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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Truly International Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or to the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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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)

**PROPOSED SPIN-OFF AND SEPARATE LISTING OF TRULY SHANWEI
ON THE SHENZHEN STOCK EXCHANGE,
POSSIBLE MAJOR TRANSACTION
IN RELATION TO
DEEMED DISPOSAL OF INTEREST IN TRULY SHANWEI
AND
NOTICE OF EGM**

**Independent Financial Adviser
to the Independent Board Committee and the Shareholders**



SOMERLEY CAPITAL LIMITED

A notice convening the EGM of the Company to be held at 2/F Chung Shun Knitting Centre, 1–3 Wing Yip Street, Kwai Chung, New Territories, Hong Kong on Friday, 24 November 2017 at 10:00 a.m., is set out on pages 46 to 47 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

Whether or not you are able to attend the EGM, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

8 November 2017

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DEFINITIONS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

“A share(s)”	domestic share(s) issued by companies and listed on a stock exchange in the PRC
“AMOLED Project”	the sixth generation AMOLED production line with a designed processing capacity of 30,000 pieces per month of 1,500mm x 1,850mm array glass substrate
“Announcement”	the announcement of the Company dated 6 November 2017 in relation to, among other things, the Proposed Spin-off
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Company”	Truly International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Hong Kong Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held on Friday, 24 November 2017 for the purpose of considering and, if thought fit, approving the Proposed Spin-off
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	an independent board committee of the Board, comprising all the independent non-executive Directors, established to advise the Shareholders on the Proposed Spin-off

DEFINITIONS

“Independent Financial Adviser”	Somerley Capital Limited, a corporation licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities, being the independent financial adviser appointed to advise the Independent Board Committee and the Shareholders on the Proposed Spin-off
“Latest Practicable Date”	6 November 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Newco Group”	collectively, Truly Shanwei and its subsidiaries
“PRC”	the People’s Republic of China, which, for the purpose of this circular, excludes Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
“Proposed Spin-off”	the proposed spin-off and separate listing of Truly Shanwei on the Shenzhen Stock Exchange by way of issuance of new shares of Truly Shanwei
“Remaining Group”	the Group, excluding the Newco Group
“Renshou Industries”	Renshou County Industries Investment Co., Ltd. (仁壽縣產業投資有限公司), a limited liability company established in the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of the Company
“TFT-LCD Project”	the fifth generation of thin-film-transistor liquid-crystal display (TFT-LCD) production project with designed processing capacity of 140,000 pieces per month of 1,100mm x 1,300mm array glass substrate
“Truly Electronics”	Truly Electronics Manufacturing Limited (信利電子有限公司), a company incorporated in the PRC, an indirectly wholly owned subsidiary of the Company

DEFINITIONS

“Truly Semiconductors” Truly Semiconductors Limited (信利半導體有限公司), a company incorporated in the PRC, an indirectly wholly-owned subsidiary of the Company

“Truly Shanwei” Truly Opto-Electronics Limited (信利光電股份有限公司), a company incorporated in the PRC and an indirect non wholly owned subsidiary of the Company in which the Company indirectly controls approximately 85.42% of its shareholding interest as at the Latest Practicable Date

“%” per cent.

* Terms marked with “*” denote translation of company names from Chinese into English, and are for identification purposes only. In the event of inconsistency, the names in their original language prevail.

Unless otherwise indicated, the exchange rate of HK\$1.20=RMB1.00 has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such rate or at any other rates.

TRULY®

TRULY INTERNATIONAL HOLDINGS LIMITED

信利國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00732)

Executive Directors:

Mr. Lam Wai Wah (*Chairman*)
Mr. Wong Pong Chun, James
Mr. Cheung Tat Sang

Registered Office:

P.O. Box 309
Grand Cayman
Cayman Islands
British West Indies

Non-executive Director:

Mr. Li Jian Hua

*Principal Place of Business in
Hong Kong*

Independent Non-executive Directors:

Mr. Chung Kam Kwong
Mr. Ip Cho Ting, Spencer
Mr. Heung Kai Sing

2/F Chung Shun Knitting Centre
1-3 Wing Yip Street
Kwai Chung, New Territories
Hong Kong

8 November 2017

To: the Shareholders

Dear Sir or Madam,

**PROPOSED SPIN-OFF AND SEPARATE LISTING OF TRULY SHANWEI
ON THE SHENZHEN STOCK EXCHANGE
AND
POSSIBLE MAJOR TRANSACTION
IN RELATION TO
DEEMED DISPOSAL OF INTEREST IN TRULY SHANWEI**

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Proposed Spin-off.

The purpose of this circular is to provide you with, among others, (1) information on the Proposed Spin-off and the waiver in respect of the assured entitlement requirement under the Proposed Spin-off; (2) the recommendation of the Independent Board Committee and the advice of the Independent Financial Adviser regarding the Proposed Spin-off; and (3) a notice of the EGM.

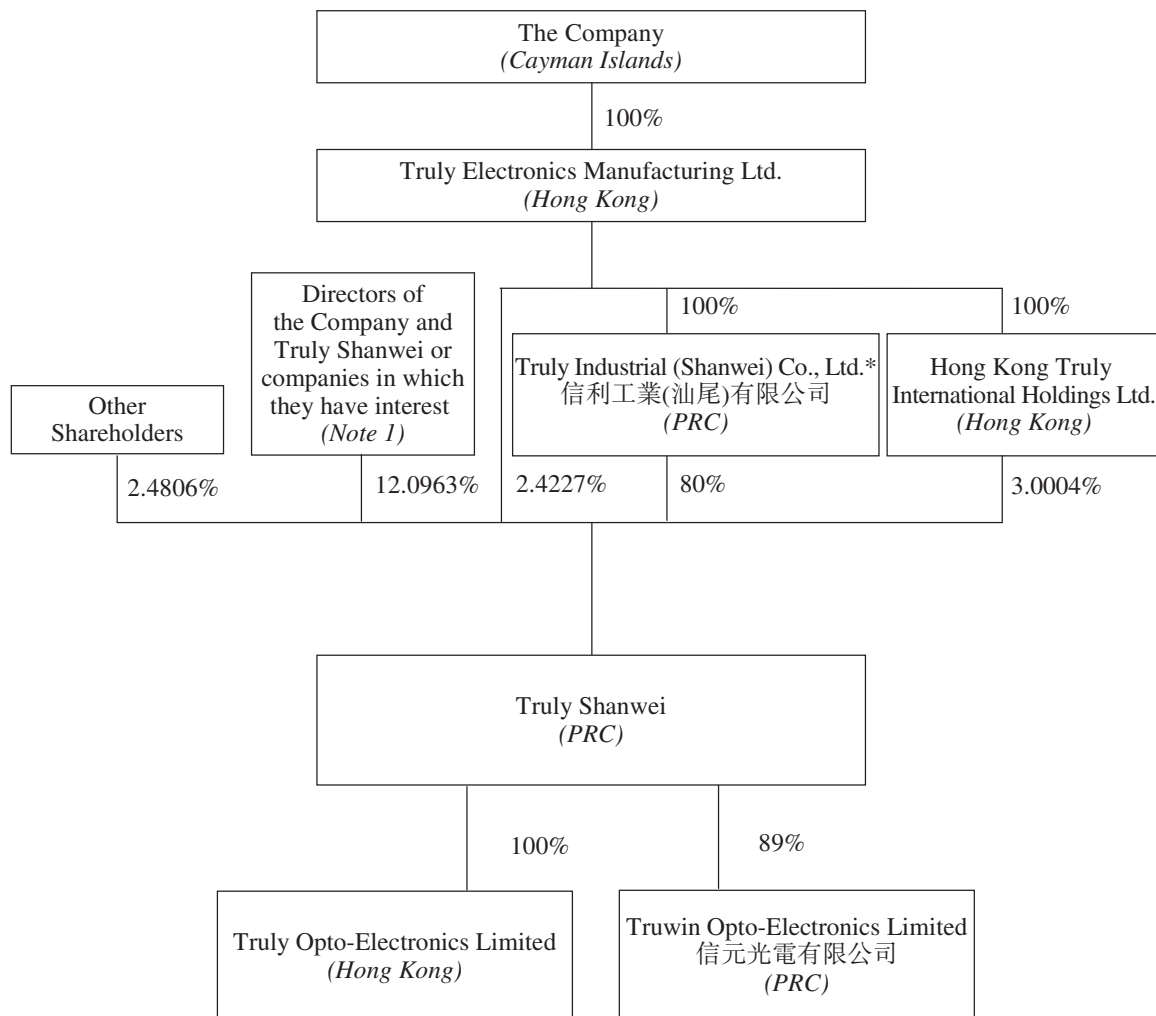
LETTER FROM THE BOARD

PROPOSED SPIN-OFF

Corporate structures of Truly Shanwei before and after the Proposed-Spin-off

As at the Latest Practicable Date, the Company indirectly controlled approximately 85.42% of shareholding interest in Truly Shanwei. In connection with the Proposed Spin-off, it is proposed that Truly Shanwei will issue certain number of new A shares on the Shenzhen Stock Exchange by way of initial public offering to the public in the PRC, or other methods as approved by the CSRC. It is proposed that Truly Shanwei will issue 60,000,001 to 80,000,000 new A shares, representing approximately 15% to 19.05% of the total number of issued shares of Truly Shanwei as enlarged by the Proposed Spin-off. The offer price and the actual number of new A shares to be issued by Truly Shanwei will be subject to the market conditions and the relevant rules and regulations of the CSRC as amended from time to time. It is expected that immediately upon completion of the Proposed Spin-off, the Company will indirectly control approximately 69.15% to 72.61% of shareholding interest in Truly Shanwei, and therefore Truly Shanwei will remain as a non-wholly-owned subsidiary of the Company.

Below sets out simplified corporate structure of Truly Shanwei immediately before completion of the Proposed Spin-off:



LETTER FROM THE BOARD

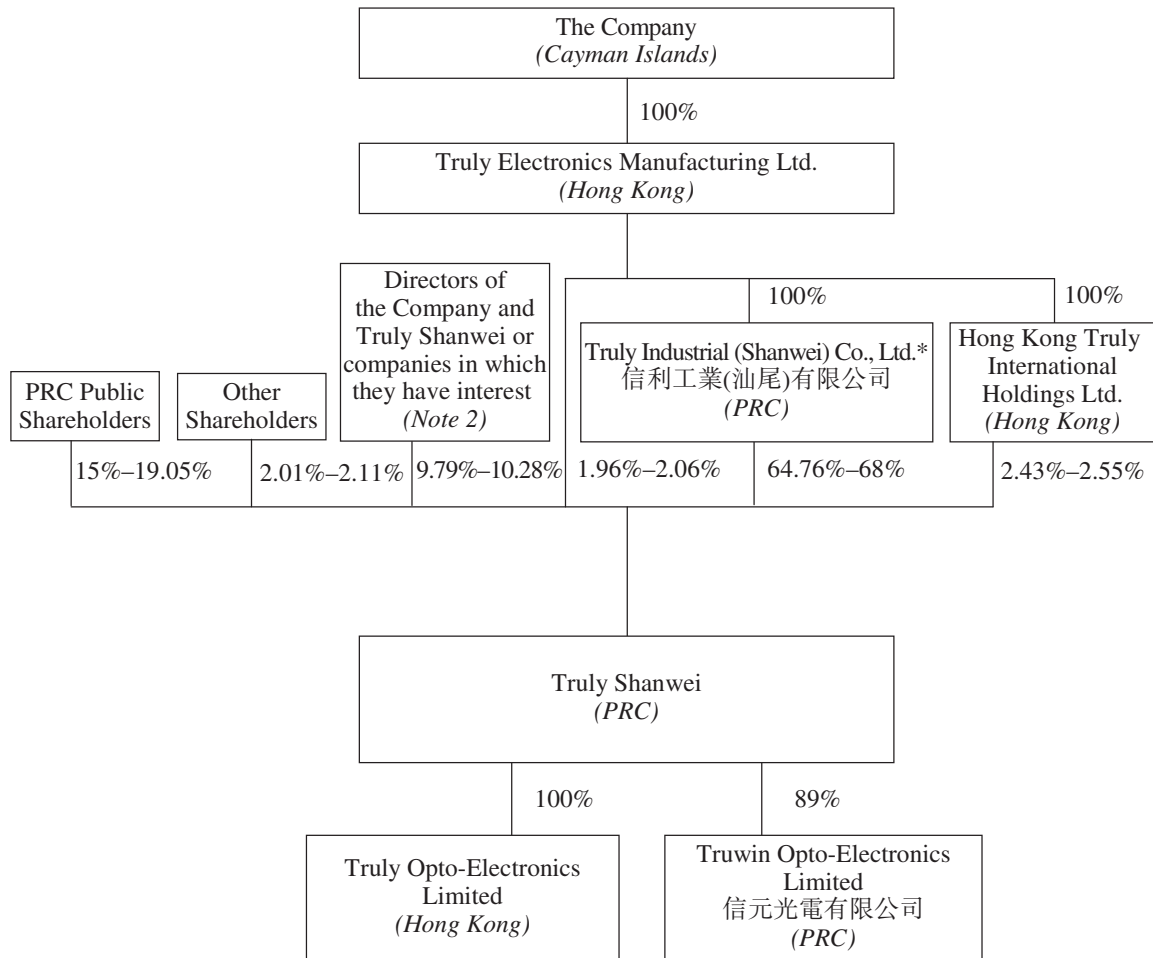
Note 1:

Such interest includes:

Shareholder of Truly Shanwei	Approximate shareholding percentage in Truly Shanwei
Mr. Lam Wai Wah, the Chairman	0.1904%
Mr. Wong Pong Chun, James, an executive Director	0.7618%
Mr. Chenug Tat Sang, an executive Director	0.1904%
Lhasa Development Zone Jianyuan Investment Management Co., Ltd. (拉薩開發區建源投資管理有限公司), which is 100% owned by Mr. Li Jianhua, a non-executive Director and a director of Truly Shanwei	0.1904%
Lhasa Development Zone Chenghui Investment Management Co., Ltd. (拉薩開發區程輝投資管理有限公司), which is 100% owned by Mr. Shi Peichuan, a director of Truly Shanwei	0.1904%
Lhasa Development Zone Kaiyi Investment Management Co., Ltd. (拉薩開發區凱儀投資管理有限公司), a company owned as to 81.82% by Mr. Liu Tienan, a director of Truly Shanwei	0.1165%
Lhasa Development Zone Gaoxin Investment Management Co., Ltd. (拉薩開發區高信投資管理有限公司), in which Mr. Lin Jianxiong and Mr. Lin Jinhong, both directors of Truly Shanwei, have an aggregate of 17.82% interest	1.0692%
Lhasa Economic and Technical Development Zone Anhua Hehe Investment Management Partnership (Limited Partnership) (拉薩經濟技術開發區安華和合投資管理合夥企業(有限合夥)), in which Mr. Xie Zhixiong, a director of Truly Shanwei, has 0.2012% indirect interest	5.6303%
Lhasa Economic and Technical Development Zone Huayin Investment Partnership (Limited Partnership) (拉薩經濟技術開發區華銀投資合夥企業(有限合夥)), in which Mr. Xie Zhixiong, a director of Truly Shanwei, has 0.2330% indirect interest.	3.7569%
	12.0963%
Sub-total	12.0963%

LETTER FROM THE BOARD

Below sets out simplified corporate structure of Truly Shanwei immediately upon completion of the Proposed Spin-off:



LETTER FROM THE BOARD

Note 2:

Shareholder of Truly Shanwei	Approximate shareholding percentage in Truly Shanwei
Mr. Lam Wai Wah, the Chairman	0.15%–0.16%
Mr. Wong Pong Chun, James, an executive Director	0.62%–0.65%
Mr. Chenug Tat Sang, an executive Director	0.15%–0.16%
Lhasa Development Zone Jianyuan Investment Management Co., Ltd. (拉薩開發區建源投資管理有限公司), which is 100% owned by Mr. Li Jianhua, a non-executive Director and a director of Truly Shanwei	0.15%–0.16%
Lhasa Development Zone Chenghui Investment Management Co., Ltd. (拉薩開發區程輝投資管理有限公司), which is 100% owned by Mr. Shi Peichuan, a director of Truly Shanwei	0.15%–0.16%
Lhasa Development Zone Kaiyi Investment Management Co., Ltd. (拉薩開發區凱儀投資管理有限公司), a company owned as to 81.82% by Mr. Liu Tienan, a director of Truly Shanwei	0.10%–0.10%
Lhasa Development Zone Gaoxin Investment Management Co., Ltd. (拉薩開發區高信投資管理有限公司), in which Mr. Lin Jianxiong and Mr. Lin Jinhong, both directors of Truly Shanwei, have an aggregate of 17.82% interest	0.87%–0.91%
Lhasa Economic and Technical Development Zone Anhua Hehe Investment Management Partnership (Limited Partnership) (拉薩經濟技術開發區安華和合投資管理合夥企業(有限合夥)), in which Mr. Xie Zhixiong, a director of Truly Shanwei, has 0.2012% indirect interest	4.56%–4.79%
Lhasa Economic and Technical Development Zone Huayin Investment Partnership (Limited Partnership) (拉薩經濟技術開發區華銀投資合夥企業(有限合夥)), in which Mr. Xie Zhixiong, a director of Truly Shanwei, has 0.2330% indirect interest.	3.04%–3.19%
Sub-total	9.79%–10.28%

LETTER FROM THE BOARD

Proposed use of proceeds raised under the Proposed Spin-off

It is estimated, for illustrative purposes only, that the indicative offer price of Truly Shanwei will be approximately RMB28.62 to RMB30.05 per offer share. The indicative offer price is based on the estimated performance of Truly Shanwei, the view of the sponsor acting for Truly Shanwei in relation to the proposed A Share offering and the expected A share market conditions at the time of the Proposed Spin-off.

However, the offer price per A share of Truly Shanwei will be subject to market sentiment towards A share issuance of Truly Shanwei and determined by a book-building process with reference to the prices quoted by target subscribers or by other methods to be determined between Truly Shanwei and the lead underwriter.

Investors should be aware that the offer price per A share quoted above is for illustrative purposes only and is based on a number of assumptions which may have changed substantially at the time of the Proposed Spin-off. The current assumption for the estimated performance of Truly Shanwei is based on approximately 23 times Truly Shanwei's earnings excluding non-operating gains/losses per share ("P/E") for the year ended 31 December 2016, taking into account the enlarged issued share capital of Truly Shanwei under the Proposed Spin-off. The adoption of a P/E of approximately 23 times is generally similar to the P/E ratio implied by the offer price of companies listed in the PRC in 2017 at their initial public offering. However, Truly Shanwei incurred a loss for the six months ended 30 June 2017 as a result of a one-off provision made for bad and doubtful debt, and this might affect market sentiment towards the A share issuance of Truly Shanwei.

The Directors consider also that it is appropriate and is in the best interests of the Company and its shareholders as a whole that the offer price per A share of Truly Shanwei shall not be less than the audited net asset value per share of Truly Shanwei as at 30 June 2017 (i.e. RMB9 per share), or such lower audited net asset value per share of Truly Shanwei before completion of the Proposed Spin-off.

The number of A shares to be offered by Truly Shanwei is expected to be between 60,000,001 and 80,000,000 A shares (assuming 15% to 19.05% of the enlarged issued share capital of Truly Shanwei will be offered under the Proposed Spin-off). On this basis, gross proceeds of approximately RMB1,800 million to RMB2,300 million are expected to be raised from the Proposed Spin-off.

The gross proceeds raised referred to above is also for illustration purposes only and the actual amount of proceeds raised, if the Proposed Spin-off is completed, will depend on the PRC domestic market conditions at the time of the Proposed Spin-off and may vary substantially from the gross proceeds estimated above.

The Company intends to re-comply with the relevant requirements for notifiable transaction in accordance with Chapter 14 of the Listing Rules if the actual gross proceeds raised from the Proposed Spin-off exceed the estimate maximum gross proceeds referred herein in such amount that the Proposed Spin-off constitutes a very substantial disposal of the Company.

LETTER FROM THE BOARD

Truly Shanwei intends to apply the net proceeds (after deducting the expenses in connection with the Proposed Spin-off) for investment of the following eight projects based on their importance and urgency in the following manner:

Project name	Application of the products under the projects, or intended usage of the research and development centre	Approximate percentage of use of proceeds	Estimate total investment for the project (RMB)	Approximate amount already invested as at 30 September 2017 (RMB)	
1	Biometric system (生物識別系統)	Fingerprint identification modules and iris recognition modules for smart terminals	20%–43%	438,680,000	258,970,000
2	In-vehicle integration touch module (車載集成觸控模組)	Automotive integrated touch modules	11%–19%	233,000,000	80,760,000
3	Construction of opto-electronics research and development centre (光電研發中心建設)	To carry out testing and research and development on new products, new technologies and new techniques	1%–7%	297,800,000	30,030,000
4	MEMS micro-electrical device for mobile terminal (用於移動終端的MEMS微機電器件)	Voice coil motors for compact camera modules, speaker motors and linear vibration motors for smart terminals	6%–12%	531,000,000	38,580,000
5	Automobile driver intelligence assistance system (汽車駕駛智能輔助系統)	Ethernet camera modules, reverse parking smart rearview system, 360 degree panoramic parking imaging system, lane departure warning systems, night vision assistance system	1%–4%	345,700,000	0
6	2.5D tempered protective glass (2.5D強化保護玻璃)	2.5D tempered glass for smart terminals	16%–31%	350,000,000	0
7	Curve touch panel (曲面觸控屏)	Curved touch screen for smart terminals	1%–5%	258,000,000	0
8	3D tempered protective glass (3D強化保護玻璃)	3D tempered glass for smart terminals	1%–27%	595,000,000	0
Total:			3,049,180,000	408,340,000	

In order to seize the market opportunities and facilitate the completion of the above eight projects as soon as possible, Truly Shanwei will invest in some of the construction of these projects through its internally generated funds and/or other funds legally available for such purposes, and then use the net proceeds raised from the Proposed Spin-off to replenish such funds which were applied by Truly Shanwei for these projects.

LETTER FROM THE BOARD

The completion of the above eight projects are not dependent on the Proposed Spin-off. Given it is expected that the actual amount of the net proceeds raised from the Proposed Spin-off will be less than the total investment amount for these projects, Truly Shanwei will use internally generated funds and/or other funds legally available for such purposes (e.g. bank loan and/or other equity/debt financing) to bridge the difference. If the actual amount of the net proceeds raised from the Proposed Spin-off exceeds the total investment amount for these projects, Truly Shanwei will use the surplus to supplement its working capital.

FINANCIAL EFFECTS OF THE PROPOSED SPIN-OFF ON THE GROUP

Truly Shanwei will continue to be a non-wholly-owned subsidiary of the Company upon the completion of the Proposed Spin-off. Accordingly, the operating results of Truly Shanwei will continue to be consolidated into the financial statements of the Company. The following is the expected financial impact of the Proposed Spin-off on the Group:

Earnings

The Proposed Spin-off will be regarded as a transaction with non-controlling interest, the carrying amount of the non-controlling interest will be adjusted to reflect the proportionate change in the non-controlling interest in Truly Shanwei. It is expected that there would be no expected gain or loss on the deemed disposal credited to the Company's consolidated income statement as gain or loss upon the completion of the Proposed Spin-off in accordance with HKFRS 10. The difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration received will be recorded in equity attributed to the Shareholders. In addition, as the proportion of the Company's shareholding in Truly Shanwei will be diluted to the range of 69.15% to 72.61% immediately after the completion of the Proposed Spin-off, it is expected that the earnings attributable to owners of the Company contributed by Truly Shanwei will decrease while the earnings attributable to non-controlling interests of the Company will increase.

Assets and Liabilities

The Proposed Spin-off will increase the number of shares of Truly Shanwei and raise corresponding funds. The net proceeds of the Proposed Spin-off will increase the cash recorded in the consolidated balance sheet of the Group and increase the total assets of the Group correspondingly. The Proposed Spin-off will not affect the liabilities of the Group. However, the Proposed Spin-off will raise funds and further improve the structure of the Group's assets and liabilities.

REASONS FOR AND BENEFITS OF THE PROPOSED SPIN-OFF

The Board considered that the Proposed Spin-off is in the best interest of the Company and its shareholders as a whole because it would enable the market to better appraise and assess the value of the Group and Truly Shanwei more effectively, and provide a separate fund raising platform for Truly Shanwei, which will facilitate the development of the Group as well as Truly Shanwei in the long run.

LETTER FROM THE BOARD

INFORMATION ON THE GROUP

The Group is primarily engaged in the business of, among other things, manufacturing and sales of liquid crystal display products and electronic consumer products including compact camera module, personal health care products and electrical devices.

INFORMATION ON TRULY SHANWEI

Truly Shanwei is a company incorporated in the PRC and is an indirect non-wholly owned subsidiary of the Company. It is primarily engaged in the business of manufacturing of compact camera module and touch products.

For the three years ended 31 December 2016 and six months ended 30 June 2017, extract of key items from the audited consolidated accounts of Truly Shanwei based on the New Accounting Standards for Business Enterprises of the PRC (中國企業新會計準則) respectively are as follows:

	Financial year ended 31 December			Six months ended
	2014	2015	2016	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	10,352,492	9,871,238	14,572,017	7,555,002
Net profit (loss) attributable to owners	770,298	464,415	524,097	(104,583)
Total assets	8,367,860	8,684,357	12,742,200	11,242,056
Total liabilities	5,647,230	5,455,789	8,981,438	8,098,403
Net assets value	2,720,629	3,228,568	3,760,762	3,143,653

Turnover of Truly Shanwei

Turnover from principal operations is mainly derived from the sales of integrated touch modules, touch screens, compact camera modules and fingerprint identification modules, etc. Turnover from other operations mainly includes the sales of materials. Turnover from principal operations accounted for approximately 99% of turnover.

In 2015, as the development of smartphone technology gradually slowed down, the competition became more intense in downstream industries, resulting in price reduction of the products in upstream industries. As a result, the competition in touch screen and compact camera modules markets further intensified. Turnover in 2015 decreased by approximately RMB481,254,000 compared to that of 2014, representing a slight decrease of approximately 4.65%.

In 2016, the demand in domestic smartphone market grew steadily as the market share of domestic smartphone brands in global market gradually increased. The global smartphone supply chain continued to rely on the manufacturers in Mainland China, therefore the concentration in touch screen industry was strengthened. Truly Shanwei fully strengthen its

LETTER FROM THE BOARD

advantages in technology and management by vigorously expanding its market share and its business scale, actively developing the fingerprint identification module and other industrial chain related products business. Turnover in 2016 increased by approximately RMB4,700,779,000 compared to that of 2015, representing a substantial increase of approximately 47.62%.

Net profit/(loss) attributable to owners of Truly Shanwei

As a result of the industry characteristics and the intensified market competition in recent years, the selling price of integrated touch module products fell sharply in 2015. Although the sales volume of product increased, the operating profit margin still decreased in 2015. Therefore, net profit attributable to owners of Truly Shanwei in 2015 was significantly decreased by approximately 40% when compared to 2014. In 2016, as the market competition became steady and the selling price of the integrated touch module products decreased at a slower pace than that of 2015, Truly Shanwei grasped the market development and industry consolidation opportunities to expand its business scale, resulting in a slightly improvement on net profit attributable to owners of Truly Shanwei in 2016 by approximately 13%.

The main reason for the loss in the first half of 2017

As of 30 June 2017, the overdue trade receivable — Lemobile Information Technology (Beijing) Co., Ltd. (“**Lemobile**”) of a subsidiary of Truly Shanwei amounted to approximately USD71,034,500. There is a material risk of provision for bad and doubtful debt against this overdue amount from Lemobile due to its deteriorating financial status. After considering the estimated recoverable amount of approximately USD18,000,000 of the insurance compensation from a credit insurance company, the net effect of the provision for bad and doubtful debt on Truly Shanwei’s income statement for the period was approximately USD53,034,500.

Financial independence of the Newco Group

Currently, the Newco Group and the Remaining Group share the facility limits for certain general banking facilities granted by the banks which are guaranteed by the Remaining Group.

The Company has obtained firm offers from the banks to have the corporate guarantee provided by the Remaining Group released and replaced by corporate guarantee of Truly Shanwei, and the Company targets to complete the release and replacement procedures within one to two months after the listing of Truly Shanwei on the Shenzhen Stock Exchange.

The Company will publish a further update announcement when the guarantees are released after listing of Truly Shanwei.

INFORMATION ON THE REMAINING GROUP

Upon completion of the Proposed Spin-off, the Remaining Group will continue to be primarily engaged in the business of manufacturing and sales of liquid crystal display products and electronic consumer products including personal health care products and electrical devices.

LETTER FROM THE BOARD

The following table sets out the key information on the business to be carried by the Remaining Group:

- | | |
|---------------------|---|
| (a) Business model | Manufacturing and distribution of owned manufactured products to manufacturers of mobile handsets, automotive and industrial products based in the PRC, USA, European and Asian countries |
| (b) Key products | <ol style="list-style-type: none">(1) LCD display modules without touch function — stands for Liquid-Crystal Display (LCD) module, a glass plate combined with other electronic components, and used to illustrate information including texts and pictures(2) Personal health care products — electronic products relating to well-being and health of individuals(3) Other electronic products — mainly include electronic calculators and printed circuit boards (PCB) |
| (c) Major customers | <p>Each of the top five customers for the year ended 31 December 2016 and for the six months ended 30 June 2017 is independent from and not a connected person of the Company, its directors, substantial shareholders and their respective associates, and include:</p> <ol style="list-style-type: none">1. electronic components supplier for the manufacturing of display modules2. Global vehicles high technology products manufacturer3. PRC communication devices (including mobile handsets) manufacturer4. high technology products manufacturer (including mobile handsets)5. electronics components distributor |

LETTER FROM THE BOARD

- (d) Major suppliers Each of the top five suppliers for the year ended 31 December 2016 and for the six months ended 30 June 2017 is independent from and not a connected person of the Company, its directors, substantial shareholders and their respective associates, and include:
1. electronic components supplier for the manufacturing of display modules
 2. color filter supplier for the manufacturing of display modules
 3. TFT LCD component supplier for the manufacturing of LCD modules
 4. TFT LCD component supplier for the manufacturing of display modules
 5. backlight component supplier for the manufacturing of LCD modules
 6. IC supplier for the manufacturing of display modules)
- (e) Major production facilities Major production facilities are located in Shanwei city, Guangdong Province, PRC and owned by the Remaining Group, except for a property with a gross floor area of 7,298 sq. m. (representing approximately 2.8% of the total area of the production facilities used by the Remaining Group as at 30 June 2017) was leased from Truly Shanwei since April 2013. As such property has been used by the Remaining Group for a significant period of time and to avoid unnecessary business disruption, the Board considers it is not commercially feasible to disassemble and relocate the same, and considers continuing to lease such property from Truly Shanwei at market rate is appropriate.

CONDITIONS OF THE PROPOSED SPIN-OFF

The Proposed Spin-off will be conditional upon, among other things, the following:

- approval by the Shareholders in relation to the Proposed Spin-off at the EGM;
- approval by the CSRC and the Shenzhen Stock Exchange in relation to the Proposed Spin-off; and

LETTER FROM THE BOARD

- any other PRC regulatory approvals for the listing of and permission to deal in the A shares to be issued by Truly Shanwei.

If any of the above conditions is not fulfilled, the Proposed Spin-off will not proceed and an announcement will be published by the Company as soon as practicable.

APPLICATION TO CSRC AND THE HONG KONG STOCK EXCHANGE

Truly Shanwei has submitted its application with the CSRC for a separate listing of its shares by way of A Shares listing on the Shenzhen Stock Exchange and CSRC has accepted the said application on 21 March 2016. Such application is still pending the approval from CSRC. Taking into account of the normal vetting process of the PRC regulators, the Directors expect that the Proposed Spin-off may take place by 2018.

The Company has submitted a proposal in relation to the Proposed Spin-off to the Hong Kong Stock Exchange for approval pursuant to Practice Note 15 of the Listing Rules, and the Hong Kong Stock Exchange confirmed that the Company may proceed with the Proposed Spin-off and also granted a waiver from strict compliance with the applicable requirements in relation to the assured entitlement under paragraph 3(f) of Practice Note 15 of the Listing Rules.

ASSURED ENTITLEMENT

Pursuant to paragraph 3(f) of Practice Note 15 of the Listing Rules, the Board is required to give due regard to the interests of the existing Shareholders of the Company by providing the Shareholders with an assured entitlement to the A shares of Truly Shanwei. After due and careful consideration of the Proposed Spin-off and having taken into account the advice from the Company's PRC legal counsel, the Board has resolved not to provide assured entitlement to the Shareholders under the Proposed Spin-off for the following reasons:

- (a) in connection with the Proposed Spin-off, it is currently intended that Truly Shanwei will issue new A shares in the PRC;
- (b) as advised by the PRC legal advisers of Truly Shanwei, non-PRC investors (other than certain qualified investors) would not be permitted to subscribe for the new A shares of Truly Shanwei under the Proposed Spin-off under the PRC laws and regulations;
- (c) as a substantial number of existing shareholders of the Company are considered as non-PRC citizens, there is a legal impediment for the Company to provide its shareholders with an assured entitlement to A shares of Truly Shanwei under the Proposed Spin-off; and
- (d) it would be burdensome for the Company to propose a resolution in general meeting to waive the assured entitlement as the legal restriction could not be overridden even if the resolution was voted down by its shareholders.

LETTER FROM THE BOARD

Based on the foregoing, the board of directors of the Company confirmed to the Company that, the Proposed Spin-off and the waiver in respect of the assured entitlement requirement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

In connection with the Proposed Spin-off, it is proposed that Truly Shanwei will issue new shares, and the proposed issue of new shares of Truly Shanwei will result in a reduction of the Company's equity interest in Truly Shanwei, and if materialized, the Proposed Spin-off will constitute a deemed disposal of the Company's equity interest in Truly Shanwei under Rule 14.29 of the Listing Rules.

Based on the market capitalization of the Company as at the date of the Announcement, certain percentage ratio for the deemed disposal of the Company's equity interest in Truly Shanwei is more than 25% but less than 75% and the Company expects that, if there is no material change in the market capitalization of the Company, the Proposed Spin-off constitutes a major transaction of the Company, and is subject to reporting, announcement, circular and shareholders' approval requirements under paragraph 3(e)(1) of Practice Note 15 and Chapter 14 of the Listing Rules.

The Company intends to re-comply with the relevant requirements for notifiable transaction in accordance with Chapter 14 of the Listing Rules if the actual gross proceeds raised from the Proposed Spin-off exceed the estimate maximum gross proceeds referred herein in such amount that the Proposed Spin-off constitutes a very substantial disposal of the Company.

EGM

The Company will seek approval at the EGM for the Proposed Spin-off. As far as the Directors are aware, none of the Shareholders has a material interest in the Proposed Spin-off which is different from those of other Shareholders. As such, no Shareholder is required to abstain from voting in respect of the proposed resolution to approve the Proposed Spin-off at the EGM.

A notice convening the EGM to be held at 2/F Chung Shun Knitting Centre, 1-3 Wing Yip Street, Kwai Chung, New Territories, Hong Kong, Hong Kong at 10 a.m. on Friday, 24 November 2017 is set out on pages 46 to 47 of this circular. Shareholders of the Company are advised to read the notice and complete and return the form of proxy for use at the EGM enclosed with this circular in accordance with the instructions printed thereon.

A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time appointed for holding the

LETTER FROM THE BOARD

EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the EGM or any adjournment thereof should you so wish.

RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the view that the Proposed Spin-off and the waiver in respect of the assured entitlement requirement are fair and reasonable and in the interest of the Company and its shareholders as a whole.

The Independent Board Committee, having taken into account of the advice of the Independent Financial Adviser, considers that the Proposed Spin-off and the waiver in respect of the assured entitlement requirement are fair and reasonable and in the interest of the Company and its shareholders as a whole. Accordingly, the Independent Board Committee recommends the Shareholders to vote in favour of the resolution to approve the Proposed Spin-off at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee, the letter from the Independent Financial Adviser and the additional information set out in the appendices to this circular and the notice of EGM.

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

TRULY[®]

TRULY INTERNATIONAL HOLDINGS LIMITED

信利國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00732)

8 November 2017

To the Shareholders

Dear Sir or Madam,

**PROPOSED SPIN-OFF AND SEPARATE LISTING OF TRULY SHANWEI
ON THE SHENZHEN STOCK EXCHANGE
AND
POSSIBLE MAJOR TRANSACTION
IN RELATION TO
DEEMED DISPOSAL OF INTEREST IN TRULY SHANWEI**

We refer to the circular of the Company (the “**Circular**”) dated 8 November 2017 which this letter forms part.

Terms defined in the Circular have the same meanings when used in this letter, unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise the Shareholders as to whether, the Proposed Spin-off and the waiver in respect of the assured entitlement requirement under the Propose Spin-off are fair and reasonable and in the interests of the Company and Shareholders as a whole and to the voting action that should be taken.

We wish to draw your attention to the letter from the Board and the letter of advice from the Independent Financial Adviser as set out in the Circular.

Having considered the advice given by the Independent Financial Adviser, we are of the opinion that the Proposed Spin-off and the waiver in respect of the assured entitlement requirement under the Propose Spin-off are fair and reasonable so and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We therefore recommend the Shareholders to vote in favour of the resolution to approve the Proposed Spin-off at the EGM.

Yours faithfully
For and on behalf of
Independent Board Committee

Mr. Chung Kam Kwong

Mr. Ip Cho Ting, Spencer
Independent non-executive Directors

Mr. Heung Kai Sing

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the letter of advice from Somerley Capital Limited to the Independent Board Committee and the Shareholders, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

8 November 2017

To: The Independent Board Committee and the Shareholders

Dear Sirs,

**PROPOSED SPIN-OFF AND SEPARATE LISTING OF TRULY SHANWEI
ON THE SHENZHEN STOCK EXCHANGE
AND
POSSIBLE MAJOR TRANSACTION
IN RELATION TO
DEEMED DISPOSAL OF INTEREST IN TRULY SHANWEI**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Shareholders in relation to the Proposed Spin-off. Details of the Proposed Spin-off are set out in the “Letter from the Board” contained in the circular of the Company to the Shareholders dated 8 November 2017 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein.

Subject to approvals by the Shareholders and the relevant PRC regulators including the CSRC, it is proposed that Truly Shanwei will issue new A shares on Shenzhen Stock Exchange by way of initial public offering to the public in the PRC, or other methods as approved by the CSRC. As at the Latest Practicable Date, Truly Shanwei is held as to approximately 85.42% by the Company. It is expected that immediately upon completion of the Proposed Spin-off, the Company will hold not less than approximately 69.15% of equity interest in Truly Shanwei and therefore Truly Shanwei will continue to be a non-wholly owned subsidiary of the Company.

The Company has made a submission on the Proposed Spin-off to the Hong Kong Stock Exchange pursuant to Practice Note 15 of the Listing Rules (the “**PN15**”) and the Hong Kong Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off. The Hong Kong Stock Exchange has also granted the Company a waiver from strict compliance with the applicable requirements in relation to the assured entitlements under the Proposed Spin-off as required by paragraph 3(f) of PN15. Further details regarding the background to the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

waiver are set out in the section headed “Assured Entitlement” in the “Letter from the Board” contained in the Circular. Truly Shanwei has already submitted its application with the CSRC for a separate listing of its shares by way of A Shares on Shenzhen Stock Exchange and the CSRC accepted the application on 21 March 2016. The application is still pending approval from the CSRC as at the Latest Practicable Date. Taking into account the normal vetting process of the PRC regulators, the Directors expect that the Proposed Spin-off may take place by 2018.

The Proposed Spin-off will constitute a deemed disposal of a portion of the Company’s equity interest in Truly Shanwei under Rule 14.29 of the Listing Rules. As the highest applicable percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Proposed Spin-off is expected to be higher than 25% but less than 75%, the Proposed Spin-off constitutes a major transaction of the Company and is subject to announcement, circular and shareholders’ approval requirements under Chapter 14 of the Listing Rules, and also subject to the approval of the Shareholders under PN15.

The Independent Board Committee, comprising all three independent non-executive Directors, namely Mr. Chung Kam Kwong, Mr. Ip Cho Ting, Spencer and Mr. Heung Kai Sing, has been formed to make a recommendation to the Shareholders in respect of the terms of the Proposed Spin-off. We, Somerley Capital Limited, have been appointed to advise the Independent Board Committee and the Shareholders in this regard. On the basis that, as far as the Directors are aware, none of the Shareholders has a material interest in the Proposed Spin-off which is different from those of other Shareholders, no Shareholder is required to abstain from voting in respect of the proposed resolution to approve the Proposed Spin-off at the EGM.

As at the Latest Practicable Date, Somerley Capital Limited does not have any relationships or interests with the Company that could reasonably be regarded as relevant to the independence of Somerley Capital Limited. During the past two years, except for an independent financial adviser engagement in relation to the connected transaction regarding subscription of new shares, details of which were set out in the circular of the Company dated 4 October 2017, there has been no engagement between the Company or its subsidiaries and Somerley Capital Limited. We do not consider that the past engagement as independent financial adviser gives rise to any conflict for Somerley Capital Limited acting as the independent financial adviser in respect of the Proposed Spin-off. Apart from normal professional fees paid or payable to us in connection with this appointment and the past appointment as the independent financial adviser, no arrangement exists whereby we will receive any fees or benefits from the Company.

In formulating our opinion, we have reviewed, among other things, the annual report of the Company for the financial year 31 December 2016 (the “**2016 Annual Report**”) and interim report of the Company for the six months ended 30 June 2017 (the “**Interim Report**”), the audited financial statements of the Newco Group for each of the years ended 31 December 2014, 2015 and 2016 and for the six months ended 30 June 2017 (together the “**Accountants’ Reports**”) prepared under New Accounting Standards for Business Enterprises of the PRC (中國企業新會計準則), and the information contained in the Circular. We have relied on the information and facts supplied, and the opinions expressed, by the Directors and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

management of the Group and we have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects at the time they were made and will remain so up to the time of the EGM. We have also sought and received confirmation from the Directors that all material relevant information has been supplied to us and that no material facts have been omitted or withheld from the information supplied and opinions expressed to us. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld. We consider that the information we have received is sufficient for us to reach our opinion and recommendation as set out in this letter. However, we have not conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion with respect to the Proposed Spin-off, we have taken into account the principal factors and reasons set out below.

1. Background and financial information of the Group

The Group is principally engaged in manufacture and sale of liquid crystal display (“LCD”) products, including touch panel products, and electronic consumer products, including compact camera modules and fingerprint identification modules. As disclosed in the 2016 Annual Report, approximately 77% of the Group’s revenue was generated from sales of LCD products, with the rest generated from sales of compact camera modules, fingerprint identification products and printed circuit boards. The Directors expect that the LCD business will continue to be the core business of the Group in the next few years. The Newco Group specialises in touch panel products, integrated touch modules and compact camera modules.

As set out in the 2016 Annual Report and the Interim Report, the Group’s revenue remained broadly stable, ranging from approximately HK\$19.4 billion to HK\$22.1 billion through the years 2013 to 2016. Revenue for the six months ended 30 June 2017 increased by approximately 11.4% to approximately HK\$10.8 billion as compared to the same period of 2016. The increment was mainly due to growth in demand from the Group’s major customers during the period.

The Group’s profit attributable to owners of the Company has been decreasing since 2013 from approximately HK\$1,620 million to HK\$582 million in 2016, with a loss of approximately HK\$227 million for the six months ended 30 June 2017. The decrease in profit over the period was mainly due to the share of losses of associates, which has been increasing significantly since 2014, with the highest amount of approximately HK\$368 million recorded for the year ended 31 December 2016. The loss for the six months ended 30 June 2017 was mainly due to the one-off provision for bad and doubtful debt of one of the Newco Group’s major customers, Lemobile Information Technology (Beijing) Co., Ltd. and share of losses of associates.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 30 June 2017, the Group's total assets and equity attributable to owners of the Company amounted to approximately HK\$24,370 million and HK\$6,791 million. The equity attributable to owners of the Company increased by approximately HK\$319.7 million upon completion of the placing of new shares to independent third parties and increased by a further HK\$107.1 million upon completion of the subscription of new shares by the controlling shareholder of the Company, both of which were announced by the Company on 12 September 2017.

As set out in the Interim Report, the management of the Group expects that performance of its major associate, Truly (Huizhou) Smart Display Limited (信利(惠州)智能顯示有限公司), should improve and its operating loss should narrow in the second half of 2017, as production and yield rates experienced during the ramping up period improve. In addition, the construction work of the 5th generation of TFT-LCD production plant in Shanwei was completed in July 2017, with machinery and equipment installed in August 2017 and finishing work to be completed by the end of 2017. Trial production should start in the first half of 2018.

2. Background and financial information of the Newco Group

As set out in the section headed "Information on Truly Shanwei" in the "Letter from the Board" contained in the Circular, Truly Shanwei is a company incorporated in the PRC principally engaged in manufacturing touch panel products, integrated touch modules and compact camera modules.

As at the Latest Practicable Date, Truly Shanwei had an aggregate of 340,000,000 issued shares. Immediately before the completion of the Proposed Spin-off, the equity capital of Truly Shanwei was indirectly held as to approximately 85.42% by the Company. The remaining approximately 14.58% was mainly held by directors of the Company and of Truly Shanwei or companies in which they have interests.

Set out below is summary audited financial information of the Newco Group extracted from the Accountants' Reports:

	For the year ended 31 December			For the six months ended 30 June
	2014	2015	2016	2017
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Turnover	10,352,492	9,871,238	14,572,017	7,555,002
Gross profit	1,540,406	1,350,870	1,640,344	670,613
Gross profit margin	14.88%	13.68%	11.26%	8.88%
Net profit/(loss) attributable to owners	770,298	464,415	524,097	(104,583)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
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	As at December 31			As at
	2014	2015	2016	30 June
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Total assets	8,367,860	8,684,357	12,742,200	11,242,056
Total liabilities	5,647,230	5,455,789	8,981,438	8,098,403
Net assets	2,720,629	3,228,568	3,760,762	3,143,653

As set out in the Accountants' Reports, for each of the years ended 31 December 2014, 2015 and 2016 and for the six months ended 30 June 2017, approximately 65% of the turnover of the Newco Group was generated from its integrated touch module products, and the remaining was generated from compact camera module products and other products.

The turnover increased considerably by approximately RMB4.7 billion, or approximately 47.6%, for the year ended 31 December 2016 as compared to 2015. This was mainly attributable to an increase in turnover of integrated touch module products by approximately RMB3.5 billion, as a result of increase in application of integrated touch module products.

Net profit attributable to the owners for the year ended 31 December 2016 increased by approximately 12.9% to RMB524 million as compared to 2015. The increment was mainly due to an increase in turnover by RMB4.7 billion, partially offset by (i) a decrease in gross profit margin from approximately 13.68% to 11.26% due to decrease in selling price and rise in cost of raw materials; and (ii) increase in administrative expenses of approximately RMB116 million and finance costs of approximately RMB41 million respectively. Net loss attributable to owners of approximately RMB105 million was recorded for the six months ended 30 June 2017. This was primarily attributable to a one-off provision with net effect of approximately RMB359 million, or equivalent to approximately HK\$414 million, for bad and doubtful debt of one of the Newco Group's major customers, Lemobile Information Technology (Beijing) Co., Ltd., due to its deteriorating financial status.

As at 31 December 2016, total assets of the Newco Group amounted to approximately RMB12.7 billion, representing an increase of approximately RMB4 billion from 31 December 2015. The increase mainly stemmed from (i) an increase in trade receivables by approximately RMB2.3 billion; (ii) an increase in inventories by approximately RMB623 million; and (iii) a rise in property, plant and equipment by approximately RMB866 million. As at 31 December 2016, total liabilities of the Newco Group amounted to approximately RMB9.0 billion, representing an increase of approximately RMB3.5 billion from 31 December 2015. The rise was mainly attributable to (i) an increase in short-term borrowings by approximately RMB610 million; (ii) a rise in trade payables by approximately RMB1.8 billion; and (iii) new bonds payable amounted to approximately RMB744 million.

As at 30 June 2017, total assets of the Newco Group amounted to approximately RMB11.2 billion, representing a decrease of approximately RMB1.5 billion from 31 December 2016, which was mainly due to a decline in trade receivables of approximately RMB1.1

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

billion. As at 30 June 2017, total liabilities of the Newco Group amounted to approximately RMB8.1 billion, representing a decrease of approximately RMB0.9 billion from 31 December 2016, which was mainly due to a decrease in trade payables of approximately RMB0.5 billion.

3. Reasons for and benefits of the Proposed Spin-off

As set out in the section headed “Reasons for and benefits of the Proposed Spin-off” in the “Letter from the Board” contained in the Circular, the Board considers that the Proposed Spin-off would enable the market to appraise and assess the value of the Group and Truly Shanwei more effectively, and provide a separate fund raising platform for Truly Shanwei, which will facilitate the development of the Group as well as Truly Shanwei in the long run.

We are of the view that the potential benefits of the Proposed Spin-off also include:

- (i) to promote the reputation and profile of Truly Shanwei in the PRC market and enhance its capabilities and opportunities to capture the potential market growth, to increase its competitiveness and to allow Truly Shanwei to create a clearly defined business focus;
- (ii) to enable Truly Shanwei to have direct access to the domestic capital market, broaden its financing channels, reduce its debt financing proportion and increase its financing capabilities;
- (iii) the proceeds from the Proposed Spin-off will fund future development in various areas of manufacturing of mobile and automobile related components business of Truly Shanwei, and allow it to expand the scale of its business; and
- (iv) to establish a market-oriented valuation to Truly Shanwei, which it is expected will unlock value for Shareholders and enhance the overall value of Truly Shanwei shares held by the Company.

Upon completion of the Proposed Spin-off, the financial results of the Newco Group will continue to be consolidated into the Company’s accounts. As such, the Company and the Shareholders will continue to enjoy the benefits from the growth and development of the Newco Group.

4. Conditions of the Proposed Spin-off

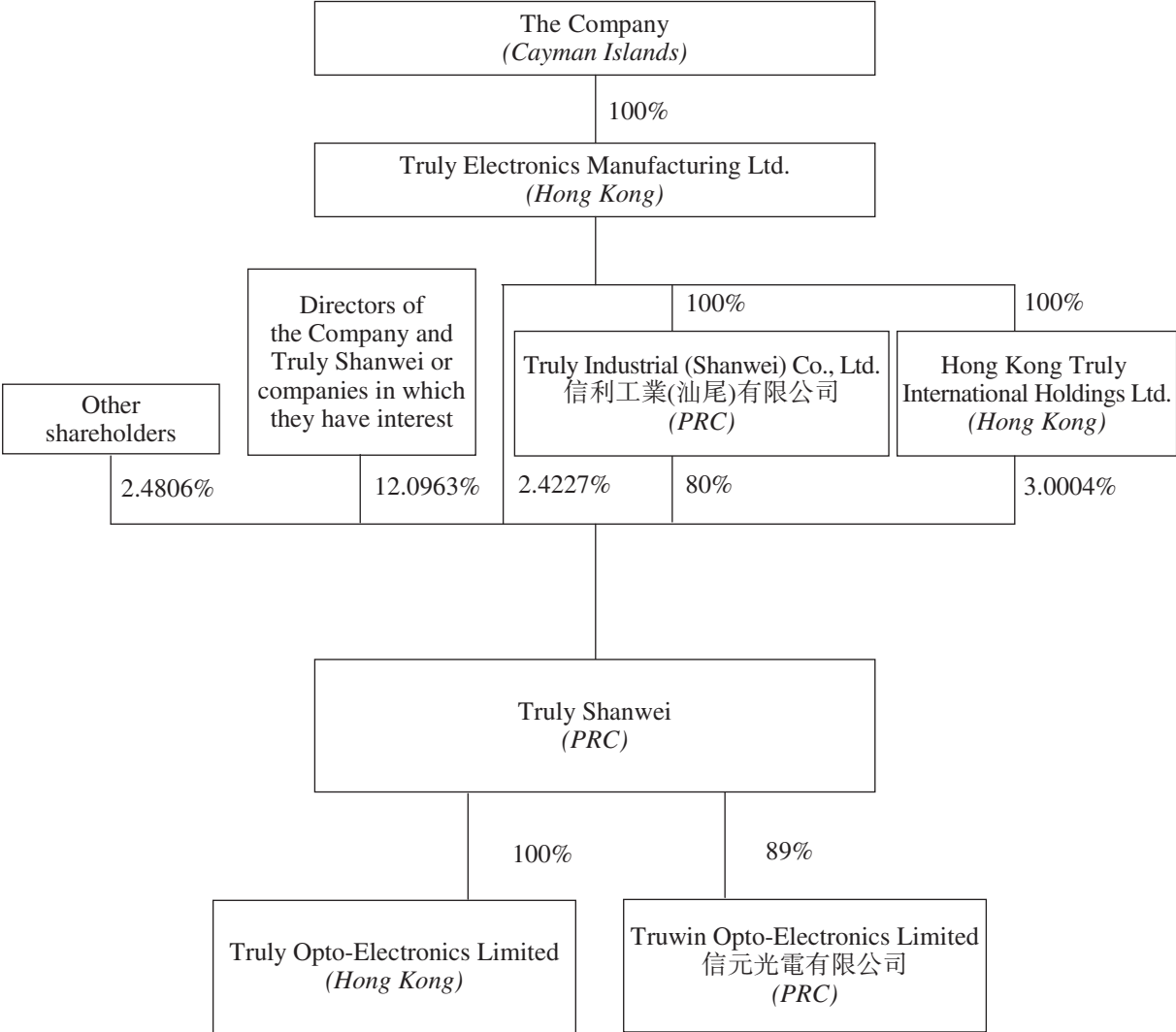
As set out in the section headed “Conditions of the Proposed Spin-off” in the “Letter from the Board” contained in the Circular, the Proposed Spin-off will be conditional upon, among other things, (i) approval by the Shareholders in relation to the Proposed Spin-off at the EGM; (ii) approval by the CSRC and Shenzhen Stock Exchange in relation to the Proposed Spin-off; and (iii) any other PRC regulatory approvals for the listing of and permission to deal in the A shares to be issued by Truly Shanwei. The Proposed Spin-off will also depend on market conditions in the A share market at the time.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. Principal structure of the proposed A share listing of Truly Shanwei

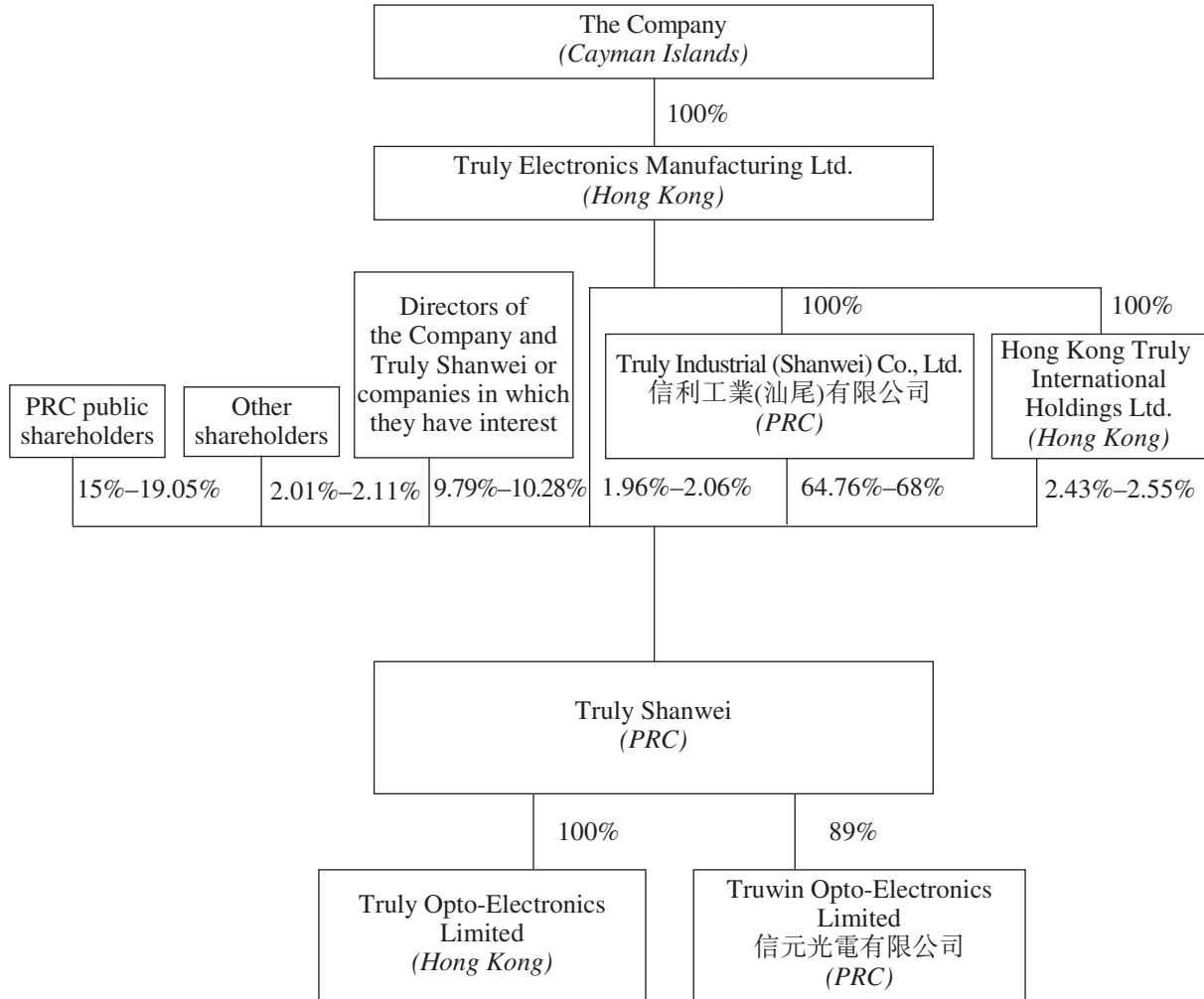
(i) Structure of the Proposed Spin-off

The Company currently intends to effect the Proposed Spin-off by way of issuing new A shares on Shenzhen Stock Exchange. Set out below is the simplified corporate structure of Truly Shanwei immediately before completion of the Proposed Spin-off:



LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the simplified corporate structure of Truly Shanwei immediately upon completion of the Proposed Spin-off:



Notes:

- (a) The above shareholding in Truly Shanwei assumes approximately 15% to 19.05% of the enlarged issued share capital of Truly Shanwei will be offered under the Proposed Spin-off; and
- (b) Based on the assumption set out in (a) above, the Company is expected to indirectly hold not less than approximately 69.15% in aggregate of the issued share capital of Truly Shanwei immediately upon completion of the Proposed Spin-off.

As illustrated above, it is expected that immediately upon completion of the Proposed Spin-off, the Company will have an indirect interest of not less than approximately 69.15% in Truly Shanwei (assuming approximately 15% to 19.05% of the enlarged issued share capital of Truly Shanwei will be offered under the Proposed Spin-off) and therefore Truly Shanwei will continue to be an indirect non-wholly owned subsidiary of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) Percentage of A shares to be issued

It is currently proposed that Truly Shanwei will issue between 60,000,001 and 80,000,000 new A shares, representing approximately 15% to 19.05% of the total issued share capital of Truly Shanwei as enlarged by the Proposed Spin-off (the “**Offer Shares**”). The number of the Offer Shares held by the public will represent approximately 15% to 19.05% of the total issued share capital of Truly Shanwei as enlarged by the Proposed Spin-off. The offer price and the actual number of the Offer Shares will be subject to PRC market conditions and the relevant rules and regulations of the CSRC as amended from time to time.

(iii) Illustrative offer price

It is estimated, for illustrative purposes only, that the indicative offer price of Truly Shanwei will be approximately RMB28.62 to RMB30.05 per Offer Share. The indicative offer price is based on the estimated performance of Truly Shanwei, the view of the sponsor acting for Truly Shanwei in relation to the proposed A Share offering and the expected A share market conditions at the time of the Proposed Spin-off. The number of A shares to be offered by Truly Shanwei is expected to be between 60,000,001 and 80,000,000 A shares (assuming 15% to 19.05% of the enlarged issued share capital of Truly Shanwei will be offered under the Proposed Spin-off). On this basis, gross proceeds of approximately RMB1,800 million to RMB2,300 million are expected to be raised from the Proposed Spin-off.

The achievement of the indicative offer price will be subject to market sentiment towards A share issuance of Truly Shanwei and determined by a bookbuilding process with reference to the prices quoted by target subscribers or by other methods to be determined between Truly Shanwei and the lead underwriter. As stated in the “Letter from the Board” contained in the Circular, the offer price per A share of Truly Shanwei shall not be less than the audited net asset value per share of Truly Shanwei as at 30 June 2017 (i.e. approximately RMB9 per share), or such lower audited net asset value per share of Truly Shanwei before completion of the Proposed Spin-off. Truly Shanwei incurred a loss for the six months ended 30 June 2017 as a result of a one-off provision made for bad and doubtful debt, which might affect market sentiment towards the A share issuance of Truly Shanwei. However, as the results for the full year 2017 are not yet known, estimating the indicative offer price by reference to 2016 earnings seems not an unreasonable approach.

(iv) Intended use of proceeds

Truly Shanwei intends to apply the net proceeds (after deducting the expenses in connection with the Proposed Spin-off) for investment in a number of identified projects (the “**Projects**”) set out in the “Letter from the Board”. The Projects are mainly related to mobile and automobile related components business, with a total amount of investment of approximately RMB3 billion.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In order to take advantage of market opportunities and facilitate the completion of the Projects as soon as possible, Truly Shanwei will use funds already available to it to start construction of certain Projects and use the net proceeds raised from the Proposed Spin-off to replenish such funds.

The completion of the Projects is not dependent on the Proposed Spin-off. Given it is expected that the actual amount of the net proceeds raised from the Proposed Spin-off would be less than the total investment amount for the Projects, Truly Shanwei will use its own funds for the shortfall. If the actual amount of the net proceeds raised from the Proposed Spin-off exceeds the total investment amount for the Projects, Truly Shanwei will use the surplus to supplement its working capital.

The additional funds available to the Newco Group through the Proposed Spin-off will enhance the financial position of Truly Shanwei and accelerate its development of mobile and automobile related components business.

(v) Comparable companies

In order to provide the Shareholders with a general reference regarding the valuation of companies listed in the PRC with products of a similar nature to those of Truly Shanwei, we have searched Bloomberg, on a best effort basis, for companies (the “**Comparable Companies**”) which are listed in the PRC with touchscreen products accounting for over 50% of the sales. The Comparable Companies have been selected from Bloomberg Industry Classification System based on the following criteria: (i) listed on either Shenzhen Stock Exchange or Shanghai Stock Exchange; (ii) under the industry of “Technology”; (iii) under the subsectors of “Consumer Electronics” and “Electronics Components” within the “Hardware” sector; and (iv) with touchscreen products accounting for over 50% of the sales of the respective Comparable Company for the year ended 31 December 2016 as set out in its annual report. We consider the Comparable Companies fair and representative samples based on the said criteria above.

The following table sets out the price to earnings (“**P/E**”) ratios of the Comparable Companies for reference purpose:

Comparable Companies	Principal activities of the Comparable Companies <i>(Note 4)</i>	Stock code	P/E ratio <i>(Note 1)</i> <i>(Approximate times)</i>
Beijing Irtouch Systems Co., Ltd. (“ BISC ”)	BISC develops, designs, produces touch related products.	300282.SZ	45.9
Holitech Technology Co., Ltd. (“ HTC ”)	HTC manufactures LCD display and touch panel products.	002217.SZ	28.7

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Comparable Companies	Principal activities of the Comparable Companies (Note 4)	Stock code	P/E ratio (Note 1) (Approximate times)
Wuhu Token Science Co., Ltd. (“WTSC”)	WTSC researches and produces LCD conductive film glass, touchscreen conductive film glass and materials of mobile phone’s panel.	300088.SZ	36.7
Shenzhen Laibao Hi-Tech Co., Ltd. (“SLHT”)	SLHT researches and manufactures high-end transparent conductive glasses and touch related components.	002106.SZ	34.0
		Average	36.3
		The Company (Note 2)	15.8
		Truly Shanwei (Note 3)	22.9

Notes:

1. P/E ratio of the Comparable Companies are extracted from Bloomberg as at the Latest Practicable Date.
2. The implied P/E ratio of the Company is calculated based on (i) the closing price of the Shares of HK\$3.17 as at the Latest Practicable Date; and (ii) the earnings per share of the Company of approximately HK\$0.2002 for the year ended 31 December 2016.
3. The implied P/E ratio of Truly Shanwei is calculated based on (i) the estimated market capitalisation of Truly Shanwei with reference to the expected gross proceeds of approximately RMB2,300 million or RMB1,800 million (assuming 19.05% or 15% of the enlarged issued share capital of Truly Shanwei will be offered under the Proposed Spin-off); and (ii) the profit attributable to owners of Truly Shanwei of approximately RMB524 million for the year ended 31 December 2016.
4. Principal activities of the Comparable Companies are extracted from their respective company website and Bloomberg.

As shown in the above table, the P/E ratio of the Company which is assumed as the basis for the expected offer price is lower than those of the Comparable Companies. Accordingly, we consider that it is not unreasonable to adopt a P/E ratio of approximately 23 times as the basis for the expected offer price and proceeds of the A share offer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shareholders should note that the calculation of the implied P/E ratio of Truly Shanwei and the comparison above is for illustrative purposes only. The actual amount of gross proceeds to be raised from the Proposed Spin-off and the actual P/E ratio of Truly Shanwei will be subject to the share market conditions in the PRC at the time of the Proposed Spin-off and the financial performance of Truly Shanwei before its listing.

6. Assured entitlement

Pursuant to paragraph 3(f) of PN15 of the Listing Rules, the Board is required to give due regard to the interests of the existing shareholders of the Company by providing the Shareholders with an assured entitlement to the A shares of Truly Shanwei.

As stated in the “Letter from the Board” contained in the Circular, after due and careful consideration of the Proposed Spin-off and having taken into account the advice from the Company’s PRC legal counsel, the Board has resolved not to provide assured entitlements to the Shareholders under the Proposed Spin-off. The PRC legal advisers of Truly Shanwei advised that non-PRC investors (other than certain qualified investors) would not be permitted to subscribe for the new A shares of Truly Shanwei under the Proposed Spin-off under the PRC laws and regulations. A substantial number of the existing shareholders of the Company are likely to be considered non-PRC citizens.

7. Possible effects of the Proposed Spin-off on the Group

Following completion of the Proposed Spin-off, Truly Shanwei will continue to be a non-wholly owned subsidiary of the Company and its financial results will continue to be consolidated into the accounts of the Group.

(i) Effect on assets, liabilities, gearing and earnings

The net proceeds from the Proposed Spin-off will increase the cash held in the consolidated balance sheet of the Group and total assets will increase. The Proposed Spin-off will not affect the liabilities of the Group, unless any of the net proceeds are used to pay off loans, which is not presently intended. Although no profit from the deemed disposal of the Newco Group will be shown in the Company’s profit and loss account, the net assets of the Group should be enhanced as a result of difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration received. Accordingly, the gearing ratio of the Group should be improved upon completion of the Proposed Spin-off.

Currently, the Newco Group and the Remaining Group share facility limits for certain general banking facilities which are guaranteed by the Remaining Group. The Company has obtained firm offers from the banks to have the corporate guarantee provided by the Remaining Group released and replaced by corporate guarantee of Truly Shanwei, and the Company targets to complete the release and replacement procedures within one to two months after the listing of Truly Shanwei on Shenzhen Stock Exchange. The Company will publish a further update announcement when the guarantees are released after the listing of Truly Shanwei.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The attributable interest of the Group in the Newco Group will be reduced following completion of the Proposed Spin-off. Accordingly, the Group's share of the future profits of the Newco Group would be reduced. Such reduction would be offset to the extent that the Newco Group's future profitability may benefit from the introduction of new capital. The Remaining Group, which will still hold the majority interest in the Newco Group, will be able to benefit from any future growth of the Newco Group, and the benefits to be brought about by the Proposed Spin-off as set out in the section headed "3. Reasons for and benefits of the Proposed Spin-off".

(ii) Effect on working capital of the Group

As set out in the section headed "Proposed use of proceeds raised under the Proposed Spin-off" in the "Letter from the Board" contained in the Circular, the expected gross proceeds to be raised from the Proposed Spin-off will be between approximately RMB1,800 million and RMB2,300 million, depending on the number of new A shares to be issued and the offer price. As fresh equity capital will be raised for the Newco Group from the Proposed Spin-off and Truly Shanwei will remain a subsidiary of the Company, we consider that the working capital position of the Group would improve as a result of the Proposed Spin-off, providing the Group with more financial flexibility and strengthening its financial position.

Shareholders are reminded that the actual effect of the Proposed Spin-off will be subject to the final structure of the Proposed Spin-off and the financial position of the Group and the Newco Group at the time of listing, which may be different from the present situation.

(iii) Board of directors of Truly Shenwei

Truly Shanwei has eleven directors (comprising seven directors and four independent directors) appointed. Out of the seven directors of Truly Shanwei, one is an executive director and one is a non-executive director of the Company. Given that Truly Shanwei will remain as a subsidiary of the Company following completion of the Proposed Spin-off, we consider that the board composition of Truly Shanwei is appropriate in that it reflects the interests of the Company while allowing Truly Shanwei to maintain an independent management team.

(iv) Dilution of interest in Truly Shanwei

Assuming the number of shares to be issued under the Proposed Spin-off represents approximately 15% to 19.05% of the enlarged total number of shares of Truly Shanwei in issue upon listing, the effective interest of the Group in Truly Shanwei will be reduced from approximately 85.42% (before the Proposed Spin-off) to not less than approximately 69.15% immediately after completion of the Proposed Spin-off.

In our opinion, such dilution, albeit not immaterial, is acceptable to the Shareholders taking into consideration the benefits which may be derived from the Proposed Spin-off and the possible effects on the Group as discussed in the section headed "3. Reasons for and benefits of the Proposed Spin-off" of this letter.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

DISCUSSION

The Group is principally engaged in the manufacture and sale of LCD products including touch panel products and electronic consumer products including compact camera modules and fingerprint identification modules. Pursuant to the Proposed Spin-off, Truly Shanwei, which is principally engaged in manufacturing of touch panel products, integrated touch modules and compact camera modules, will be spun-off and separately listed in the PRC. After the Proposed Spin-off, Truly Shanwei will continue to be a non-wholly owned subsidiary of the Group and accordingly the Company and the Shareholders will continue to benefit from Truly Shanwei's future growth.

Under the expected structure of the Proposed Spin-off, the gross proceeds to be raised are estimated to be between approximately RMB1,800 million and RMB2,300 million, depending on the number of new A shares to be issued and the offer price. The proceeds will mainly be used for Truly Shanwei's future development of projects totaling approximately RMB3 billion mainly in the mobile and automobile related components business which have already been identified. Fresh capital to be raised by Truly Shanwei through the Proposed Spin-off is expected to assist in the realisation and refinancing of these projects and strengthen the financial position of the Newco Group. The assumed offer price is based on a P/E ratio of approximately 23 times which we consider not unreasonable for the present purposes as 2017 results are not known and a P/E ratio of approximately 23 times is substantially below the P/E ratios of the Comparable Companies we have identified and of the Company itself.

However, Shareholders are reminded that the achievement of these figures, or of the Proposed Spin-off at all, depends on regulatory consents and market conditions.

The maximum dilution of the Company's interest in the Newco Group is expected to be approximately 16.27%, from approximately 85.42% to 69.15%. We consider such level of dilution acceptable, taking into account the expected benefits to be derived from the Proposed Spin-off as discussed in this letter, particularly the raising of substantial new equity capital by the Newco Group on terms we consider advantageous.

The Company will not provide Shareholders with an assured entitlement to the A shares of Truly Shanwei, as it has received legal advice that non-PRC investors would not be permitted to subscribe for the new A shares of Truly Shanwei under the Proposed Spin-off under the PRC laws and regulations and a substantial number of existing Shareholders are considered non-PRC citizens. On this basis, the Company has obtained a waiver from the Hong Kong Stock Exchange in respect of the assured entitlement requirement, pursuant to PN15 of the Listing Rules.

We are of the view the Proposed Spin-off is a strategic move for the Group to finance the development of its mobile and automobile related components business at advantageous pricing. This should also result in an increase in net assets of the Group, strengthening its financial position. The Proposed Spin-off, if realised, will create a separate funding platform providing financing flexibility for the Newco Group, allowing, among other things, the release of certain guarantees of the Newco Group's borrowings currently given by the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we are of the view that the terms of the Proposed Spin-off are fair and reasonable to the Shareholders and that the Proposed Spin-off is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Proposed Spin-off.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
M. N. Sabine **David Ching**
Chairman *Director*

Mr. M. N. Sabine is a licensed person registered with the Securities and Futures Commission and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over thirty years of experience in the corporate finance industry.

Mr. David Ching is a licensed person registered with the Securities and Futures Commission and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over fifteen years of experience in the corporate finance industry.

1. INDEBTEDNESS

Save as disclosed below and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at 31 August 2017, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group did not have any outstanding debt securities, bank loans and overdrafts or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits, mortgages, charges, debentures, loan capital, guarantees or other material contingent liabilities.

Debt securities

Truly Shanwei has issued the first tranche of domestic corporate bonds on the Shenzhen Stock Exchange with the amount of RMB750,000,000 on 28 July 2016. Truly Shanwei can further issue domestic corporate bonds with the amount not exceeding RMB500,000,000 on the Shenzhen Stock Exchange depending on the market conditions and investors' interest in last quarter of 2017.

Other borrowings

As at 31 August 2017, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had total unsecured outstanding borrowings of approximately HK\$9,568 million (excluding debt securities), comprising approximately of HK\$8,569 million with the guarantee by the Company and approximately of HK\$999 million without guarantee.

Contingent liabilities

As at 31 August 2017, a subsidiary of the Company is a defendant in a legal action in Italy involving the alleged defective goods manufactured by the subsidiary according to its customers' designs and specifications. The claim above against the subsidiary is approximately Euro7.2 million in aggregate. The directors believe, based on legal advice, that the case has legal and factual grounds to defend and therefore it is not probable that losses (including claims for costs) will be incurred.

In addition, as at 31 August 2017, 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\$3,462,620,000 and the bank loans with the amount of approximately HK\$3,286,964,000 were utilized by the associate.

Furthermore, as at 31 August 2017, 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\$814,464,000. 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 assessed the risk of default of Truly Huizu as at 31 August 2017 and considered the risk to be insignificant and it is less likely that any guaranteed amount will be claimed by the counterparties.

2. WORKING CAPITAL

The Directors are of the opinions that, having regard to the financial resources available to the Group, including internally generated funds, the Group will have sufficient working capital for its present requirements for the next twelve months from the date of this circular.

3. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in the business of manufacture and sale of LCD products including touch panel products and electronic consumer products including compact camera module, fingerprint identification modules, personal health care products and electrical devices.

During past few years, the Group has invested in Truly (Huizhou) Smart Display Limited (信利(惠州)智能顯示有限公司), an associate of the Company, for the 4.5th generation of AMOLED panel and 4.5th generation of TFT-LCD panel production lines, which will start mass production in late 2017. Besides, the construction of 5th generation of TFT-LCD panel production line in Shanwei, the PRC, is expected to be completed in December 2017 and will start trial production in the first half of 2018. Furthermore, the Group has just invested in a joint venture company in Sichuan Province of the PRC for another 5th generation of TFT-LCD panel production line in September 2017. All these small-medium size different technology display production lines can strengthen the continuous development of the Group in coming years for both smartphone display products and non-smartphone display products, including but not limited to automotive display and industrial products' display. The customers and potential customers would have much more confident on the Group to produce the display modules without relying on the external purchase of display panel and can strengthen the co-operation with different customers.

Through the proposed spin-off of the Company's non-wholly owned subsidiary, Truly Shanwei, it would enable the market to better appraise and assess the value of the Group and Truly Shanwei more effectively, and provide a separate fund raising platform for Truly Shanwei, which will facilitate the development of the Group as well as Truly Shanwei in the long run.

The Group will continue to strive for business growth and seize opportunities for enhancing the returns to the Shareholders.

4. MATERIAL ADVERSE CHANGE

The Directors are of the opinion that there was no material adverse change in the financial or trading position of the Group since 31 December 2016, being the date to which the latest published audited accounts of the Group have been made up, and up to the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Directors

(a) Directors' interests in the Company and associated corporations

As at the Latest Practicable Date, the interests of the Directors in the Shares and the underlying Shares and any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by the Directors of Listed Issuers of the Listing Rules were as follows:

Ordinary shares of HK\$0.02 each of the Company

Name of Director	Nature of interest	Number of ordinary shares held ⁽¹⁾	Approximate of percentage of shareholding
Lam Wai Wah ⁽²⁾	Beneficial owner and interest held by spouse	1,347,896,000(L)	43.20%
Wong Pong Chun, James ⁽³⁾	Beneficial owner and interest held by spouse	17,299,000(L)	0.55%
Cheung Tat Sang	Beneficial owner	6,129,000(L)	0.20%
Li Jian Hua ⁽⁴⁾	Beneficial owner and interest held by spouse	14,569,500(L)	0.47%

Registered capital of the associated corporation of the Company

Truly Shanwei

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 ⁽⁵⁾	Interest of corporation controlled by the director	647,360	0.1904

Notes:

- (1) The letter “L” denotes the person’s long position in such securities.
- (2) Lam Wai Wah holds 40.80% of the issued share capital of the Company beneficially whereas his spouse holds 2.40% of the issued share capital of the Company beneficially, therefore Lam Wai Wah is deemed to be interested in 43.20% of the Company’s issued share capital.
- (3) Wong Pong Chun, James holds 0.50% of the issued share capital of the Company beneficially whereas his spouse holds 0.05% of the issued share capital of the Company beneficially, therefore Wong Pong Chun, James is deemed to be interested in 0.55% of the Company’s issued share capital.
- (4) Li Jian Hua holds 0.47% of the issued share capital of the Company beneficially whereas his spouse holds 0.00% of the issued share capital of the Company beneficially, therefore Li Jian Hua is deemed to be interested in 0.47% of the Company’s issued share capital.
- (5) Registered capital contributed through Lhasa Development Zone Jianyuan Investment Management Co., Ltd, a company wholly-owned by him.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or chief executives of the Company and their associates had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules to be notified to the Company and the Stock Exchange.

(b) Directors' interests in assets and contracts of the Company

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2016, being the date to which the latest published audited financial statements of the Group were made up.

None of the Director was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

(c) Directors' service contracts

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which will not expire or may not be terminated by the Company within one year without payment of compensation (other than statutory compensation).

(d) Directors' interests in competing businesses

As at the Latest Practicable Date, none of the Directors or any of their respective close associates was interested in any business, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

(ii) Substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors and the chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had, or were deemed to have, an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO were as follows:

Name of shareholders	Nature of interest	Number of shares held ⁽¹⁾	Approximate percentage in the Company's issued share capital
Chan Kin Sun ⁽²⁾	Beneficial owner and interest held by spouse	180,711,000(L)	5.79%

Notes:

- (1) The letter "L" denotes the person's long position in such securities.
- (2) Chan Kin Sun holds 4.08% of the issued share capital of the Company beneficially whereas his spouse holds 1.71% of the issued share capital of the Company beneficially, therefore Chan Kin Sun is deemed to be interested in 5.79% of the Company's issued share capital.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or the chief executive of the Company, no other persons (not being a Director or chief executive of the Company) had, or were deemed to have, an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO.

3. LITIGATION

Save as announced in the Company's interim results for the six months ended 30 June 2017 on 30 August 2017 and the Company's announcement dated 29 August 2017, as at the Latest Practicable Date, no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

4. MATERIAL CONTRACTS

The following contracts have been entered into by the Group (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this circular:

- (a) the construction general contract framework agreement (施工總承包合同) in Chinese dated 30 September 2016 and entered into between Truly Semiconductors and China Construction Eighth Engineering Division Co., Ltd. (中國建築第八工程局有限公司)

for the civil engineering construction of the high-end automotive and smart device display factory project, details of which are set out in the Company's announcement dated 30 September 2016;

- (b) the round A financing agreement (A輪融資協議) in Chinese dated 14 February 2017 and entered into among (1) Truly Electronics; (2) Leshi Zhixin Electronic Technology (Tianjin) Ltd. (樂視致新電子科技(天津)有限公司); (3) TV Plus Holdings (Beijing) Ltd. (樂視控股(北京)有限公司); (4) Leshi Internet Information & Technology Corp., Beijing (樂視網信息技術(北京)股份有限公司); (5) Xinle Asset Management (Tianjin) Partnership (Limited Partnership) (鑫樂資產管理(天津)合夥企業(有限合夥)); (6) Beijing Beimeihong Science and Technology Co., Ltd. (北京貝眉鴻科技有限公司); (7) Ningbo Hangzhou Bay New Zone Leran Investment Management Partnership (Limited Partnership) (寧波杭州灣新區樂然投資管理合夥企業(有限合夥)); (8) China Life Insurance Co., Ltd. (華夏人壽保險股份有限公司) and (9) Tianjin Jiarui Huixin Corporate Management Co., Ltd. (天津嘉睿匯鑫企業管理有限公司), pursuant to which, Truly Electronics conditionally agreed to acquire in aggregate 2.3438% equity interest in Leshi Zhixin Electronic Technology (Tianjin) Ltd., details of which are set out in the Company's announcement dated 14 February 2017;
- (c) the memorandum of understanding (合作備忘錄) in Chinese dated 14 March 2017 and entered into among (1) Truly Electronics; (2) Shucheng County People's Government (舒城縣人民政府) and (3) China Fortune Land Development Co., Ltd. (華夏幸福基業股份有限公司) in relation to the formation of a joint venture company in Shucheng County, Lu'an City, Anhui Province in the PRC (the "JV Company"), which was terminated on 16 June 2017, details of which are set out in the Company's announcements dated 14 March 2017 and 16 June 2017;
- (d) the investment agreement (投資協議) in Chinese dated 14 March 2017 and entered into among (1) Truly Electronics; (2) Shucheng County Investment Development Co., Ltd. (舒城縣產業投資發展有限公司) and (3) China Fortune Land Investment Co., Ltd. (華夏幸福產業投資有限公司) in relation to the formation of the JV Company, which was terminated on 16 June 2017, details of which are set out in the Company's announcements dated 14 March 2017 and 16 June 2017;
- (e) the entry agreement (入區協議) in Chinese dated 14 March 2017 and entered into between Truly Electronics and Anhui Shucheng Hangbu Economic Development Zone Management Committee (安徽舒城杭埠經濟開發區管委會) in relation to the establishment and operation of the JV Company, which was terminated on 16 June 2017, details of which are set out in the Company's announcements dated 14 March 2017 and 16 June 2017;
- (f) the supplemental entry agreement (入區補充協議) in Chinese dated 14 March 2017 and entered into among (1) Shucheng County People's Government; (2) Truly Electronics and (3) Shucheng Dingxing Park Construction Development Co., Ltd. (舒

城鼎興園區建設發展有限公司) in relation to the establishment and operation of the JV Company, which was terminated on 16 June 2017, details of which are set out in the Company's announcements dated 14 March 2017 and 16 June 2017;

- (g) the land transaction service entrustment agreement (土地交易服務委託協議) in Chinese dated 14 March 2017 and entered into between Truly Electronics and Shucheng Dingxing Park Construction Development Co., Ltd. in relation to the establishment and operation of the JV Company, which was terminated on 16 June 2017, details of which are set out in the Company's announcements dated 14 March 2017 and 16 June 2017;
- (h) the capital increase agreement (增資協議) in Chinese dated 5 May 2017 and entered into among (1) Truly Semiconductors; (2) Huizhou Zhongkai High-tech District Investment and Development Co., Ltd. (惠州仲愷高新區投資開發有限責任公司) and (3) Huizhou Investment Holdings Ltd. (惠州市投資控股有限公司) in relation to the increase of the registered capital of a joint venture company, namely, Truly (Huizhou) Smart Display Limited (信利(惠州)智能顯示有限公司), details of which are set out in the Company's announcement dated 5 May 2017;
- (i) the joint venture agreement (合作協議) in Chinese dated 16 June 2017 and entered into among (1) Renshou County People's Government (仁壽縣人民政府); (2) Truly Electronics and (3) Renshou Industries and Sichuan Integrated Circuit and Information Safety Investment Fund Co., Ltd. (四川省集成電路和信息安全產業投資基金有限公司) in relation to formation of a joint venture company in Renshou County, Meishan City, Sichuan Province, the PRC as the project company for TFT-LCD Project, details of which are set out in the Company's announcement dated 16 June 2017;
- (j) the joint venture agreement (合作協議) in Chinese dated 14 July 2017 among (1) Meishan City People's Government (眉山市人民政府); (2) Renshou County People's Government; (3) Truly Electronics and (4) Renshou Industries in relation to the formation of the AMOLED joint venture company in Renshou County, Meishan City, Sichuan Province, the PRC as the project company for the AMOLED Project, details of which are set out in the Company's announcement dated 14 July 2017;
- (k) the framework agreement (框架協議) in Chinese dated 14 July 2017 and entered into between Truly Electronics and Meishan City People's Government for the TFT-LCD Project and the AMOLED Project, details of which are set out in the Company's announcement dated 14 July 2017;
- (l) the placing agreement dated 12 September 2017 and entered into among the Company; the Hong Kong and Shanghai Banking Corporation Ltd. and Mizuho Securities Asia Ltd. in relation to the placing of 160,000,000 Shares, details of which are set out in the Company's announcement dated 12 September 2017; and
- (m) the subscription agreement dated 12 September 2017 and entered into between the Company and Mr. Lam Wai Wah for the subscription of 53,330,000 Shares, details of which are set out in the Company's announcement dated 12 September 2017.

5. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular or has given opinions, letter or advices contained in this circular:

Name	Qualification
Sommerley Capital Limited	a corporation licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities, being the independent financial adviser appointed to advise the Independent Board Committee and the Shareholders on the Proposed Spin-off

As at the Latest Practicable Date, the expert named above does not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interests in any assets which have been, since 31 December 2016 (the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

The expert named above has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which they are included.

6. MISCELLANEOUS

- (i) The Company secretary of the Company is Mr. Ma Wai Tong, who is the chief financial officer of the Group and a member of the Hong Kong Institute of Certified Public Accountants.
- (ii) The English text of this circular shall prevail over the Chinese text.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's principal place of business in Hong Kong at 2/F Chung Shun Knitting Centre, 1-3 Wing Yip Street, Kwai Chung, New Territories, Hong Kong from 9:00 a.m. to 12:30 p.m. and 2:00 p.m. to 5:00 p.m. on any weekday other than public holidays from the date of this circular, up to and including the date of the EGM:

- (a) memorandum and articles of association of the Company;
- (b) material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

- (c) the written consent referred to in the paragraph headed “Expert and Consent” in this appendix;
- (d) the letter of recommendation from the Independent Board Committee;
- (e) the letter of advice from the Independent Financial Adviser;
- (f) annual reports of the Company for each of the two years ended 31 December 2016;
- (g) circular of the Company dated 4 October 2017; and
- (h) this circular.

TRULY[®]

TRULY INTERNATIONAL HOLDINGS LIMITED

信利國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00732)

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (“**Meeting**”) of Truly International Holdings Limited (the “**Company**”) will be held at 2/F Chung Shun Knitting Centre, 1–3 Wing Yip Street, Kwai Chung, New Territories, Hong Kong on Friday, 24 November 2017 at 10 a.m. for the purpose of considering and, if thought fit, passing with or without modification the following resolution which will be proposed as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the proposed spin-off of Truly Opto-Electronics Limited (信利光電股份有限公司) (the “**Truly Shanwei**”), a non-wholly-owned subsidiary of the Company, and a separate listing of the shares of Truly Shanwei on the Shenzhen Stock Exchange by way of the issuance and offering of 60,000,001 to 80,000,000 new shares of Truly Shanwei (the “**Proposed Spin-off**”) be and is hereby approved; and
- (b) any one director of the Company be and is hereby authorized on behalf of the Company to do all such acts and sign all such documents and to enter into all such transactions and arrangements as may be necessary or expedient in order to ensure smooth implementation of and to give effect to the Proposed Spin-off.”

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

Hong Kong, 8 November 2017

Notes:

- 1. A member of the Company entitled to attend and vote at the Meeting convened by this notice is entitled to appoint one or, if he/she/it is the holder of two or more Shares, more than one proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his/her/its behalf. A proxy need not be a member of the Company, but must be present in person at the Meeting to represent the member.
- 2. In the case of joint holders of Shares, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s), seniority being determined by the order in which names stand in the register of members of the Company.

NOTICE OF EGM

3. In order to be valid, the form of proxy of the Company together with original or certified copy of the power of attorney or other authority (if any) under which it is signed must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the Meeting or adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Meeting or any adjournment thereof should you so wish. In such event, the form of proxy previously submitted shall be deemed to be revoked.

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