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 2018 ANNUAL RESULTS

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2018	2017	**Change**
	HK$'000	*HK$'000*	
Revenue	**19,762,442**	20,733,418	**–4.7%**
Gross profit	**1,885,553**	2,040,167	**–7.6%**
Profit for the year attributable to owners of the Company	**74,190**	62,987	**+17.8%**
EBITDA	**1,758,630**	1,622,903	**+8.4%**
EPS *(HK cents)*			
— Basic	**2.36**	2.13	**+10.8%**
DPS *(HK cents)*			
— Interim	**–**	1	**-100%**
— Final	**–**	–	**N/A**
— Full Year	**–**	1	**-100%**

The directors do not propose the payment of final dividend for the year ended 31 December 2018 (2017: nil).

THE CHAIRMAN’S STATEMENT

Truly International Holdings Limited (the “Company” and, together with its subsidiaries, the “Group”) has recorded a slightly decrease in the Group’s revenue in 2018 compared with 2017, which cannot meet our expectation being made last year to maintain the 2018 revenue. The 2018 revenue was decreased by approximately HK$971 million or 4.7% when compared to 2017 (approximately HK$20.7 billion). The major reasons for decrease in the 2018 revenue were (i) the PRC domestic mobile phone shipments being dropped by 15.6% year on year (according to the report from China Academy of Information and Communication Technology) and (ii) the depreciation of Renminbi in 2018. In 2018, the Group’s revenue was more than 60% from the PRC domestic sales and invoiced in Renminbi. Therefore, the Group’s Hong Kong Dollars equivalent revenue was affected in 2018.

Owing to the depreciation of Renminbi in 2018, the Group’s gross profit margin and profit attributable to the owners of the Company was affected accordingly. Besides, other income of the Group for 2018 was decreased by approximately HK$79 million mainly due to the 2017 government grants of approximately HK$80 million being non-recurred in 2018; therefore, the profit attributable to owners of the Company was affected.

For strengthening the Group’s financial position and improving the Group’s general working capital, I, as the Chairman of the Company, subscribed 168.8 million new ordinary shares (representing 5.13% of the issued share capital of the Company as enlarged by the Subscription Shares) of the Company with the aggregate amount of approximately HK$199 million on 31 July 2018. The shares subscribed by the Chairman has been completed on 6 November 2018.

The Proposed Spin-off of Truly Shanwei, a PRC subsidiary of the Company, has not been approved by the Public Offering Review Committee of CSRC in respect of it’s A Share Listing in January 2019. The management has been considering to submit a new application to CSRC within 2019.

The Huizhou factory, the major associated company of the Group, has not been improved its significant operating loss in 2018. After the change of production strategy and sales strategy of Huizhou factory’s AMOLED production line since last quarter 2018, the management is confident that the Huizhou factory’s operating results can be improved in 2019.

The Group’s fifth generation TFT-LCD production plant in Shanwei started the trial production period in January 2018. After around 1.5 year trial run and ramping up, the mass production of this fifth generation TFT-LCD production plant can be expected in second half of 2019. Thereafter, it can improve the completeness of the Group’s production capacity on LCD module products and strengthen the customers’ confidence on the Group.

Besides, the Group’s another associated company in Sichuan for another fifth generation TFT-LCD production factory would be expected to finish its machineries installation in late 2019 or early 2020.

In 2019, it is still very challenging to the Group as the smartphone industry is still facing the downward trend in early 2019 and Sino-US trade frictions not yet settled. However, the 5G concept would bring some opportunities to smartphone industry and non-smartphone businesses of the Group would continue to grow. Therefore, the management would expect that the Group's revenue would have some growth in 2019.

The management would like to express its appreciation to the Group's bankers, staff and workers for their continuing support and outstanding contribution. In addition, the management wishes to extend its gratitude for customers, suppliers and other business partners.

Lam Wai Wah
Chairman

Hong Kong, 29 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	3	**19,762,442**	20,733,418
Cost of sales		**(17,876,889)**	(18,693,251)
Gross profit		**1,885,553**	2,040,167
Other income	5	**103,002**	181,793
Other gains and losses	6	**(102,663)**	(69,891)
Gain from changes in fair value of financial assets at fair value through profit or loss		**4,142**	–
Impairment loss on available-for-sale investments		**–**	(9,096)
Allowance for doubtful debt for a specific customer, net of insurance compensation received		**–**	(413,669)
Administrative expenses		**(395,530)**	(434,445)
Distribution and selling expenses		**(443,334)**	(412,483)
Finance costs	7	**(353,679)**	(323,108)
Share of results of associates		**(444,172)**	(371,980)
Profit before tax		**253,319**	187,288
Income tax expense	8	**(105,106)**	(94,451)
Profit for the year	9	**148,213**	92,837
Other comprehensive (expense) income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(532,728)**	804,487
Share of other comprehensive (expense) income of associates		**(1,654)**	1,754
Other comprehensive (expense) income for the year		**(534,382)**	806,241
Total comprehensive (expense) income for the year		**(386,169)**	899,078
Profit for the year attributable to:			
Owners of the Company		**74,190**	62,987
Non-controlling interests		**74,023**	29,850
		148,213	92,837
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(431,177)**	831,592
Non-controlling interests		**45,008**	67,486
		(386,169)	899,078
EARNINGS PER SHARE	11		
Basic (HK cents per share)		**2.36**	2.13

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**12,307,604**	11,889,808
Prepaid lease payments		**383,123**	361,225
Intangible assets		**–**	–
Goodwill		**413**	413
Interests in associates		**1,231,064**	1,748,781
Financial assets at fair value through profit or loss		**10,316**	–
Available-for-sale investments		**–**	6,174
Deferred tax assets		**90,402**	62,989
Deposits paid and other payments for acquisition of property, plant and equipment		**132,025**	301,833
		14,154,947	14,371,223
CURRENT ASSETS			
Inventories		**3,132,622**	2,579,619
Prepaid lease payments		**8,685**	8,829
Loan receivable		**–**	–
Trade and other receivables	*12*	**5,020,366**	5,757,278
Trade receivables at fair value through other comprehensive income	*13*	**168,813**	–
Derivative financial instruments		**–**	17,370
Amount due from an associate		**1,346,194**	607,858
Tax recoverable		**391**	413
Restricted bank deposits		**132,104**	130,396
Bank balances and cash		**1,090,379**	3,465,844
		10,899,554	12,567,607
CURRENT LIABILITIES			
Trade and other payables	*14*	**8,547,580**	8,909,258
Tax liabilities		**48,149**	41,207
Bank and other borrowings, unsecured		**7,118,297**	4,370,053
Contract liabilities		**112,491**	–
Derivative financial instruments		**–**	140,440
		15,826,517	13,460,958
NET CURRENT LIABILITIES		**(4,926,963)**	(893,351)
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,227,984**	13,477,872

	Notes	**2018** **HK$'000**	2017 HK$'000
NON-CURRENT LIABILITIES			
Bank and other borrowings, unsecured		**75,000**	4,087,285
Bonds payable		**850,265**	895,073
Deferred tax liabilities		**56,692**	47,359
		981,957	5,029,717
NET ASSETS		**8,246,027**	8,448,155
CAPITAL AND RESERVES			
Share capital		**65,785**	62,409
Share premium and other reserves		**7,570,791**	7,820,362
Equity attributable to owners of the Company		**7,636,576**	7,882,771
Non-controlling interests		**609,451**	565,384
TOTAL EQUITY		**8,246,027**	8,448,155

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

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 ("USD"). The consolidated financial statements are presented in Hong Kong dollars ("HKD") which is different from the functional currency of the Company, as the directors of the Company consider that HKD 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")

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The Group has not early applied any new and amendments to HKFRSs that have been issued but are not yet effective.

3. REVENUE

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

	2018	2017
	HK$'000	*HK$'000*
Sales of LCD products	**12,070,050**	15,083,343
Sales of electronic consumer products	**7,692,392**	5,650,075
	19,762,442	20,733,418

4. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, 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 2018

	LCD products *HK$'000*	**Electronic consumer products** *HK$'000*	**Segment total** *HK$'000*	**Eliminations** *HK$'000*	**Consolidated** *HK$'000*
REVENUE					
External sales	**12,070,050**	**7,692,392**	**19,762,442**	**–**	**19,762,442**
Inter-segment sales	**–**	**239,302**	**239,302**	**(239,302)**	**–**
	12,070,050	**7,931,694**	**20,001,744**	**(239,302)**	**19,762,442**
RESULT					
Segment result	**686,423**	**377,164**	**1,063,587**	**(14,738)**	**1,048,849**
Finance costs					**(353,679)**
Unallocated expenses					**(441,851)**
Profit before tax					**253,319**

For the year ended 31 December 2017

	LCD products *HK$'000*	Electronic consumer products *HK$'000*	Segment total *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
REVENUE					
External sales	15,083,343	5,650,075	20,733,418	–	20,733,418
Inter-segment sales	–	223,498	223,498	(223,498)	–
	15,083,343	5,873,573	20,956,916	(223,498)	20,733,418
RESULT					
Segment result	850,760	100,354	951,114	(13,765)	937,349
Finance costs					(323,108)
Unallocated expenses					(426,953)
Profit before tax					187,288

Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, gain (loss) on fair value changes of derivative financial instruments, finance costs and share of results of associates. 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 2018

	LCD products ***HK$'000***	**Electronic consumer products** ***HK$'000***	**Consolidated** ***HK$'000***
Amounts included in the measure of segment profits:			
Depreciation (including amounts capitalised in inventories)	**876,659**	**274,973**	**1,151,632**
Loss on disposal/write off of property, plant and equipment	**18,178**	**2,487**	**20,665**
Allowance for credit losses, net	**1,087**	**720**	**1,807**

For the year ended 31 December 2017

	LCD products *HK$'000*	Electronic consumer products *HK$'000*	Consolidated *HK$'000*
Amounts included in the measure of segment profits:			
Depreciation (including amounts capitalised in inventories)	872,298	240,209	1,112,507
Loss on disposal/write off of property, plant and equipment	95,659	1,430	97,089
Allowance for doubtful debts, net	31,105	–	31,105
Allowance for doubtful debt for a specific customer, net of insurance compensation received	322,662	91,007	413,669

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**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**14,731,111**	15,736,056	**13,959,915**	14,221,605
South Korea	**1,274,048**	912,926	**–**	–
Hong Kong (country of domicile)	**655,161**	688,524	**94,314**	80,455
Japan	**466,045**	434,056	**–**	–
Europe	**1,352,908**	1,540,453	**–**	–
Others	**1,283,169**	1,421,403	**–**	–
	19,762,442	20,733,418	**14,054,229**	14,302,060

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, available-for-sale investments and deferred tax assets.

Information about major customers

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

	2018	2017
	HK$'000	*HK$'000*
Customer A[1]	**4,565,832**	3,571,261
Customer B[1]	**3,255,104**	6,501,047

[1] Revenue from LCD products and electronic consumer products

5. OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
Other income includes:		
Government grants	**28,767**	88,684
Interest income	**16,842**	27,795
Interest income from an associate	**32,395**	10,203
Rental income	**11,543**	11,379
Compensation income	**11,372**	40,585
Dividends from available-for-sale investments	**–**	311
Sundry income	**2,083**	2,836
	103,002	181,793

6. OTHER GAINS AND LOSSES

	2018	2017
	HK$'000	*HK$'000*
(Gain) loss on fair value change of derivative financial instruments, net	**(17,163)**	87,736
Net foreign exchange loss (gain)	**112,085**	(134,218)
Loss on disposal/write-off of property, plant and equipment	**20,665**	97,089
Allowance for credit losses/doubtful debts, net	**1,807**	31,105
Reversal of allowance for loan receivable	**(11,880)**	(11,500)
Reversal of allowance for other receivables	**(2,851)**	–
Gain on disposal of non-current assets held for sale	**–**	(321)
	102,663	69,891

7. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest on bank and other borrowings	**300,542**	271,751
Effective interest expense on bonds payable	**53,137**	51,357
	353,679	323,108

8. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**–**	–
PRC Enterprise Income Tax	**114,547**	142,762
Other jurisdictions	**400**	1,085
	114,947	143,847
Withholding tax	**14,455**	23,950
	129,402	167,797
(Over)underprovision in prior years:		
Hong Kong	**(101)**	–
PRC	**(6,115)**	6,175
	(6,216)	6,175
Deferred tax	**(18,080)**	(79,521)
Income tax expense for the year	**105,106**	94,451

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.

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

	2018 *HK$'000*	2017 *HK$'000*
Profit for the year has been arrived at after charging:		
Auditor's remuneration	**3,200**	3,200
Cost of inventories recognised as expenses	**17,210,826**	17,881,679
Research expenses (included in cost of sales)	**666,063**	811,572
Depreciation of property, plant and equipment (including amounts capitalised in inventories)	**1,151,632**	1,112,507
Operating lease rental in respect of rented premises	**13,299**	16,489
Release of prepaid lease payments	**6,534**	8,441
Staff costs, inclusive of directors' remuneration:		
Salaries and other benefits	**1,704,709**	1,756,665
Retirement benefits scheme contributions	**135,441**	140,583
	1,840,150	1,897,248

10. DIVIDENDS

	2018 *HK$'000*	2017 *HK$'000*
Dividends recognised as distribution during the year:		
2017 Interim dividend of 1 HK cent per share (2018 Interim dividend: nil)	**–**	29,071
2016 Final dividend of 2 HK cents per share (2017 Final dividend: nil)	**–**	58,142
	–	87,213

No interim dividend (2017: 1 HK cent per share) has been paid or declared during the year ended 31 December 2018.

The directors do not propose the payment of final dividend for the year ended 31 December 2018 (2017: nil).

11. EARNINGS PER SHARE

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

Earnings

	2018	2017
	HK$'000	*HK$'000*
Earnings for the purposes of basic earnings per share		
Profit for the year attributable to owners of the Company	**74,190**	62,987

Number of shares

	2018	2017
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic earnings per share	**3,145,896**	2,962,039

No diluted earnings per share is presented as there were no potential ordinary shares outstanding at the end of the reporting date.

12. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade and bills receivables	**4,928,290**	4,969,619
Less: Allowance for credit losses/doubtful debts	**(586,447)**	(578,113)
	4,341,843	4,391,506
Other receivables, deposits and prepayments	**678,523**	1,365,772
Total trade and other receivables	**5,020,366**	5,757,278

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/doubtful debts at the reporting date:

		2018			2017	
	Trade receivables	**Bills receivables**	**Total**	Trade receivables	Bills receivables	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Within 60 days	**2,989,486**	**–**	**2,989,486**	3,117,306	244,652	3,361,958
61 to 90 days	**968,389**	**–**	**968,389**	574,597	13,795	588,392
More than 90 days	**383,968**	**–**	**383,968**	392,195	48,961	441,156
	4,341,843	**–**	**4,341,843**	4,084,098	307,408	4,391,506

13. TRADE RECEIVABLES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018
	HK$'000
Trade receivables	**31,848**
Bills receivables	**136,965**
	168,813

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

	2018		
	Trade receivables	**Bills receivables**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Within 60 days	**29,663**	**114,300**	**143,963**
61 — 90 days	**2,185**	**10,053**	**12,238**
More than 90 days	**–**	**12,612**	**12,612**
	31,848	**136,965**	**168,813**

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:

	2018			2017		
	Trade payables	**Bills payables**	**Total**	Trade payables	Bills payables	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Within 60 days	**3,870,261**	**961,044**	**4,831,305**	3,370,478	847,175	4,217,653
61 to 90 days	**527,891**	**237,012**	**764,903**	473,841	495,574	969,415
More than 90 days	**812,813**	**86,926**	**899,739**	846,482	673	847,155
	5,210,965	**1,284,982**	**6,495,947**	4,690,801	1,343,422	6,034,223

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.

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.

Business Review

Revenue of 2018 recorded a decrease by 4.7% amounting to approximately HK$19.8 billion (2017: HK$20.7 billion), which was mainly attributable to (i) the PRC domestic mobile phone shipments being dropped by 15.6% year on year (according to the report from China Academy of Information and Communication Technology) and (ii) the depreciation of Renminbi in 2018. Therefore, our major PRC smartphone customers' sales orders were reduced also and the smartphone related products' revenue in 2018 was decreased accordingly. For non-smartphone related products' revenue has still increased in 2018 by double digits when compared to 2017, but it was less than the smartphone related products' revenue amount being dropped in 2018.

Profit for the year attributable to the owners of the Company was increased to approximately HK$74 million (2017: approximately HK$63 million) by 17.8%. Basic earnings per share for the year increased to 2.36 HK cents from 2.13 HK cents in 2017. No interim dividend was declared or paid during 2018 (2017: 1 HK cent per ordinary share). The Board of Directors do not propose the payment of final dividend for the year ended 31 December 2018 (2017: nil).

The gross profit margin for the year decreased to approximately 9.5% (2017: 9.8%) and net profit margin for the year attributable to owners of the Company increased to 0.4% (2017: 0.3%). Decrease in gross profit margin was mainly affected by the keen competition for the smartphone businesses and the depreciation of Renminbi in 2018. Furthermore, decrease in revenue in 2018 also affected the net profit margin for the year attributable to owners of the Company.

The depreciation of Renminbi in 2018 was unfavorable to the Group, it affected the gross profit margins being decreased and reduced the total equity of the Group in 2018.

The Group's LCD business including touch products was about 61% of the Group revenue in 2018. The decrease in LCD business in 2018 was due to the significant drop in touch products sales for smartphone related business. Other businesses of the Group including the sales of compact camera modules, fingerprint identification products and printed circuit board were 39% of the Group's revenue in 2018. The significant growth in other businesses segment of the Group was due to the significant sales growth in compact camera modules in 2018. LCD business would continue to be the core business of the Group in coming few years.

In a nutshell, the Group's smartphone related revenue decreased in 2018 whereas the Group's non-smartphone related revenue increased in 2018. It would be a good direction to the Group for enhancing the development of non-smartphone businesses and improving the profit margins.

The Group continues to put resources in the Group's research and development by spending around HK$666 million in 2018 (2017: HK$812 million). During the year, the Group continued to register many patents related manufacturing process of the PRC factories of the Group.

Outlook

Since the Sino-US trade has not been settled, the global economic is on the downward trends. Besides, according to report of CAICT, the PRC domestic mobile phone shipments extended 2018 downward trend to the first two months of 2019. For the two months ended 28 February 2019, the PRC domestic mobile phone shipments decreased by 15.1% year on year according to CAICT report. However, the Group has a good start for the first two months' unaudited turnover in 2019 with approximately 14.9% growth year on year. The management of the Group would lead all staff and workers to face the challenges and difficulties in 2019. The Group is confident to have revenue growth in 2019 under these difficulties. The Group's smartphone related businesses would be under pressures but it would be improved along with 5G smartphone being launched in 2nd half of 2019. The Group's non-smartphone related businesses are still under growth in 2019.

As the management has implemented some cost down measures including but not limited to reducing number of workers by restructuring during 2018. The operating cost would continuously be reduced in 2019 to strengthen the Group's competitive capability.

Besides, the Huizhou factory, the major associated company of the Group, has found a way to improve its operating loss by adopting right production strategy and sales strategy since last quarter of 2018. Therefore, the management expects its significant improvement from second quarter of 2019.

Furthermore, the Group's fifth generation TFT-LCD factory in Shanwei could start mass production during 2019.

Proposed Spin-off Update

The management would like to update the Shareholders and investors that on 29 January 2019, the Public Offering Review Committee of CSRC reviewed the application by Truly Shanwei in respect of it's A Share Listing and did not approve its application. For detail of it, please refer to the Company's announcement being made on 29 January 2019 under the head of "Update on the Proposed Spin-off and Separate Listing of Truly Shanwei on the Shenzhen Stock Exchange".

The management is considering to submit a new application to CSRC within 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 2018 (the "Year") was approximately HK$19,762 million, representing a decrease of approximately 4.7% or approximately HK$971 million year on year. The decrease in revenue was mainly attributable by the decrease in smartphone shipments in the PRC for the Year compared to 2017 and the depreciation of Renminbi.

Gross Profit and Margin

The Group's gross profit for the year was approximately HK$1,886 million and the gross profit margin was approximately 9.5%, which was approximately 0.3% lower than that for 2017.

The gross profit margin of the Group has been decreased from 9.8% in 2017 to 9.5% in 2018, because it was mainly affected by the depreciation of Renminbi in 2018 and keen competition on smartphone related products business. Major smartphone related products revenue of the Group was in Renminbi but it's core raw materials cost mainly in USD. Therefore, the depreciation of Renminbi would reduce the gross profit margin of the Group's smartphone related products.

Furthermore, the 5th generation TFT-LCD production line in the Shanwei of the Group has started the trial production during the year, some indirect factory overheads were increased accordingly in the year. The gross profit and margin during the year were affected also.

Other Income

The Group's other income for the year was approximately HK$103 million, representing a decrease of approximately 43% or approximately HK$79 million when compared with 2017. The decrease in other income was mainly because the government grant received (approximately HK$80 million) in relation to development on advance technology in 2017 but not recurred in the year.

Other Gains or Losses

The Group's other gains or losses for the year was approximately HK$103 million net other losses, representing an increase of approximately 47% or approximately HK$33 million when compared with 2017. The increase in net other losses was mainly because of net foreign exchange gain being incurred in 2017 but net foreign exchange loss being incurred in 2018.

Distribution and Selling Expenses

The Group's distribution and selling expenses for the year has been increased by approximately 7.5% or approximately HK$31 million to approximately HK$443 million when compared to 2017. The increase in distribution and selling expenses was mainly attributable to the increased freight charges.

Administrative Expenses

The Group's administrative expenses for the year has been decreased by approximately 9.0% or approximately HK$39 million to approximately HK$396 million when compared to 2017. The decrease in administrative expenses was mainly attributable to the tight costs control being implemented in 2018.

Finance costs

The Group's finance costs for the year has been increased by approximately 9.5% or approximately HK$31 million to approximately HK$354 million when compared to 2017. The increase in finance costs was mainly attributable to the increase in interest rate of HIBOR and LIBOR in 2018.

Share of results of associates

The Group's share of results of associates for the year has been increased by approximately 19.4% or approximately HK$72 million to approximately HK$444 million when compared to 2017. The increase in share of loss of associates was mainly attributable to the major associate, Truly Huizhou, incurred more operating loss in 2018.

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 2015 to 2017. These two major subsidiaries are now in the process of applying the 15% preferential tax treatment for further three year with effect from 1 January 2018. Accordingly, PRC Enterprise Income Tax is provided at 15% for the year ended 31 December 2018.

Profit for the Year Attributable to Owners of the Company

The profit for the year attributable to owners of the Company was improved to approximately HK$74 million by approximately of 17.8% or HK$11 million when compared to 2017. The profit improvement was mainly attributable to net effect of (i) the oneoff full provision for bad and doubtful debts of a specific customer, net of insurance compensation, (approximately HK$414 million) in 2017, which did not have similar event being recurred in year; (ii) the government grant received (approximately HK$80 million) in the first half of 2017 but not recurred in the year; (iii) share of losses of associates in 2018 being increased; and (iv) the appreciation of Renminbi in 2017 but depreciation in 2018.

Significant Investments, Acquisitions, Assets and Liabilities

Update on investment in a major associate — Truly (Huizhou) Smart Display Limited (信利(惠州)智能顯示有限公司) ("Truly Huizhou")*

The associate has incurred significant operating loss approximately of HK$747 million in 2018, which 59.7039% loss shared by the Group for the Year; and affected the Group's results accordingly. The management expected that the associate would significantly reduce its operating loss in 2019 as the change of production strategy and sales strategy of Huizhou factory's AMOLED production line being adopted since the forth quarter of 2018.

For the bank loans obtained by the associate with the guarantee provided by the Group in November 2015, the associate has started to repay by semi-annually instalments in November 2017. As at 31 December 2018, the associate has the outstanding loan amount of approximately RMB1,589 million plus approximately USD79 million.

Update on the Shanwei 5th generation TFT-LCD Production Line progress

The 5th generation TFT-LCD production line factory in Shanwei has been completed in the fourth quarter of 2017. It was started trial production period in 2018 and expect the mass production starting in the second half of 2019.

Litigation 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 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 2017 Annual Report of the Company.

The first hearing by the court of the said case has been completed on 4 June 2018 in Beijing. The Group has been informed by the Group's PRC lawyer that a decision letter issues by the relevant count 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. Subsequently, the Group has lodged an objection to the relevant court in Beijing on 31 August 2018 and received a favourable decision on 9 January 2019 to instruct the court of first instance to process this case again.

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

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

The Group has contributed RMB500 million by cash to Truly Renshou during 2017 according to the relevant agreements. Truly Renshou has completed the building construction of the fifth generation of TFT-LCD factory in Renshou in 2018 and the installation of the machineries would be completed in late 2019. The trial production of the factory would be started in 2020 by the management's estimation.

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 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 20 March 2019.

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

Potential Breaching and Breaching of Certain Banks and Other Borrowings Agreements

In early June 2018, 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 2018. It was mainly because the relevant financial covenants are tightened up gradually from 2018 to 2020. 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 0.80:1 and 1:1, respectively) for the testing date on 30 June 2018 as mentioned above in early June 2018 and had successfully received the lenders' consent on 30 June 2018. Therefore, 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 2018 is required under the relevant accounting standards.

Besides, in early December 2018, the Company has estimated that the Group might potentially breach certain financial covenants in relation to certain ratios of net borrowings and EBITDA to Interest expense of some bank loan agreements for the testing date on 31 December 2018. The Company has received the lenders' waiver approval in March 2019. However, as the waiver approval has been obtained after 31 December 2018; therefore, reclassification of the relevant borrowings with the amount of HK$2,311 million under the non-current liabilities to the current liabilities in the Company's consolidated statement of financial position as at 31 December 2018 is required under the relevant accounting standards.

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

Equity Funds Raising by Shares Subscription

On 31 July 2018, the Company entered into the Subscription Agreement with the Subscriber, the Controlling Shareholder of the Company, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 168,800,000 new Shares at the Subscription Price of HK$1.18 per Subscription Share to the Subscriber. For detail, please refer to the announcement of the Company dated 31 July 2018 in relation to (1) Connected Transaction in relation to subscription of new shares by the controlling shareholder; (2) proposed share issuance under specific mandate; and (3) application for whitewash waiver.

The shares subscribed by the Chairman has been completed on 6 November 2018. For detail of it, please refer to the announcements of the Company dated 6 November 2018.

Liquidity and Financial Resources

The Group's assets have been decreased by approximately HK$1,884 million and liabilities have been decreased by approximately HK$1,682 million during the year.

As at 31 December 2018, the outstanding bonds payable and bank and other borrowings, net of restricted bank deposits, cash and bank balances, were approximately HK$6,821 million (2017: approximately HK$5,756 million). It was increased by approximately 18.5% when compared to these net borrowings as at 31 December 2017. 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 2018, the Group had net current liabilities of approximately HK$4,927 million (as at 31 December 2017, net current liabilities of approximately HK$893 million) and its current ratio decreased to 0.69 times as at 31 December 2018 from 0.93 times as at 31 December 2017. The major reason for the increase in net current liabilities position as at 31 December 2018 is the reclassification of the relevant borrowings with the amount of HK$2,311 million under the non-current liabilities to the current liabilities after breaching of certain bank and other borrowing agreement as at 31 December 2018. The management would try their best to make more long-term loans refinancing and other measures to improve the net current liabilities position in 2019.

As at 31 December 2018, the Group has restricted bank deposits, cash and bank balances approximately HK$1,222 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 89%, which has increased from 73% at 31 December 2017.

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 2018.

General

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

Additions to fixed assets mainly in construction in progress, furniture, fixture and equipment and plant and machinery were approximately HK$2,267 million. As at 31 December 2018, the Group had no pledge or mortgage on its fixed assets.

Around 16,000 workers and staff are currently employed in our Shan Wei factory in China and around 100 personnel in the Group's Hong Kong office. Total staff costs for 2018 were approximately HK$1,840 million.

Capital Commitments

Capital expenditure commitment of around HK$419 million in respect of acquisition of property, plant and equipment was contracted for but not provided as at 31 December 2018.

Contingent Liabilities

A claim against a subsidiary of the Group for Euro 7.2 million in aggregate being disclosed in the 2017 annual report, which has rejected by the Court's decision dated 9 May 2018. This Court decision has become final by the end of June 2018 without any appeal made by the plaintiff. Therefore, the Group need not pay to the plaintiff in this claim.

In addition, at 31 December 2018, the Group has given corporate guarantee for bank borrowings granted to the associate (Truly (Huizhou) Smart Display Limited (信利(惠州)智能顯示有限公司)) with the borrowing limit at approximately HK$3.42 billion and the bank loans with the amount of approximately HK$2.43 billion were withdrawn by the associate.

Furthermore, at 31 December 2018, 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$804 million (2017: HK$836 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% (2017: 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.

Besides, the Company has recently received three notices of response to action from the Court according to which, on 31 October 2018, 6 November 2018 and 7 November 2018, the Claimant, Shenzhen Goodix Technology Co., Ltd. (深圳市匯頂科技股份有限公司) filed three civil complaints (the "Civil Complaints") against the Defendants including a non-wholly owned subsidiary of the Company, namely, Truly Opto-Electronics Limited* (信利光電股份有限公司) (as 2nd defendant) ("Truly Shanwei", 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:

(1) 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;

(2) the Defendants shall immediately destroy the abovementioned products;

(3) Truly Shanwei 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 compliants 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 compliants in aggregate of RMB1,500,000); and

(4) the Defendants shall be liable for the litigation expenses in relation to the Civil Complaint.

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

As at the date of this announcement, the Civil Complaints are still pending and no hearing date has been fixed. Currently, all business operations of the Company remain normal. The Civil Complaints have no material impact on the business operations and the solvency of the Company.

The Company will, in accordance with the applicable laws, make every effort to protect its interests and its shareholders' interests, and will keep the shareholders of the Company informed of any material progress on the Civil Complaints by way of further announcement(s) as and when appropriate.

The directors believe, based on legal advice that the case has legal and factual grounds to defended and therefore it is not probable that losses including claims for costs will be incurred. As a result, no provision has been made at the end of the reporting period in this regard.

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 2018.

Scope of work of Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2018 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 directors do not propose the payment of final dividend (2017: nil) for the year ended 31 December 2018.

No interim dividend (2017: 1 HK cent per share) was declared during 2018.

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 2019 Annual General Meeting, the Register of Members will be closed from Tuesday, 28 May 2019 to Thursday, 30 May 2019, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 27 May 2019.

Annual General Meeting

The 2019 Annual General Meeting of the Company will be held in May 2019. 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 2018.

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 2018, except for the deviation from the Code Provisions A.2.1 and A.6.7. The reason for deviation from A.2.1 and A.6.7 have been set out in the interim report for 2018 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 2018 Annual Report containing all the information required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be published on the websites of the Exchange 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, 29 March 2019

As at the date of this announcements, 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*