

# Management Discussion and Analysis

## 管理層討論及分析

### BUSINESS REVIEW

In 2006, the sales of the Group's core business, LCD's have maintained its expansion pace for the first three quarter period. It was however the first time in a number of years that the fourth quarter (2006) was under-performed over the same quarter last year (2005). The sales mix in that period was also not favourable in the sense that the TFT assembly business (in fact of a lower profit margin) was in the absolute majority. Together with the previously mentioned R&D expenditure and related costs in connection with the new TFT-LCD project, the fourth quarter results were extremely undesirable. We believe these one-off events based on prudence's grounds are not going to happen in 2007 and the years to come.

The effects of persistently high energy price, increased labour cost and production overheads had adversely affected the pricing strategy and budgetary controls of industrialists especially manufacturers in China where economic growth is tremendous. It is always the Group's long-range plan to invest in research and product development to have less reliance on labour. The uses of the state of the art technology and production machinery have in effect enhanced productivity and production yields by minimising the defects caused by human errors and poor workmanships.

With the anticipated continuous appreciation of Renminbi ("RMB") in the foreseeable future, the Group, having its manufacturing base in China and certain proportion of its sales to the PRC domestic market, is facing another challenge in respect of the currency risk. One of the Group's PRC subsidiaries is entitled to obtain tax refunds from the Chinese Tax Authority by the retention of a significant portion of its retained profits in China as additional investments, but the resulting imbalance of inter-company transactions have resulted in the provision of an exchange difference charged to the profit and loss account with a corresponding increase in exchange reserve credited to the shareholders' equity. The management has made some hedging arrangements solely to reduce this foreign currency exposure for the day-to-day RMB transactions and for the longer term as well.

### 業務回顧

二零零六年，本集團核心業務LCD之銷售額於首三個季度仍能保持增長，但到了第四季（二零零六年）卻較去年（二零零五年）同期表現倒退，為多年來的首次。該段期間之銷售組合亦未如理想，這是由於TFT組裝業務佔其中絕大部分，而事實上其溢利率較低，加上較早前提及新TFT-LCD項目涉及之研發開支及相關成本，此等因素均導致第四季業績欠佳。我們相信此乃一次性事件，審慎而言，預料於二零零七年以至今後將不會再次出現。

能源價格持續高企、工資上漲及生產經常費用大增，凡此種種均會嚴重影響工業企業家在定價策略及財政預算控制方面之做法。中國目前經濟增長迅猛，此等因素對中國製造商所造成之影響尤其明顯。本集團一直堅持長遠發展之策略，致力注資研發技術，以求盡量減少對工人之依賴。本集團採用了尖端生產技術及先進生產設備，可盡量減低人為錯誤及技術不高所造成之影響，從而提高了生產能力及產量。

預期人民幣於不久未來將會持續升值，鑑於本集團之製造基地設於中國，加上部分銷售至中國內地市場，相信集團勢將面對來自貨幣風險之另一項挑戰。本集團其中一家中國附屬公司可享有中國稅務機關退回之稅項，惟需保留其本身之大部分溢利作為額外投資，令集團內公司間之交易不均，須於收益表內計提匯兌差額撥備，相應也增加了在股東權益中之滙兌儲備。管理層已作出若干對沖安排，以純粹就長遠而言減低集團於日常業務過程中進行人民幣交易所承擔之滙兌風險。

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## 管理層討論及分析

### SEGMENTAL INFORMATION

#### By geographical segments

### 分類資料

#### 按地區分類劃分

		Revenue by geographical segments 地區分類收入	
		2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
PRC	中國	<b>3,620,501</b>	3,433,919
South Korea	南韓	<b>226,908</b>	587,569
Japan	日本	<b>125,054</b>	175,194
Hong Kong	香港	<b>212,317</b>	147,980
Europe	歐洲	<b>206,404</b>	119,132
Others	其他	<b>132,642</b>	110,285
		<b>4,523,826</b>	4,574,079

#### By business segments

#### 按業務分類劃分

2006

二零零六年

		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	<b>4,403,989</b>	<b>119,837</b>	<b>4,523,826</b>
RESULT	業績			
Segment result	分類業績	<b>634,489</b>	<b>2,138</b>	<b>636,627</b>
Unallocated corporate income	未分配之公司收入			<b>62,089</b>
Unallocated corporate expenses	未分配之公司費用			<b>(11,433)</b>
Share of loss of an associate	應佔一家聯營公司虧損	-	<b>(334)</b>	<b>(334)</b>
Finance costs	財務費用			<b>(35,766)</b>
Profit before taxation	除稅前溢利			<b>651,183</b>
Income tax expense	所得稅支出			<b>(119,137)</b>
Profit for the year	本年度溢利			<b>532,046</b>

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	836,975	23,725	860,700
Unallocated corporate income	未分配之公司收入			16,139
Unallocated corporate expenses	未分配之公司費用			(1,092)
Impairment loss on available-for-sale investments	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)
Share of loss of an associate	應佔一家聯營公司虧損	-	(382)	(382)
Finance costs	財務費用			(19,683)
Profit before taxation	除稅前溢利			841,505
Income tax expense	所得稅支出			(139,457)
Profit for the year	本年度溢利			702,048

## INVESTMENT, ASSETS AND LIABILITIES

During the year, the Group acquired plant and machinery amounting to HK\$156 million and properties under development amounting to HK\$232 million for the purpose of expanding its manufacturing capacity in the China factory campus.

Total assets were increased by approximately 19% to HK\$4,095 million which comprised HK\$2,139 million of current assets, HK\$1,404 million of property, plant and equipment and HK\$552 million of other long-term assets. Total liabilities were about HK\$1,729 million, of which HK\$1,482 million were current liabilities and HK\$247 million were long term liabilities. The current ratio was maintained at a healthy level of 1.4.

## 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1.56億港元之廠房及設備，以及總值2.32億港元之發展中物業。

總資產上升約19%至40.95億港元，當中計有21.39億港元流動資產、14.04億港元物業、廠房及設備及5.52億港元其他長期資產。總負債約為17.29億港元，當中包括14.82億港元流動負債及2.47億港元長期負債。流動比率維持在1.4之健康水平。

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### LIQUIDITY AND FINANCIAL RESOURCES

Turnover for the year were decreased by 1%. Net profit for the year and earnings per share were decreased by 24% and 25% respectively.

As at 31 December 2006, the surplus cash and bank balances, net of outstanding bank borrowings were about HK\$244 million (2005: HK\$417 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 healthy and ready for future capital expansion while keeping a sufficiently high level of cash and bank balances (HK\$1.02 billion at 31 December 2006) together with adequate unutilised banking facilities. The gearing ratio based on total liabilities, net of cash and bank balances was approximately 30%.

Capital expenditure of around HK\$600 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

During the year, the Company issued 10,132,000 ordinary shares of HK\$0.1 each under share option scheme at HK\$2.196 per share, for a consideration of HK\$22,249,872. 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\$46,829,653 at 31 December 2006.

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

Except for investments in subsidiaries, an associate and the long term investment of a Japanese corporation acquired during the year amounting to HK\$10,500,000, neither the Group nor the Company had held any other material investments during the year.

Additions to fixed assets mainly in properties under development and plant and machinery were approximately HK\$460 million. There were no material disposals of fixed assets during the year. As at 31 December 2006, the Group had no pledge or mortgage on its fixed assets.

### 流動資金及財政資源

年內，營業額減少1%。本年度純利及每股盈利分別減少24%及25%。

於二零零六年十二月三十一日，淨現金及銀行結存（扣除未償還之銀行借貸）約為2.44億港元（二零零五年：4.17億港元）。該等貸款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。

本集團之財務狀況維持穩健，其同時持有高度充盈之現金及銀行結餘（於二零零六年十二月三十一日為10.2億港元），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餘）計算約為30%。

未來三年，將有約6億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。

### 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10,132,000股每股面值0.1港元之普通股，股款為22,249,872港元。該等新股份與現有股份在各方面均享有同等權利，本公司於二零零六年十二月三十一日之已發行股本因此增加至46,829,653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，以及年內以10,500,000港元購入一家日本公司之長期投資外，本集團及本公司均無於年內持有任何其他重大投資。

年內，固定資產添置（以在建物業、廠房及設備為主）約為4.6億港元。年內概無重大出售固定資產。於二零零六年十二月三十一日，本集團並無將其固定資產質押或抵押。

More than 8,000 workers and staff are currently employed in our Shan Wei factory in China and around 90 personnel in the Group's Hong Kong office. Total staff costs for the year were approximately HK\$242 million.

The Group had no material contingent liabilities at the balance sheet date and exposure to fluctuations in exchange rates will be hedged, when needed.

## OUTLOOK

Starting from 2007, apart from our dominant position in the China display market, we will be also seeing a notable recovery of the Group's sales to other geographical segments including Europe, South Korea and Japan. These markets were used to be our key customer bases of businesses with promising profit margins and huge turnover growth potential. Provided that these customers are supplied with the right products to their respective markets, delivered just-in-time and to the right places to reduce costs and at mutually competitive prices, these important markets will be our growth engine especially in TFT applications at least up to the next decade.

The implementation of our own TFT panel production line which we had mentioned previously was not to compete with the world's TFT mammoths. Instead it was planned in the very first place to form the front and integral part of the vertical integration chain for the final TFT module products. Two of our typically successful vertical integrations are namely the self produced compact camera modules ("CCM") and printed circuit boards (both conventional ("PCB") and flexible ("FPC") types). We will be using the same valuable experiences to explore the possibility of enlarging the existing touch panel production line to double or even triple its capacity. With all these facilities in position and of optimal productivity in the foreseeable future, we will expect another great success to come in Truly's history.

現時超過8,000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90名員工受聘於本集團香港辦事處。年內，員工總成本約為2.42億港元。

本集團於結算日概無任何重大或然負債，如須承擔匯率波動風險，則於有需要時對沖。

## 前景

自二零零七年之始，本集團除了穩據中國顯示器市場之領導地位外，我們預期出口至歐洲、南韓及日本等其他地域分部之銷量亦會明顯改善。該等市場一直為本集團業務之主要客戶基地，而該等市場之毛利率十分可觀，營業額增長潛力亦非常龐大。倘本集團能夠為該等地區市場客戶供應合適產品，確保準時付運至目的地，可藉此減省成本，並達致雙方有利且具競爭力之價格，該等主要市場至少於未來十年將會成本集團之增長動力來源，尤其是TFT應用這方面。

誠如較早前所述，本集團自設的TFT面板生產線並無與全球TFT巨擘正面交鋒。在最初構思增建該條生產線之際，按計劃將會構成TFT模組產品垂直整合生產鏈之一重要部分，為集團提供生產前線之支持。本集團旗下自製小型相機模組（「CCM」）及印刷線路板（包括傳統（「印刷線路板」）及軟性（「軟性印刷線路板」）兩大類），便是集團成功垂直整合業務之最佳例子。本集團將會繼續吸取寶貴經驗，致力尋求可擴大現有輕觸式面板生產線之可行性，務求可令產量得以雙倍或三倍增長。待該等設施於不久未來全部到位，且能夠達致最高生產力時，預期信利定可再創高峰，揭開光輝歷史新的一頁。

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### DIVIDENDS

The directors recommend the payment of a final dividend for the year ended 31 December 2006 of 25 HK cents per share (2005: 25 HK cents) to shareholders whose names appear on the Register of Members on 27 April 2007. It is expected that the final dividend payments will be made to shareholders on 16 May 2007. The final dividend together with the interim dividend of 23 HK cents per share (2005: 23 HK cents) paid in October, 2006, makes a total dividend for the year of 48 HK cents per share (2005: 48 HK cents).

The total dividend payout ratio for the year was about 42%.

### 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 2006, 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.

### 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 54, is the Chairman and Managing Director of the Company. He is the founder of the Group and has over 30 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 48, is an Executive Director of the Company and the Chief Operating Officer of the Group. He is responsible for the Group's operations in respect of internal controls and risk management, investors' relationship and external affairs. He joined the Group in 1987.

### 股息

董事建議就截至二零零六年十二月三十一日止年度向於二零零七年四月二十七日名列股東名冊之股東派付每股25港仙(二零零五年:25港仙)之末期股息,預期末期股息將於二零零七年五月十六日向股東派付。連同已於二零零六年十月派付之中期股息每股23港仙(二零零五年:23港仙)計算,本年度之股息總額為每股48港仙(二零零五年:48港仙)。

年內之總派息比率約為42%。

### 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%。

於二零零六年十二月三十一日,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。

### 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,現年五十四歲,本公司之主席兼董事總經理。彼為本集團之創辦人,從事電子業超過三十年,主要負責制訂本集團之整體策略及業務發展。

黃邦俊先生,現年四十八歲,本公司之執行董事兼集團營運總監。彼負責本集團有關內部監控及風險管理方面之業務運作,投資者關係與對外事務。彼於一九八七年加入本集團。

Mr. Cheung Tat Sang, James, aged 51, 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 had been the sales managers of a number of electronics companies for over 10 years.

Mr. Li Jian Hua, aged 43, 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 49, 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 48, 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 is a member of the Institute of Financial Planner of Hong Kong and is the Senior Financial Advisor of a professional insurance company in Hong Kong.

Mr. Heung Kai Sing, aged 58, is an independent Non-executive Director and members of the Group's Audit, Remuneration and Nomination Committees. He has experience in textile industry.

張達生先生，現年五十一歲，本公司之執行董事。彼負責銷售本集團之液晶體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，現年四十三歲，本集團之液晶體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，現年四十九歲，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，現年四十八歲，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。葉先生為香港財務策劃師學會會員，亦為香港一間專業保險公司之高級財務顧問。

香啟誠先生，現年五十八歲，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。

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Mr. Ng Sui Wa, Thomas, aged 44, 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 almost 20 years of experiences for working in an international accounting firm and in the commercial and industrial sectors.

By Order of the Board  
**Lam Wai Wah, Steven**  
*Chairman*

Hong Kong, 29 March 2007

吳瑞華先生，現年四十四歲，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近二十年的工作經驗。

承董事會命  
主席  
**林偉華**

香港，二零零七年三月二十九日