 2020 US\$'000
1–30 days	14,387	6,391
31–60 days	3,376	3,971
61–90 days	2,472	2,687
91–180 days	1,903	2,239
	22,138	15,288

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

	Unaudited 30 June 2021 US\$'000	Audited 31 December 2020 US\$'000
At beginning of period/year	220	220
Impairment losses/(reversal of impairment losses)	–	–
At end of period/year	220	220

11. Trade and other payables

	Unaudited 30 June 2021 US\$'000	Audited 31 December 2020 US\$'000
Trade payables	17,554	15,717
Trade payable to a related party	–	47
	17,554	15,764
Accrued expenses and other payables	11,912	9,696
Contract liabilities	6,572	2,598
Refund liabilities	1,355	1,283
	37,393	29,341

As at 30 June 2021, the ageing analysis of trade payables based on invoice date is as follows:

	Unaudited 30 June 2021 US\$'000	Audited 31 December 2020 US\$'000
1–30 days	12,688	7,278
31–60 days	3,210	6,812
61–90 days	1,598	1,462
Over 90 days	58	212
	17,554	15,764

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

BUSINESS REVIEW

The COVID-19 pandemic (“Pandemic”) and ensuing global economic downturn in 2020 brought many unforeseen challenges to the global economy and put pressure on industry fundamentals. The year of 2021 turned to be a year of hope, opportunity, and challenge. The engines of the economy have been restarted again on account of subsiding social restrictions and increasingly aggressive monetary and fiscal stimuli in many of the world’s major economies. In 2021, lifestyle and work style have changed. The megatrend of the stay-at-home economy has spurred the demand for chip-based and IC-powered devices from personal and home entertainment to medical, communication, and office equipment, to keep people connected and offer promising business opportunities to the semiconductor industry.

Notwithstanding an expected rebounding economy, the concern about disruptions to supply chains and shortages that have occurred during the Pandemic surfaced. The wafers shortages are expected to cause widespread shortages of products from electronics to medical devices and networking equipment. As one of the players who have secured a stable and guaranteed supply in the upstream, Solomon Systech, is well positioned to leverage our strategic advantages to maintaining the product delivery to customers, thereby realizing the opportunities that emerged during the post-pandemic period. The improvement in sales performance for the six months ended 30 June 2021 has proven the success of our strategies to shield from the effect of supply shortages.

With the advantages of economy of scale and long-term relationships, we entered into agreements with certain overseas leading foundries in the first half of 2021 and have successfully secured certain supply of wafers for the next few years. Our effort in supply chain management will guarantee the fulfilment of orders (including an elevated backlog) and enable the Group to tap into opportunities arising from booming demand for the products driven by our innovative IC solutions.

Into 2021, we continued to implement our deployment that has garnered encouraging results and performance. We optimized our product mix with a focus on products of emerging demand that benefited from the evolving market trend, including those with a higher gross profit margin.

The Group’s unit shipments during the period under review were as follows:

Units Shipped (million units)	1H2021	1H2020	Change (%)
Total	209.4	175.5	+19.3%

Increasing Sales

During the period under review, the Group's total shipments registered an increase of approximately 19.3% to about 209.4 million units which was attributable to the strong growth of New Display ("ND") and OLED display businesses. The growth of ND business was mainly attributable to the increase in sales of e-paper display IC. The resumption of consumer sentiment in the major economies saw a desirable impetus during the first half-year of 2021 which in turn contributed to the increase in demand for our products.

In response to a significant hike in material price and production costs as impacted by the Pandemic and drastic imbalance of demand of IC products and supply of wafers, the Group has managed to adjust and increase the average selling prices of our products.

New Display

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

In the course of design and development, the Group's R&D team has overcome challenges to manipulate multiple driving voltages. The successful launch of Spectra™ 3100, the next-generation electronic paper (e-paper) display, echoed the Group's unwavering commitment to going the extra mile and its perseverance to achieve and excel. Solomon Systech envisaged the potential of e-paper display technology and has never stopped researching the latest technologies. Spectra™ 3100, the next-generation ink platform launched by E Ink Holdings in the first half of 2021, evidenced the technological advancement of the Group. Powered by the proprietary Display IC Solutions developed by Solomon Systech, Spectra™ 3100 signified a significant breakthrough by combining four of the most commonly used colours in the retail industry: black, white, red, and yellow, adding vibrant colour-rich content in electronic shelf labels (ESL) and a wide array of retail signage displays.

Solomon Systech achieved a significant ESL project from two leading ESL System Integration Solution Providers in early 2021. It is expected that the ESL with Solomon Systech's display IC will be massively launched in the top ranked supermarkets in Europe in 2022, with approximately 10 million units of ESL per year to be launched in the market.

OLED Display

OLED display products include PMOLED bistable display products, micro-LED/mini-LED products and OLED lighting products.

Solomon Systech is the world's number one PMOLED display driver IC player with a market share of over 70% in terms of unit of shipment in 2020. Notably, PMOLED has been adapted in the world's most popular home video game consoles and gaining a larger market share in mid to high-end smartphones, leading to increasing demand for high-speed, low-power consumption interfaces. PMOLED Touch and Display Driver Integration ("TDDI") ICs demonstrate colossal market potential and remain one of the key development targets of the Group. In particular, the demand for mobile devices in China and the consumer sentiment have continued to boom in 2021, which ultimately helped to boost the Group's revenue for the OLED display business.

During the period under review, the Group launched the production of the SSD7317 - the world's first TDDI IC for targeted use in smart home products. This innovative breakthrough is now poised to take the product user experience to new heights. The Group has achieved related design-in projects and has commenced mass production of the IC for adoption in smart thermostat electric kettles.

Handheld healthcare devices received overwhelming demand during the Pandemic since higher healthcare standard in working and living environment was maintained globally after the outbreak of COVID-19, which in turn drove our sales in OLED display business during the period under review.

Into 2021, the Group is devoting more resources to developing new micro-LED products and aspires to attain technological breakthroughs of its market-leading micro-LED display IC solutions. Solomon Systech provides total solutions from design to mass production delivery in micro-LED display IC. The Group possesses the most advanced IP database dedicated to the micro-LED display and is well-positioned to offer the ultimate solution for micro-LED display driver applications. The Group has signed strategic cooperation agreements with industry-leading companies and obtained orders, laying a foundation for the mass production of related products in the near future.

Mobile Display and Mobile Touch

Leveraging on its leading innovation capability and agility in tapping into market trends, Solomon Systech has continued to diversify the Mobile Display product portfolio spanning In-Cell Touch Display Driver IC, TFT Display Driver IC, STN Display and Mobile Touch (“MDMT”) Driver IC, MIPI Bridge IC, and Touch Controller IC. They support a wider array of both industrial and consumer products such as smartphones, tablets, wearables, gaming devices, and IoT devices.

In the first half of 2021, the Group has developed a number of new driver products and custom ICs and launched IoT TDDI for the application in wearable products. It is the world’s first TDDI chip for IoT and wearable application with excellent touch and ultra-low power consumption performance. It is also a joint development human interface display platform, and a sole partnership with a leading small-to-medium sized TFT-LCD panel maker.

In view of increasing demand on quality and speed of gaming experience, Solomon Systech also stepped into the game controller sector, designed its touch controller to achieve the world’s no. one latest generation of gaming console controller. Leveraging on its unique technological innovation, the touch controller IC is now penetrating over 50% market share and it is foreseeable that it could continue to contribute to the revenue stream in the coming two to three years.

Large Display

In addition to ND, OLED and MDMT products, the Group also offers another range of display products, such as Large Display (“LD”) products including large panel TFT LCD display driver ICs developed for TVs, monitors and other applications, etc.

New TV technology keeps evolving nowadays. The ceaseless pursuit for entertainment experience is driving the continued evolution of high-definition televisions from the current mainstream of 4K to 8K. The incredibly sharp resolution is made possible by the enhancement of semiconductors, including DDI that operates at high speeds. With larger high-resolution TVs being introduced to the market, the next-generation semiconductors must be designed to perform more complex functions.

Solomon Systech has launched its high-speed Peer-to-peer (P2P) display driver IC for the 165Hz high refresh rate gaming monitor and 8K TV during the period under review. The Group continued with its marketing plans to promote the higher functionality display IC for this segment.

PRODUCT DEVELOPMENT

Creating products and solutions with cutting-edge technologies addressing customers' multiple pressing needs, including functionalities, efficiency, performance, and cost, is a prerequisite to strengthening our market position in the highly competitive semiconductor industry.

As technology continues to accelerate and evolve with more possibilities, it also brings us opportunities. Over the decades, Solomon Systech has piled up a rich bank of technology dedicated to various display systems, forming a formidable technology mix that synergises to unleash the potential.

We maintain our commitment to our in-house research and development to keep us abreast of the market trends. We continue to collaborate with our customers to bring leading products and solutions to the world, as illustrated by our proprietary "Touch +Display" TDDI IC and bistable display for e-paper.

With a pipeline of product candidates under development, we foresee and expect the launch of new products of mini-LED will further fortify our leading market position. The Group has been engaging the research and development of mini-LED display IC products, to fulfil the demand of enhanced quality of monitor and user experience. The mini-LED display products are ready to launch in the market at the end of 2021, and it has been promoted to our 1st tier end customers.

RESEARCH AND DEVELOPMENT

Solomon Systech adopts an agile approach to innovative product development. The Group has developed a frame modulation system for high-resolution Passive Matrix micro-LED. We have signed strategic cooperation agreements with leading players in the industry and obtained their orders for our products, paving the way for mass production of the Group's micro-LED display IC products.

AWARDS AND RECOGNITIONS

Solomon Systech has always adhered to innovation, professionalism, and leadership in providing display IC products and system solutions to global customers. In June 2021, The Group garnered "Hong Kong's Most Outstanding Business Awards 2021" which signified the market's recognition of the Group's R&D strength, corporate governance, and brand influence. Organised by CorpHub, the Award celebrated the contributions and achievements of corporations in different disciplines, showcasing their unique ways of success to the industries and the public.

The Group also clinched the accolade of "Quam IR Awards 2020 – Main Board Category" in May 2021. The Group's outstanding performance in investor relations and corporate governance was further recognized and affirmed by the market.

In Nov 2020, Mr. Raymond Wang, Chief Executive Officer of Solomon Systech, has garnered the prestigious "CEO of the Year 2020" award, presented by Capital CEO x Entrepreneur. The award was in recognition of Mr. Wang's commitment to excellence and outstanding performance which has stood out from his industry peers, as well as his dedication to leading the enterprise to have continuous breakthroughs.

OUTLOOK

Solomon Systech, a global leader specialising in the design, development, and sales of semiconductor ICs products and system solutions, always applies an experience-based foresight to forge a vision of the future. In anticipation of the supply chain issue, we moved swiftly to safeguard an undisrupted continuation of our operation and manufacturing amid the global wafer shortage, which is widely believed to last to the end of 2021 and beyond, to sustain our business growth. We have a market-leading product portfolio and proven expertise that enable us to provide them with compelling solutions for their most demanding applications.

On the backdrop of colour enrichment from monochrome to four colours, e-paper products in seven colours or even full colour will be the next pursuit of breakthrough, propelling an exponential growth in demand. But it also asked for more sophisticated and intelligent IC control technologies and innovation. Solomon Systech, with its proven technology lead in e-paper display IC solutions, is continuing its research to stay abreast of customer demand in the latest technology required.

We are proud of our professional engineering team and global R&D resources and capabilities, robust and reliable customer relationships, a widely recognised brand, and operation prowess. Our positive results are not just down to the opportunities the market trend has offered temporarily. Our success is largely dependent on our ability to accurately predict, identify and adapt to changes timely and cost-effectively with our leading, innovative technologies, and strategies on the development of the products with emerging vast prospects including mini-LED/micro-LED, Electronic Shelf Label, high-speed interface, and P2P display driver IC for the high-end 8K TV markets in the years ahead.

Looking towards the future, Solomon Systech is well-positioned to capture the vast opportunities presented by the evolving market landscape and thriving demand. We aspire to enlarge our market share and maintain the position as one of the world's leading semiconductor players with global influence. Given the uncertainty in the semiconductor industry due to the insufficient capacity of wafers, Solomon Systech has to face various challenges in the coming years. It is expected that the prices of display ICs will continue to increase in 2021 and beyond as more companies are rushing to obtain supply from the fabs to allow undisrupted production.

To overcome the shortcoming of increasing price, Solomon Systech will aspire to enhance product quality and development. The rapid growth of the market demand is being fuelled by demand from PMOLED wearables, smart home solutions, and IoT/AIoT solutions, thanks to the distinct features of enhanced display quality, bendability, and transparency. At the same time, consumers' pursuit of product versatility and lightweight design is forcing brand owners to look for sophisticated IC solutions with unique features.

Moreover, mini-LED display has the potential to become the next-generation mainstream. Solomon Systech is optimistic about the prospects of mini-LED display and is stepping up its research in offering the ultimate solution for mini-LED display driver applications with increasing resources to achieve technology breakthroughs.

Greater China remains our focus of market development. The Group continued to expand its sales network in mainland China. China has endured the pandemic and its economy has recovered quickly. With the emphasis in the internal circulation of production, distribution, and consumption, China demonstrates unparalleled opportunities, and the Group aspires to leverage its advantages to achieve future growth.

Globally, Solomon Systech will further nurture its market footprint in other emerging economies in Asia. Despite the region-wide surge of COVID-19 in 2021, Southeast Asia remains the world's major cluster of manufacturing with promising prospects. The Group will also seek to expand the sales network in the United States and Europe where the markets of wearable devices, handheld medical devices, smart home appliances, etc. are at the world's leading position.

The Group's leading technologies will enable us to achieve a desirable market share in the bistable display, driving the Group's income growth in the near future and beyond. With our focus on cutting-edge and leading technologies in display IC products and solutions, the unwavering effort in R&D, and the capability to respond to customer needs, Solomon Systech's growth impetus is potently fuelled with promising prospects.

FINANCIAL REVIEW

Results

Despite the challenging and uncertain business environment under the Pandemic during the period under review, attributable to the change in product mix and the raise in average selling price ("ASP") and the increase in shipping quantity, the Group recorded a growth of about 27.7% in revenue to US\$74.8 million (1H 2020: US\$58.6 million). The overall book-to-bill ratio of the Group for the period under review in 2021 was 2.0 (1H 2020: 1.2).

Gross profit of US\$29.1 million and gross margin of 38.9% were recorded for the six months ended 30 June 2021 (1H 2020: US\$15.1 million and 25.8%, respectively). The significant improvement in gross profit and profit margin was mainly attributable to the change in profit mix types during the six months ended 30 June 2021.

S&D expenses of US\$1.4 million and administrative expenses of US\$5.4 million represented an increase by 7.1% and 16.4% in respectively, as compared to corresponding period in last year.

Being a technology company, the Group is committed to investing in product R&D and business development. The Group remained selective in its product R&D spending. Its R&D costs during the period under review amounted to US\$12.1 million (mainly staff costs and amortization of intangible assets) (1H 2020: US\$7.9 million), represented about 16.2% to total revenue for the six months ended 30 June 2021 (1H 2020: 13.4%).

The Group has reported a net profit attributable to owners of the parent of US\$10.7 million (1H 2020: US\$4.4 million). The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021.

Liquidity and Financial Resource

	Unaudited 30 June 2021 US'000	Audited 31 December 2020 US'000
Current assets	102,980	86,787
Current liabilities	39,455	30,680
Net current assets	63,525	56,107
Current ratio	2.61	2.83

The Group's current ratio was 2.61 as at 30 June 2021 (31 December 2020: 2.83), reflecting a strong liquidity in its financial position. The position of working capital representing by net current assets was US\$63.5 million (31 December 2020: US\$56.1 million), which had no significant adverse change from the last financial year end.

The Group has invested in financial assets (mainly bank deposits) as part of its treasury management for interest and dividend income. During the period under review, the Group recorded an interest income of US\$126,000 (1H 2020: US\$89,000).

As a result, the Group recorded a net finance income of US\$101,000 (1H 2020: US\$38,000) from financial investments.

Treasury Management

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

Total cash and cash equivalents and bank deposits of the Group were US\$54.6 million as at 30 June 2021, an increment of US\$3.8 million, compared to US\$50.8 million as at 31 December 2020. Cash and cash equivalents and bank deposits of the Group were mainly denominated in US dollar and Renminbi.

The Group will continue to allocate funds for product development, securing production capacity, broadening its customer base and capture market and sales opportunities, entering into strategic corporate ventures and meeting general corporate operational purposes. The Group will also continue to execute its treasury management policy to enhance the yield of cash reserves during the period of low interest return. As at 30 June 2021, the Group had no major borrowing other than the revolving bank credit lines of a Korean subsidiary for working capital financing amounting to US\$181,000 denominated in Korean Won. The Group’s cash balance was mainly invested in various deposits in banks.

Most of the Group’s trade receivables and payables are quoted in US dollars. The Group closely monitors the movement of foreign exchange rates and constantly seeks to obtain favorable exchange rates for conversion of US dollars into other currencies for paying local operating expenses. During the period under review, the Group had not used any derivative instruments to hedge against foreign currency exposure in operation as the Board considered this exposure to be insignificant.

Capital Expenditure and Contingent Liabilities

During 1H 2021, capital expenditure of the Group was US\$969,000 (1H 2020: US\$626,000).

As at 30 June 2021, there was US\$778,000 capital expenditure contracted but not provided for (31 December 2020: US\$1.0 million).

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

Acquisition and Disposal of Material Subsidiaries and Associates

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

Charge of Assets

As at 30 June 2021, the Group did not have any charge on its assets.

HUMAN RESOURCES

As of 30 June 2021, the Group had a total workforce of 335 employees*. About 34% of the workforce were based at the Hong Kong headquarters, with the rest located in Mainland China, Japan, Korea and Taiwan.

* Data excludes the testing center in Mainland China

CORPORATE GOVERNANCE AND SUPPLEMENTARY INFORMATION

Compliance with Corporate Governance Code

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

The Company has complied with all the applicable Code Provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2021.

Compliance with the Model Code

The Company has its own written guidelines on securities transactions by Directors and relevant employees on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules. Specific enquiry has been made to all Directors, and all Directors have confirmed that they have been in compliance with such guidelines during the six months ended 30 June 2021.

Purchase, Sale or Redemption of the Company's Listed Shares

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the six months ended 30 June 2021.

Review of Condensed Consolidated Interim Financial Information

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

The unaudited condensed consolidated interim financial information has been reviewed by the Company's independent auditor, Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The auditor's independent review report is included in the Interim Report of the Company.

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

All the interim financial and other related information of the Group required by the Listing Rules has been published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.solomon-systech.com) on 18 August 2021.

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

Hong Kong, 18 August 2021

As at the date of this announcement, the Board comprises: (a) Executive Directors – Mr. Wang Wah Chi, Raymond (Chief Executive Officer); (b) Non-executive Directors – Mr. Ma Yuchuan (Chairman), Mr. Wang Hui and Ms. Ye Nan; and (c) Independent Non-executive Directors – Mr. Leung Heung Ying, Mr. Sheu Wei Fu and Dr. Chan Philip Ching Ho.

DEFINITIONS AND GLOSSARY

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