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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 2021

FINANCIAL HIGHLIGHTS

	For the six months ended		Change
	30 June		
	2021	2020	
	Unaudited	Unaudited	
	HK\$'000	HK\$'000	
Revenue	11,031,458	10,332,000	+6.8%
Gross profit	1,321,008	942,741	+40.1%
Profit for the period attributable to the owners of the Company	665,473	299,708	+122.0%
EBITDA	1,748,911	1,192,710	+46.6%
Basic Earnings Per Share (<i>HK cents</i>)	20.23	9.11	+122.1%
DPS (<i>HK cents</i>)			
— Interim(s)	5	—	N/A

The board of directors (the “Board”) of Truly International Holdings Limited (the “Company”) is pleased to announce the unaudited interim condensed consolidated statement of profit or loss and other comprehensive income of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2021 (the “Period”), together with the comparative figures for the corresponding period of 2020 and the unaudited interim condensed consolidated statement of financial position of the Group as at 30 June 2021 together with audited comparative figures as at 31 December 2020 as follows and these unaudited condensed interim financial statements have been reviewed by the audit committee and approved by the board of directors of the Company:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
REVENUE		11,031,458	10,332,000
Cost of sales		(9,710,450)	(9,389,259)
Gross profit		1,321,008	942,741
Other income		104,608	80,340
Other gains and losses		15,741	(59,752)
Net unrealized (loss)/gain on financial assets at fair value through profit or loss (“FVTPL”)		(3,580)	1,485
Administrative expenses		(195,217)	(157,764)
Distribution and selling expenses		(225,317)	(205,330)
Finance costs	4	(185,789)	(190,346)
Share of results of associates		50,009	3,626
PROFIT BEFORE TAX		881,463	415,000
INCOME TAX EXPENSE	5	(157,477)	(69,522)
PROFIT FOR THE PERIOD	6	723,986	345,478
OTHER COMPREHENSIVE INCOME (EXPENSE)			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		121,434	(148,620)
Share of exchange differences arising on translation of associates		18	(19,172)
Other comprehensive income (expense) for the period		121,452	(167,792)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		845,438	177,686

		Six months ended 30 June	
	<i>Notes</i>	2021	2020
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Profit for the Period attributable to:			
Owners of the Company		665,473	299,708
Non-controlling interests		58,513	45,770
		<u>723,986</u>	<u>345,478</u>
Total comprehensive income for the Period attributable to:			
Owners of the Company		775,597	145,952
Non-controlling interests		69,841	31,734
		<u>845,438</u>	<u>177,686</u>
EARNINGS PER SHARE			
Basic — HK cents	7	<u>20.23</u>	<u>9.11</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	<i>Notes</i>	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		12,114,493	12,255,374
Right-of-use assets		866,748	860,292
Intangible assets		–	–
Goodwill		413	413
Interest in associates		1,308,507	1,249,049
Financial assets at fair value through profit or loss		3,767	7,347
Deferred tax assets		59,493	56,519
Deposits paid for acquisition of property, plant and equipment		894	89,457
Rental deposits		76,494	72,987
Amount due from an associate		804,670	798,640
		15,235,479	15,390,078
CURRENT ASSETS			
Inventories		3,616,969	3,444,401
Trade and other receivables	8	3,461,998	3,496,771
Trade receivable at fair value through other comprehensive income	9	650,735	1,211,709
Amount due from an associate		1,426,583	1,590,736
Tax recoverable		10,200	8,636
Restricted bank deposits, bank balances and cash		1,555,650	1,395,125
		10,722,135	11,147,378
CURRENT LIABILITIES			
Trade and other payables	10	8,387,661	8,516,864
Contract liabilities		480,418	333,542
Tax liabilities		171,485	79,641
Bank and other borrowings		3,653,026	4,613,225
Bonds payable		45,175	44,764
Amounts due to associates		407,887	734,385
Lease liabilities		146,193	126,128
Derivative financial instruments		172	1,949
		13,292,017	14,450,498
NET CURRENT LIABILITIES		(2,569,882)	(3,303,120)
TOTAL ASSETS LESS CURRENT LIABILITIES		12,665,597	12,086,958

	30 June 2021	31 December 2020
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Bank and other borrowings	655,158	898,824
Bonds payable	359,006	355,832
Lease liabilities	222,928	265,624
Deferred tax liabilities	111,321	91,292
	<u>1,348,413</u>	<u>1,611,572</u>
NET ASSETS	<u>11,317,184</u>	<u>10,475,386</u>
CAPITAL AND RESERVES		
Share capital	65,785	65,785
Share premium and other reserves	10,082,653	9,306,100
Equity attributable to owners of the Company	10,148,438	9,371,885
Non-controlling interests	1,168,746	1,103,501
TOTAL EQUITY	<u>11,317,184</u>	<u>10,475,386</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i>
Amendments to HKFRS 16	<i>COVID-19-Related Rent Concessions</i>

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

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 2021 (Unaudited)

	LCD products HK\$'000	Electronic consumer products HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE					
External sales	7,984,171	3,047,287	11,031,458	–	11,031,458
Inter-segment sales	–	162,039	162,039	(162,039)	–
	<u>7,984,171</u>	<u>3,209,326</u>	<u>11,193,497</u>	<u>(162,039)</u>	<u>11,031,458</u>
RESULT					
Segment result	892,906	140,398	1,033,304	(7,588)	1,025,716
Finance costs					(185,789)
Share of result of associates					50,009
Unallocated expenses					<u>(8,473)</u>
Profit before tax					<u>881,463</u>

Six months ended 30 June 2020 (Unaudited)

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

4. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings wholly repayable within five years	<u>185,789</u>	<u>190,346</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. The renewal application is on progress.

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	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging:		
Auditor's remuneration	1,790	1,700
Cost of inventories recognised as an expense	8,262,111	8,150,430
Depreciation and amortisation on:		
Property, plant and equipment	647,670	569,124
Right-of-use assets	33,989	18,240
Loss on disposal of property, plant and equipment	1,571	1,216
Operating lease rental in respect of rented premises	2,296	5,267
Staff costs, inclusive of directors' remuneration	953,013	780,502
Other taxes	<u>47,527</u>	<u>16,547</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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Earnings for the purposes of basic and diluted earnings per share attributable to the owners of the Company	<u>665,473</u>	<u>299,708</u>
<u>Number of shares</u>	2021 '000	2020 '000
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u>3,289,229</u>	<u>3,289,229</u>

No diluted earnings per share is presented as there was no significant potential ordinary shares outstanding at the end of 30 June 2021 and 2020, respectively.

8. TRADE AND OTHER RECEIVABLES

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Trade receivables	3,868,526	3,989,094
Less: Allowance for credit losses	<u>(639,739)</u>	<u>(646,203)</u>
	<u>3,228,787</u>	<u>3,342,891</u>
Other receivables, deposits and prepayments	595,785	512,947
Less: Allowance for credit losses	<u>(286,080)</u>	<u>(286,080)</u>
	<u>309,705</u>	<u>226,867</u>
Total trade and other receivables	3,538,492	3,569,758
Less: Rental deposits shown under non-current assets	<u>(76,494)</u>	<u>(72,987)</u>
Amounts shown under current assets	<u>3,461,998</u>	<u>3,496,771</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, at the reporting date:

	30 June 2021			31 December 2020		
	Trade receivable <i>HK\$'000</i> (Unaudited)	Bills receivable <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)	Trade receivable <i>HK\$'000</i> (Audited)	Bills receivable <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
Within 60 days	2,212,885	4,466	2,217,351	2,251,913	–	2,251,913
61 to 90 days	583,764	–	583,764	608,869	113	608,982
More than 90 days	427,672	–	427,672	481,996	–	481,996
	<u>3,224,321</u>	<u>4,466</u>	<u>3,228,787</u>	<u>3,342,778</u>	<u>113</u>	<u>3,342,891</u>

Movement in the allowance for credit losses:

	30 June 2021 <i>HK\$'000</i> (Unaudited)
Balance at the beginning of the reporting period	932,283
Impairment losses recognised on receivables (net of impairment losses reversed) and new financial assets originated	(6,102)
Amounts written off as uncollectible	(362)
Balance at the end of the reporting period	<u>925,819</u>

9. TRADE RECEIVABLES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2021 <i>HK\$'000</i> (Unaudited)	31 December 2020 <i>HK\$'000</i> (Audited)
Trade receivables	480,614	854,563
Bills receivables	170,121	357,146
	<u>650,735</u>	<u>1,211,709</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 period:

	30 June 2021			31 December 2020		
	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	470,829	170,121	640,950	851,796	342,544	1,194,340
61–90 days	6,714	–	6,714	2,767	2,467	5,234
More than 90 days	3,071	–	3,071	–	12,135	12,135
	<u>480,614</u>	<u>170,121</u>	<u>650,735</u>	<u>854,563</u>	<u>357,146</u>	<u>1,211,709</u>

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 2021			31 December 2020		
	Trade payables <i>HK\$'000</i> (Unaudited)	Bills payables <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)	Trade payables <i>HK\$'000</i> (Audited)	Bills payables <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
Within 60 days	3,779,112	664,416	4,443,528	4,414,421	831,959	5,246,380
61 to 90 days	773,397	494,278	1,267,675	411,355	332,193	743,548
More than 90 days	1,241,874	461,023	1,702,897	906,290	468,632	1,374,922
	<u>5,794,383</u>	<u>1,619,717</u>	<u>7,414,100</u>	<u>5,732,066</u>	<u>1,632,784</u>	<u>7,364,850</u>

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 month ended 30 June 2021 (the "Period") was approximately HK\$11,031 million, representing an increase of approximately 6.8% or approximately HK\$699 million when compared with the corresponding period of 2020. The revenue growth in the Period was mainly attributable to the growth in non-smartphone related products business particular for vehicle-mounted, industrial, medical and Internet of Things related products when compared to the corresponding period of 2020.

Gross Profit and Margin

The Group's gross profit for the Period was approximately HK\$1,321 million and the gross profit margin was approximately 12.0%, which were approximately 40.1% and 2.9% higher than that for the corresponding period of 2020 respectively. Increase in gross profit and gross profit margin was mainly due to increase of sales of certain higher margin vehicle-mounted, industrial, medical and Internet of Things related products and decrease of additional allowance for inventories.

Other Income

The Group's other income for the Period was approximately HK\$104.6 million, representing an increase of approximately 30.2% or approximately HK\$24.3 million when compared with the corresponding period of 2020. The increase in other income was mainly because the government subsidies of approximately HK\$69.6 million received in the Period but only HK\$24.0 million in corresponding period of 2020.

Other Gains or Losses

The Group's other gains or losses for the Period was approximately HK\$15.7 million net other gains (2020 H1: approximately HK\$59.8 million net other losses). The increase in net other gains in the Period was mainly due to the net foreign exchange gain of approximately HK\$17 million recorded during the Period (2020 H1: approximately HK\$37 million net foreign exchange loss).

Distribution and Selling Expenses

The Group's distribution and selling expenses for the six months ended 30 June 2021 increased by approximately 9.7% or approximately HK\$20.0 million to approximately HK\$225.3 million when compared to the corresponding period of 2020. The increase in distribution and selling expenses in the Period was mainly due to the increase of freight rates during the Period.

Profit for the Period Attributable to Owners of the Company

The profit for the Period attributable to owners of the Company was increased to approximately HK\$665.5 million by approximately 1.2 times when compared to the corresponding period of 2020. It was mainly because of (i) the improvement of gross profit margin to 12.0% in the Period from 9.1% in corresponding period of 2020; (ii) the appreciation of renminbi exchange rate in the Period when compared to corresponding period of 2020; (iii) the continuing improvement on the financial performance of associates of the Group in the Period.

BUSINESS REVIEW

For the six months ended 30 June 2021, the recovery of major economies continued to gain momentum with the increase of vaccination rate and the gradual relaxation of travel restrictions. However, there are still uncertainties, as the threat of outbreaks remains unresolved due to geographic and vaccination lags and multiple rounds of infections in countries around the world. The Group's management persists in making thorough arrangements and deployment for the epidemic prevention work. The Group has also strictly implemented various preventive and control measures to effectively protect the health of our staff and ensure safe production with zero infection, and to take advantage of the high degree of automation of our machinery to ensure normal production and operation to meet the sales needs of our customers.

The Group's revenue of HK\$11.03 billion for the six months ended 30 June 2021 was approximately 6.8% higher than that in 2020, with the smartphone related products business declining by 8% year-on-year, while the non-smartphone related products business, particularly vehicle-mounted, industrial, medical and Internet of Things related products, continued to grow by 31% year-on-year. In 2021, in view of the still keen competition in the smartphone related products business and the underperforming mid-to-high-end handset market, business strategy was adjusted to strengthen the higher margin non-smartphone related products business and the Group's gross profit margin for the six months ended 30 June 2021 increased to 12%, representing an increase of approximately 2.9% when compared to 2020. The continued increase in production capacity of the 5th generation TFT-LCD Production Plants in Shanwei and Renshou of Sichuan will adjust and increase the share of the vehicle-mounted, industrial, medical and Internet of Things (IoT) businesses thereby continuing to improve overall gross margins and profitability.

OUTLOOK

Looking ahead to the second half of 2021, while the COVID-19 outbreak will remain a common global challenge, the domestic economy will see steady improvement due to the strict implementation of epidemic prevention and control measures. Under the fast-changing market environment, in the face of fierce competition in the industry and the complex global economic situation, the Group will keep pace with the technological upgrades in the industry and maintain close communication and cooperation with a number of major domestic and international well-known brand customers while the management will continue to keep abreast of market developments. The Group's automotive products business will continue to benefit from the trend of large, dual or multi-screen automotive displays. With a full range of display technologies, Truly is able to provide one-stop solutions for industrial, medical and IoT customers. With the rapid penetration of 5G networks driving customers to upgrade their product specifications, the Group can provide high quality and appropriate products or solutions to achieve business growth. At the same time, the management is confident that the Group's revenue and profit attributable to the owners of the Company will grow in 2021 as it continues to tighten its control over costs and expenses.

Proposed Spin-off Update

Having adjusted the business development strategies of the Group, the management has decided to terminate the tutoring services by China Galaxy Securities Co., Limited on 13 July 2021 and lodge an application with the Guangdong administration of the CSRC in respect of the termination of the tutoring. Accordingly, the Proposed Spin-off will not proceed at this stage.

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

SIGNIFICANT INVESTMENTS, ACQUISITIONS, ASSETS AND LIABILITIES

Update on investment in a major associate — Truly Huizhou

Truly Huizhou has turned to profit of approximately HK\$80 million in the Period (2020 H1: profit of approximately HK\$21 million), which 59.7039% shared by the Group for the Period. It was significantly improved when compared to the corresponding period of 2020, which is mainly because the management's appropriate change of production strategy and sales strategy to focus on AMOLED wearable products application.

For the bank loans obtained by Truly Huizhou under the full guarantee provided by the Group in November 2015, the associate has started to repay by semi-annually instalments in November 2017. As at 30 June 2021, the relevant syndicated loan amount of Truly Huizhou under the Group's corporate guarantee has been reduced to approximately HK\$1.1 billion.

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

The 5th generation TFT-LCD production plant in Shanwei has been entered in the mass production period in the first quarter of 2020 and delivered finished goods to the Group's major customers in 2020. The mass production of this TFT-LCD production plant has contributed to the Group by reducing the cost of producing TFT-LCD screens used in LCD modules and touch modules.

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

In February 2017, Truly Electronics Manufacturing Limited (信利電子有限公司) ("Truly Electronics"), an indirectly wholly-owned subsidiary of the Company, entered into an investment agreement, pursuant to which Truly Electronics conditionally agreed to acquire in an aggregate of 2.3438% equity interest in Leshi Zhixin Electronic Technology (Tianjin) Limited* (樂視致新電子科技(天津)有限公司) ("Leshi Zhixin") at a consideration of RMB720,000,000. The first instalment of the consideration in the amount of RMB240 million was paid in March 2017. Subsequently, as the Company's management considered that a condition of the relevant investment agreement has been breached by Leshi Zhixin and/or Leshi Holding (Beijing) Co., Ltd.* (樂視控股(北京)有限公司) ("Leshi Holding"), Truly Electronics suspended the payment of the remaining instalments of the consideration in the amount of RMB480 million and terminated the said investment agreement in July 2017. In August 2017, Truly Electronics (as plaintiff) filed a civil complaint against Leshi Zhixin and Leshi Holding (as defendants) to seek rectification of the breach by Leshi Zhixin and Leshi Holding and refund of the first instalment of RMB240 million paid by Truly Electronics. For further details, please refer to the Company's announcements dated 29 August 2017, 23 March 2018 and the 2020 Annual Report of the Company.

The Group has been informed by the Group's PRC lawyer that a decision letter issued by the court of first instance has been received in early November 2019, which the court of first instance decided to turn down the Group's civil complaint in relation to the dispute on the investment agreement. Subsequently, the Group has lodged an objection to the high court in Beijing on 15 November 2019. The Beijing High Court started the trial of second instance on 20 October 2020 and the Group is waiting for the hearing by the Beijing High Court.

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

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

Truly Renshou has completed the building construction of the fifth generation of TFT-LCD factory in Renshou in 2018. The full installation of the machineries has been completed in 2020 and full-scale trial operation commenced in late 2020 and will enter mass production in 2021.

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

Update on Major Transaction Formation of the AMOLED JV Company

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

As additional time is required for preparing and finalizing certain information to be included in the Circular, the dispatch of the Circular has been further delayed to a date on or before 31 August 2021. For detail of it, please refer to the announcement of the Company, Further Delay in Despatch of Circular in Relation to A Major Transaction for the Formation of the AMOLED JV Company, dated 2 June 2021.

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group's assets have been decreased by approximately HK\$579.8 million and liabilities have been decreased by approximately HK\$1,421.6 million during the Period.

As at 30 June 2021, the outstanding lease liabilities, bonds payable and bank and other borrowings, net of restricted bank deposits, cash and bank balances, were approximately HK\$3,526 million (31 December 2020: approximately HK\$4,909 million). It was decreased by approximately 28% or HK\$1,383 million when compared to these net borrowings as at 31 December 2020. These borrowings bear interest at prevailing market rate and their maturity profiles are shown in the financial statements. For non-current portion of these borrowings were matured within 5 years.

As at 30 June 2021, the Group had net current liabilities of approximately HK\$2,570 million (as at 31 December 2020, net current liabilities of approximately HK\$3,303 million) and its current ratio increased to 0.81 times as at 30 June 2021 from 0.77 times as at 31 December 2020. The major reason for the decrease in net current liabilities position as at 30 June 2021 was because the Group has reduced debts and new capital expenditures during the Period, implemented some cost control measures and co-operations from customers and suppliers. The management would continue to improve the Group's net current liabilities position.

As at 30 June 2021, the Group has restricted bank deposits, cash and bank balances approximately HK\$1,556 million together with adequate unutilized banking facilities. The Group's working capital is mainly financed by internal cash flow generated from its operation and banking facilities granted by financial institutions. The gearing ratio based on total interest bearing debts, net of restricted bank deposits, cash and bank balances was approximately 35%, which has decreased from 52% at 31 December 2020.

New Club Loan for Refinancing

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

The new club loan with the committed amount of HK\$1.52 billion has been fully withdrawn in June 2020 and the Group has utilized this loan amount plus internal financial resources to fully repay the outstanding syndicated loan balance of HK\$2.25 billion on schedule in June 2020. Pursuant to the new club loan facility agreement, Truly Semiconductors is obliged to repay the loans under the Facility by scheduled instalments and the final repayment date shall be 30 June 2022. In view of the healthy cashflow and internal reserves as well as positive cash position of the Group, Truly Semiconductors has exercised its rights under the Facility Agreement to repay the loans under the Facility in full prior to its maturity on 31 May 2021.

Material Acquisitions and Disposals

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

General

The state of the Group's current order books is strong. As at 30 June 2021, the Group had no pledge or mortgage on its fixed assets.

Around 18,200 workers and staff are currently employed in factories of the Company in the PRC and around 100 personnel in the Group's Hong Kong office. Total staff costs for the Period were approximately HK\$953 million.

Capital Commitments

Capital expenditure commitment of around HK\$276 million in respect of acquisition of property, plant and equipment was contracted for but not provided as at 30 June 2021.

Contingent Liabilities

- (1) At 30 June 2021, the Group has given corporate guarantee for certain bank borrowings granted to the associate, Truly Huizhou, with the borrowing limit at approximately HK\$3.55 billion (31 December 2020: approximately HK\$3.53 billion) and the bank loans with the amount of approximately HK\$1.13 billion (31 December 2020: approximately HK\$1.40 billion) were utilised by the associate.

Besides, at 30 June 2021, 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\$836 million (31 December 2020: approximately HK\$831 million). A counter-indemnity in favour of the other shareholder is executed pursuant to which the Group undertakes to indemnify the other shareholder approximately 23.5% (31 December 2020: approximately 23.5%) of the liabilities arising from the bank borrowings.

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

- (2) During the year ended 31 December 2020, a wholly owned subsidiary of the Company is a defendant in legal actions in Hong Kong in respect of the claim by a customer for alleged defective goods manufactured by the subsidiary according to its customers' designs and specifications. The claim against the wholly owned subsidiary is approximately US\$23.9 million (equivalent to approximately HK\$186.4 million) in aggregate. In December 2020, the subsidiary has entered into settlement agreement with the customer pursuant to which it is mutually agreed that the subsidiary is required to deliver certain quantity of products to the customer under pre-agreed delivery time table and payment terms. Upon completion of the deliveries and payment by the customer within 2021, any claims between the Group and the customer shall be deemed finally settled and satisfied. The application for discontinuance of the legal proceedings by the customer and the Group was approved by the High Court of the Hong Kong Special Administrative Region Court of First Instance on 23 July 2021 and the legal proceedings were thereby discontinued.

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

OTHER INFORMATION

Interim Dividend

The Directors have resolved to pay an interim dividend of 5 HK cents per share (2020: 0 HK cents) to shareholders whose names appear on the Register of Members on 1 September 2021. It is expected that the interim dividend payments will be made to shareholders on 1 December 2021.

Closure of Register of Members

The Register of Members will be closed on 1 September 2021 during which day no transfer of shares can be registered. In order to qualify for the interim dividend, all transfers accompanied by relevant share certificates must be lodged with the Company's Branch Share Registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 31 August 2021.

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 2021.

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 2021, 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 2 June 2021 due to remaining in Shanwei factory of the Group since February 2020.

— *Code Provision A.6.7*

Mr. Ip Cho Ting, Spencer, an independent non-executive director of the Company was unable to attend the annual general meeting of the Company held on 2 June 2021 due to prior business commitment.

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 2021 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 2021

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

* *For identification purpose only*