



## TRULY INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0732)

### Announcement of 2007 Annual Results

| FINANCIAL HIGHLIGHTS    | For the year ended 31 December |                 |        |
|-------------------------|--------------------------------|-----------------|--------|
|                         | 2007                           | 2006            | Change |
|                         | <i>Audited</i>                 | <i>Audited</i>  | %      |
|                         | <i>HK\$'000</i>                | <i>HK\$'000</i> |        |
| Turnover                | <b>6,493,394</b>               | 4,523,826       | +44    |
| Gross profit            | <b>1,105,781</b>               | 899,886         | +23    |
| Net profit for the year | <b>702,029</b>                 | 532,046         | +32    |
| EPS                     |                                |                 |        |
| — Basic                 | <b>HK\$1.49</b>                | HK\$1.15        | +30    |
| — Diluted               | <b>HK\$1.46</b>                | HK\$1.13        | +29    |
| DPS                     |                                |                 |        |
| — Interim               | <b>HK\$0.25</b>                | HK\$0.23        | +9     |
| — Final                 | <b>HK\$0.30</b>                | HK\$0.25        | +20    |
| Total:                  | <b>HK\$0.55</b>                | HK\$0.48        | +15    |

### CHAIRMAN'S STATEMENT

I am pleased to announce the Group's audited annual results for the year ended 31 December 2007 with significant growth in both turnover and net profit. By the successful implementation of the Group's first TFT-LCD ("Thin Film Transistor-Liquid Crystal Display") panel production line in the third quarter of the year and the rapid increase in its productivity and production yield during the fourth quarter, we are now in a position to label ourselves as one of the best players in the small size display industry in the global perspective.

Consistent with the interim period, significant growth in sales was concentrated in the Group's LCD business which accounted for approximately 98% of the consolidated turnover. The three key components in the LCD sales during the year were TFT (60%), Colour Super-twisted Nematic ("CSTN") LCD (15%) and Mono-STN and TN LCD displays and modules (25%). Besides having a

dominant market-share in the China handset display market especially by our distinctive TFT products as evidenced by our excellent turnover growth for the year in that region, we also made an exceptional performance in other regions like South Korea, Europe, etc. We also see huge new business opportunities in areas like Eastern Europe, North America and India in which we will put much more marketing efforts to explore in the coming years.

In January 2008, the Group announced the purchase of equipment to further increase the production capability and efficiency for both TFT and CSTN panels by investing approximately HK\$580 million and HK\$200 million respectively. By the time we possess these production facilities during the year, our cost of production will be further reduced to cater especially for those sales orders that require highly customised designs and small volume business which are normally of higher profit margins and regularly long-term demands.

Even though we see an upcoming market opportunity and anticipate to offer a more competitive product range to our customers, we do not under-estimate the negative impacts by the increases of the overall factory overheads in our unique China Manufacturing Base due to the continuous appreciation of Renminbi (“RMB”), increased wages and production overheads because of the general inflation in the PRC and our dedication to investments in R&D and human resources. A number of measures have been implemented since last year including the increase in production automation, cost cutting campaigns and the hedging of RMB and other financial exposures. These measures are expected to maintain for a longer period of time to achieve the best results.

Amid the current unfavourable global financial market situation, we believe our business is going to further develop in a healthy manner. Our long-term goal will still be maintained at making an organic growth in every vital part in the organisation on the solid platform we have been building up for nearly 30 years of the Group’s history. People based philosophy and environmental protection concepts are always of the same importance and position among other performance indicators in our course of business. Together with the consistently better than average returns on the shareholders’ equity, the management are confident of leading the Company to a prosperous future.

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

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

Hong Kong, 27 March 2008

## AUDITED CONSOLIDATED INCOME STATEMENT

For the Year ended 31 December 2007

|                                | Notes | Year ended 31 December        |                        |
|--------------------------------|-------|-------------------------------|------------------------|
|                                |       | 2007                          | 2006                   |
|                                |       | HK\$'000                      | HK\$'000               |
| Revenue                        |       | <b>6,493,394</b>              | 4,523,826              |
| Cost of sales                  |       | <b><u>(5,387,613)</u></b>     | <u>(3,623,940)</u>     |
| Gross profit                   |       | <b>1,105,781</b>              | 899,886                |
| Other income                   | 3     | <b>85,669</b>                 | 79,125                 |
| Administrative expenses        |       | <b>(168,753)</b>              | (178,062)              |
| Distribution and selling costs |       | <b>(139,108)</b>              | (113,666)              |
| Share of loss of an associate  |       | <b>(445)</b>                  | (334)                  |
| Finance costs                  | 4     | <b><u>(57,821)</u></b>        | <u>(35,766)</u>        |
| Profit before tax              |       | <b>825,323</b>                | 651,183                |
| Income tax expense             | 5     | <b><u>(123,294)</u></b>       | <u>(119,137)</u>       |
| Profit for the year            | 6     | <b><u><u>702,029</u></u></b>  | <u><u>532,046</u></u>  |
| DIVIDENDS                      | 7     | <b><u><u>235,343</u></u></b>  | <u><u>222,266</u></u>  |
| EARNINGS PER SHARE             | 8     |                               |                        |
| Basic                          |       | <b><u><u>HK\$1.49</u></u></b> | <u><u>HK\$1.15</u></u> |
| Diluted                        |       | <b><u><u>HK\$1.46</u></u></b> | <u><u>HK\$1.13</u></u> |

# AUDITED CONSOLIDATED BALANCE SHEET

At 31 December 2007

|   | As at 31 December       |                         |
|---|-------------------------|-------------------------|
|   | 2007                    | 2006                    |
| Notes   | HK\$'000                | HK\$'000                |
| <b>NON-CURRENT ASSETS</b>   |                         |                         |
| Property, plant and equipment                                     | <b>3,214,313</b>        | 1,403,720               |
| Prepaid lease payments  | <b>119,908</b>          | 99,089                  |
| Intangible assets   | <b>22,121</b>           | 13,355                  |
| Goodwill  | <b>413</b>              | 413                     |
| Interest in an associate  | <b>391</b>              | 838                     |
| Available-for-sale investments                                    | <b>10,500</b>           | 10,500                  |
| Deferred tax assets   | <b>800</b>              | 836                     |
| Deposits paid for acquisition of property,<br>plant and equipment | <b>39,148</b>           | 427,238                 |
|   | <b><u>3,407,594</u></b> | <b><u>1,955,989</u></b> |
| <b>CURRENT ASSETS</b>   |                         |                         |
| Inventories   | <b>808,007</b>          | 519,078                 |
| Prepaid lease payments  | <b>3,245</b>            | 2,598                   |
| Loans receivable  | <b>53,442</b>           | —                       |
| Trade and other receivables                                       | <b>1,030,674</b>        | 586,704                 |
| Amount due from an associate                                      | <b>—</b>                | 352                     |
| Tax recoverable   | <b>17,590</b>           | 11,592                  |
| Derivative financial instruments                                  | <b>27,016</b>           | —                       |
| Bank balances and cash  | <b>554,476</b>          | 1,018,228               |
|   | <b><u>2,494,450</u></b> | <b><u>2,138,552</u></b> |

|  |              | <b>As at 31 December</b> |                  |
|--|--------------|--------------------------|------------------|
|  |              | <b>2007</b>              | <b>2006</b>      |
|  | <i>Notes</i> | <i>HK\$'000</i>          | <i>HK\$'000</i>  |
| <b>CURRENT LIABILITIES</b>                   |              |                          |                  |
| Trade and other payables                     | 10           | <b>1,359,790</b>         | 863,786          |
| Tax liabilities                              |              | <b>76,459</b>            | 51,308           |
| Derivative financial instruments             |              | <b>12,074</b>            | —                |
| Bank and other borrowings, unsecured         |              | <b>698,597</b>           | 566,696          |
| Bank overdrafts, unsecured                   |              | <b>653</b>               | —                |
|  |              | <u><b>2,147,573</b></u>  | <u>1,481,790</u> |
| <b>NET CURRENT ASSETS</b>                    |              |                          |                  |
|  |              | <u><b>346,877</b></u>    | <u>656,762</u>   |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |              |                          |                  |
|  |              | <u><b>3,754,471</b></u>  | <u>2,612,751</u> |
| <b>NON-CURRENT LIABILITIES</b>               |              |                          |                  |
| Bank and other borrowings, unsecured         |              | <b>688,059</b>           | 207,844          |
| Deferred tax liabilities                     |              | <b>34,081</b>            | 38,905           |
|  |              | <u><b>722,140</b></u>    | <u>246,749</u>   |
|  |              | <u><b>3,032,331</b></u>  | <u>2,366,002</u> |
| <b>CAPITAL AND RESERVES</b>                  |              |                          |                  |
| Share capital                                |              | <b>47,274</b>            | 46,830           |
| Share premium and reserves                   |              | <b>2,985,057</b>         | 2,319,172        |
|  |              | <u><b>3,032,331</b></u>  | <u>2,366,002</u> |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2007

### 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 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 calculators and other 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, the following new standard, amendment and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which are effective for the Group’s financial year beginning 1 January 2007.

|                    |   |
|--------------------|---|
| HKAS 1 (Amendment) | Capital Disclosures   |
| HKFRS 7            | Financial Instruments: Disclosures  |
| HK(IFRIC)-Int 7    | Applying the Restatement Approach under HKAS 29<br>Financial Reporting in Hyperinflationary Economies |
| HK(IFRIC)-Int 8    | Scope of HKFRS 2  |
| HK(IFRIC)-Int 9    | Reassessment of Embedded Derivatives  |
| HK(IFRIC)-Int 10   | Interim Financial Reporting and Impairment  |

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. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

|                     |  |
|---------------------|--|
| HKAS 1 (Revised)    | Presentation of Financial Statements <sup>1</sup>  |
| HKAS 23 (Revised)   | Borrowing Costs <sup>1</sup>   |
| HKAS 27 (Revised)   | Consolidated and Separate Financial Statements <sup>2</sup>  |
| HKFRS 2 (Amendment) | Vesting Conditions and Cancellations <sup>1</sup>  |
| HKFRS 3 (Revised)   | Business Combinations <sup>2</sup>   |
| HKFRS 8             | Operating Segments <sup>1</sup>  |
| HK(IFRIC)-Int 11    | HKFRS 2 — Group and Treasury Share Transactions <sup>3</sup>   |
| HK(IFRIC)-Int 12    | Service Concession Arrangements <sup>4</sup>   |
| HK(IFRIC)-Int 13    | Customer Loyalty Programmes <sup>5</sup>   |
| HK(IFRIC)-Int 14    | HKAS 19 — The Limit on a Defined Benefit Asset,<br>Minimum Funding Requirements and their Interaction <sup>4</sup> |

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

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>3</sup> Effective for annual periods beginning on or after 1 March 2007

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2008

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2008

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

### 3. OTHER INCOME

|  | <b>2007</b>     | 2006     |
|--|-----------------|----------|
|  | <b>HK\$'000</b> | HK\$'000 |
| Other income includes:                                 |                 |          |
| Exchange gains, net                                    | —               | 4,863    |
| Fair value changes on derivative financial instruments | <b>14,942</b>   | —        |
| Gain on disposal of prepaid lease payments             | —               | 2,191    |
| Government grants                                      | <b>5,456</b>    | 629      |
| Interest income  | <b>12,644</b>   | 20,546   |
| Rental income  | <b>4,064</b>    | 2,694    |
| Tax refund on reinvestment                             | <b>42,289</b>   | 38,849   |

### 4. FINANCE COSTS

|  | <b>2007</b>     | 2006     |
|--|-----------------|----------|
|  | <b>HK\$'000</b> | HK\$'000 |
| Interest on bank and other borrowings wholly repayable within five years | <b>57,821</b>   | 35,766   |

## 5. INCOME TAX EXPENSE

|                                      | 2007<br><i>HK\$'000</i> | 2006<br><i>HK\$'000</i> |
|--------------------------------------|-------------------------|-------------------------|
| Current tax:                         |                         |                         |
| Hong Kong                            | 16,300                  | 35,949                  |
| PRC Enterprise Income Tax            | 113,055                 | 82,361                  |
| Other jurisdictions                  | <u>110</u>              | <u>360</u>              |
|                                      | 129,465                 | 118,670                 |
| (Over)underprovision in prior years: |                         |                         |
| Hong Kong                            | (1,383)                 | 133                     |
| Deferred tax                         | <u>(4,788)</u>          | <u>334</u>              |
| Income tax expense for the year      | <u><u>123,294</u></u>   | <u><u>119,137</u></u>   |

Hong Kong Profits Tax is calculated at 17.5% (2006: 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.

## 6. PROFIT FOR THE YEAR

|   | 2007<br><i>HK\$'000</i> | 2006<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Profit for the year has been arrived at after charging:     |                         |                         |
| Allowance for doubtful debts                                | 7,160                   | 3,583                   |
| Auditors' remuneration                                      | 1,977                   | 1,842                   |
| Depreciation and amortisation on:                           |                         |                         |
| Property, plant and equipment                               | 263,398                 | 173,135                 |
| Development expenditure included in cost of sales           | 10,625                  | 10,625                  |
| Trademarks included in cost of sales                        | <u>210</u>              | <u>262</u>              |
|   | <u>274,233</u>          | <u>184,022</u>          |
| Loss on disposal/write-off of property, plant and equipment | 1,563                   | 471                     |
| Operating lease rental in respect of:                       |                         |                         |
| Rented premises   | 4,729                   | 4,122                   |
| Other equipment   | —                       | 484                     |
| Release of prepaid lease payments                           | 3,245                   | 2,598                   |
| Research costs included in cost of sales                    | <u>10,624</u>           | <u>11,465</u>           |

## 7. DIVIDENDS

|   | 2007<br><i>HK\$'000</i> | 2006<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Dividend recognised as distribution during the year:  |                         |                         |
| Interim dividend of 25 HK cents (2006: 23 HK cents) per share   | 117,985                 | 107,640                 |
| Final dividend in respect of 2006 of 25 HK cents<br>(2006: in respect of 2005 of 25 HK cents) per share | <u>117,358</u>          | <u>114,626</u>          |
|   | <u>235,343</u>          | <u>222,266</u>          |

A final dividend of 30 HK cents (2006: 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

|   | 2007<br><i>HK\$'000</i> | 2006<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Earnings for the purposes of basic and diluted earnings per share | <u>702,029</u>          | <u>532,046</u>          |

### Number of shares

|   | 2007               | 2006               |
|---|--------------------|--------------------|
| Weighted average number of ordinary shares for the purposes of basic earnings per share   | 470,304,880        | 463,925,689        |
| Effect of dilutive potential ordinary shares:<br>Share options issued by the Company      | <u>11,156,785</u>  | <u>6,912,977</u>   |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | <u>481,461,665</u> | <u>470,838,666</u> |

## 9. TRADE AND OTHER RECEIVABLES

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 net of allowance for doubtful debts at the reporting date:

|                   | 2007<br><i>HK\$'000</i> | 2006<br><i>HK\$'000</i> |
|-------------------|-------------------------|-------------------------|
| Within 60 days    | 909,199                 | 442,116                 |
| 61 to 90 days     | 14,271                  | 43,761                  |
| More than 90 days | <u>39,652</u>           | <u>53,636</u>           |
|                   | <u>963,122</u>          | <u>539,513</u>          |

## 10. TRADE AND OTHER PAYABLES

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

|                   | 2007<br><i>HK\$'000</i> | 2006<br><i>HK\$'000</i> |
|-------------------|-------------------------|-------------------------|
| Within 60 days    | 664,287                 | 472,881                 |
| 61 to 90 days     | 128,189                 | 93,982                  |
| More than 90 days | <u>181,830</u>          | <u>87,854</u>           |
|                   | <u>974,306</u>          | <u>654,717</u>          |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The robust growth in sales during the first half year of 2007 was extended to the next six months making a new record for the whole year period. The combinations of a strong marketing force both in China and the HK Offices, a fully-dedicated team of R&D and production manpower in the factories and the highly efficient purchasing, logistic and other support services of the Group had created a legend of nearly 44% business growth during this memorable year. Apart from the diversifications of our display products to applications like automotive, industrial and medical equipment, the Group's sales by geographical segments were also covering some immerging markets like India, Eastern European countries, etc.

During the year, the major investment of the Group in respect of its first in-house TFT-LCD panel production line of more than HK\$1.6 billion together with other peripheral facilities had significantly increased the overall cost of production resulting in a big drop in gross profit margin by approximately 2%. The continuous appreciation of RMB and the adverse effect on other production overheads due to the general inflation in the PRC were no doubt additional reasons for the further drop in profit margins. However, starting from the beginning of the year, the management had successfully implemented a number of cost cutting and system improvement measures to reduce or at least maintain the level of other operating expenses to a minimum even on the condition of a huge turnover growth to safeguard the bottom line performance.

With similar situation like last year, 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 which had again resulted in certain foreign exchange expenses booked in the profit and loss account. Because of the hedging arrangements made during the year and for the medium-term period, the negative impact of these foreign currency exposures had been and will be reduced to a very great extent.

### 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 2007**

|                                | LCD<br>products<br><i>HK\$'000</i> | Electronic<br>consumer<br>products<br><i>HK\$'000</i> | Consolidated<br><i>HK\$'000</i> |
|--------------------------------|------------------------------------|---|---------------------------------|
| <b>REVENUE</b>                 |                                    |   |                                 |
| External sales                 | <u>6,362,402</u>                   | <u>130,992</u>  | <u>6,493,394</u>                |
| <b>RESULT</b>                  |                                    |   |                                 |
| Segment result                 | <u>814,674</u>                     | <u>14,444</u>   | 829,118                         |
| Unallocated corporate income   |                                    |   | 73,939                          |
| Unallocated corporate expenses |                                    |   | (19,468)                        |
| Share of loss of an associate  | —                                  | (445)   | (445)                           |
| Finance costs                  |                                    |   | <u>(57,821)</u>                 |
| Profit before tax              |                                    |   | 825,323                         |
| Income tax expense             |                                    |   | <u>(123,294)</u>                |
| Profit for the year            |                                    |   | <u>702,029</u>                  |

For the year ended 31 December 2006

|                                | LCD<br>products<br><i>HK\$'000</i> | Electronic<br>consumer<br>products<br><i>HK\$'000</i> | Consolidated<br><i>HK\$'000</i> |
|--------------------------------|------------------------------------|---|---------------------------------|
| <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 tax              |                                    |   | 651,183                         |
| Income tax expense             |                                    |   | <u>(119,137)</u>                |
| Profit for the year            |                                    |   | <u>532,046</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:

|             | <b>Revenue by<br/>geographical segments</b> |                         |
|-------------|---|-------------------------|
|             | <b>2007</b>                                 | <b>2006</b>             |
|             | <b>HK\$'000</b>                             | <b>HK\$'000</b>         |
| PRC         | <b>5,162,994</b>                            | 3,620,501               |
| South Korea | <b>595,018</b>                              | 226,908                 |
| Japan       | <b>115,532</b>                              | 125,054                 |
| Hong Kong   | <b>178,636</b>                              | 212,317                 |
| Europe      | <b>282,110</b>                              | 206,404                 |
| Others      | <b>159,104</b>                              | 132,642                 |
|             | <b><u>6,493,394</u></b>                     | <b><u>4,523,826</u></b> |

### *Outlook*

The newly installed TFT-LCD production line had undergone an exceptionally fast and short learning curve by expanding its production capacity by tenfold in less than 6-month time during the second half-year period. Thanks to the strong technical and engineering supports to the development, implementation and mass production of the TFT-LCD line as a result of our long-term investment strategy in the related technology, we are expecting a big jump in production yield to more than 90% during the first half year of 2008. Together with the projected maximum productivity in the very near future, the outputs of the highly cost effective TFT-LCD panels will become our growth engine to penetrate into the specialty display market.

Keeping a high cost consciousness and making decisive marketing strategy are again the key elements of a success in the business world. The expansion to the second phase TFT-LCD production facilities by a more economic scale as previously announced and expected to commence mass production in the third quarter of 2008 will become another great move in the Group's history. By the time our manufacturing base is equipped with these powerful tools, our TFT-LCD in small size display products will be even more competitive and the overall profit margins will be significantly enhanced.

Despite the aforesaid advantages, the management has never forgotten the associated side effects of these huge investments including but not limited to the high depreciation and maintenance charges on the machinery. More stringent controls over the inventory level and the Group's overall credit policy

are being executed to reduce the respective production cost and finance expenses. With a positive outlook on the small size LCD display market ahead in the medium term, we are confident of achieving greater success in the years to come.

## **FINANCIAL ANALYSIS**

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

During the year, the Group acquired plant and machinery amounting to HK\$1,636 million and properties under development amounting to HK\$229 million for the purpose of expanding its manufacturing capacity in the China factory campus.

Total assets were increased by approximately 44% to HK\$5,902 million which comprised HK\$2,495 million of current assets, HK\$3,214 million of property, plant and equipment and HK\$193 million of other long-term assets. Total liabilities were about HK\$2,870 million, of which HK\$2,148 million were current liabilities and HK\$722 million were long term liabilities. The current ratio was maintained at a healthy level of 1.2.

### **Liquidity and Financial Resources**

Turnover for the year were increased by 44%. Net profit for the year and earnings per share were increased by 32% and 30% respectively.

As at 31 December 2007, the outstanding bank borrowings, net of cash and bank balances, were about HK\$833 million (2006: net cash position of HK\$244 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\$554 million at 31 December 2007) together with adequate unutilised banking facilities. The gearing ratio based on interest bearing debts, net of cash and bank balances was approximately 27%.

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 a total of 4,448,000 ordinary shares of HK\$0.1 each under separate share option schemes exercised at HK\$2.196 (3,423,000 shares) and HK\$11.6 (1,025,000 shares) per share respectively, for an aggregate consideration of HK\$19,406,908. 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\$47,274,453 at 31 December 2007.

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

Except for investments in subsidiaries, an associate and the long term investment in a Japanese corporation, 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\$2,012 million. There were no material disposals of fixed assets during the year. As at 31 December 2007, 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 90 personnel in the Group's Hong Kong office.

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 2007.

### **Scope of Work of Messrs. Deloitte Touche Tohmatsu**

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 2007 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 2007 of 30 HK cents per share (2006: 25 HK cents) which, together with the interim dividend of 25 HK cents per share (2006: 23 HK cents) paid in October 2007, makes a total dividend for the year of 55 HK cents per share (2006: 48 HK cents).

The total dividend payout ratio for the year was about 37%.

## **Closure of Register of Members**

The Register of Members will be closed from 5 May 2008 to 9 May 2008, 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 4:00 p.m. on 2 May 2008.

## **Annual General Meeting**

The 2008 Annual General Meeting of the Company will be held on 15 May 2008. 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 2007, 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 2007.

## **Annual Report**

The 2007 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, 27 March 2008

*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.*