TRULY®

# Truly International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 00732

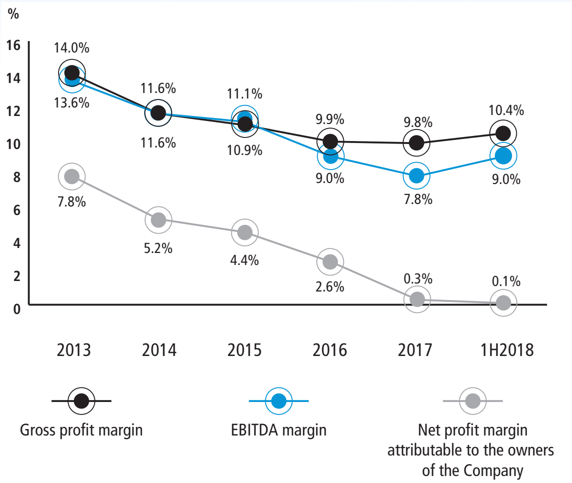
# 2018
## Interim Report

# CONTENTS

# FINANCIAL HIGHLIGHTS

| | For the six months ended 30 June | | |
|---|---|---|---|
| | **2018 Unaudited HK$'000** | **2017 Unaudited HK$'000** | **Change** |
| Revenue | **9,065,249** | 10,834,206 | -16.3% |
| Gross profit | **945,849** | 914,327 | +3.4% |
| Profit (Loss) for the period attributable to the owners of the Company | **5,693** | (227,380) | N/A |
| EBITDA | **819,403** | 487,184 | +68.2% |
| Basic Earnings (Loss) per share (HK cents) | **0.18** | (7.82) | N/A |
| DPS (HK cents) | | | |
| — First Interim | **–** | 1 | -100% |
| — Second Interim | **–** | – | – |

## ANALYSIS OF EBITDA, GROSS AND NET PROFIT MARGINS (%)



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

For the six months ended 30 June 2018

| | Notes | Six months ended 30 June<br>2018<br>HK$'000<br>(Unaudited) | <br>2017<br>HK$'000<br>(Unaudited) |
|---|---|---|---|
| **REVENUE** | 3 | **9,065,249** | 10,834,206 |
| Cost of sales | | **(8,119,400)** | (9,919,879) |
| Gross profit | | **945,849** | 914,327 |
| Other income | | **47,192** | 116,064 |
| Other gains and losses | | **(61,525)** | 15,396 |
| Credit insurance compensation income — LEMOBILE | | **–** | 140,400 |
| One-off full provision for bad and doubtful debt — LEMOBILE | | **–** | (554,069) |
| | | **–** | (413,669) |
| Impairment loss on financial assets at fair value through profit or loss ("FVTPL") | | **(1,172)** | – |
| Impairment loss on available-for-sale investments | | **–** | (4,846) |
| Administrative expenses | | **(219,770)** | (194,578) |
| Distribution and selling expenses | | **(228,703)** | (177,441) |
| Finance costs | 4 | **(170,360)** | (160,391) |
| Share of results of associates | | **(229,362)** | (272,543) |
| **PROFIT (LOSS) BEFORE TAX** | | **82,149** | (177,681) |
| **INCOME TAX EXPENSE** | 5 | **(43,447)** | (83,140) |
| **PROFIT (LOSS) FOR THE PERIOD** | 6 | **38,702** | (260,821) |
| **OTHER COMPREHENSIVE (EXPENSE) INCOME** | | | |
| *Items that may be subsequently reclassified to profit or loss:* | | | |
| Exchange differences arising on translation of foreign operations | | **(142,866)** | 431,513 |
| Share of exchange differences arising on translation of associates | | **(21,378)** | (22,385) |
| Other comprehensive (expense) income for the period | | **(164,244)** | 409,128 |
| **TOTAL COMPREHENSIVE (EXPENSE) INCOME FOR THE PERIOD** | | **(125,542)** | 148,307 |

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

For the six months ended 30 June 2018

| | Notes | Six months ended 30 June 2018 HK$'000 (Unaudited) | 2017 HK$'000 (Unaudited) |
|---|---|---|---|
| Profit (Loss) for the period attributable to: | | | |
| Owners of the Company | | 5,693 | (227,380) |
| Non-controlling interests | | 33,009 | (33,441) |
| | | 38,702 | (260,821) |
| Total comprehensive (expense) income for the period attributable to: | | | |
| Owners of the Company | | (149,587) | 166,638 |
| Non-controlling interests | | 24,045 | (18,331) |
| | | (125,542) | 148,307 |
| **EARNINGS (LOSS) PER SHARE** | 8 | | |
| Basic — HK cents | | 0.18 | (7.82) |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

| | Notes | 30 June 2018 HK$'000 (Unaudited) | 31 December 2017 HK$'000 (Audited) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 9 | **12,596,242** | 11,889,808 |
| Prepaid lease payments | | **230,004** | 361,225 |
| Goodwill | | **413** | 413 |
| Interest in associates | | **1,498,041** | 1,748,781 |
| Available-for-sale investments | | **–** | 6,174 |
| Financial assets at fair value through profit or loss | 10 | **5,002** | – |
| Deferred tax assets | | **67,508** | 62,989 |
| Deposits paid and other payments for acquisition of property, plant and equipment | | **344,077** | 301,833 |
| | | **14,741,287** | 14,371,223 |
| **CURRENT ASSETS** | | | |
| Inventories | | **3,193,357** | 2,579,619 |
| Prepaid lease payments | | **6,153** | 8,829 |
| Trade and other receivables | 11 | **4,342,593** | 5,757,278 |
| Tax recoverable | | **406** | 413 |
| Derivative financial instruments | | **3,431** | 17,370 |
| Amount due from an associate | | **1,110,748** | 607,858 |
| Restricted bank deposits, bank balances and cash | | **2,925,249** | 3,596,240 |
| | | **11,581,937** | 12,567,607 |

At 30 June 2018

| | Notes | 30 June 2018 HK$'000 (Unaudited) | 31 December 2017 HK$'000 (Audited) |
|---|---|---|---|
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 12 | **9,298,396** | 8,909,258 |
| Tax liabilities | | **17,429** | 41,207 |
| Bank and other borrowings, unsecured | 13 | **4,369,427** | 4,370,053 |
| Derivative financial instruments | | **2,692** | 140,440 |
| | | **13,687,944** | 13,460,958 |
| **NET CURRENT LIABILITIES** | | **(2,106,007)** | (893,351) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **12,635,280** | 13,477,872 |
| **NON-CURRENT LIABILITIES** | | | |
| Bank and other borrowings, unsecured | 13 | **3,383,603** | 4,087,285 |
| Bonds payable | | **882,385** | 895,073 |
| Deferred tax liabilities | | **46,679** | 47,359 |
| | | **4,312,667** | 5,029,717 |
| **NET ASSETS** | | **8,322,613** | 8,448,155 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 14 | **62,409** | 62,409 |
| Share premium and other reserves | | **7,670,775** | 7,820,362 |
| Equity attributable to owners of the Company | | **7,733,184** | 7,882,771 |
| Non-controlling interests | | **589,429** | 565,384 |
| **TOTAL EQUITY** | | **8,322,613** | 8,448,155 |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

| | Share Capital HK$'000 | Share Premium HK$'000 | Special Reserve HK$'000 (note a) |
|---|---|---|---|
| As at 1 January 2017 | 58,142 | 777,925 | 990 |
| Loss for the period | – | – | – |
| Other comprehensive (expense) income for the period | | | |
| — Exchange differences arising on translation of foreign operations | – | – | – |
| — Exchange differences arising on translation of associates | – | – | – |
| Other comprehensive income for the period | – | – | – |
| Total comprehensive (expense) income for the period | – | – | – |
| Transfer | – | – | – |
| Dividends recognised as distribution (note 7) | – | – | – |
| Dividends paid to non-controlling interests of a subsidiary | – | – | – |
| At 30 June 2017 (unaudited) | 58,142 | 777,925 | 990 |
| Profit for the period | – | – | – |
| Other comprehensive income for the period | | | |
| — Exchange differences arising on translation of foreign operations | – | – | – |
| — Exchange differences arising on translation of associates | – | – | – |
| Other comprehensive income for the period | – | – | – |
| Total comprehensive income for the period | – | – | – |
| Transfer | – | – | – |
| Dividends paid to non-controlling interests of a subsidiary | – | – | – |
| Issue of new shares | 4,267 | 426,660 | – |
| Cost of issuance of new shares | – | (4,010) | – |
| At 31 December 2017 (audited) | 62,409 | 1,200,575 | 990 |
| Profit for the period | – | – | – |
| Other comprehensive expense for the period | | | |
| — Exchange differences arising on translation of foreign operations | – | – | – |
| — Exchange differences arising on translation of associates | – | – | – |
| Other comprehensive expense for the period | – | – | – |
| Total comprehensive (expense) income for the period | – | – | – |
| At 30 June 2018 (unaudited) | 62,409 | 1,200,575 | 990 |

Notes:

(a) The special reserve represents the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisitions.

(b) Other reserves comprise: (i) the statutory surplus reserve and the enterprise expansion reserve of the subsidiaries established in the People's Republic of China (the "PRC") other than Hong Kong. According to the Articles of Association of the PRC subsidiaries, a percentage of net profit as reported in the PRC statutory accounts should be

| Capital redemption reserve HK$'000 | Exchange reserve HK$'000 | Other reserves HK$'000 (note b) | Retained profits HK$'000 | Total equity attributable to owners of the Company HK$'000 | Non-controlling interest HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| 867 | (260,249) | 1,253,972 | 4,879,828 | 6,711,475 | 583,392 | 7,294,867 |
| – | – | – | (227,380) | (227,380) | (33,441) | (260,821) |
| – | 416,403 | – | – | 416,403 | 15,110 | 431,513 |
| – | (22,385) | – | – | (22,385) | – | (22,385) |
| – | 394,018 | – | – | 394,018 | 15,110 | 409,128 |
| – | 394,018 | – | (227,380) | 166,638 | (18,331) | 148,307 |
| – | – | 45,641 | (45,641) | – | – | – |
| – | – | – | (87,213) | (87,213) | – | (87,213) |
| – | – | – | – | – | (83,933) | (83,933) |
| 867 | 133,769 | 1,299,613 | 4,519,594 | 6,790,900 | 481,128 | 7,272,028 |
| – | – | – | 290,367 | 290,367 | 63,291 | 353,658 |
| – | 350,448 | – | – | 350,448 | 22,526 | 372,974 |
| – | 24,139 | – | – | 24,139 | – | 24,139 |
| – | 374,587 | – | – | 374,587 | 22,526 | 397,113 |
| – | 374,587 | – | 290,367 | 664,954 | 85,817 | 750,771 |
| – | – | 148,120 | (148,120) | – | – | – |
| – | – | – | – | – | (1,561) | (1,561) |
| – | – | – | – | 430,927 | – | 430,927 |
| – | – | – | – | (4,010) | – | (4,010) |
| 867 | 508,356 | 1,447,733 | 4,661,841 | 7,882,771 | 565,384 | 8,448,155 |
| – | – | – | 5,693 | 5,693 | 33,009 | 38,702 |
| – | (133,902) | – | – | (133,902) | (8,964) | (142,866) |
| – | (21,378) | – | – | (21,378) | – | (21,378) |
| – | (155,280) | – | – | (155,280) | (8,964) | (164,244) |
| – | (155,280) | – | 5,693 | (149,587) | 24,045 | (125,542) |
| 867 | 353,076 | 1,447,733 | 4,667,534 | 7,733,184 | 589,429 | 8,322,613 |

transferred to the statutory surplus reserve and the enterprise expansion reserve determined at the discretion of the board of directors of these companies. The statutory surplus reserve can be set off against accumulated loss whilst the enterprise expansion reserve can be used for expansion of production facilities or an increase in registered capital; and (ii) difference between the carrying amount of interest in a subsidiary disposed of and the consideration received arising from the decrease in equity interest in a subsidiary.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

| | Six months ended 30 June | |
|---|---|---|
| | 2018 HK$'000 (unaudited) | 2017 HK$'000 (unaudited) |
| NET CASH FROM OPERATING ACTIVITIES | 2,093,037 | 1,677,532 |
| NET CASH FROM (USED IN) INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (1,075,577) | (1,022,961) |
| Advanced to an associate | (473,200) | (45,960) |
| Deposits paid for acquisition of property, plant and equipment | (344,077) | (679,563) |
| Placement of restricted bank deposits | (194,089) | (226,911) |
| Release of restricted bank deposits | 225,965 | 208,662 |
| Other investing cash flows | 9,441 | 26,732 |
| | (1,851,537) | (1,740,001) |
| NET CASH (USED IN) FROM FINANCING ACTIVITIES | | |
| Repayment of bank and other borrowings | (3,767,712) | (3,929,226) |
| Dividends paid | – | (116,288) |
| Dividends paid to non-controlling interests of a subsidiary | – | (83,933) |
| New bank and other borrowings raised | 3,052,187 | 5,294,843 |
| Other financing cash flows | (170,360) | (160,390) |
| | (885,885) | 1,005,006 |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (644,385) | 942,537 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | 3,465,844 | 2,453,623 |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES | 5,270 | 26,233 |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash | 2,826,729 | 3,422,393 |

## 1. BASIS OF PREPARATION

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

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRS"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

### Application of new and amendments to HKFRSs

In the current interim period, the Group has applied for the first time, the following new amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

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

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments, the impacts on opening condensed consolidated statement of financial position arising from the application of all new standards are described as below.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the major sources of sales of LCD products and electronic consumer products.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initial applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018.

#### *2.1.1 Key changes in accounting policies resulting from application of HKFRS 15*

HKFRS 15 introduces a 5-step approach when recognizing revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (continued)

#### *2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (continued)*

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

The revenue of the Group arising from sales of LCD products and electronics consumers products is recognised at a point of time. Under the transfer-of-control approach in HKFRS 15, revenue from these sales is recognized when customer acceptance has been obtained, which is the point of time when the customer has the ability to direct the use of these products and obtain substantially all of the remaining benefits of these products.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (continued)

#### *2.1.2 Effect arising from initial application of HKFRS 15*

The impact of transition to HKFRS 15 arising from the initial application of HKFRS 15 on the Group's major revenue generating operation was insignificant on retained profits at 1 January 2018 and therefore no adjustment required.

### 2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the current period, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognized in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

#### *2.2.1 Key changes in accounting policies resulting from application of HKFRS 9*

*Classification and measurement of financial assets*

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (continued)

#### *2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)*

*Classification and measurement of financial assets (continued)*

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

*Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification on the Group's financial assets and the impacts thereof are detailed in Note 2.2.2.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (continued)

#### *2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)*

*Impairment under ECL model*

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, amounts due from related parties, bank balances and cash and restricted bank deposits). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

*Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The impact is insignificant on retained profits at 1 January 2018 and therefore no adjustment required.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (continued)

#### *2.2.2 Summary of effects arising from initial application of HKFRS 9*

The table below illustrates the classification of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

| | Note | Available For-sale Investments HK$'000 | Financial Assets at FVTPL required by HKFRS 9 HK$'000 |
|---|---|---|---|
| **Closing balance at 31 December 2017 — HKAS 39** | | 6,174 | – |
| **Effect arising from initial application of HKFRS 9:** | | | |
| **Reclassification** | | | |
| From available-for-sale Investments | (a) | (6,174) | 6,174 |
| **Opening balance at 1 January 2018** | | – | 6,174 |

(a) *Available-for-sale investments*

From AFS instruments to FVTPL

At the date of initial application of HKFRS 9, the Group's equity investments were reclassified from available-for-sale investments to financial assets at FVTPL. The fair value changes were recognized through profit or loss since these equity investments were initially recognised as available-for-sale investments.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

| | 31 December 2017 (Audited) HK$'000 | HKFRS 9 HK$'000 | 1 January 2018 (Restated) HK$'000 |
|---|---|---|---|
| **Non-current Assets** | | | |
| Available-for-sale investments | 6,174 | (6,174) | – |
| Financial assets at FVTPL | – | 6,174 | 6,174 |

Except as described above, the application of amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or 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

## 3. SEGMENT INFORMATION (continued)

### 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 2018 (Unaudited)**

| | LCD products HK$'000 | Electronic consumer products HK$'000 | Segment total HK$'000 | Eliminations HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|---|
| REVENUE | | | | | |
| External sales | 6,157,388 | 2,907,861 | 9,065,249 | – | 9,065,249 |
| Inter-segment sales | – | 119,617 | 119,617 | (119,617) | – |
| | 6,157,388 | 3,027,478 | 9,184,866 | (119,617) | 9,065,249 |
| RESULT | | | | | |
| Segment result | 359,360 | 130,266 | 489,626 | (2,213) | 487,413 |
| Finance costs | | | | | (170,360) |
| Share of result of associates | | | | | (229,362) |
| Unallocated expenses | | | | | (5,542) |
| Profit before tax | | | | | 82,149 |

## 3. SEGMENT INFORMATION (continued)

### Segment revenues and results (continued)

Six months ended 30 June 2017 (Unaudited)

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

## 4. FINANCE COSTS

| | Six months ended 30 June 2018 HK$'000 (Unaudited) | Six months ended 30 June 2017 HK$'000 (Unaudited) |
|---|---|---|
| Interest on bank and other borrowings wholly repayable within five years | **170,360** | 160,391 |

## 5. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

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

Pursuant to the relevant law and regulations in the PRC, two of the Company's PRC subsidiaries were approved as Hi-Tech Enterprise and entitled to 15% PRC enterprise income tax for three years from 2015 to 2017 and the applications for extension for further three years with effect from 1 January 2018 were submitted in July and August 2018 respectively.

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 (LOSS) FOR THE PERIOD

| | Six months ended 30 June | |
|---|---|---|
| | **2018**<br>**HK$'000**<br>**(Unaudited)** | **2017**<br>**HK$'000**<br>**(Unaudited)** |
| Profit (Loss) for the period has been arrived at after charging: | | |
| Auditor's remuneration | **1,785** | 1,675 |
| Cost of inventories recognised as an expense | **6,752,777** | 8,654,026 |
| Depreciation and amortisation on: | | |
| Property, plant and equipment | **566,894** | 504,474 |
| Loss on disposal of property, plant and equipment | **2,475** | 6,518 |
| Operating lease rental in respect of rented premises | **6,924** | 8,933 |
| Release of prepaid lease payments | **3,512** | 3,608 |
| Staff costs, inclusive of directors' remuneration | **995,610** | 942,267 |
| Other taxes | **19,322** | 20,675 |

## 7. DIVIDENDS

| | Six months ended 30 June | |
|---|---|---|
| | 2018<br>HK$'000<br>(Unaudited) | 2017<br>HK$'000<br>(Unaudited) |
| Dividend recognised as distribution during the period: | | |
| 2017 Final dividend of nil HK cent (2016 Final dividend of 2 HK cents) per share | – | 58,142 |
| 2018 Interim dividend of nil HK cent (2017 Interim dividend of 1 HK cent) per share | – | 29,071 |
| | – | 87,213 |

## 8. EARNINGS (LOSS) PER SHARE

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

### Earnings (Loss)

| | Six months ended 30 June | |
|---|---|---|
| | 2018<br>HK$'000<br>(Unaudited) | 2017<br>HK$'000<br>(Unaudited) |
| Earnings (Loss) for the purposes of basic and diluted earnings (loss) per share attributable to the owners of the Company | **5,693** | (227,380) |

## 8. EARNINGS (LOSS) PER SHARE (continued)

### Number of shares

| | 2018<br>'000 | 2017<br>'000 |
|---|---|---|
| Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share | **3,120,429** | 2,907,099 |

No diluted earnings (loss) per share is presented as there was no significant potential ordinary shares outstanding at the end of 30 June 2018 and 2017, respectively.

## 9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired certain property, plant and equipment amounting to HK$1,377,410,000 (six months ended 30 June 2017: HK$1,611,518,000).

During the period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of HK$2,909,000 (six months ended 30 June 2017: HK$7,037,000) for a cash consideration of HK$434,000 (six months ended 30 June 2017: HK$519,000), resulting in loss on disposal of HK$2,475,000 (six months ended 30 June 2017: HK$6,518,000).

## 10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 30 June 2018 HK$'000 (unaudited) | 31 December 2017 HK$'000 (audited) |
|---|---|---|
| Equity shares listed in Hong Kong (note a and c) | 5,002 | – |
| Unlisted equity shares, at cost (note b and c) | 18,624 | – |
| Less: Impairment loss recognised | (18,624) | – |
| | – | – |
| Total | 5,002 | – |

Notes:

(a) The investments represent equity interests in companies incorporated in Hong Kong with the registered shares listed on the Hong Kong Stock Exchange, which is stated at fair value. The fair value of listed equity security is determined based on quote market bid price available in the relevant stock exchange. During the current interim period, fair value loss of HK$1,172,000 (six months ended 30 June 2017: fair value loss of HK$4,846,000 under available-for-sale investments) has been recognised.

(b) The investments represent the unlisted equity shares issued by private entities in Japan and Taiwan. The investments are stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably.

(c) Upon the initial application of HKFRS 9, the Group's equity investments were reclassified from available-for-sale investments to financial assets at FVTPL as at 1 January 2018. The fair value changes were recognized through profit or loss since these equity investments were initially recognised as available-for-sale investments.

## 11. TRADE AND OTHER RECEIVABLES

The Group allows a credit period ranging from 30 to 90 days to its trade customers. The following is an aged analysis of trade and bills receivables presented based on the invoice date at the end of the reporting period, net of the allowance for doubtful debts, at the reporting date:

| | 30 June 2018 | | | 31 December 2017 | | |
|---|---|---|---|---|---|---|
| | Trade receivables HK$'000 (Unaudited) | Bills receivables HK$'000 (Unaudited) | Total HK$'000 (Unaudited) | Trade receivables HK$'000 (Audited) | Bills receivables HK$'000 (Audited) | Total HK$'000 (Audited) |
| Within 60 days | 2,073,487 | 161,403 | 2,234,890 | 3,117,306 | 244,652 | 3,361,958 |
| 61 to 90 days | 352,088 | 7,718 | 359,806 | 574,597 | 13,795 | 588,392 |
| More than 90 days | 367,123 | 12,891 | 380,014 | 392,195 | 48,961 | 441,156 |
| | 2,792,698 | 182,012 | 2,974,710 | 4,084,098 | 307,408 | 4,391,506 |
| Other receivables, deposits and prepayments | | | 1,367,883 | | | 1,365,772 |
| | | | 4,342,593 | | | 5,757,278 |

Included in other receivables are other PRC tax recoverable of HK$460,789,000 (31 December 2017: HK$511,347,000).

## 12. 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 2018 | | | 31 December 2017 | | |
|---|---|---|---|---|---|---|
| | Trade payables HK$'000 (Unaudited) | Bills payables HK$'000 (Unaudited) | Total HK$'000 (Unaudited) | Trade payables HK$'000 (Audited) | Bills payables HK$'000 (Audited) | Total HK$'000 (Audited) |
| Within 60 days | 3,677,438 | 628,120 | 4,305,558 | 3,370,478 | 847,175 | 4,217,653 |
| 61 to 90 days | 549,364 | 302,537 | 851,901 | 473,841 | 495,574 | 969,415 |
| More than 90 days | 942,910 | 141,222 | 1,084,132 | 846,482 | 673 | 847,155 |
| | 5,169,712 | 1,071,879 | 6,241,591 | 4,690,801 | 1,343,422 | 6,034,223 |

## 13. BANK AND OTHER BORROWINGS, UNSECURED

| | 30 June 2018 HK$'000 (unaudited) | 31 December 2017 HK$'000 (audited) |
|---|---|---|
| Bank loans | 6,225,888 | 6,735,510 |
| Trust receipt loans | 1,284,285 | 1,491,229 |
| Other loans | 242,857 | 230,599 |
| | 7,753,030 | 8,457,338 |

During the current interim period, the Group obtained new bank borrowings amounting to approximately HK$3,052,187,000 (six months ended 30 June 2017: approximately HK$5,294,843,000). The proceeds are used to repay bank borrowings, finance the daily operation and acquisition of property, plant and equipment.

As at 30 June 2018, the Group's bank borrowings included fixed-rate borrowings of approximately HK$1,221,385,000 (31 December 2017: approximately HK$1,039,230,000) which carry effective rates ranged from 2.56% to 5.08% per annum (31 December 2017: 1.02% to 5.08%) (which are also equal to contracted interest rates). The remaining Group's borrowings are variable-rate borrowings which carry interest at Hong Kong Interbank Offered Rate ("HIBOR"), London Interbank Offered Rate ("LIBOR"), or Bank-Bill Swap Rate ("BBSW") plus certain basis points. Interest is mainly repriced every month and the range of effective interest rates is at 2.49% to 4.00% (31 December 2017: 1.60% to 3.31%) per annum.

## 14. SHARE CAPITAL

| | Number of ordinary shares | Share capital HK$'000 |
|---|---|---|
| Ordinary shares of HK$0.02 each | | |
| Authorised: | | |
| Balance at 1 January 2017, 31 December 2017 and 30 June 2018 | 5,000,000,000 | 100,000 |
| Issued and fully paid: | | |
| Balance at 1 January 2017 | 2,907,099,398 | 58,142 |
| Issue of new shares | 213,330,000 | 4,267 |
| Balance at 31 December 2017 and 30 June 2018 | 3,120,429,398 | 62,409 |

## 15. CAPITAL COMMITMENTS

| | 30 June 2018 HK$'000 (unaudited) | 31 December 2017 HK$'000 (audited) |
|---|---|---|
| Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment | **961,806** | 456,958 |

## 16. RELATED PARTY TRANSACTIONS

(i) During the period, the Group entered into the following transactions with an associate.

| Associate | Nature of transaction | Six months ended 30 June 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|---|
| Truly HZ | Sales | **6,893** | 6,088 |
| | Purchase | **453,553** | 85,163 |
| | Interest income | **14,065** | 7,023 |
| | Rental income | **60** | 60 |
| | Rental expense | **–** | 1,952 |

(ii) The remuneration of directors and other members of key management during the period was as follows:

| | Six months ended 30 June 2018 HK$'000 (Unaudited) | 2017 HK$'000 (Unaudited) |
|---|---|---|
| Short-term benefits | **7,967** | 15,656 |
| Post-employment benefits | **55** | 63 |
| | **8,022** | 15,719 |

The remuneration of directors and key executives are determined by the remuneration committee having regard to the performance of individuals and market trends.

## 17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

### Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| Financial assets/ financial liabilities | Fair value as at 30 June 2018 | Fair value as at 31 December 2017 | Fair value hierarchy | Valuation techniques and key inputs |
|---|---|---|---|---|
| Available-for-sale investments | **Nil** | Assets — HK$6,174,000 | Level 1 | Quoted bid prices in an active market |
| Financial assets at fair value through profit or loss | **Assets — HK$5,002,000** | Nil | Level 1 | Quoted bid prices in an active market |
| Foreign currency forwards | **Nil** | Liability — HK$76,167,000 | Level 2 | Discounted cash flow method<br>The key inputs are foreign exchange spot and forward rates and interest rate curves |
| Foreign currency swaps | **Assets — HK$3,431,000**<br>**Liability — HK$1,213,000** | Assets — HK$17,370,000<br>Liability — HK$5,757,000 | Level 2 | Discounted cash flow method<br>The key inputs are foreign exchange spot and forward rates and interest rate curves |

## 17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

### Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

| Financial assets/ financial liabilities | Fair value as at 30 June 2018 | Fair value as at 31 December 2017 | Fair value hierarchy | Valuation techniques and key inputs |
|---|---|---|---|---|
| Structured foreign currency forwards | **Liability — HK$1,479,000** | Liability — HK$58,516,000 | Level 3 | Monte Carlo Simulation Method<br><br>The key inputs are spot exchange rate on the date of valuation, strike rate, time to maturity, national amount, payout amount for each settlement, risk-free rate of JPY against USD and RMB against HKD and the average implied volatility of the exchange rate as at valuation date |

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

## 18. CONTINGENT LIABILITIES

At 31 December 2017, a claim against a subsidiary of the Group for Euro 7.2 million in aggregate being disclosed in the 2017 annual report, which has rejected by the Court's decision dated 9 May 2018. This Court decision has become final by the end of June 2018 without any appeal made by the plaintiff. Therefore, the Group need not pay to the plaintiff in this claim.

In addition, at 30 June 2018, the Group has given corporate guarantee for bank borrowings granted to an associate, 信利(惠州)智能顯示有限公司 ("Truly Huizhou"), with the borrowing limit at approximately HK$3.51 billion and the bank loans with the amount of approximately HK$2.81 billion were utilized by the associate.

Furthermore, at 30 June 2018, the other shareholder of Truly Huizhou provides corporate guarantee to the above bank borrowings in proportion to its respective ownership interest amounting to approximately HK$827 million. A counter-indemnity in favour of the other shareholder is executed pursuant to which the Group undertakes to indemnify the other shareholder's liabilities arising from the bank borrowings.

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

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

## FINANCIAL REVIEW

### Revenue

The Group's revenue for the six months ended 30 June 2018 (the "Period") was approximately HK$9,065 million, representing a decrease of approximately 16.3% or approximately HK$1,769 million when compared with the corresponding period of last year. The decrease in revenue was mainly attributable by the decrease in smartphone shipment volume in the People Republic of China for the first half of 2018 when compared with corresponding period of 2017.

### Gross Profit and Margin

The Group's gross profit for the Period was approximately HK$945.8 million and the gross profit margin was approximately 10.4%, which was approximately 2.0% higher than that for the corresponding period of last year. The increase in gross profit margin was mainly because the Group has acted in concert with the Group's major smartphone customers to provide some discounts on some original 16:9 smartphone products sales order in the second quarter of 2017 to accelerate the use of relevant raw materials by the Group but no such discount provided to customers in the Period.

Besides, the gross profit margin of the Group has been decreased from 11.7% in the first quarter of 2018 to 10.4% in the first half of 2018, because it was affected by the depreciation of Renminbi in the second quarter of 2018. Major smartphone related products revenue of the Group was in Renminbi but the core raw materials cost mainly in USD. Therefore, the depreciation of Renminbi would reduce the gross profit margin of the Group's smartphone related products.

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

## FINANCIAL REVIEW (continued)

### Other Income

The Group's other income for the Period was approximately HK$47.2 million, representing a decrease of approximately 59.3% or approximately HK$68.9 million when compared with the corresponding period of last year. The decrease in other income was mainly because the government grant received (approximately HK$80 million) in relation to development on advance technology in the first half of 2017 but not recurred in the Period.

### Other Gains or Losses

The Group's other gains or losses for the Period was approximately HK$61.5 million net other losses but it was approximately HK$15.4 million net other gains in the corresponding period of last year. The change from net other gains in the first half of 2017 to net other losses in the Period was mainly because of the exchange loss on Renminbi recognised in the Period while the exchange gain on Renminbi recognised in the corresponding period of last year.

### Distribution and Selling Expenses

The Group's distribution and selling expenses for the six months ended 30 June 2018 increased by approximately 28.9% or approximately HK$51.3 million to approximately HK$228.7 million when compared to the corresponding period of last year. The increase in absolute amount was mainly attributable to the increased freight charges and increased commissions.

### Profit (Loss) for the Period Attributable to Owners of the Company

The profit for the period attributable to owners of the Company for the six months ended 30 June 2018 was improved to approximately HK$5.7 million from the loss of approximately HK$227.4 million attributable to owners of the Company for the corresponding period of last year. The improvement in absolute amount was mainly attributable to net effect of (i) the one-off full provision for bad and doubtful debts of a specific customer, net of insurance compensation, (approximately HK$414 million) in the first half of last year, which did not have similar event being recurred in the Period; (ii) the government grant received (approximately HK$80 million) in the first half of 2017 but not recurred in the Period; and (iii) the increased distribution and selling expenses (HK$51.3 million) in the Period.

## BUSINESS REVIEW

During the first half of 2018, the global economy is still under growth. However, the smartphone industry was not in the same growth trend in the Period. According to the China Academy of Information and Communications Technology, the domestic mobile phone market shipment volume for the Period was 196 million units, representing a decrease of 17.8% when compared to the corresponding period of last year. Besides, the number of new model of mobile phone launched in the Period has been obviously decreased by 30% when compared to the corresponding period of last year. Thus, the competition in smartphone market has become keener in the Period. It was the main reason for the decrease in the Group's revenue in the Period. Furthermore, the sharp depreciation of Renminbi in the second quarter of 2018 affected the Group's revenue and gross profit margin. However, the Group has been strengthening its research and development capacity and enhancing co-operation with customers in developing their new products. Therefore, the management believes that the Group could continue to maintain its competitive power.

The revenue of the LCD products segment of the Group decreased in the Period by 25.3% when compared to the corresponding period of last year. It was mainly attributable by the downward trend of mobile phone industry during the Period. The revenue of the electronic consumer products segment of the Group has increased by 12.1% in the Period when compared to the corresponding period of last year, particular for the sales growth on the compact camera module product. It was mainly attributable by the past few years' successful capex investment on the compact camera module production plant and machinery and continuing research and development on the production process.

The smartphone related products' revenue of the Group decreased in the same direction of the domestic mobile phone market shipment volume during the Period when compared to the corresponding period of last year. The non-smartphone related products' revenue of the Group continued to grow during the Period. Therefore, the product mix of the Group was improving during the Period.

## OUTLOOK

Based on the current order status and communications with the Group's major customers, the management thinks that the revenue of the Group in the second half of 2018 would be better than the first half of 2018. Therefore, comparing to 2017, the management expect that the decrease magnitude in the Group's 2018 revenue would be improved accordingly.

However, the trading relationship between the PRC and USA is very tense recently, it threatens the global economy, particular for the PRC and USA. It would affect the growth of the global economy and increase the uncertainty in the second half of 2018.

The Group would continue to improve the Group's product mix by enhancing the development on non-smartphone related products business.

Besides, the management would focus on finalizing the trial production period of the Shanwei new 5th generation TFT-LCD production line in the second half of 2018 and entering the mass production. It can help to speed up the development on non-smartphone related products of the Group and support the growth of the non-smartphone related products business.

The Group has been continuing to share the loss from the major associate of the Group, Truly (Huizhou) Smart Display Limited ("Truly Huizhou"), since it started mass production in late 2016. It was attributable to the low production yield rate. Although the production yield rate has been gradually improving, the management did not satisfy the progress in 2017 and the Period. The management has allocated more resources to speed up the improvement on the production process of the associate during the Period; therefore, the management expect this major associate can achieve breakeven in the last quarter of 2018. The financial burden from this major associate to the Group can be released in 2019.

## PROPOSED SPIN-OFF UPDATE

The management would like to update the Shareholders of the Company and investors that the Proposed Spin-off is still under progress in PRC.

The 2018 interim update of the relevant document for the PRC A share listing application would be submitted to CSRC in September 2018.

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

## SIGNIFICANT INVESTMENTS AND ACQUISITIONS

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

The trial production has been starting in early 2018. The management expects the trial production period to be completed in late 2018 and entering the mass production.

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

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

The first hearing by the court of the said case has been completed on 4 June 2018 in Beijing. Recently, the Group has been informed by the Group's PRC lawyer that a decision letter issues by the relevant count has been received in August 2018, which the court has decided to turn down the Group's civil complaint in relation to the dispute on the investment agreement. After discussion with the Group's PRC lawyers, the Group has lodged an objection to the relevant court in Beijing on 31 August 2018 as the management believes after being advised by the PRC lawyers, that the Group has reasonable grounds to challenge the said count decision.

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

## SIGNIFICANT INVESTMENTS AND ACQUISITIONS (continued)

### Update on investment in 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 started to construct the fifth generation of TFT-LCD factory in Renshou since late 2017. The construction work of the factory would be completed in late 2019 or early 2020 by the management's estimation.

As the Group has significant influence to Truly Renshou, the investment in Truly Renshou is treated as investment in associates. Thus, the results and 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 28 September 2018. 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 July 2018.

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

## POTENTIAL BREACHING OF CERTAIN BANKS AND OTHER BORROWINGS AGREEMENTS

In early June 2018, the Company has estimated that the Group might potentially breach certain financial covenants in relation to certain ratios of net borrowings of some bank loan agreements for the testing date on 30 June 2018. It was mainly because the relevant financial covenants are tightened up gradually from 2018 to 2020 and yet the Group's smartphone related products' revenue decreased significantly in last quarter of 2017 and the first quarter of 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 0.80:1 and 1:1, respectively) for the testing date on 30 June 2018 as mentioned above in early June 2018 and had successfully received the lenders' consent on 30 June 2018.

As referred to the Company's unaudited condensed consolidated financial statements for the 6 months ended 30 June 2018, the Company has marginally breached a financial covenant at approximately 1.03 in relation to the ratio of the consolidated net borrowing of the Group to its consolidated tangible net worth no more than 1:1 as at 30 June 2018. As the Company has obtained the waiver consent in relation to this breach of a financial covenant from the lenders not later than 30 June 2018, no reclassification of the relevant borrowings under the non-current liabilities to the current liabilities in the Company's condensed consolidated statement of financial position as at 30 June 2018 is required under the relevant accounting standards.

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

## EQUITY FUNDS RAISING BY SHARES SUBSCRIPTION

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

## EQUITY FUNDS RAISING BY SHARES SUBSCRIPTION (continued)

As additional time is required to prepare and finalise certain information to be contained in the Circular, including but not limited to the financial information of the Group, an application has been made to the Executive pursuant to Rule 8.2 of the Takeovers Code for its consent to extend the deadline for the despatch of the Circular to a date falling on or before 14 September 2018, and the Executive has granted such consent.

Had the Subscription taken place on 30 June 2018, the ratio of the consolidated net borrowings of the Group to its consolidated tangible net worth would have been reduced to approximately 0.98:1, which would have been in compliance with the relevant financial covenant.

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$615.6 million and liabilities have been decreased by approximately HK$490.1 million during the Period.

As at 30 June 2018, the outstanding bonds payable, bank and other borrowings, net of restricted bank deposits, cash and bank balances, were approximately HK$5,710 million (approximately HK$5,756 million at 31 December 2017). Among the total gross borrowings of approximately HK$8,635 million at 30 June 2018, approximately HK$4,369 million would be repayable within a year with the remaining balances repayable within a period of two to four years if no breaching of bank and other borrowings agreements was occurred.

As at 30 June 2018, the Group had net current liabilities of approximately HK$2,106 million (as at 31 December 2017, approximately HK$893 million net current liabilities) and its current ratio decreased to 0.85 times as at 30 June 2018 from 0.93 times as at 31 December 2017. The management continues seeking to have more long-term loans refinancing and other measures to improve the net current liabilities position in 2018.

As at 30 June 2018, the Group has restricted bank deposits, cash and bank balances approximately HK$2,925 million together with adequate unutilized banking facilities. The Group's working capital is mainly financed by internal cash flow generate from its operation and banking facilities granted by financial institutions. The gearing ratio based on total interest bearing debts, net of restricted bank deposits, cash and bank balances was approximately 74%, which has slightly increased from 73% at 31 December 2017.

## LIQUIDITY AND FINANCIAL RESOURCES (continued)

### Capital Commitments

At 30 June 2018, the Group's contracted capital commitments for the acquisition of property, plant and equipment were approximately HK$962 million (approximately HK$457 million at 31 December 2017) and will be financed principally from internal reserves and bank loans.

### Contingent Liabilities

At 31 December 2017, a claim against a subsidiary of the Group for Euro 7.2 million in aggregate being disclosed in the 2017 annual report, which has rejected by the Court's decision dated 9 May 2018. This Court decision has become final by the end of June 2018 without any appeal made by the plaintiff. Therefore, the Group need not pay to the plaintiff in this claim.

In addition, at 30 June 2018, the Group has given corporate guarantee for bank borrowings granted to an associate, 信利(惠州)智能顯示有限公司 ("Truly Huizhou"), with the borrowing limit at approximately HK$3.51 billion and the bank loans with the amount of approximately HK$2.81 billion were utilized by the associate.

Furthermore, at 30 June 2018, the other shareholder of Truly Huizhou provides corporate guarantee to the above bank borrowings in proportion to its respective ownership interest amounting to approximately HK$827 million. A counter-indemnity in favour of the other shareholder is executed pursuant to which the Group undertakes to indemnify the other shareholder's liabilities arising from the bank borrowings.

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

### Material Acquisitions and Disposals

The Group had no material acquisitions or material disposal of subsidiaries and associated companies for the six months ended 30 June 2018 except the above mentioned.

### General

There are approximately 18,000 workers and employees currently employed in the Group's Shan Wei factories and around 100 staff in our Hong Kong office.

Exposure to fluctuations in exchange rates will be considered to hedge, if any. The remuneration policy was in line with current legislation, market conditions and both individual and company performance.

## INTERIM DIVIDENDS

The Directors do not recommend the payment of second interim divided for the six months ended 30 June 2018 (2017: Nil). Together with none of the first interim dividend was declared for the three months ended 31 March 2018, the total interim dividends were nil per share (2017: 1 HK cent).

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2018, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

### Long positions

*(a) Ordinary shares of HK$0.02 each of the Company*

| Name of director | Capacity | Number of issued ordinary shares held | Percentage of the issued share capital of the Company |
|---|---|---|---|
| Lam Wai Wah | Beneficial owner | 1,273,052,000 | 40.80% |
| | Held by spouse (Note 1) | 74,844,000 | 2.40% |
| | | 1,347,896,000 | 43.20% |
| Wong Pong Chun, James | Beneficial owner | 4,649,000 | 0.15% |
| | Held by spouse (Note 2) | 1,650,000 | 0.05% |
| | | 6,299,000 | 0.20% |
| Cheung Tat Sang | Beneficial owner | 6,129,000 | 0.20% |
| Li Jian Hua | Beneficial owner | 14,547,000 | 0.47% |
| | Held by spouse (Note 3) | 22,500 | 0.00% |
| | | 14,569,500 | 0.47% |

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

### Long positions (continued)

(b) *Registered capital of the associated corporation of the Company*

Truly Opto-Electronics Limited ("Truly Shanwei") (Note 4)

| Name of director | Capacity | Registered capital contributed (RMB) | Percentage of paid up registered capital of Truly Shanwei % |
|---|---|---|---|
| Lam Wai Wah | Beneficial owner | 647,360 | 0.1904 |
| Wong Pong Chun, James | Beneficial owner | 2,590,120 | 0.7618 |
| Cheung Tat Sang | Beneficial owner | 647,360 | 0.1904 |
| Li Jian Hua (Note 5) | Interest of corporation controlled by the director | 647,360 | 0.1904 |

Notes:

1. Lam Wai Wah is deemed to be interested in 74,844,000 ordinary shares of the Company, being the interests held beneficially by his spouse, Chung King Yee, Cecilia.
2. Wong Pong Chun, James is deemed to be interested in 1,650,000 ordinary shares of the Company, being the interests held beneficially by his spouse, Lai Ching Mui, Stella.
3. Li Jian Hua is deemed to be interested in 22,500 ordinary shares of the Company, being the interests held beneficially by his spouse, Guo Yu Yan.
4. Truly Opto-Electronics Limited, a company registered in the People's Republic of China, is an indirect non-wholly owned subsidiary of the Company.
5. Registered capital contributed through Lhasa Development Zone Jianyuan Investment Management Co., Ltd, a company wholly-owned by him.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares and underlying shares of the Company or any of its associated corporations as at 30 June 2018.

## SHARE OPTION SCHEME

During the period under review, the Company has not adopted any share option scheme.

## ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed above under the heading "Directors' Interests in Shares and Underlying Shares", at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2018, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that other than the interests disclosed above in respect of Lam Wai Wah, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company.

## PURCHASE, SALE OR REDEMPTION OF SECURITY

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2018.

## MODEL CODE

None of the Directors of the Company is aware of information that would reasonably indicate that the Company was not in the period under review in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited.

## AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the code provisions of the Corporate Governance Code (the "Code") for the purposes of reviewing and providing supervision over the Group's financial reporting matters, risk management 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 interim results of the Group for the six months ended 30 June 2018 has been reviewed by the Audit Committee

## 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 2018, except for major deviations as below:

— **Code Provision A.2.1**

The roles of the Chairman and the Chief Executive are not separated and are performed by the same individual, Mr. Lam Wai Wah. The Board will meet regularly to consider major matters affecting the operations of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the Company's management and believes that this structure will enable us to make and implement decisions promptly and efficiently.

— **Code Provision A.6.7**

Mr. Heung Kai Sing, an independent non-executive director of the Company and Mr. Li Jian Hua, a non-executive director of the Company, were unable to attend the annual general meeting of the Company held on 30 May 2018 due to prior business commitment.

## PUBLICATIONS OF INTERIM RESULTS AND INTERIM REPORT

This 2018 interim results announcement and 2018 interim report are published on the HKExnews website at www.hkexnews.hk and on the website of the Company at www.truly.com.hk.

By Order of the Board
**Lam Wai Wah**
*Chairman*

Hong Kong, 31 August 2018

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