TRULY®

# TRULY INTERNATIONAL HOLDINGS LIMITED

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

**(Stock Code: 0732)**

## Announcement of 2008 Annual Results

**FINANCIAL HIGHLIGHTS**

| | For the year ended 31 December | | |
|---|---|---|---|
| | **2008** | 2007 | |
| | ***Audited*** | *Audited* | **Change** |
| | ***HK$'000*** | *HK$'000* | % |
| Revenue | **5,669,274** | 6,493,394 | -12.7 |
| Gross profit | **695,974** | 1,105,781 | -37.1 |
| Profit for the year | **261,135** | 702,029 | -62.8 |
| EPS | | | |
| — Basic | **HK$0.55** | HK$1.49 | -63.1 |
| — Diluted | **HK$0.55** | HK$1.46 | -62.3 |
| DPS | | | |
| — Interim | **HK$0.25** | HK$0.25 | |
| — Final | **HK$0.01** | HK$0.30 | |
| Total: | **HK$0.26** | HK$0.55 | -52.7 |

**THE CHAIRMAN'S STATEMENT**

2008 was a very special year for Truly. In this 30th anniversary we become a flat panel display solution provider who is complete with all commercial LCD panel production lines. They are the monochrome twisted-nematic (TN) and super twisted-nematic (MSTN); the colour super twisted-nematic (CSTN) and thin film transistor (TFT) LCDs. These core display technologies are embraced with massive production capabilities of resistive and capacitive touch screen, compact camera module, backlight unit, HDI and flexible PCB. Any portable consumer electronic device is made with at least 3 of the above critical components. But it is not easy for Truly to come to the front edge of the industry. There is a dear price to be pre-paid.

Over the last two years our organization was in the state of metamorphosis. From an incomplete panel maker with immature peripheral self-sufficiency Truly emerges as it is today through dedicated cash investment in its first TFT panel production and an advanced ODF-CSTN production line. The total investment is gigantic; it was more than three times our 2007 earnings. The impact to our account books is further rocked by 12.7% reduction of revenue partly due to the sharp erosion of product average selling price (ASP) at the last quarter of 2008. Therefore our 2008 net earning was down to HK$261 million, a big drop from 2007's HK$702 million.

***But the focal issue remains: Is Truly on the right direction with right strategy?***

Our goal is to become the world's largest small size LCD solution providers with full range of technologies. We may not yet be the largest but we surely are complete in know-how.

Our strategy is to capture telecommunication, industrial, automotive and medical applications, to venture out from the firm market base in China we created since 1986 to the rest of the world through our Hong Kong and China regional headquarters, UK, Singapore, Korea and US branch offices.

I do not accuse the economic downturn; it is a difficulty for an entrepreneur to conquer. This is an unprecedented event in terms of its magnitude. I am not shaken in leading Truly to become what it deserves to be. I admit that the timetable would be stretched, as only revenue and profit generating business can get us there. And the rest of the world will not provide enough marketplaces in the near term for Truly to diversify into. For these markets we have to be patient but not without action. In low tide it is easier to get to the shores. We dispatch more frequently sales and engineering experts to visit our clients in automotive, industrial and medical sectors to support their delayed but ongoing projects. Our timely helping hands are very much welcome by these manpower constrained product planning and R&D departments.

We are holding our handset-dependant Chinese market securely as important buoyancy to await the world business to resume normal. Our sales within and export from China were at the bottom in the 4th quarter of 2008. As of March 2009 our revenue gained significant recovery. We remain cautious at this point as the re-stocking led rally might mislead one to believe Chinese handset market is coming back soon and strong. However, we opt that the handset market will have a steady and sustainable upward movement towards third quarter of 2009 steamed by the joint promotion efforts of all three 3G licensed Chinese telecom operators who now have a common goal.

I want to express my appreciation to the banks for supporting us to swiftly deal with technical accounting issue raised by our auditors. I thank the people of Truly to have braved the headwind with dedication and enthusiasm.

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

Hong Kong, 8 April 2009

## AUDITED CONSOLIDATED INCOME STATEMENT

*For the year ended 31 December 2008*

| | NOTES | 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|---|
| Revenue | 4 | **5,669,274** | 6,493,394 |
| Cost of sales | | **(4,973,300)** | (5,387,613) |
| Gross profit | | **695,974** | 1,105,781 |
| Other income | 6 | **89,397** | 85,669 |
| Administrative expenses | | **(238,876)** | (168,753) |
| Distribution and selling expenses | | **(140,422)** | (139,108) |
| Share of loss of an associate | | **—** | (445) |
| Finance costs | 7 | **(67,015)** | (57,821) |
| Profit before tax | | **339,058** | 825,323 |
| Income tax expense | 8 | **(77,923)** | (123,294) |
| Profit for the year | 9 | **261,135** | 702,029 |
| Attributable to: | | | |
| Equity holders of the Company | | **261,121** | 702,029 |
| Minority interests | | **14** | — |
| | | **261,135** | 702,029 |
| DIVIDENDS | 10 | **260,046** | 235,343 |
| EARNINGS PER SHARE | 11 | | |
| Basic | | **HK$0.55** | HK$1.49 |
| Diluted | | **HK$0.55** | HK$1.46 |

## AUDITED CONSOLIDATED BALANCE SHEET

*At 31 December 2008*

| | NOTES | 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | **4,214,029** | 3,214,313 |
| Prepaid lease payments | | **129,630** | 119,908 |
| Intangible assets | | **18,307** | 22,121 |
| Goodwill | | **413** | 413 |
| Interest in an associate | | **—** | 391 |
| Available-for-sale investments | | **5,250** | 10,500 |
| Deferred tax assets | | **754** | 800 |
| Deposits paid for acquisition of property, plant and equipment | | **28,908** | 39,148 |
| | | **4,397,291** | 3,407,594 |
| CURRENT ASSETS | | | |
| Inventories | | **708,344** | 808,007 |
| Prepaid lease payments | | **3,713** | 3,245 |
| Loans receivable | | **53,479** | 53,442 |
| Trade and other receivables | *12* | **649,718** | 1,030,674 |
| Tax recoverable | | **56,997** | 17,590 |
| Derivative financial instruments | | **2,752** | 27,016 |
| Bank balances and cash | | **687,915** | 554,476 |
| | | **2,162,918** | 2,494,450 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | *13* | **1,103,723** | 1,359,790 |
| Tax liabilities | | **59,369** | 76,459 |
| Derivative financial instruments | | **8,731** | 12,074 |
| Bank and other borrowings, unsecured | | **1,992,050** | 698,597 |
| Bank overdrafts, unsecured | | **526** | 653 |
| | | **3,164,399** | 2,147,573 |
| NET CURRENT (LIABILITIES) ASSETS | | **(1,001,481)** | 346,877 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **3,395,810** | 3,754,471 |

| | 2008 | 2007 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| NON-CURRENT LIABILITIES | | |
| Bank and other borrowings, unsecured | **120,569** | 688,059 |
| Deferred tax liabilities | **29,136** | 34,081 |
| | **149,705** | 722,140 |
| | **3,246,105** | 3,032,331 |
| CAPITAL AND RESERVES | | |
| Share capital | **47,288** | 47,274 |
| Share premium and reserves | **3,198,755** | 2,985,057 |
| Equity attributable to equity holders of the Company | **3,246,043** | 3,032,331 |
| Minority interests | **62** | — |
| Total equity | **3,246,105** | 3,032,331 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2008*

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

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

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by HK$1,001,481,000 as at 31 December 2008. As at 31 December 2008, the Group had bank and other borrowings of HK$2,112,619,000, of which HK$1,812,036,000 were in breach of covenants and accordingly, an aggregate amount of HK$883,702,000 with maturity date over one year was included in the consolidated balance sheet under current liabilities.

Subsequent to the balance sheet date, the Group has received waiver letters from certain banks which confirmed that they have agreed to waive the right to demand for immediate repayment of the loan balances of HK$1,633,079,000. Accordingly, bank loans of HK$834,202,000 which were classified as current liabilities at year end will be repaid after 2009 according to the original terms of repayment and the remaining balance of HK$798,877,000 will be repaid according to the original terms of repayment in 2009. The directors of the Company believe that these loan facilities will continue to be available and will not be withdrawn within the next twelve months from the balance sheet date.

The directors of the Company are of the opinion that, taking into account of the internally generated funds of the Group and the presently available banking facilities, the Group has sufficient working capital for its present requirements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

| | |
|---|---|
| HKAS 39 & HKFRS 7 (Amendments) | Reclassification of Financial Assets |
| HK(IFRIC)-Int 11 | HKFRS 2: Group and Treasury Share Transactions |
| HK(IFRIC)-Int 12 | Service Concession Arrangements |
| HK(IFRIC)-Int 14 | HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction |

The adoption of the new HKFRSs had no material effect on how the results and 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 and revised standards, amendments or interpretations that have been issued but are not yet effective.

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs[1] |
| HKAS 1 (Revised) | Presentation of Financial Statements[2] |
| HKAS 23 (Revised) | Borrowing Costs[2] |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements[3] |
| HKAS 32 & 1 (Amendments) | Puttable Financial Instruments and Obligations Arising on Liquidation[2] |
| HKAS 39 (Amendment) | Eligible Hedged Items[3] |
| HKFRS 1 & HKAS 27 (Amendments) | Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2] |
| HKFRS 2 (Amendment) | Vesting Conditions and Cancellations[2] |
| HKFRS 3 (Revised) | Business Combinations[3] |
| HKFRS 7 (Amendment) | Improving Disclosures about Financial Instruments[2] |
| HKFRS 8 | Operating Segments[2] |
| HK(IFRIC)-Int 9 & HKAS 39 (Amendments) | Embedded Derivatives[4] |
| HK(IFRIC)-Int 13 | Customer Loyalty Programmes[5] |
| HK(IFRIC)-Int 15 | Agreements for the Construction of Real Estate[2] |
| HK(IFRIC)-Int 16 | Hedges of a Net Investment in a Foreign Operation[6] |
| HK(IFRIC)-Int 17 | Distributions of Non-cash Assets to Owners[3] |
| HK(IFRIC)-Int 18 | Transfer of Assets from Customers[7] |

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

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

[3] Effective for annual periods beginning on or after 1 July 2009

[4] Effective for annual periods ending on or after 30 June 2009

[5] Effective for annual periods beginning on or after 1 July 2008

[6] Effective for annual periods beginning on or after 1 October 2008

[7] Effective for transfers on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after the beginning of 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

## 4. REVENUE

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

| | **2008** | 2007 |
|---|---:|---:|
| | ***HK$'000*** | *HK$'000* |
| Sales of LCD products | **5,555,605** | 6,362,402 |
| Sales of electronic consumer products | **113,669** | 130,992 |
| | **5,669,274** | 6,493,394 |

## 5. 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 2008***

| | **LCD products** | **Electronic consumer products** | **Eliminations** | **Consolidated** |
|---|---:|---:|---:|---:|
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| REVENUE | | | | |
| External sales | **5,555,605** | **113,669** | **—** | **5,669,274** |
| Inter-segment sales | **—** | **171,317** | **(171,317)** | **—** |
| | **5,555,605** | **284,986** | **(171,317)** | **5,669,274** |

Inter-segment sales are charged at prevailing market rates.

| | LCD products | Electronic consumer products | Consolidated |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| RESULT | | | |
| Segment result | **350,062** | **1,303** | **351,365** |
| Unallocated corporate income | | | **76,496** |
| Unallocated corporate expenses | | | **(21,788)** |
| Finance costs | | | **(67,015)** |
| Profit before tax | | | **339,058** |
| Income tax expense | | | **(77,923)** |
| Profit for the year | | | **261,135** |

***For the year ended 31 December 2007***

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

**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 | |
|---|---|---|
| | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* |
| PRC | **4,507,916** | 5,162,994 |
| South Korea | **414,004** | 595,018 |
| Japan | **109,410** | 115,532 |
| Hong Kong | **268,661** | 178,636 |
| Europe | **179,920** | 282,110 |
| Others | **189,363** | 159,104 |
| | **5,669,274** | 6,493,394 |

## 6. OTHER INCOME

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Other income includes: | | |
| Fair value changes on derivative financial instruments | **2,921** | 14,942 |
| Government grants | **1,421** | 5,456 |
| Interest income | **11,223** | 12,644 |
| Rental income | **5,491** | 4,064 |
| Tax refund on reinvestment *(Note)* | **56,861** | 42,289 |

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

## 7. FINANCE COSTS

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on bank and other borrowings wholly repayable within five years | **67,015** | 57,821 |

## 8. INCOME TAX EXPENSE

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current tax: | | |
| Hong Kong | **8,662** | 16,300 |
| PRC Enterprise Income Tax | **77,271** | 113,055 |
| Other jurisdictions | **5** | 110 |
| | **85,938** | 129,465 |
| Overprovision in prior years: | | |
| Hong Kong | **(3,116)** | (1,383) |
| | **82,822** | 128,082 |
| Deferred tax | | |
| — Current year | **(2,984)** | (4,788) |
| — Attributable to a change in tax rate | **(1,915)** | — |
| | **(4,899)** | (4,788) |
| Income tax expense for the year | **77,923** | 123,294 |

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 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.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations changed the statutory tax rate to 25%, from 1 January 2008.

## 9. PROFIT FOR THE YEAR

| | 2008 | 2007 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Profit for the year has been arrived at after charging: | | |
| Allowance for doubtful debts | **5,178** | 7,160 |
| Auditor's remuneration | **2,029** | 1,977 |
| Cost of inventories | **4,820,319** | 5,336,606 |
| Depreciation and amortisation on: | | |
| Property, plant and equipment | **417,918** | 263,398 |
| Development expenditure included in cost of sales | **1,170** | 10,625 |
| Technical know-how included in cost of sales | **5,665** | — |
| Trademarks included in cost of sales | **175** | 210 |
| | **424,928** | 274,233 |
| Net foreign exchange losses | **35,845** | 12,390 |
| Loss on disposal/write-off of property, plant and equipment | **1,701** | 1,563 |
| Impairment loss on available-for-sale investments | **5,250** | — |
| Operating lease rental in respect of rented premises | **7,277** | 4,729 |
| Release of prepaid lease payments | **3,713** | 3,245 |
| Research costs included in cost of sales | **1,170** | 10,624 |
| Staff costs, inclusive of directors' remuneration: | | |
| Salaries and other benefits | **383,095** | 374,193 |
| Retirement benefits scheme contributions | **29,913** | 19,408 |
| | **413,008** | 393,601 |

## 10. DIVIDENDS

| | 2008 | 2007 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Dividend paid during the year: | | |
| Interim dividend of 25 HK cents (2007: 25 HK cents) per share | **118,220** | 117,985 |
| Final dividend in respect of 2007 of 30 HK cents (2007: in respect of 2006 of 25 HK cents) per share | **141,826** | 117,358 |
| | **260,046** | 235,343 |

A final dividend of 1 HK cent (2007: 30 HK cents) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

## 11. EARNINGS PER SHARE

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

**Earnings**

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Earnings for the purposes of basic and diluted earnings per share | **261,121** | 702,029 |

**Number of shares**

| | **2008** | 2007 |
|---|---|---|
| Weighted average number of ordinary shares for the purposes of basic earnings per share | **472,805,938** | 470,304,880 |
| Effect of dilutive potential ordinary shares: | | |
| Share options issued by the Company | **349,309** | 11,156,785 |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | **473,155,247** | 481,461,665 |

## 12. TRADE AND OTHER RECEIVABLES

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **610,918** | 972,272 |
| Less: Allowance for doubtful debts | **(6,745)** | (9,150) |
| | **604,173** | 963,122 |
| Other receivables, deposits and prepayment | **45,545** | 67,552 |
| Total trade and other receivables | **649,718** | 1,030,674 |

The following is an aged analysis of trade receivables, net of allowance for doubtful debts at the reporting date:

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 60 days | **546,827** | 909,199 |
| 61 to 90 days | **28,337** | 14,271 |
| More than 90 days | **29,009** | 39,652 |
| | **604,173** | 963,122 |

### 13. TRADE AND OTHER PAYABLES

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

| | 2008 | 2007 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Within 60 days | **283,500** | 664,287 |
| 61 to 90 days | **130,837** | 128,189 |
| More than 90 days | **376,992** | 181,830 |
| | **791,329** | 974,306 |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

Sales for the fourth quarter of the year were exceptionally bad with an approximately 30% drop quarter-on-quarter resulting in an overall decrease of about 12.7% in revenue for the full year period which was down to around HK$5.67 billion (2007: HK$6.49 billion). Audited profit for the year was about HK$261 million which was approximately 62.8% less than the last corresponding period in 2007 (HK$702 million). The reasons were mainly because of the high depreciation charges of the new TFT panel production line recorded during the year, the impairment loss on inventory due to reduced selling price and the appreciation of Renminbi ("RMB") resulting in higher production overheads. Gross profit margin was down significantly from 17.0% to 12.3%. Net profit margin was also decreased to 4.6% from 10.8% accordingly.

The deep downturn in the market-place during the fourth quarter of 2008 was a bad signal for most of the manufacturers who found themselves difficult to turnaround immediately. Even with quick response like us to this adverse market change, there were only a limited number of measures to make a remedy. With sharp diminishing in sales orders in November and the following months, we managed to reduce the factory overheads and the related operating expenses by reducing 20% salaries across-the-board and cutting headcounts in December so as to reduce the selling prices to keep our products as competitive as before. In the medium to long run, we are able to secure our market share especially in the China handset display market. However, the effect of an aggressive reduction in selling prices had resulted in an impairment loss on inventory in particular finished goods as at the financial year end when the outcome was subsequently reflected in the management accounts of January and February, 2009. The provision amounting to approximately HK$40 million had on one hand affected the gross profit margin of 2008 but on the other hand ensured a true and fair performance of the subsequent quarters including first quarter of 2009.

Exceptionally high depreciation charges of the new TFT-panel production facilities were still the most significant factor of squeezing the gross profit margin of the Group. This key issue was especially important during the year and would be the case in the next one or two years before its productivity and efficiency are ramped up to the optimal level and its targeted niche market is ready. The upcoming strategy is still relying on the fully-automated characteristic of the advanced facilities by enhancing production yields and reducing labour costs.

The rapid appreciation of RMB during the first half year of 2008 had no doubt been a negative stimulus to all the production costs incurred in our China factory including but not limited to raw material purchases from the domestic suppliers, labour and energy costs and other major manufacturing overheads for the whole year. This unfavourable situation is however expected to lessen in 2009 when there will be some changes in the China's monetary policy to cater for the anticipated economic problems.

**Outlook**

The Chinese telecom industry is migrating from GSM to TD-SCDMA(3G) platform. This provides enormous opportunities for the telecom hardware chain suppliers from network infrastructure & equipment, handset terminal to parts and components.

The high-speed high-volume audio-video wireless market will cause a dramatic change among new generations of Chinese telecom users when the nation-wide 3G network will be matted to connect coastal cities to inland mountain villages, allowing university students to video-con their farming grandparents, growers to monitor their produce conditions in remote valleys 24 hours a day, 7 days a week. This process takes time to progress and mature in a steady pace.

Truly expects to experience a modest sales growth in first half of 2009 mainly due to re-stocking and sell through of GSM handsets. Towards second half it is anticipated that 3G handsets will come into play. We should be cautious that during this transition of wireless technology in the middle of the year, there might be a withdrawal in demand of GSM handsets before the 3G handset sales start to pick up for a relatively short period of time; but the plunge could be quite deep.

Despite weak global demand prevails, the export of our products recovered some lost ground for the past few months and we budget a level sales performance for this year.

## FINANCIAL ANALYSIS

**Investment, Assets and Liabilities**

During the year, the Group acquired plant and machinery amounting to HK$1,183 million and properties under development amounting to HK$163 million for the purpose of expanding its manufacturing capacity in the China factory campus.

Total assets were increased by approximately 11% to HK$6,560 million which comprised HK$2,163 million of current assets, HK$4,214 million of property, plant and equipment and HK$183 million of other long-term assets. Total liabilities were about HK$3,314 million, of which HK$3,164 million were current liabilities and HK$150 million were long term liabilities.

As at 31 December 2008 and for the year then ended, the Group had breached certain of the banks' financial covenants. Among others, based on the unaudited consolidated management accounts of the Group, the current ratio as at 31 December 2008 was about 0.95 which was generally below the major banks' pre-set limit resulting in a non-compliance. The application of the Hong Kong Accounting Standard 1 to reclassify the long-term portion of those bank loans with covenants breached to current liabilities was however considered by the management not practicable as it was not expected that the said covenants would be breached before the year end date when the accounts were prepared and finalized subsequently. *A proforma unaudited condensed consolidated balance sheet was therefore prepared for the purpose of obtaining the waivers from those major banks with financial covenants breached which were thereafter accepted and waivers granted unconditionally before the approval of the annual results. The proforma balance sheet was presented for the special reference purpose as if the waivers were granted by the banks by 31 December 2008.*

**Liquidity and Financial Resources**

Revenue for the year were decreased by 12.7%. Profit for the year and earnings per share were decreased by 62.8% and 63.1% respectively.

As at 31 December 2008, the outstanding bank borrowings, net of cash and bank balances, were about HK$1,425 million (2007: HK$833 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$688 million at 31 December 2008) together with adequate unutilised banking facilities. The gearing ratio based on total interest bearing debts, net of cash and bank balances was approximately 44%.

Capital expenditure of around HK$120 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 135,000 ordinary shares of HK$0.1 each under the share option scheme at HK$2.196 per share for an aggregate consideration of HK$296,460. 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$47,287,953 at 31 December 2008.

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

Except for investments in subsidiaries, an associate (being reclassified as a subsidiary during the year) and the long term investment of 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$1,350 million. There were no material disposals of fixed assets during the year. As at 31 December 2008, 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 less than 80 personnel in the Group's Hong Kong office. Total staff costs for the year were approximately HK$413 million.

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

## OTHER INFORMATION

### Review of Consolidated Financial Statements and Scope of Work of Messrs. Deloitte Touche Tohmatsu

The Audit Committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2008. 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 2008 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 2008 of 1 HK cent per share (2007: 30 HK cents) to shareholders whose names appear on the Register of Members on 15 May 2009 which, together with the interim dividend of 25 HK cents per share (2007: 25 HK cents) paid in October, 2008, makes a total dividend for the year of 26 HK cents per share (2007: 55 HK cents). It is expected that the final dividend payments will be made to shareholders on 18 June 2009.

The total dividend payout ratio for the year was about 47%.

### Closure of Register of Members

The Register of Members will be closed from 11 May 2009 to 15 May 2009, 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 8 May 2009.

**Annual General Meeting**

The 2009 Annual General Meeting of the Company will be held in May or early June 2009. A notice convening the meeting will be issued in due course.

**Purchase, Sale or Redemption of Security**

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

**Model Code**

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

**Audit Committee**

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

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

**Remuneration and Nomination Committees**

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

## Corporate Governance

The Board considers that good corporate governance of the Company is essential to safeguarding the interests of the shareholders and enhancing the performance of the Group. The Board is committed to maintain and ensure high standards of corporate governance. The Company has complied with all the applicable code provisions set out in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules throughout the year ended 31 December 2008, except for a major deviation as below:

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

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

## Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 31 December 2008.

## Annual Report

The 2008 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, 8 April 2009

*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.*