

Following our robust growth in 2002, I am very pleased to report to our shareholders that 2003 has marked yet another important milestone in the Group's history. The Group once again achieved record-breaking annual results with sales surging 63% to HK\$1.4 billion for the year ended 31 December 2003. Operating profit also soared 100% to HK\$243 million while net profit jumped 86% to HK\$193 million. Earnings per share also rose 85% to HK43 cents. The escalating Liquid Crystal Display ("LCD") industry, bolstered by the improving sentiment in the global economy, stimulated our business growth in the region. As a result, the Group has successfully made another record in quarterly sales with unaudited turnover of about HK\$650 million for the first three months of 2004 which was 200% more than the same period last year.

本人欣然向各股東報告，繼集團於2002年財政年度錄得驕人的增長後，二零零三年度集團再創佳績，截至2003年12月31日止年度內，錄得營業額14億港元，較上年度顯著增長63%。經營溢利亦較上年度攀升100%至2億4千3百萬港元。純利則較上年度大幅上升86%至1億9千3百萬港元。期內每股盈利增長85%至43港仙。全球液晶顯示器（「LCD」）行業急速增長，加上世界經濟氣候顯著改善，促進了集團的業務增長。因此，集團於2004年第一季度再錄得強勁增長，未經審核的營業額達6億5千萬港元，較2003年同期上升超過200%。



Over the years, the Group has been increasing and diversifying production lines to cater for the continuous business expansion and broaden product offerings to customers. We were also able to control costs to further enhance our profit margins. Therefore, despite pricing pressures in material costs, our gross profit margin improved from 28.4% in 2002 to 29.0% this year. The net profit margin also rose to 13.8% this year from 12.1% last year. An unfavourable by-product, which is high inventory level and long inventory turnover of more than 100 days are resulted under this rapid business expansion. We found this very unacceptable and have immediately implemented an MRPII system (in material requisition and production planning) during the year which will be fully operated in May 2004. The target inventory turnover is 70 days in short term and 50 days in the long term. I trust, by doing that and taking other similar measures, we will ensure our growth momentum progress in a risk-free manner.

The huge growth in the mobile phone industry, propelled by the conversion to full colour displays, image capabilities and high resolution, has enabled the Group to capture the vast opportunities for its colour supertwisted nematic ("CSTN") LCD business. Sales from this particular product were HK\$350 million (shipments commenced during the second half year) compared to nil in 2002. We expect the growth momentum of CSTN LCD, in both the mobile phone and PDA markets, to be sustained in the next couple of years.

A major achievement during the year was the establishment of our first organic light emitting displays ("OLED") production line, which also happens to be the first OLED production facility in the PRC. Satisfactory orders for our OLED Modules have been received since pilot production commenced in the fourth quarter of 2003. We expect to achieve higher production capacities and production yields with continuous investment in R&D and advanced equipment.



集團持續增設不同類別的生產線，以滿足業務增長的需要及擴闊產品類別的基礎。同時，由於集團努力控制成本以提升邊際利潤，縱然面對物料價格上升的壓力，毛利率仍由2002年之28.4%上升至本年度之29.0%，純利率則由去年之12.1%提高至年內之13.8%。同時，由於業務於去年急速擴展，因此存貨水平相應提高及存貨周期延至100日以上。為此，我們已即時作出相應改善措施，於年內實施了MRPII系統（材料徵用及生產策劃），全面運作將於2004年5月開始。集團的目標為短期內降低存貨周期至70日，而長遠目標為50日。我深信藉著此系統，再加上其他措施配合下，集團的業務將可在無風險情況中繼續壯大發展。

由於市場正轉向具備全彩色、拍攝功能及高解像度顯示器之流動電話，促使流動電話市場錄得驚人的增長，更為集團的彩色超扭曲向列型液晶體(CSTN)顯示器產品締造龐大的商機。CSTN液晶體顯示器產品於期內首度為集團帶來收益，銷售額達3億5千萬港元(去年下半年開始付運)。我們預期CSTN液晶體顯示器於流動電話及個人數碼助理市場的增長動力能於未來數年延續下去。

期內，集團成功設立全中國第一條有機發光顯示器(OLED)生產線，此乃集團業務發展的一項重要成就。集團已於2003年第四季開始生產OLED模塊，並已取得令人滿意的訂單。集團更計劃增加研發及先進設備方面的投資，務求擴大此產品的產能及提高良品率。



Geographically, we have obtained a good market share in colour LCD modules for mobile phone applications in the PRC. Sales from the PRC market contributed 53% of the Group's total turnover this year compared to 25% in 2002. This is mainly attributable to a number of new customers secured during the year, which include top-tier mobile phone makers. Besides the PRC market, we will also be expending more effort to explore the colour LCD markets in South Korea, Japan, Europe and the US. We have added several talented members into our team, all veterans of the LCD and related industries, to support sales, marketing and production and identify market trends and opportunities. Our product development strategy will also integrate more value-added functions within our products, helping our customers meet the sophisticated demands of today's tech-savvy consumers, and providing them not only with physical products but also total solutions in display applications.

The Group's electronic consumer products business continued to improve in the second half of the year. Demand for "TRULY" brand MP3 players burgeoned during the year. Together with an increasing number of ODM customers, we are confident that this business will maintain its growth in the coming year.

In conclusion, I believe we will continue to fully capitalise on our unique advantages in developing LCD and in particular LCD Module ("LCM") products, which provide the key to a bigger and brighter future for the Group.

於市場區域方面，集團已於中國流動電話彩色液晶顯示器模塊市場取得理想佔有率。中國市場的銷售佔集團總營業額的比率，由2002年之25%增長至本年之53%，這主要由於集團年內成功取得數位國內頂級流動電話品牌新客戶。除中國市場外，集團亦將致力開拓南韓、日本、歐洲及美國的彩色液晶顯示器市場。為此，集團已聘請數位於液晶顯示器及有關行業具豐富經驗的專材，為集團於銷售、市場推廣及生產方面提供專業意見及支援，他們更將以敏銳的眼光為集團把握最新的市場趨勢及商機。此外，集團計劃為產品加入更多增值功能，務求令客戶能滿足今時今日消費者對科技產品的追求，並為他們於液晶顯示器應用方面提供一站式解決方案及服務。

另一方面，集團的電子消費產品業務於下半年繼續改善。集團品牌「TRULY」MP3播放機的需求於年內大幅上升，加上集團的原設計生產客戶數目亦不斷增加，因此，我們相信此業務能於來年保持理想的增長。



總括來說，我們將發揮集團於液晶顯示器及模塊（「LCM」）產品方面獨有的競爭優勢，為集團締造更理想及光輝的前景。

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group enjoyed a prosperous year, as the burgeoning LCD industry continued to create soaring demand for LCD products and services. Sales from the LCD business, therefore rose to HK\$1.22 billion, reflecting an increase of 66% over last year and contributing 87% to the total turnover for the year. Among the Group's various LCD products, CSTN LCDs experienced the strongest growth. The Group shipped about 2 million CSTN LCD units during the year, contributing 29% to sales in the Group's LCD business.

One of the Group's core competencies is the total display solutions that it offers to customers. During the year, the Liquid Crystal Display Modules ("LCM") business generated substantial sales as customers increasingly relied on the Group's display modules to facilitate their supply chain management. Further improving its product offerings, the Group invested in additional production lines to offer value-added services including Chip-on-Glass ("COG"), Surface Mount Technology ("SMT"), and Touch Screen Panel. These developments have not only increased the Group's margins and enhanced production yields, but also improved customers' production efficiencies.

With regard to its OLED activities, the Group has invested USD15 million in R&D, licensing and equipment to date. Pilot production for OLED displays commenced in late 2003. Currently, the Group is receiving average orders for 200,000 pieces per month mainly in monochrome OLED modules. As an early entrant to the OLED market in the PRC, the Group has gained a strong customer portfolio of leading mobile phone brands in its OLED application.

During the year, sales from electronic consumer products accounted for 13% of the Group's total turnover. Building on its established "TRULY" brand, sales from its branded MP3 players recorded a double-digit growth over last year.

管理層討論及分析

業務回顧

承接液晶顯示器行業持續受惠於市場對有關產品及服務的龐大需求，集團於年內再次創下佳績。來自液晶顯示器業務的銷售因此較上年度上升66%至12億2千萬港元，佔集團年內總營業額達87%。於集團各類液晶顯示器產品中，以彩色超扭曲向列型液晶顯示器(CSTN)顯示器的增長最為顯著。CSTN液晶顯示器於年內的付運額達2百萬件，為集團的液晶顯示器業務帶來29%的收益。

集團能夠為客戶提供全面顯示器解決方案乃集團的主要優勢之一。由於客戶越來越倚賴集團所供應的液晶顯示器模塊(「LCM」)以協助他們的供應鏈管理，LCM業務於年內為集團帶來相當可觀的收益。為進一步擴闊產品類別，集團更增設生產線，為客戶提供晶片裝貼玻璃技術(「COG」)、表面接合技術(「SMT」)及輕觸式屏幕等多項增值服務。這些業務發展不但提高集團的邊際利潤及良品率，更替客戶提升生產效率。

關於有機發光顯示器(OLED)，集團至今共投資了1千5百萬美元於研發、特許專利權及購置設備方面，並於2003年底開始試產。目前，集團的單色OLED顯示器每月平均取得約為20萬件之訂單。作為中國OLED應用市場的先鋒，集團已成功建立一個包括著名流動電話品牌的客戶基礎。

年內，電子消費產品的銷售佔集團總營業額13%。憑藉集團成功創立的「TRULY」品牌，集團的MP3播放機之銷售較上年度錄得雙位數字的增長。

Segmental Information

By geographical segments:

分類資料

按地區分類：

		2003 二零零三年 Turnover 營業額 HK\$'000 千港元	2002 二零零二年 Turnover 營業額 HK\$'000 千港元
The People's Republic of China	中華人民共和國	735,278	213,817
Hong Kong	香港	102,822	115,948
South Korea	南韓	204,505	206,426
Japan	日本	186,736	143,657
Europe	歐洲	73,083	72,370
Others (Note)	其他 (附註)	97,474	104,868
		1,399,898	857,086

By business segments:

按業務分類：

		Turnover 營業額 HK\$'000 千港元	Segment result 分類業績 HK\$'000 千港元	Turnover 營業額 HK\$'000 千港元	Segment result 分類業績 HK\$'000 千港元
Liquid crystal display products	液晶體顯示器產品	1,222,535	262,772	737,257	133,694
Electronic consumer products	電子消費產品	177,363	(20,004)	119,829	(13,011)
		1,399,898	242,768	857,086	120,683
Interest income from bank deposits	銀行存款利息收入		1,280		1,289
Unallocated other operating income	未分配之其他經營收入		14		14
Unallocated corporate expenses	未分配之公司費用		(730)		(689)
Profit from operations	經營溢利		243,332		121,297

Note:

附註：

This category includes sales to countries in North and South Americas, Australia, the Middle East, Africa, the Commonwealth of Independent States and other Asian countries.

此項目包括對南北美洲、澳洲、中東、非洲、獨聯體國家及其他亞洲國家之銷售。

Liquidity and Financial Resources

Turnover and profit for the year were increased by 63% and 86% respectively. Earnings per share were accordingly enhanced by approximately 85%.

Total assets were increased by approximately 38% to HK\$1,731 million which comprised HK\$869 million of current assets, HK\$822 million of fixed assets and HK\$40 million of deferred expenditure and other long-term assets. Total liabilities were about HK\$736 million, of which HK\$627 million were current liabilities and HK\$109 million were long term liabilities. The current ratio was maintained at a healthy level of 1.39.

As at 31 December 2003, the total outstanding bank and other borrowings, net of cash and bank balances were about HK\$221 million (2002: HK\$47 million) and they bear interest at prevailing market rate. The maturity profiles of these borrowings are shown in notes 22 and 23 to the financial statements.

The financial position of the Group was healthy and ready for future capital expansion while keeping a sufficiently high level of cash and bank balances (HK\$165 million) together with adequate unutilised banking facilities. The gearing ratio based on bank and other borrowings, net of cash and bank balances was approximately 22.2%.

Capital expenditure of approximately HK\$450 million for the next three years in respect of acquisitions of property, plant and equipment was authorised but not contracted for. Their expected sources of funding will be principally from internal reserves.

流動資金及財政資源

年內，營業額及溢利分別上升63%及86%，因此每股盈利隨之增強約85%。

總資產上升約38%至1,731,000,000港元，當中計有869,000,000港元流動資產、822,000,000港元固定資產、40,000,000港元遞延支出及其他長期資產。總負債約為736,000,000港元，當中包括627,000,000港元流動負債及109,000,000港元長期負債。流動比率維持在1.39的健康水平。

於二零零三年十二月三十一日，未償還之銀行及其他借貸總額(扣除現金及銀行結餘)約為221,000,000港元(二零零二年：47,000,000港元)，該等貸款之利率乃根據現行市場息率而釐定。該等貸款的還款期載於財務報表附註第22及23項。

本集團穩健的財政狀況足以應付未來的資本擴展需要，其持有高度充盈的現金及銀行結餘(165,000,000港元)，以及足夠的尚未運用銀行備用額。資本負債比率按銀行及其他借貸(經扣除現金及銀行結餘)計算約為22.2%。

未來三年，將有約450,000,000港元的資本支出會用作購置物業、廠房及設備，此事已獲授權但尚未訂約，預期資金來源主要為內部儲備。

General

There was no change to the capital structure of the Group for the year ended 31 December 2003.

The state of the Group's current order books is very excellent.

Except for investments in subsidiaries and an associate, neither the Group nor the Company had held any material investments during the year.

Additions to and disposals of fixed assets mainly in plant and machinery were approximately HK\$224 million and HK\$33 million during the year. As at 31 December 2003, the Group had pledged certain of its machinery with an aggregate carrying value of around HK\$65,130,000 to secure banking facilities.

Around 4,000 workers and staff are currently employed in our Shan Wei factory and approximately 80 personnel in the Group's Hong Kong office. Total staff costs for the year were approximately HK\$123 million.

Other than trade bills of around HK\$14 million discounted to banks in the ordinary course of business, the Group had no material contingent liabilities. Exposure to fluctuations in exchange rates was minor and properly hedged, if any.

DIVIDENDS

The directors recommend the payment of a final dividend for the year ended 31 December 2003 of 12 HK cents per share (2002: 7 HK cents) which, together with the interim dividend of 7 HK cents per share (2002: 5 HK cents) paid in October, 2003, makes a total dividend for the year of 19 HK cents per share (2002: 12 HK cents).

Subject to shareholders' approval in the 2004 Annual General Meeting, the final dividend will be payable on 19 May 2004 to the shareholders whose names appear on the register of members of the Company on 30 April 2004.

一般事項

於截至二零零三年十二月三十一日止年度，本集團的資本結構並無變動。

本集團現時的訂單數量非常可觀。

除投資在附屬公司及一家聯營公司外，本集團或本公司於年內概無持有任何重大投資。

年內，固定資產添置及出售（以廠房及機器為主）約為224,000,000港元及33,000,000港元。於二零零三年十二月三十一日，本集團已將其賬面總值約65,130,000港元的若干機器質押，以作為其銀行備用額的抵押品。

現時約有4,000名工人及僱員受聘於本集團的汕尾工廠，以及約有80名員工受聘於本集團香港辦事處。年內，員工總成本約為123,000,000港元。

除於一般業務過程中向銀行貼現約14,000,000港元的商業票據外，本集團概無任何重大或然負債，且僅須承擔低度滙率波動風險，並已就此妥為作出對沖（如有）。

股息

董事建議就截至二零零三年十二月三十一日止年度派付每股12港仙（二零零二年：7港仙）之末期股息，連同已於二零零三年十月派付的中期股息每股7港仙（二零零二年：5港仙）計算，本年度的股息總額為每股19港仙（二零零二年：12港仙）。

待股東於二零零四年股東週年大會上批准，本公司將於二零零四年五月十九日向於二零零四年四月三十日名列於本公司股東名冊之股東派付末期股息。

CUSTOMERS AND SUPPLIERS

In the year under review, sales to the five largest customers accounted for less than 30% of the total sales of the Group. The five largest suppliers of the Group together accounted for approximately 34% by value of the Group's total purchases during the year, with the largest one accounting for 13%.

As at 31 December 2003, none of the directors, their associates, or any shareholders which to the knowledge of the directors owned more than 5% of the Company's share capital had any beneficial interests in the Group's five largest customers and/or five largest suppliers mentioned in the preceding paragraph.

OUTLOOK

The Group believes that the thriving mobile phone market will continue to fuel future growth. IDC predicts that by 2004, the mobile phone market will ship more handsets with colour displays than with monochrome displays. In addition, the prevailing design in new handset models with colour or monochrome sub-displays, will stimulate demand for displays, which will outpace shipments for mobile phones which are expected to reach 170 million units in the PRC in 2004, according to official reports. Furthermore, colour display applications are also extending into other consumer electronic products such as MP3 players and into the automobile industry. The Group is considering to add a new CSTN panel production line within the year to cater for this compelling demand. As the Group has already established a highly efficient CSTN production line, this experience will reduce the related further investment to a minimum.

As the OLED technology advances, the Group expects increasing OLED applications for mobile phones and digital cameras in the coming years. Projected sales for the OLED business are therefore expected to be around HK\$100 million for 2004 and bring in contribution by 2005. Development of Area-colour OLED display products have already been completed and these products are about to be marketed in the second quarter of the year.

客戶及供應商

於回顧年度，五大客戶之銷售額佔本集團銷售總額少於30%。五大供應商約佔本集團於年內採購總額價值之34%，而最大供應商則佔13%。

據董事所知，於二零零三年十二月三十一日，概無任何持有本公司股本中5%或以上權益之董事、彼等之聯繫人士或任何股東持有前段所述本集團五大客戶及／或五大供應商之任何實益權益。

展望

集團深信發展蓬勃的流動電話市場將推動集團之未來增長。根據IDC之預測，於2004年，流動電話市場內的彩色顯示器手機付運量將高出單色顯示器手機。同時，具備單色或彩色副屏的新型流動電話已成為市場新趨勢，將刺激對顯示器之需求。據一份官方研究報告預測，流動電話於中國市場之付運量將於2004年達1億7千萬部，顯示器付運量更會超出此水平。此外，彩色顯示器的應用更已伸延至其他電子消費產品如MP3播放機，以及其他行業如汽車業等。有見及此，集團正考慮於未來一年增設一條CSTN顯示器生產線以應付此龐大的需求。由於集團已有設立營運效率甚高的CSTN顯示器生產線的經驗，因此有助集團將新計劃的進一步投資額降至最低。

與此同時，隨著OLED科技日漸成熟，集團預期OLED於流動電話及數碼相機方面的應用將於未來數年繼續增加。集團預期OLED業務將於2004年帶來1億港元的銷售額，並將於2005年取得可觀的盈利進賬。集團已完成區域彩色OLED顯示器的研發階段，預計將可於本年度第二季推出市場。

The giant leap in market performance in the PRC market has established strong foundations for the Group's expansion into other regions such as Europe and the US. Leveraging the Group's established production facilities and technology knowhow in a wide range of display technologies, it will also extend its sales and marketing efforts to broaden the customer base and accelerate business growth so as to keep the growth momentum beyond 2006.

As the Group enters the first quarter of the new fiscal year, it has experienced promising growth in view of the number of orders on hand. Taking advantages of the continuously booming PRC market and as new technologies and products emerge, the Group faces an encouraging and positive outlook for revenue and profits in the year ahead.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and senior management of the Group are set out as follows:

Mr. Lam Wai Wah, Steven, aged 51, is the Chairman and Managing Director of the Company. He is the founder of the Group and has over 27 years of experience in the electronics industry. He is primarily responsible for the formulation of the Group's overall strategic planning and business development.

Mr. Wong Pong Chun, James, aged 45, is an Executive Director of the Company. He is responsible for the Group's operations and external affairs. He joined the Group in 1987.

Mr. Cheung Tat Sang, James, aged 48, is an Executive Director of the Company. He is responsible for the sales of the Group's semiconductor products and components. Prior to joining the Group in 1989, he was sales manager for a number of electronics companies for over 10 years.

集團於中國市場取得的超卓成績為其拓展歐美市場奠下穩固的基礎。憑藉集團完善的生產設施以及擁有各種顯示器相關的專業技能，集團將更致力推動銷售及市場推廣的工作，務求進一步擴闊其客戶基礎以加速業務發展，以及維持2006年以後的增長動力。

踏入新財政年度的第一季度，集團的手頭訂單數目已錄得理想增長。承著中國市場的蓬勃發展，以及一系列新科技及產品的湧現，集團對未來一年的收益及盈利充滿信心。

董事及高級管理人員

以下所載為本公司董事及本集團高級管理人員之履歷：

林偉華先生，現年五十一歲，本公司之主席兼董事總經理。彼為本集團之創辦人，從事電子業超過二十七年，主要負責制訂本集團之整體策略及業務發展。

黃邦俊先生，現年四十五歲，本公司之執行董事。彼負責本集團之業務運作及對外事務，於一九八七年加入本集團。

張達生先生，現年四十八歲，本公司之執行董事。彼負責銷售本集團之半導體產品及元件。彼於一九八九年加入本集團之前，曾任多間電子公司之營業經理逾十年。

Mr. Li Jian Hua, aged 40, is the Head of the Group's LCD Production Division and was appointed as an Executive Director of the Company during the year. Mr. Li graduated from the Jilin University of Technology and Engineering Management in 1987 and joined the group in 1989. Prior to joining the Group, he worked in a multinational motor car manufacturer in Guangzhou City, the PRC for almost two years.

Mr. Ip Cho-Ting, Spencer, aged 45, is an independent Non-executive Director and a member of the Group's Audit Committee. He is the holder of a Bachelor of Science degree from the University of Wisconsin, Green Bay, U.S.A. Mr. Ip operates his own business in the industrial sector.

Mr. Heung Kai Sing, aged 55, is an independent Non-executive Director and a member of the Group's Audit Committee. He has experience in textile industry.

Mr. Chung Kam Kwong, aged 46, is a Non-executive Director of the Company and the Chairman of the Group's Audit Committee. He is a practising Certified Public Accountant in Hong Kong, a fellow of the Hong Kong Society of Accountants, a Certified Practising Accountant in Australia and a council member of the Macau Society of Certified Practising Accountants. Mr. Chung has extensive experience in accounting and financial management and has been the independent Non-executive Director, management consultant and Company Secretary of a number of listed companies in Hong Kong.

Mr. Cheung Chong Hai, aged 52. Mr. Cheung joined the Group in 1987 and is the General Manager of Truly Semiconductors (Europe) GmbH with main responsibility in the marketing of the Group's LCD products to customers in Europe.

李建華先生，現年四十歲，本集團之液晶體顯示器生產部主管，並於本年度被委任為本公司之執行董事。李先生於一九八七年畢業於吉林工業大學管理學院，後於一九八九年加入本集團。彼於加入本集團之前，曾於中國廣州市一間國際汽車生產商任職近兩年。

葉祖亭先生，現年四十五歲，獨立非執行董事，並為本集團審核委員會之成員。彼持有美國 Green Bay 威斯康辛大學之理學士學位。葉先生自行在工業界營商。

香啟誠先生，現年五十五歲，獨立非執行董事，並為本集團審核委員會之成員。彼在紡織業擁有豐富經驗。

鍾錦光先生，現年四十六歲，本公司之非執行董事，並為本集團審核委員會的主席。彼為香港執業會計師，並為香港會計師公會資深會員，澳洲註冊會計師，亦為澳門執業會計師公會的委員會成員。鍾先生於會計及財務管理上擁有深厚經驗，並為香港多間上市公司的獨立非執行董事、管理顧問及公司秘書。

張壯希先生，現年五十二歲。張先生於一九八七年加入本集團，現任 Truly Semiconductors (Europe) GmbH 之總經理，專責向歐洲客戶推廣本集團之液晶體顯示器產品。

Mr. Ng Sui Wa, Thomas, aged 41, is the Group's Chief Financial Officer and the Finance Director of Truly Semiconductors Limited. He graduated from the University of Hong Kong and is a fellow of the Association of Chartered Certified Accountants. Mr. Ng joined the Group in 1996 and has accumulated in aggregate more than 16 years' experience for working in an international accounting firm and in the commercial sector.

Lam Wai Wah, Steven

Chairman

Hong Kong, 31 March 2004

吳瑞華先生，現年四十一歲，為本集團之財務總監，並為信利半導體有限公司之財務董事。彼畢業於香港大學，並為英國公認會計師公會之會員。吳先生於一九九六年加入本集團，在一間國際會計師行及商界累積逾十六年的工作經驗。

主席

林偉華

香港，二零零四年三月三十一日