MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The Group's turnover for the six months ended 30 June 2004 amounted to HK$1.538 billion (2003: HK$492 million). Net profit for the period was HK$256 million (2003: HK$58 million).

SEGMENTAL INFORMATION

	Six months ended 30 June 2004		Six months ended 30 June 2003	
	Turnover HK$'000	**Contribution HK$'000**	Turnover HK$'000	Contribution HK$'000
By geographical segments:				
The People's Republic of China	**783,540**	**155,587**	147,543	24,742
Hong Kong	**305,400**	**63,260**	99,767	16,787
Japan	**135,346**	**29,469**	75,932	12,789
South Korea	**164,660**	**35,431**	61,510	10,326
Europe	**34,543**	**7,062**	31,445	5,282
Others (Note)	**114,928**	**10,561**	75,904	12,723
	1,538,417	**301,370**	492,101	82,649
Interest income from bank deposits		**224**		580
Unallocated corporate expenses		**(583)**		(424)
Profit from operations		**301,011**		82,805
By business segments:				
Liquid crystal display products	**1,395,673**	**304,383**	433,356	73,029
Electronic consumer products	**142,744**	**(3,013)**	58,745	9,620
	1,538,417	**301,370**	492,101	82,649
Interest income from bank deposits		**224**		580
Unallocated corporate expenses		**(583)**		(424)
Profit from operations		**301,011**		82,805

Note: 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

LCD sales for the period were about HK$1.4 billion (2003: HK$433 million), and comprised 91% of the Group's turnover. The huge growth was an extension of growth in the last two quarters following the launch of colour display products to the market. We were successful in establishing ourselves as a One-Stop-Shop provider for both monochrome and full colour displays for customers from around the world. Colour displays sold in modular form were still the main product stream with comparatively higher margins and returns on investments in machinery and technology. By sustaining the same pace of business growth, we believe the Group is able to overcome any deterioration in the trading environment during the second half year.

Overall gross profit margin for the six-month period was reduced from 30.6% in the comparable period in 2003 to 28.4% and is expected to drop slightly yet in the short term. Although the Group will concentrate on high margin LCD products and related value added products, as a One-Stop-Shop LCD provider, it also answers other needs of existing and new customers with products of narrowing margins. Assembling TFT modules are typical examples of TRULY's obligations to customers who may also need our assistance to satisfy the market demand.

Despite the positive outlook in the Group's business, we are careful not to under-estimate or ignore any potential or hidden business and financial risks. Our recent deployment of a MRPII system in material requisition and production planning has effectively reduced our inventory period from over 100 days to around 60 days. This will be particularly important if the situation of over-inventory of mobile handset in the China market is going to continue for a longer period of time.

On one hand, we put extra efforts in product development such as full colour OLED products and enhancement of quality standard in CSTN LCD products. On the other hand, we let the Group migrate safely onto a more global platform to support the healthy growth of our LCD business. Over the past few years,

MANAGEMENT DISCUSSION AND ANALYSIS

the management has been assessing the plan for mass production of full colour OLED as a medium term growth driver for the Group. Boasting R&D excellence, concrete experience in deploying mass LCD production facilities over the past 10 years, the Kodak licence and a strong marketing team, we are confident of making the project another success in the Group's history.

LIQUIDITY AND FINANCIAL RESOURCES

There were no material changes in the assets and liabilities of the Group as at 30 June 2004 compared with the last financial year ended at 31 December 2003, except that more long term finance was taken to replace short term bank borrowings. The current ratio was therefore improved to a more comfortable level of around 1.9 while the gearing ratio based on bank and other borrowings, net of cash and bank balances was approximately 15%.

The total bank and other borrowings, net of cash and bank balances of HK$223 million were about HK$179 million. Among the total gross borrowings of HK$402 million, HK$210 million were repayable within a year with the remaining balances repayable within a period of two to three years. At 30 June 2004, the Group had pledged certain of its machinery with an aggregate carrying value of approximately HK$60 million to secure banking facilities granted to the Company's subsidiaries.

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

GENERAL

Except for 3,700,000 ordinary shares issued upon the same number of staff's share options exercised at HK$2.196, there was no other change to the capital structure of the Group during the six months ended 30 June 2004. The issued and fully paid share capital of the Company was therefore increased by HK$370,000.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Except for investments in subsidiaries, neither the Group nor the Company had held any material investments during the six months ended 30 June 2004.

There were no material acquisitions and disposals of subsidiaries and associated companies in the course of the financial period.

There are more than 4,000 workers and employees currently employed in the Group's Shan Wei factory and around 70 staff in our Hong Kong office.

Other than trade bills 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.