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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 2017

FINANCIAL HIGHLIGHTS

	For the six months ended		Change
	2017	2016	
	Unaudited	Unaudited	
	HK\$'000	HK\$'000	
Revenue	10,834,206	9,724,986	+11.4%
Gross profit	914,327	1,104,284	-17.2%
(Loss) Profit for the period attributable to the owners of the Company	(227,380)	393,263	N/A
EBITDA and before share of results of associates	759,727	1,101,870	-31.1%
Basic (Loss Per Share) EPS (<i>HK cents</i>)	(7.82)	13.53	N/A
DPS (<i>HK cents</i>)			
— First Interim	1	2	-50%
— Second Interim	–	3	-100%

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 2017 (the “Period”), together with the comparative figures for the same period of 2016 and the unaudited interim condensed consolidated statement of financial position of the Group as at 30 June 2017 together with audited comparative figures as at 31 December 2016 as follows and these condensed interim financial statements have not been audited, but have been reviewed by the audit committee of the Company:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
REVENUE		10,834,206	9,724,986
Cost of sales		<u>(9,919,879)</u>	<u>(8,620,702)</u>
Gross profit		914,327	1,104,284
Other income		116,064	42,739
Other gains and losses		15,396	(97,071)
Credit insurance compensation income			
— LEMOBILE		140,400	—
One-off full provision for bad and doubtful debt — LEMOBILE		(554,069)	—
		(413,669)	—
Impairment loss on available-for-sale investments		(4,846)	(3,391)
Administrative expenses		(194,578)	(213,091)
Distribution and selling expenses		(177,441)	(170,592)
Finance costs	4	(160,391)	(58,901)
Share of result of associates		(272,543)	(73,591)
(LOSS) PROFIT BEFORE TAX		(177,681)	530,386
INCOME TAX EXPENSE	5	(83,140)	(100,864)
(LOSS) PROFIT FOR THE PERIOD	6	(260,821)	429,522
OTHER COMPREHENSIVE INCOME (EXPENSE)			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		431,513	(218,499)
Fair value gain on available-for-sale investments		—	18,606
Share of exchange differences arising on translation of associates		(22,385)	(1,088)
Other comprehensive income (expense) for the period		409,128	(200,981)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		148,307	228,541

	Six months ended 30 June	
	2017	2016
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
(Loss) Profit for the period attributable to:		
Owners of the Company	(227,380)	393,263
Non-controlling interests	(33,441)	36,259
	<u>(260,821)</u>	<u>429,522</u>
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	166,638	202,979
Non-controlling interests	(18,331)	25,562
	<u>148,307</u>	<u>228,541</u>
(LOSS) EARNINGS PER SHARE		
Basic — HK cents	(7.82)	13.53

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	<i>Notes</i>	30 June 2017	31 December 2016
		HK\$'000	HK\$'000
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		9,618,299	8,242,070
Prepaid lease payments		266,291	279,065
Intangible assets		–	–
Goodwill		413	413
Interest in associates		1,187,111	965,260
Available-for-sale investments		10,424	15,270
Deferred tax assets		10,804	8,783
Deposits paid and other payments for acquisition of property, plant and equipment		679,563	588,557
		11,772,905	10,099,418
CURRENT ASSETS			
Inventories		2,466,043	2,603,218
Prepaid lease payments		6,747	6,891
Trade and other receivables	8	6,413,096	7,522,216
Tax recoverable		25,381	381
Derivative financial instruments		22,399	27,894
Amount due from an associate		137,429	497,691
Restricted bank deposits, bank balances and cash		3,525,945	2,538,926
		12,597,040	13,197,217
Non-current assets held for sale		130	126
		12,597,170	13,197,343
CURRENT LIABILITIES			
Trade and other payables	9	7,498,995	7,736,522
Amount due to an associate		–	22,018
Tax liabilities		22,230	30,319
Bank and other borrowings, unsecured	10	8,488,276	3,794,507
Derivative financial instruments		29,050	85,545
		16,038,551	11,668,911
NET CURRENT (LIABILITIES) ASSETS		(3,441,381)	1,528,432
TOTAL ASSETS LESS CURRENT LIABILITIES		8,331,524	11,627,850

		30 June 2017	31 December 2016
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Bank and other borrowings, unsecured	<i>10</i>	125,000	3,432,853
Bonds payable		855,654	827,456
Deferred tax liabilities		78,842	72,674
		<u>1,059,496</u>	<u>4,332,983</u>
		<u>7,272,028</u>	<u>7,294,867</u>
CAPITAL AND RESERVES			
Share capital		58,142	58,142
Share premium and other reserves		6,732,758	6,653,333
		<u>6,790,900</u>	<u>6,711,475</u>
Equity attributable to owners of the Company		481,128	583,392
Non-controlling interests		<u>7,272,028</u>	<u>7,294,867</u>
Total equity		<u>7,272,028</u>	<u>7,294,867</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016.

The HKICPA has issued certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group. These revised HKFRSs have no significant impact on the interim report of the Group for the periods ended 30 June 2017 and 2016, respectively.

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 2017 (Unaudited)

	LCD products HK\$'000	Electronic consumer products HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE					
External sales	8,241,457	2,592,749	10,834,206	–	10,834,206
Inter-segment sales	–	109,045	109,045	(109,045)	–
	<u>8,241,457</u>	<u>2,701,794</u>	<u>10,943,251</u>	<u>(109,045)</u>	<u>10,834,206</u>
RESULT					
Segment result	350,847	(75,519)	275,328	(2,017)	273,311
Finance costs					(160,391)
Share of result of associates					(272,543)
Unallocated expenses					<u>(18,058)</u>
Loss before tax					<u>(177,681)</u>

Six months ended 30 June 2016 (Unaudited)

	LCD products HK\$'000	Electronic consumer products HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE					
External sales	7,634,781	2,090,205	9,724,986	–	9,724,986
Inter-segment sales	–	115,121	115,121	(115,121)	–
	<u>7,634,781</u>	<u>2,205,326</u>	<u>9,840,107</u>	<u>(115,121)</u>	<u>9,724,986</u>
RESULT					
Segment result	603,109	79,172	682,281	(2,763)	679,518
Finance costs					(58,901)
Share of result of associates					(73,591)
Unallocated expenses					<u>(16,640)</u>
Profit before tax					<u>530,386</u>

4. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings wholly repayable within five years	<u>160,391</u>	<u>58,901</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 2012 to 2014 and the extension for further three years with effect from 1 January 2015 were approved during the current period.

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%.

6. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss) Profit for the period has been arrived at after charging:		
Auditor's remuneration	1,675	1,615
Cost of inventories recognised as an expense	8,654,026	7,461,654
Depreciation and amortisation on:		
Property, plant and equipment	504,474	438,992
Loss on disposal of property, plant and equipment	6,518	21,022
Operating lease rental in respect of rented premises	8,933	5,428
Release of prepaid lease payments	3,608	2,672
Staff costs, inclusive of directors' remuneration	942,267	893,845
Other taxes	<u>20,675</u>	<u>47,405</u>

7. (LOSS) EARNINGS PER SHARE

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

<u>(Loss) Earnings</u>	Six months ended 30 June	
	2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)
(Loss) Earnings for the purposes of basic and diluted (loss) earnings per share attributable to the owners of the Company	(227,380)	393,263
<u>Number of shares</u>	2017 <i>'000</i>	2016 <i>'000</i>
Weighted average number of ordinary shares for the purposes of basic and diluted (loss) earnings per share	2,907,099	2,907,099

No diluted (loss) earnings per share is presented as there was no significant potential ordinary shares outstanding at the end of 30 June 2017 and 2016, respectively.

8. TRADE AND OTHER RECEIVABLES

The Group allows a credit period ranging from 30 to 90 days to its trade customers. 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 doubtful debts, at the reporting date:

	30 June 2017			31 December 2016		
	Trade receivables <i>HK\$'000</i> (Unaudited)	Bills receivables <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)	Trade receivables <i>HK\$'000</i> (Audited)	Bills receivables <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
Within 60 days	3,623,980	58,729	3,682,709	4,260,786	219,799	4,480,585
61 to 90 days	1,088,983	15,054	1,104,037	859,364	75,325	934,689
More than 90 days	496,705	29,720	526,425	1,499,755	65,532	1,565,287
	5,209,668	103,503	5,313,171	6,619,905	360,656	6,980,561
Other receivables, deposits and prepayments			1,099,925			541,655
			6,413,096			7,522,216

Included in other receivables are other PRC tax recoverable of HK\$390,678,000 (31 December 2016: HK\$394,231,000).

9. 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 2017			31 December 2016		
	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	3,785,089	675,583	4,460,672	4,303,036	737,042	5,040,078
61 to 90 days	501,090	510,937	1,012,027	639,011	428,390	1,067,401
More than 90 days	1,006,830	–	1,006,830	560,023	–	560,023
	<u>5,293,009</u>	<u>1,186,520</u>	<u>6,479,529</u>	<u>5,502,070</u>	<u>1,165,432</u>	<u>6,667,502</u>

10. BANK AND OTHER BORROWINGS, UNSECURED

HK\$4,870 million of non-current portion of bank and other borrowings, unsecured has been classified in current liabilities owing to a breach of a financial covenant as at 30 June 2017 of certain bank and other borrowings agreements of the Group. The Group has obtained the waivers approval for the breaching the financial covenant of the loan agreements from the relevant lenders before 30 August 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The Group's revenue for the six months ended 30 June 2017 (the "Period") amounted to approximately HK\$10.83 billion (2016 interim: approximately HK\$9.72 billion). Loss for the Period attributable to owners of the Company was approximately HK\$227 million (2016 interim: profit attributable to owners of the Company approximately HK\$393 million).

Business Review

Revenue for the first half of 2017 was increased by around 11.4% to HK\$10.83 billion (2016: HK\$9.72 billion) due to the significant business growth of the Group's major smartphone products customers during the Period, particular in the first quarter of 2017. The revenue performance for the Period has met the management's expectation. However, the Group's revenue growth rate of the second quarter of 2017 has been slow down to 5.5% from 17.7% in the first quarter of 2017 when compared to the same period in 2016. It was mainly affected by the trend of change of smartphone screen scale to 18:9 from traditional 16:9; therefore, the Group's smartphone products customers placed their orders in the second quarter and the third quarter of 2017 more prudent until their new 18:9 screen scale smartphones being launched.

The Group has recorded the loss for the Period attributable to owners of the Company with the amount of HK\$227 million (2016 Interim: profit attributable to owners of the Company HK\$393 million). It is because two major reasons as stated in the Profit Warning Announcement of the Company dated 22 August 2017.

The first major reason was the SIGNIFICANT INCREASE IN SHARE OF LOSS FROM ASSOCIATES — the share of loss from associates for the Period by the Group has been significantly increased in amount to HK\$273 million (2016 Interim: HK\$74 million) because the major associate, Truly (Huizhou) Smart Display Limited (信利(惠州)智能顯示有限公司), of the Group has started production and begun to provide depreciation since the fourth quarter 2016, the production rate and yield rate in the ramping up period and leading to significant operating losses. The production rate and yield rate has been gradually improving, and the operating loss has begun to narrow from the second quarter of 2017.

The second major reason was the ONE-OFF FULL PROVISION FOR BAD AND DOUBTFUL DEBT OF CUSTOMER, LEMOBILE INFORMATION TECHNOLOGY (BEIJING) CO., LTD. (樂視移動智能信息技術(北京)有限公司) (“LEMOBILE”) — approximately HK\$554 million. According to the credit insurance agreement, the Group has lodged compensation with the amount approximately HK\$140 million to the credit insurance company and expected to receive the compensation within 2017. Therefore, the net effect of the one-off full provision for bad and doubtful debt after minus the expected compensation on the Group’s income statement for the Period around HK\$414 million. The management believes that the above mentioned one-off bad and doubtful debt provision would not affect the Group’s daily operation. The management would continue to negotiate with the customer for settling this overdue trade debts.

Gross profit margin for the Period has been dropped to 8.4% (2016 interim: 11.4%, 2017 Q1: 9.9%), it was mainly affected by the trend of change of smartphone screen scale to 18:9 from traditional 16:9 as mentioned above. The Group has acted in concert with the Group’s major smartphone customers to provide some discounts on some original 16:9 smartphone products sales order in the second quarter of 2017 to accelerate the use of the relevant raw materials by the Group.

Outlook

Based on the current order status and communications with the major customers, the management estimates that the revenue of third quarter of 2017 would be decreased when compared to last year same period. However, the management still has confident on the revenue growth in the fourth quarter of 2017 and maintains the double digits revenue growth expectation for the year ended 31 December 2017 comparing to 2016.

The Group has been continuing to share significant loss results of associates, mainly from the major associate (Truly (Huizhou) Smart Display Limited (信利(惠州)智能顯示有限公司)), for the Period with the amount of approximately HK\$273 million, which is also one of major reasons for the Group recording loss for the Period attributable to owners of the Company as stated in Business Review. However, the operating loss of this major associate has been gradually narrowing and improving from the second quarter of 2017.

The management expects that the major associate can continue to improve and narrow its operating loss in second half of 2017. It can be achieved by the way of production rate and yield rate during the ramping up period being continuously improved in 2017. Along with the mass production of automotive TFT-LCD display panels and some smartphone AMOLED display panels from the second half of 2017 by the major associate, it can narrow its operating loss and improve its working capital.

Breaching of certain Bank and Other Borrowings Agreements

As the Company has occurred breaching a financial covenant of certain bank and other borrowing agreements of the Group in relation to a net debts ratio of the Group as at 30 June 2017, the relevant non-current portion bank and other borrowings have been classified in current liabilities for the Company's condensed consolidated statement of financial position as at 30 June 2017 according to the Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards. Therefore, the amount of approximately HK\$4,870 million of non-current portion of bank and other borrowings as at 30 June 2017 has been classified to bank and other borrowings under current liabilities in the Company's condensed consolidated statement of financial position as at 30 June 2017. The Group has submitted the waivers requests to the relevant lenders and obtained the waivers approval before 30 August 2017 for a financial covenant being breached.

The major reason for triggering the breaching of certain financial covenants was the one-off full provision for bad and doubtful debt of customer, Lemobile Information Technology (Beijing) Co., Ltd. (樂視移動智能信息技術(北京)有限公司) — approximately HK\$414 million after minus the expected credit insurance compensation. It affected the results for the Period and the Consolidated Tangible Net Worth of the Group as at 30 June 2017.

The management has enhanced the credit control and more frequent reviews on the credit period and credit limit granted to new customers and existing customers. Besides, the Group would also strengthen the co-operation with the credit insurance company and banks for protecting the Company's assets and reducing the relevant risks.

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

Liquidity and Financial Resources

The Group's assets have been decreased by approximately HK\$1,074 million and liabilities have been increased by approximately HK\$1,096 million during the Period.

At the balance sheet date, the outstanding bonds payable, bank and other borrowings, net of restricted bank deposits, cash and bank balances, were HK\$5,943 million (HK\$5,516 million at 31 December 2016). Among the total gross borrowings of HK\$9,469 million, HK\$3,618 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.

The Group entered into a 48 months HK\$4.5 billion term loan facilities agreement with banks in Hong Kong for financing the capital expenditure of the Group such as the construction of the 5th generation of TFT-LCD production line in Shanwei City and the Group's general corporate funding requirements. For detail of this facility agreement, please refer to the Loan Agreement with Specific Performance Covenant announcement of the Company dated 20 June 2016. The Group had utilised HK\$2.3 billion from this term loan facilities in 2016, the remaining of HK\$2.2 billion bank loan has been utilised in early 2017.

Besides, a PRC subsidiary, 信利光電股份有限公司 (“Truly Shanwei”), of the Company has issued the first tranche of domestic corporate bonds on the Shenzhen Stock Exchange on 28 July 2016 with the amount of RMB750 million to replenish its working capital. The Company will announce details of the issue of subsequent tranche(s) (if any) of the Domestic Bonds (remaining maximum amount not exceeding RMB500,000,000) as and when appropriate. For details of the relevant domestic corporate bonds issuing, please refer to the announcements of the Company dated 25 July 2016 and 28 July 2016.

Capital Commitments

At the balance sheet date, the Group’s contracted capital commitments for the acquisition of property, plant and equipment were approximately HK\$1,815 million (approximately HK\$1,330 million at 31 December 2016) and will be financed principally from internal reserves and bank loans.

Contingent Liabilities

At the balance sheet date, a claim against a subsidiary of the Group for Euro 7.2 million in aggregate being disclosed in the 2016 annual report, which no progress has occurred during the Period. The directors believe, based on the 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 2017 and 31 December 2016 in this regard.

In addition, at 30 June 2017, 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\$3.44 billion and the bank loans with the amount of approximately HK\$3.11 billion were utilized by the associate.

Furthermore, at 30 June 2017, 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\$810 million. A counter-indemnity in favour of the other shareholder is executed pursuant to which the Group undertakes to indemnify the other shareholder’s 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.

Progress on the construction of the 5th Generation of TFT-LCD production plant in Shanwei

The construction work of the 5th generation of TFT-LCD production plant in Shanwei has been completed in July 2017. The machinery and equipment have been started to move-in in August 2017 and the decoration would be completed by the end of 2017. The trial production would start in the first half of 2018.

Proposed Spin-off Update

The proposed Spin-off has entered the CSRC's feedback and enquiries stage.

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

Update on investment in an associate — Truly Huizhou

Truly Huizhou has done (i) some AMOLED molds for smartphones and wearable products and (ii) some TFT molds for non-smartphone products such as industrial products' display panel and automotive display panel since the fourth quarter of 2016, which would be started mass production in late 2017 or early 2018 after verification by customers. Furthermore, the production rate and yield rate of Truly Huizhou during the ramping up period have been continuously improving in 2017. Therefore, the working capital of Truly Huizhou would be improved accordingly and ease the financial burden to the Group.

During the Period, Truly Huizhou has increased its Registered Capital by approximately RMB382.6 million from RMB2,300 million to around RMB2,682.6 million through the way of capitalizing total amount of RMB410 million of debt owed by the JV Company to the Group in order to strengthen its working capital. Upon completion of the Capital Increase, the JV Company will be held as to 59.7039% by the Group. For detail of the Capital Increase, please refer to the announcement at the Company dated 5 May 2017.

As at 30 June 2017, Truly Huizhou had outstanding short term loans due to the Group with the amount of approximately HK\$137 million.

Truly Huizhou had further utilized RMB215 million bank term loans during the Period under the bank term loans being obtained in November 2015 with the maximum loans limit of RMB2,180 million plus USD120 million. As at 30 June 2017, Truly Huizhou utilized the bank term loans with the amount of RMB2,039.5 million and USD98 million. Therefore, the unutilized balance of the bank term loans of Truly Huizhou as at 30 June 2017 is RMB140.5 million and USD22 million, which would be expected to be utilized in second half of 2017.

Significant Investments and Acquisitions

Investment in Leshi Zhixin

On 14 February 2017, the Group has entered into the Investment Agreement with, among Others, Leshi Zhixin, pursuant to which the Group conditionally agreed to acquire in aggregate 2.3438% equity interest in Leshi Zhixin immediately upon completion of the Investment at a consideration of RMB720 million. For detail of the transaction, please refer to the announcement of the Company dated 14 February 2017.

Up to 25 August 2017, the Group has paid the first instalment of RMB240 million, and suspended to pay the remaining two instalments with the amount of RMB480 million because the Company's management considers a condition of the Investment Agreement has been breached. Furthermore, the management have taken legal action against Leshi Zhixin and Leshi Holding in August 2017 for a dispute relating to the investment agreement and requesting refund of the first instalment of RMB240 million being paid. For detail, please refer to the announcement of the Company dated 29 August 2017.

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

Formation of a Joint Venture Company in Renshou County, Meishan City, Sichuan Province, the PRC (5th Generation TFT-LCD Project)

On 16 June 2017, the Group entered into the JV Agreement in relation to the formation of the JV Company in Renshou County, Meishan City, Sichuan Province, the PRC as the project company for the fifth generation of thin-film-transistor liquid-crystal display (TFT-LCD) production.

The total investment of the JV Company will be RMB12,500 million and a production facilities for the fifth generation of thin-film-transistor liquid-crystal display (TFT-LCD) will be established. The registered capital of the JV Company will be RMB7,000 million, of which, the Group will contribute RMB500 million for 7.1429% equity interest. For detail of the transaction, please refer to the announcement of the Company dated 16 June 2017.

The JV Company would be expected to be established soon after the shareholders' agreement and the relevant JV Company formation document being finalized.

Formation of another Joint Venture Company in Renshou County, Meishan City, Sichuan Province, the PRC (6th Generation AMOLED Project)

On 14 July 2017, the Group entered into the Framework Agreement for the TFT-LCD Project and the AMOLED Project.

The total investment of the JV Companies will be RMB40,400 million for the TFT-LCD Project and the AMOLED Project. The designated investors of Meishan City People's Government and the Group will further enter into agreements such as cooperation agreements and shareholders' agreements to set out the rights and obligations of each party, and the terms of such agreements will prevail.

Besides, the Group has entered into the AMOLED JV Agreement on 14 July 2017 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 registered capital of the AMOLED JV Company will be RMB15,000 million, of which, the Group will contribute RMB2,000 million for 13.3% equity interest.

The relevant cooperation agreements and shareholders' agreements are now still under negotiation. For detail of the transaction, please refer to the announcement of the Company dated 14 July 2017.

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

Except the above disclosed, there has been no other significant investments and acquisitions during the six months ended 30 June 2017.

Material Acquisitions and Disposals

The Group had no material acquisitions or material disposal of subsidiaries and associated companies for the six months ended 30 June 2017 except the above mentioned.

General

There are approximately 25,000 workers and employees currently employed in the Group's Shan Wei factory 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 2017 (2016: 3 HK cents) owing to loss for the Period attributable to owners of the Company being recorded. Together with the first interim dividend of 1 HK cent per share to be paid on 5 September 2017, the total interim dividends payable were 1 HK cent per share (2016: 5 HK cents).

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 2017.

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 2017, 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 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 22 May 2017 due to prior business commitment.

— *Code Provision E.1.2*

The Chairman did not attend the annual general meeting of the Company held on 22 May 2017 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 and on the website of the Company at www.truly.com.hk. The 2017 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
Lam Wai Wah
Chairman

Hong Kong, 30 August 2017

As at the date of this announcement, the Board comprised Mr. Lam Wai Wah, Mr. Wong Pong Chun, James, Mr. Cheung Tat Sang as executive directors; Mr. Li Jian Hua as a non-executive director; and Mr. Chung Kam Kwong, Mr. Ip Cho Ting, Spencer and Mr. Heung Kai Sing as independent non-executive directors.