

Management Discussion and Analysis

管理層討論及分析

BUSINESS REVIEW

LCD sales for the year were about HK\$4.4 billion (2004: HK\$3.1 billion), and comprised 96% of the Group's turnover. In 2005, 76% and 13% of the LCD outputs in dollar term were shipped to China and South Korea respectively. Our performance in these two markets were still outperforming over those elsewhere as consistent with the first half year. With GDP heavily relying on exports, these two world-class manufacturing bases are regarded as TRULY's stepping stone for our products to be recognised in the international market.

Despite a negative sentiment being widely spread in the mobile handset market in which the Group's LCD products have a leverage, we have during the year achieved an overall encouraging gross and net profit margins of 23.8% and 15.3% respectively. In addition to a traditionally tight overheads budget and the effective cost control, the better than expected profit margins were in fact a result of the real return from our investment in automated production plants and the continuous improvement in productivity such as outputs and yields.

Vertical integration in production of our LCD modules has been one of our business successes for some time. During the year, the mass productions of flexible and conventional printed circuit boards and camera modules in our own factories had significantly reduced the purchase cost of making the final LCD products. Together with the increased production capability of the second CSTN line, we are ready to meet new business opportunity.

SEGMENTAL INFORMATION

By geographical segments:

業務回顧

年內 LCD 銷售額約44億港元(二零零四年: 31億港元), 佔本集團營業額96%。於二零零五年, 以貨幣計算, 運往中國及南韓之LCD產出分別佔76%及13%。與上半年相若, 我們在這兩個市場之表現較其他地區突出。由於生產總值倚重出口支持, 故這兩個世界級製造基地被視為信利產品在全球市場爭取知名度之踏腳石。

儘管本集團 LCD 產品倚重之移動手機市場消費氣氛疲弱, 惟本集團於年內之毛利率及純利率分別達到23.8%及15.3%, 整體而言令人鼓舞。除一貫以來嚴謹之開支預算及行之有效之成本控制外, 自動化生產廠房投資之實際回報及生產能力(如產出及良品率)持續改善, 亦使盈利率較預期為佳。

LCD模組生產之縱向整合亦為我們業務之其中一項成就。年內, 在我們自設工廠內大規模生產軟性及傳統之印製線路板及相機模組大大節省生產最終LCD產品之購貨成本。加上第二條CSTN線產能提升, 我們已準備就緒迎接新湧現之商機。

分類資料

按地區分類劃分:

		Turnover by geographical segments 按地區分類劃分之營業額	
		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
PRC	中國	3,433,919	2,265,565
South Korea	南韓	587,569	443,167
Japan	日本	175,194	241,350
Hong Kong	香港	147,980	135,207
Europe	歐洲	119,132	113,778
Others	其他	110,285	207,925
		4,574,079	3,406,992

By business segments:

按業務分類劃分：

2005

二零零五年

		LCD products 液晶體 顯示器產品 HK\$'000 千港元	Electronic consumer products 電子消費 產品 HK\$'000 千港元	Consolidated 綜合 HK\$'000 千港元
REVENUE	收益			
External sales	外銷	4,389,588	184,491	4,574,079
RESULT	業績			
Segment result	分類業績	838,578	23,725	862,303
Interest income	利息收入			14,536
Unallocated corporate expenses	未分配之公司費用			(1,092)
Impairment loss on available-for-sale investment	可供出售投資之減值 虧損	(7,800)	-	(7,800)
Impairment loss on property, plant and equipment	物業、廠房及設備之 減值虧損	-	(6,377)	(6,377)
Finance costs	財務費用			(19,683)
Share of results of an associate	應佔一家聯營公司業績	-	(382)	(382)
Profit before taxation	除稅前溢利			841,505

2004

二零零四年

		LCD products 液晶體 顯示器產品 HK\$'000 千港元	Electronic consumer products 電子消費 產品 HK\$'000 千港元	Consolidated 綜合 HK\$'000 千港元 (Restated) (重列)
REVENUE	收益			
External sales	外銷	3,138,393	268,599	3,406,992
RESULT	業績			
Segment result	分類業績	618,989	2,625	621,614
Interest income	利息收入			1,477
Unallocated corporate expenses	未分配之公司費用			(1,075)
Finance costs	財務費用			(14,201)
Share of results of an associate	應佔一家聯營公司業績	-	113	113
Profit before taxation	除稅前溢利			607,928

INVESTMENT, ASSETS AND LIABILITIES

During the year, the Group acquired plant and machinery amounting to HK\$379 million and properties under development amounting to HK\$34 million for the purpose of expanding its manufacturing capacity in the China factory campus.

Total assets were increased by approximately 42% to HK\$3,428 million which comprised HK\$2,157 million of current assets, HK\$1,091 million of property, plant and equipment and HK\$180 million of other long-term assets. Total liabilities were about HK\$1,490 million, of which HK\$1,202 million were current liabilities and HK\$288 million were long term liabilities. The current ratio was maintained at a healthy level of 1.8.

LIQUIDITY AND FINANCIAL RESOURCES

Turnover and net profit for the year were increased by 34% and 33% respectively. Earnings per share were accordingly enhanced by approximately 31%.

As at 31 December 2005, the surplus cash and bank balances, net of outstanding bank and other borrowings were about HK\$417 million (2004: HK\$53 million). These borrowings bear interest at prevailing market rate and their maturity profiles are shown in the notes to the financial statements.

The financial position of the Group is even better than last year and ready for future capital expansion while keeping a sufficiently high level of cash and bank balances (HK\$848 million at 31 December 2005) together with adequate unutilised banking facilities. The gearing ratio based on total liabilities, net of cash and bank balances was approximately 33%.

Capital expenditure of around HK\$2 billion 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.

投資、資產及負債

於年度內，集團為擴充其於國內生產基地之產能，添置總值3.79億港元之廠房及機器，以及總值0.34億港元之發展中物業。

總資產上升約42%至34.28億港元，當中計有21.57億港元流動資產、10.91億港元物業、廠房及設備及1.80億港元其它長期資產。總負債約為14.90億港元，當中包括12.02億港元流動負債及2.88億港元長期負債。流動比率維持在1.8之健康水平。

流動資金及財政資源

年內，營業額及純利分別上升34%及33%，因此每股盈利隨之增加約31%。

於二零零五年十二月三十一日，淨現金及銀行結存（扣除未償還之銀行及其它借貸）約為4.17億港元（二零零四年：0.53億港元）。該等借貸之利率乃根據現行市場息率而釐定，其還款期載於財務報表附註。

本集團之財務狀況較去年更為穩健，其同時持有高度充盈之現金及銀行結存（於二零零五年十二月三十一日為8.48億港元），及足夠之尚未運用銀行備用額，足以應付未來之資本擴展所需。資本負債比率按總負債（經扣除現金及銀行結存）計算約為33%。

未來三年，將有約20億港元之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，預期資金來源主要來自內部儲備。

GENERAL

During the year, the Company issued 6,475,000 ordinary shares of HK\$0.1 each under share option scheme at HK\$2.196 per share, for a consideration of HK\$14,219,100. The new shares rank pari passu with the existing shares in all respects and the issued share capital of the Company was accordingly increased to HK\$45,816,453 at 31 December 2005.

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

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\$435 million and HK\$15 million during the year. As at 31 December 2005, the Group had pledged certain of its machinery with an aggregate carrying value of approximately HK\$47 million to secure banking facilities granted to the Company's subsidiaries.

More than 6,800 workers and staff are currently employed in our Shan Wei factory in China and around 80 personnel in the Group's Hong Kong office. Total staff costs for the year were approximately HK\$196 million.

The Group had no material contingent liabilities at the balance sheet date and exposure to fluctuations in exchange rates was minor and properly hedged, if any.

OUTLOOK

Our business expansion over the past few years was based on solid grounds of making the right investments in production facilities, selecting the right products to develop and sell and targeting the right market to penetrate. We will continue to fine-tune the execution of these policies to keep the Group growing in the right direction. As a matter of self-monitoring, more and more internal controls will be and are being deployed to regulate this growing process. After the successful launch of the MRPII system in material requisition and production planning in around May 2004 which resulted in rapid decline in inventory turnover period from over 100 days to around 50 days, a new ERP system is now being tested which will further enhance the production efficiency of the Group.

一般事項

年內，本公司根據購股權計劃以每股2.196港元發行6,475,000股每股面值0.1港元之普通股，股款為14,219,100港元。該等新股份與現有股份在各方面均享有同等權利，本公司於二零零五年十二月三十一日之已發行股本因此增加至45,816,453港元。

本集團現時之訂單數量非常理想。

除附屬公司及聯營公司投資外，本集團及本公司均無於年內持有任何重大投資。

年內，固定資產添置及出售（以廠房及機器為主）約為4.35億港元及0.15億港元。於二零零五年十二月三十一日，本集團已將其賬面總值約0.47億港元之若干機器質押，以作為本公司附屬公司銀行信貸額之抵押品。

現時超過6,800名工人及僱員受聘於本集團位於國內汕尾之工廠，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1.96億港元。

本集團於結算日概無任何重大或然負債，且僅須承擔低度匯率波動風險，並已就此妥為作出對沖（如有）。

前景

我們之業務在過往數年不斷擴充，乃建基於在生產設施方面進行適當投資、挑選合適之產品作開發及銷售以及眼光獨到地進軍適當之目標市場。我們將繼續調整執行此等政策，使本集團可循著適當方向發展。至於自我監察方面，本集團會實行更廣泛之內部監控，務求監察增長過程。於二零零四年五月，本集團成功推出物料採購及生產規劃之MRPII系統，使存貨周轉期迅速由超過100天縮短至約50天。於推出有關系統後，本集團現正測試另一項新企業資源規劃系統，可進一步提升本集團之生產效率。

OUTLOOK (Continued)

As an industrialist with more emphasis on production and R&D, we have also put much efforts in our marketing force. In order to strengthen our direct business relationships with multinational customers, we had during the year re-organised our various overseas marketing offices including the Europe, USA and Japan subsidiaries. The successful implementation of the said re-structuring will no doubt be advantageous to our healthy growth in geographical segments and diversify the associated credit risk.

2006 and the following couple of years will witness the Group's another dramatic change in technological breakthrough. Through years of product development and feasibility study, we are now in the process of finalising the investments of a mass production plant in TFT panel or OLED ("Organic Light Emitting Diode") displays. The plan established so far is based on a principally self-financed model. We are fully confident of achieving the goal in the near future and thereafter our customers can enjoy the benefit of an even more cost effective total colour display solution under TRULY's brand name.

DIVIDENDS

The directors recommend the payment of a final dividend for the year ended 31 December 2005 of 25 HK cents per share (2004: 23 HK cents) which, together with the interim dividend of 23 HK cents per share (2004: 17 HK cents) paid in October, 2005, makes a total dividend for the year of 48 HK cents per share (2004: 40 HK cents).

The total dividend payout ratio for the year was about 31% and it is the Board's long-term target to keep this ratio in between 30% and 35%.

CUSTOMERS AND SUPPLIERS

In the year under review, sales to the five largest customers and purchases from the five largest suppliers accounted for less than 30% of the total sales and purchases of the Group respectively.

As at 31 December 2005, none of the directors, their associates, or any shareholders which to the knowledge of the directors owned more than 5% of the Company's issued share capital had any beneficial interests in the Group's five largest customers and/or five largest suppliers mentioned in the preceding paragraph.

前景 (續)

作為著重生產及研發之工業家，我們亦十分著重市場推廣。為鞏固我們與跨國客戶之間之直接業務關係，我們於年內重組多家海外市場推廣辦事處，包括歐洲、美國及日本之附屬公司。成功進行上述重組事宜勢將有利我們地區分類之健康增長，並可分散相關信貸風險。

二零零六年及往後數年將見證本集團在技術突破方面之另一重大轉變。透過多年之產品開發及可行性研究工作，我們現正踏入決定投資於TFT面板或OLED（「有機電致發光顯示器件」）顯示器大規模生產廠房之最後階段。有關計劃暫時根據主要為自資模式而計劃。我們極具信心可於不久將來達到目標，其後，我們之客戶則可受惠於信利品牌下更具成本效益之彩色顯示器完整方案。

股息

董事建議就截至二零零五年十二月三十一日止年度派付每股25港仙（二零零四年：23港仙）之末期股息，連同已於二零零五年十月派付之中期股息每股23港仙（二零零四年：17港仙）計算，本年度之股息總額為每股48港仙（二零零四年：40港仙）。

年內之總派息比率約為31%，董事會擬定之長期派息率目標為30%至35%之間。

客戶及供應商

回顧年內，向五大客戶進行之銷售及自五大供應商之購貨額分別佔本集團總銷售額及購貨額不足30%。

於二零零五年十二月三十一日，概無董事、彼等之聯繫人或據董事所知擁有本公司已發行股本超過5%之股東於前段所述本集團五大客戶及／或五大供應商中擁有任何實益權益。

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 53, is the Chairman and Managing Director of the Company. He is the founder of the Group and has over 29 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 47, 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 50, is an Executive Director of the Company. He is responsible for the sales of the Group's LCD products and other semiconductor components. Prior to joining the Group in 1989, he was sales manager for a number of electronics companies for over 10 years.

Mr. Li Jian Hua, aged 42, is the Head of the Group's LCD Production Division and an Executive Director of the Company. 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. Chung Kam Kwong, aged 48, is an independent Non-executive Director of the Company and the Chairman of the Group's Audit, Remuneration and Nomination Committees. He is a practising Certified Public Accountant in Hong Kong and is members of the Hong Kong Institute of Certified Public 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. Ip Cho Ting, Spencer, aged 47, is an independent Non-executive Director and members of the Group's Audit, Remuneration and Nomination Committees. 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 commercial sector.

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，現年五十三歲，本公司之主席兼董事總經理。彼為本集團之創辦人，從事電子業超過二十九年，主要負責制訂本集團之整體策略及業務發展。

黃邦俊先生，現年四十七歲，本公司之執行董事。彼負責本集團之業務運作與對外事務。彼於一九八七年加入本集團。

張達生先生，現年五十歲，本公司之執行董事。彼負責銷售本集團之液晶顯示器產品及其他半導體元件。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。

李建華先生，現年四十二歲，本集團之液晶顯示器生產部主管兼本公司之執行董事。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。

鍾錦光先生，現年四十八歲，本公司之獨立非執行董事，並為本集團審核委員會、薪酬委員會及提名委員會的主席。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。

葉祖亭先生，現年四十七歲，獨立非執行董事，並為本集團審核委員會、薪酬委員會及提名委員會之成員。彼持有美國Green Bay威斯康辛大學之理學士學位。葉先生於商界經營其自身之業務。

DIRECTORS AND SENIOR MANAGEMENT

(Continued)

Mr. Heung Kai Sing, aged 57, is an independent Non-executive Director and members of the Group's Audit, Remuneration and Nomination Committees. He has experience in textile industry.

Mr. Cheung Chong Hai, aged 54. 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.

Mr. Ng Sui Wa, Thomas, aged 43, 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 member of the Association of Chartered Certified Accountants. Mr. Ng joined the Group in 1996 and has more than 18 years of experiences for working in an international accounting firm and in the commercial and industrial sectors.

Lam Wai Wah, Steven

Chairman

Hong Kong, 23 March 2006

董事及高級管理人員 (續)

香啟誠先生，現年五十七歲，獨立非執行董事，並為本集團審核委員會、薪酬委員會及提名委員會之成員。彼於紡織業擁有豐富經驗。

張壯希先生，現年五十四歲。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顯示器產品。

吳瑞華先生，現年四十三歲，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，並為英國特許公認會計師公會之會員。吳先生於一九九六年加入本集團，擁有在一間國際會計師行及工商界逾十八年的工作經驗。

主席

林偉華

香港，二零零六年三月二十三日