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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)

**DISCLOSEABLE TRANSACTION
ACQUISITION OF EQUITY INTERESTS IN TRULY HUIZHOU**

The Board is pleased to announce that, on 29 November 2021 (after trading hours), Truly Semiconductors (an indirect wholly-owned subsidiary of the Company) (as purchaser) entered into the Agreement with Huizhou Investment (as vendor) and Truly Huizhou (as target company) to acquire approximately 16.77% equity interests of Truly Huizhou at the consideration of RMB450 million.

Truly Huizhou is an associate of the Company and has been accounted for in the consolidated financial statements of the Group using equity method as at the date of this announcement. Upon completion of condition precedent number 2 of the Acquisition, Truly Huizhou will become accounted for in the consolidated financial statements of the Company as a subsidiary of the Company. Upon completion of the Acquisition, Truly Huizhou will become an indirect non wholly-owned subsidiary of the Company and owned as to approximately 76.48% by an indirect wholly-owned subsidiary of the Company and as to approximately 23.52% by an independent third party of the Company.

LISTING RULE IMPLICATIONS

As one or more of the relevant applicable percentage ratios (as defined under the Listing Rules), are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and will be subject to reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that, on 29 November 2021 (after trading hours), Truly Semiconductors (an indirect wholly-owned subsidiary of the Company) (as purchaser) entered into the Agreement with Huizhou Investment (as vendor) and Truly Huizhou (as target company) to acquire approximately 16.77% equity interests of Truly Huizhou at the consideration of RMB450 million.

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AGREEMENT

Set out below are the principal terms of the Agreement:

Date:

29 November 2021 (after trading hours)

Parties:

- (1) Huizhou Investment (as vendor)
- (2) Truly Semiconductors, an indirect wholly-owned subsidiary of the Company (as purchaser)
- (3) Truly Huizhou (as target company)

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Huizhou Investment is an independent third party of the Company, and Truly Huizhou was held as to approximately 59.7% by Truly Semiconductors, approximately 16.77% by Huizhou Investment and approximately 23.52% by Huizhou Zhongkai City Development Group Company Limited* (惠州仲愷城市發展集團有限公司) which is ultimately held by Huizhou Zhongkai Hi-Tech Industrial Development Zone State-Owned Assets Affair Centre* (惠州仲愷高新技術產業開發區國有資產事務中心), an independent third party of the Company. Truly Huizhou is an associate of the Company as at the date of this announcement. See below section headed "Information on the Group, Truly Semiconductors, Huizhou Investment and Truly Huizhou" for details.

Nature of the transaction and assets to be acquired :

Pursuant to the Agreement, Huizhou Investment has agreed to transfer approximately 16.77% equity interest of Truly Huizhou to Truly Semiconductors.

Consideration:

The consideration for the Acquisition is RMB450 million, payable in cash upon satisfaction or waiver of conditions precedents by three installments:

1. RMB50 million payable before 30 November 2021
2. RMB150 million payable before 30 June 2022

3. RMB250 million payable before 30 November 2022

The consideration was arrived at after arm's length negotiations and with reference to original investment costs of Huizhou Investment.

The said consideration will be funded by internal resources of the Group.

Conditions precedents:

Payment of the consideration by Truly Semiconductors to Huizhou Investment is conditional upon satisfaction or waiver of the following conditions precedent:

1. all parties having signed the Agreement;
2. amendments to articles of Truly Huizhou having been approved by the board and shareholders of Truly Huizhou, and the relevant registrations or filings with relevant government authorities such as authorities relating to administration for market supervision and foreign investment having been completed;
3. the Acquisition and the Agreement having been approved by the board and shareholders of Huizhou Investment;
4. matters relating to the Acquisition (including means of transfer, determination of consideration and payment arrangement) and the Agreement having been approved by the relevant government authorities (including People's Government of Huizhou City); and
5. at the time of each payment of the consideration, the equity interest being the subject matter of the Agreement is not subject to third party rights such as pledge, and charge, or other restrictions such as seizure and freezing.

Completion:

The completion of the Acquisition shall take place upon registration at the relevant PRC authority.

INFORMATION ON THE GROUP, TRULY SEMICONDUCTORS, HUIZHOU INVESTMENT AND TRULY HUIZHOU

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.

Truly Semiconductors

Truly Semiconductors is an indirect wholly owned subsidiary of the Company and is primarily engaged in the research, development, production and sales of liquid crystal display products.

Huizhou Investment

Huizhou Investment is a limited company organized and existing under the laws of the PRC and wholly-owned by the People's Government of Huizhou City. Huizhou Investment is primarily engaged in the operation and management of state-owned assets authorized by the Huizhou Government and financing of government construction projects.

Truly Huizhou

Truly Huizhou is a company incorporated in the PRC and is an associate of the Company. The Group has 59.7% ownership interest and voting rights in Truly Huizhou. Other than the Group, there are two other shareholders in Truly Huizhou. As stated in the articles of association of Truly Huizhou, resolutions for certain activities of Truly Huizhou require approval in shareholders' meetings, and a shareholders' meeting cannot be held without the presence of either one of the other two shareholders. On this basis, the Directors concluded that the Group does not have control but significant influence over Truly Huizhou. Accordingly, Truly Huizhou is classified as an associate of the Group and has been accounted for in the consolidated financial statements of the Group using equity method. Upon completion of condition precedent number 2 of the Acquisition, Truly Huizhou will become accounted for in the consolidated financial statements of the Company as a subsidiary of the Company.

Truly Huizhou is primarily engaged in the development and production of AMOLED display products.

For the two years ended 31 December 2019 and 2020, extract of key items from the audited consolidated accounts of Truly Huizhou prepared by its PRC auditors based on the generally accepted accounting principles in the PRC are as follows:

	For the year ended 31 December 2020 RMB'000	For the year ended 31 December 2019 RMB'000
Revenue	1,251,151	1,529,778
Loss before taxation	(432,850)	(542,842)
Loss after taxation	(432,850)	(542,842)
Total assets	4,386,917	4,662,692
Net assets value	430,679	859,409

REASONS FOR AND BENEFITS OF THE ACQUISITION

In 2013, the Group's AMOLED industrialization project has been included in the "Pilot Projects for the Development of Strategic Emerging Industries under the Twelfth Five-Year Plan of Guangdong Province" ("廣東省十二五戰略性新興產業集聚發展試點重點項目"), and has also received great attentions from Guangdong provincial government and Huizhou municipal government as well as industrial subsidy support. As such, Guangdong Provincial

Department of Finance decided to support the development of 4.5 Generation AMOLED Production Line Project of Truly Huizhou and provide RMB450 million by way of equity investment of Huizhou Investment in Truly Huizhou.

The performance of the 4.5 Generation AMOLED Production Line Project has been improving over the years and the Company is optimistic about its future prospects. Accordingly, the Group decided to consolidate its control over Truly Huizhou through the Acquisition.

The Directors are of the view that the terms of the Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULE IMPLICATIONS

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TERMS USED IN THIS ANNOUNCEMENT

“Acquisition”	the acquisition of approximately 16.77% equity interest of Truly Huizhou contemplated under the Agreement
“Agreement”	the equity transfer agreement entered into among Huizhou Investment, Truly Semiconductors and Truly Huizhou dated 29 November 2021
“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
“Director(s)”	the director(s) of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huizhou Investment”	Huizhou City Investment Holding Limited* (惠州市投資控股有限公司), a company incorporated in the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange

“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Truly Huizhou”	Truly (Huizhou) Smart Display Limited* (信利(惠州)智能顯示有限公司), a company incorporated in the PRC and an associate of the Group and has been accounted for in the consolidated financial statements of the Group using equity method as at the date of this announcement
“Truly Semiconductors”	Truly Semiconductors Limited (信利半導體有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“%”	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.*

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

Hong Kong, 29 November 2021

As at the date of this announcement, the Board comprises Mr. Lam Wai Wah, Mr. Wong Pong Chun, James, Mr. Song Bei Bei, Mr. Dai Cheng Yun, and Mr. Cheung Wing Cheung as executive directors, and Mr. Chung Kam Kwong, Mr. Ip Cho Ting, Spencer, and Mr. Heung Kai Sing as independent non-executive directors.