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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 2024**

**FINANCIAL HIGHLIGHTS**

- Revenue decreased by about 27.4% to US\$61.9 million
- Gross profit was US\$19.8 million, gross margin was 32.0%
- Profit attributable to owners of the parent was US\$7.5 million
- Earnings per share was 0.30 US cent (equivalent to 2.32 HK cents)

## INTERIM RESULTS

The Directors of Solomon Systech (International) Limited (the “Company”) announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2024 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 2024

	Notes	Unaudited	
		Six months ended 30 June	
		2024	2023
		US\$'000	US\$'000
<b>Revenue</b>	4	<b>61,915</b>	85,334
Cost of sales		<b>(42,072)</b>	(57,393)
Gross profit		<b>19,843</b>	27,941
Research and development costs		<b>(7,999)</b>	(10,591)
Selling and distribution expenses		<b>(1,858)</b>	(1,272)
Administrative expenses		<b>(4,601)</b>	(3,771)
Other income and gains – net		<b>18</b>	32
		<b>5,403</b>	12,339
Finance income – net	6	<b>2,096</b>	902
		<b>7,499</b>	13,241
Share of profits/(losses) of associates		<b>58</b>	(76)
Profit before tax	5	<b>7,557</b>	13,165
Income tax expense	7	<b>(86)</b>	–
<b>Profit for the period</b>		<b>7,471</b>	13,165
Attributable to:			
– Owners of the parent		<b>7,471</b>	13,165
– Non-controlling interests		<b>–</b>	–
		<b>7,471</b>	13,165
Earnings per share attributable			
to ordinary equity holders of the parent: (in US cent)	8		
– Basic		<b>0.30</b>	0.53
– Diluted		<b>0.30</b>	0.53

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Unaudited	
	Six months ended 30 June	
	2024	2023
	US\$'000	US\$'000
Profit for the period	7,471	13,165
Other comprehensive income/(loss)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
– Exchange differences arising on translation of foreign operations	2	(2,434)
Total comprehensive income for the period	7,473	10,731
Attributable to:		
– Owners of the parent	7,473	10,731
– Non-controlling interests	–	–
	7,473	10,731

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	Unaudited 30 June 2024 US\$'000	Audited 31 December 2023 US\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		5,854	4,836
Right-of-use assets		3,084	1,391
Investments in associates		819	761
Equity investment designated at fair value through other comprehensive income		1,161	1,161
Other receivables, prepayments and deposits	10	407	679
<b>Total non-current assets</b>		<b>11,325</b>	<b>8,828</b>
<b>CURRENT ASSETS</b>			
Inventories		28,102	27,920
Trade and other receivables, prepayments and deposits	10	29,905	31,817
Pledged bank deposits		6,000	6,000
Cash and cash equivalents		96,069	80,339
Financial asset at fair value through profit or loss		–	2,522
<b>Total current assets</b>		<b>160,076</b>	<b>148,598</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	32,101	26,908
Interest-bearing bank borrowings		1,261	1,657
Lease liabilities		1,021	985
Tax payables		492	424
<b>Total current liabilities</b>		<b>34,875</b>	<b>29,974</b>
<b>NET CURRENT ASSETS</b>		<b>125,201</b>	<b>118,624</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>136,526</b>	<b>127,452</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		2,118	521
<b>Total non-current liabilities</b>		<b>2,118</b>	<b>521</b>
<b>Net assets</b>		<b>134,408</b>	<b>126,931</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital		32,166	32,166
Reserves		102,307	94,830
		<b>134,473</b>	<b>126,996</b>
<b>Non-controlling interests</b>		<b>(65)</b>	<b>(65)</b>
<b>Total equity</b>		<b>134,408</b>	<b>126,931</b>

## 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 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 electronic shelf-labels (ESLs), wearables, healthcare devices, smart home devices, as well as industrial appliances, etc.

The Company was incorporated in the Cayman Islands on 21 November 2003 as an exempted company with limited liability under Cap. 22, the Cayman Islands Companies Law (Law 3 of 1961, as consolidated and revised). The address of its registered office is Third Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands (with effect from 1 October 2022) and the address of its principal office in Hong Kong is Unit 607-613, 6/F. Wireless Centre, 3 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong.

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

The interim condensed consolidated financial information has been reviewed but not audited, and it was approved for issue on 22 August 2024.

### 2. Basis of preparation

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2024 (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 2023.

### 3. Material accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2023, 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 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the “2020 Amendments”)
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> (the “2022 Amendments”)
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

The nature and 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. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated 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 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 proprietary IC products and system solutions.

The chief operating decision-makers have been identified as the Executive Director and senior management led by the Chief Executive Officer. The Executive Director 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\$61,915,000 for the six months ended 30 June 2024 (1H 2023: US\$85,334,000).

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, Japan, Europe and Taiwan.

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

	Unaudited	
	Six months ended 30 June	
	2024	2023
	US\$'000	US\$'000
Hong Kong	36,878	46,427
Mainland China	2,007	1,917
Taiwan	8,538	9,899
Japan	2,339	11,968
Europe	11,891	12,600
Korea	101	121
South East Asia	29	124
USA	31	2,113
Others	101	165
	<b>61,915</b>	<b>85,334</b>

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

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>US\$'000</b>	<b>US\$'000</b>
New Display ICs	<b>36,385</b>	39,847
OLED Display ICs	<b>8,843</b>	9,290
Mobile Display and Mobile Touch ICs	<b>9,826</b>	33,177
Large Display ICs	<b>6,861</b>	3,020
	<b>61,915</b>	85,334

(c) **Non-current assets**

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2024</b>	<b>2023</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Hong Kong	<b>3,047</b>	1,403
Mainland China	<b>5,103</b>	3,953
Taiwan	<b>1,607</b>	1,632
	<b>9,757</b>	6,988

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

(d) **Capital expenditures**

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Property, plant and equipment</b>		
Mainland China	<b>1,640</b>	122
Hong Kong	<b>90</b>	–
Taiwan	<b>48</b>	–
	<b>1,778</b>	122

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

(e) **Major customers**

For the six months ended 30 June 2024, the largest and second largest customers were located in Hong Kong and Europe, respectively. Sales amount to those customer were US\$27,630,000 and US\$10,588,000, respectively, which were over 10% of the Group's total revenue. For the six months ended 30 June 2023, the largest, second and third largest customer was located in Hong Kong, Japan and Europe, respectively. Sales amount to those customer were US\$32,566,000, US\$11,968,000 and US\$11,492,000, respectively, which were 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	
	2024 US\$'000	2023 US\$'000
Cost of goods sold	44,323	55,926
(Reversal of provision)/provision for slow moving inventories	(2,542)	1,127
Depreciation of property, plant and equipment (note)	760	710
Depreciation of right-of-use assets	723	659
Foreign exchange differences, net	(319)	(1,564)

Note: Depreciation expense of US\$291,000 (1H 2023: US\$340,000) has been charged in cost of sales, US\$48,000 (1H 2023: US\$48,000) in research and development costs and US\$421,000 (1H 2023: US\$322,000) in administrative expenses.

## 6. Finance income – net

	Unaudited Six months ended 30 June	
	2024 US\$'000	2023 US\$'000
Interest income	2,132	934
Interest on bank loans	(1)	–
Interest on lease liabilities	(35)	(32)
	2,096	902

## 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 current and prior periods. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Unaudited Six months ended 30 June	
	2024 US\$'000	2023 US\$'000
Current – Elsewhere		
– Charge for the period	86	–
Total tax charge for the period	86	–

## 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 2,495,652,351 (1H 2023: 2,494,642,406) ordinary shares in issue during the period.

The Group's profit for the period attributable to owners of the parent was US\$7,471,000 (1H 2023: US\$13,165,000).

### (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 2024	2023
Weighted average number of ordinary shares in issue	2,495,652,351	2,494,642,406
Conversion of all dilutive share options outstanding (i)	–	354,297
Adjusted weighted average number of ordinary shares for diluted earnings per share calculation	2,495,652,351	2,494,996,703

- (i) No adjustment has been made for the six months ended 30 June 2024 as there is no dilutive effect on the 19,240,000 share options outstanding for the weighted average number of ordinary shares. Adjustment had been made for the six months ended 30 June 2023 in respect of a dilution on the 30,150,000 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.

## 9. Dividend

No dividend for the year ended 31 December 2023 was declared or paid by the Company. In addition, the Board resolved not to declare an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

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

	<b>Unaudited</b> <b>30 June</b> <b>2024</b> <b>US\$'000</b>	Audited 31 December 2023 US\$'000
Trade receivables	<b>14,504</b>	12,477
Trade receivables from related parties	<b>4,765</b>	4,938
Impairment	<b>(322)</b>	(123)
Trade receivables – net	<b>18,947</b>	17,292
Other receivables, prepayments and deposits	<b>10,878</b>	14,344
Prepayments to related parties	<b>96</b>	221
Impairment	<b>(16)</b>	(40)
Trade and other receivables, prepayments and deposits – current portion	<b>29,905</b>	31,817
Other receivables, prepayments and deposit – non-current portion	<b>407</b>	679
	<b>30,312</b>	32,496

As at 30 June 2024, 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:

	<b>Unaudited</b> <b>30 June</b> <b>2024</b> <b>US\$'000</b>	Audited 31 December 2023 US\$'000
1–30 days	<b>12,279</b>	12,102
31–60 days	<b>3,417</b>	2,430
61–90 days	<b>1,779</b>	1,257
91–180 days	<b>1,472</b>	1,197
181–360 days	<b>–</b>	–
Over 360 days	<b>–</b>	306
	<b>18,947</b>	17,292

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

	<b>Unaudited</b> <b>30 June</b> <b>2024</b> <b>US\$'000</b>	Audited 31 December 2023 US\$'000
At beginning of period/year	<b>123</b>	214
Provision/(reversal of provision) of impairment losses	<b>199</b>	(91)
At end of period/year	<b>322</b>	123

## 11. Trade and other payables

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2024</b>	2023
	<b>US\$'000</b>	US\$'000
Trade payables	<b>14,284</b>	8,610
Accrued expenses and other payables	<b>12,959</b>	13,140
Contract liabilities	<b>3,386</b>	3,282
Contract liabilities to a related party	<b>202</b>	456
Refund liabilities	<b>1,270</b>	1,420
	<b>32,101</b>	26,908

As at 30 June 2024, the ageing analysis of trade payables based on invoice date is as follows:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2024</b>	2023
	<b>US\$'000</b>	US\$'000
1–30 days	<b>4,693</b>	3,891
31–60 days	<b>4,473</b>	3,529
61–90 days	<b>4,766</b>	765
Over 90 days	<b>352</b>	425
	<b>14,284</b>	8,610

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND OUTLOOK

#### Business Review

In the first half of 2024, the global economic growth remained slow due to unfavorable factors such as persistent inflation, tightening of monetary policy and geopolitical tensions, of which the Chinese market was suffering from shrinking real estate activity and weak domestic demand, which significantly affected the demand for consumer electronics. Despite the ongoing downward price pressure on end products, it is fortunate that the destocking of inventory for the overall industry is coming to an end as the balance between market supply and demand is gradually restored. In terms of costs, wafer foundries began to reduce prices last year and the real benefits have been reflected during the period, alleviating the cost pressure on the Group to a certain extent. At present, the wafer foundries have basically maintained their prices after last year's price reductions, and the market supply and demand has remained balanced.

Amidst the economic slowdown, the Group's shipment volume for the six months ended 30 June 2024 (the "Period") decreased by 3.7% to approximately 170 million units compared with the same period of last year (176.5 million units), and increased by 6.6% compared with the second half of 2023 (159.5 million units). Sales revenue decreased by 27.4% to US\$61.9 million compared with the same period of last year (US\$85.3 million) due to decrease in shipment volume and lower average product prices.

#### New Display ICs

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

Currently, the market for three-color (E4) and four-color (E5) electronic display labels is undergoing a changeover period. During the Period, the shipment volume of the Group's new display IC products grew steadily. However, as retailers were waiting for the launch of the new generation four-color (E5) displays, which affected the sales of three-color (E4) display labels, coupled with the competition in the market, the average selling price of the Group's new display IC products dropped, resulting in a decrease in revenue. 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 huge 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, and as the upgraded small-sized four-color display labels are expected to commence trial production soon, the volume and price of the Group's new display IC segment are expected to rise when mass production commences.

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. 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 addition to ESL, which the Group has been deeply engaged in, the Group is also committed to expanding the application of electronic paper IC products to other areas, and is particularly optimistic about the market potential of medium and large-size electronic paper. As global businesses are becoming more and more environmentally conscious, the Group believes that energy-efficient displays will be inevitable for future development. To align with the Group's development, medium and large-size electronic papers, including display IC products related to e-book readers and large-size retail signages, will be reclassified into large display ICs business.

## **OLED Display ICs**

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 icon IC products. The Group is the world's number one PMOLED display driver IC player with a dominant market share in terms of unit of shipment during the Period.

During the Period, the shipment volume of the Group's OLED display IC products remained constant compared to the same period last year, while having increased significantly by nearly 30% compared with the second half of 2023. This was mainly attributable to the Group seizing market opportunities at a timely fashion and the generation upgrade of certain high-demand electronic products which significantly boosted the demand for OLED display IC products. The Group provides a full range of PMOLED driver ICs from icon to matrix, mono and grey scale to full color with highly integrated features and are ideal display solutions for portable devices.

In 2023, the Group launched a series of icon ICs with competitive prices, and during the Period, the customers continued to promote their end products that were using this series of icon ICs. The Group's icon ICs are applicable to displays ranging from 1 to 4 inches, which can help the Group expand into the large display market for smart home appliances. Smart home appliances have already become a major market trend, and it is expected that demand for PMOLED smart home solutions and the Internet of Things (IoT) will continue to grow in the future. The Group has newly developed IC products that can support transparent PMOLED displays, and its end products were launched in the market during the Period. Transparent PMOLED displays are a new technology that can be applied to end-use applications such as diving goggles that require transparent displays.

The Group is also a forerunner in the application of mini/micro-LED. Our mini-LED DDI solutions for 50" to 100" indoor signage display have been in mass production since 2018 and are used in the curved signage display in the underground and subways in the UK and the US. The Group has launched the world's first small-sized passive matrix micro-LED display driver IC – SSD2363 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 appliances. 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 seek application of our products 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 Period, shipment volume and revenue of the Group's mobile display and mobile touch IC products significantly declined as the personal consumption market remained weak, with sales of game console controller ICs being particularly affected. In addition, mainstream products in the current game console market have been on the market for a few years, further contributing to the slowdown in consumer demand.

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 Period, the Group co-developed a human interface display platform with a number of leading small-to-medium-sized TFT-LCD panel makers. The product will enter mass production in the second half of the year.

With profound expertise in TDDI technology, the Group designs game console controller ICs that enable more accurate controls, faster response and longer battery runtime. We are actively researching and developing the application of mobile display and mobile touch ICs to a wider range of areas. The Group is currently developing a mini-LED backlight solution in which the FPGA development platform has been completed and to be followed by the development of standard ICs. The product is expected to be launched in 2025 for automotive applications. We will continue to reach out to customers who produce different kinds of end products to gather and understand their needs so as to develop products for specific applications.

### Large Display ICs

The Group is committed to work 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 Period, benefiting from a series of home appliance subsidy policies in Mainland China that were introduced in the end of 2023, the sales of large-size display such as monitors and smart TVs have surged, which resulted in the shipment volume and revenue of the Group's large display ICs to more than double compared with the same period of last year. The global market trend together with the subsidies that encouraged consumers to choose high-end and large-size display, and the accelerated product structure upgrade which led to the introduction of more high-end products such as mini-LED and OLED TVs, were all favorable to the Group's profitability during the Period.

In the first half of 2024, the Group carried out mass production of a number of mainstream new products for international brands in conjunction with major panel makers, including projects for 23.8-inch UHD gaming monitors with a high-refresh rate of 100Hz, 43-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, which is expected to commence project implementation in the third quarter of the year, thereby enhancing the competitiveness of the Group's products.

Looking ahead to the year 2024, the Group will continue to focus on the display market and actively expand into new applications, seeking diversified development while consolidating existing markets. In addition to the existing IC solutions for medium and large displays, the Group has identified the main trends in the future and started the development of automotive driver IC solutions. The Group signed a memorandum of understanding on strategic cooperation with a Shenzhen automotive display manufacturer in the end of 2023 and began cooperation in the design and development of the first automotive-specific integrated driver IC, with a mass production target set at 2025 for application in major automotive systems in the PRC.

For the medium and large-size electronic paper market, the Group has successfully shipped large quantities of full-color electronic paper notebook and e-book reader driver IC packages during the Period. Three internationally renowned electronic paper notebook and e-book reader brands with which the Group has partnered are expected to launch their end-products in the second half of the year, among which the full-color electronic paper notebooks have adopted the Group's AMEPD driver IC for Advanced Color e-Paper Active Matrix Electrophoresis Display (ACeP) products. In addition, the Group produced prototypes for large-size e-Paper learning whiteboards and large-size color electronic retail signage driver ICs in July. The Group is actively involved in the electronic paper market and will continue to monitor subsequent demand. The shipment volume of the Group's IC products is expected to continue to grow in the future.

## Outlook

Amidst the global inflationary environment, coupled with intensifying trade frictions and increasing policy uncertainties among countries, interest rates are likely to remain high for a long period of time, thereby affecting personal consumption expenditure. In the short term, products will continue to face price reduction pressure, while products that benefited from subsidy policy may face pressure to adjust after such benefits end. In terms of costs, it is expected that wafer foundries will maintain or reduce prices in the second half of the year, and the chance of price increases is relatively low.

In view of the slowdown in economic growth, the Group will put more resources into the development of high value-added new products to enhance its strength and prepare for the economic recovery, and is hopeful to see success in its research and development in the next couple of years. While there are still uncertainties in the foreseeable future and the global economy will continue to be challenged, the International Monetary Fund expects China's economy to grow by 5% in 2024 and states that emerging economies in Asia, such as China, will continue to be a main driver of the global economy.

In addition to consolidating its existing businesses, the Group will actively expand into new applications such as automotive devices and medium-to-large-size electronic paper. As China is now promoting the localization of automobile manufacturing, the Group believes that automotive devices should have great market potential. The Group will continue to closely monitor market changes, flexibly adjust product strategies and focus on technology enhancement to ensure its competitiveness.



## FINANCIAL REVIEW

### Revenue and Results Overview

The Group recorded a decrease of about 27.4% in revenue to US\$61.9 million during the Period (1H 2023 US\$85.3 million). The gross profit of US\$19.8 million and gross margin of 32.0% were recorded during the Period (1H 2023: US\$27.9 million and 32.7%, respectively). The decrease in sales revenue and gross profit mainly attributable to the demand on consumption electronic has yet recovered due to the high inflation rate, also, ESL is under the process of transiting from three colour technology (E4) to four colour technology (E5), our Group strategically cleared its inventory on E4 IC in the first half of 2024 at a relative low selling price. These are the main factors which drove down the average price of the Group's products which lead to decrease in sales revenue and gross profit.

Selling and distribution expenses of US\$1.9 million and administrative expenses of US\$4.6 million represented an increase by 46.1% and 22%, respectively, as compared to corresponding period in last year.

The Group has utilised the resources on the products that more adopt with the global market trend and market needs and remains selective in its product R&D spending. The R&D costs during the Period amounted to US\$8.0 million (1H 2023: US\$10.6 million), represent a decrease of 24.5%, the R&D costs to sales ratio for the Period was about 12.9% of the total revenue for the six months ended 30 June 2024 (1H: 2023: 12.4%), a slight increase of 0.5 percentage point when compared with the same period of last year. The Group is committed to its long-term development and has set a bold target in R&D for innovation to solidify the leading position in IC display industry.

The Group reported a net profit attributable to owners of the parent of US\$7.5 million during the Period (1H 2023: US\$13.2 million). The Board does not recommend a payment of an interim dividend for the six months ended 30 June 2024.

Despite the decrease in the net profit attributable to owners of parent in the first half of year 2024 when compared with the first half of year 2023, the Group is still able to manage a better net profit attributable to the owners of parent in the first half of year 2024 when compared with that of the second half of year 2023, which is mainly attributable to better product development strategies coping with market needs which in turn lead to a decrease in provision for slow moving inventories, and the Group will continue its on-going stringent effective cost controls measures to enhance operational efficiency.

### Liquidity and Financial Resource

	<b>Unaudited</b> <b>30 June</b> <b>2024</b> <b>US'000</b>	Audited 31 December 2023 US'000
Current assets	<b>160,076</b>	148,598
Current liabilities	<b>34,875</b>	29,974
Net current assets	<b>125,201</b>	118,624
Current ratio	<b>4.59</b>	4.96

The Group's current ratio was 4.59 as at 30 June 2024 (31 December 2023: 4.96), reflecting a strong liquidity in its financial position. The position of working capital representing by net current assets was US\$125.2 million (31 December 2023: US\$118.6 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\$2,132,000 (1H 2023: US\$934,000).

## 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 pledged bank deposits of the Group were US\$102.1 million as at 30 June 2024 (31 December 2023: US\$86.3 million), an increment of US\$15.7 million, of which US\$6.0 million denominated in US dollars (31 December 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, New Taiwan dollars, Australian dollars, Hong Kong dollars 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 2024, the Group had no major borrowing other than a bank loan in connection with a PRC subsidiary for working capital financing amounting to US\$1.3 million, which was denominated in Renminbi. 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 2024, capital expenditure of the Group was US\$1,778,000 (1H 2023: US\$122,000).

As at 30 June 2024, there was US\$596,000 capital expenditure contracted but not provided for (31 December 2023: US\$2.3 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 2024, pledged bank deposits which amounted to US\$6.0 million (31 December 2023: US\$6.0 million) were pledged to banks to secure against banking facilities.

## HUMAN RESOURCES AND REMUNERATION POLICY

As of 30 June 2024, the Group had a total workforce of 309 employees\*. About 37% of the workforce were based at the Hong Kong headquarters, with the rest located in Mainland China and Taiwan. Employee salary and other benefit expenses decreased to approximately US\$11.1 million during the Period from approximately US\$12.7 million in the first half of 2023, which represented a decrease of 12.6%. The decrease was because of the decrease in bonus, which mainly attributable to the decrease in profit for the prior year. The Group’s remuneration policies are formulated 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.

\* 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 C1 to the Listing Rules throughout the six months ended 30 June 2024.

### **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 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 six months ended 30 June 2024.

### **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 2024.

### **Review of Condensed Consolidated Interim Financial Information**

The Audit Committee is composed of two 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 interim condensed consolidated 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](http://www.hkexnews.hk)) and the Company's website ([www.solomon-systech.com](http://www.solomon-systech.com)) on 22 August 2024.

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

Hong Kong, 22 August 2024

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

## DEFINITIONS AND GLOSSARY

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
HKAS	Hong Kong Accounting Standards
HK\$	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 C3 to the Listing Rules
OLED	Organic Light Emitting Diode
PMOLED	Passive Matrix Organic Light Emitting Diode
China/Mainland China	The People's Republic of China, for the purpose of this report, excluded Hong Kong Special Administrative Regions, Macau Special Administration Regions and Taiwan
R&D	Product Design, development and engineering
the Stock Exchange	The Stock Exchange of Hong Kong Limited
TDDI	Touch and Display Driver Integration
TFT	Thin Film Transistor
UK	United Kingdom
USA/US/United States	United States of America
US\$	US dollars