

# T

## he Chairman's Statement

I report to our shareholders that the Group's turnover for the year ended 31 December 2001 was HK\$682 million (2000: HK\$712 million), down by 4%. Net profit for the year was HK\$60 million (2000: HK\$80 million) representing a decrease of 25%. The commencement of full production of the Group's third Liquid Crystal Display ("LCD") production line has on one hand enhanced the productivity and efficiency of our LCD business but on the other hand increased the production overheads including depreciation on machinery and equipment (up by HK\$18 million), water and electricity and so on. The increases in these overheads unfortunately happened during the time of global economic downturn led by the US and other major economic regions over the world.

As a whole, LCD business of the Group was slightly affected by the slowdown of global economy. The turnover growth projection for 2001 estimated during the first half year was eventually not achieved due to the suspension of some bulk purchase orders from a couple of potential new US customers. Because of the tremendous efforts we put in marketing and product development, however the Group was able to achieve a turnover growth in LCD business of around 5% to HK\$544 million (2000: HK\$520 million).

The overall drop in the Group's 2001 sales of telecommunication products was approximately 50%, down to HK\$59 million. Operations of the Group's other electronic products were similar to last year. I am happy that both operations have turned to black in 2001 and are therefore no longer financial burdens to the Group.

### MANAGEMENT DISCUSSION AND ANALYSIS

#### Business Review

##### *Liquid Crystal Display*

Sales for the year were HK\$544 million, which comprised 80% of the Group's turnover. The LCD sales were a record and the increasing trend has been sustained since 1996.

##### *Electronic Consumer Products*

Sales were decreased by around 28% to HK\$138 million, which comprised 20% of the Group's turnover. Telecommunications accounted for approximately 9% of the Group's total sales with 11% in other electronic products.

# T

## he Chairman's Statement

### SEGMENTAL INFORMATION

#### By geographical segments:

	2001		2000	
	Turnover <i>HK\$'000</i>	Contribution <i>HK\$'000</i>	Turnover <i>HK\$'000</i>	Contribution <i>HK\$'000</i>
The People's Republic of China	170,172	18,632	194,464	7,593
Europe	125,376	12,561	113,208	15,764
Hong Kong	120,750	16,640	113,119	23,878
Japan	96,349	13,377	64,421	14,077
South Korea	84,349	11,710	151,657	33,452
Others ( <i>Note 1</i> )	85,090	6,983	75,627	1,247
	<u>682,086</u>	79,903	<u>712,496</u>	96,011
Interest income from bank deposits		2,085		3,546
Unallocated other revenue		13		10
Unallocated corporate expenses		<u>(1,105)</u>		<u>(769)</u>
Profit from operations		<u>80,896</u>		<u>98,798</u>

#### By business segments:

Liquid crystal display products	544,526	75,599	520,075	114,716
Electronic consumer products	<u>137,560</u>	<u>4,304</u>	<u>192,421</u>	<u>(18,705)</u>
	<u>682,086</u>	79,903	<u>712,496</u>	96,011
Interest income from bank deposits		2,085		3,546
Unallocated other revenue		13		10
Unallocated corporate expenses		<u>(1,105)</u>		<u>(769)</u>
Profit from operations		<u>80,896</u>		<u>98,798</u>

#### Notes:

1. 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.
2. Contributions from both business segments for the year 2001 were positive because the Group has streamlined all its non profit making businesses during the year.

# **T**he Chairman's Statement

## **Liquidity and Financial Resources**

Turnover and profit for the year were decreased by 4% and 25% respectively. Earnings per share were accordingly reduced by approximately 26%.

Total assets were slightly decreased by approximately 3% to HK\$1,149 million which comprised HK\$415 million of current assets, HK\$717 million of fixed assets and HK\$17 million of deferred expenditure and other long-term assets. Total liabilities were about HK\$326 million, of which HK\$293 million were current liabilities and HK\$33 million were long term liabilities. The current ratio was maintained at a level of 1.42.

As at 31 December 2001, the total outstanding bank and other borrowings, net of cash and bank balances were about HK\$147 million (2000: HK\$184 million) and they bear interest at prevailing market rate. The maturity profiles of these borrowings are shown in notes 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\$96 million) together with adequate unutilised banking facilities. The gearing ratio based on bank and other borrowings, net of cash and bank balances was approximately 18%.

Capital expenditure of approximately HK\$400 million for the next three years in respect of acquisitions of property, plant and equipment was authorized but not contracted for. Their expected sources of funding will be principally from internal reserves.

## **General**

Approximately 11 million ordinary shares of HK\$0.1 were issued during the year by employees' share options exercised which represented around 2.4% of the enlarged issued and fully paid share capital of the Company as at 31 December 2001.

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

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

Additions to fixed assets mainly in plant and machinery were approximately HK\$102 million and there were no material disposals of fixed assets during the year. As at 31 December 2001, the Group had pledged certain of its leasehold properties and other assets with an aggregate carrying value of around HK\$8 million to secure banking facilities.

Around 2,600 workers and staff are currently employed in our Shan Wei factory and approximately 60 staff in the Group's Hong Kong office. Total staff costs for the year were approximately HK\$87 million before capitalisation as deferred development expenditure.

# **T**he Chairman's Statement

Other than trade bills of around HK\$1 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.

## **DIVIDEND**

The directors recommend the payment of a final dividend for the year ended 31 December 2001 of 4 cents per share (2000: 6 cents) which, together with the interim dividend of 4 cents per share (2000: 4 cents) paid in October 2001, makes a total dividend for the year of 8 cents per share (2000: 10 cents).

Subject to shareholders' approval in the 2002 Annual General Meeting, the final dividend will be payable on 12 June 2002 to the shareholders whose names appear on the register of members of the Company on 17 May 2002.

## **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 40% by value of the Group's total purchases during the year, with the largest one accounting for 13%.

As at 31 December 2001, 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**

LCD business has further secured its core position in the Group's operations during the year and is expected to bring satisfactory results to the Group and attractive returns on investments for the next three to five years. In addition to traditional TN ("Twisted Nematic") and STN ("Supertwisted Nematic") types of LCD panels by which good and quality images have been established within the displays industry, "TRULY" brand is now regarded by its close business partners as a development arm for new products and unlimited supply of value-added services such as Touch Screen Panel, Chip-on-Glass, Colour Displays, etc.

Besides making every effort to enhance productivity and look for new LCD businesses, our research and development team has not stopped to catch up new product development based on current market situation. On-going talks and negotiations are being held with reputable and major suppliers of LCD related machinery so as to make the most accurate and timely decision on new capital investments. Medium to long term expansion plan has been made which is regularly reviewed by management and the maximum exposure was recently approved by the board of directors.

# T

## he Chairman's Statement

New business area is still being explored by our Electronic Consumer Product Division. The latest development was a joint venture company established for the development and manufacture of electrical tooth-brush products which according to market analysis will be a huge and profitable market. In addition to existing stable businesses in calculators and related products, the Electronic Consumer Product Division will continue to support the overall growth of the Group's turnover and profit in the years to come.

### 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 49, is the Chairman and Managing Director of the Company. He is the founder of the Group and has over 25 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 43, 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 46, 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.

**Mr. Ip Cho-Ting, Spencer**, aged 43, 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 53, 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 44, 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 and is members of the Hong Kong Society of Accountants and the Australian Society of Certified Practising Accountants 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 50. 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.

## **T**he Chairman's Statement

**Mr. Ng Sui Wa, Thomas**, aged 39, is the Group's Financial Controller and the Finance Director of Truly Semiconductors Limited. He graduated from the University of Hong Kong and is a fellow member of the Association of Chartered Certified Accountants. Mr. Ng joined the Group in 1996 and has accumulated in aggregate around 15 years' experience for working in an international accounting firm and in the commercial sector.

**Mr. Li Jian Hua**, aged 38, is the Head of the Group's LCD Production Division and an Executive Director of Truly Semiconductors Limited. 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.

**Lam Wai Wah, Steven**

*Chairman*

Hong Kong, 12 April 2002