

TRULY®

TRULY INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0732)

Announcement of Interim Results 2007

FINANCIAL HIGHLIGHTS	For the six months ended 30 June		
	2007	2006	Change
	Unaudited	Unaudited	%
	HK\$'000	HK\$'000	
Revenue	2,841,252	2,214,034	+28
Gross profit	603,063	529,580	+14
Net profit for the period	406,674	347,592	+17
Basic EPS	86.53 HK cents	75.70 HK cents	+14

CHAIRMAN'S STATEMENT

I am pleased to announce the Group's unaudited interim results for the six months ended 30 June 2007 together with the successful commercial production in mid-July of our brand new Thin Film Transistor Liquid Crystal Display ("TFT-LCD") panel production line in the Group's manufacturing homebase in Shanwei, Guangdong Province, China. Truly's 2.5G TFT-LCD fab costing around HK\$1.6 billion to build can process 30,000 pieces of 370mm x 470mm substrate per month in full manufacturing strength. Its main focus will be on our newly developed market segments including but not limited to the automotive industry, medical equipment, industrial control system, high end electronic consumer products and so on with much higher profit margins. The new production line featuring highly flexible manufacturing configurations through our proprietary design is able to allow rapid shift of production specification up to several times a day in contrast with the traditional technology of low switching capability. With this advantage, we are capable of accommodating sales orders that require highly customised designs and small volume but regularly long-term delivery, hence allowing our sales diversifications to command wider margins than those commoditised applications such as mobile phone displays.

Sales of LCD products during the first six months of the year accounted for almost 98% of the Group's overall business. Their respective turnover breakdowns for the period under the three major categories were TFT (58%), Colour Supertwisted Nematic ("CSTN") LCD (19%) and Mono STN and TN LCD's (23%). The sales performance of the European marketing team was seen to have a major breakthrough in developing new products and customers in this major geographical area of key importance in display

application industry. Our hands-on experiences together with the various essential certifications under those categories such as ISO-16949 (automotive parts), ISO-13485 (medical devices), etc will be our winning tools for further penetration into this LCD market.

During the interim period, insufficient supply of TFT panels, persistently high energy prices, labour costs and production overheads had become the main obstacle of our business development. One of the possible solutions is to increase production efficiency and hence boosting profit margins by integrating more closely and extensively the front end panel production with the back end modules assembling processes and more importantly in one unique and favourable location. With this in mind and the rapid ramping up of the new TFT-LCD fab, Truly becomes the world's only total LCD solution provider who has a complete line up of in-house TN, MSTN, CSTN, OLED ("Organic Light Emitting Display") and TFT fabs within one manufacturing site. Together with the capability of manufacturing touch screen, printed circuit boards ("PCBs") including flexible PCB ("FPC") and high density interconnect board ("HDI") for Personal Multimedia Players, back light unit ("BLU") and compact camera modules ("CCM") within our Truly Industrial City complex, the integration of different production processes has become more and more intact and successful. As part of our continuous vertical integration process in production, a brand new touch panel assembly line capable of manufacturing the more versatile capacitive type touch screens is being installed and expected to commence mass production during these couple of months.

Barring unforeseen circumstances in the global commercial environment, our business and financial forecasts are still very promising. There are a number of valuable opportunities open to the management which are worth-the-while to seriously consider in the Group's medium and long-range plans of development. We are ready and confident of meeting these challenges as we did over the past nearly 30 years in the Group's history.

Last but not least, I would like to thank our shareholders, business partners, staff and workers for their continuous support to the growth of the Group.

Lam Wai Wah, Steven
Chairman

Hong Kong, 30 August 2007

CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2007

		Six months ended 30 June	
		2007	2006
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
REVENUE		2,841,252	2,214,034
Cost of sales		<u>(2,238,189)</u>	<u>(1,684,454)</u>
Gross profit		603,063	529,580
Other income		8,804	13,958
Distribution costs		(41,213)	(35,516)
Administrative expenses		<u>(82,060)</u>	<u>(79,120)</u>
PROFIT FROM OPERATIONS	2	488,594	428,902
Finance costs	3	(21,367)	(11,423)
Share of results of an associate		<u>(148)</u>	<u>(199)</u>
PROFIT BEFORE TAXATION		467,079	417,280
INCOME TAX EXPENSE	4		
— Hong Kong		(20,000)	(36,500)
— Overseas		<u>(40,405)</u>	<u>(33,188)</u>
		<u>(60,405)</u>	<u>(69,688)</u>
NET PROFIT FOR THE PERIOD		<u>406,674</u>	<u>347,592</u>
INTERIM DIVIDEND		<u>117,569</u>	<u>107,354</u>
EARNINGS PER SHARE	5		
Basic		<u>86.53 HK cents</u>	<u>75.70 HK cents</u>
Diluted		<u>86.33 HK cents</u>	<u>74.93 HK cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2007

		30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		2,700,832	1,403,720
Deposits paid for acquisition of property, plant and equipment		165,010	427,238
Prepaid lease payments		99,138	99,089
Available-for-sale investments		10,500	10,500
Intangible assets		7,964	13,355
Interest in an associate		684	838
Deferred tax assets		836	836
Goodwill		413	413
		<u>2,985,377</u>	<u>1,955,989</u>
CURRENT ASSETS			
Inventories		610,545	519,078
Trade and other receivables	6	644,600	589,302
Tax recoverable		—	11,592
Amount due from an associate		352	352
Bank balances and cash		479,762	1,018,228
		<u>1,735,259</u>	<u>2,138,552</u>
CURRENT LIABILITIES			
Trade and other payables	7	959,443	863,786
Tax liabilities		35,101	51,308
Bank borrowings		349,072	566,696
		<u>1,343,616</u>	<u>1,481,790</u>
NET CURRENT ASSETS		<u>391,643</u>	<u>656,762</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,377,020</u>	<u>2,612,751</u>

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
NON-CURRENT LIABILITIES		
Bank borrowings	(682,682)	(207,844)
Deferred tax liabilities	<u>(38,905)</u>	<u>(38,905)</u>
	<u>(721,587)</u>	<u>(246,749)</u>
	<u>2,655,433</u>	<u>2,366,002</u>
 CAPITAL AND RESERVES		
Share capital	46,997	46,830
Reserves	<u>2,608,436</u>	<u>2,319,172</u>
	<u>2,655,433</u>	<u>2,366,002</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies

The unaudited condensed consolidated interim financial statements are prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2006, except as described below.

In the current period, the Group has adopted, for the first time, a number of new standards, amendments and interpretations (hereinafter collectively referred to as the “new HKFRSs”) issued by the HKICPA, which are effective for accounting periods beginning on or after 1 January 2007.

The adoption of these new HKFRSs has had no material effect on how the results of operations and financial position of the Group are prepared and presented. The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The Group has commenced considering the potential impact of those new HKFRSs but is not yet in a position to determine whether they would have a significant impact on how its results of operations and financial position are presented. Those new HKFRSs may result in changes in the future as to how the results and financial position are presented.

HKAS 23 (Revised)	Borrowing Costs 1
HKFRS 8	Operating Segments 1
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions 2
HK(IFRIC)-Int 12	Service Concession Arrangements 3

- 1 Effective for annual periods beginning on or after 1 January 2009.
- 2 Effective for annual periods beginning on or after 1 March 2007.
- 3 Effective for annual periods beginning on or after 1 January 2008.

The interim results are unaudited, but have been reviewed by the Audit Committee which is of the opinion that such financial statements complied with the applicable accounting standards, and that adequate disclosures have been made.

2. Profit from operations

The Group's profit from operations is arrived at after charging:

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation on fixed assets	84,381	75,298
Amortisation on development expenditure	5,313	4,727
Staff costs, inclusive of directors' remuneration	135,136	97,113

3. Finance costs

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	21,367	11,423

4. Income tax expense

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the period.

Overseas taxation is calculated at the rates prevailing in the respective jurisdiction.

5. Earnings per share

The calculations of the basic and diluted earnings per share are based on the following data:

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings for the purposes of basic and diluted earnings per share	406,674	347,592
	<i>Number of shares</i>	<i>Number of shares</i>
Weighted average number of ordinary shares for the purposes of basic earnings per share	469,966,000	459,148,000
Effect of dilutive share options	1,123,000	4,732,000
Weighted average number of ordinary shares for the purposes of diluted earnings per share	471,089,000	463,880,000

6. Trade and other receivables

The Group has a policy of allowing an average credit terms ranging from 30 to 90 days to its trade customers.

30 June	31 December
2007	2006
(Unaudited)	(Audited)
HK\$'000	HK\$'000

Aged analysis of trade receivables:

Within 60 days	485,967	442,116
61 to 90 days	36,103	43,761
More than 90 days	53,784	53,636

	575,854	539,513
Deposits and prepayments	68,746	49,789

	644,600	589,302
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7. Trade and other payables

30 June	31 December
2007	2006
(Unaudited)	(Audited)
HK\$'000	HK\$'000

Aged analysis of trade payables:

Within 60 days	518,518	472,881
61 to 90 days	142,407	93,982
More than 90 days	95,163	87,854

	756,088	654,717
Other payables and accrued charges	203,355	209,069

	959,443	863,786
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MANAGEMENT DISCUSSION AND ANALYSIS

Results

The Group's turnover for the six months ended 30 June 2007 amounted to HK\$2.84 billion (2006: HK\$2.21 billion). Profit for the period was HK\$407 million (2006: HK\$348 million).

Segmental Information

	Six months ended 30 June 2007		Six months ended 30 June 2006	
	Turnover <i>HK\$'000</i>	Contribution <i>HK\$'000</i>	Turnover <i>HK\$'000</i>	Contribution <i>HK\$'000</i>
By geographical segments:				
The People's Republic of China	2,260,813	388,302	1,794,255	337,684
South Korea	249,532	43,038	107,888	20,345
Japan	49,406	8,521	54,404	10,242
Hong Kong	85,209	13,687	85,529	16,160
Europe	135,158	22,879	94,648	18,140
Elsewhere	<u>61,134</u>	<u>6,976</u>	<u>77,310</u>	<u>15,459</u>
	<u>2,841,252</u>	<u>483,403</u>	<u>2,214,034</u>	418,030
Interest income from bank deposits		5,737		11,313
Unallocated corporate expenses		<u>(546)</u>		<u>(441)</u>
Profit from operations		<u>488,594</u>		<u>428,902</u>
By business segments:				
Liquid crystal display products	2,775,729	478,738	2,149,685	404,407
Electronic consumer products	<u>65,523</u>	<u>4,665</u>	<u>64,349</u>	<u>13,623</u>
	<u>2,841,252</u>	<u>483,403</u>	<u>2,214,034</u>	418,030
Interest income from bank deposits		5,737		11,313
Unallocated corporate expenses		<u>(546)</u>		<u>(441)</u>
Profit from operations		<u>488,594</u>		<u>428,902</u>

Business Review and Outlook

Following the robust growth in sales during the first quarter of 2007, strong momentum was still maintained and extended to the second quarter. Turnover of LCD products for the first half year period (HK\$2.78 billion) which was a record in the Group's history reported a 29% increase over the same period last year. Unaudited consolidated turnover for the six months ended 30 June 2007 was HK\$2.84 billion which was about 28% more than the last corresponding period (HK\$2.21 billion). Unaudited net profit for the period was about HK\$407 million representing an increase of approximately 17% over the same period in 2006 (HK\$348 million). During the interim period, both gross and net profit margins were however down from 23.9% and 15.7% to 21.2% and 14.3% respectively.

Although we were able to keep a healthy and decent business growth during the first six month period, the tight TFT panel supply in the display market had inevitably limited our ability to answer some of the customers' enquiries for orders of potentially higher mark-ups. With overall increases in labour costs and factory overheads, commoditised display applications of comparatively lower profit margins will be eventually placed in our second or lower priority for the LCD product and business development in the medium to long run. We expect this situation will be gradually improved when our in-house TFT-LCD production line is in the optimal operating condition which will effectively serve customers of those non-commoditised LCD applications. By that time, the Group's profit margins will be significantly enhanced.

In addition to housing the various LCD and peripheral production facilities, our Shanwei factory site now occupying a total of 730,000 square meter of developed and reserved land area is now backed by more than 10,000 workforces the majority of which are either technical staff of high calibre and tertiary education or well-trained and skilful workers. By these strong human resource supports and the advanced technology we acquired via machinery upgrade and years of product development, we strongly believe we would be able to meet all the customers' needs and most of their special requirements.

Early this year, we strategically relocated our marketing office from Germany to the UK for the purpose of monitoring the business performance of the various regional sales representatives in that area and as a field engineering support base for customers in Europe. Together with our decision to reinforce the marketing function in the form of Representative Sales Agreement starting from late 2005, it was well proven to be successful as reflected in the 2006 final and 2007 interim results. At the same time, the Hong Kong warehouse has been upgraded as a more spacious and well-equipped logistic centre to handle expanded businesses while the Hong Kong marketing office is prepared to recruit more sales and customer service personnel to cater for the huge market opportunities.

Liquidity and Financial Resources

There were no material changes in the assets and liabilities of the Group as at 30 June 2007 compared to the last financial year end at 31 December 2006, except the changes in fixed assets and other non-current assets being the Group's new TFT-LCD panel production line substantially installed as at the balance sheet date. The current ratio was maintained at a level of around 1.3.

At the balance sheet date, the outstanding bank borrowings, net of cash and bank balances, were HK\$552 million (2006: net cash position of HK\$57 million). Among the total gross borrowings of HK\$1,032 million, HK\$349 million were repayable within a year with the remaining balances repayable within a period of two to three years.

Capital expenditure of approximately HK\$600 million for the next three years in respect of acquisition of property, plant and equipment was authorized but not contracted for. Their expected sources of funding will be substantially from internal reserves.

General

Except for 1,669,000 ordinary shares issued upon the same number of staff's share options exercised at HK\$2.196, there was no other change to the capital structure of the Group during the six months ended 30 June 2007. The issued and fully paid share capital of the Company was therefore increased by HK\$167,000.

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

Except for investments in subsidiaries, an associate and the long-term investment in a Japanese corporation, neither the Group nor the Company had held any material investments during the six months ended 30 June 2007.

There were no material acquisitions and disposals of subsidiaries and associated companies in the course of the financial period.

There are more than 10,000 workers and employees currently employed in the Group's Shan Wei factory and around 100 staff in our Hong Kong office.

The Group had no material contingent liabilities. Exposure to fluctuations in exchange rates has been properly hedged.

OTHER INFORMATION

Interim Dividend

The Directors have resolved to pay an interim dividend of 25 HK cents per share (2006: 23 HK cents) to shareholders whose names appear on the Register of Members on 12 October 2007. It is expected that the interim dividend payments will be made to shareholders on 17 October 2007.

Closure of Register of Members

The Register of Members will be closed from 8 October 2007 to 12 October 2007, both dates inclusive, during which period no transfer of shares can be registered. In order to qualify for the interim dividend, all transfers accompanied by relevant share certificates must be lodged with the Company's Branch Share Registrars, Tricor Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 5 October 2007.

Purchase, Sale or Redemption of Security

No purchase, sale or redemption was made by the Company or its subsidiaries of the Company's listed securities during the period.

Model Code

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

Audit Committee

The Company has an audit committee which was established in accordance with the code provisions of the Corporate Governance Code (the "Code") for the purposes of reviewing and providing supervision over the Group's financial reporting matters and internal controls. The Audit Committee comprises all the three independent non-executive directors namely Mr. Chung Kam Kwong, being the Committee Chairman, Mr. Ip Cho Ting, Spencer and Mr. Heung Kai Sing. Mr. Wong Pong Chun, James, being an executive director is also a member of the Committee and they meet at least four times a year.

Remuneration and Nomination Committees

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

Corporate Governance

We have complied with all the applicable code provisions set out in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2007, except for a major deviation 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, Steven. 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.

Publications of Interim Results and Interim Report

This interim results announcement is published on the website of the Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk under the section “Latest Listed Company Information” and on the website of the Company at www.truly.com.hk. The 2007 Interim Report containing all the information required under paragraphs 46(1) to 46(6) of Appendix 16 of the Rules Governing the Listing of Securities on the Exchange will be published on the websites of the Exchange and the Company in due course.

By Order of the Board
Lam Wai Wah, Steven
Chairman

Hong Kong, 30 August 2007

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