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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 2019**

#### **FINANCIAL HIGHLIGHTS**

	<b>For the six months ended</b>		<b>Change</b>
	<b>2019</b>	<b>2018</b>	
	<b>Unaudited</b>	<b>Unaudited</b>	
	<b>HK\$'000</b>	<b>HK\$'000</b>	
Revenue	<b>10,240,426</b>	9,065,249	<b>+13.0%</b>
Gross profit	<b>976,160</b>	945,849	<b>+3.2%</b>
Profit for the period attributable to the owners of the Company	<b>140,587</b>	5,693	<b>+2,369.5%</b>
EBITDA	<b>993,501</b>	819,403	<b>+21.2%</b>
Basic Earnings Per Share ( <i>HK cents</i> )	<b>4.27</b>	0.18	<b>+2,272.2%</b>
DPS ( <i>HK cents</i> ) — Interim(s)	<b>—</b>	—	<b>N/A</b>

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 2019 (the “Period”), together with the comparative figures for the corresponding period of 2018 and the unaudited interim condensed consolidated statement of financial position of the Group as at 30 June 2019 together with audited comparative figures as at 31 December 2018 as follows and these condensed interim financial statements have not been audited, but have been reviewed by the audit committee and 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 2019

	Notes	Six months ended 30 June	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
<b>REVENUE</b>		<b>10,240,426</b>	9,065,249
Cost of sales		<b>(9,264,266)</b>	(8,119,400)
Gross profit		<b>976,160</b>	945,849
Other income		<b>74,960</b>	47,192
Other gains and losses		<b>(83,058)</b>	(61,525)
Net unrealized gain (impairment loss) on financial assets at fair value through profit or loss (“FVTPL”)		<b>157</b>	(1,172)
Administrative expenses		<b>(149,653)</b>	(219,770)
Distribution and selling expenses		<b>(241,081)</b>	(228,703)
Finance costs	4	<b>(196,165)</b>	(170,360)
Share of results of associates		<b>(146,096)</b>	(229,362)
<b>PROFIT BEFORE TAX</b>		<b>235,224</b>	82,149
<b>INCOME TAX EXPENSE</b>	5	<b>(57,448)</b>	(43,447)
<b>PROFIT FOR THE PERIOD</b>	6	<b>177,776</b>	38,702
<b>OTHER COMPREHENSIVE INCOME (EXPENSE)</b>			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<b>60,129</b>	(142,866)
Share of exchange differences arising on translation of associates		<b>933</b>	(21,378)
Other comprehensive income (expense) for the period		<b>61,062</b>	(164,244)
<b>TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE PERIOD</b>		<b>238,838</b>	(125,542)

		<b>Six months ended 30 June</b>	
	<i>Notes</i>	<b>2019</b>	2018
		<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	(Unaudited)
Profit for the Period attributable to:			
Owners of the Company		<b>140,587</b>	5,693
Non-controlling interests		<b>37,189</b>	33,009
		<u><b>177,776</b></u>	<u>38,702</u>
Total comprehensive income (expense) for the Period attributable to:			
Owners of the Company		<b>199,774</b>	(149,587)
Non-controlling interests		<b>39,064</b>	24,045
		<u><b>238,838</b></u>	<u>(125,542)</u>
<b>EARNINGS PER SHARE</b>			
Basic — HK cents	7	<u><b>4.27</b></u>	<u>0.18</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

		30 June 2019	31 December 2018
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		12,241,453	12,307,604
Right-of-use assets		475,045	–
Prepaid lease payments		–	383,123
Intangible assets		–	–
Goodwill		413	413
Interest in associates		1,085,901	1,231,064
Financial assets at fair value through profit or loss		10,473	10,316
Deferred tax assets		85,560	90,402
Deposits paid and other payments for acquisition of property, plant and equipment		59,384	132,025
		<b>13,958,229</b>	<b>14,154,947</b>
<b>CURRENT ASSETS</b>			
Inventories		3,835,162	3,132,622
Prepaid lease payments		–	8,685
Trade and other receivables	8	4,277,470	5,020,366
Trade receivable at fair value through other comprehensive income	9	106,528	168,813
Derivative financial instruments		1,081	–
Amount due from an associate		1,363,455	1,346,194
Tax recoverable		391	391
Restricted bank deposits, bank balances and cash		1,608,350	1,222,483
		<b>11,192,437</b>	<b>10,899,554</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	8,379,394	8,547,580
Amount due to associates		998,086	–
Tax liabilities		19,101	48,149
Bank and other borrowings		5,906,870	7,118,297
Contract liabilities		116,577	112,491
Derivative financial instruments		254	–
Lease liabilities — current portion		4,548	–
Bonds Payable		806,930	–
		<b>16,231,760</b>	<b>15,826,517</b>
<b>NET CURRENT LIABILITIES</b>		<b>(5,039,323)</b>	<b>(4,926,963)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>8,918,906</b>	<b>9,227,984</b>

	<b>30 June 2019</b>	31 December 2018
<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>87,500</b>	75,000
Bonds payable	<b>44,882</b>	850,265
Deferred tax liabilities	<b>52,026</b>	56,692
Lease liabilities — non-current portion	<b>809</b>	—
	<u><b>185,217</b></u>	<u>981,957</u>
<b>NET ASSETS</b>	<u><b>8,733,689</b></u>	<u>8,246,027</u>
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>65,785</b>	65,785
Share premium and other reserves	<b>7,814,995</b>	7,570,791
Equity attributable to owners of the Company	<b>7,880,780</b>	7,636,576
Non-controlling interests	<b>852,909</b>	609,451
<b>TOTAL EQUITY</b>	<u><b>8,733,689</b></u>	<u>8,246,027</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

### 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 revalued amounts or fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRS”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2018.

#### Application of new and amendments to HKFRSs

In the current interim period, the Group has applied for the first time, the following new amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16	<i>Leases</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2015-2017 Cycle</i>

Excepted as described below, the application of the new 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.

## 2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position as at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Carrying amounts under HKFRS 16 at 1 January 2019 <i>HK\$'000</i>
<b>Non-current Assets</b>			
Prepaid lease payments	383,123	(383,123)	–
Right-of-use assets	–	400,279	400,279
<b>Current Assets</b>			
Prepaid lease payments	8,685	(8,685)	–
<b>Trade and other receivables</b>			
— Rental deposits	1,639	(82)	1,557
— Others	15	(15)	–
<b>Current Liabilities</b>			
Lease liabilities	–	6,602	6,602
<b>Non-current Liabilities</b>			
Lease liabilities	–	2,289	2,289
<b>Capital and Reserves</b>			
Share premium and other reserves	7,570,791	(517)	7,570,274

## 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 2019 (Unaudited)

	LCD products HK\$'000	Electronic consumer products HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
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>

### Six months ended 30 June 2018 (Unaudited)

	LCD products HK\$'000	Electronic consumer products HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE					
External sales	6,157,388	2,907,861	9,065,249	–	9,065,249
Inter-segment sales	–	119,617	119,617	(119,617)	–
	<u>6,157,388</u>	<u>3,027,478</u>	<u>9,184,866</u>	<u>(119,617)</u>	<u>9,065,249</u>
RESULT					
Segment result	359,360	130,266	489,626	(2,213)	487,413
Finance costs					(170,360)
Share of result of associates					(229,362)
Unallocated expenses					<u>(5,542)</u>
Profit before tax					<u>82,149</u>



#### 4. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings wholly repayable within five years	<u>196,165</u>	<u>170,360</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	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging:		
Auditor's remuneration	1,600	1,785
Cost of inventories recognised as an expense	8,041,201	6,752,777
Depreciation and amortisation on:		
Property, plant and equipment	554,582	566,894
Right-of-use assets	7,530	–
Loss on disposal of property, plant and equipment	14,275	2,475
Operating lease rental in respect of rented premises	–	6,924
Release of prepaid lease payments	–	3,512
Staff costs, inclusive of directors' remuneration	776,074	995,610
Other taxes	<u>18,679</u>	<u>19,322</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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Earnings for the purposes of basic and diluted earnings per share attributable to the owners of the Company	<u>140,587</u>	<u>5,693</u>
<u>Number of shares</u>	2019 '000	2018 '000
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u>3,289,229</u>	<u>3,120,429</u>

No diluted earnings per share is presented as there was no significant potential ordinary shares outstanding at the end of 30 June 2019 and 2018, respectively.

## 8. TRADE AND OTHER RECEIVABLES

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Trade receivables	4,243,886	4,928,290
Less: Allowance for credit losses/doubtful debts	<u>(588,379)</u>	<u>(586,447)</u>
	3,655,507	4,341,843
Other receivables, deposits and prepayments	<u>621,963</u>	<u>678,523</u>
Total trade and other receivables	<u>4,277,470</u>	<u>5,020,366</u>

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/doubtful debts, at the reporting date:

	30 June 2019 Trade receivables HK\$'000 (Unaudited)	31 December 2018 Trade receivables HK\$'000 (Audited)
Within 60 days	2,891,641	2,989,486
61 to 90 days	429,804	968,389
More than 90 days	<u>334,062</u>	<u>383,968</u>
	<u>3,655,507</u>	<u>4,341,843</u>

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

	<b>30 June 2019 HK\$'000 (Unaudited)</b>	31 December 2018 HK\$'000 (Audited)
Trade receivables	<b>51,512</b>	31,848
Bills receivables	<b>55,016</b>	136,965
	<b><u>106,528</u></b>	<u>168,813</u>

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 year:

	30 June 2019			31 December 2018		
	Trade receivables HK\$'000 (Unaudited)	Bills receivables HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Trade receivables HK\$'000 (Audited)	Bills receivables HK\$'000 (Audited)	Total HK\$'000 (Audited)
Within 60 days	51,512	3,265	54,777	29,663	114,300	143,963
61–90 days	–	36,683	36,683	2,185	10,053	12,238
More than 90 days	–	15,068	15,068	–	12,612	12,612
	<b><u>51,512</u></b>	<b><u>55,016</u></b>	<b><u>106,528</u></b>	<b><u>31,848</u></b>	<b><u>136,965</u></b>	<b><u>168,813</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:

	30 June 2019			31 December 2018		
	Trade payables HK\$'000 (Unaudited)	Bills payables HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Trade payables HK\$'000 (Audited)	Bills payables HK\$'000 (Audited)	Total HK\$'000 (Audited)
Within 60 days	3,905,691	968,058	4,873,749	3,870,261	961,044	4,831,305
61 to 90 days	479,348	29,454	508,802	527,891	237,012	764,903
More than 90 days	482,842	1,023	483,865	812,813	86,926	899,739
	<b><u>4,867,881</u></b>	<b><u>998,535</u></b>	<b><u>5,866,416</u></b>	<b><u>5,210,965</u></b>	<b><u>1,284,982</u></b>	<b><u>6,495,947</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 2019 (the "Period") was approximately HK\$10,240 million, representing an increase of approximately 13.0% or approximately HK\$1,175 million when compared with the corresponding period of last year. The increase in revenue was mainly attributable by the increase in the market share of smartphone related products' businesses during the Period when compared to the corresponding period of 2018.

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

The Group's gross profit for the Period was approximately HK\$976 million and the gross profit margin was approximately 9.5%, which was approximately 0.9% lower than that for the corresponding period of last year. The slight decrease in gross profit margin was mainly because of the keen competition in the smartphone related products' businesses.

#### **Other Income**

The Group's other income for the Period was approximately HK\$75.0 million, representing an increase of approximately 58.8% or approximately HK\$27.8 million when compared with the corresponding period of last year. The increase in other income was mainly because the government grant received (approximately HK\$48 million) in the Period (2018 H1: less than HK\$1 million).

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

The Group's other gains or losses for the Period was approximately HK\$83.1 million net other losses (2018 H1: approximately HK\$61.5 million). The increase in net other losses in the Period was mainly because of increasing 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 2019 increased by approximately 5.4% or approximately HK\$12.4 million to approximately HK\$241.1 million when compared to the corresponding period of last year. The increase in distribution and selling expenses in the Period was lower than the revenue growth in the Period.

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

The profit for the Period attributable to owners of the Company for the six months ended 30 June 2019 was increased to approximately HK\$141 million by approximately 24 times when compared to the corresponding period of 2018. It was mainly because (i) SIGNIFICANT DECREASE IN SHARE OF LOSS FROM ASSOCIATES — it has been significantly decreased by approximately HK\$83 million for the Period compared to the same period of 2018; and (ii) DECREASE IN ADMINISTRATIVE EXPENSE — it has been decreased by approximately HK\$70 million for the Period compared to the same period of 2018 as the consequence of the tight cost control.

## **BUSINESS REVIEW**

During the first half of 2019, the global economic growth slowed down significantly. However, the smartphone industry was still in the downward trend in the Period. According to the China Academy of Information and Communications Technology, the domestic mobile phone market shipment volume for the Period was 186 million units, representing a decrease of 5.1% when compared to the corresponding period of last year. Besides, the number of new model of mobile phone launched in the Period has been obviously decreased by 38% to 246 new models when compared to the corresponding period of last year. Thus, the competition in smartphone market was still very keen in the Period. Nonetheless, the Group has been strengthening its research and development capacity and enhancing co-operation with customers in developing their new products. Under these challenging situations, the Group has succeeded to increase the Group's revenue in the Period by 13% mainly by enhancing co-operation with smartphone related products' customers. In other words, the Group has increased its market share in the smartphone related products' businesses in the Period. Therefore, the management believes that the Group could continue to improve its competitive power.

The revenue of the LCD products segment of the Group increased in the Period by 10.3% when compared to the corresponding period of last year. It was mainly attributable by the increase in market shares of smartphone related products' businesses during the Period. The revenue of the electronic consumer products segment of the Group has increased by 17.6% in the Period when compared to the corresponding period of last year, particular for the sales growth on the touch module product. It was mainly attributable to the enhancement on co-operations with smartphone related products' customers during the Period.

The smartphone related products' revenue of the Group was increased in opposite direction of the decrease in domestic mobile phone market shipment volume during the Period because of increasing market share in smartphone related products' businesses, when compared to the corresponding period of last year. The non-smartphone related products' revenue of the Group continued to grow during the Period.

## **OUTLOOK**

Global growth is likely to dim further in the second half of 2019, due largely to weaker momentum in developed economies and China. A further escalation of trade tensions, particularly between the U.S. and China, is the key downside risk.

Although the above mentioned difficult situations are estimated to exist in the second half of 2019, the management would try their best to maintain the Group's revenue growth through the continuously enhancing co-operation with customers and suppliers.

Besides, the Group would continue to improve the Group's product mix by enhancing the development on non-smartphone related products business.

Furthermore, the management would focus on finalizing the trial production period of the Shanwei new 5th generation TFT-LCD production line in the second half of 2019 and entering the mass production. It can help to speed up the development on non-smartphone related products of the Group and support the growth of the non-smartphone related products business.

During the Period, the Group has been continuing to share the loss from the major associate of the Group, Truly (Huizhou) Smart Display Limited ("Truly Huizhou"), since it started mass production in late 2016. However, the loss shared from the associates has been significantly decreased to approximately HK\$146.1 million (2018 H1: HK\$229.4 million) in the Period when compared to the corresponding period of last year. It is the positive results by Truly Huizhou adopting the right production strategy and sales strategy for its AMOLED panel production since the fourth quarter of 2018. Therefore, the management would expect that the loss shared from associates by the Group would be continuously reduced in the second half of 2019.

## **PROPOSED SPIN-OFF UPDATE**

On 29 January 2019, the Public Offering Review Committee of CSRC reviewed the application by Truly Opto-Electronics Limited ("Truly Opto") in respect of its A Share Listing and did not approve its application. For detail of it, please refer to the announcement of the Company on 29 January 2019.

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

## **SIGNIFICANT INVESTMENTS AND ACQUISITIONS**

### **Update on the Shanwei 5th generation TFT-LCD Production Line Progress**

The trial production process has been continuing during the Period. The management expects the trial production period to be completed in late 2019 or early 2020 and entering the mass production period.

## **Litigation 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 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 and 23 March 2018, and the 2018 Annual Report of the Company.

The first hearing by the court of the said case has been completed on 4 June 2018 in Beijing. Afterwards, the Group has been informed by the Group’s PRC lawyer that a decision letter issued by the relevant court has been received in August 2018, which the court has decided to turn down the Group’s civil complaint in relation to the dispute on the investment agreement. After discussion with the Group’s PRC lawyers, the Group has lodged an objection to the relevant court in Beijing on 31 August 2018. The relevant court in Beijing has decided in favour of our objection and this case has been returned to the original court to proceed in June 2019. Now, the management is waiting for the court decision.

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

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

The Group has contributed RMB500 million by cash to Truly Renshou during 2017 according to the relevant agreements. Truly Renshou has been constructing the fifth generation of TFT-LCD factory in Renshou since late 2017. The construction work and machineries installation of the factory would be completed in late 2019 or early 2020 by the management’s estimation.

As the Group has significant influence to Truly Renshou, the investment in Truly Renshou is treated as investment in associates. Thus, the results and 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 29 November 2019. 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 30 August 2019.

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

## **POTENTIAL BREACHING OF CERTAIN BANKS AND OTHER BORROWINGS AGREEMENTS**

In early June 2019, the Company has estimated that the Group might potentially breach certain financial covenants in relation to certain ratios of net borrowings of some bank loan agreements for the testing date on 30 June 2019. It was mainly because the relevant financial covenants are tightened up gradually from 2018 to 2020 and particularly in 2019. Therefore, the Group had written to lenders requesting for a waiver for complying with these financial covenants (i.e. the requirement of the ratio of the adjusted consolidated net borrowings (excluding (to the extent included) the related party contingent liabilities) of the Group to its consolidated tangible net worth and the ratio of the consolidated net borrowings of the Group to its consolidated tangible net worth be no more than 0.5 and 0.75, respectively) for the testing date on 30 June 2019 as mentioned above in early June 2019 and had successfully received the lenders' consent before 30 June 2019.

As referred to the Company's unaudited condensed consolidated financial statements for the 6 months ended 30 June 2019, the Company has breached the financial covenants mentioned above if no waiver has been obtained from lenders. As the Company has obtained the waiver consent in relation to this breach of the financial covenants from the lenders not later than 30 June 2019, no reclassification of the relevant borrowings under the non-current liabilities to the current liabilities in the Company's condensed consolidated statement of financial position as at 30 June 2019 is required under the relevant accounting standards.

The management would continuously seek other measures to improve the Group's financial ratios thereafter.



## LIQUIDITY AND FINANCIAL RESOURCES

The Group's assets have been increased by approximately HK\$96 million and liabilities have been decreased by approximately HK\$391 million during the Period.

As at 30 June 2019, the outstanding bonds payable, bank and other borrowings, net of restricted bank deposits, cash and bank balances, were approximately HK\$5,238 million (approximately HK\$6,821 million at 31 December 2018). Among the total gross borrowings of approximately HK\$6,846 million at 30 June 2019, approximately HK\$6,714 million would be repayable within a year with the remaining balances repayable within a period of two to four years if no breaching of bank and other borrowings agreements was occurred.

As at 30 June 2019, the Group had net current liabilities of approximately HK\$5,039 million (as at 31 December 2018, approximately HK\$4,927 million net current liabilities) and its current ratio was maintained at 0.69 times as same as at 31 December 2018. The management continues seeking to have more long-term loans refinancing and other measures to improve the net current liabilities position in 2019.

As at 30 June 2019, the Group has restricted bank deposits, cash and bank balances approximately HK\$1,608 million together with adequate unutilized banking facilities. The Group's working capital is mainly financed by internal cash flow generate 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 66%, which has decreased from 89% at 31 December 2018.

### Capital Commitments

At 30 June 2019, the Group's contracted capital commitments for the acquisition of property, plant and equipment were approximately HK\$288 million (approximately HK\$419 million at 31 December 2018) and will be financed principally from internal reserves and bank loans.

### Contingent Liabilities

- (i) At 30 June 2019, the Group has given corporate guarantee for bank borrowings granted to an associate, 信利(惠州)智能顯示有限公司 ("Truly Huizhou"), with the borrowing limit at approximately HK\$3.41 billion (31 December 2018: HK\$3.42 billion) and the utilized bank loans with the amount of approximately HK\$2.12 billion (31 December 2018: HK\$2.43 billion) were outstanding.

Furthermore, at 30 June 2019, the other shareholder of Truly Huizhou provides corporate guarantee to the above bank borrowings in proportion to its respective ownership interest amounting to approximately HK\$802 million (31 December 2018: HK\$804 million). A counter-indemnity in favour of the other shareholder is executed pursuant to which the Group undertakes to indemnify the other shareholder 23.5% (31 December 2018: 23.5%) of the liabilities arising from the bank borrowings.

The directors assess the risk of default of Truly Huizhou 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.

- (ii) As at 31 December 2018, a non-wholly owned subsidiary of the Company is a defendant in several legal actions in the PRC in respect of the claims for infringement of the claimant's patents. The claims against the non-wholly owned subsidiary are approximately RMB151.5 million (equivalent to approximately HK\$172.3 million) in aggregate.

As at 30 June 2019, the legal proceedings were ongoing. The Directors believe, based on legal advice, that the case has legal and factual grounds to defend and therefore it is not probable that losses (including claims for costs) will be incurred. As a result, no provision has been made as at 30 June 2019 and 31 December 2018 in this regard.

## **Material Acquisitions and Disposals**

On 31 May 2019, Truly Opto, an indirect non wholly-owned subsidiary of the Company, entered into the Equity Investment Agreement with the Investor, pursuant to which the Investor agrees to subscribe for, and Truly Opto agrees to issue, the New Shares at the consideration of RMB290 million. After the Equity Investment, Truly Opto will remain as an indirect non wholly-owned subsidiary of the Company and will be owned as to approximately 80.70% by wholly-owned subsidiaries of the Company, as to approximately 5.53% by the Investor, as to approximately 11.45% by directors of the Company and Truly Opto or companies in which they have interest, and as to approximately 2.32% by other shareholders who are independent third parties of the Company. For detail of it, please refer to the announcement of the Company on 31 May 2019.

The Group had no material acquisitions or material disposal of subsidiaries and associated companies for the six months ended 30 June 2019 except the above mentioned.

## **General**

There are approximately 16,000 workers and employees currently employed in the Group's Shan Wei factories and around 100 staff in our Hong Kong office.

Exposure to fluctuations in exchange rates will be considered to hedge, if any. The remuneration policy was in line with current legislation, market conditions and both individual and company performance.

## **OTHER INFORMATION**

### **Interim Dividends**

The Directors do not recommend the payment of second interim dividend for the six months ended 30 June 2019 (2018: Nil). None of the first interim dividend was declared for the three months ended 31 March 2019, the total interim dividends were nil per share (2018: 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 2019.

## **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 2019, 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 30 May 2019 due to unexpected important business meeting.

## **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 2019 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, 30 August 2019

*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*