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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)**

### **2021 ANNUAL RESULTS ANNOUNCEMENT**

#### **FINANCIAL HIGHLIGHTS**

- Revenue increased by about 38.6% to US\$168.1 million.
- Gross profit was US\$67.3 million, jumped by 87.6%.
- Gross margin was 40.0%, increased by 10.4 percentage points.
- Profit attributable to owners of the parent was US\$23.8 million, increased by 103.0%.
- Earnings per share was 1.0 US cent (7.8 HK cents).
- Book-to-bill ratio was 1.5.
- The Board proposed a final dividend per share of 1.0 HK cent (approximately 0.1 US cent) for the year ended 31 December 2021.

## 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 2021 together with the comparative figures for the immediate preceding year as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Notes	2021 US\$'000	2020 US\$'000
Revenue	4	168,120	121,261
Cost of sales		(100,868)	(85,416)
Gross profit		67,252	35,845
Research and development costs		(30,421)	(16,876)
Selling and distribution expenses		(2,960)	(2,476)
Administrative expenses		(11,213)	(11,103)
Other expenses	5	(476)	–
Other income and gains – net	6	1,209	6,197
		23,391	11,587
Finance income – net	7	220	83
		23,611	11,670
Share of profits of associates		166	208
Profit before tax	8	23,777	11,878
Income tax expense	9	(48)	(198)
Profit for the year		23,729	11,680
Attributable to:			
– Owners of the parent		23,782	11,715
– Non-controlling interests		(53)	(35)
		23,729	11,680
Earnings per share attributable to ordinary equity holders of the parent: (expressed in US cent(s) per share)	10		
– Basic		1.0	0.5
– Diluted		1.0	0.5

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 US\$'000	2020 US\$'000
Profit for the year	23,729	11,680
Other comprehensive income		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
– Exchange differences arising on translation of foreign operations	1,417	378
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	136	–
Other comprehensive income for the year	1,553	378
Total comprehensive income for the year	25,282	12,058
Attributable to:		
– Owners of the parent	25,335	12,097
– Non-controlling interests	(53)	(39)
	25,282	12,058

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 US\$'000	2020 US\$'000
<b>NON-CURRENT ASSETS</b>			
Intangible assets		505	1,022
Property, plant and equipment		4,269	3,722
Right-of-use assets		2,315	839
Investments in associates		1,082	916
Equity investment designated at fair value through other comprehensive income		1,065	929
Other receivables, prepayments and deposits	12	9,087	22
Total non-current assets		18,323	7,450
<b>CURRENT ASSETS</b>			
Inventories		40,866	16,428
Trade and other receivables, prepayments and deposits	12	38,967	19,402
Pledged bank deposit		17,000	130
Cash and cash equivalents		24,757	50,827
Total current assets		121,590	86,787
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	50,149	29,341
Interest-bearing bank borrowings		—	181
Lease liabilities		1,139	762
Deferred income		3	94
Tax payable		342	302
Total current liabilities		51,633	30,680
<b>NET CURRENT ASSETS</b>		69,957	56,107
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		88,280	63,557
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		181	—
Lease liabilities		1,392	125
Total non-current liabilities		1,573	125
<b>Net assets</b>		86,707	63,432
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital		32,123	31,977
Reserves		54,640	31,458
		86,763	63,435
<b>Non-controlling interests</b>		(56)	(3)
<b>Total equity</b>		86,707	63,432

## NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

### 1. General information

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

The consolidated financial information 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”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for a financial asset which has 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.

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

*Interest Rate Benchmark Reform – Phase 2*

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

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

#### **Amendment to HKFRS 16**

Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the year ended 31 December 2021 to all rent concession granted by the lessor that affected only payment originally due on or before 30 June 2022 as a direct consequence of the COVID-19 pandemic. A reduction in the lease payment arising from the rent concession of US\$1,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2021. There was no impact on the opening balance of equity as at 1 January 2021.

#### **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\$168,120,000 and US\$121,261,000 for the years ended 31 December 2021 and 2020, respectively.

The Company is domiciled in Hong Kong. The Group mainly operates in Hong Kong. During 2021, the Group's products were mainly sold to customers located in Hong Kong, Mainland China, Taiwan and Europe.

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

	2021 US\$'000	2020 US\$'000
Hong Kong	90,819	64,394
Mainland China	15,343	16,394
Taiwan	35,992	21,201
Europe	16,830	12,394
Japan	7,913	5,833
Korea	765	536
South East Asia	86	135
USA	122	84
Others	250	290
	<b>168,120</b>	<b>121,261</b>

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

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

	2021 US\$'000	2020 US\$'000
New Display ICs	71,286	33,184
OLED Display ICs	34,737	28,717
Mobile Display and Mobile Touch ICs	43,078	31,893
Large Display ICs	19,019	27,467
	<b>168,120</b>	<b>121,261</b>

**(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:

	2021 US\$'000	2020 US\$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sales of ICs	1,391	934

**(d) Non-current assets**

	2021 US\$'000	2020 US\$'000
Hong Kong	5,413	686
Mainland China	3,349	4,052
Taiwan	1,788	1,725
Korea	7	36
	10,557	6,499

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

**(e) Capital expenditures**

	2021 US\$'000	2020 US\$'000
<b>Property, plant and equipment</b>		
Mainland China	830	963
Hong Kong	616	94
Taiwan	87	89
	1,533	1,146

Capital expenditures are listed based on the location of assets.

**(f) Major customers**

For the year ended 31 December 2021, the largest customer was located in Hong Kong, and sales to that customer were US\$60,166,000, over 10% of the Group's total revenue. For the year ended 31 December 2020, the largest and the second largest customers were located in Hong Kong, and sales to them were US\$19,364,000 and US\$18,781,000, respectively, each 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

	2021 US\$'000	2020 US\$'000
Impairment of other receivables and deposits	68	—
Loss from dissolution of subsidiaries	331	—
Others	77	—
	476	—

## 6. Other income and gains – net

	2021 US\$'000	2020 US\$'000
Government grants*	946	3,639
Gain on disposal of items of property, plant and equipment	3	677
Licensing income	—	1,600
Others	260	281
	1,209	6,197

\* 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

	2021 US\$'000	2020 US\$'000
Interest income	278	180
Interest on bank loans	(3)	(2)
Interest on lease liabilities	(55)	(95)
	220	83

## 8. Profit before tax

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

	2021 US\$'000	2020 US\$'000
Cost of goods sold	101,431	85,260
Product engineering costs	7,450	2,656
Reversal of provision for obsolete or slow moving inventories, net	(1,152)	(318)
Amortisation of intangible assets	517	490
Depreciation of property, plant and equipment	1,074	1,291
Depreciation of right-of-use assets	1,251	1,382
Lease payments not included in the measurement of lease liabilities	226	133
Impairment of other receivables and deposits*	68	—
Loss from dissolution of subsidiaries*	331	—
COVID-19-related rent concession from lessor	(1)	(281)
Foreign exchange differences, net	1,200	408
Auditor's remuneration	178	200
Employee benefit expenses (including directors' emoluments):		
– Salaries, allowances, bonuses and other benefits	28,633	20,397
– Equity-settled share option expense	204	50
– Pension scheme contributions (defined contribution schemes)	386	396
– Termination benefits	91	157
	29,314	21,000

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

## 9. Income tax

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

	2021 US\$'000	2020 US\$'000
Current – Elsewhere: Charge for the year	48	198
Total income tax expense	48	198

## 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 2021 attributable to owners of the parent of US\$23,782,000 (2020: US\$11,715,000) and the weighted average number of ordinary shares of 2,488,069,886 (2020: 2,480,302,624) in issue during the year.

### (b) Diluted earnings per share

The diluted earnings per share for the year 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	
	2021	2020
Weighted average number of ordinary shares in issue	2,488,069,886	2,480,302,624
Effect of dilution – weighted average number of ordinary shares: share options	2,754,579	213,386
Adjusted weighted average number of ordinary shares for diluted earnings per share calculation	2,490,824,465	2,480,516,010

## 11. Dividends

	2021 US\$'000	2020 US\$'000
Final dividend attributed to the year: 2021 final dividend, proposed, of 1.0 HK cent (approximately 0.1 US cent) per ordinary share (2020: 0.8 HK cent (approximately 0.1 US cent) per ordinary share) <sup>(i)</sup>	3,216	2,566

- (i) At a meeting held on 23 March 2022, the Directors recommended the payment of a final dividend of 1.0 HK cent per ordinary share, totaling HK\$24,924,000 (approximately US\$3,216,000). The proposed dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of share premium account for the year ended 31 December 2021.

## 12. Trade and other receivables, prepayments and deposits

	2021 US\$'000	2020 US\$'000
Trade receivables	22,082	13,899
Trade receivables from related parties	2,250	1,609
Impairment	(220)	(220)
Trade receivables – net	24,112	15,288
Other receivables, prepayments and deposits	14,690	3,928
Prepayments to related parties	233	186
Impairment	(68)	–
Trade and other receivables, prepayments and deposits – current portion	38,967	19,402
Other receivables, prepayments and deposits – non-current portion	9,087	22
	48,054	19,424

As at 31 December 2021, the Group's trade receivables from corporate customers were mainly on credit terms of 30 to 90 days. As at 31 December 2021, the ageing analysis of trade receivables based on invoice dates and net of loss allowance, is as follows:

	<b>2021</b> <b>US\$'000</b>	2020 US\$'000
1–30 days	<b>9,795</b>	6,391
31–60 days	<b>6,515</b>	3,971
61–90 days	<b>5,452</b>	2,687
91–180 days	<b>2,350</b>	2,239
	<b>24,112</b>	15,288

### 13. Trade and other payables

	<b>2021</b> <b>US\$'000</b>	2020 US\$'000
Trade payables	<b>23,919</b>	15,717
Trade payable to a related party	<b>–</b>	47
	<b>23,919</b>	15,764
Accrued expenses and other payables	<b>18,891</b>	9,696
Contract liabilities	<b>6,350</b>	2,598
Refund liabilities	<b>989</b>	1,283
	<b>50,149</b>	29,341

Notes:

At 31 December 2021, the ageing analysis of the trade payables based on invoice dates is as follows:

	<b>2021</b> <b>US\$'000</b>	2020 US\$'000
1 - 30 days	<b>14,726</b>	7,278
31 - 60 days	<b>6,478</b>	6,812
61 - 90 days	<b>2,439</b>	1,462
Over 90 days	<b>276</b>	212
	<b>23,919</b>	15,764

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND OUTLOOK

#### Business Review

Notwithstanding the enormous impact on the global economy arising from the COVID-19 pandemic during the year, worldwide semiconductor revenue recorded a double-digit growth rate in 2021. The demand for personal computers, electric vehicles and 5G smartphones are experiencing exponential growth; and the demand for portable health-care equipment, wearables and IoT devices had continued. The resulting strong demand caused increases in logistics and raw material costs which had driven higher selling prices across the industry.

These threats and opportunities were a challenge but yet an opportunity to every player in the semiconductor industry. To tackle the immediate chip component shortage in early 2021, the Group swiftly entered into agreements with leading overseas foundries to lock up long-term stable supply of chip components in the coming years.

#### Outstanding Performance

During the year under review, the demand for the Group's products remained strong. The Group has procured strategically and managed to increase the average selling price of products amid severe shortage of chip supply and sharp rise in raw material prices and production costs. In addition, the Group continued to adjust the product mix with a focus on products of higher profit margins. While potent supply chain management ensures smooth operations and development for the long term, the Group's persistence in innovation, diligent implementation of strategies, and visionary foresight into market trends had rewarded us with outstanding performance and results. The Group made a record-high shipment quantity of approximately 395.7 million units (2020: 379.4 million units) during the year and reached a sales revenue of US\$168.1 million, an increase of more than 38.6% over that of 2020 (US\$121.3 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, New Display IC products showed a significant growth in shipment quantity of 66.6%, mainly brought about by our sales arising from ESL in the European and the North American markets. ESL is gaining popularity for its flexibility in price update, enhancement in customers interaction and easy stock management, meeting the global trend of paperless for sustainability development.

ESL is not only prevailing in Europe and North America but also becoming an emerging trend in Mainland China and other Asian countries. The Group co-developed with E Ink Holdings Inc. ("E Ink") for the Display IC Solutions for Spectra™ 3100, a next-generation specialised platform for ESL and retail signage application. Our significant technological break-through in 2021 that enables a four colour spectrum display has placed us in a leading position in this huge market. The Group expects to extensively launch about 10 million units of ESLs driven display IC in the market starting from 2022, including the top-ranked supermarkets in Europe. Moreover, we will commence mass production for Advanced Colour e-Paper (ACeP) products. To further tap into the markets of e-Signage and e-Reader applications, the Group has developed the AMEPD driver IC, which is expected to commence mass production soon. As a global market leader in supplying e-Paper display driver ICs, the Group endeavours to provide products and solutions that meet customers' stringent requirements in quality and reliability.

## **OLED Display ICs**

Solomon Systech (International) Limited ("Solomon Systech") offers a wide range of OLED display driver ICs to match with various applications, including PMOLED display products, mini/micro-LED products and OLED lighting products. The Group is the world's number one PMOLED display driver IC player with a dominant market share in terms of units of shipment in 2021.

The global wearable market is welcoming a boom despite the pandemic. The pandemic and city lockdowns have prompted people to focus on health and wellness, spurring the demand for devices that can manage social distancing. Concurrently, smart home appliances have continued to improve in terms of technology, performance, features and design, and accordingly, the market size gained a double-digit growth in the past year.

The Group provides a full range of PMOLED driver ICs from icon, mono and grey scale to full colour with highly integrated features and are ideal display solutions for portable devices. During the year under review, the Group's OLED Display business benefited from the strong market demand for PMOLED wearable devices, smart home solutions and Internet of Things (IoT)/Artificial Internet of Things (AIoT) solutions. OLED Display ICs products were able to report an increase in revenue of over 21.0% from 2020. SSD7317, the world's first TDDI IC developed by the Group for targeted use in smart home products, has been launched in 2021. Meanwhile, the demand for handheld health-care devices for the Group's IC products had sustained in 2021. The need for sophisticated features and product upgrades is driving the momentum.

Micro-LED display that uses arrays of tiny micro-LED chips arranged on LTPS backplane will be the next-generation display solution milestone. Solomon Systech 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. As the global high-end consumer electronics market continues to expand, the orders for the Group's mini/micro-LED IC products are expected to grow accordingly.

## **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. They support industrial and consumer applications spanning smartphones, tablets, wearables, gaming devices and IoT devices.

During the year under review, the Mobile Display and Mobile Touch ICs products reported both an increase in shipment quantity of 23.5% and sales revenue of 35.1% over that of last year.

In 2021, the Group launched our first full-colour TDDI specialised for wearables and IoT devices. It is characterised with superior features, high cost-effectiveness and low power consumption properties. This IC incorporates the Group's latest proprietary driving scheme and approximately 5 million units were produced and delivered in 2021.

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. Our MIPI – Local Dimming IP is ready for production and is expected to reach the market in Q2 2022. In addition, the Group is co-developing a human interface display platform with a leading small-to-medium-sized TFT-LCD panel maker to leverage the Group's pioneering technologies in TDDI.

The demand for game console controller ICs requiring more accurate controls, faster response and longer battery runtime is growing fast. In view of the emerging market trend, the Group leverages its profound expertise in TDDI and has exerted a visionary deployment in the sector. In 2021, the Group's game controller IC business achieved good performance with sizable mass production. The demand for the Group's game console controller and wearable ICs continues to grow, and we have successfully secured manufacturing orders into 2022, making a notable contribution to the Group's sustainable revenue base.

### **Large Display ICs**

The Group provides a wide range of large display driver IC solutions that support various applications, including monitors, notebooks and large-size TVs.

During the year under review, revenue was lower than that of 2020 as the Group allocated most of its resources for other high-end products. The Group launched a high-speed Peer-to-peer (P2P) display driver IC for the 165Hz high-refresh-rate gaming monitor and 8K HDTV. It adopts a novel architecture with I/O speed as fast as 3.6Gbps. This latest offering will enhance our product value and increase the visibility of the Group in the blooming high-end entertainment market.

### **Product Development**

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

During the period under review, the Group developed a frame modulation system for high-resolution Passive Matrix micro-LED, which supports a higher resolution compared to the conventional IC. This novel solution can also effectively shorten the development time of TFT board which provides us with a distinctive edge in cost-effectiveness.

### **Awards and Recognitions**

Solomon Systech aspires to lead for next-generation innovation and excellence in corporate development. In November 2021, Mr. Raymond Wang, Chief Executive Officer and Executive Director of the Company, was honoured with the "Executive of the Year" award by the first EE Awards Asia in recognition of his outstanding leadership skills and significant contribution to the semiconductor/electronics industry. It is also an affirmation of the Group's dedicated efforts to innovate and develop the ultimate solutions for its customers. The Award is another acknowledgement of Mr. Wang's commitment to excellence and outstanding performance in the industry, after Mr. Wang won the "CEO of the Year 2020" Award in November 2020.

In 2021, the Group was awarded the "Hong Kong's Most Outstanding Business Awards 2021" and the "Quam IR Awards 2020 – Main Board Category", recognising the Group's efforts in R&D, corporate governance, brand influence, and investors relations in the market.

## Outlook

Semiconductors exhibit tremendous roles in an increasingly complex and technologically sophisticated global economy and are present in almost all modern electronics. Semiconductor-enabled technologies allow us to work remotely, study and order goods online, and stay connected with families, friends, and the world.

Despite the relaxing measures in travel and social distancing around the world, the effects of the COVID-19 pandemic are still being felt across various industries. Supply chain issues are widespread and prevalent, and the global chip shortage is expected to last into 2023 or even after, with prices remaining at a relatively high level. Nonetheless, the Group will strive to continuously develop and provide value-added products to customers, despite the ever-increasing pressure in logistic and materials costs.

The Group is working on a new ESL IC solution that supports seven colours, which will push up the Group's revenue and visibility globally. We will also focus on providing novel display IC solutions to the e-Reader market.

Following the launch of the Group's mini-LED display IC products, the Group will intensify the market effort among our first-tier end customers to enlarge the Group's footprint.

Tapping on the growing trend of the game console controller market, the Group endeavours to offer players an unprecedented gaming experience. We will capitalise on our capability in high-speed and high-resolution display IC technology to leverage into the development of enhanced AR and VR products to capture the market potential of the Metaverse.

With larger high-resolution TVs being introduced to the market, the Group has been implementing the promotion plan to establish a solid presence in the market.

In the past two years, the Group successfully managed changes and overcame challenges with remarkable performance. As part of the corporate strategies, we will stay focused on products to create value to our customers and to seek opportunities arising from evolving trends.

## FINANCIAL REVIEW

### Revenue and Results Overview

Despite the challenging and turbulent business environment during the continuous out-break of the COVID-19 pandemic in 2021, the Group was able to report an outstanding performance with record high in shipment quantity. The overall book-to-bill ratio of the group for the year ended 31 December 2021 was 1.5 compared to 1.4 in 2020.

Sales revenue increased to US\$168.1 million in 2021 (2020: US\$121.3 million), representing an increase of over 38.6% from that of last year due to the continuous strong demand of the Group's products which pushed up the average selling price. Profit attributable to owners of the parent was reported at US\$23.8 million, an increase of over 103.0% from US\$11.7 million in 2020. Earnings per share were 1.0 US cent, up 0.5 US cent from 2020.

The outstanding performance of the Group was due to increase in sales revenue and better product mix of higher gross profit margin products.

### Gross profit

Gross profit of US\$67.3 million (2020: US\$35.8 million) and gross margin of 40.0% (2020: 29.6%) were recorded for the year ended 31 December 2021, representing an increase of 87.6% and 10.4 percentage points, respectively, as compared with that in the year of 2020. The improvement in average gross profit margin was due to the increase in average selling price coupled with competitive costing from strategic procurement, and a better product mix of higher margin 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 2021 amounted to about US\$45.1 million (2020: US\$30.5 million), representing an increase of 48.0% as compared to that for the year 2020.

The Group is committed to its longer-term development by investing in its R&D capabilities. During the year under review, the product R&D costs amounted to US\$30.4 million (2020: US\$16.9 million), representing an increase of US\$13.5 million and an increase of 80.3%. The product R&D costs to sales ratio for the year ended 31 December 2021 was 18.1% (2020: 13.9%), an increase of 4.2 percentage points. As a high-tech semi-conductor company, the Group has set a bold target in R&D for innovation to solidify the leading position in IC display industry.

Administrative expenses amounted to US\$11.2 million (2020: US\$11.1 million), nearly same as that of last year, despite the increase in revenue by 38.6% resulting from the Group's on-going stringent effective cost controls measure to enhance operational efficiency.

## Other Income and Gains – Net

During the year under review, other income amounted to US\$1.2 million (2020: US\$6.2 million), lower than that of 2020 by US\$5.0 million mainly due to decrease in government subsidies and the absence of licencing income in 2021. Government subsidies mainly consisted of grants for the product R&D projects totaling US\$0.9 million in 2021 (2020: US\$3.6 million).

## Profit Attributable to the Owners of the Parent

During the year under review, the Group reported a profit attributable to owners of the parent of US\$23.8 million, as compared to a profit attributable to owners of the parent for the year ended 31 December 2020 of US\$11.7 million. The significant increase in profit attributable to owners of the parent was due to increase in revenue, improvement in gross profit and a stringent control on overall expenses resulting from the positive contributing factors discussed above.

## Liquidity and Financial Resources

	<b>As at 31 December</b>	
	<b>2021</b>	2020
	<b>US\$'000</b>	US\$'000
Current assets	<b>121,590</b>	86,787
Current liabilities	<b>51,633</b>	30,680
Net current assets	<b>69,957</b>	56,107
Current ratio	<b>2.35</b>	2.83

The Group's current ratio was 2.35 as at 31 December 2021 (31 December 2020: 2.83), reflecting a strong liquidity in its financial position. Working capital position of the Group remains strong.

The Group does not have any significant interest-bearing loans and borrowings, and is in net cash position. The gearing ratio is 0.002 (2020: 0.003).

## **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 surplus fund. 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 pledged bank deposits of the Group were US\$41.8 million as at 31 December 2021 (2020: US\$51.0 million), of which US\$17.0 million denominated in US dollars (2020: US\$130,000) were pledged to banks to secure general banking facilities for general operation purpose. Cash and cash equivalents and pledged bank deposits of the Group were mainly denominated in US dollars and Renminbi.

As at 31 December 2021, the Group had no major borrowing other than a revolving bank credit line of a Korean subsidiary for working capital financing amounting to US\$0.2 million denominated in Korean Won.

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

## **Capital Expenditure and Contingent Liabilities**

During the year of 2021, capital expenditure of the Group was US\$1.5 million (2020: US\$1.1 million).

As at 31 December 2021, capital expenditure contracted for but not yet incurred was approximately US\$1.2 million (2020: US\$1.0 million).

The Company has provided corporate guarantees amounted to US\$17.9 million (2020: Nil) to banks in connection with facilities granted to a subsidiary, of which US\$8.0 million (2020: Nil) were utilised as at 31 December 2021.

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 2021, 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 2021, the Group did not have any charge on its assets except for time deposits amounted to a total of US\$17.0 million (2020: US\$130,000) pledged to banks for securing banking facilities.

## **HUMAN RESOURCES**

As of 31 December 2021, the Group had a total workforce of 326 employees. About 36% of the workforce were based at the Hong Kong headquarters, with the rest located in Mainland China, Japan, Korea and Taiwan. The Group also has a testing center located in Mainland China, with a workforce of 63 employees.

## **PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SHARES**

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the year ended 31 December 2021.

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

For the year ended 31 December 2021, the Company has complied with all the applicable Code Provisions in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules ("Appendix 14"). To maintain high standards of corporate governance, the Company has adopted the recommended best practices in Appendix 14 where appropriate.

The Company has its own written guidelines on securities transactions by Directors and relevant employees on no less exacting terms than the required standard set out in the Model Code contained in Appendix 10 of the Listing Rules. Specific enquiry has been made to all Directors, and all Directors have confirmed that they have been in compliance with such guidelines during the year ended 31 December 2021.

## **AUDIT COMMITTEE**

The audit committee alongside with the internal audit team of the Company has reviewed the annual results of the Group for the year ended 31 December 2021.

## **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 2021 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 proposed final dividend, if approved at the forthcoming annual general meeting of the Company to be held on 22 June 2022, will be paid out of the share premium account of the Company, is expected to be paid on 27 July 2022 to the shareholders of the Company whose names appear on the register of the members of the Company on 13 July 2022.

## **CLOSURE OF REGISTERS OF MEMBERS**

- (i) The Register of Members of the Company will be closed from 17 June 2022 to 22 June 2022 (both days inclusive), during which no transfer of shares can be registered. In order to qualify for attending the 2022 Annual General Meeting, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Center, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 16 June 2022, Hong Kong time. The record day for ascertaining the entitlement of the shareholders to attend the 2022 annual general meeting of the Company is 22 June 2022.
- (ii) The Register of Members of the Company will be closed from 8 July 2022 to 13 July 2022 (both days inclusive), during which no transfer of shares can be registered. In order to be eligible for receiving the final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Center, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 7 July 2022, Hong Kong time. The record day for ascertaining the entitlement of the shareholders to receive the 2021 final dividend is 13 July 2022.

## 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](http://www.hkex.com.hk)) and the Company's website ([www.solomon-systech.com](http://www.solomon-systech.com)) on 23 March 2022.

## DEFINITIONS AND GLOSSARY

AMEPD	Active Matrix Electrophoretic Display
Augmented Reality (AR)	Augmented reality is an enhanced version of the real physical world that is achieved through the use of digital visual elements, sound, or other sensory stimuli delivered via technology.
Board	Board of Directors
Code Provision(s)	Code provision(s) in the Corporate Governance Code contained in Appendix 14 to the Listing Rules
Company	Solomon Systech (International) Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
Director(s)	The director(s) of the Company
ESL	Electronic Shelf Label
Group	The Company and its subsidiaries
HK\$/HKD	Hong Kong dollars
HKAS	Hong Kong Accounting Standards
HKFRS	Hong Kong Financial Reporting Standards, or collectively for HKAS and Hong Kong Financial Reporting Standards
Hong Kong/HK/HKSAR	Hong Kong Special Administrative Region of the PRC
IC	Integrated Circuit
IP	Intellectual Property
LCD	Liquid Crystal Display
Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange
LTPS	Low Temperature Polysilicon, a technology for the manufacturing of TFT-LCD
Mainland China	The People's Republic of China, for the purpose of this announcement, excludes Hong Kong and Macau Special Administrative Regions of the PRC
Metaverse	Metaverse is a digital reality that combines aspects of social media, online gaming, augmented reality (AR), virtual reality (VR), and cryptocurrencies to allow users to interact virtually.
MIPI	Mobile Industry Processor Interface
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
OLED	Organic Light Emitting Diode
PMOLED	Passive Matrix Organic Light Emitting Diode
R&D	Research and development
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/U.S.	United States of America
US\$/USD	US dollars
Virtual Reality (VR)	Virtual Reality is the use of computer technology to create a simulated environment.

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

Hong Kong, 23 March 2022

*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. Leung Heung Ying, Mr. Sheu Wei Fu and Dr. Chan Philip Ching Ho.*