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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 2020 ANNUAL RESULTS

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		Change
	2020	2019	
	HK\$'000	HK\$'000	
Revenue	22,171,710	22,532,499	-1.6%
Gross profit	2,048,801	1,825,411	+12.2%
Profit for the year attributable to owners of the Company	502,287	562,456	-10.7%
EBITDA	2,481,149	2,288,349	+8.4%
EPS (HK cents)			
— Basic	15.27	17.10	-10.7%

The Board does not recommend the payment of final dividend for the year ended 31 December 2020 (2019: nil).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	22,171,710	22,532,499
Cost of sales		(20,122,909)	(20,707,088)
Gross profit		2,048,801	1,825,411
Other income	5	154,825	145,866
Other gains and losses	6	31,010	(20,165)
Impairment losses under expected credit loss model, net of reversal		(314,868)	(22,395)
Distribution and selling expenses		(423,895)	(430,027)
Administrative expenses		(377,176)	(318,736)
Finance costs	7	(380,025)	(419,129)
Share of results of associates		20	(23,968)
Profit before tax		738,692	736,857
Income tax expense	8	(139,919)	(128,693)
Profit for the year	9	598,773	608,164
Other comprehensive income (expense) for the year			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		871,169	(222,562)
Share of other comprehensive income (expense) of associates		4,441	(1,771)
Other comprehensive income (expense) for the year		875,610	(224,333)
Total comprehensive income for the year		1,474,383	383,831
Profit for the year attributable to:			
Owners of the Company		502,287	562,456
Non-controlling interests		96,486	45,708
		598,773	608,164
Total comprehensive income for the year attributable to:			
Owners of the Company		1,315,806	350,076
Non-controlling interests		158,577	33,755
		1,474,383	383,831
Earnings per share	11		
Basic (HK cents per share)		15.27	17.10

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		12,255,374	12,123,153
Right-of-use assets		860,292	521,420
Intangible assets		–	–
Goodwill		413	413
Interests in associates		1,249,049	1,179,815
Financial assets at fair value through profit or loss		7,347	5,549
Deferred tax assets		56,519	75,432
Deposits paid for acquisition of property, plant and equipment		89,457	72,996
Rental deposits	12	72,987	–
Amount due from an associate		798,640	–
		15,390,078	13,978,778
CURRENT ASSETS			
Inventories		3,444,401	3,974,828
Trade and other receivables	12	3,496,771	3,735,030
Trade receivables at fair value through other comprehensive income	13	1,211,709	1,293,194
Amounts due from associates		1,590,736	1,348,250
Tax recoverable		8,636	18,412
Restricted bank deposits		360,143	134,064
Bank balances and cash		1,034,982	503,680
		11,147,378	11,007,458

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
CURRENT LIABILITIES			
Trade and other payables	14	8,516,864	9,178,327
Contract liabilities		333,542	251,017
Tax payable		79,641	54,342
Bank and other borrowings		4,613,225	5,215,550
Bonds payable		44,764	–
Amounts due to associates		734,385	129,214
Lease liabilities		126,128	19,048
Derivative financial instruments		1,949	283
		14,450,498	14,847,781
NET CURRENT LIABILITIES		(3,303,120)	(3,840,323)
TOTAL ASSETS LESS CURRENT LIABILITIES		12,086,958	10,138,455
NON-CURRENT LIABILITIES			
Bank and other borrowings		898,824	607,066
Bonds payable		355,832	373,731
Lease liabilities		265,624	79,813
Deferred tax liabilities		91,292	70,146
		1,611,572	1,130,756
NET ASSETS		10,475,386	9,007,699
CAPITAL AND RESERVES			
Share capital		65,785	65,785
Share premium and other reserves		9,306,100	7,990,236
Equity attributable to owners of the Company		9,371,885	8,056,021
Non-controlling interests		1,103,501	951,678
TOTAL EQUITY		10,475,386	9,007,699

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL

The Company is 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”). Its ultimate controlling party is Mr. Lam Wai Wah, who is also the Chairman and Managing Director of the Company. The addresses of the registered office and principal place of business of the Company are P.O. Box 309, Grand Cayman, Cayman Islands and 2/F., Chung Shun Knitting Centre, 1–3 Wing Yip Street, Kwai Chung, N.T., Hong Kong respectively.

The functional currency of the Company is United States dollars (“US\$”). The consolidated financial statements are presented in Hong Kong dollars (“HK\$”) which is different from the functional currency of the Company, as the directors of the Company consider that HK\$ 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 including touch panel products and electronic consumer products including compact camera module, fingerprint identification modules, personal health care products and electrical devices.

2 APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“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 consolidated financial statements:

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

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. REVENUE

Disaggregation of revenue from contract with customers by types of products is analysed as follows:

	2020 HK\$’000	2019 HK\$’000
Sales of LCD products	14,247,960	14,581,528
Sales of electronic consumer products	7,923,750	7,950,971
	<u>22,171,710</u>	<u>22,532,499</u>

4. SEGMENT INFORMATION

Information reported to the Company's executive directors, being the chief operating decision maker, for the purposes of resource 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 LCD products and electronic consumer products. The information for each operating segment is as follows:

LCD products	—	manufacture and distribution of LCD products and touch panel products
Electronic consumer products	—	manufacture and distribution of electronic consumer products such as compact camera module, fingerprint identification modules, 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:

For the year ended 31 December 2020

	LCD products HK\$'000	Electronic consumer products HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE					
External sales	14,247,960	7,923,750	22,171,710	—	22,171,710
Inter-segment sales	—	279,038	279,038	(279,038)	—
	<u>14,247,960</u>	<u>8,202,788</u>	<u>22,450,748</u>	<u>(279,038)</u>	<u>22,171,710</u>
RESULT					
Segment result	959,567	498,878	1,458,445	(13,059)	1,445,386
Finance costs					(380,025)
Impairment loss under expected credit loss model on other receivable					(281,901)
Share of results of associates					20
Unallocated expenses					(17,577)
Unallocated other gains and losses					(27,211)
Profit before tax					<u>738,692</u>

For the year ended 31 December 2019

	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	14,581,528	7,950,971	22,532,499	–	22,532,499
Inter-segment sales	–	238,247	238,247	(238,247)	–
	<u>14,581,528</u>	<u>8,189,218</u>	<u>22,770,746</u>	<u>(238,247)</u>	<u>22,532,499</u>
RESULT					
Segment result	878,094	338,395	1,216,489	(11,162)	1,205,327
Finance costs					(419,129)
Share of results of associates					(23,968)
Unallocated expenses					(17,782)
Unallocated other gains and losses					(7,591)
Profit before tax					<u>736,857</u>

Segment profit represents the profit earned by each segment without allocation of central administration costs including directors' salaries, finance costs, share of results of associates, loss on fair value changes of derivative financial instruments, impairment loss under expected credit loss model on other receivable and gain (loss) from changes in fair value of financial assets at fair value through profit or loss and gain on disposal of an associate. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Other information

For the year ended 31 December 2020

	LCD products <i>HK\$'000</i>	Electronic consumer products <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amounts included in the measure of segment results:				
Allowance for inventories, net (included in cost of sales)	48,780	222	–	49,002
Depreciation (including amounts capitalised in inventories)	1,262,882	53,649	–	1,316,531
Depreciation of right-of-use assets	42,956	2,945	–	45,901
Loss on disposal/write-off of property, plant and equipment	1,810	3,790	–	5,600
Impairment losses under expected credit loss model, net of reversal	<u>30,117</u>	<u>2,850</u>	<u>281,901</u>	<u>314,868</u>

For the year ended 31 December 2019

	LCD products HK\$'000	Electronic consumer products HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment results:			
Allowance for inventories, net (included in cost of sales)	130,377	19,267	149,644
Depreciation (including amounts capitalised in inventories)	1,055,252	60,341	1,115,593
Depreciation of right-of-use assets	13,245	3,525	16,770
Loss on disposal/write-off of property, plant and equipment	9,169	1,280	10,449
Impairment losses under expected credit loss model, net of reversal	21,468	927	22,395

Segment assets and liabilities are not disclosed as they are not regularly reviewed by chief operating decision maker.

Geographical information

The following table sets out information about (i) the Group's revenue from external customers by location of customers and (ii) the Group's non-current assets by location of assets.

	Revenue from external customers		Non-current assets	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
The PRC	17,748,804	15,631,008	14,511,914	13,801,607
South Korea	922,826	2,544,518	–	–
Hong Kong (place of domicile)	542,544	576,667	15,658	96,190
Japan	370,252	484,406	–	–
Europe	936,784	1,272,751	–	–
Others	1,650,500	2,023,149	–	–
	22,171,710	22,532,499	14,527,572	13,897,797

Notes:

- (i) Regarding revenue arising from sales to external customers in Europe and others, no individual countries are material and hence separate disclosure is not required.
- (ii) Non-current assets exclude financial assets at fair value through profit or loss, deferred tax assets and amount due from an associate.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2020 HK\$'000	2019 HK\$'000
Customer A ¹	N/A ²	3,594,108
Customer B ¹	N/A ²	3,413,367

¹ Revenue from LCD products and electronic consumer products

² The corresponding revenue did not contribute over 10% of the total revenue of the Group.

5. OTHER INCOME

	2020 HK\$'000	2019 HK\$'000
Other income includes:		
Government grants	73,131	75,670
Compensation income	17,850	4,846
Interest income	11,028	6,910
Interest income from an associate	31,448	39,621
Rental income with fixed monthly rental	16,837	9,150
Dividends from financial assets at FVTPL	–	1,563
Consultation income from an associate	–	4,996
Sundry income	4,531	3,110
	154,825	145,866

6. OTHER GAINS AND LOSSES

	2020 HK\$'000	2019 HK\$'000
Loss on disposal/write-off of property, plant and equipment	(5,600)	(10,449)
Loss on fair value change of derivative financial instruments, net	(29,009)	(2,824)
Net foreign exchange gain (loss)	56,999	(2,125)
Gain (loss) from changes in fair value of financial assets		
at fair value through profit or loss	1,798	(4,767)
Gain on disposal of an associate	6,822	–
	31,010	(20,165)

7. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on bank and other borrowings	358,170	356,703
Interest on bonds payable	21,000	38,855
Interest on loans from an associate	–	23,311
Interest on lease liabilities	855	260
	<u>380,025</u>	<u>419,129</u>

8. INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax:		
PRC Enterprise Income Tax	95,946	81,114
Other jurisdictions	1,235	419
	<u>97,181</u>	<u>81,533</u>
Withholding tax	6,939	11,450
	<u>104,120</u>	<u>92,983</u>
(Over) underprovision in prior years:		
The PRC	(4,260)	7,286
	<u>40,059</u>	<u>28,424</u>
Deferred tax		
	<u>139,919</u>	<u>128,693</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The Directors consider the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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, PRC subsidiaries qualified as Hi-Tech Enterprise are entitled to 15% PRC enterprise income tax. The tax rate of the other PRC subsidiaries is 25%.

Pursuant to the PRC Enterprise Income Tax Law (the “EIT Law of PRC”) 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 rates of 5% to 10%.

9. PROFIT FOR THE YEAR

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit for the year has been arrived at after charging:		
Auditor's remuneration	3,400	4,000
Cost of inventories recognised as expenses	19,197,040	19,748,404
Allowance for inventories, net (included in cost of sales)	49,002	149,644
Research expenses (included in cost of sales)	875,967	809,040
Depreciation of property, plant and equipment (including amounts capitalised in inventories)	1,316,531	1,115,593
Depreciation of right-of-use assets	45,901	16,770
Expenses related to short-term leases	15,347	12,621
Staff costs, inclusive of directors' remuneration:		
Salaries and other benefits	1,547,737	1,479,348
Contributions to retirement benefit scheme	108,961	112,319
	<u>1,656,698</u>	<u>1,591,667</u>

10. DIVIDENDS

No dividend has been paid or declared by the Company for 2020, nor has any dividend been proposed since the end of the reporting period (2019: nil).

11. EARNINGS PER SHARE

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

Earnings

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Earnings for the purposes of basic earnings per share		
Profit for the year attributable to owners of the Company	<u>502,287</u>	<u>562,456</u>

Number of shares

	2020 <i>'000</i>	2019 <i>'000</i>
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>3,289,229</u>	<u>3,289,229</u>

No diluted earnings per share is presented as there were no potential ordinary shares in issue for both years.

12. TRADE AND OTHER RECEIVABLES

	2020 HK\$'000	2019 <i>HK\$'000</i>
Trade and bills receivables	3,989,094	3,773,869
Less: Allowance for credit losses	(646,203)	(612,719)
	3,342,891	3,161,150
Other receivables, deposits and prepayments	512,947	578,059
Less: Allowance for credit losses	(286,080)	(4,179)
	226,867	573,880
Total trade and other receivables	3,569,758	3,735,030
Less: Rental deposits shown under non-current assets	(72,987)	–
Amounts shown under current assets	3,496,771	3,735,030

The following is an aged analysis of trade and bills 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:

	2020		2019		
	Trade	Bills		Trade	Bills
	receivables	receivables	Total	receivables	receivables
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 60 days	2,251,913	–	2,251,913	2,100,297	5,789
61 to 90 days	608,869	113	608,982	713,932	–
More than 90 days	481,996	–	481,996	341,132	–
	3,342,778	113	3,342,891	3,155,361	5,789
	3,342,778	113	3,342,891	3,155,361	5,789

13. TRADE RECEIVABLES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME “FVTOCI”

	2020 HK\$'000	2019 <i>HK\$'000</i>
Trade receivables	854,563	1,289,128
Bills receivables	357,146	4,066
	<u>1,211,709</u>	<u>1,293,194</u>

The following is an aging analysis of trade receivables at FVTOCI presented based on the invoice date at the end of the reporting year:

	2020		2019	
	Trade	Bills		Total
	receivables	receivables	Trade	Bills
	HK\$'000	HK\$'000	receivables	receivables
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 60 days	851,796	342,544	1,176,506	1,227
61–90 days	2,767	2,467	111,430	488
More than 90 days	–	12,135	1,192	2,351
	<u>854,563</u>	<u>357,146</u>	<u>1,289,128</u>	<u>4,066</u>
	<u>1,211,709</u>			<u>1,293,194</u>

14. TRADE AND OTHER PAYABLES

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

	2020		2019	
	Trade	Bills		Total
	payables	payables	Trade	Bills
	HK\$'000	HK\$'000	payables	payables
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 60 days	4,414,421	831,959	4,948,729	740,832
61 to 90 days	411,355	332,193	765,278	142,978
More than 90 days	906,290	468,632	806,835	331,246
	<u>5,732,066</u>	<u>1,632,784</u>	<u>6,520,842</u>	<u>1,215,056</u>
		<u>7,364,850</u>		<u>7,735,898</u>

The credit period on purchases of goods ranges from 60 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

THE CHAIRMAN'S STATEMENT

Truly International Holdings Limited (the “Company” and, together with its subsidiaries, the “Group”) was able to meet management’s expectations in 2020 despite the ongoing trade frictions and the unprecedented impact of the COVID-19 outbreak on the global economy.

Due to the outbreak of the COVID-19 in China in January 2020, I returned to the Group’s headquarters in Shanwei on 27 January 2020 and have remained there till now. During the period, the Group activated the highest level of emergency response plan, formulated the “Emergency Response Plan for Epidemic Prevention and Control”, set up a total of 9 working groups including coordination, temperature checking, disinfection, canteen, dormitory, procurement, isolation, monitoring and publicity, to make thorough arrangements and deployment for the epidemic prevention work. The Group has also strictly implemented various preventive and control measures to effectively protect the health of our staff and ensure safe production with zero infection, and to take advantage of the high degree of automation of our machinery to ensure normal production and operation to meet the sales needs of our customers.

The Group’s revenue of HK\$22.2 billion in 2020 was approximately 1.6% lower than that in 2019, with the smartphone related products business declining by 9.7% year-on-year, while the non-smartphone related products business, particularly industrial, medical and Internet of Things related products, continued to grow by 11.6% year-on-year.

In 2020, in view of the keen competition in the smartphone related products business, business strategy was adjusted to strengthen the higher margin non-smartphone related products business and the Group’s gross profit margin increased to 9.2%, representing an increase of approximately 1.1% when compared to 2019.

Due to an one-off provision of the Leshi Zhixin’s receivables of approximately HK\$282 million (RMB240 million), profit for the year attributable to owners of the Company decreased by approximately 10.7% to approximately HK\$502.3 million in 2020 when compared to 2019.

Truly (Huizhou) Smart Display Limited* (信利(惠州)智能顯示有限公司) (“Truly Huizhou”), a major associate of the Group, continued to improve its financial performance in 2020 and the Group’s share of loss from the associate for 2020 decreased by HK\$13.1 million to approximately HK\$2 million when compared to 2019 due to the reduction in finance costs and continued focus on AMOLED wearable product applications.

The Group’s fifth generation TFT-LCD production plant in Shanwei has been entered into mass production period in the first quarter of 2020 and delivered finished goods to the Group’s major customers in 2020. The mass production of this TFT-LCD production plant has contributed to the Group by reducing the cost of producing TFT-LCD screens used in LCD modules and touch modules.

The Group's other associate in Sichuan is another fifth generation TFT-LCD production plant, which commenced full-scale trial operation in late 2020 and will enter mass production in 2021.

In 2021, the global economy is still facing a lot of uncertainties. However, with the successful development of the COVID-19 vaccine and its widespread use around the world, the global economy is expected to recover gradually from the outbreak. In addition, the growing popularity of 5G networks and the increasing demand for product upgrades from customers will continue to benefit the Group's growth in related products.

The management remains confident of achieving revenue growth in 2021. The management would like to express its appreciation to the Group's bankers, staff and workers for their continuing support and outstanding contribution. Additionally, the management wishes to extend its gratitude for customers, suppliers and other business partners.

Lam Wai Wah
Chairman

Hong Kong, 30 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is one of the largest manufacturers of smartphone component parts in the PRC 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.

Business Review

Although it was a challenging year in 2020 for the smartphone industry under the COVID-19 pandemic and the continuing Sino-US trade and political frictions, the Group's revenue of 2020 recorded a slight decrease by 1.6% to approximately HK\$22.2 billion (2019: HK\$22.5 billion).

Profit for the year attributable to the owners of the Company was decreased to approximately HK\$502 million (2019: approximately HK\$562 million) by approximately 10.7%. Basic earnings per share for the year decreased to 15.27 HK cents from 17.1 HK cents in 2019. It was mainly because (i) an one-off provision of the Leshi Zhixin's receivables of HK\$282 million (RMB240 million); (ii) the improvement of gross profit margin from 8.1% in 2019 to 9.2% in 2020; (iii) the appreciation of renminbi exchange rate in 2020 when compared to 2019 and (iv) the continuing improvement on the financial performance of associates of the Group in 2020.

No interim dividend was declared or paid during 2020 (2019: Nil). The Board does not recommend the payment of final dividend for the year ended 31 December 2020 (2019: nil).

The gross profit margin for the year increased to approximately 9.2% (2019: 8.1%) and net profit margin for the year attributable to owners of the Company decreased to 2.3% (2019: 2.5%). Increase in gross profit margin was mainly due to the increase of sales of certain higher margin non-smartphone related products.

The Group's LCD business including touch products was about 64% of the Group revenue in 2020 (2019: 65%). Other businesses of the Group including the sales of compact camera modules, fingerprint identification products and printed circuit board were 36% of the Group's revenue in 2020 (2019: 35%). LCD business would continue to be the core business of the Group in coming few years.

The Group continues to put resources in the Group's research and development by spending around HK\$876 million in 2020 (2019: HK\$809 million). During the year, the Group continued to register many patents related manufacturing process of the PRC factories of the Group.

Recognitions

During the year, the Group received numerous recognitions from customers, industrial associates and institutions and local governments, major recognitions were shown as follows:

Truly Opto-Electronics Limited (信利光電股份有限公司) (“Truly Opto”), a PRC subsidiary, was named to the list of “Top Guangdong 500 Manufacturing Companies” by Guangdong Manufacturers Association, ranking 37th in 2020.

信利半導體有限公司, a PRC subsidiary, was named to the list of “Top Guangdong 500 Manufacturing Companies” by Guangdong Manufacturers Association, ranking 155th in 2020.

Truly Huizhou was named to the list of “Top Guangdong 500 Manufacturing Companies” by Guangdong Manufacturers Association, ranking 236th in 2020.

Truly Opto, a PRC subsidiary, was awarded the “Guangdong Advanced Unit” by Guangdong Provincial Party Committee.

Outlook

Looking ahead to 2021, the global economic environment is still full of uncertainties. However, with the successful development of the COVID-19 vaccine and its widespread use around the world, the global economy is expected to recover gradually from the outbreak. In addition, the popularity of 5G networks will increase the need for customers to upgrade their products, and the smartphone and automotive sectors will regain their growth. The management continues to keep abreast of market developments, technological upgrades in the industry and maintain close communication with customers to provide high quality and appropriate products or solutions to achieve business growth. At the same time, the management is confident that the Group’s revenue and profit attributable to the owners of the Company will grow in 2021 as it continues to tighten its control over costs and expenses.

Proposed Spin-off Update

The management is still considering to submit a new application to CSRC within 2021 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.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 December 2020 (the "Year") was approximately HK\$22.2 billion, representing an decrease of approximately 1.6% or approximately HK\$361 million year-on-year. The decrease in the Group's revenue for the Year was mainly attributable to (i) the smartphone related products business declining by 9.7% year-on-year and (ii) continuing growth in non-smartphone related products business particular for industrial, medical and Internet of Things related products by 11.6% year-on-year.

Gross Profit and Margin

The Group's gross profit for the Year was approximately HK\$2,049 million (2019: approximately HK\$1,825 million) and the gross profit margin was approximately 9.2% (2019: approximately 8.1%), which was approximately 1.1% higher than that for 2019.

The gross profit margin of the Group has been increased from 8.1% to 9.2% in 2020. Increase in gross profit margin was mainly due to increase of sales of certain higher margin industrial, medical and Internet of Things related products and decrease of additional allowance for inventories.

Other Income

The Group's other income for the year was approximately HK\$155 million, representing an increase of approximately 6.1% or approximately HK\$9 million when compared with 2019. The increase in other income was mainly because the compensation income of approximately HK\$18 million received in 2020 but only approximately HK\$5 million in 2019.

Other Gains or Losses

The Group's other gains or losses for the Year was approximately HK\$31 million net other gain (2019: net other loss of approximately HK\$20 million). The increase in net other gain was mainly because of the appreciation of RMB during the Year and the Group recorded a net foreign exchange gain of approximately HK\$57 million (2019: approximately HK\$2 million net foreign exchange loss).

Impairment Losses under Expected Credit Loss Model, Net of Reversal

The Group's impairment losses under expected credit loss model, net of reversal was approximately HK\$315 million (2019: approximately HK\$22 million). The increase in impairment losses was mainly due to an one-off provision of the Leshi Zhixin's receivables of approximately HK\$282 million (RMB240 million).

Distribution and Selling Expenses

The Group's distribution and selling expenses for the Year has been slightly decreased by approximately 1.4% or approximately HK\$6 million to approximately HK\$424 million when compared to 2019. The decrease in distribution and selling expenses was mainly attributable to the continuing tight expenditure control by the management.

Administrative Expenses

The Group's administrative expenses for the Year has been significantly increased by approximately 18.3% or approximately HK\$58 million to approximately HK\$377 million when compared to 2019. The increase in administrative expenses was mainly attributable to the significant increase of PRC real estate tax, educational surcharge and city construction and maintenance tax in 2020.

Finance costs

The Group's finance costs for the Year has been decreased by approximately 9.3% or approximately HK\$39 million to approximately HK\$380 million when compared to 2019. The decrease in finance costs was mainly attributable to the decrease in interest on bonds payable and loans from an associate.

Share of results of associates

Share of results of associates by the Group has been turned into slight profit in 2020 (approximately HK\$20,000) from share of loss in 2019 (approximately HK\$24 million). The improvement in share of results of associates was mainly attributable to: (i) the management's appropriate change of production strategy and sales strategy of the Group's major associate, Truly Huizhou, to focus on AMOLED wearable products application and (ii) commencement of full-scale trial operation in late 2020 by Truly (Renshou) High-end Display Technology Limited* (信利(仁壽)高端顯示科技有限公司) ("Truly Renshou"), another major associate of the Group.

Income Tax Expenses

Pursuant to the relevant law and regulations in the PRC, two of the Company's PRC major subsidiaries were continuously approved as Hi-Tech Enterprise and entitled to 15% PRC enterprise income tax for three years from 2018 to 2020. Accordingly, PRC Enterprise Income Tax is provided at 15% for the year ended 31 December 2020 for these two major PRC subsidiaries.

Profit for the Year Attributable to Owners of the Company

Profit for the Year attributable to owners of the Company was decreased to approximately HK\$502 million by approximately of 10.7% or HK\$60 million when compared to 2019. It was mainly because of (i) an one-off provision of the Leshi Zhixin's receivables of HK\$282 million (RMB240 million); (ii) the improvement of gross profit margin from 8.1% in 2019 to 9.2% in 2020; (iii) the appreciation of renminbi exchange rate in 2020 when compared to 2019 and (iv) the continuing improvement on the financial performance of associates of the Group in 2020.

Significant Investments, Acquisitions, Assets and Liabilities

Update on investment in a major associate — Truly Huizhou

Truly Huizhou has incurred operating loss approximately of HK\$3.3 million in 2020, which 59.7039% loss shared by the Group for the Year. It was significantly decreased by 87.04% or HK\$22 million when compared to 2019, which is mainly due to the reduction in finance costs and continued focus on AMOLED wearable products application. Share of loss from Truly Huizhou by the Group decreased by approximately HK\$13.1 million to approximately HK\$2 million when compared to 2019. The management expected that Truly Huizhou could turn to operating profit in 2021.

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-annual instalments in November 2017. As at 31 December 2020, the relevant syndicated loan amount of Truly Huizhou under the Group's corporate guarantee has been reduced to approximately HK\$1.31 billion.

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

The Group's fifth generation TFT-LCD production plant in Shanwei has been entered into mass production period in the first quarter of 2020 and delivered finished goods to the Group's major customers in 2020. The mass production of this TFT-LCD production plant has contributed to the Group by reducing the cost of producing TFT-LCD screens used in LCD modules and touch modules.

Litigation update in relation to Investment in Leshi Zhixin

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., Limited* (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, and the 2018 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. The Beijing High court started the trial of second instance on 20 October 2020 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

Truly Renshou has completed the building construction of the fifth generation of TFT-LCD factory in Renshou in 2018. The full installation of the machineries has been completed in 2020 and full-scale trial operation commenced in late 2020 and will enter mass production in 2021. The Group recorded share of profit from the associate of approximately HK\$2 million in 2020 (2019: share of loss of approximately HK\$1.4 million).

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 May 2021. 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 26 February 2021.

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

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.

Liquidity and Financial Resources

The Group's assets have been increased by approximately HK\$1,551 million and liabilities have been increased by approximately HK\$84 million during the year.

As at 31 December 2020, the outstanding lease liabilities, bonds payable and bank and other borrowings, net of restricted bank deposits, cash and bank balances, were approximately HK\$4,909 million (2019: approximately HK\$5,657 million). It was decreased by approximately 13% or HK\$748 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 31 December 2020, the Group had net current liabilities of approximately HK\$3,303 million (as at 31 December 2019, net current liabilities of approximately HK\$3,840 million) and its current ratio increased to 0.77 times as at 31 December 2020 from 0.74 times as at 31 December 2019. The major reason for the decrease in net current liabilities position as at 31 December 2020 was because the Group has reduced debts and new capital expenditures during the year, 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 31 December 2020, the Group has restricted bank deposits, cash and bank balances approximately HK\$1,395 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 52%, which has decreased from 70% at 31 December 2019.

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 year ended 31 December 2020.

Charges on Assets

On 9 April 2020, Truly Semiconductors Limited, a direct wholly-owned subsidiary of the Company, as the borrower, entered into a facility agreement relating to a term loan facility in the principal amount up to HK\$2,250,000,000 with, among others, a bank as the agent. Please refer to the announcement of the Company dated 9 April 2020 for further details. As at 31 December 2020, the Group's term loan borrowings of approximately HK\$920,000,000 were secured by pledge of the Group's certain assets including equity interests in certain subsidiaries, namely Truly Semiconductors Limited, Truly Electronics Manufacturing Limited, Hong Kong Truly International Holdings Limited, Truly Industrial (Shanwei) Co., Limited (信利工業(汕尾)有限公司), 信利半導體有限公司, a PRC subsidiary and Truly Opto-Electronics Limited (信利光電股份有限公司).

As at 31 December 2020, the Group had no other pledge or mortgage on its fixed assets.

Employee and Remuneration

Around 16,000 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 2020 were approximately HK\$1,657 million.

Capital Commitments

Capital expenditure commitment of around HK\$254 million in respect of acquisition of property, plant and equipment was contracted for but not provided as at 31 December 2020.

Contingent Liabilities

- (1) At 31 December 2020, the Group has given corporate guarantee for certain bank borrowings granted to the associate, Truly Huizhou, with the borrowing limit at approximately HK\$3.53 billion (2019: approximately HK\$3.37 billion) and the bank loans with the amount of approximately HK\$1.31 billion (2019: approximately HK\$1.80 billion) were utilised by the associate.

Besides, at 31 December 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\$831 million (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% (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., Limited (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.

- (3) During the year ended 31 December 2020, a wholly owned subsidiary of the Company is a defendant in legal actions in Hong Kong in respect of the claim by a customer for alleged defective goods manufactured by the subsidiary according to its customers' designs and specifications. The claim against the wholly owned subsidiary is approximately US\$23.9 million (equivalent to approximately HK\$186.4 million) in aggregate.

In December 2020, the subsidiary has entered into settlement agreement with the customer pursuant to which it is mutually agreed that the subsidiary is required to deliver certain quantity of products to the customer under pre-agreed delivery time table and payment terms. Upon completion of the deliveries and payment by the customer within 2021, any claims between the Group and the customer shall be deemed finally settled and satisfied. The Directors consider that the fulfillment of the terms of the settlement agreement is highly probable and the legal proceedings will be dismissed accordingly and no provision for legal claims is made.

Exposure to fluctuations in exchange rates will be considered to hedge, 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 2020.

Scope of work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, 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 Board does not recommend the payment of final dividend (2019: nil) for the year ended 31 December 2020.

No interim dividend (2019: nil) was declared during 2020.

The total dividend payout ratio for the year was zero.

Closure of Register of Members

For determining the entitlement to attend and vote at the 2021 Annual General Meeting, the Register of Members will be closed from Friday, 28 May 2021 to Wednesday, 2 June 2021, during the period no transfer of shares can be registered. In order to be eligible to attend and vote at the AGM, all transfers accompanied by relevant share certificates must be lodged with the Company's Branch Share Registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 27 May 2021.

Annual General Meeting

The 2021 Annual General Meeting of the Company will be held on Wednesday, 2 June 2021 at 10:00 a.m.. A notice convening the meeting will be issued in due course.

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 year ended 31 December 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 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 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. 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 year ended 31 December 2020. Except for the deviation from the Code Provisions A.2.1, E.1.2 and A.6.7. The reason for deviation from A.2.1, E.1.2 and A.6.7 have been set out in the interim report for 2020 of the Company.

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.

Annual Report

The 2020 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 Stock Exchange at www.hkexnews.hk and the Company at www.truly.com.hk in due course.

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

Hong Kong, 30 March 2021

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

* *For identification purpose only*