

The Chairman's Statement

主席報告書

Dear shareholders,

2006 was a disappointing year for the Group's results. Audited consolidated turnover for the year ended 31 December 2006 was HK\$4.52 billion which was about 1% less than the last corresponding year (HK\$4.57 billion). Audited net profit for the year was about HK\$532 million representing a decrease of approximately 24% over 2005 (HK\$702 million). During the year ended 31 December 2006, gross and net profit margins were down to 19.9% (2005: 23.8%) and 11.8% (2005: 15.3%) respectively.

Sales of the Group's Liquid Crystal Display ("LCD") products were approximately HK\$4.4 billion, same as last year. The three major categories were Thin-Film Transistor ("TFT"), Colour Supertwisted Nematic ("CSTN") and Mono STN LCD Displays which accounted for 50%, 29% and 17% respectively of the total LCD's turnover. The exceptionally outperformed TFT sales during the year not only had given us more and more business opportunity in expanding our customer base, but also a strong support for the future of our upcoming in-house TFT panel production facilities. However, the Group inevitably had to suffer from this temporary drop in gross profit margins obtained from the enhanced TFT assembling business in 2006. I trust this situation will be significantly improved when we have our own panel production line starting from mid-2007.

MAKING GOOD PROGRESS IN DIVERSIFYING TO AUTOMOTIVE, INDUSTRIAL AND EQUIPMENT MARKET

With more hands-on experiences in developing new customers and products for automotive, industrial and equipment applications, since 2004 the Group has been making good progress in penetrating into these markets. We are about to deploy some standing technical support and engineering staff overseas such as the UK to help boost the sales to Europe and the US. Together with the strengthened marketing force in these areas, we have no doubt about its huge and positive contributions to the Group's profitability and business performance in the very near future.

各位股東：

二零零六年對本集團而言業績未如理想。截至二零零六年十二月三十一日止年度之經審核綜合營業額約為45.2億港元，較去年同期（45.7億港元）減少1%。本年度之經審核純利約為5.32億港元，較二零零五年（7.02億港元）減少約24%。截至二零零六年十二月三十一日止年度之毛利率及純利率分別減少至19.9%（二零零五年：23.8%）及11.8%（二零零五年：15.3%）。

本集團液晶顯示器（「LCD」）的產品銷售約為44億港元，與去年相同。液晶顯示器分為薄膜電晶體（「TFT」）、彩色超扭曲向列型（「CSTN」）及單色STN LCD三大類別。該等產品佔液晶顯示器總營業額分別約為50%、29%及17%。年內TFT顯示器的銷售表現出類拔萃，不僅為我們締造更多擴充集團客戶基礎之商機，同時亦為集團快將落成自製TFT面板之生產設施今後的發展給予有力支持。然而，本集團難免須承受二零零六年TFT組裝業務提升後毛利率暫時下跌之影響。本人相信，此情況在本集團於二零零七年年中擁有面板生產設施之時將會大有改善。

多元化拓展至汽車、工業及設備市場之進度良好

隨著本集團積累更多豐富之經驗開發汽車界、工業界及設備界新客戶及產品，集團自二零零四年起進軍該等市場之進度理想。本集團將會派遣部分技術支援及工程人員長駐英國等海外地區，以助刺激歐美等地銷量，加上本集團在該等地區之市場推廣力量強大，相信於不久將來定可大大增強集團之盈利能力，為集團之業務表現帶來之貢獻良多。

INCREASE OF MORE THAN HK\$50 MILLION IN R&D AND RELATED PRODUCTION OVERHEADS FOR THE NEW TFT PRODUCTION FACILITIES

As previously announced, the Group, through a turn-key contractor, commenced the construction of a new TFT-LCD project in the middle of 2006, which is expected to have a final total cost in the region of HK\$1.5 billion. The overall progress of the project is on schedule, with the construction of the factory building completed in October 2006 and equipment since being installed in stages. The principal equipment is expected to arrive from overseas in three shipments in March 2007 and it is currently projected that pilot production will commence in June 2007.

The Company had included as expenses in its consolidated financial statements for the year ended 31 December 2006 (1) the R&D expenses of approximately HK\$40 million directly incurred for the TFT-LCD project and (2) the expenses of approximately HK\$15 million represented by certain raw materials and production costs incurred in the R&D of the production know-how for the project. Together they represent all of the R&D expenses incurred in 2006 for the TFT-LCD project. With the general increases of production overheads, distribution costs, staff costs, administrative expenses and finance costs during the year, both gross and net profit margins were therefore reduced to a large extent especially in the last two quarters.

PROSPECTS OF TRULY'S TFT BUSINESS

It is not expected that the Group will incur and write off substantial R&D expenses in relation to the TFT-LCD project in the future. The only substantial expense item related to this project which will be charged to the Group's financial statements for periods commencing with the second half of the year ending 31 December 2007 is expected to be the recurring depreciation charge for the equipment at 15% per annum on a reducing balance basis, which is consistent with the general depreciation policy adopted by the Group for its production equipment.

With the strong order books on hand, we are confident of maintaining a satisfactory growth momentum in the short and medium terms. We believe the pressure on both the gross and net profit margins will be gradually reduced in the long run.

增加高逾50,000,000港元作為TFT技術之研發及興建新生產設施之相關生產費用

誠如較早前所公佈，本集團於二零零六年中透過一名主要承包商動工興建一項新TFT-LCD項目，預計最終總成本約為15億港元。該項目之整體進度理想，廠房大樓已於二零零六年十月落成，並分階段逐步安裝相關設備。預期主要設備將於二零零七年三月分三次從外國運抵，按照目前預期，將可於二零零七年六月試產。

本公司截至二零零六年十二月三十一日止年度之綜合財務報表已計入之開支包括(1)TFT-LCD項目直接產生之研發開支約40,000,000港元，及(2)該項目進行生產技術研發所產生之若干原材料及生產成本開支約15,000,000港元，該等開支合計即相當於集團在二零零六年就TFT-LCD項目所產生之一切研發開支。由於年內之生產經常費用、分銷成本、員工成本、行政費用及財務費用整體而言有所增加，毛利率及純利率因而大幅減少，其中最後兩季尤其明顯。

信利TFT業務之前景

預期本集團日後將不會產生有關TFT-LCD項目之重大研發開支，亦無需就此作出撇減。此項目涉及之唯一一項重大開支項目將於截至二零零七年十二月三十一日止下半年起之期間於本集團財務報表扣除一項經常性之設備折舊開支，按餘額遞減法每年減少15%為基準，此乃與本集團就生產設備採納之一般折舊政策相符。

本集團目前之手頭訂單強勁，我們相信中短期而言本集團仍可保持良好之增長勢頭，一些對毛利及純利率造成之壓力長遠而言將會逐步減退。

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TRULY KEEPS INVESTING IN HUMAN RESOURCES

Being a major reason for the drop of the Group's profitability in 2006 and a crucial element for our continued future growth, investment in competent staff will still be our key focus in 2007 and the years ahead. However, to cope with the ever-changing business environment and to make good and effective use of the Group's financial resources, the Board has assigned an executive director as the Chief Operating Officer to oversee the internal controls and risk management of all the vital functions of the Group. This measure will also ensure the change of our workforces and hence the resulting staff cost is commensurate with the business growth.

Last but not least, I would like to thank our shareholders, business partners, staff and workers for their continuous support to the growth of the Group.

Lam Wai Wah, Steven
Chairman

Hong Kong, 29 March 2007

信利堅守投資於人才的信念

珍視人才及其投資乃推動本集團今後持續增長之主要火車頭，亦是導致二零零六年本集團盈利能力下降之主因，因此二零零七年以至今後我們仍將重點投放於人才方面。為了配合瞬息萬變之營商環境，有效善用本集團之財政資源，董事會已委任一名執行董事出任營運總監一職，以監督集團旗下各主要部門之內部監控及風險管理。此項措施將可確保本集團人手之調配得宜，令員工成本之增減需與業務同步。

最後，本人謹此感謝我們的股東、業務夥伴及職工對本集團業務成長一直以來的支持。

主席
林偉華

香港，二零零七年三月二十九日