

TRULY®

TRULY INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0732)

Announcement of 2005 Final Results

FINANCIAL HIGHLIGHTS

FOR THE YEAR ENDED 31 DECEMBER

	2005	2004	Change
	Audited	Audited	
	HK\$'000	HK\$'000	%
Turnover	4,574,079	3,406,992	+34
Gross profit	1,086,360	791,023	+37
Net profit for the year	702,048	526,501	+33
EPS			
– Basic	HK\$1.54	HK\$1.18	+31
– Diluted	HK\$1.50	HK\$1.13	+33
DPS			
– Interim	23 HK cents	17 HK cents	+35
– Final	25 HK cents	23 HK cents	+9
Total:	48 HK cents	40 HK cents	+20

CHAIRMAN'S STATEMENT

I am very pleased to announce that 2005 was another record breaking year for TRULY in both turnover and net profit. Audited consolidated turnover for the year ended 31 December 2005 was about HK\$4.6 billion which was 34% more than the last corresponding year (HK\$3.4 billion). Audited net profit for the year was approximately HK\$702 million representing an increase of 33% over the year ended 31 December 2004 (approximately HK\$527 million). Both gross (23.8%) and net profit margins (15.3%) for the year were satisfactory and comparable with 2004 (23.2% and 15.5% respectively).

The Group's CSTN LCD ("Colour Super-twisted Nematic Liquid Crystal Display") products had during the year maintained its dominance in the China handset market and recorded a big jump to HK\$2.5 billion in turnover (2004: HK\$2.0 billion) representing a significant growth of more than 25%. Thanks to the new CSTN production line installed and commenced mass production in around mid-2005, the enhanced productivity and yield wherefrom helped keep or even increase the overall gross margin of this segment of operations. Of course, in satisfying the customers' needs in all different display solutions and to boost business in the long run, we had inevitably accepted orders of less profitability such as the assembly of TFT ("Thin Film Transistor") display products. We believe the situation will persist before the Group has its own TFT panel production facilities.

Like I said in my last year chairman's statement, people and know how have long been my greatest emphases since the Group was successfully transformed into a technology driven enterprise some years ago. Although more stringent measures will be applied to contain cost in the course of continuous business growth, more resources are to be allocated in recruiting people of high and appropriate calibres to meet the challenge from the ever-changing business community. This is especially important for R&D people who are vital elements for the healthy growth of the Group's businesses in different directions.

Barring unforeseen market conditions, I still feel comfortable with the Group's medium term business growth momentum. The unaudited turnover for the first two months of 2006 had recorded a better than expected double digit growth. We are confident of maintaining this expansion trend and hope to achieve another excellent result for 2006.

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 2005

	NOTES	2005	2004
		HK\$'000	HK\$'000
			(Restated)
Turnover		4,574,079	3,406,992
Cost of sales		(3,487,719)	(2,615,969)
Gross profit		1,086,360	791,023
Other income		27,438	16,061
Distribution costs		(73,592)	(54,839)
Administrative expenses		(164,459)	(130,229)
Impairment loss on available-for-sale investment		(7,800)	–
Impairment loss on property, plant and equipment		(6,377)	–
Finance costs	3	(19,683)	(14,201)
Share of results of an associate		(382)	113

Profit before taxation		841,505	607,928
Income tax expense	4	(139,457)	(81,427)
Profit for the year	5	702,048	526,501
Dividends	6	219,992	180,651
Earnings per share	7		
Basic		HK\$1.54	HK\$1.18
Diluted		HK\$1.50	HK\$1.13

AUDITED CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2005

	NOTES	2005 HK\$'000	2004 HK\$'000 (Restated)
Non-current assets			
Property, plant and equipment		1,091,452	803,652
Prepaid lease payments		98,267	88,532
Intangible assets		19,402	28,796
Goodwill		413	413
Interest in an associate		1,086	1,285
Available-for-sale investments		–	–
Investment securities		–	7,800
Deferred tax assets		415	–
Deposits paid for acquisition of property, plant and equipment		60,592	–
		1,271,627	930,478
Current assets			
Inventories		549,994	445,500
Prepaid lease payments		2,456	1,713
Trade and other receivables	8	753,253	550,832
Short-term loans receivable		–	1,500
Amount due from an associate		447	1,071
Tax recoverable		1,967	1,465
Bank balances and cash		848,436	476,388
		2,156,553	1,478,469
Current liabilities			
Trade and other payables	9	921,761	508,463
Tax liabilities		98,728	49,836
Obligations under finance leases		–	5,326
Bank borrowings		181,937	194,671
		1,202,426	758,296
Net current assets		954,127	720,173
Total assets less current liabilities		2,225,754	1,650,651
Non-current liabilities			
Obligations under finance leases		–	5,313
Bank borrowings		249,559	218,029
Deferred tax liabilities		38,150	19,370
		287,709	242,712
		1,938,045	1,407,939
Capital and reserves			
Share capital		45,816	45,168
Reserves		1,892,229	1,362,771
		1,938,045	1,407,939

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

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 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 the same as 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 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 Hong Kong Financial Reporting Standards (“HKFRS(s)”), Hong Kong Accounting Standards (“HKAS(s)”) and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of share of tax of an associate has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group’s accounting policies in the following areas that have an effect on how the results for the current and/or prior accounting years are prepared and presented:

Business combinations

In the current year, the Group has applied HKFRS 3 “Business Combinations” from 1 January 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous years, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3 so that on 1 January 2005 the Group eliminated the carrying amount of the related accumulated amortisation of HK\$177,000 with a corresponding decrease in the cost of goodwill. The Group has discontinued amortising such goodwill from 1 January 2005 onwards and such goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2004 have not been restated.

Excess of the Group’s interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over cost (previously known as “negative goodwill”)

In accordance with HKFRS 3, any excess of the Group’s interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over the cost of acquisition (“discount on acquisition”) is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous years, negative goodwill arising on acquisitions prior to 1 January 2001 was held in reserves. In accordance with the relevant transitional provisions in HKFRS 3, the Group derecognised all negative goodwill on 1 January 2005 (of which negative goodwill of HK\$996,000 was previously recorded in reserves). A corresponding credit to the Group’s retained earnings of HK\$996,000 has been made.

Financial instruments

In the current year, the Group has applied HKAS 32 “Financial Instruments: Disclosure and Presentation” and HKAS 39 “Financial Instruments: Recognition and Measurement”. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for current and prior accounting periods. The principal effects resulting from the implementation of HKAS 39 are summarised below.

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31 December 2004, the Group classified and measured its equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 (“SSAP 24”) issued by the HKICPA. Under SSAP 24, investments in equity securities, which are securities held for an identified long term strategic purpose, are classified as “investment securities”. “Investment securities” are carried at cost less any impairment losses. From 1 January 2005 onwards, the Group has classified and measured its equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables”, or “held-to-maturity financial assets”. “Financial assets at fair value through profit or loss” and “available-for-sale financial assets” are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured are measured at cost less impairment after initial recognition. “Loans and receivables” and “held-to-maturity financial assets” are measured at amortised cost using the effective interest method after initial recognition.

On 1 January 2005, the Group classified and measured its equity securities as available-for-sale investment in accordance with the transitional provisions of HKAS 39 but there was no effect on the retained profits of the Group at 1 January 2005.

Derecognition

HKAS 39 provides more rigorous criteria for the derecognition of financial assets than the criteria applied in previous periods. Under HKAS 39, a financial asset is derecognised, when and only when, either the contractual rights to the asset’s cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The Group has applied the relevant transitional provisions and applied the revised accounting policy prospectively to transfers of financial assets from 1 January 2005 onwards. As a result, the Group’s bill receivables discounted with full recourse which were derecognised prior to 1 January 2005 have not been restated. As at 31 December 2005, the Group’s bills receivables discounted with full recourse have not been derecognised and are included in trade and other receivables. Instead, the related borrowings of HK\$5,774,000 have been recognised on the balance sheet date. The relevant finance costs incurred in order to obtain such borrowings are included in the carrying amount of the borrowings on initial recognition and amortised over the terms of the borrowings using the effective interest method. This change in accounting policy has had no material effect on results for the current year.

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 “Leases”. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively.

Share-based payments

In the current year, the Group has applied HKFRS 2 “Share-based Payment” which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares (“equity-settled transactions”), or in exchange for other assets equivalent in value to a given number of shares or rights over shares (“cash-settled transactions”). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Company, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 January 2005. In relation to share options granted before 1 January 2005, the Group chooses not to apply HKFRS 2 with respect to share options granted on or before 7 November 2002 and vested before 1 January 2005. This change in accounting policy has had no material effect on results for the current or prior years.

As a result of the changes in the accounting policies described above, the profit for the year is increased by HK\$118,000 (2004: nil), which is attributable to the non-amortisation of goodwill which was previously included in administrative expenses.

The cumulative effects of the application of the new HKFRSs on 31 December 2004 and 1 January 2005 are summarised below:

	As at 31 December 2004 (originally stated) HK\$'000	Adjustments HK\$'000	As at 31 December 2004 (restated) HK\$'000	Adjustments HK\$'000	As at 1 January 2005 (restated) HK\$'000
Balance sheet items					
Impact of HKAS 17:					
Property, plant and equipment	893,897	(90,245)	803,652	–	803,652
Prepaid lease payments	–	90,245	90,245	–	90,245
Impact of HKAS 39:					
Investment securities	7,800	–	7,800	(7,800)	–
Available-for-sale investments	–	–	–	7,800	7,800
Total effects on assets	<u>901,697</u>	<u>–</u>	<u>901,697</u>	<u>–</u>	<u>901,697</u>
Retained earnings	1,092,527	–	1,092,527	996	1,093,523
Negative goodwill reserve	996	–	996	(996)	–
Total effects on equity	<u>1,093,523</u>	<u>–</u>	<u>1,093,523</u>	<u>–</u>	<u>1,093,523</u>

The Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The Group has commenced considering the potential impact of these new standards and interpretations but is not yet in a position to determine whether these new standards and interpretations would have a significant impact on how its results of operations and financial position are prepared and presented.

HKAS 1 (Amendment)	Capital disclosures ¹
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures ²
HKAS 21 (Amendment)	Net investment in a foreign operation ²
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions ²
HKAS 39 (Amendment)	The fair value option ²
HKAS 39 and HKFRS 4 (Amendments)	Financial guarantee contracts ²
HKFRS 6	Exploration for and evaluation of mineral resources ²
HKFRS 7	Financial instruments: Disclosures ¹
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease ²
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds ²
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment ³
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ⁴

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

² Effective for annual periods beginning on or after 1 January 2006

³ Effective for annual periods beginning on or after 1 December 2005

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

3. FINANCE COSTS

	2005 HK\$'000	2004 HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	19,466	13,812
Finance leases	217	389
	<u>19,683</u>	<u>14,201</u>

4. INCOME TAX EXPENSE

	2005 HK\$'000	2004 HK\$'000
Current tax:		
Hong Kong	50,697	29,976
PRC	73,661	46,635
Other jurisdictions	254	657
	<u>124,612</u>	<u>77,268</u>
(Over)underprovision in prior years:		
Hong Kong	(4,850)	1,330
PRC	1,330	299
	<u>(3,520)</u>	<u>1,629</u>
Deferred tax		
Current year	18,365	2,530
	<u>139,457</u>	<u>81,427</u>

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profit for the year.

Taxation 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.

5. PROFIT FOR THE YEAR

	2005 HK\$'000	2004 HK\$'000
Profit for the year has been arrived at after charging (crediting):		
Depreciation and amortisation on:		
Property, plant and equipment	148,904	110,708
Prepaid lease payments	2,456	1,713
Development expenditure included in cost of sales	9,455	9,455
Trademarks included in administrative expenses	344	373
Goodwill included in administrative expenses	-	118
	<u>161,159</u>	<u>122,367</u>
Staff costs, inclusive of directors' remuneration:		
Salaries and other benefits	187,576	148,643
Retirement benefits scheme contributions	8,515	6,108
	<u>196,091</u>	<u>154,751</u>
Share of tax of an associate (included in share of results of an associate)	-	30
Interest income	<u>(14,536)</u>	<u>(1,477)</u>

6. DIVIDENDS

	2005 HK\$'000	2004 HK\$'000
Interim dividend paid of 23 HK cents (2004: 17 HK cents) per share	105,378	76,762
Final dividend proposed of 25 HK cents (2004: 23 HK cents) per share	114,614	103,889
	<u>219,992</u>	<u>180,651</u>

The final dividend of 25 HK cents (2004: 23 HK cents) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

7. EARNINGS PER SHARE

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

	2005 HK\$'000	2004 HK\$'000
Earnings for the purposes of basic and diluted earnings per share	<u>702,048</u>	<u>526,501</u>
	2005	2004
	<i>Number of shares</i>	<i>Number of shares</i>
Weighted average number of ordinary shares for the purposes of basic earnings per share	455,489,623	447,983,270
Effect of dilutive potential ordinary shares – share options	<u>12,969,191</u>	<u>18,571,052</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>468,458,814</u>	<u>466,554,322</u>

8. 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:

	2005 HK\$'000	2004 HK\$'000
Within 60 days	566,087	379,284
61 to 90 days	63,958	45,629
More than 90 days	24,611	40,022
	<u>654,656</u>	<u>464,935</u>

9. TRADE AND OTHER PAYABLES

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

	2005 HK\$'000	2004 HK\$'000
Within 60 days	685,095	342,951
61 to 90 days	38,014	21,656
More than 90 days	31,596	41,838
	<u>754,705</u>	<u>406,445</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

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

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

BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

2005

	LCD products HK\$'000	Electronic consumer products HK\$'000	Consolidated HK\$'000
REVENUE			
External sales	<u>4,389,588</u>	<u>184,491</u>	<u>4,574,079</u>
RESULT			
Segment result	<u>838,578</u>	<u>23,725</u>	862,303
Interest income			14,536
Unallocated corporate expenses			(1,092)
Impairment loss on available-for-sale investment	(7,800)	–	(7,800)
Impairment loss on property, plant and equipment	–	(6,377)	(6,377)
Finance costs			(19,683)
Share of results of an associate	–	(382)	<u>(382)</u>
Profit before taxation			841,505
Income tax expense			<u>(139,457)</u>
Profit for the year			<u>702,048</u>

2004

	LCD products HK\$'000	Electronic consumer products HK\$'000	Consolidated HK\$'000 (Restated)
REVENUE			
External sales	<u>3,138,393</u>	<u>268,599</u>	<u>3,406,992</u>
RESULT			
Segment result	<u>618,989</u>	<u>2,625</u>	621,614

Interest income			1,477
Unallocated corporate expenses			(1,075)
Finance costs			(14,201)
Share of results of an associate	–	113	113
Profit before taxation			607,928
Income tax expense			(81,427)
Profit for the year			<u>526,501</u>

Geographical segments

	Turnover by geographical segments	
	2005	2004
	HK\$'000	HK\$'000
PRC	3,433,919	2,265,565
South Korea	587,569	443,167
Japan	175,194	241,350
Hong Kong	147,980	135,207
Europe	119,132	113,778
Others	110,285	207,925
	<u>4,574,079</u>	<u>3,406,992</u>

Outlook

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

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

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

FINANCIAL ANALYSIS

Investment, Assets and Liabilities

During the year, the Group acquired plant and machinery amounting to HK\$393 million and properties under development amounting to HK\$34 million for the purpose of expanding its manufacturing capacity in the China factory campus.

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

Liquidity and Financial Resources

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

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

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

Capital expenditure of around HK\$2 billion for the next three years in respect of acquisitions of property, plant and equipment was authorized but not contracted for. Their expected sources of funding will be principally from internal reserves.

General

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

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

Except for investments in subsidiaries and an associate, neither the Group nor the Company had held any material investments during the year.

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

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

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

OTHER INFORMATION

Dividends

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

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

Closure of Register of Members

The Register of Members will be closed from 24 April 2006 to 28 April 2006, 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 Level 25, Three Pacific Place, 1 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 21 April 2006.

Annual General Meeting

The 2006 Annual General Meeting of the Company will be held on 10 May 2006. 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 annual results have been reviewed by the Audit Committee which 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 together with 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 set up a Remuneration Committee and a Nomination Committee respectively 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 which became effective on 1 January 2005, throughout the year ended 31 December 2005, except for the following major deviations:

1. 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.
2. Code Provision A.4.1 – The independent non-executive Directors have not been appointed for a specific term, but are subject to retirement and re-election in accordance with the Articles.
3. Code Provision A.4.2 – This Code Provision stipulates that all directors appointed to fill a casual vacancy shall hold office until the first next general meeting after their appointment, and every director should be subject to retirement by rotation at least once every three years. According to the Articles, any Director shall hold office until the next following annual general meeting and at such meeting, one-third of the Board shall retire from office by rotation and be eligible for re-election. Amendments to the relevant provisions of the Articles will be proposed at the 2006 annual general meeting of the Company to comply with Code Provisions A.4.1 and A.4.2.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 31 December 2005.

Annual Report

The 2005 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, 23 March 2006

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.”