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# **TRULY<sup>®</sup>**

## **TRULY INTERNATIONAL HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 00732)**

### **ANNOUNCEMENT OF 2009 ANNUAL RESULTS**

#### **FINANCIAL HIGHLIGHTS**

**For the year ended 31 December**

	<b>2009</b>	2008	
	<b>Audited</b>	Audited	Change
	<b>HK\$'000</b>	HK\$'000	%
Revenue	<b>5,804,184</b>	5,669,274	+2.4
Gross profit	<b>828,094</b>	695,974	+19.0
Profit for the year	<b>307,333</b>	261,135	+17.7
EPS			
– Basic	<b>HK\$0.65</b>	HK\$0.55	+18.2
– Diluted	<b>HK\$0.65</b>	HK\$0.55	+18.2
DPS			
– Interim	<b>HK\$0.17</b>	HK\$0.25	
– Final	<b>HK\$0.10</b>	HK\$0.01	
Total:	<b><u>HK\$0.27</u></b>	<u>HK\$0.26</u>	

#### **THE CHAIRMAN'S STATEMENT**

I report to our shareholders that the Group had achieved a healthy growth both in revenue and gross profit margin in 2009 despite the global economy was yet to recover from the financial turmoil affecting mainly our targeted markets in automotive and other display applications of high markups. Like I said in the interim report, businesses in the colour super twisted-nematic (CSTN) LCDs have been very strong throughout the whole year and are expected in 2010 as well. Our continuous dedication to this important product line since 1995 when the first CSTN production line was implemented, is proven to be absolutely right. The subsequent additions of investments to this technology are very vital in accomplishing an organic growth for the group and make us now the no. 1 supplier of CSTN in the world.

During the year, I was happy to see the steady pay back from our relatively heavy investments in the thin film transistor (TFT) LCDs which still accounted for more than 50% of the Group's revenue. This significant profit contribution was not only from the panel itself in the past but also being diversified from other integrated components manufactured with TRULY brand such as capacitive touch window, high resolution compact camera module, LED backlight unit and HDI and flexible PCB. Altogether, we became well-known as a unique one-stop-shopping centre for almost all display solutions.

In a battle field, it was always said that one's enemy is itself. This also applies universally and in particular in the business world. I would not argue the fact that there were still some rooms for us to improve before winning the upcoming commercial competition. After recent years of major investments in fixed assets, I'm now setting a more aggressive game plan for the production and marketing teams. As planned, the factory is to reduce the material consumption by more effective controls on raw material usage and indirect production costs and overheads. The ultimate target is to keep material content as low as 65% of revenue while maintaining the same level of labour cost and other production overheads. Unlike the previous two years, sales target for the next three years will be back to normal and is expected to achieve an annual double digit growth from 2010.

Last but not least, improving the financial position of the Group has been in the board's agenda for some time. Besides putting up so many business plans which are yet to be completed, I will take it as our first priority to turn around this unfavourable situation and go back to where we were and what we were proud of financially. The placement of new shares completed in March 2010 not only became a good move for this purpose but also a means to attract more global and long-term valued partners as investors. I would not rule out the possibility of similar events in the future provided it is always to the benefit of the shareholders.

I would also like to thank our shareholders, business partners, staff and workers for their dedication and continuous support to the growth of the Group even in bad times.

**Lam Wai Wah, Steven**  
*Chairman*

Hong Kong, 15 April 2010

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

	<i>NOTES</i>	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Revenue	4	<b>5,804,184</b>	5,669,274
Cost of sales		<u><b>(4,976,090)</b></u>	<u>(4,973,300)</u>
Gross profit		<b>828,094</b>	695,974
Other income	6	<b>25,587</b>	86,476
Other gains and losses	7	<b>(101,840)</b>	(45,053)
Administrative expenses		<b>(186,450)</b>	(190,902)
Distribution and selling expenses		<b>(110,302)</b>	(140,422)
Finance costs	8	<u><b>(46,643)</b></u>	<u>(67,015)</u>
Profit before tax		<b>408,446</b>	339,058
Income tax expense	9	<u><b>(101,113)</b></u>	<u>(77,923)</u>
Profit for the year	10	<u><b>307,333</b></u>	<u>261,135</u>
<b>Other comprehensive income for the year</b>			
Exchange differences arising on translation		<u><b>15,611</b></u>	<u>212,340</u>
Total comprehensive income for the year		<u><b>322,944</b></u>	<u>473,475</u>
Profit for the year attributable to:			
Owners of the Company		<b>307,333</b>	261,121
Minority interests		<u>–</u>	<u>14</u>
		<u><b>307,333</b></u>	<u>261,135</u>
Total comprehensive income attributable to:			
Owners of the Company		<b>322,944</b>	473,461
Minority interests		<u>–</u>	<u>14</u>
		<u><b>322,944</b></u>	<u>473,475</u>
<b>EARNINGS PER SHARE</b>	12		
Basic		<u><b>HK\$0.65</b></u>	<u>HK\$0.55</u>
Diluted		<u><b>HK\$0.65</b></u>	<u>HK\$0.55</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2009

	<i>NOTES</i>	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		4,168,872	4,214,029
Prepaid lease payments		151,647	129,630
Intangible assets		11,417	18,307
Goodwill		413	413
Available-for-sale investments		–	5,250
Deferred tax assets		8,225	754
Deposits paid for acquisition of property, plant and equipment		<u>24,992</u>	<u>28,908</u>
		<b><u>4,365,566</u></b>	<b><u>4,397,291</u></b>
<b>CURRENT ASSETS</b>			
Inventories		692,870	708,344
Prepaid lease payments		3,665	3,713
Loans receivable		17,045	53,479
Trade and other receivables	13	1,044,490	649,718
Tax recoverable		33,079	56,997
Derivative financial instruments		–	2,752
Bank balances and cash		<u>503,086</u>	<u>687,915</u>
		<b><u>2,294,235</u></b>	<b><u>2,162,918</u></b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	1,050,279	1,103,723
Tax liabilities		45,087	59,369
Derivative financial instruments		7,414	8,731
Bank and other borrowings, unsecured		1,963,286	1,992,050
Bank overdrafts, unsecured		<u>–</u>	<u>526</u>
		<b><u>3,066,066</u></b>	<b><u>3,164,399</u></b>
<b>NET CURRENT LIABILITIES</b>		<b><u>(771,831)</u></b>	<b><u>(1,001,481)</u></b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b><u>3,593,735</u></b>	<b><u>3,395,810</u></b>
<b>NON-CURRENT LIABILITIES</b>			
Bank and other borrowings, unsecured		74,784	120,569
Deferred tax liabilities		<u>34,897</u>	<u>29,136</u>
		<b><u>109,681</u></b>	<b><u>149,705</u></b>
		<b><u>3,484,054</u></b>	<b><u>3,246,105</u></b>
<b>CAPITAL AND RESERVES</b>			
Share capital		47,294	47,288
Share premium and reserves		<u>3,436,698</u>	<u>3,198,755</u>
Equity attributable to owners of the Company		<b><u>3,483,992</u></b>	<b><u>3,246,043</u></b>
Minority interests		<u>62</u>	<u>62</u>
<b>Total equity</b>		<b><u>3,484,054</u></b>	<b><u>3,246,105</u></b>

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### *FOR THE YEAR ENDED 31 DECEMBER 2009*

#### **1. GENERAL**

The Company was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company. The Company is a public limited company with its shares listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The functional currency of the Company is United States dollar. The consolidated financial statements are presented in Hong Kong dollar which is different from the functional currency of the Company, as the directors of the Company consider that Hong Kong dollar is the most appropriate presentation currency in view of its place of listing.

The Company acts as an investment holding company. Its subsidiaries are principally engaged in the business of manufacture and sale of liquid crystal display (“LCD”) products and electronic consumer products.

#### **2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS**

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group’s current liabilities exceeded its current assets by HK\$771,831,000 as at 31 December 2009. As at 31 December 2009, the Group had bank and other borrowings of HK\$2,038,070,000, of which HK\$1,308,908,000 were in breach of covenants and accordingly, an aggregate amount of HK\$366,792,000 with maturity date over one year was included in the consolidated statement of financial position under current liabilities.

Subsequent to the end of the reporting period, the Group has repaid HK\$310,962,000 of the bank borrowings which were in breach of covenants as at 31 December 2009. In addition, the Group has received waiver letters from certain banks which confirmed that they have agreed to waive the right to demand for immediate repayment of the loan balances of HK\$666,055,000. Accordingly, bank borrowings of HK\$241,042,000 which were classified as current liabilities at the end of the reporting period will be repaid after 2010 according to the original terms of repayment and the remaining balance of HK\$425,013,000 will be repaid according to the original terms of repayment in 2010. The directors of the Company believe that these loan facilities will continue to be available and will not be withdrawn within the next twelve months from the end of the reporting period. Taking into account of the internally generated funds, gross proceeds amounting to HK\$243,000,000 from the placement of shares subsequent to the end of the reporting period and the available banking facilities, the directors of the Company are confident that the Group will be able to meet its financial obligations when they fall due in the foreseeable future and be able to operate on a going concern basis. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

### 3. APPLICATION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as disclosed below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting period.

#### **New and revised HKFRSs affecting presentation and disclosure only**

##### *HKAS 1 (Revised 2007) Presentation of Financial Statements*

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

##### *HKFRS 8 Operating Segments*

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 but the measurement of segment results has been changed.

##### *Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)*

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments. The amendments also expand and amend the disclosures required in relation to liquidity risk which has no impact on the consolidated financial statements of the Group.

## **New and revised HKFRSs affecting the reported results and/or financial position**

### *HKAS 23 (Revised 2007) Borrowing Costs*

In previous years, the Group expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. HKAS 23 (Revised 2007) removes the option previously available to expense all borrowing costs when incurred. The adoption of HKAS 23 (Revised 2007) has resulted in the Group changing its accounting policy to capitalise all such borrowing costs as part of the cost of the qualifying asset. The Group has applied the revised accounting policy to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009 in accordance with the transitional provisions in HKAS 23 (Revised 2007). As the revised accounting policy has been applied prospectively from 1 January 2009, this change in accounting policy has not resulted in restatement of amounts reported in respect of prior accounting period and has had no impact on the consolidated financial statements of the Group.

## **New and revised HKFRSs affecting the financial performance and/or financial position**

### *Amendments to HKAS 1 Presentation of Financial Statements*

As part of Improvements to HKFRSs (2008), HKAS 1 Presentation of Financial Statements has been amended to clarify whether derivatives that are classified as held for trading in accordance with HKAS 39 Financial Instruments: Recognition and Measurement should be presented as current or non-current. The amendment requires derivatives that are held primarily for trading purposes to be presented as current regardless of their maturity dates. In addition, the amendment requires derivatives that are not held for trading purposes to be classified as current or non-current on the basis of their settlement date. Prior to the amendment, the Group presented, as current, all derivatives that are classified as derivative financial instruments in accordance with HKAS 39. The amendment has had no impact on the Group's results for the reported periods.

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs 2009 <sup>2</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>6</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>1</sup>
HKAS 32 (Amendment)	Classification of Rights Issues <sup>4</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>1</sup>
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters <sup>3</sup>
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>5</sup>
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions <sup>3</sup>
HKFRS 3 (Revised)	Business Combinations <sup>1</sup>
HKFRS 9	Financial Instruments <sup>7</sup>
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement <sup>6</sup>
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners <sup>1</sup>
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2010.

<sup>4</sup> Effective for annual periods beginning on or after 1 February 2010.

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2010.

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2011.

<sup>7</sup> Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land at revalued amount.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

#### 4. REVENUE

Revenue represents the gross proceeds received and receivable on the sale of goods during the year, net of sales tax, trade discounts and returns, and is analysed as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Sales of LCD products	5,587,175	5,555,605
Sales of electronic consumer products	<u>217,009</u>	<u>113,669</u>
	<u><b>5,804,184</b></u>	<u><b>5,669,274</b></u>

## 5. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. However, the measurement of segment results has been changed.

Information reported to the Group's chief operating decision maker for the purpose of resources allocation and assessment of performance is focused on the sales of different type of products. Thus the group is currently organised into two operating segments which are sales of LCD products and electronic consumer products. The existing identification of the Group's operating segments under HKFRS 8 is consistent with that of the prior year's presentation of business segments under HKAS 14. The information of each operating segment is as follows:

LCD products	–	manufacture and distribution of LCD products
Electronic consumer products	–	manufacture and distribution of electronic consumer products such as personal health care products and electrical device.

### Segment revenues and results

The following is an analysis of the Group's revenue and results by operating segment:

#### For the year ended 31 December 2009

	LCD products <i>HK\$'000</i>	Electronic consumer products <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE				
External sales	5,587,175	217,009	–	5,804,184
Inter-segment sales	–	157,702	(157,702)	–
	<u>5,587,175</u>	<u>374,711</u>	<u>(157,702)</u>	<u>5,804,184</u>
Inter-segment sales are charged at prevailing market rates.				
RESULT				
Segment result	<u>402,366</u>	<u>24,145</u>		426,511
Unallocated corporate expenses				<u>(18,065)</u>
Profit before tax				<u>408,446</u>

**For the year ended 31 December 2008**

	LCD products <i>HK\$'000</i>	Electronic consumer products <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE				
External sales	5,555,605	113,669	–	5,669,274
Inter-segment sales	–	171,317	(171,317)	–
	<u>5,555,605</u>	<u>284,986</u>	<u>(171,317)</u>	<u>5,669,274</u>

Inter-segment sales are charged at prevailing market rates.

RESULT				
Segment result	<u>349,535</u>	<u>6,061</u>		355,596
Unallocated corporate expenses				<u>(16,538)</u>
Profit before tax				<u>339,058</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

**Other information**

**For the year ended 31 December 2009**

	LCD products <i>HK\$'000</i>	Electronic consumer products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amounts included in the measure of segment profits:			
Depreciation and amortisation	328,472	46,763	375,235
Loss on disposal/write-off of property, plant and equipment	640	20	660
Allowance for bad debts	3,332	–	3,332
Allowance for loans receivables	24,762	–	24,762
Allowance for inventory	<u>25,000</u>	<u>–</u>	<u>25,000</u>

For the year ended 31 December 2008

	LCD products <i>HK\$'000</i>	Electronic consumer products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amounts included in the measure of segment profits:			
Depreciation and amortisation	377,963	46,965	424,928
Loss on disposal/write-off of property, plant and equipment	1,524	177	1,701
Allowance for bad debts	<u>5,178</u>	<u>–</u>	<u>5,178</u>

Segment assets and liabilities are not disclosed as they are not regularly reviewed by chief operating decision maker.

## Geographical information

The following table sets out information (i) the Group's revenue from external customers by location of customers and (ii) the Group's non-current assets by location of assets.

	Revenue from external customers		Non-current assets	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
PRC	4,180,328	4,507,916	4,306,115	4,355,712
South Korea	993,976	414,004	81	87
Japan	125,847	109,410	–	–
Hong Kong	170,439	268,661	51,132	35,488
Europe	126,017	179,920	–	–
Others	207,577	189,363	13	–
	<u>5,804,184</u>	<u>5,669,274</u>	<u>4,357,341</u>	<u>4,391,287</u>

Notes:

- Included in revenues arising from sales to external customers in Europe and others, there is no individual countries which are material and required for separate disclosure.
- Non-current assets excluded financial instruments and deferred tax assets.

## Information about major customers

Included in revenues arising from sales of LCD and electronic consumer products approximately HK\$509 million (2008: HK\$148 million) and HK\$457 million (2008: HK\$350 million) respectively which arose from sales to the Group's two major customers which in aggregate accounted for over 10% of the Group's revenue for the year.

## 6. OTHER INCOME

	2009 HK\$'000	2008 HK\$'000
Other income includes:		
Government grants	1,693	1,421
Interest income	2,939	11,223
Rental income	5,767	5,491
Scrap Sales	6,782	3,182
Tax refund on reinvestment ( <i>Note</i> )	<u>–</u>	<u>56,861</u>

*Note:* Pursuant to the relevant laws and regulations in the PRC, the immediate holding company of the PRC subsidiaries, 信利半導體有限公司, is entitled for the tax refund on the reinvestment on its profit. The tax approval was obtained from the relevant tax bureau before the financial year end date.

**7. OTHER GAINS AND LOSSES**

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Net foreign exchange losses	60,369	35,845
Allowance for loans receivable	24,762	–
Fair value change on derivative financial instruments	7,467	(2,921)
Impairment loss on available-for-sale investments	5,250	5,250
Allowance for doubtful debts	3,332	5,178
Loss on disposal/write-off of property, plant and equipment	660	1,701
	<u>101,840</u>	<u>45,053</u>

**8. FINANCE COSTS**

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Interest on bank and other borrowings wholly repayable within five years	<u>46,643</u>	<u>67,015</u>

**9. INCOME TAX EXPENSE**

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Current tax:		
Hong Kong	49,118	8,662
PRC Enterprise Income Tax	60,270	77,271
Other jurisdictions	35	5
	<u>109,423</u>	<u>85,938</u>
Overprovision in prior years:		
Hong Kong	<u>(6,600)</u>	<u>(3,116)</u>
	<u>102,823</u>	<u>82,822</u>
Deferred tax		
– Current year	(1,710)	(2,984)
– Attributable to a change in tax rate	–	(1,915)
	<u>(1,710)</u>	<u>(4,899)</u>
Income tax expense for the year	<u>101,113</u>	<u>77,923</u>

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law. The tax rate of the PRC subsidiaries is 25% from 1 January 2008. Pursuant to the relevant law and regulations in the PRC, one of the Company's PRC subsidiaries is classified as advance technology entity, which entitled to 15% PRC enterprise income tax for the following three years from 2009 to 2011. The tax approval was obtained from the relevant tax bureau after 31 December 2009.

Income tax arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Pursuant to PRC Enterprise Income Tax Law and the Detailed Implementation Rules, distribution of the profits earned by the PRC subsidiaries since 1 January 2008 was subject to PRC withholding tax at the applicable tax rate of 5%.

## 10. PROFIT FOR THE YEAR

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Profit for the year has been arrived at after charging:		
Auditor's remuneration	2,628	2,029
Cost of inventories including allowance for inventories of HK\$25,000,000 (2008: Nil)	4,976,090	4,973,300
Depreciation and amortisation on:		
Property, plant and equipment	368,323	417,918
Development expenditure included in cost of sales	1,168	1,170
Technical know-how included in cost of sales	5,665	5,665
Trademarks included in cost of sales	79	175
	<u>375,235</u>	<u>424,928</u>
Operating lease rental in respect of rented premises	6,180	7,277
Release of prepaid lease payments	4,246	3,713
Staff costs, inclusive of directors' remuneration:		
Salaries and other benefits	402,983	383,095
Retirement benefits scheme contributions	27,691	29,913
	<u>430,674</u>	<u>413,008</u>

## 11. DIVIDENDS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Dividend recognised as distribution during the year:		
2009 Interim dividend of 17 HK cents (2008 Interim dividend of 25 HK cents) per share	80,399	118,220
2008 Final dividend of 1 HK cent (2008: 2007 final dividend of 30 HK cents) per share	4,728	141,826
	<u>85,127</u>	<u>260,046</u>

The final dividend of 10 HK cents in respect of the year ended 31 December 2009 (2008: final dividend of 1 HK cent in respect of the year ended 31 December 2008) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

## 12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

### Earnings

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Earnings for the purposes of basic and diluted earnings per share	<u>307,333</u>	<u>261,121</u>

### Number of shares

	2009	2008
Weighted average number of ordinary shares for the purposes of basic earnings per share	472,894,322	472,805,938
Effect of dilutive potential ordinary shares: Share options issued by the Company	<u>250,238</u>	<u>349,309</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>473,144,560</u>	<u>473,155,247</u>

## 13. TRADE AND OTHER RECEIVABLES

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Trade receivables	832,638	610,918
<i>Less:</i> Allowance for doubtful debts	<u>(10,058)</u>	<u>(6,745)</u>
	822,580	604,173
Other receivables, deposits and prepayments	<u>221,910</u>	<u>45,545</u>
Total trade and other receivables	<u>1,044,490</u>	<u>649,718</u>

Included in other receivables are purchase discounts from suppliers with aggregate carrying amount of HK\$142,942,000 (2008: nil) and temporary payment to PRC tax authority amounting to HK\$24,857,000 (2008: nil).

The Group allows an average credit period ranging from 30 to 90 days to its trade customers. The following is an aged analysis of trade receivables presented based on invoice date at the end of the reporting period, net of allowance for doubtful debts at the reporting date:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Within 60 days	794,191	546,827
61 to 90 days	6,635	28,337
More than 90 days	<u>21,754</u>	<u>29,009</u>
	<u>822,580</u>	<u>604,173</u>

## 14. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Within 60 days	<b>372,472</b>	283,500
61 to 90 days	<b>164,608</b>	130,837
More than 90 days	<b>90,464</b>	376,992
	<b><u>627,544</u></b>	<u>791,329</u>

The average credit period on purchases of goods is 60-90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

Revenue for the year recorded a growth of approximately 2.4% amounting to around HK\$5.80 billion (2008: HK\$5.67 billion). The market condition has been improving since the beginning of 2009 and is expected to improve further subsequent to the year end. Audited profit for the year was about 307 million which was approximately 17.7% more than the last corresponding year in 2008 (HK\$261 million). By the appropriate change in depreciation rate applied to the new TFT panel facilities during the year to reflect their realistic useful life, the gross profit margin for the year was increased to around 14.3% (2008: 12.3%) and net profit margin of approximately 5.3% (2008: 4.6%). The management believes that the change is not only crucial to the reporting requirement of the Group but also vital in the pricing strategy to attract more potential businesses.

The Group's LCD business was about 96% of the total turnover for the year. Due to the continuous cost down demand for electronic products, our strategic focus to CSTN LCD applications is going to pay back. During the year, sales of CSTN LCD business outperformed over the other major categories. TFT is now accounting for around 50% of the Group's LCD business while CSTN representing 21% has become an integral element to the success of the Group.

Other businesses including the sales of compact camera modules and printed circuit boards accounted for approximately 4% of the Group's turnover in 2009. With adequate and target driven investments in these two key areas, we are confident of obtaining a good return in the foreseeable future.

### Outlook

During the year, the marketing office in Hong Kong for the international export market was successfully strengthened by hiring more multinational sales professionals of hands-on experiences and direct connection with customers in mother language and native culture.

We are now in a very good position to explore new business opportunity in automotive and industrial displays by the well established US, European and Indian teams. The two targeted display applications will be our growth drivers for the coming decade.

The Group's main revenue is still from the Chinese telecom industry while more solid news are being released for the official mass launching of 3G phone network. Our major product lines are still benefited by the general national policies of promoting internal consumption as a measure to increase GDP of China. The focus of our display applications will be tightly in line with the change in the marketplace and the customers' desire. We are therefore confident of making the Group's business progress in the same pace as the global economic recovery.

## **FINANCIAL ANALYSIS**

### **Investment, Assets and Liabilities**

During the year, the Group acquired plant and machinery amounting to HK\$225 million and properties under development amounting to HK\$74 million for the purpose of expanding its manufacturing capacity in the China factory campus.

Total assets were increased by approximately 2% to HK\$6,660 million which comprised HK\$2,294 million of current assets, HK\$4,169 million of property, plant and equipment and HK\$197 million of other long-term assets. Total liabilities were about HK\$3,176 million, of which HK\$3,066 million were current liabilities and HK\$110 million were long term liabilities.

As at 31 December 2009 and for the year then ended, the Group had breached certain of the banks' financial covenants. Among others, based on the unaudited consolidated management accounts of the Group, the current ratio as at 31 December 2009 was below the major banks' pre-set limit resulting in a non-compliance. Waiver letters from major banks were however obtained subsequent to the balance sheet date.

### **Liquidity and Financial Resources**

Revenue for the year were up by 2.4%. Profit for the year and earnings per share were increased by 17.7% and 18.2% respectively.

As at 31 December 2009, the outstanding bank borrowings, net of cash and bank balances, were about HK\$1,535 million (2008: HK\$1,425 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 still healthy and ready for future capital expansion while keeping a sufficiently high level of cash and bank balances (HK\$503 million at 31 December 2009) together with adequate unutilised banking facilities. The gearing ratio based on total interest bearing debts, net of cash and bank balances was approximately 44%.

Capital expenditure of around HK\$360 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 a total of 60,000 ordinary shares of HK\$0.1 each under the share option scheme at HK\$2.196 per share for an aggregate consideration of HK\$131,760. 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\$47,293,953 at 31 December 2009.

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

Except for investments in subsidiaries and the long term investment in a Japanese corporation (which was under liquidation during the year), 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\$335 million. There were no material disposals of fixed assets during the year. As at 31 December 2009, the Group had no pledge or mortgage on its fixed assets.

More than 10,000 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\$431 million.

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

## **OTHER INFORMATION**

### **Review of Consolidated Financial Statements**

The Audit Committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2009. The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2009 as set out in the Preliminary Announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

### **Dividends**

The directors recommend the payment of a final dividend for the year ended 31 December 2009 of 10 HK cents per share (2008: 1 HK cent) to shareholders whose names appear on the Register of Members on 31 May 2010 which, together with the interim dividends of 17 HK cents per share (2008: 25 HK cents) paid in 2009, makes a total dividend for the year of 27 HK cents per share (2008: 26 HK cents). It is expected that the final dividend payments will be made to shareholders on 7 July 2010.

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

## **Closure of Register of Members**

The Register of Members will be closed from 27 May 2010 to 31 May 2010, both dates inclusive, during which period no transfer of shares can be registered. In order to qualify for the final dividend, all transfers accompanied by relevant share certificates must be lodged with the Company's Branch Share Registrars, Tricor Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 26 May 2010.

## **Annual General Meeting**

The 2010 Annual General Meeting of the Company will be held in May or early June 2010. A notice convening the meeting will be issued in due course.

## **Purchase, Sale or Redemption of Security**

No purchase, sale or redemption was made by the Company or its subsidiaries of the Company's listed securities during the year.

## **Model Code**

None of the Directors of the Company is aware of information that would reasonably indicate that the Company was not in the year under review in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited.

## **Audit Committee**

The Company has an Audit Committee which was established in accordance with the code provisions of the Corporate Governance Code (the "Code") for the purposes of reviewing and providing supervision over the Group's financial reporting matters and internal controls. The Audit Committee comprises all the three independent non-executive directors namely Mr. Chung Kam Kwong, being the Chairman, Mr. Ip Cho Ting, Spencer and Mr. Heung Kai Sing, and Mr. Wong Pong Chun, James, an executive director, as members. They meet at least four times a year.

The Group has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

## **Remuneration and Nomination Committees**

The Company has a Remuneration Committee and a Nomination Committee respectively which were established in accordance with the relevant requirements of the Code. The two Committees are chaired by Mr. Chung Kam Kwong, an independent non-executive director and comprise three other members, namely Mr. Ip Cho Ting, Spencer and Mr. Heung Kai Sing, being independent non-executive directors and Mr. Wong Pong Chun, James, an executive director of the Company.

## **Corporate Governance**

The Board considers that good corporate governance of the Company is essential to safeguarding the interests of the shareholders and enhancing the performance of the Group. The Board is committed to maintain and ensure high standards of corporate governance. The Company has complied with all the applicable code provisions set out in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules throughout the year ended 31 December 2009, except for a major deviation as below:

- Code Provision A.2.1 – The roles of the Chairman and the Chief Executive are not separated and are performed by the same individual, Mr. Lam Wai Wah, Steven. The Board will meet regularly to consider major matters affecting the operations of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of Company and believes that this structure will enable us to make and implement decisions promptly and efficiently.

The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision-making processes are regulated in a proper and prudent manner.

## **Sufficiency of Public Float**

The Company has maintained a sufficient public float throughout the year ended 31 December 2009.

## **Annual Report**

The 2009 Annual Report containing all the information required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be published on the websites of the Exchange and the Company in due course.

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

Hong Kong, 15 April 2010

*As at the date of this announcement, the Board comprised Mr. Lam Wai Wah, Steven, Mr. Wong Pong Chun, James, Mr. Cheung Tat Sang, James and Mr. Li Jian Hua as executive directors and Mr. Chung Kam Kwong, Mr. Ip Cho Ting, Spencer and Mr. Heung Kai Sing as independent non-executive directors.*