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**TRULY®**

**TRULY INTERNATIONAL HOLDINGS LIMITED**

**信利國際有限公司**

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

**(Stock Code: 00732)**

**ANNOUNCEMENT OF INTERIM RESULTS 2020**

**FINANCIAL HIGHLIGHTS**

	For the six months ended 30 June		
	2020	2019	Change
	Unaudited	Unaudited	
	HK\$'000	HK\$'000	
Revenue	10,332,000	10,240,426	+0.9%
Gross profit	942,741	976,160	−3.4%
Profit for the period attributable to the owners of the Company	299,708	140,587	113.2%
EBITDA	1,192,710	993,501	20.1%
Basic Earnings Per Share ( <i>HK cents</i> )	9.11	4.27	113.3%
DPS ( <i>HK cents</i> )			
— Interim(s)	—	—	N/A

The board of directors (the “Board”) of Truly International Holdings Limited (the “Company”) is pleased to announce the unaudited interim condensed consolidated statement of profit or loss and other comprehensive income of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2020 (the “Period”), together with the comparative figures for the corresponding period of 2019 and the unaudited interim condensed consolidated statement of financial position of the Group as at 30 June 2020 together with audited comparative figures as at 31 December 2019 as follows and these unaudited condensed interim financial statements have been reviewed by the audit committee and approved by the board of directors of the Company:

## **CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 June 2020*

		<b>Six months ended 30 June</b>	
		<b>2020</b>	<b>2019</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>REVENUE</b>		<b>10,332,000</b>	10,240,426
Cost of sales		<b>(9,389,259)</b>	(9,264,266)
Gross profit		<b>942,741</b>	976,160
Other income		<b>80,340</b>	74,960
Other gains and losses		<b>(59,752)</b>	(83,058)
Net unrealized gain on financial assets at fair value through profit or loss (“FVTPL”)		<b>1,485</b>	157
Administrative expenses		<b>(157,764)</b>	(149,653)
Distribution and selling expenses		<b>(205,330)</b>	(241,081)
Finance costs	4	<b>(190,346)</b>	(196,165)
Share of results of associates		<b>3,626</b>	(146,096)
<b>PROFIT BEFORE TAX</b>		<b>415,000</b>	235,224
<b>INCOME TAX EXPENSE</b>	5	<b>(69,522)</b>	(57,448)
<b>PROFIT FOR THE PERIOD</b>	6	<b>345,478</b>	177,776
<b>OTHER COMPREHENSIVE (EXPENSE) INCOME</b>			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<b>(148,620)</b>	60,129
Share of exchange differences arising on translation of associates		<b>(19,172)</b>	933
Other comprehensive (expense) income for the period		<b>(167,792)</b>	61,062
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>177,686</b>	238,838

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2020</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2019 <b>HK\$'000</b> <b>(Unaudited)</b>
Profit for the Period attributable to:			
Owners of the Company		<b>299,708</b>	140,587
Non-controlling interests		<b>45,770</b>	37,189
		<u><b>345,478</b></u>	<u>177,776</u>
Total comprehensive income for the Period attributable to:			
Owners of the Company		<b>145,952</b>	199,774
Non-controlling interests		<b>31,734</b>	39,064
		<u><b>177,686</b></u>	<u>238,838</u>
<b>EARNINGS PER SHARE</b>	<b>7</b>		
Basic — HK cents		<u><b>9.11</b></u>	<u>4.27</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

		30 June 2020 <i>HK\$'000</i> (Unaudited)	31 December 2019 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		11,547,991	12,123,153
Right-of-use assets		673,831	521,420
Intangible assets		–	–
Goodwill		413	413
Interest in associates		1,146,289	1,179,815
Financial assets at fair value through profit or loss		7,034	5,549
Deferred tax assets		60,358	75,432
Deposits paid and other payments for acquisition of property, plant and equipment		132,095	72,996
		<u>13,568,011</u>	<u>13,978,778</u>
<b>CURRENT ASSETS</b>			
Inventories		3,582,619	3,974,828
Trade and other receivables	8	3,610,438	3,735,030
Trade receivable at fair value through other comprehensive income	9	1,381,759	1,293,194
Derivative financial instruments		15,404	–
Amount due from an associate		1,771,490	1,348,250
Tax recoverable		3,928	18,412
Restricted bank deposits, bank balances and cash		1,179,960	637,744
		<u>11,545,598</u>	<u>11,007,458</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	9,346,811	9,178,327
Amount due to associates		29,400	129,214
Tax liabilities		49,122	54,342
Bank and other borrowings		4,331,180	5,215,550
Contract liabilities		319,691	251,017
Derivative financial instruments		827	283
Lease liabilities — current portion		59,574	19,048
		<u>14,136,605</u>	<u>14,847,781</u>
<b>NET CURRENT LIABILITIES</b>		<u>(2,591,007)</u>	<u>(3,840,323)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>10,977,004</u>	<u>10,138,455</u>

	<b>30 June 2020</b>	31 December 2019
<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>NON-CURRENT LIABILITIES</b>		
Bank and other borrowings	<b>1,152,077</b>	607,066
Bonds payable	<b>367,848</b>	373,731
Deferred tax liabilities	<b>74,815</b>	70,146
Lease liabilities — non-current portion	<b>196,879</b>	79,813
	<b>1,791,619</b>	1,130,756
<b>NET ASSETS</b>	<b>9,185,385</b>	9,007,699
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>65,785</b>	65,785
Share premium and other reserves	<b>8,136,188</b>	7,990,236
Equity attributable to owners of the Company	<b>8,201,973</b>	8,056,021
Non-controlling interests	<b>983,412</b>	951,678
<b>TOTAL EQUITY</b>	<b>9,185,385</b>	9,007,699

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2019.

### Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>
Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/ or on the disclosures set out in these condensed consolidated financial statements.

### Impacts of application on Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other confirmation, in the context of the financial statements taken as a whole.

The application of the amendments in the current interim period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

### 3. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision makers, for the purpose of resources allocation and assessment of performance focuses on the sales of different types of products. Inter-segment sales are charged at prevailing market rates. Thus the Group is currently organised into two operating segments which are sales of liquid crystal display (“LCD”) products and electronic consumer products. The information for each operating segment is as follows:

LCD products	—	manufacture and distribution of LCD and touch panel products
Electronic consumer products	—	manufacture and distribution of electronic consumer products such as compact camera module, fingerprint identification module, personal health care products and electrical devices

#### Segment revenues and results

The following is an analysis of the Group’s revenue and results by operating and reportable segments:

*Six months ended 30 June 2020 (Unaudited)*

	<b>LCD products HK\$'000</b>	<b>Electronic consumer products HK\$'000</b>	<b>Segment total HK\$'000</b>	<b>Eliminations HK\$'000</b>	<b>Consolidated HK\$'000</b>
REVENUE					
External sales	<b>6,828,944</b>	<b>3,503,056</b>	<b>10,332,000</b>	—	<b>10,332,000</b>
Inter-segment sales	<b>—</b>	<b>113,302</b>	<b>113,302</b>	<b>(113,302)</b>	<b>—</b>
	<b><u>6,828,944</u></b>	<b><u>3,616,358</u></b>	<b><u>10,445,302</u></b>	<b><u>(113,302)</u></b>	<b><u>10,332,000</u></b>
RESULT					
Segment result	<b>419,299</b>	<b>197,618</b>	<b>616,917</b>	<b>(2,096)</b>	<b>614,821</b>
Finance costs					<b>(190,346)</b>
Share of result of associates					<b>3,626</b>
Unallocated expenses					<b><u>(13,101)</u></b>
Profit before tax					<b><u>415,000</u></b>

*Six months ended 30 June 2019 (Unaudited)*

	LCD products <i>HK\$'000</i>	Electronic consumer products <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE					
External sales	6,789,512	3,450,914	10,240,426	–	10,240,426
Inter-segment sales	–	109,242	109,242	(109,242)	–
	<u>6,789,512</u>	<u>3,560,156</u>	<u>10,349,668</u>	<u>(109,242)</u>	<u>10,240,426</u>
RESULT					
Segment result	451,188	134,881	586,069	(2,021)	584,048
Finance costs					(196,165)
Share of result of associates					(146,096)
Unallocated expenses					<u>(6,563)</u>
Profit before tax					<u>235,224</u>

**4. FINANCE COSTS**

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest on bank and other borrowings wholly repayable within five years	<u><b>190,346</b></u>	<u>196,165</u>

**5. INCOME TAX EXPENSE**

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

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

Pursuant to the relevant law and regulations in the PRC, two of the Company's PRC subsidiaries were approved as Hi-Tech Enterprise and entitled to 15% PRC enterprise income tax for three years from 2018 to 2020.

Pursuant to the PRC Enterprise Income Tax Law and the Detailed Implementation Rules, distribution of the profits earned by the PRC subsidiaries since 1 January 2008 to holding companies incorporated in Hong Kong is subject to PRC withholding tax at the applicable tax rate of 5% to 10%.



## 6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging:		
Auditor's remuneration	1,700	1,600
Cost of inventories recognised as an expense	8,150,430	8,041,201
Depreciation and amortisation on:		
Property, plant and equipment	569,124	554,582
Right-of-use assets	18,240	7,530
Loss on disposal of property, plant and equipment	1,216	14,275
Operating lease rental in respect of rented premises	5,267	–
Staff costs, inclusive of directors' remuneration	780,502	776,074
Other taxes	16,547	18,679
	<u>299,708</u>	<u>140,587</u>

## 7. EARNINGS PER SHARE

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

<u>Earnings</u>	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings for the purposes of basic and diluted earnings per share attributable to the owners of the Company	<u>299,708</u>	<u>140,587</u>
<u>Number of shares</u>	2020	2019
	'000	'000
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u>3,289,229</u>	<u>3,289,229</u>

No diluted earnings per share is presented as there was no significant potential ordinary shares outstanding at the end of 30 June 2020 and 2019, respectively.

## 8. TRADE AND OTHER RECEIVABLES

	<b>30 June 2020</b> <i>HK\$'000</i> (Unaudited)	31 December 2019 <i>HK\$'000</i> (Audited)
Trade receivables	<b>3,602,467</b>	3,773,869
Less: Allowance for credit losses	<b>(630,746)</b>	(612,719)
	<b>2,971,721</b>	3,161,150
Other receivables, deposits and prepayments	<b>642,896</b>	578,059
Less: Allowance for credit losses	<b>(4,179)</b>	(4,179)
	<b>638,717</b>	573,880
Total trade and other receivables	<b>3,610,438</b>	3,735,030

The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period, net of the allowance for credit losses, at the reporting date:

	<b>30 June 2020</b>			<b>31 December 2019</b>		
	Trade receivable <i>HK\$'000</i> (Unaudited)	Bills receivable <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)	Trade receivable <i>HK\$'000</i> (Audited)	Bills receivable <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
Within 60 days	<b>1,974,480</b>	–	<b>1,974,480</b>	2,100,297	5,789	2,106,086
61 to 90 days	<b>638,825</b>	–	<b>638,825</b>	713,932	–	713,932
More than 90 days	<b>358,416</b>	–	<b>358,416</b>	341,132	–	341,132
	<b>2,971,721</b>	–	<b>2,971,721</b>	3,155,361	5,789	3,161,150

Movement in the allowance for credit losses:

	<b>30 June 2020</b> <i>HK\$'000</i> (Unaudited)	31 December 2019 <i>HK\$'000</i> (Audited)
Balance at the beginning of the reporting period	<b>616,898</b>	590,626
Impairment losses recognised on receivables (net of impairment losses reversed) and new financial assets originated	<b>20,437</b>	33,159
Amounts written off as uncollectible	<b>(2,410)</b>	(6,887)
Balance at the end of the reporting period	<b>634,925</b>	616,898

## 9. TRADE RECEIVABLES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	<b>31 December 2019 HK\$'000 (Audited)</b>
Trade receivables	<b>1,366,680</b>	1,289,128
Bills receivables	<b>15,079</b>	4,066
	<b><u>1,381,759</u></b>	<b><u>1,293,194</u></b>

The following is an aging analysis of trade and bills receivables at fair value through other comprehensive income presented based on the invoice date at the end of the reporting period:

	<b>30 June 2020</b>			<b>31 December 2019</b>		
	<b>Trade receivables HK\$'000 (Unaudited)</b>	<b>Bills receivables HK\$'000 (Unaudited)</b>	<b>Total HK\$'000 (Unaudited)</b>	<b>Trade receivables HK\$'000 (Audited)</b>	<b>Bills receivables HK\$'000 (Audited)</b>	<b>Total HK\$'000 (Audited)</b>
Within 60 days	1,268,245	15,079	1,283,324	1,176,506	1,227	1,177,733
61–90 days	98,435	–	98,435	111,430	488	111,918
More than 90 days	–	–	–	1,192	2,351	3,543
	<b><u>1,366,680</u></b>	<b><u>15,079</u></b>	<b><u>1,381,759</u></b>	<b><u>1,289,128</u></b>	<b><u>4,066</u></b>	<b><u>1,293,194</u></b>

## 10. TRADE AND OTHER PAYABLES

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

	<b>30 June 2020</b>			<b>31 December 2019</b>		
	<b>Trade payables HK\$'000 (Unaudited)</b>	<b>Bills payables HK\$'000 (Unaudited)</b>	<b>Total HK\$'000 (Unaudited)</b>	<b>Trade payables HK\$'000 (Audited)</b>	<b>Bills payables HK\$'000 (Audited)</b>	<b>Total HK\$'000 (Audited)</b>
Within 60 days	4,882,990	1,387,360	6,270,350	4,948,729	740,832	5,689,561
61 to 90 days	768,294	45,498	813,792	765,278	142,978	908,256
More than 90 days	796,630	121,364	917,994	806,835	331,246	1,138,081
	<b><u>6,447,914</u></b>	<b><u>1,554,222</u></b>	<b><u>8,002,136</u></b>	<b><u>6,520,842</u></b>	<b><u>1,215,056</u></b>	<b><u>7,735,898</u></b>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Group is one of the largest manufacturers of smartphone component parts in China and worldwide top-level automotive display suppliers. The Group is principally engaged in the manufacture and sale of liquid crystal display products including touch panel products and electronic consumer products including compact camera module, fingerprint identification modules, personal health care products and electrical devices.

### **FINANCIAL REVIEW**

#### **Revenue**

The Group's revenue for the six months ended 30 June 2020 (the "Period") was approximately HK\$10,332 million, representing an increase of approximately 0.9% or approximately HK\$92 million when compared with the corresponding period of 2019. The slight revenue growth in the Period is mainly attributable the revenue growth of non-smartphone related products' businesses when compared to the corresponding period of 2019.

#### **Gross Profit and Margin**

The Group's gross profit for the Period was approximately HK\$943 million and the gross profit margin was approximately 9.1%, which was approximately 3.4% and 0.4% lower than that for the corresponding period of 2019 respectively. The slight decrease in gross profit margin was mainly because of the continued keen competition in the smartphone related products' businesses.

#### **Other Income**

The Group's other income for the Period was approximately HK\$80.3 million, representing an increase of approximately 7.2% or approximately HK\$5.4 million when compared with the corresponding period of 2019.

#### **Other Gains or Losses**

The Group's other gains or losses for the Period was approximately HK\$59.8 million net other losses (2019 H1: approximately HK\$83.1 million). The decrease in net other losses in the Period was mainly because of decreasing of loss on disposal of property, plant and equipment.

#### **Distribution and Selling Expenses**

The Group's distribution and selling expenses for the six months ended 30 June 2020 decreased by approximately 14.8% or approximately HK\$35.8 million to approximately HK\$205.3 million when compared to the corresponding period of 2019. The decrease in distribution and selling expenses in the Period was mainly because the air freight charges have been reduced and the goods were delivered by air have been reduced.

## **Profit for the Period Attributable to Owners of the Company**

The profit for the Period attributable to owners of the Company was increased to approximately HK\$299.7 million by approximately 1.1 times when compared to the corresponding period of 2019. It was mainly because the financial results for the Period of the major associate, Truly (Huizhou) Smart Display Limited (信利(惠州)智能顯示有限公司) of the Group has been significantly improved when compared to the corresponding period of 2019. Thus, share of profit from associates in the Period has been improved to approximately HK\$3.6 million from share of loss from associates in the corresponding period of 2019 (approximately HK\$146.1 million).

## **BUSINESS REVIEW**

During the period for the six months ended 30 June 2020 (the “Period”), the global economy has been significantly affected by the raging COVID-19 pandemic and the US Sino trade and political frictions. It was very difficult situations to all businesses, particular for the countries lockdown and other measures to control the spread of COVID-19. Thus, people has increased to rely on using smartphone and internet. Accordingly, the 5G network establishment and 5G smartphone launching have been accelerating during the Period, particular in China. Thus, smartphones industry was not affected too much during the Period.

According to the China Academy of Information and Communications Technology, the domestic mobile phone market shipment was 153 million units during the Period, representing a decrease of 17.7% when compared to the corresponding period of 2019. 63.6 million units of 5G mobile phone was shipped in the domestic market during the Period, it represented 41.5% of the domestic mobile phone market shipment during the Period. Besides, the number of new model of mobile phone launched in the Period was decreased by 12.2% to 216 new models when compared to the corresponding period of 2019. Therefore, the competition in mobile phone market was still very keen during the Period.

Under these very difficult and challenging situations, the Group has recorded approximately 1% drop in the revenue from smartphone related products’ businesses during the Period when compared to the corresponding period of 2019. For the non-smartphone related products’ businesses, the Group has sustained revenue growth (approximately 5%) during the Period when compared to the corresponding period of 2019. Therefore, the product mix of the Group’s revenue was slightly improved during the Period when compared to the corresponding period of 2019. The Group’s unaudited revenue has been slightly increased to approximately HK\$10,332 million by approximately 0.9% in the Period when compared to the corresponding period of 2019.

The revenue of the LCD products segment of the Group increased in the Period by 0.6% when compared to the corresponding period of 2019. The revenue of the electronic consumer products segment of the Group has increased by 1.6% in the Period when compared to the corresponding period of 2019.

The financial performance of the major associate, Truly (Huizhou) Smart Display Limited\* (信利(惠州)智能顯示有限公司) (“Truly Huizhou”), has been turned to profit in the Period from loss in the corresponding period of 2019. It was the results of adopting the right production strategy and sales strategy to concentrate in smart wearing products for its AMOLED panel production since late 2018.

## **OUTLOOK**

Global economic environment will be very challenging and difficult in the second half of 2020 because the COVID-19 pandemic would possibly continue. Besides, the US Sino trade and political frictions is also a long term event and it is not easy to be compromised in the second half of 2020.

However, the management would expect that the 5G mobile network establishment in China can be accelerated in the second half of 2020 and 2021. It is expected that more new 5G mobile models would be launched and shipped in the second half of 2020. It can attract the consumers to buy a new 5G smartphone to replace their 4G/3G smartphone in order to enjoy the high speed mobile network for entertainment. It is positive to the smartphone related products’ businesses of the Group in the second half of 2020 and 2021.

Besides, the fifth generation TFT-LCD production in Shanwei factory entered mass production during the Period. It can support the continuous growth of the non-smartphone related products’ businesses. On the whole, the management is still confident to achieve the revenue growth target in 2020. The Group would continue to enhance its research and development capacity to support its customers’ new products development.

The management would expect that Truly Huizhou can continue to contribute the Group in the second half of 2020.

## **Proposed Spin-off Update**

The management is still considering to submit a new application to CSRC within 2020 after the application not approved by the Public Offering Review Committee of CSRC in January 2019. Further announcement will be made by the Company as and when appropriate in compliance with the Listing Rules.

## **SIGNIFICANT INVESTMENTS, ACQUISITIONS, ASSETS AND LIABILITIES**

### **Update on investment in a major associate — Truly Huizhou**

Truly Huizhou has turned to profit of approximately HK\$21 million in the Period (2019 H1: loss of approximately HK\$231 million), which 59.7039% shared by the Group for the Period. It was significantly improved when compared to the corresponding period of 2019, which is mainly because the management’s appropriate change of production strategy and sales strategy to focus on AMOLED wearable products application. The management expected that Truly Huizhou could sustain its operating profit in the second half of 2020.

For the bank loans obtained by Truly Huizhou under the full guarantee provided by the Group in November 2015, the associate has started to repay by semi-annually instalments in November 2017. As at 30 June 2020, the relevant syndicated loan amount of Truly Huizhou under the Group's corporate guarantee has been reduced to approximately HK\$1.5 billion.

### **Update on the 5th generation TFT-LCD Production Plant in Shanwei**

The 5th generation TFT-LCD production plant in Shanwei has been entered in the mass production period in the Period. This TFT-LCD production plant has started to contribute to the Group since this TFTLCD production plant has been verified by the Group's major customers in 2019.

### **Litigation update in relation to Investment in Leshi Zhixin Electronic Technology (Tianjin) Limited\***

In February 2017, Truly Electronics Manufacturing Limited (信利電子有限公司) ("Truly Electronics"), an indirectly wholly-owned subsidiary of the Company, entered into an investment agreement, pursuant to which Truly Electronics conditionally agreed to acquire in an aggregate of 2.3438% equity interest in Leshi Zhixin Electronic Technology (Tianjin) Limited\* (樂視致新電子科技(天津)有限公司) ("Leshi Zhixin") at a consideration of RMB720,000,000. The first instalment of the consideration in the amount of RMB240 million was paid in March 2017. Subsequently, as the Company's management considered that a condition of the relevant investment agreement has been breached by Leshi Zhixin and/or Leshi Holding (Beijing) Co., Ltd.\* (樂視控股(北京)有限公司) ("Leshi Holding"), Truly Electronics suspended the payment of the remaining instalments of the consideration in the amount of RMB480 million and terminated the said investment agreement in July 2017. In August 2017, Truly Electronics (as plaintiff) filed a civil complaint against Leshi Zhixin and Leshi Holding (as defendants) to seek rectification of the breach by Leshi Zhixin and Leshi Holding and refund of the first instalment of RMB240 million paid by Truly Electronics. For further details, please refer to the Company's announcements dated 29 August 2017, 23 March 2018, the 2018 Annual Report and the 2019 Annual Report of the Company.

The Group has been informed by the Group's PRC lawyer that a decision letter issued by the court of first instance has been received in early November 2019, which the court of first instance decided to turn down the Group's civil complaint in relation to the dispute on the investment agreement. Subsequently, the Group has lodged an objection to the high court in Beijing on 15 November 2019 and the Group is waiting for the hearing by the Beijing High Court.

Further announcements will be made by the Company as and when appropriate in compliance with the Listing Rules.



### **Update on investment in an associate, Truly (Renshou) High-end Display Technology Limited\* (信利(仁壽)高端顯示科技有限公司) (“Truly Renshou”)**

Truly Renshou has completed the building construction of the fifth generation of TFT-LCD factory in Renshou in 2018 and has been entered partially trial run in 2019. The full installation of the machineries would be completed in 2020 and the full trial production of the factory would be started in late 2020 or early 2021 by the management’s estimation.

The Group owns approximately 7.1% equity interest in Truly Renshou. Truly Renshou is accounted for as an associate of the Group because the Group has significant influence over Truly Renshou by virtue of the substantial voting right of 67.1% granted to the Group in the first ten years since the incorporation of Truly Renshou in 2017. Thus, the results, assets and liabilities of Truly Renshou is incorporated in the Group’s consolidated financial statements using equity method of accounting.

### **Update on Major Transaction Formation of the AMOLED JV Company**

On 14 July 2017, Truly Electronics Manufacturing Limited (信利電子有限公司), a company incorporated in the PRC and an indirectly wholly-owned subsidiary of the Company, entered into the AMOLED JV agreement in relation to the formation of the AMOLED JV Company in Renshou County, Meishan City, Sichuan Province, the PRC as the project company for the AMOLED Project. The total investment of the AMOLED JV Company will be RMB27,900 million and production facilities for the sixth generation of AMOLED will be established. The Group will contribute RMB2,000 million for 13.3% equity interest. For detail of it, please refer to the announcement of the Company, Major Transaction Formation of the AMOLED JV Company, dated 14 July 2017.

As additional time is required for preparing and finalizing certain information to be included in the Circular, the dispatch of the Circular has been further delayed to a date on or before 31 August 2020. For detail of it, please refer to the announcement of the Company, Further Delay in Despatch of Circular in Relation to A Major Transaction for the Formation of the AMOLED JV Company, dated 29 May 2020.

Further announcements will be made by the Company as and when appropriate in compliance with the Listing Rules.

### **LIQUIDITY AND FINANCIAL RESOURCES**

The Group’s assets have been increased by approximately HK\$127.3 million and liabilities have been decreased by approximately HK\$50.3 million during the Period.

As at 30 June 2020, the outstanding lease liabilities, bonds payable and bank and other borrowings, net of restricted bank deposits, cash and bank balances, were approximately HK\$4,928 million (31 December 2019: approximately HK\$5,657 million). It was decreased by approximately 13% or HK\$729 million when compared to these net borrowings as at 31 December 2019. These borrowing bear interest at prevailing market rate and their maturity profiles are shown in the financial statements. For non-current portion of these borrowings were matured within 5 years.



As at 30 June 2020, the Group had net current liabilities of approximately HK\$2,591 million (as at 31 December 2019, net current liabilities of approximately HK\$3,840 million) and its current ratio increased to 0.82 times as at 30 June 2020 from 0.74 times as at 31 December 2019. The major reason for the decrease in net current liabilities position as at 30 June 2020 was because the Group has reduced debts and new capital expenditures during the Period, implemented some cost control measures and co-operations from customers and suppliers. The management would continue to improve the Group's net current liabilities position.

As at 30 June 2020, the Group has restricted bank deposits, cash and bank balances approximately HK\$1,180 million together with adequate unutilized banking facilities. The Group's working capital is mainly financed by internal cash flow generated from its operation and banking facilities granted by financial institutions. The gearing ratio based on total interest bearing debts, net of restricted bank deposits, cash and bank balances was approximately 60%, which has decreased from 70% at 31 December 2019.

### **New Club Loan for Refinancing**

On 9 April 2020, Truly Semiconductors Limited, a wholly-owned subsidiary of the Company, entered into a facility agreement with specific performance covenants and the committed amount of HK\$1.52 billion. For detail of it, please refer to the announcement of the Company dated 9 April 2020.

The new club loan with the committed amount of HK\$1.52 billion has been fully withdrawn in June 2020 and the Group has utilized this loan amount plus internal financial resources to fully repay the outstanding syndicated loan balance of HK\$2.25 billion on schedule in June 2020.

### **Material Acquisitions and Disposals**

Save as disclosed in this announcement, the Group had no material acquisitions or disposal of subsidiaries and associated companies for the Period.

### **General**

The state of the Group's current order books is strong. As at 30 June 2020, the Group had no pledge or mortgage on its fixed assets.

Around 18,000 workers and staff are currently employed in Shan Wei factories of the Company in the PRC and around 100 personnel in the Group's Hong Kong office. Total staff costs for the Period were approximately HK\$781 million.

### **Capital Commitments**

Capital expenditure commitment of around HK\$473 million in respect of acquisition of property, plant and equipment was contracted for but not provided as at 30 June 2020.

## Contingent Liabilities

- (1) At 30 June 2020, the Group has given corporate guarantee for certain bank borrowings granted to the associate, Truly Huizhou, with the borrowing limit at approximately HK\$3.33 billion (31 December 2019: approximately HK\$3.37 billion) and the bank loans with the amount of approximately HK\$1.48 billion (31 December 2019: approximately HK\$1.80 billion) were utilised by the associate.

Besides, at 30 June 2020, the other shareholder of the associate provided corporate guarantee to the above bank borrowings in proportion to its respective ownership interest amounting to approximately HK\$782 million (31 December 2019: approximately HK\$792 million). A counter-indemnity in favour of the other shareholder is executed pursuant to which the Group undertakes to indemnify the other shareholder approximately 23.5% (31 December 2019: approximately 23.5%) of the liabilities arising from the bank borrowings.

The directors assess the risk of default of the associate at the end of reporting period and consider the risk to be insignificant and it is less likely that any guaranteed amount will be claimed by the counterparties.

- (2) Furthermore, the Company has received three notices of response to action from the Court according to which, on 31 October 2018, 6 November 2018 and 7 November 2018, the Claimant, Shenzhen Goodix Technology Co., Ltd. (深圳市匯頂科技股份有限公司) filed three civil complaints (the “Civil Complaints”) against the Defendants including a non wholly owned subsidiary of the Company, namely, Truly Opto-Electronics Limited\* (信利光電股份有限公司) (as 2nd defendant) (“Truly Opto”, together with the 1st defendant and 3rd defendant in the Civil Complaint, the “Defendants”). The Claimant alleged that the acts of the Defendants such as production, sale and promise to sale of optical fingerprint identification modules, lens components and chips without authorization from the Claimant caused an infringement upon the Claimant’s patents.

In each of the Civil Complaints, the Claimant sought a judgment from the Court to order that:

- (i) the Defendants shall immediately cease all acts of patent infringement including but not limited to ceasing production, sale and promise to sale of all products which are subject to the alleged infringement;
- (ii) the Defendants shall immediately destroy the abovementioned products;
- (iii) Truly Opto and the 1st defendant shall be jointly liable for compensating the economic loss suffered by the Claimant in the sum of RMB50,000,000 (three civil complaints in aggregate of RMB150 million), and the reasonable expenses incurred by the Claimant in seeking an injunction against the infringement acts in the sum of RMB500,000 (three civil complaints in aggregate of RMB1,500,000); and
- (iv) the Defendants shall be liable for the litigation expenses in relation to the Civil Complaint.

For details of these three litigations, please refer to the Announcements of the Company dated 20 November 2018 and 13 December 2018.

The Three Civil Complaints were turned down by the decisions of the relevant court on 30 December 2019 and 3 March 2020 respectively. Therefore, the Group need not pay any compensation to the Claimant. For detail of it, please refer to the announcements of the Company dated 18 February 2020 and 4 March 2020.

Exposure to fluctuations in exchange rates will be considered to hedge, if any.

## **OTHER INFORMATION**

### **Interim Dividends**

The Directors do not recommend the payment of second interim dividend for the six months ended 30 June 2020 (2019: Nil). None of the first interim dividend was declared for the three months ended 31 March 2020, the total interim dividends were nil per share (2019: Nil).

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

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2020.

### **Model Code**

None of the Directors of the Company is aware of information that would reasonably indicate that the Company was not in the period 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 Committee Chairman, Mr. Ip Cho Ting, Spencer and Mr. Heung Kai Sing. They meet at least four times a year.

## Corporate Governance

We have complied with all the applicable code provisions set out in the “Corporate Governance Code” contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2020, except for major deviations 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. 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 Company’s management and believes that this structure will enable us to make and implement decisions promptly and efficiently.

— *Code Provision E.1.2*

The Chairman did not attend the annual general meeting of the Company held on 5 June 2020 due to remaining in Shanwei factory of the Group since February 2020.

— *Code Provision A.6.7*

Mr. Heung Kai Sing, an independent non-executive director of the Company was unable to attend the annual general meeting of the Company held on 5 June 2020 due to concern on COVID-19 infection.

## Publications of Interim Results and Interim Report

This interim results announcement is published on the HKExnews website at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of the Company at [www.truly.com.hk](http://www.truly.com.hk). The 2020 Interim Report containing all the information required under Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange will be published on the websites of the Stock Exchange and the Company in due course.

By Order of the Board  
**Truly International Holdings Limited**  
**Lam Wai Wah**  
*Chairman*

Hong Kong, 28 August 2020

*As at the date of this announcement, the Board comprises Mr. Lam Wai Wah, Mr. Wong Pong Chun, James, Mr. Ma Wai Tong, Mr. Song Bei Bei, Mr. Dai Cheng Yun and Mr. Cheung Wing Cheung as executive directors and Mr. Chung Kam Kwong, Mr. Ip Cho Ting, Spencer and Mr. Heung Kai Sing as independent non-executive directors.*

\* *For identification purpose only*