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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 THE  
2019 UNAUDITED ANNUAL RESULTS**

The board of directors (the “Board”) of Truly International Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated annual results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2019 (the “Year”), together with the comparative audited figures for the year ended 31 December 2018 as follows and these unaudited consolidated financial statements have been reviewed by the audit committee and the Board of the Company.

As at the date of this announcement, the 2019 annual results of the Group have not been agreed with its auditors. The lack of agreement with auditors is mainly because of the effect of outbreak of COVID-19 since January 2020 in the PRC. Owing to the outbreak of COVID-19, the Group’s PRC major subsidiaries were delayed to return to work gradually after 10 February 2020 and the Group’s consolidated financial statements for the year ended 31 December 2019 were delayed to provide to the Company’s auditors. Besides, the Company’s auditors were also delayed to start the related audit field work. Thus, the auditing process on the 2019 annual results of the Group has not been completed. The Board expects that the 2019 annual results of the Group could be agreed with auditors in April 2020.

The Company would subsequently publish a further announcement for the 2019 annual results of the Company being agreed by auditors.

## FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)	Change
Revenue	22,532,499	19,762,442	+14.0%
Gross profit	1,825,411	1,885,553	-3.2%
Profit for the year attributable to owners of the Company	562,456	74,190	+658.1%
EBITDA	2,288,349	1,758,630	+30.1%
EPS ( <i>HK cents</i> ) — Basic	17.10	2.36	+624.6%

The Board does not recommend the payment of final dividend for the year ended 31 December 2019 (2018: nil).

# UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)
Revenue	3	22,532,499	19,762,442
Cost of sales		(20,707,088)	(17,876,889)
Gross profit		1,825,411	1,885,553
Other income	5	145,866	103,002
Other gains and losses	6	(20,165)	(108,594)
Impairment losses under expected credit loss model, net of reversal		(22,395)	10,073
Distribution and selling expenses		(430,027)	(443,334)
Administrative expenses		(318,736)	(395,530)
Finance costs	7	(419,129)	(353,679)
Share of results of associates		(23,968)	(444,172)
Profit before tax		736,857	253,319
Income tax expense	8	(128,693)	(105,106)
Profit for the year	9	608,164	148,213
<b>Other comprehensive expense for the year</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(222,562)	(532,728)
Share of other comprehensive expense of associates		(1,771)	(1,654)
Other comprehensive expense for the year		(224,333)	(534,382)
Total comprehensive income (expense) for the year		383,831	(386,169)
<b>Profit for the year attributable to:</b>			
Owners of the Company		562,456	74,190
Non-controlling interests		45,708	74,023
		608,164	148,213
<b>Total comprehensive income (expense) for the year attributable to:</b>			
Owners of the Company		350,076	(431,177)
Non-controlling interests		33,755	45,008
		383,831	(386,169)
<b>Earnings per share</b>			
Basic (HK cents per share)	11	17.10	2.36

# UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		12,123,153	12,307,604
Right-of-use assets		521,420	–
Prepaid lease payments		–	383,123
Intangible assets		–	–
Goodwill		413	413
Interests in associates		1,179,815	1,231,064
Financial assets at fair value through profit or loss		5,549	10,316
Deferred tax assets		75,432	90,402
Deposits paid for acquisition of property, plant and equipment		72,996	132,025
		<u>13,978,778</u>	<u>14,154,947</u>
CURRENT ASSETS			
Inventories		3,974,828	3,132,622
Prepaid lease payments		–	8,685
Loan receivable		–	–
Trade and other receivables	12	3,735,030	5,020,366
Trade receivables at fair value through other comprehensive income	13	1,293,194	168,813
Amount due from an associate		1,348,250	1,346,194
Tax recoverable		18,412	391
Restricted bank deposits		134,064	132,104
Bank balances and cash		503,680	1,090,379
		<u>11,007,458</u>	<u>10,899,554</u>

	<i>Notes</i>	<b>2019</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2018 <i>HK\$'000</i> (Audited)
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	<b>9,178,327</b>	8,547,580
Tax liabilities		<b>54,342</b>	48,149
Bank and other borrowings, unsecured		<b>5,215,550</b>	7,118,297
Amount due to an associate		<b>129,214</b>	–
Contract liabilities		<b>251,017</b>	112,491
Lease liabilities		<b>19,048</b>	–
Derivative financial instruments		<b>283</b>	–
		<b>14,847,781</b>	15,826,517
<b>NET CURRENT LIABILITIES</b>		<b>(3,840,323)</b>	(4,926,963)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>10,138,455</b>	9,227,984
<b>NON-CURRENT LIABILITIES</b>			
Bank and other borrowings, unsecured		<b>607,066</b>	75,000
Bonds payable		<b>373,731</b>	850,265
Lease liabilities		<b>79,813</b>	–
Deferred tax liabilities		<b>70,146</b>	56,692
		<b>1,130,756</b>	981,957
<b>NET ASSETS</b>		<b>9,007,699</b>	8,246,027
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>65,785</b>	65,785
Share premium and other reserves		<b>7,990,236</b>	7,570,791
Equity attributable to owners of the Company		<b>8,056,021</b>	7,636,576
Non-controlling interests		<b>951,678</b>	609,451
<b>TOTAL EQUITY</b>		<b>9,007,699</b>	8,246,027

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

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

## 3. REVENUE

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

	2019 HK\$’000 (Unaudited)	2018 HK\$’000 (Audited)
Sales of LCD products	14,581,528	12,070,050
Sales of electronic consumer products	7,950,971	7,692,392
	<u>22,532,499</u>	<u>19,762,442</u>

#### 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 2019*

	LCD products HK\$'000 (Unaudited)	Electronic consumer products HK\$'000 (Unaudited)	Segment total HK\$'000 (Unaudited)	Eliminations HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
REVENUE					
External sales	14,581,528	7,950,971	22,532,499	–	22,532,499
Inter-segment sales	–	238,247	238,247	(238,247)	–
	<u>14,581,528</u>	<u>8,189,218</u>	<u>22,770,746</u>	<u>(238,247)</u>	<u>22,532,499</u>
RESULT					
Segment result	878,094	338,395	1,216,489	(11,162)	1,205,327
Finance costs					(419,129)
Share of results of associates					(23,968)
Unallocated other expenses					(17,782)
Unallocated other losses					(7,591)
Profit before tax					<u>736,857</u>

*For the year ended 31 December 2018*

	LCD products <i>HK\$'000</i> (Audited)	Electronic consumer products <i>HK\$'000</i> (Audited)	Segment total <i>HK\$'000</i> (Audited)	Eliminations <i>HK\$'000</i> (Audited)	Consolidated <i>HK\$'000</i> (Audited)
REVENUE					
External sales	12,070,050	7,692,392	19,762,442	–	19,762,442
Inter-segment sales	–	239,302	239,302	(239,302)	–
	<u>12,070,050</u>	<u>7,931,694</u>	<u>20,001,744</u>	<u>(239,302)</u>	<u>19,762,442</u>
RESULT					
Segment result	686,423	377,164	1,063,587	(14,738)	1,048,849
Finance costs					(353,679)
Share of results of associates					(444,172)
Unallocated other expense					(18,984)
Unallocated other gain					21,305
Profit before tax					<u>253,319</u>

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 2019*

	LCD products <i>HK\$'000</i> (Unaudited)	Electronic consumer products <i>HK\$'000</i> (Unaudited)	Consolidated <i>HK\$'000</i> (Unaudited)
Amounts included in the measure of segment profits:			
Depreciation (including amounts capitalised in inventories)	1,055,252	60,341	1,115,593
Depreciation of right-of-use assets	13,245	3,525	16,770
Loss on disposal/write-off of property, plant and equipment	9,169	1,280	10,449
Impairment losses from expected credit loss model, net of reversal	<u>21,468</u>	<u>927</u>	<u>22,395</u>



For the year ended 31 December 2018

	LCD products HK\$'000 (Audited)	Electronic consumer products HK\$'000 (Audited)	Consolidated HK\$'000 (Audited)
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
Impairment losses from expected credit loss model, net of reversal	(10,793)	720	(10,073)

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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)
PRC	15,631,008	14,731,111	13,801,607	13,959,915
South Korea	2,544,518	1,274,048	–	–
Hong Kong (country of domicile)	576,667	655,161	96,190	94,314
Japan	484,406	466,045	–	–
Europe	1,272,751	1,352,908	–	–
Others	2,023,149	1,283,169	–	–
	<u>22,532,499</u>	<u>19,762,442</u>	<u>13,897,797</u>	<u>14,054,229</u>

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 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:

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Customer A <sup>1</sup>	3,594,108	4,565,832
Customer B <sup>1</sup>	<u>3,413,367</u>	<u>3,255,104</u>

<sup>1</sup> Revenue from LCD products and electronic consumer products

## 5. OTHER INCOME

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Other income includes:		
Government grants	75,670	28,767
Compensation income	4,846	11,372
Interest income	6,910	16,842
Interest income from an associate	39,621	32,395
Rental income	9,150	11,543
Dividends from financial assets at FVTPL	1,563	–
Consultation income from an associate	4,996	–
Sundry income	<u>3,110</u>	<u>2,083</u>
	<u>145,866</u>	<u>103,002</u>

## 6. OTHER GAINS AND LOSSES

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Loss on disposal/write-off of property, plant and equipment	10,449	20,665
Loss (gain) on fair value change of derivative financial instruments, net	2,824	(17,163)
Net foreign exchange loss	2,125	112,085
Loss (gain) from changes in fair value of financial assets at fair value through profit or loss	4,767	(4,142)
Recovery of other receivables written off in previous year	<u>–</u>	<u>(2,851)</u>
	<u>20,165</u>	<u>108,594</u>

## 7. FINANCE COSTS

	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)
Interest on bank and other borrowings	356,703	300,542
Interest on bonds payable	38,855	53,137
Interest on loans from an associate	23,311	–
Interest on lease liabilities	260	–
	<u>419,129</u>	<u>353,679</u>

## 8. INCOME TAX EXPENSE

	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)
Current tax:		
PRC Enterprise Income Tax	81,114	114,547
Other jurisdictions	419	400
	<u>81,533</u>	<u>114,947</u>
Withholding tax	11,450	14,455
	<u>92,983</u>	<u>129,402</u>
Under (over )provision in prior years:		
Hong Kong	–	(101)
PRC	7,286	(6,115)
	<u>7,286</u>	<u>(6,216)</u>
Deferred tax	<u>28,424</u>	<u>(18,080)</u>
Income tax expense for the year	<u>128,693</u>	<u>105,106</u>

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

Income tax arising in the PRC and other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Pursuant to the relevant law and regulations in the PRC, PRC subsidiaries qualified as Hi-Tech Enterprise are entitled to 15% PRC enterprise income tax. The tax rate of the other PRC Subsidiaries is 25%.

Pursuant to the PRC Enterprise Income Tax Law (the “EIT Law of PRC”) and the Detailed Implementation Rules, distribution of the profits earned by the PRC subsidiaries since 1 January 2008 to holding companies incorporated in Hong Kong is subject to PRC withholding tax at the applicable tax rates of 5%.

## 9. PROFIT FOR THE YEAR

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Profit for the year has been arrived at after charging:		
Auditor’s remuneration	4,000	3,200
Cost of inventories recognised as expenses	19,748,404	17,194,741
Allowance for inventories, net (included in cost of sales)	149,644	16,085
Research expenses (included in cost of sales)	809,040	666,063
Depreciation of property, plant and equipment (including amounts capitalised in inventories)	1,115,593	1,151,632
Depreciation of right-of-use assets	16,770	–
Expenses related to short-term leases	12,621	–
Operating lease rental in respect of rented premises	–	13,299
Release of prepaid lease payments	–	6,534
Staff costs, inclusive of directors’ remuneration:		
Salaries and other benefits	1,479,348	1,704,709
Retirement benefits scheme contributions	112,319	135,441
	<u>1,591,667</u>	<u>1,840,150</u>

## 10. DIVIDENDS

No dividend has been paid or declared by the Company for both years. The Board does not recommend the payment of final dividend for the year ended 31 December 2019 (2018: nil).

## 11. EARNINGS PER SHARE

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

### Earnings

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Earnings for the purposes of basic earnings per share		
Profit for the year attributable to owners of the Company	<u>562,456</u>	<u>74,190</u>

## Number of shares

	<b>2019</b> <b>'000</b> <b>(Unaudited)</b>	2018 '000 (Audited)
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b><u>3,289,229</u></b>	<u>3,145,896</u>

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

## 12. TRADE AND OTHER RECEIVABLES

	<b>2019</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2018 HK\$'000 (Audited)
Trade and bills receivables	<b>3,773,869</b>	4,928,290
Less: Allowance for credit losses	<b><u>(612,719)</u></b>	<u>(586,447)</u>
	<b><u>3,161,150</u></b>	<u>4,341,843</u>
Other receivables, deposits and prepayments	<b>578,059</b>	682,702
Less: Allowance for credit losses	<b><u>(4,179)</u></b>	<u>(4,179)</u>
	<b><u>573,880</u></b>	<u>678,523</u>
Total trade and other receivables	<b><u>3,735,030</u></b>	<u>5,020,366</u>

The following is an aged analysis of trade and bills receivables presented based on the invoice date at the end of the reporting period, net of the allowance for credit losses at the reporting date:

	<b>2019</b>		<b>2018</b>	
	<b>Trade</b>	<b>Bills</b>		<b>Total</b>
	<b>receivables</b>	<b>receivables</b>	<b>Trade</b>	<b>receivables</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>receivables</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Audited)</b>
Within 60 days	<b>2,100,297</b>	<b>5,789</b>	2,989,486	–
61 to 90 days	<b>713,932</b>	<b>–</b>	968,389	–
More than 90 days	<b>341,132</b>	<b>–</b>	383,968	–
	<b><u>3,155,361</u></b>	<b><u>5,789</u></b>	<b><u>4,341,843</u></b>	<b><u>–</u></b>

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

	<b>2019</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2018 <i>HK\$'000</i> (Audited)
Trade receivables	<b>1,289,128</b>	31,848
Bills receivables	<b>4,066</b>	136,965
	<b><u>1,293,194</u></b>	<u>168,813</u>

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

	<b>2019</b>			2018		
	<b>Trade</b>	<b>Bills</b>	<b>Total</b>	<b>Trade</b>	<b>Bills</b>	<b>Total</b>
	<b>receivables</b>	<b>receivables</b>	<b>receivables</b>	<b>receivables</b>	<b>receivables</b>	<b>receivables</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Audited)</b>	<b>(Audited)</b>
Within 60 days	<b>1,176,506</b>	<b>1,227</b>	<b>1,177,733</b>	29,663	114,300	143,963
61–90 days	<b>111,430</b>	<b>488</b>	<b>111,918</b>	2,185	10,053	12,238
More than 90 days	<b>1,192</b>	<b>2,351</b>	<b>3,543</b>	–	12,612	12,612
	<b><u>1,289,128</u></b>	<b><u>4,066</u></b>	<b><u>1,293,194</u></b>	<u>31,848</u>	<u>136,965</u>	<u>168,813</u>

**14. TRADE AND OTHER PAYABLES**

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

	<b>2019</b>			2018		
	<b>Trade</b>	<b>Bills</b>	<b>Total</b>	<b>Trade</b>	<b>Bills</b>	<b>Total</b>
	<b>payables</b>	<b>payables</b>	<b>payables</b>	<b>payables</b>	<b>payables</b>	<b>payables</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Audited)</b>	<b>(Audited)</b>
Within 60 days	<b>4,948,729</b>	<b>740,832</b>	<b>5,689,561</b>	3,870,261	961,044	4,831,305
61 to 90 days	<b>765,278</b>	<b>142,978</b>	<b>908,256</b>	527,891	237,012	764,903
More than 90 days	<b>806,835</b>	<b>331,246</b>	<b>1,138,081</b>	812,813	86,926	899,739
	<b><u>6,520,842</u></b>	<b><u>1,215,056</u></b>	<b><u>7,735,898</u></b>	<u>5,210,965</u>	<u>1,284,982</u>	<u>6,495,947</u>

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

## THE CHAIRMAN'S STATEMENT

Truly International Holdings Limited (the “Company” and, together with its subsidiaries, the “Group”) has made the record high revenue of the Group in 2019, and recorded a double digits revenue growth in 2019 when compared to 2018. Although it was a challenging year in 2019 for the smartphone industry under ups and downs of the continuing Sino-US trade frictions, the Group has been performed better than the management’s expectation stated in 2018 annual report. The Group’s revenue in 2019 was increased by approximately HK\$2.7 billion or 14.0% to approximately HK\$ 22.5 billion when compared to 2018. The major reasons for the revenue growth in 2019 were (i) the increase in market share of smartphone related products business under the situation of 6.2% year-over-year drop in the PRC domestic mobile phone shipment in 2019 (according to the report from China Academy of Information and Communication Technology) and (ii) continuing growth in non-smartphone related products business particular for industrial, medical and internet of things related products.

Under the very keen competition of smartphone related products business in 2019 and net allowance for inventory being made in 2019, the Group’s gross profit margin has been decreased by approximately 1.4% to 8.1% when compared to 2018. Under the management’s effective control on the Group’s expenditures, the Group’s administrative expenses in 2019 was reduced by approximately HK\$77 million or 19.4% when compared to 2018.

Profit for the year attributable to owners of the Company was significantly increased by approximately 6.6 times to approximately HK\$562 million when compared to 2018. It was mainly because (i) the significant improvement on the financial performance in 2019 of the major associate, Truly (Huizhou) Smart Display Limited\* (信利(惠州)智能顯示有限公司) (“Truly Huizhou”), of the Group as expectation of the management stated in 2018 annual report and (ii) the relatively stable renminbi exchange rate in 2019 when compared to a significant drop in 2018. The successful financial improvement of Truly Huizhou is mainly because the management’s appropriate change of production strategy and sales strategy to focus on AMOLED wearable products application. Share of losses from associates by the Group in 2019 was significantly decreased by approximately HK\$ 420 million when compared to 2018.

For strengthening the Group’s financial position and improving the Group’s general working capital, a non wholly-owned subsidiary of the Company, Truly Opto-Electronics Limited (信利光電股份有限公司) (“Truly Opto”), had entered two equity investment agreements in May 2019 and October 2019 respectively to issue new shares and obtain in aggregate of RMB410 million and the Group’s equity interest in Truly Opto has been diluted to approximately 78.76% as at 31 December 2019 from approximately 85.42% as at 31 December 2018. Truly Opto continues to be a subsidiary of the Company. Furthermore, Truly Opto issued RMB300 million Domestic Corporate Bonds in September 2019. As at 31 December 2019, the Group’s gross debts amount was decreased to approximately HK\$6,295 million from approximately HK\$8,044 million as at 31 December 2018. In the fourth quarter of 2019, the Group has initiated the syndicated term loan refinancing with the outstanding amount of HK\$2,250 million which will be matured on 20 June 2020. The management believes that the syndicated term loan refinancing would be completed in the second quarter of 2020.

The Group's fifth generation TFT-LCD production plant in Shanwei has been entered into mass production period in the first quarter of 2020. The management expects that this TFT-LCD production plant can contribute to the Group by reducing the cost of TFT-LCD panels for production of LCD modules and touch modules since mass production. This TFT-LCD production plant has been verified by the Group's major customers in 2019.

The Group's another associated company in Sichuan for another fifth generation TFT-LCD production plant has been entered partially trial run and the full installation would be completed in 2020. The full trial run can be started in late 2020 or early 2021.

Under the current situation of the worldwide outbreak of COVID-19, 2020 is very difficult year to all industries and full of variables. However, COVID-19 in China is under control now and the virus daily infection confirmed case has been reducing. Besides, International Data Corporation recently estimates that mobile phone sales expected to decrease by 2.3% in 2020 after consideration of the effect of COVID-19. Furthermore, many countries government now implement many financial measures to alleviate the COVID-19 on economy. Therefore, the management has still confident to have some revenue growth in 2020.

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

**Lam Wai Wah**  
*Chairman*

Hong Kong, 27 March 2020



## MANAGEMENT DISCUSSION AND ANALYSIS

The Group is one of the largest manufacturers of smartphone component parts in the PRC and worldwide top-level automotive display suppliers. The Group is principally engaged in the manufacture and sale of liquid crystal display products including touch panel products and electronic consumer products including compact camera module, fingerprint identification modules, personal health care products and electrical devices.

### Business Review

Although it was a challenging year in 2019 for the smartphone industry under ups and downs of the continuing Sino-US trade frictions, the Group has been performed better than the management's expectation stated in 2018 annual report. The Group's revenue of 2019 made a record high amounting to approximately HK\$22.5 billion (2018: HK\$19.8 billion) and increased by 14.0% when compared to 2018.

Profit for the year attributable to the owners of the Company was significantly increased to approximately HK\$562 million (2018: approximately HK\$74 million) by approximately 658.1%. Basic earnings per share for the year increased significantly to 17.1 HK cents from 2.36 HK cents in 2018. It was mainly because (i) the significant improvement on the financial performance in 2019 of the major associate, Truly (Huizhou) Smart Display Limited\* (信利(惠州)智能顯示有限公司) ("Truly Huizhou"), of the Group as expectation of the management stated in 2018 annual report and (ii) the relatively stable renminbi exchange rate in 2019 when compared to a significant drop in 2018. The successful financial improvement of Truly Huizhou mainly because the management's appropriate change of production strategy and sales strategy to focus on AMOLED wearable products application. Share of losses from associates by the Group in 2019 was significantly decreased by approximately HK\$420 million when compared to 2018.

No interim dividend was declared or paid during 2019 (2018: Nil). The Board does not recommend the payment of final dividend for the year ended 31 December 2019 (2018: nil).

The gross profit margin for the year decreased to approximately 8.1% (2018: 9.5%) and net profit margin for the year attributable to owners of the Company increased to 2.5% (2018: 0.4%). Decrease in gross profit margin was mainly affected by the keen competition for the smartphone business in 2019 and the net allowance for inventory being made during the year.

The Group's LCD business including touch products was about 65% of the Group revenue in 2019 (2018: 61%). The increase in LCD business in 2019 was due to the significant increase in touch related products sales for smartphone related products business. Other businesses of the Group including the sales of compact camera modules, fingerprint identification products and printed circuit board were 35% of the Group's revenue in 2019 (2018: 39%). The growth in LCD business segment of the Group in 2019 was due to the sales growth in touch related products for smartphone related products business in 2019. LCD business would continue to be the core business of the Group in coming few years.

Both of the Group's smartphone related products revenue and non-smartphone related products revenue increased in 2019 when compared to 2018. The management would still tend to continuously enhance the development of non-smartphone related products business and improving the profit margin in coming years. The ultimate target of the Group's revenue mix is 50% of smartphone related products revenue and 50% of non-smartphone related products revenue.

The Group continues to put resources in the Group's research and development by spending around HK\$809 million in 2019 (2018: HK\$666 million). During the year, the Group continued to register many patents related manufacturing process of the PRC factories of the Group.

## **Outlook**

Under the current situation of the worldwide outbreak of COVID-19, 2020 is very difficult year to all industries and full of variables. However, COVID-19 in China is under control now and the virus daily infection confirmed case has been reducing. Besides, International Data Corporation recently estimates that mobile phone sales expected to decrease by 2.3% in 2020 after consideration of the effect of COVID-19. Furthermore, many countries government now implement many financial measures to alleviate the COVID-19 on economy. 5G smartphones has been launched by different major brands to the markets since 2019 and the 5G network has been continuously developing in China. It is positive to the mobile phone sales in 2020. Sino-US trade frictions would still be very important and uncertain to the global economy in 2020.

All in all, the management has still confident to have growth on both of the Group's revenue and profit attributable to the owners of the Company in 2020. The management would continue to implement tight cost and expenditure control. Besides, the management expects that (i) entering mass production in early 2020 by the 5th generation TFT-LCD production plant in Shanwei can start to contribute to the Group by reducing the cost of TFT-LCD panels for production of LCD modules and touch modules; and (ii) the major associate, Truly Huizhou, of the Group would turn to profit in 2020.

## **Proposed Spin-off Update**

The management is still considering to submit a new application to CSRC within 2020 after the application not approved by the Public Offering Review Committee of CSRC in January 2019. Further announcement will be made by the Company as and when appropriate in compliance with the Listing Rules.

## **FINANCIAL REVIEW**

### **Revenue**

The Group's revenue for the year ended 31 December 2019 (the "Year") was approximately HK\$22.5 billion, representing an increase of approximately 14.0% or approximately HK\$2.7 billion year on year. The increase in the Group's revenue for the Year was mainly attributable to (i) the increase in market share of smartphone related products business under the situation of 6.2% year-over-year drop in the PRC domestic mobile phone shipment in 2019 (according to the report from China Academy of Information and Communication Technology) and (ii) continuing growth in non-smartphone related products business particular for industrial, medical and internet of things related products.

### **Gross Profit and Margin**

The Group's gross profit for the Year was approximately HK\$1,825 million (2018: HK\$1,886 million) and the gross profit margin was approximately 8.1% (2018: 9.5%), which was approximately 1.4% lower than that for 2018.

The gross profit margin of the Group has been decreased from 9.5% in 2018 to 8.1% in 2019, because it was mainly affected by very keen competition on smartphone related products business and net allowance for inventory being made during the Year. The gross profit margin for the Year has been narrowed and particular in the fourth quarter.

Furthermore, the 5th generation TFT-LCD production line in the Shanwei of the Group was in the final trial production period 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\$146 million, representing an increase of approximately 42% or approximately HK\$43 million when compared with 2018. The increase in other income was mainly because the government grant of approximately HK\$76 million received in 2019 but only approximately HK\$29 million in 2018.

### **Other Gains or Losses**

The Group's other gains or losses for the Year was approximately HK\$20 million net other losses, representing a decrease of approximately 81% or approximately HK\$88 million when compared with 2018. The decrease in net other losses was mainly because of net foreign exchange loss in 2019 being significantly decreased by approximately HK\$110 million when compared to 2018.

## **Distribution and Selling Expenses**

The Group's distribution and selling expenses for the Year has been slightly decreased by approximately 3.0% or approximately HK\$13 million to approximately HK\$430 million when compared to 2018. The decrease in distribution and selling expenses under the situation of revenue being increased by 14% in 2019 was mainly attributable to the continuing tight expenditure control by the management.

## **Administrative Expenses**

The Group's administrative expenses for the Year has been significantly decreased by approximately 19.4% or approximately HK\$77 million to approximately HK\$319 million when compared to 2018. The decrease in administrative expenses was mainly attributable to the continuing tight expenditure control being implemented since 2018.

## **Finance costs**

The Group's finance costs for the Year has been significantly increased by approximately 18.5% or approximately HK\$65 million to approximately HK\$419 million when compared to 2018. The increase in finance costs was mainly attributable to the increase in interest rate of HIBOR and LIBOR in 2019 and the Group had some new higher fixed interest rate PRC loans during the Year.

## **Share of results of associates**

The Group's share of loss of associates for the Year has been significantly decreased by approximately 95% or approximately HK\$420 million to approximately HK\$24 million when compared to 2018. The significant decrease in share of loss of associates was mainly attributable to the management's appropriate change of production strategy and sales strategy of the Group's major associate, Truly Huizhou, to focus on AMOLED wearable products application.

## **Income Tax Expenses**

Pursuant to the relevant law and regulations in the PRC, two of the Company's PRC major subsidiaries were continuously approved as Hi-Tech Enterprise and entitled to 15% PRC enterprise income tax for three years from 2018 to 2020. Accordingly, PRC Enterprise Income Tax is provided at 15% for the year ended 31 December 2019 for these two major PRC subsidiaries.

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

Profit for the Year attributable to owners of the Company was significantly increased to approximately HK\$562 million by approximately of 658% or HK\$488 million when compared to 2018. It was mainly because (i) the significant improvement on the financial performance in 2019 of the major associate, Truly Huizhou, of the Group as expectation of the management stated in 2018 annual report and (ii) the relatively stable renminbi exchange rate in 2019 when compared to a significant drop in 2018. The successful financial improvement of Truly Huizhou is mainly because the management's appropriate change of production strategy and sales strategy to focus on AMOLED wearable products application. Share of losses from associates by the Group in 2019 was significantly decreased by HK\$420 million when compared to 2018.

## **Significant Investments, Acquisitions, Assets and Liabilities**

### *Update on investment in a major associate — Truly Huizhou*

Truly Huizhou has incurred operating loss approximately of HK\$25 million in 2019, which 59.7039% loss shared by the Group for the Year. It was significantly decreased by 96.5% or HK\$722 million when compared to 2018, which is mainly because the management's appropriate change of production strategy and sales strategy to focus on AMOLED wearable products application. The management expected that Truly Huizhou could turn to operating profit in 2020.

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 31 December 2019, the relevant syndicated loan amount of Truly Huizhou under the Group's corporate guarantee has been reduced to approximately HK\$1.80 billion.

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

The 5th generation TFT-LCD production plant in Shanwei has been completed in the final trial production period in 2019 and started the mass production in the first quarter of 2020. The management expects that this TFT-LCD production plant can contribute to the Group by reducing the cost of TFT-LCD panels for production of LCD modules and touch modules since mass production. This TFT-LCD production plant has been verified by the Group's major customers in 2019.

### *Litigation update in relation to Investment in Leshi Zhixin*

In February 2017, Truly Electronics Manufacturing Limited (信利電子有限公司) (“Truly Electronics”), an indirectly wholly-owned subsidiary of the Company, entered into an investment agreement, pursuant to which Truly Electronics conditionally agreed to acquire in an aggregate of 2.3438% equity interest in Leshi Zhixin Electronic Technology (Tianjin) Limited\* (樂視致新電子科技(天津)有限公司) (“Leshi Zhixin”) at a consideration of RMB720,000,000. The first instalment of the consideration in the amount of RMB240 million was paid in March 2017. Subsequently, as the Company’s management considered that a condition of the relevant investment agreement has been breached by Leshi Zhixin and/or Leshi Holding (Beijing) Co., 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 2018 Annual Report of the Company.

The Group has been informed by the Group’s PRC lawyer that a decision letter issued by the court of first instance has been received in early November 2019, which the court of first instance decided to turn down the Group’s civil complaint in relation to the dispute on the investment agreement. Subsequently, the Group has lodged an objection to the high court in Beijing on 15 November 2019 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”)*

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 has been entered partially trial run in 2019. The full installation of the machineries would be completed in 2020 and the full trial production of the factory would be started in late 2020 or early 2021 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 29 May 2020. 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 28 February 2020.

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 (matured on 20 June 2020) and New Club Loan for Refinancing Initiated**

In early June 2019, the Company has estimated that the Group might potentially breach certain financial covenants in relation to certain ratios of net borrowings of some bank loan agreements for the testing date on 30 June 2019. It was mainly because the relevant financial covenants are tightened up gradually from 2018 to 2020 and particularly after 31 December 2018. Therefore, the Group had written to lenders requesting for a waiver for complying with these financial covenants (i.e. the requirement of the ratio of the adjusted consolidated net borrowings (excluding (to the extent included) the related party contingent liabilities) of the Group to its consolidated tangible net worth and the ratio of the consolidated net borrowings of the Group to its consolidated tangible net worth be no more than 0.5 and 0.75, respectively) for the testing date on 30 June 2019 as mentioned above in early June 2019 and had successfully received the lenders' consent before 30 June 2019.

Besides, in November 2019, 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 2019. The Company has delivered the waiver request to the relevant banks accordingly in November 2019 and received the lenders' waiver approval before 31 December 2019.

A new club loan invitation for refinancing of the outstanding balance HK\$2.25 billion of the syndicated bank loan has been initiated in the fourth quarter of 2019, the Group has received some banks' commitments to participate the new club loan. The management expected that the Group would receive more commitments from other invited banks to participate the new club loan and the new club loan could be completed in the second quarter of 2020.

### **Liquidity and Financial Resources**

The Group's assets have been decreased by approximately HK\$68 million and liabilities have been decreased by approximately HK\$830 million during the year.

As at 31 December 2019, the outstanding lease liabilities, bonds payable and bank and other borrowings, net of restricted bank deposits, cash and bank balances, were approximately HK\$5,657 million (2018: approximately HK\$6,821 million). It was decreased by approximately 17.1% or HK\$1,164 million when compared to these net borrowings as at 31 December 2018. 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 2019, the Group had net current liabilities of approximately HK\$3,840 million (as at 31 December 2018, net current liabilities of approximately HK\$4,927 million) and its current ratio increased to 0.74 times as at 31 December 2019 from 0.69 times as at 31 December 2018. The major reason for the decrease in net current liabilities position as at 31 December 2019 was because the Group has reduced debts and new capital expenditures during the year, implemented some cost control measures and co-operations from customers and suppliers. The management would continue to improve the Group's net current liabilities position.

As at 31 December 2019, the Group has restricted bank deposits, cash and bank balances approximately HK\$638 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 70%, which has decreased from 89% at 31 December 2018.

## **Deemed Disposals of Shareholding Interest in A Subsidiary**

### *First Equity Investment Agreement*

On 31 May 2019, Truly Opto-Electronics Limited (信利光電股份有限公司) ("Truly Opto"), an indirect non wholly-owned subsidiary of the Company, entered into the First Equity Investment Agreement to issue new shares (approximately 5.53% of the enlarged registered capital of Truly Opto after the First Equity Investment) to an independent third party at the consideration of RMB290 million. After the First Equity Investment, the shareholding interests of the Company in Truly Opto has been decreased from approximately 85.42% to approximately 80.70%. For details of it, please refer to the announcement of the Company dated 31 May 2019.

### *Second Equity Investment Agreement*

On 24 October 2019, Truly Opto entered into the Second Equity Investment Agreement to issue new shares (approximately 2.40% of the enlarged registered capital of Truly Opto after the Second Equity Investment) to an independent third party at the consideration of RMB120 million. After the Second Equity Investment, the shareholding interests of the Company in Truly Opto has been decreased from approximately 80.70% to approximately 78.76%. For details of it, please refer to the announcement of the Company dated 24 October 2019.

## **Material Acquisitions and Disposals**

Save as disclosed in this announcement, the Group had no material acquisitions or disposal of subsidiaries and associated companies for the year ended 31 December 2019.

## **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\$1,198 million. As at 31 December 2019, the Group had no pledge or mortgage on its fixed assets.



Around 16,000 workers and staff are currently employed in Shan Wei factories of the Company in the PRC and around 100 personnel in the Group's Hong Kong office. Total staff costs for 2019 were approximately HK\$1,592 million.

### **Capital Commitments**

Capital expenditure commitment of around HK\$400 million in respect of acquisition of property, plant and equipment was contracted for but not provided as at 31 December 2019.

### **Contingent Liabilities**

- (1) At 31 December 2019, the Group has given corporate guarantee for certain bank borrowings granted to the associate, Truly Huizhou, with the borrowing limit at approximately HK\$3.37 billion (2018: approximately HK\$3.42 billion) and the bank loans with the amount of approximately HK\$1.80 billion (2018: approximately HK\$2.43 billion) were utilised by the associate.

Besides, at 31 December 2019, 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\$792 million (2018: approximately HK\$804 million). A counter-indemnity in favour of the other shareholder is executed pursuant to which the Group undertakes to indemnify the other shareholder approximately 23.5% (2018: approximately 23.5%) of the liabilities arising from the bank borrowings.

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

- (2) Furthermore, the Company has received three notices of response to action from the Court according to which, on 31 October 2018, 6 November 2018 and 7 November 2018, the Claimant, Shenzhen Goodix Technology Co., 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 Opto", together with the 1st defendant and 3rd defendant in the Civil Complaint, the "Defendants"). The Claimant alleged that the acts of the Defendants such as production, sale and promise to sale of optical fingerprint identification modules, lens components and chips without authorization from the Claimant caused an infringement upon the Claimant's patents.

In each of the Civil Complaints, the Claimant sought a judgment from the Court to order that:

- (i) the Defendants shall immediately cease all acts of patent infringement including but not limited to ceasing production, sale and promise to sale of all products which are subject to the alleged infringement;
- (ii) the Defendants shall immediately destroy the abovementioned products;

(iii) Truly Opto and the 1st defendant shall be jointly liable for compensating the economic loss suffered by the Claimant in the sum of RMB50,000,000 (three civil 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

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

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

The Three Civil Complaints were turned down by the decisions of the relevant court on 30 December 2019 and 3 March 2020 respectively. Therefore, the Group need not pay any compensation to the Claimant. For detail of it, please refer to the announcements of the Company dated 18 February 2020 and 4 March 2020.

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

## **OTHER INFORMATION**

### **Review of the Unaudited Consolidated Financial Statements**

The Audit Committee of the Company has reviewed the unaudited annual results of the Group for the year ended 31 December 2019.

### **Dividends**

The Board does not recommend the payment of final dividend (2018: nil) for the year ended 31 December 2019.

No interim dividend (2018: nil) was declared during 2019.

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 2020 Annual General Meeting, the Register of Members will be closed from Wednesday, 3 June 2020 to Friday, 5 June 2020, 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 Tuesday, 2 June 2020.

## **Annual General Meeting**

The 2020 Annual General Meeting of the Company will be held in June 2020. 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 2019.

## **Model Code**

None of the Directors of the Company is aware of information that would reasonably indicate that the Company was not in the 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 2019. Except for the deviation from the Code Provisions A.2.1 and E.1.2. The reason for deviation from A.2.1 and E.1.2 have been set out in the interim report for 2019 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.

### **Publication of further announcement, the final results and annual report**

This 2019 unaudited annual results announcement is published on the websites of the Company at [www.truly.com.hk](http://www.truly.com.hk) and The Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk).

Following the completion of the auditing process, the Company will issue further announcement in relation to the material differences between the audited consolidated results for the year ended 31 December 2019 and the 2019 annual results contained in this announcement, if any. The Company expects that the audit process will be completed in April 2020.

The 2019 Annual Report containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the above-mentioned websites in due course.

### **COVID-19**

Since the Coronavirus disease (COVID-19) outbreak in the PRC in January 2020, the Chinese government have imposed various emergency measures and actions across multiple provinces and municipalities in the PRC to suppress the spread of the COVID-19, including delaying the return to work date after the Chinese Lunar New Year holiday.

As at the date of this announcement, the Group's major production bases are located in Shanwei City and Huizhou City of Guangdong Province, and Renshou County, Meishan City of Sichuan Province, respectively. All these production bases are not in the regions seriously affected by the COVID-19, such as Hubei Province.

On 22 January 2020, the Group has activated the highest level of emergency plan, which was executed under the leadership of the Chairman Mr. Lam Wai Wah and the General Manager of the Group's Human Resources and Administrative Department Mr. Chen Shengneng, formulated the "Working Plan of Emergency Response Organizations and Management Groups for Epidemic Prevention", and established 9 teams covering overall coordination, temperature measurement, sterilization, canteen, dormitory, procurement, quarantine, monitoring and outreach publicity in order to make deliberate arrangement and deployment for the epidemic prevention and strictly implement various prevention and control measures. The Group received the city government in charge of the deputy mayor of industry personally led the team special class service, and invited the city CDC infectious disease prevention and control section chief as a consultant to provide professional medical guidance on the epidemic prevention to effectively protect the health of staff and production safety. The Group is based on local employees as the main workforce, and a higher degree of mechanical automation to achieve the advantages of ensuring an orderly progress of the resumption of production.

As at the date of this announcement, the Group's capacity utilization has resumed normal. In March 2020, the COVID-19 outbreak has occurred in Europe and North America at high speed. Nevertheless, provided the inherent unpredictable nature and rapid spread relating to COVID-19 globally, the Group's business might be affected and the Directors of the Company will continue to closely monitor in this regard. Looking ahead, the Group will further improve the emergency response plan and conduct practical trainings to enhance the risk management and improve the internal control systems.

**The financial information contained in this announcement in respect of the 2019 annual results of the Group has not been audited and have not been agreed with the auditors. Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.**

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

Hong Kong, 27 March 2020

*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*