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TRULY INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00732)

RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

HIGHLIGHTS

For the nine months from 1 January 2010 to 30 September 2010

	2010	2009	Change
	<i>Unaudited</i>	<i>Unaudited</i>	%
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Revenue	5,351,611	4,229,668	26.5
Gross profit	641,328	580,183	10.5
EBITDA	679,408	640,804	6.0
Profit for the period	262,899	285,013	(7.8)
Basic EPS	HK\$0.53	HK\$0.60	(12.0)
Third Interim Dividend	HK8 cents	HK5 cents	60.0
Total Interim Dividend	HK22 cents	HK17 cents	29.4

- The Board proposed bonus issue of shares to the shareholders on the basis of one bonus share for every 10 existing shares
- The Board proposed each existing share be subdivided into 5 subdivided shares

The Board of Directors (the “Board”) of Truly International Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) is pleased to announce the Group’s third quarterly unaudited consolidated results for the period from 1 January 2010 to 30 September 2010 (with comparative figures for the corresponding period in the previous year) and the unaudited condensed consolidated statement of financial position (“balance sheet”) at 30 September 2010 (with comparative audited figures as at 31 December 2009) as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2010

	<i>Unaudited</i> For the period from 1.1.2010 to 30.9.2010 <i>HK\$’000</i>	<i>Unaudited</i> For the period from 1.1.2009 to 30.9.2009 <i>HK\$’000</i>
Revenue (<i>Note 2</i>)	5,351,611	4,229,668
Cost of sales	(4,710,283)	(3,649,485)
Gross profit (<i>Note 3</i>)	641,328	580,183
Other income	17,067	16,280
Administrative expenses	(212,423)	(153,599)
Distribution and selling costs	(96,564)	(81,551)
Finance costs	(28,509)	(31,300)
Profit before tax	320,899	330,013
Income tax expense	(58,000)	(45,000)
Profit for the period (<i>Note 4</i>)	262,899	285,013
Other comprehensive income		
Exchange differences arising on translation of foreign operations (<i>Note 5</i>)	150,565	(1,297)
Total comprehensive income for the period	413,464	283,716
Profit for the period attributable to:		
Equity holders of the Company	262,899	285,007
Minority interests	–	6
	262,899	285,013
Total comprehensive income attributable to:		
Equity holders of the Company	413,464	283,710
Minority interests	–	6
	413,464	283,716
Interim dividends	110,713	80,393
Basic earnings per share (<i>Note 6</i>)	HK\$0.53	HK\$0.60

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2010

	<i>Unaudited</i> 30.9.2010 <i>HK\$'000</i>	<i>Audited</i> 31.12.2009 <i>HK\$'000</i>
NON-CURRENT ASSETS		
Property, plant and equipment	4,217,448	4,168,872
Other non-current assets	171,584	196,694
	4,389,032	4,365,566
CURRENT ASSETS		
Inventories (<i>Note 7</i>)	873,821	692,870
Trade and other receivables (<i>Note 8</i>)	1,263,491	1,065,200
Tax recoverable	33,509	33,079
Bank balances and cash (<i>Note 9</i>)	550,553	503,086
	2,721,374	2,294,235
CURRENT LIABILITIES		
Trade and other payables	1,233,202	1,057,693
Tax liabilities	22,773	45,087
Bank and other borrowings, unsecured (<i>Note 9</i>)	1,273,097	1,963,286
	2,529,072	3,066,066
NET CURRENT ASSETS/(LIABILITIES) (<i>Note 10</i>)	192,302	(771,831)
TOTAL ASSETS LESS CURRENT LIABILITIES	4,581,334	3,593,735
NON-CURRENT LIABILITIES		
Bank and other borrowings, unsecured (<i>Note 9</i>)	481,417	74,784
Deferred tax liabilities	44,270	34,897
	525,687	109,681
	4,055,647	3,484,054
CAPITAL AND RESERVES		
Share capital (<i>Note 11</i>)	50,327	47,294
Share premium and reserves	4,005,258	3,436,698
Equity attributable to equity holders of the Company	4,055,585	3,483,992
Minority interests	62	62
Total equity	4,055,647	3,484,054

Notes:

1. The accounting policies and basis used in the preparations of the income statement and balance sheet, which were reviewed by the Audit Committee are the same as those used in the interim financial statements for the six months ended 30 June 2010.
2. Unaudited consolidated revenue for the nine months ended 30 September 2010 was approximately HK\$5.35 billion which was about 26.5% higher than the same period last year (2009: approximately HK\$4.23 billion).
3. Gross profit margin for the period was around 12.0% (approximately 13.7% for the same period in 2009).
4. Net profit margin for the period was around 4.9% (approximately 6.7% for the same period in 2009).
5. The significant change in the balances mainly represented the exchange translation difference of the opening net assets of the Chinese subsidiaries resulted from the RMB appreciation.
6. The calculation of the basic earnings per share is based on the profit for the period of HK\$262,899,000 (2009: HK\$285,007,000) and on 494,847,000 ordinary shares in issue during the period (2009: weighted average of 472,880,000 shares).
7. The inventory turnover was around 50 days (51 days for the year ended 31 December 2009).
8. The trade debtor turnover was around 50 days (52 days for the year ended 31 December 2009).
9. As at 30 September 2010, the outstanding bank and other borrowings, net of bank and cash balances were about HK\$1,204 million (HK\$1,535 million as at 31 December 2009).
10. The current ratio as at 30 September 2010 was maintained at 1.08 (0.75 as at 31 December 2009).
11. The share capital of the Company was increased by HK\$3,033,000 by the placement of 30,000,000 new shares and the exercise of 330,000 staff options during the period.
12. As at the balance sheet date, except for purely natural hedging purpose in the normal course of operations, the Group did not have any other outstanding derivative and structured contracts.

FINANCIAL REVIEW

The unaudited revenue and net profit of the Company and its subsidiaries for the nine month period from 1 January 2010 to 30 September 2010 was approximately HK\$5.35 billion and HK\$263 million which was about 26.5% higher and 7.8% lower than the corresponding period in 2009 (approximately HK\$4.23 billion and HK\$285 million) respectively. The unaudited gross profit margin (12.0%) for the period was less than the corresponding period in 2009 (13.7%) and the unaudited net profit margin was decreased from 6.7% for the corresponding period in 2009 to 4.9% during the current period.

Our newly appointed CFO has performed an analysis and attributed such untimely mis-match to the following issues:–

Situations:–

1. The steep increase in number of workers and average salary outpaced the revenue growth, resulting in erosion of both gross and net profit margins. The group was not able to transfer most of these labour cost increase immediately to customers.
2. Certain expenses for the development and upgrade migration of Compact Camera Module (CCM) technology from 0.3 megapixels to 2 and 3 megapixel resolutions and switching of single-touch “Resistive Touch Panel” capacity to multi-touch “Capacitive Touch Panel” technology, occurred.
3. The spike of Japanese Yen caused significant exchange loss to the group’s regular un-hedged purchase and outstanding payables denominated in Japanese Yen.

Analysis & actions:–

1. Some further moderate increase in average salary and number of workers will continue to happen in 2011 rather than 4th quarter 2010, as the group has already completed the 2010 manpower allocation during the third quarter. The group will be able to deal with a major portion of the accumulated increase through uplifting of average selling prices in 2011. An improvement in product mix in terms of gross profit margin will also help to balance the effect of labour expenses in the coming year.
2. The migration from low resolution to high resolution CCM and switching of touch panel capacity were completed and one-off in nature, therefore such expenses will not recur and enhance the future sales.
3. We have established Group policy in place to manage exchange risk through the use of exchange forward contracts to lock in the cost of Yen denominated material and equipment purchases. All the exchange forward contracts will be entered into by the Group for hedging purposes and match with budget purchase plan or outstanding payable at an appropriate forward rate.

The unaudited total net assets of the Group as at 30 September 2010 was increased to HK\$4.06 billion (HK\$3.48 billion as at 31 December 2009) which was mainly attributable to the placement of new shares and unaudited profit and income for the period. The unaudited current ratio as at 30 September 2010 was maintained at 1.08 (0.75 as at 31 December 2009). At 30 September 2010, the unaudited outstanding bank and other borrowings, net of bank and cash balances were approximately HK\$1,204 million (HK\$1,535 million as at 31 December 2009).

INTERIM DIVIDENDS

The Board has resolved to pay a third interim dividend of 8 HK cents per share for the three months ended 30 September 2010 (2009: 5 HK cents) to shareholders. Together with the first (5 HK cents per share) and second (9 HK cents) interim dividends paid during the year, the total interim dividends paid and payable were 22 HK cents per share (2009: 17 HK cents). It is expected that the third interim dividend payments will be made to shareholders in January 2011.

PROPOSED BONUS ISSUE, AUTHORISED CAPITAL INCREASE AND SUBDIVISION OF SHARES

The Board has resolved to propose for approval by shareholders a one-for-ten bonus issue of shares to the shareholders of the Company as a gesture to thank current shareholders for their loyalty and support for the past years.

The Board has also resolved to propose for approval by shareholders an increase of the authorised capital of the Company from HK\$65,000,000 to HK\$100,000,000 and a one-to-five share subdivision. The Board is of the view that the increase in number of the shares of the Company as a result of the share subdivision will improve the liquidity in the trading of the subdivided shares, thereby enabling the Company to attract more investors and broaden its shareholders' base.

Further details of the proposed bonus issue, authorised capital increase and share subdivision are contained in a separate announcement of the Company dated 30 November 2010.

As the unaudited balance sheet at 30 September 2010 and the unaudited results for the nine months then ended may not reflect the balance sheet at 31 December 2010 and the final results for the full year then ended respectively, investors and shareholders are advised to exercise extreme caution when dealing in the shares of the Company.

By Order of the Board
Lam Wai Wah, Steven
Chairman

Hong Kong, 30 November 2010

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