

# TRULY®

## TRULY INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0732)

### Announcement of 2006 Final Results

#### FINANCIAL HIGHLIGHTS

For the year ended 31 December 2006

	<b>Audited</b> <i>HK\$'000</i>
Turnover	4,523,826
Gross profit	899,886
Net profit for the year	532,046
Basic EPS	HK\$1.15
Final dividend per share	HK\$0.25

#### CHAIRMAN'S STATEMENT

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.

#### **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 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.

### **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.

**AUDITED CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

	<i>NOTES</i>	<b>2006</b> <b>HK\$'000</b>	2005 <i>HK\$'000</i>
Revenue		<b>4,523,826</b>	4,574,079
Cost of sales		<u><b>(3,623,940)</b></u>	<u>(3,487,719)</u>
Gross profit		<b>899,886</b>	1,086,360
Other income	3	<b>79,125</b>	27,438
Administrative expenses		<b>(218,062)</b>	(164,459)
Distribution costs		<b>(73,666)</b>	(73,592)
Impairment loss on available-for-sale investments		—	(7,800)
Impairment loss on property, plant and equipment		—	(6,377)
Share of loss of an associate		<b>(334)</b>	(382)
Finance costs	4	<u><b>(35,766)</b></u>	<u>(19,683)</u>
Profit before taxation		<b>651,183</b>	841,505
Income tax expense	5	<u><b>(119,137)</b></u>	<u>(139,457)</u>
Profit for the year	6	<u><b>532,046</b></u>	<u>702,048</u>
DIVIDENDS	7	<u><b>222,266</b></u>	<u>209,954</u>
EARNINGS PER SHARE	8		
Basic		<u><b>HK\$1.15</b></u>	<u>HK\$1.54</u>
Diluted		<u><b>HK\$1.13</b></u>	<u>HK\$1.50</u>

**AUDITED CONSOLIDATED BALANCE SHEET**  
**AT 31 DECEMBER 2006**

	<i>NOTES</i>	<b>2006</b> <b>HK\$'000</b>	2005 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>1,403,720</b>	1,091,452
Prepaid lease payments — non-current		<b>99,089</b>	98,267
Intangible assets		<b>13,355</b>	19,402
Goodwill		<b>413</b>	413
Interest in an associate		<b>838</b>	1,086
Available-for-sale investments		<b>10,500</b>	—
Deferred tax assets		<b>836</b>	415
Deposits paid for acquisition of property, plant and equipment		<b>427,238</b>	60,592
		<b><u>1,955,989</u></b>	<u>1,271,627</u>
<b>CURRENT ASSETS</b>			
Inventories		<b>519,078</b>	549,994
Prepaid lease payments — current		<b>2,598</b>	2,456
Trade and other receivables	9	<b>586,704</b>	753,253
Amount due from an associate		<b>352</b>	447
Tax recoverable		<b>11,592</b>	1,967
Bank balances and cash		<b>1,018,228</b>	848,436
		<b><u>2,138,552</u></b>	<u>2,156,553</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	<b>863,786</b>	921,761
Tax liabilities		<b>51,308</b>	98,728
Bank borrowings		<b>566,696</b>	181,937
		<b><u>1,481,790</u></b>	<u>1,202,426</u>
<b>NET CURRENT ASSETS</b>		<b><u>656,762</u></b>	<u>954,127</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b><u>2,612,751</u></b>	<u>2,225,754</u>
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings		<b>207,844</b>	249,559
Deferred tax liabilities		<b>38,905</b>	38,150
		<b><u>246,749</u></b>	<u>287,709</u>
		<b><u>2,366,002</u></b>	<u>1,938,045</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>46,830</b>	45,816
Reserves		<b>2,319,172</b>	1,892,229
		<b><u>2,366,002</u></b>	<u>1,938,045</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2006

### 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 “SEHK”). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed “General Information” to the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

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 including MP3 players, calculators, electronic toothbrush and electronic components.

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standard, amendment and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results and the financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company are in the process of assessing the potential impact and so far concluded that the application of these new standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures <sup>1</sup>
HKFRS 7	Financial Instruments: Disclosures <sup>1</sup>
HKFRS 8	Operating Segments <sup>2</sup>
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies <sup>3</sup>
HK(IFRIC)-Int 8	Scope of HKFRS 2 <sup>4</sup>
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives <sup>5</sup>
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment <sup>6</sup>
HK(IFRIC)-Int 11	HKFRS2 — Group and Treasury Shares Transactions <sup>7</sup>
HK(IFRIC)-Int 12	Service Concession Arrangements <sup>8</sup>

1 Effective for annual periods beginning on or after 1 January 2007

2 Effective for annual periods beginning on or after 1 January 2009

3 Effective for annual periods beginning on or after 1 March 2006

4 Effective for annual periods beginning on or after 1 May 2006

5 Effective for annual periods beginning on or after 1 June 2006

6 Effective for annual periods beginning on or after 1 November 2006

7 Effective for annual periods beginning on or after 1 March 2007

8 Effective for annual periods beginning on or after 1 January 2008

### 3. OTHER INCOME

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Interest income	20,546	14,536
Tax refund on reinvestment ( <i>note</i> )	38,849	—
Rental income	2,694	1,603
Gain on disposal of prepaid lease payments	2,191	—
Exchange gains	4,863	—
Forfeited deposits from customers	4,647	—
Government grants	629	1,856
Compensation income	—	1,509
Subcontracting income	—	1,636
Scrap sales	—	1,446
Other	4,706	4,852
	<u>79,125</u>	<u>27,438</u>

*Note:* Pursuant to the relevant laws and regulations in the PRC, one of the Company's PRC subsidiaries, 信利半導體有限公司, is entitled for the tax refund on the reinvestment on its share of profit. In current year, the income tax previously paid on the amount of reinvestment by this subsidiary has fully refunded back to the immediate holding company of the PRC subsidiaries.

### 4. FINANCE COSTS

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Interest on:		
Bank borrowings wholly repayable within five years	35,766	19,466
Finance leases	—	217
	<u>35,766</u>	<u>19,683</u>

### 5. INCOME TAX EXPENSE

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Current tax:		
Hong Kong	35,949	50,697
PRC	82,361	73,661
Other jurisdictions	360	254
	<u>118,670</u>	<u>124,612</u>
Under/(over) provision in prior years:		
Hong Kong	133	(4,850)
PRC	—	1,330
	<u>133</u>	<u>(3,520)</u>
Deferred tax:		
Current year	334	18,365
Income tax expense for the year	<u>119,137</u>	<u>139,457</u>

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profit for the year. Income tax arising in PRC and other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Pursuant to the relevant laws and regulations in the PRC, one of the Company's PRC subsidiaries, 廣東省汕尾市信利半導體有限公司, is entitled to exemption from PRC enterprise income tax for the first two years commencing from its first profit-making year of operation and thereafter, this PRC subsidiary will be entitled to a 50% relief from PRC enterprise income tax of 24% for the following three years starting from 2003.

## 6. PROFIT FOR THE YEAR

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Profit for the year has been arrived at after charging:		
Depreciation and amortisation on:		
Property, plant and equipment	173,135	148,904
Prepaid lease payments	2,598	2,456
Development expenditure included in cost of sales	10,625	9,455
Trademarks included in administrative expenses	262	344
	<u>186,620</u>	<u>161,159</u>
Cost of inventories	3,612,475	3,474,064
Staff costs, inclusive of directors' remuneration:		
Salaries and other benefits	230,387	187,576
Retirement benefits scheme contributions	11,547	8,515
	<u>241,934</u>	<u>196,091</u>
Auditors' remuneration		
Current year	1,842	1,693
Underprovision in prior year	—	50
Allowance for doubtful debts	3,232	9,675
Loss on disposal/write-off of property, plant and equipment	471	4,197
Operating lease rental in respect of:		
Rented premises	4,122	3,301
Other equipment	484	538
Research costs	11,465	13,655

Of the consolidated profit for the year of HK\$532,046,000 (2005: HK\$702,048,000), a profit of HK\$225,307,000 (2005: HK\$224,937,000) has been dealt within the financial statements of the Company.

## 7. DIVIDENDS

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Dividend recognised as distribution during the year:		
Interim dividend paid of 23 HK cents (2005: 23 HK cents) per share	107,640	105,378
Final dividend in respect of 2005 paid of 25 HK cents (2005: in respect of 2004 of 23 HK cents) per share	114,626	104,576
	<u>222,266</u>	<u>209,954</u>

A final dividend of 25 HK cents (2005: 25 HK cents) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

## 8. EARNINGS PER SHARE

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

### Earnings

	2006 <i>HK'000</i>	2005 <i>HK'000</i>
Earnings for the purposes of basic and diluted earnings per share	<u>532,046</u>	<u>702,048</u>

### Number of shares

	2006	2005
Weighted average number of ordinary shares for the purposes of basic earnings per share	463,925,689	455,489,623
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	<u>6,912,977</u>	<u>12,969,191</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>470,838,666</u>	<u>468,458,814</u>

## 9. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing an average credit terms ranging from 30 to 90 days to its trade customers.

The following is an aged analysis of accounts receivable at the balance sheet date:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Within 60 days	442,116	566,087
61 to 90 days	43,761	63,958
More than 90 days	<u>53,636</u>	<u>24,611</u>
	<u>539,513</u>	<u>654,656</u>

At 31 December 2006, allowance has been made for estimated irrecoverable amount of HK\$12,907,000 (2005: HK\$9,675,000).

## 10. TRADE AND OTHER PAYABLES

The following is an aged analysis of accounts payable at the balance sheet date:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Within 60 days	472,881	685,095
61 to 90 days	93,982	38,014
More than 90 days	<u>87,854</u>	<u>31,596</u>
	<u>654,717</u>	<u>754,705</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 and production overheads cost 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.

## **Business and Geographical Segments**

### *Business segments*

For management purposes, the Group is currently organised into two operating divisions — LCD products and electronic consumer products. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

LCD products	—	manufacture and distribution of LCD products
Electronic consumer products	—	manufacture and distribution of electronic consumer products

Segment information about these businesses is presented below:

*For the year ended 31 December 2006*

	<b>LCD products HK\$'000</b>	<b>Electronic consumer products HK\$'000</b>	<b>Consolidated HK\$'000</b>
<b>REVENUE</b>			
External sales	<u>4,403,989</u>	<u>119,837</u>	<u>4,523,826</u>
<b>RESULT</b>			
Segment result	<u>634,489</u>	<u>2,138</u>	636,627
Unallocated corporate income			62,089
Unallocated corporate expenses			(11,433)
Share of loss of an associate	—	(334)	(334)
Finance costs			<u>(35,766)</u>
Profit before taxation			651,183
Income tax expense			<u>(119,137)</u>
Profit for the year			<u>532,046</u>

*For the year ended 31 December 2005*

	LCD products HK\$'000	Electronic consumer products HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>			
External sales	<u>4,389,588</u>	<u>184,491</u>	<u>4,574,079</u>
<b>RESULT</b>			
Segment result	<u>836,975</u>	<u>23,725</u>	860,700
Unallocated corporate income			16,139
Unallocated corporate expenses			(1,092)
Impairment loss on available-for-sale investments	(7,800)	—	(7,800)
Impairment loss on property, plant and equipment	—	(6,377)	(6,377)
Share of loss of an associate	—	(382)	(382)
Finance costs			<u>(19,683)</u>
Profit before taxation			841,505
Income tax expense			<u>(139,457)</u>
Profit for the year			<u>702,048</u>

## Geographical segments

The Group's manufacturing operation is located in the PRC. The sales and marketing functions are located at all reportable segments as listed below.

The revenue of the Group, analysed by location of customers, is as follows:

	Revenue by geographical segments	
	2006 HK\$'000	2005 HK\$'000
PRC	3,620,501	3,433,919
South Korea	226,908	587,569
Japan	125,054	175,194
Hong Kong	212,317	147,980
Europe	206,404	119,132
Others	132,642	110,285
	<u>4,523,826</u>	<u>4,574,079</u>

## 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.

## FINANCIAL ANALYSIS

### 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.

## **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.

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.

## **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 2006. The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 December 2006 as set out in the Preliminary Announcement have been agreed by the Group's auditors, 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 2006 of 25 HK cents per share (2005: 25 HK cents) which, 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%.

## **Closure of Register of Members**

The Register of Members will be closed from 23 April 2007 to 27 April 2007, 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, Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 20 April 2007.

## **Annual General Meeting**

The 2007 Annual General Meeting of the Company will be held on 10 May 2007. 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**

We have 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 2006, 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.

## **Sufficiency of Public Float**

The Company has maintained a sufficient public float throughout the year ended 31 December 2006.

## **Annual Report**

The 2006 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, 29 March 2007

*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.*

*“Please also refer to the published version of this announcement in **South China Morning Post**.”*