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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 2022 ANNUAL RESULTS

FINANCIAL HIGHLIGHTS

	For the year ended		Change
	31 December		
	2022	2021	
	HK\$'000	HK\$'000	
Revenue	19,287,434	22,543,455	-14.4%
Gross profit	1,484,972	2,612,976	-43.2%
Profit for the year attributable to owners of the Company	318,233	1,377,998	-76.9%
EBITDA	2,354,462	3,340,140	-29.5%
EPS (HK cents)			
— Basic	9.77	41.89	-76.7%
DPS (HK cents)			
— Interim	5	5	—
— Final	5	5	—
— Full Year	<u>10</u>	<u>10</u>	—

The final dividend of 5 HK cents per share (2021: 5 HK cents) has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	3	19,287,434	22,543,455
Cost of sales		(17,802,462)	(19,930,479)
Gross profit		1,484,972	2,612,976
Other income	5	234,084	187,540
Other gains and losses	6	78	(233,690)
Reversal of (impairment losses) under expected credit loss model, net		35,740	(49,439)
Distribution and selling expenses		(458,221)	(437,316)
Finance costs	7	(354,558)	(341,255)
Impairment loss on goodwill		–	(82,135)
Remeasurement gain on previously held interests in an associate		–	323,248
Administrative expenses		(583,786)	(486,140)
Share of results of associates		18,256	102,061
Profit before tax		376,565	1,595,850
Income tax expense	8	(57,364)	(165,196)
Profit for the year	9	319,201	1,430,654
Other comprehensive (expense) income for the year			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(1,126,293)	368,011
Share of other comprehensive income of associates		–	937
Other comprehensive (expense) income for the year		(1,126,293)	368,948
Total comprehensive (expense) income for the year		(807,092)	1,799,602

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Profit for the year attributable to:			
Owners of the Company		318,233	1,377,998
Non-controlling interests		968	52,656
		<u>319,201</u>	<u>1,430,654</u>
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		(781,184)	1,737,751
Non-controlling interests		(25,908)	61,851
		<u>(807,092)</u>	<u>1,799,602</u>
Earnings per share			
Basic (HK cents per share)	<i>11</i>	<u>9.77</u>	<u>41.89</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		14,023,037	16,217,398
Right-of-use assets		915,060	1,063,958
Goodwill		587,837	587,837
Interest in an associate		1,537,854	614,152
Financial assets at fair value through profit or loss		3,689	4,533
Deferred tax assets		62,176	56,543
Deposits paid for acquisition of property, plant and equipment		17,218	28,327
Rental deposits	<i>12</i>	79,922	80,711
		17,226,793	18,653,459
CURRENT ASSETS			
Inventories		3,164,254	4,231,207
Derivative financial instruments		1,894	–
Trade and other receivables	<i>12</i>	3,357,797	4,634,259
Trade and bills receivables at fair value through other comprehensive income	<i>13</i>	990,645	534,847
Amounts due from an associate		15,154	–
Tax recoverable		30,933	26,657
Restricted bank deposits		844,894	444,847
Cash and cash equivalents		858,759	1,208,068
		9,264,330	11,079,885

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
CURRENT LIABILITIES			
Trade and other payables	<i>14</i>	7,529,208	9,607,792
Contract liabilities		375,110	614,975
Tax payable		101,184	137,469
Bank and other borrowings		5,387,879	5,461,419
Bonds payable		–	371,996
Amounts due to an associate		528,618	679,515
Lease liabilities		94,507	143,652
Derivative financial instruments		1,030	584
		<u>14,017,536</u>	<u>17,017,402</u>
NET CURRENT LIABILITIES		<u>(4,753,206)</u>	<u>(5,937,517)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>12,473,587</u>	<u>12,715,942</u>
NON-CURRENT LIABILITIES			
Bank and other borrowings		1,877,648	655,087
Other payables		50,061	95,380
Lease liabilities		52,772	156,509
Deferred tax liabilities		156,203	149,457
		<u>2,136,684</u>	<u>1,056,433</u>
NET ASSETS		<u>10,336,903</u>	<u>11,659,509</u>
CAPITAL AND RESERVES			
Share capital		63,222	65,785
Share premium and other reserves		9,922,463	11,216,598
		<u>9,985,685</u>	<u>11,282,383</u>
Equity attributable to owners of the Company		9,985,685	11,282,383
Non-controlling interests		351,218	377,126
		<u>10,336,903</u>	<u>11,659,509</u>
TOTAL EQUITY		<u>10,336,903</u>	<u>11,659,509</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL

The Company is incorporated in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company. The Company is a public limited company with its shares listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its ultimate controlling party is Mr. Lam Wai Wah, who is also the Chairman and Managing Director of the Company. The addresses of the registered office and principal place of business of the Company are P.O. Box 309, Grand Cayman, Cayman Islands and 2/F., Chung Shun Knitting Centre, 1–3 Wing Yip Street, Kwai Chung, N.T., Hong Kong respectively.

The functional currency of the Company is United States dollars (“US\$”). The consolidated financial statements are presented in Hong Kong dollars (“HK\$”) which is different from the functional currency of the Company, as the directors of the Company consider that HK\$ is the most appropriate presentation currency in view of its place of listing.

The Company acts as an investment holding company. Its subsidiaries are principally engaged in the business of manufacture and sale of liquid crystal display (“LCD”) products including touch panel products and electronic consumer products including compact camera module, fingerprint identification modules, personal health care products and electrical devices.

2 APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Company and its subsidiaries (collectively referred to as “the Group”) have applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment 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 year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. REVENUE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Sales of LCD products	15,693,468	17,181,573
Sales of electronic consumer products	3,593,966	5,361,882
	<u>19,287,434</u>	<u>22,543,455</u>

4. SEGMENT INFORMATION

Information reported to the Company's executive directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of performance focuses on the sales of different types of products. Inter-segment sales are charged at prevailing market rates. Thus the Group is currently organised into two operating segments which are sales of LCD products and electronic consumer products. The information for each operating segment is as follows:

LCD products	—	manufacture and distribution of LCD products and touch panel products
Electronic consumer products	—	manufacture and distribution of electronic consumer products such as compact camera module, fingerprint identification modules, personal health care products and electrical devices

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating and reportable segments:

For the year ended 31 December 2022

	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	15,693,468	3,593,966	19,287,434	–	19,287,434
Inter-segment sales	–	437,453	437,453	(437,453)	–
	<u>15,693,468</u>	<u>4,031,419</u>	<u>19,724,887</u>	<u>(437,453)</u>	<u>19,287,434</u>
RESULT					
Segment result	831,891	(78,788)	753,103	(12,828)	740,275
Finance costs					(354,558)
Impairment loss on goodwill					–
Share of results of associates					18,256
Unallocated expenses					(28,985)
Unallocated other gains and losses					<u>1,577</u>
Profit before tax					<u><u>376,565</u></u>

For the year ended 31 December 2021

	LCD products HK\$'000	Electronic consumer products HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE					
External sales	17,181,573	5,361,882	22,543,455	–	22,543,455
Inter-segment sales	–	348,079	348,079	(348,079)	–
	<u>17,181,573</u>	<u>5,709,961</u>	<u>22,891,534</u>	<u>(348,079)</u>	<u>22,543,455</u>
RESULT					
Segment result	1,478,947	153,497	1,632,444	(10,221)	1,622,223
Finance costs					(341,255)
Impairment loss on goodwill					(82,135)
Remeasurement gain on previously held interest in an associate					323,248
Share of results of associates					102,061
Unallocated expenses					(24,588)
Unallocated other gains and losses					<u>(3,704)</u>
Profit before tax					<u>1,595,850</u>

Segment profit represents the profit earned by each segment without allocation of central administration costs including directors' salaries, finance costs, share of results of associates, loss on fair value changes of derivative financial instruments, impairment loss under expected credit loss model on other receivable and gain (loss) on fair value changes of derivative financial instruments, change in fair value of financial asset at fair value through profit or loss and certain impairment loss under ECL model. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Other information

For the year ended 31 December 2022

	LCD products HK\$'000	Electronic consumer products HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment results:			
Allowance for inventories, net (included in cost of sales)	12,042	20,406	32,448
Depreciation (including amounts capitalised in inventories)	1,291,812	259,501	1,551,313
Depreciation of right-of-use assets	68,439	3,587	72,026
Loss on disposal/write-off of property, plant and equipment	27,335	–	27,335
Reversal of impairment losses under expected credit loss model, net	<u>(34,723)</u>	<u>(1,017)</u>	<u>(35,740)</u>

For the year ended 31 December 2021

	LCD products HK\$'000	Electronic consumer products HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment results:			
Reversal of allowance for inventories, net (included in cost of sales)	(3,752)	–	(3,752)
Depreciation (including amounts capitalised in inventories)	1,278,275	56,093	1,334,368
Depreciation of right-of-use assets	65,323	3,344	68,667
Loss on disposal/write-off of property, plant and equipment	255,408	114	255,522
Impairment losses under expected credit loss model, net of reversal	<u>49,038</u>	<u>401</u>	<u>49,439</u>

Segment assets and liabilities are not disclosed as they are not regularly reviewed by chief operating decision maker.

Geographical information

The following table sets out information about (i) the Group's revenue from external customers by location of customers and (ii) the Group's non-current assets by location of assets.

	Revenue from external customers		Non-current assets	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
The PRC	13,528,016	16,382,896	17,056,286	18,466,961
South Korea	1,421,249	2,227,212	–	–
Hong Kong (place of domicile)	1,272,129	768,987	24,049	44,711
Japan	421,023	416,560	–	–
Europe	1,024,276	996,602	6	–
Vietnam	105,538	372,993	–	–
North America	272,579	359,419	665	–
South America	278,880	240,904	–	–
Taiwan	217,099	215,083	–	–
Others	746,645	562,799	–	–
	<u>19,287,434</u>	<u>22,543,455</u>	<u>17,081,006</u>	<u>18,511,672</u>

Notes:

- (i) Regarding revenue arising from sales to external customers in Europe and others, no individual countries are material and hence separate disclosure is not required.
- (ii) Non-current assets exclude financial assets at fair value through profit or loss, deferred tax assets, rental deposits.

Information about major customers

No individual customer contributed over 10% of the total revenue of the Group in both years of 2021 and 2022.

5. OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other income includes:		
Government grants	169,064	113,427
Compensation income	1,380	2,257
Interest income	20,637	14,074
Interest income from an associate	–	33,620
Rental income with fixed monthly rental	17,820	13,581
Other services fees	12,091	3,542
Sundry income	13,092	7,039
	<u>234,084</u>	<u>187,540</u>

6. OTHER GAINS AND LOSSES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss on disposal/write-off of property, plant and equipment	(27,335)	(255,522)
Loss from changes in fair value of financial assets at fair value through profit or loss	(844)	(2,814)
Gain (loss) on fair value change of derivative financial instruments, net	1,577	(890)
Net foreign exchange gain	26,680	25,536
	<u>78</u>	<u>(233,690)</u>

7. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on bank and other borrowings	309,345	293,891
Interest on bonds payable	13,263	21,408
Interest on lease liabilities	15,938	25,956
Interest on deferred consideration	16,012	–
	<u>354,558</u>	<u>341,255</u>

8. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax:		
PRC Enterprise Income Tax	54,124	110,058
Other jurisdictions	<u>1,056</u>	<u>1,141</u>
	55,180	111,199
Withholding tax	<u>551</u>	<u>3,164</u>
	<u>55,731</u>	<u>114,363</u>
Under (over)-provision in prior years:		
The PRC	<u>520</u>	<u>(7,308)</u>
Deferred tax	<u>1,113</u>	<u>58,141</u>
Income tax expense for the year	<u><u>57,364</u></u>	<u><u>165,196</u></u>

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The Directors consider the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

Pursuant to the relevant law and regulations in the PRC, PRC subsidiaries qualified as Hi-Tech Enterprise or eligible to enjoy the Western Region Preferential Income Tax policies are entitled to 15% PRC enterprise income tax. The tax rate of the other PRC subsidiaries is 25%.

Pursuant to the PRC Enterprise Income Tax Law (the "EIT Law of PRC") and the Detailed Implementation Rules, distribution of the profits earned by the PRC subsidiaries since 1 January 2008 to holding companies incorporated in Hong Kong is subject to the PRC withholding tax at the applicable tax rates of 5% or 10%.

9. PROFIT FOR THE YEAR

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit for the year has been arrived at after charging:		
Auditor's remuneration	4,800	3,780
Cost of inventories recognised as expenses	16,974,025	19,122,888
Allowance (reversal of allowance) for inventories, net (included in cost of sales)	32,448	(3,752)
Research expenses (included in cost of sales)	795,989	811,343
Depreciation of property, plant and equipment (including amounts capitalised in inventories)	1,551,313	1,334,368
Depreciation of right-of-use assets	72,026	68,667
Staff costs, inclusive of directors' remuneration:		
Salaries and other benefits	1,713,326	1,798,869
Contributions to retirement benefit scheme	170,433	174,645
	<u>1,883,759</u>	<u>1,973,514</u>
(Reversal of) impairment losses on trade receivables under ECL model, net	<u>(35,740)</u>	<u>49,439</u>

10. DIVIDENDS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2022 Interim — HK 5 cents (2021: 2021 interim dividend HK 5 cents) per share	<u>163,612</u>	<u>164,461</u>
2021 Final — HK 5 cents per share (2021: Nil)	<u>164,461</u>	<u>—</u>

11. EARNINGS PER SHARE

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

Earnings

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Earnings for the purposes of basic earnings per share		
Profit for the year attributable to owners of the Company	<u>318,233</u>	<u>1,377,998</u>

Number of shares

	2022 <i>'000</i>	2021 <i>'000</i>
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u><u>3,257,189</u></u>	<u><u>3,289,229</u></u>

No diluted earnings per share is presented as there were no potential ordinary shares in issue for both years.

12. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	3,187,325	4,782,694
Less: Allowance for credit losses	<u>(49,324)</u>	<u>(678,907)</u>
	<u><u>3,138,001</u></u>	<u><u>4,103,787</u></u>
Other receivables, deposits and prepayments	<u>299,718</u>	<u>611,183</u>
Total trade and other receivables	3,437,719	4,714,970
Less: Rental deposits shown under non-current assets	<u>(79,922)</u>	<u>(80,711)</u>
Amounts shown under current assets	<u><u>3,357,797</u></u>	<u><u>4,634,259</u></u>

The following is an aging 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 60 days	2,075,223	3,052,566
61 to 90 days	500,384	642,372
More than 90 days	<u>562,394</u>	<u>408,849</u>
	<u><u>3,138,001</u></u>	<u><u>4,103,787</u></u>

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

	2022	2021
	HK\$'000	HK\$'000
Trade receivables	255,865	294,458
Bills receivables	734,780	240,389
	<u>990,645</u>	<u>534,847</u>

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

	2022			2021		
	Trade receivables HK\$'000	Bills receivables HK\$'000	Total HK\$'000	Trade receivables HK\$'000	Bills receivables HK\$'000	Total HK\$'000
Within 60 days	249,359	279,277	528,636	290,429	111,980	402,409
61–90 days	4,600	150,357	154,957	3,972	91,658	95,630
More than 90 days	1,906	305,146	307,052	57	36,751	36,808
	<u>255,865</u>	<u>734,780</u>	<u>990,645</u>	<u>294,458</u>	<u>240,389</u>	<u>534,847</u>

14. TRADE AND OTHER PAYABLES

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

	2022			2021		
	Trade payables HK\$'000	Bills payables HK\$'000	Total HK\$'000	Trade payables HK\$'000	Bills payables HK\$'000	Total HK\$'000
Within 60 days	2,656,845	641,879	3,298,724	4,404,430	814,622	5,219,052
61 to 90 days	732,309	230,004	962,313	444,891	266,833	711,724
More than 90 days	72,420	1,526,706	1,599,126	768,547	1,246,702	2,015,249
	<u>3,461,574</u>	<u>2,398,589</u>	<u>5,860,163</u>	<u>5,617,868</u>	<u>2,328,157</u>	<u>7,946,025</u>

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

THE CHAIRMAN’S STATEMENT

Truly International Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) have been impacted by the global economic and supply chain disruption caused by the COVID-19 pandemic in 2022, coupled with the maturing of the smartphone market resulting in a lack of motivation among consumers to upgrade their phones, the weak demand for panels, camera modules, and fingerprint identification modules related to the smartphone business, negatively affecting sales price and sales volume. The Group’s revenue of HK\$19.29 billion in 2022 was approximately 14.4% lower than that in 2021. The Group’s gross profit margin decreased to 7.7%, representing a decrease of approximately 3.9% when compared to 2021 as a result of the negative impact of the smartphone business on the gross profit margin. Profit for the year attributable to owners of the Company decreased by approximately 76.9% to HK\$318 million in 2022 when compared to 2021.

Truly (Renshou) High-end Display Technology Limited* (信利(仁壽)高端顯示科技有限公司) (“Truly RS”), an associate of the Group located in Sichuan, is a fifth generation TFT-LCD production plant, which has entered into mass production period in 2021 and operated smoothly during the year, further enhancing the Group’s competitiveness in the TFT-LCD panel market. Therefore, the Group entered into an agreement to increase its equity interests in Truly RS from 7.14% to 17.14% at the end of 2022.

The 4.5 Generation AMOLED Production Line Project of Truly (Huizhou) Smart Display Limited* (信利(惠州)智能顯示有限公司) (“Truly Huizhou”), a non wholly-owned subsidiary of the Company in which it indirectly holds a 76.5% equity interest, operated smoothly, and continued to improve its financial condition during the year, maintaining sound synergy for the Group’s panel production capacity and technology.

In the future, both domestic and global economic policies are promoting economic and supply chain recovery, which in turn will have a positive impact on the supply and demand of the Group’s products. We will continue to invest in human resources and technology research and development for vehicle-mounted and various businesses, and maintain in-depth interaction with customers and cooperative brands, which will be conducive to the sustainable growth of our relevant product and business. The management will continue to control costs and expenses to enhance the competitiveness of our products. The management remains confident of achieving performance improvement in 2023.

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

Lam Wai Wah

Chairman

Hong Kong, 24 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

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

Business Review

Revenue of 2022 recorded a decrease by 14.4% amounting to approximately HK\$19.29 billion (2021: HK\$22.54 billion), which was mainly attributable to (i) the decrease of smartphone related products' revenues caused by reduction of sales orders by our major PRC smartphone customers and (ii) the global economic and supply chain disruption caused by the COVID-19 pandemic.

Profit for the year attributable to the owners of the Company decreased to approximately HK\$318 million (2021: approximately HK\$1,378 million) by approximately 76.9%. Basic earnings per share for the year decreased to 9.77 HK cents from 41.89 HK cents in 2021. It was mainly due to (i) the decrease of gross profit margin from 11.6% in 2021 to 7.7% in 2022; (ii) the decrease of revenue for the year by approximately HK\$3,256 million; and (iii) the reduction of one-off net gain of approximately HK\$241 million that was recorded in 2021 from the acquisition of the major associate, Truly Huizhou.

The gross profit margin for the year decreased to approximately 7.7% (2021: 11.6%) and net profit margin for the year attributable to owners of the Company decreased to 1.6% (2021: 6.1%). Decrease in gross profit margin was mainly due to the decrease of both shipping volume and selling price of smartphone related products.

The Group's LCD business including touch products was about 81% of the Group revenue in 2022 (2021: 76%). Other businesses of the Group including the sales of compact camera modules, fingerprint identification products and printed circuit board were 19% of the Group's revenue in 2022 (2021: 24%). LCD business would continue to be the core business of the Group in coming few years.

The Group continues to put resources in the Group's research and development by spending around HK\$796 million in 2022 (2021: HK\$811 million).

Recognitions

During the year, the Group received numerous recognitions from customers and industrial associates, major recognitions were shown as follows: Truly Opto-Electronics Limited* (信利光電股份有限公司), a PRC subsidiary, was named to the list of “Top Guangdong 500 Manufacturing Companies” by Guangdong Manufacturers Association, ranking 40th in 2022. Truly Semiconductors Limited* (信利半導體有限公司), a PRC subsidiary, was named to the list of “Top Guangdong 500 Manufacturing Companies” by Guangdong Manufacturers Association, ranking 104th in 2022. Truly Huizhou was named to the list of “Top Guangdong 500 Manufacturing Companies” by Guangdong Manufacturers Association, ranking 237th in 2022.

Outlook

Looking ahead to 2023, economic and supply chain recovery is expected to be driven by domestic and global economic policies. With the gradual resumption of industrial activities and the improvement in global supply chain conditions, the management will keep abreast of the development of market demand and supply chain changes of our different types of products. While continuously expanding its presence in the field of vehicle-mounted displays, the Company will keep an eye on emerging markets such as new energy vehicles and technological upgrades in the industry. We will maintain close communication with our customers and provide them with high-quality products and solutions to achieve business growth. Meanwhile, we will also continue to tighten our control over costs and expenses. The management is confident that the Group’s revenue and profit attributable to the owners of the Company will grow in 2023.

Proposed Spin-off Update

The Company is considering a possible spin-off and separate listing (the “Proposed Spinoff”) of Truly Industrial Limited* (信利工業(汕尾)股份有限公司, previously known as 信利工業(汕尾)有限公司), an indirect wholly-owned subsidiary of the Company, on a stock exchange in the PRC.

On 18 January 2023, Truly Industrial Limited submitted an application to the Guangdong Regulatory Bureau of the China Securities Regulatory Commission for the filing of an application for pre-listing tutoring. For details, please refer to the Company’s related announcement dated 18 January 2023.

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

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 December 2022 (the "Year") was approximately HK\$19,287 million, representing a decrease of approximately 14.4% or approximately HK\$3,256 million year-on-year. The decline in revenue in the Year was mainly attributable to (i) the decrease of smartphone related products' revenues caused by reduction of sales orders by our major PRC smartphone customers and (ii) the global economic and supply chain disruption caused by the COVID-19 pandemic.

Other Income

The Group's other income for the Year was approximately HK\$234 million, representing an increase of approximately 24.8% or approximately HK\$47 million when compared with 2021. The increase in other income was mainly because the government subsidies of approximately HK\$169 million received in the Year but only approximately HK\$113 million in 2021.

Other Gains and Losses

The Group's other gains and losses for the Year was approximately HK\$78,000 net other gains (2021: approximately HK\$234 million net other losses). The increase in net other gains in the Year was mainly due to the reduction of net loss on disposal of obsolete machineries to approximately HK\$27 million during the Year from approximately HK\$256 million in 2021.

Reversal of Impairment Losses under Expected Credit Loss Model, Net

The Group's reversal of impairment losses under expected credit loss model, net was approximately HK\$36 million (2021: net impairment loss of approximately HK\$49 million). The decrease in impairment losses was mainly due to the recovery of certain credit-impaired financial assets and the decrease of trade and other receivables.

Distribution and Selling Expenses

The Group's distribution and selling expenses for the Year has been slightly increased by approximately 4.8% or approximately HK\$21 million to approximately HK\$458 million when compared to 2021. The increase in distribution and selling expenses in the Year was mainly due to the increase of freight rates during the Year.

Administrative Expenses

The Group's administrative expenses for the Year have been increased by approximately 20.1% or approximately HK\$98 million to approximately HK\$584 million when compared to 2021. The increase in administrative expenses was mainly attributable to the significant increase of redundancy payments in 2022.

Finance costs

The Group's finance costs for the Year has been increased by approximately 3.9% or approximately HK\$13 million to approximately HK\$355 million when compared to 2021. The increase in finance costs was mainly attributable to the increase in bank and other borrowings in 2022.

Share of results of associates

Share of results of associates by the Group has been significantly decreased by approximately HK\$84 million when compared to 2021. The decrease in share of results of associates was mainly because the major associate of the Group, Truly Huizhou, became non-wholly owned subsidiary of the Group in early December 2021 and no share of profit was recorded from it during the Year.

Income Tax Expenses

Pursuant to the relevant law and regulations in the PRC, three 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. One of the Company's PRC subsidiaries was eligible to enjoy the Western Region Preferential Income Tax Policies and entitled to 15% PRC enterprise income tax till 31 December 2030. Accordingly, PRC Enterprise Income Tax is provided at 15% for the year ended 31 December 2022 for these four major PRC subsidiaries.

Profit for the Year Attributable to Owners of the Company

Profit for the Year attributable to owners of the Company significantly decreased to approximately HK\$318 million by approximately 76.9% or approximately HK\$1,060 million when compared to 2021. It was mainly because (i) the decrease of gross profit margin from 11.6% in 2021 to 7.7% in 2022; (ii) the decrease of revenue for the Year by approximately HK\$3,256 million; and (iii) the reduction of one-off net gain of approximately HK\$241 million that was recorded in 2021 from the acquisition of the major associate, Truly Huizhou.

Significant Investments, Acquisitions and Disposals, Assets and Liabilities

Investment and acquisition of further equity interest 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 TFTLCD 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.

Truly Renshou is accounted for as an associate of the Group during the Year 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.

In December 2022, the Group acquired additional 10% equity interest from another shareholder in Truly Renshou at a cash consideration of RMB845,440,000, of which RMB300,000,000 (equivalent to HK\$348,000,000) was settled in December 2022 and the remaining consideration of RMB545,440,000 (equivalent to HK\$632,710,000) will be settled not later than 15 December 2023 and carry interest at 3.3% per annum. The effective interest of the Group in Truly Renshou increased from 7.14% to 17.14%. There is no change of the terms of the Articles of Association of Truly Renshou including the voting rights of the shareholders and Truly Renshou remains as an associate of the Group.

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.

The Company is in discussion with other parties to the AMOLED JV agreement regarding the shareholders agreement. There is no long stop date stipulated in the AMOLED JV Agreement, and the AMOLED JV Agreement remains valid as at the date hereof. For detail of it, please refer to the announcement of the Company, Update in Relation to A Major Transaction for the Formation of the AMOLED JV Company, dated 20 December 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\$3,242 million and liabilities have been decreased by approximately HK\$1,920 million during the Year.

As at 31 December 2022, the outstanding lease liabilities, bonds payable and bank and other borrowings, net of restricted bank deposits, cash and bank balances, were approximately HK\$5,709 million (2021: approximately HK\$5,136 million). It was increased by approximately 11.2% or HK\$573 million when compared to these net borrowings as at 31 December 2021. These borrowing bear interest at prevailing market rate and their maturity profiles are shown in the financial statements. For non-current portion of these borrowings were matured within 5 years.

As at 31 December 2022, the Group had net current liabilities of approximately HK\$4,753 million (as at 31 December 2021, net current liabilities of approximately HK\$5,938 million) and its current ratio increased to 0.66 times as at 31 December 2022 from 0.65 times as at 31 December 2021. The major reason for the decrease in net current liabilities position as at 31 December 2022 was because the Group has reduced current liabilities during the Year. The management would continue to improve the Group's net current liabilities position.

As at 31 December 2022, the Group has restricted bank deposits, cash and cash equivalents approximately HK\$1,704 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 57%, which has increased from 46% at 31 December 2021.

Pledge of Assets

As 31 December 2022, the Group's borrowings amounting to HK\$278,899,000 were secured by Truly Huizhou buildings with carrying amount HK\$536,959,000.

Employee and Remuneration

Around 14,000 workers and staff are currently employed in factories of the Company in the PRC and around 60 personnel in the Group's Hong Kong office. Total staff costs for 2022 were approximately HK\$1,884 million. The employees are remunerated with basic salary, bonus and other benefits in kind with reference to industry practice and their individual performance.

Capital Commitments

Capital expenditure commitment of around HK\$199 million in respect of acquisition of property, plant and equipment was contracted for but not provided as at 31 December 2022.

Contingent Liabilities

We had no material contingent liabilities as at 31 December 2022.

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

OTHER INFORMATION

Review of Consolidated Financial Statements

The Audit Committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2022.

Scope of work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 24 March 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

Dividends

The directors recommend the payment of a final dividend of 5 HK cents (2021: 5 HK cents) per share for the year ended 31 December 2022, to shareholders whose names appear on the Register of Members on 19 May 2023, Friday. It is expected that the final dividend payments will be made to shareholders on 1 June 2023, Thursday, subject to the Company's shareholders' approval at the Annual General Meeting of the Company on 12 May 2023.

The interim dividends in aggregate of 5 HK cents per share (2021: 5 HK cents) were paid in 2022 to shareholders on the register of member of the Company at the close of business on 20 September 2022 based on 3,272,241,398 ordinary shares in issue.

The total dividend payout ratio for the year was about 102%.

Closure of Register of Members

For determining the entitlement to attend and vote at the 2023 Annual General Meeting ("AGM"), the Register of Members will be closed from 8 May 2023, Monday to 12 May 2023, Friday, during the period no transfer of shares can be registered. In order to be eligible to attend and vote at the AGM, all transfers accompanied by relevant share certificates must be lodged with the Company's Branch Share Registrar, Tricor Secretaries Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 5 May 2023, Friday.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed on 19 May 2023, Friday during which day no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited at the above address for registration not later than 4:30 p.m. on Thursday, 18 May 2023.

Annual General Meeting

The 2023 Annual General Meeting of the Company will be held on 12 May 2023, Friday at 11:00 a.m.. A notice convening the meeting will be issued in due course.

Purchase, Sale or Redemption of Security

During the year 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 128,124,000 ordinary shares on the Stock Exchange for an aggregate consideration of HK\$187,441,000 and all these shares were subsequently cancelled by the Company and accounted for approximately 3.9% of the total issued share capital of the Company as at 31 December 2022.

Save 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 year ended 31 December 2022.

Model Code

None of the Directors of the Company is aware of information that would reasonably indicate that the Company was not in the year under review in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules on the Stock Exchange.

Audit Committee

The Company has an Audit Committee which was established in accordance with the code provisions of the Corporate Governance Code for the purposes of reviewing and providing supervision over the Group's financial reporting matters and internal controls. The Audit Committee comprises all the three independent non-executive directors namely Mr. Chung Kam Kwong, being the Chairman, Mr. Ip Cho Ting, Spencer and Mr. Heung Kai Sing as members. They meet at least four times a year.

The Group has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

Remuneration Committee and Nomination Committee

The Company has a Remuneration Committee and a Nomination Committee respectively which were established in accordance with the relevant requirements of the Corporate Governance Code. The two Committees are chaired by Mr. Chung Kam Kwong, an independent non-executive director and comprise three other members, namely Mr. Ip Cho Ting, Spencer and Mr. Heung Kai Sing, being independent non-executive directors and Mr. Wong Pong Chun, James, an executive director of the Company.

Corporate Governance

The Board considers that good corporate governance of the Company is essential to safeguarding the interests of the shareholders and enhancing the performance of the Group. The Board is committed to maintain and ensure high standards of corporate governance. We have complied with all the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2022. Except for the deviation from the Code Provisions C.2.1, F.2.2, C.1.6 and B.2.4(a). The reason for deviation from C.2.1, F.2.2, C.1.6 and B.2.4(a) have been set out in the interim report for 2022 of the Company.

The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision-making processes are regulated in a proper and prudent manner.

Annual Report

The 2022 Annual Report containing all the information required by the Listing Rules will be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.truly.com.hk in due course.

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

Hong Kong, 24 March 2023

As at the date of this announcements, 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*