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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 2022

FINANCIAL HIGHLIGHTS

	For the six months ended		
	30 June		
	2022	2021	Change
	Unaudited	Unaudited	
	HK\$'000	HK\$'000	
Revenue	10,794,336	11,031,458	-2.1%
Gross profit	1,069,900	1,321,008	-19%
Profit for the period attributable to the owners of the Company	560,422	665,473	-15.8%
EBITDA	1,622,106	1,748,911	-7.3%
Basic earnings per share (HK cents)	17.05	20.23	-15.7%
Dividend per share (HK cents)			
— Interim(s)	5	5	—

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 2022 (the “Period”), together with the comparative figures for the corresponding period of 2021 and the unaudited interim condensed consolidated statement of financial position of the Group as at 30 June 2022 together with audited comparative figures as at 31 December 2021 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 2022

		Six months ended 30 June	
		2022	2021
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
REVENUE	3	10,794,366	11,031,458
Cost of sales		(9,724,466)	(9,710,450)
Gross profit		1,069,900	1,321,008
Other income		159,239	104,608
Other gains and losses		31,863	15,741
Net unrealized loss on financial assets at fair value through profit or loss (“FVTPL”)		(1,110)	(3,580)
Administrative expenses		(238,092)	(195,217)
Distribution and selling expenses		(231,833)	(225,317)
Finance costs	4	(176,376)	(185,789)
Share of results of associates		6,460	50,009
PROFIT BEFORE TAX		620,051	881,463
INCOME TAX EXPENSE	5	(92,037)	(157,477)
PROFIT FOR THE PERIOD	6	528,014	723,986
OTHER COMPREHENSIVE (EXPENSE) INCOME			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(512,981)	121,434
Share of exchange differences arising on translation of associates		(196)	18
Other comprehensive (expense) income for the period		(513,177)	121,452
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		14,837	845,438

		Six months ended 30 June	
		2022	2021
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Profit for the Period attributable to:			
Owners of the Company		560,422	665,473
Non-controlling interests		(32,408)	58,513
		<u>528,014</u>	<u>723,986</u>
Total comprehensive income for the Period attributable to:			
Owners of the Company		61,213	775,597
Non-controlling interests		(46,376)	69,841
		<u>14,837</u>	<u>845,438</u>
EARNINGS PER SHARE			
Basic — HK cents	7	<u>17.05</u>	<u>20.23</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

		30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		15,063,432	16,217,398
Right-of-use assets		987,838	1,063,958
Intangible assets		–	–
Goodwill		587,837	587,837
Interest in associates		593,916	614,152
Financial assets at fair value through profit or loss		3,423	4,533
Deferred tax assets		54,810	56,543
Deposits paid for acquisition of property, plant and equipment		12,975	28,327
Rental deposits		80,005	80,711
		<u>17,384,236</u>	<u>18,653,459</u>
CURRENT ASSETS			
Inventories		3,826,790	4,231,207
Trade and other receivables	8	3,697,828	4,634,259
Trade receivable at fair value through other comprehensive income	9	837,523	534,847
Tax recoverable		30,976	26,657
Restricted bank deposits, bank balances and cash		2,119,340	1,652,915
		<u>10,512,457</u>	<u>11,079,885</u>
CURRENT LIABILITIES			
Trade and other payables	10	8,362,623	9,607,792
Contract liabilities		358,078	614,975
Tax liabilities		156,416	137,469
Bank and other borrowings		5,402,094	5,461,419
Bonds payable		350,794	371,996
Amounts due to an associate		697,938	679,515
Lease liabilities		121,956	143,652
Derivative financial instruments		–	584
		<u>15,449,899</u>	<u>17,017,402</u>
NET CURRENT LIABILITIES		<u>(4,937,442)</u>	<u>(5,937,517)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>12,446,794</u>	<u>12,715,942</u>

	30 June 2022 <i>Notes</i> HK\$'000 (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
NON-CURRENT LIABILITIES		
Bank and other borrowings	688,235	655,087
Other payable	29,283	95,380
Lease liabilities	97,976	156,509
Deferred tax liabilities	146,976	149,457
	962,470	1,056,433
NET ASSETS	11,484,324	11,659,509
CAPITAL AND RESERVES		
Share capital	65,561	65,785
Share premium and other reserves	11,088,013	11,216,598
Equity attributable to owners of the Company	11,153,574	11,282,383
Non-controlling interests	330,750	377,126
TOTAL EQUITY	11,484,324	11,659,509

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the 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 2022 (Unaudited)

	LCD products HK\$’000	Electronic consumer products HK\$’000	Segment total HK\$’000	Eliminations HK\$’000	Consolidated HK\$’000
REVENUE					
External sales	8,908,851	1,885,515	10,794,366	—	10,794,366
Inter-segment sales	—	198,545	198,545	(198,545)	—
	<u>8,908,851</u>	<u>2,084,060</u>	<u>10,992,911</u>	<u>(198,545)</u>	<u>10,794,366</u>
RESULT					
Segment result	781,710	25,756	807,466	(9,292)	798,174
Finance costs					(176,376)
Share of result of associates					6,460
Unallocated expenses					<u>(8,207)</u>
Profit before tax					<u>620,051</u>

Six months ended 30 June 2021 (Unaudited)

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

4. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings wholly repayable within five years	<u>176,376</u>	<u>185,789</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, four of the Company's PRC subsidiaries were approved as Hi-Tech Enterprise and entitled to 15% PRC enterprise income tax for three years starting from 2020 or 2021.

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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging:		
Auditor's remuneration	2,400	1,790
Cost of inventories recognised as an expense	8,074,479	8,262,111
Depreciation and amortisation on:		
Property, plant and equipment	789,291	647,670
Right-of-use assets	36,388	33,989
Loss on disposal of property, plant and equipment	3,908	1,571
Operating lease rental in respect of rented premises	1,202	2,296
Staff costs, inclusive of directors' remuneration	1,071,071	953,013
Other taxes	38,962	47,527

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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings for the purposes of basic and diluted earnings per share attributable to the owners of the Company	560,422	665,473
<u>Number of shares</u>	2022	2021
	'000	'000
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	3,287,149	3,289,229

The weighted average number of shares for the purpose of basic earnings per share has been adjusted for the shares repurchased during the interim period.

No diluted earnings per share is presented as there was no significant potential ordinary shares outstanding at the end of 30 June 2022 and 2021, respectively.

8. TRADE AND OTHER RECEIVABLES

	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables	4,100,184	4,782,694
Less: Allowance for credit losses	(674,246)	(678,907)
	3,425,938	4,103,787
Other receivables, deposits and prepayments	351,895	611,183
Less: Allowance for credit losses	–	–
	351,895	611,183
Total trade and other receivables	3,777,833	4,714,970
Less: Rental deposits shown under non-current assets	(80,005)	(80,711)
Amounts shown under current assets	3,697,828	4,634,259

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 2022			31 December 2021		
	Trade receivable	Bills receivable	Total	Trade receivable	Bills receivable	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Within 60 days	2,363,667	–	2,363,667	3,052,566	–	3,052,566
61 to 90 days	558,147	–	558,147	642,372	–	642,372
More than 90 days	504,124	–	504,124	408,849	–	408,849
	<u>3,425,938</u>	<u>–</u>	<u>3,425,938</u>	<u>4,103,787</u>	<u>–</u>	<u>4,103,787</u>

Movement in the allowance for credit losses:

	30 June 2022 HK\$'000 (Unaudited)
Balance at the beginning of the reporting period	678,907
Impairment losses recognised on receivables (net of impairment losses reversed) and new financial assets originated	(1,517)
Amounts written off as uncollectible	<u>(3,144)</u>
Balance at the end of the reporting period	<u>674,246</u>

9. TRADE RECEIVABLES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Trade receivables	358,856	294,458
Bills receivables	<u>478,667</u>	<u>240,389</u>
	<u>837,523</u>	<u>534,847</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 2022			31 December 2021		
	Trade	Bills		Trade	Bills	
	receivables	receivables	Total	receivables	receivables	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Within 60 days	264,790	400,794	665,584	290,429	111,980	402,409
61–90 days	56,800	67,814	124,614	3,972	91,658	95,630
More than 90 days	37,266	10,059	47,325	57	36,751	36,808
	<u>358,856</u>	<u>478,667</u>	<u>837,523</u>	<u>294,458</u>	<u>240,389</u>	<u>534,847</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 2022			31 December 2021		
	Trade	Bills		Trade	Bills	
	payables	payables	Total	payables	payables	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Within 60 days	2,811,623	842,722	3,654,345	4,404,430	814,622	5,219,052
61 to 90 days	654,542	240,903	895,445	444,891	266,833	711,724
More than 90 days	992,788	937,167	1,929,955	768,547	1,246,702	2,015,249
	<u>4,458,953</u>	<u>2,020,792</u>	<u>6,479,745</u>	<u>5,617,868</u>	<u>2,328,157</u>	<u>7,946,025</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 (i) liquid crystal display products, including touch panel products and (ii) electronic consumer products, including compact camera module, fingerprint identification modules, personal health care products and electrical devices.

BUSINESS REVIEW

For the six months ended 30 June 2022, the global economic environment remains challenging under the geopolitical risk, the rising of inflation and interest rates. The COVID-19 pandemic recurred frequently in various cities in the Mainland China and it remains challenging for the Group's supply chain management, the Group's management persists in making thorough arrangements and deployment for the epidemic prevention work.

The Group's revenue of HK\$10.79 billion for the six months ended 30 June 2022 was approximately 2.1% lower than that for the same period in 2021, with the smartphone related products business declining by 7.9% 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 4.6% year-on-year. In view of the still keen competition in the smartphone related products business and the underperforming mid-to-high-end handset market, the Group's gross profit margin for the six months ended 30 June 2022 decreased to 9.9%, representing a decrease of approximately 2.1% when compared to the corresponding period in 2021.

FINANCIAL REVIEW

Revenue

The Group's revenue for the six month ended 30 June 2022 (the "Period") was approximately HK\$10,794 million, representing a decrease of approximately 2.1% or approximately HK\$237 million when compared with the corresponding period of 2021. The decrease in revenue was mainly attributable by the decrease in smartphone related sales in the People Republic of China ("PRC") for the first half of 2022 when compared to the corresponding period of 2021.

Gross Profit and Margin

The Group's gross profit for the Period was approximately HK\$1,070 million and the gross profit margin was approximately 9.9%, which were approximately 19% and 2.1% lower than that for the corresponding period of 2021 respectively. Decreases in gross profit and gross profit margin were mainly due to decrease of average selling price of certain smartphone related products.

Other Income

The Group's other income for the Period was approximately HK\$159.2 million, representing an increase of approximately 52.2% or approximately HK\$54.6 million when compared with the corresponding period of 2021. Other income increased mainly because the government subsidies of approximately HK\$123.8 million received in the Period but only HK\$69.6 million in corresponding period of 2021.

Other Gains and Losses

The Group's other gains and losses for the Period was approximately HK\$31.9 million net other gains (2021 H1: approximately HK\$15.7 million). The increase in net other gains in the Period was mainly due to the net foreign exchange gain of approximately HK\$38 million recorded during the Period (2021 H1: approximately HK\$17 million).

Administrative Expenses

The Group's administrative expenses for the six months ended 30 June 2022 increased by approximately 22% or approximately HK\$42.9 million to approximately HK\$238.1 million when compared to the corresponding period of 2021. The increase in administrative expenses in the Period was mainly due to (i) the business combination of Truly (Huizhou) Smart Display Limited* (信利(惠州)智能顯示有限公司) ("Truly Huizhou") in early December 2021; and (ii) the increase of salaries and allowances.

Distribution and Selling Expenses

The Group's distribution and selling expenses for the six months ended 30 June 2022 increased by approximately 2.9% or approximately HK\$6.5 million to approximately HK\$231.8 million when compared to the corresponding period of 2021. 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 decreased to approximately HK\$560.4 million by approximately 15.8% when compared to the corresponding period of 2021. It was mainly because of the decrease of gross profit margin to 9.9% in the Period from 12.0% in corresponding period of 2021.

OUTLOOK

Looking ahead to the second half of 2022, the global economic recovery is expected to continue, the smartphone related products business remain challenging due to keen competition and the non-smartphone related products business will remain relatively stable. The management will keep abreast of display market developments and supply chain changes, technological upgrades in the industry and maintain close communication with customers to provide high quality and appropriate products and solutions to achieve business growth and create long-term value for its shareholders.

SIGNIFICANT INVESTMENTS, ACQUISITIONS, ASSETS AND LIABILITIES

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 was completed in 2020 and full-scale trial operation commenced in late 2020 and entered 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 2022. 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 31 May 2022.

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\$1,836.7 million and liabilities have been decreased by approximately HK\$1,661.5 million during the Period.

As at 30 June 2022, the outstanding lease liabilities, bonds payable and bank and other borrowings, net of restricted bank deposits, bank balances and cash, were approximately HK\$4,542 million (31 December 2021: approximately HK\$5,136 million). It was decreased by approximately 12% or HK\$594 million when compared to these net borrowings as at 31 December 2021. 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 2022, the Group had net current liabilities of approximately HK\$4,937 million (as at 31 December 2021, net current liabilities of approximately HK\$5,938 million) and its current ratio increased to 0.68 times as at 30 June 2022 from 0.65 times as at 31 December 2021. The major reason for the decrease in net current liabilities position as at 30 June 2022 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 2022, the Group has restricted bank deposits, bank balances and cash approximately HK\$2,119 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 41%, which has decreased from 46% as at 31 December 2021.

Material Acquisitions and Disposals

(1) Acquisition of interests in a major associate — Truly Huizhou

On 29 November 2021, the Group entered into the Agreement to acquire approximately 16.77% interest in Truly Huizhou at a cash consideration of RMB450 million (equivalent to approximately HK\$550,350,000), in which RMB50 million (equivalent to approximately HK\$61,150,000) has been settled in 2021 and the remaining RMB400 million (equivalent to approximately HK\$489,200,000) will be settled in two installments within 2022. Upon completion of the acquisition, Truly Huizhou become an indirect non-wholly-owned subsidiary of the Company and owned as to approximately 76.5% by an indirect wholly-owned subsidiary of the Company and as to approximately 23.5% by an independent third party of the Company. For details of it, please refer to the announcement of the Company dated 29 November 2021.

(2) Possible acquisition of equity interests of Truly Renshou

During the six months ended 30 June 2022, the Company has been in negotiation with the relevant parties for a possible acquisition by the Group of additional equity interests of Truly Renshou from Renshou Jian No. 1 L.P.. For details, please refer to the Company's announcement dated 13 May 2022.

Save for the above, there were no material acquisitions and disposals of subsidiaries, associated companies and joint ventures during the six months ended 30 June 2022.

Pledge of Assets

At 30 June 2022, the Group's borrowings amounting to HK\$475,788,000 were secured by Truly Huizhou buildings with carrying amount of HK\$564,078,000.

General

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

Around 16,200 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\$1,071 million.

Capital Commitments

Capital expenditure commitment of around HK\$218 million in respect of acquisition of property, plant and equipment was contracted for but not provided as at 30 June 2022.

Contingent Liabilities

We had no material contingent liabilities as at 30 June 2022.

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

OTHER INFORMATION

Interim Dividend

The Directors have resolved to declare an interim dividend of 5 HK cents per ordinary share (2021: 5 HK cents) for the period payable in cash to shareholders whose names appear on the register of members of the Company on Tuesday, 20 September 2022. It is expected that the interim dividend payments will be made to shareholders on Thursday, 1 December 2022.

Closure of Register of Members

The register of members of the Company will be closed on Tuesday, 20 September 2022 during which day no transfer of shares can be registered. The record date for entitlement to the interim dividend is Tuesday, 20 September 2022. In order to qualify for the interim dividend, all transfers of shares accompanied by relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 19 September 2022.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2022, pursuant to the mandates to repurchase shares of the Company obtained from the Company's shareholders at the annual general meeting of the Company held on 2 June 2021 and 26 May 2022, the Company repurchased an aggregate of 11,220,000 ordinary shares on The Stock Exchange of Hong Kong Limited for an aggregate consideration of approximately HK\$26 million and accounted for approximately 0.34% of the total issued share capital of the Company as at 30 June 2022. An aggregate 5,944,000 shares were cancelled during the Period by the Company. The remaining 5,276,000 shares were cancelled on 25 July 2022.

Except as disclosed above, 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 2022.

Model Code

Specific enquiry has been made to all Directors, and none of the Directors of the Company is aware of information that would reasonably indicate that the Directors were 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 on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Audit Committee

The Company has an audit committee which was established in accordance with the code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules 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.

The Audit Committee of the Company has reviewed this unaudited interim condensed consolidated financial statements of the Group for the period and was satisfied that such financial statements were prepared in accordance with applicable accounting standard.

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 2022, except for major deviations as below:

— *Code Provision C.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 believes that this structure will enable the Company to achieve higher efficiency and effectiveness when formulating business strategies and executing business plans. 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.

— *Code Provision F.2.2*

The Chairman did not attend the annual general meeting of the Company held on 26 May 2022 in Hong Kong because he has been stationed at the Shanwei factory of the Group since February 2020.

— *Code Provision C.1.6*

Mr. Ip Cho Ting, Spencer and Heung Kai Sing, being the independent non-executive directors of the Company, were unable to attend the annual general meeting of the Company held on 26 May 2022 due to prior business commitment.

— *Code Provision B.2.4(a)*

Code provision B.2.4(a) of the Corporate Governance Code stipulates that where all the independent non-executive directors have served more than nine years on the board, the length of tenure of each existing independent non-executive director should be disclosed on a named basis in the circular to shareholders and/or explanatory statement accompanying the notice of the annual general meeting. The independent non-executive directors of the Company (“INEDs”) have all been serving as INEDs for more than nine years. The Company has disclosed the year of appointment of Mr. Ip Cho Ting, Spencer in the circular of the Company dated 22 April 2022, but the length of the tenure of all the long serving INEDs on a named basis was omitted due to the misinterpretation that code provision B.2.4(a) would only start to be applicable to the circulars of the Company in relation to annual general meetings held for receiving and adopting the financial statements for the financial years commencing on or after 1 January 2022. Accordingly, the Company issued a supplemental announcement to disclose the length of tenure of all the INEDs on 26 April 2022.

EVENTS AFTER THE REPORTING PERIOD

Saved disclose in this announcement, there was no other important event affecting the Group that occurred after 30 June 2022 and up to the date of this announcement.

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 2022 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 HKEXnews website and on the website of the Company in due course.

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

Hong Kong, 26 August 2022

As at the date of this announcement, the Board comprises Mr. Lam Wai Wah, Mr. Wong Pong Chun, James, Mr. Dai Cheng Yun and Mr. Cheung Wing Cheung as executive directors; Mr. Song Bei Bei as 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*