

# The Chairman's Statement

I am pleased to report to our shareholders that the Group has successfully achieved its earlier commitments on both turnover and profitability in the record year of 2002. Turnover for the year ended 31 December 2002 was HK\$857 million (2001: HK\$682 million), up by 26%. Profit for the year was increased by 63% to HK\$98 million (2001: HK\$60 million). The further diversification of the Group's liquid crystal display ("LCD") business in the 3-dimensional basis (namely marketing, production and product development) has contributed to the above-target achievement of the overall performance of the Group.

LCD operation alone recorded a turnover growth of more than 35% to HK\$737 million (2001: HK\$544 million). Apart from making every effort in increasing our products' market share by the sales personnel and enhancing the productivity via the factory workforce, our veteran and energetic engineering team has proven themselves to be a good working partner with clients' support staff to tackle all sorts of technicality and designing new display solutions. Typical examples include the recently developed organic light emitting displays ("OLED") and other similar interactive multimedia displays such as colour supertwisted nematic ("STN") LCD, thin-film transistor ("TFT") display modules, etc.

The streamlining of the Group's electronic consumer product business was finally completed as at the year end date. There will be no more material write-offs on both product development cost and obsolete inventory. I am confident that with more prudence in product development strategy, this division will have added value to the Group's core LCD operation.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

#### *Liquid Crystal Display*

Sales for the year were HK\$737 million, which comprised 86% of the Group's turnover. The LCD sales were again a record and the increasing trend has been sustained for seven consecutive years.

The exceptionally brilliant performance of the Group's LCD business in 2002 was a result of our dedicated efforts put in developing new customers and more projects in the past couple of years especially in 2000 and 2001. With the full commercial production of the third LCD production line, the factory-in-charge is free to allocate the production orders from customers of varying requirements to the three production facilities to achieve the optimal production efficiency, manufacturing cost cut down and thus maximal gross profit margin. It is TRULY's philosophy to look for different ways to enhance the productivity and that is the reason why we have this record year results for both turnover and profit as well as for the coming year's projected double digit growth.

#### *Electronic Consumer Products*

Sales were slightly decreased by around 13% to HK\$120 million, which comprised 14% of the Group's turnover.

The operations of this division have been bottomed out through years of business consolidation and are expected to grow on this solid ground.

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## Segmental Information

### By geographical segments:

	2002 Turnover HK\$'000	2001 Turnover HK\$'000
The People's Republic of China	213,817	170,172
Hong Kong	115,948	120,750
South Korea	206,426	84,349
Japan	143,657	96,349
Europe	72,370	125,376
Others (Note 1)	104,868	85,090
	<b>857,086</b>	<b>682,086</b>

### By business segments:

	Turnover HK\$'000	Segment result HK\$'000	Turnover HK\$'000	Segment result HK\$'000
Liquid crystal display products	737,257	133,694	544,526	75,710
Electronic consumer products (Note 2)	119,829	(13,011)	137,560	4,193
	<b>857,086</b>	<b>120,683</b>	<b>682,086</b>	<b>79,903</b>
Interest income from bank deposits		1,289		2,085
Unallocated other revenue		14		13
Unallocated corporate expenses		(689)		(1,105)
Profit from operations		<b>121,297</b>		<b>80,896</b>

#### 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. The operating loss in electronic consumer products segment was mainly a result of loss on write-off of deferred development expenditure (HK\$7.7 million) and provision of obsolete inventory (approximately HK\$4 million).

## Liquidity and Financial Resources

Turnover and profit for the year were increased by 26% and 63% respectively. Earnings per share were accordingly enhanced by approximately 60%.

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Total assets were slightly increased by approximately 9% to HK\$1,253 million which comprised HK\$544 million of current assets, HK\$701 million of fixed assets and HK\$8 million of deferred expenditure and other long-term assets. Total liabilities were about HK\$371 million, of which HK\$307 million were current liabilities and HK\$64 million were long term liabilities. The current ratio was maintained at a level of 1.77.

As at 31 December 2002, the total outstanding bank and other borrowings, net of cash and bank balances were about HK\$47 million (2001: HK\$147 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\$197 million) together with adequate unutilised banking facilities. The gearing ratio based on bank and other borrowings, net of cash and bank balances was approximately 5%.

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.

## **General**

There was no change to the capital structure of the Group during the year ended 31 December 2002.

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

Except for investments in subsidiaries and an associate, 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\$65 million and there were HK\$2 million (at net book values) in disposals of fixed assets during the year. As at 31 December 2002, 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 3,000 workers and staff are currently employed in our Shan Wei factory and approximately 60 personnel in the Group's Hong Kong office. Total staff costs for the year were approximately HK\$97 million.

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.

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## DIVIDENDS

The directors recommend the payment of a final dividend for the year ended 31 December 2002 of 7 HK cents per share (2001: 4 HK cents) which, together with the interim dividend of 5 HK cents per share (2001: 4 HK cents) paid in October 2002, makes a total dividend for the year of 12 HK cents per share (2001: 8 HK cents).

Subject to shareholders' approval in the 2003 Annual General Meeting, the final dividend will be payable on 29 May 2003 to the shareholders whose names appear on the register of members of the Company on 20 May 2003.

## CUSTOMERS AND SUPPLIERS

In the year under review, sales to the five largest customers accounted for approximately 31% of the total sales of the Group with the largest one accounting for 11%. The five largest suppliers of the Group together accounted for approximately 36% by value of the Group's total purchases during the year, with the largest one accounting for 10%.

As at 31 December 2002, 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

There is still room for expansion for the Group's LCD business in 2003. The first quarter sales for the Group were around 60% more than the last corresponding period in 2002. Continuously strong business growth was a result of our on-going upgrade in production technique and quality control system, including both Six Sigma and TS16949 (accredited in February 2003 by the authoritative body, Lloyd's Register Quality Assurance) so that our products can penetrate into new and high growth markets such as the automobile display industry.

Full colour and multimedia displays are seen to be the movie star of this decade in display segment. Our next goal is to become one of the region's major players capable of supplying to demands of different classes of customers to satisfy requirements for all walks of life. Our long developed colour STN LCD products have been fully tested by the ultimate consumers to their great satisfaction and bulk orders have been received from our existing buyers for applications in particular of trendy colour display mobile phones, digital cameras, etc.

By the end of the first half year of 2003, the Group will see the birth of a new born baby in its large and well equipped industrial complex. It is known to be the first OLED production facility in China, on which TRULY will continue to establish a concrete base to explore new markets. With comparatively lower cost of capital investment and tested higher performance over display media of similar applications, OLED is believed to repeat the same legends of its family member, namely TFT Displays (widely used in

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Computer Monitor and Television Set). By entering into an OLED licensee agreement with the licence holder in the coming months, we expect this operation will benefit the Group's LCD business in 2004 and thereafter.

With the breakthroughs in power consumption technology in TFT applications and the on-going development of the third generation ("3G") telecommunication system, TFT displays will remain a commercially viable and profitable business in the foreseeable future. The Group is in final talk with some multinational TFT panel manufacturers to supply primary finished components. Together with TRULY's outperformed production facilities, we are in a good position to provide total display solutions to these customers.

## 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 50, is the Chairman and Managing Director of the Company. He is the founder of the Group and has over 26 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 44, 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 47, 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 44, 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 54, 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 45, 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 51. 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.

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**Mr. Ng Sui Wa, Thomas**, aged 40, 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 15 years' experience for working in an international accounting firm and in the commercial sector.

**Mr. Li Jian Hua**, aged 39, 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, 11 April 2003