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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  
CAPITAL INCREASE AGREEMENT**

Reference is made to the Announcements in relation to the entering into the Shareholders Agreement to establish the JV Company and the increase in the registered capital of the JV Company.

**CAPITAL INCREASE AGREEMENT**

The Board is pleased to announce that on 5 May 2017, Truly Semiconductors, an indirect wholly-owned subsidiary of the Company, entered into the Capital Increase Agreement with Huizhou Zhongkai and Huizhou Investment, being original Parties to the Shareholders Agreement, to increase the registered capital of the JV Company.

Pursuant to the Capital Increase Agreement, the Parties agreed to increase the registered capital of the JV Company from RMB2,300,000,000 to RMB2,682,641,157, with Truly Semiconductors agreed to inject a total amount of RMB410,000,000 of which RMB382,641,157 will be contributed as the additional registered capital of the JV Company and RMB27,358,843 will be credited to the capital reserve of the JV Company. Upon such capital increase, the JV Company will be held as to 59.7039% by Truly Semiconductors, 23.5216% by Huizhou Zhongkai and 16.7745% by Huizhou Investment.

**LISTING RULES IMPLICATION**

As certain applicable percentage ratios of the transaction under the Capital Increase Agreement are more than 5% but less than 25%, the transaction under the Capital Increase Agreement constitutes a discloseable transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

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The Board is pleased to announce that on 5 May 2017, Truly Semiconductors, an indirect wholly-owned subsidiary of the Company, entered into the Capital Increase Agreement with Huizhou Zhongkai and Huizhou Investment, to increase the registered capital of the JV Company.

## **CAPITAL INCREASE AGREEMENT**

Date	5 May 2017
Parties	(1) Truly Semiconductors (2) Huizhou Zhongkai (3) Huizhou Investment
Subject Matter	In keeping with the operations and potential development of the JV Company, the Parties agreed to increase the registered capital of the JV Company.

Pursuant to the Capital Increase Agreement, the Parties agreed to increase the registered capital of the JV Company from RMB2,300,000,000 to RMB2,682,641,157, with Truly Semiconductors agreed to inject a total amount of RMB410,000,000 of which RMB382,641,157 will be contributed as the additional registered capital of the JV Company and RMB27,358,843 will be credited to the capital reserve of the JV Company. Huizhou Zhongkai and Huizhou Investment will not inject any new capital for the increase of the registered capital under the Capital Increase Agreement.

The terms of the Capital Increase Agreement were determined based on arm's length negotiations between the Parties and the additional capital contribution by Truly Semiconductors was reached with reference to the valuation of the assets of the JV Company as at 31 December 2016, as assessed by a firm of independent professional valuers, and the capital requirements for the JV Company.

Upon completion of the Capital Increase, the JV Company will be held as to 59.7039% by Truly Semiconductors, 23.5216% by Huizhou Zhongkai and 16.7745% by Huizhou Investment and the JV Company shall remain an associate of the Group.

Truly Semiconductors has agreed that the new registered capital of the JV Company in the amount of RMB382,641,157 plus the amount of RMB27,358,843 for the capital reserve shall be settled by way of capitalizing an equivalent amount of debt owed by the JV Company to Truly Semiconductors, which has been extended to the JV Company with internally generated funds of the Company.

The JV Company and Truly Semiconductors shall complete the capitalisation procedures by 30 June 2017.

Voting Power of JV Shareholders Upon completion of the Capital Increase, Huizhou Zhongkai shall delegate 7.2961% of its 23.5216% voting power on decisions relating to the operation and management of the JV Company it owns to Truly Semiconductors for the five years immediately after the establishment of the JV Company, increasing Truly Semiconductors' voting power on decisions relating to the operation and management of the JV Company from 59.7039% to 67%. Unless agreed by Truly Semiconductors, such voting rights proportion shall not change. Such arrangement is in accordance with the Shareholders Agreement and shall remain in force after the Capital Increase.

Other Terms Save as disclosed herein, all the remaining terms under the Shareholders Agreement shall remain unchanged and stay effective.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE CAPITAL INCREASE AGREEMENT**

The Company considers that AMOLED is very likely to be the mainstream technology for the next generation displays and has started mass production of AMOLED panels in November 2016. The further investment under the Capital Increase Agreement will enable the JV Company to enhance its working capital to satisfy its on-going research and development of AMOLED related business and to facilitate the Company's strategic objective in relation to the new generation display technology.

Accordingly, the Board considers that it is in the interests of the Group to enter into the Capital Increase Agreement. The Board, including the independent non-executive Directors, consider that the Capital Increase Agreement has been entered into on normal commercial terms and the terms of the Capital Increase Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

As no Director has a material interest in the Capital Increase Agreement, none of the Directors has abstained from voting on the relevant board resolution approving the Capital Increase Agreement.

## INFORMATION OF THE GROUP

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

## INFORMATION OF JV COMPANY

The JV Company is principally engaged in the manufacture of thin-film-transistor panels and AMOLED panels.

The audited net asset value of the JV Company as at 31 December 2016 was approximately RMB2,414 million. The loss before and after taxation and extraordinary items for the two years ended 31 December 2016 were as follows:

	<b>For the year ended 31 December 2015</b>	<b>For the year ended 31 December 2016</b>
	<i>RMB' million (audited)</i>	<i>RMB' million (audited)</i>
Loss before taxation and extraordinary items	20	420
Loss after taxation and extraordinary items	28	448

*Note:* The above financial information of the JV Company was prepared in accordance with the applicable Accounting Standards for Business Enterprises (“企業會計準則”) and Enterprise Accounting System (企業會計制度) issued by Ministry of Finance of the PRC.

## INFORMATION OF HUIZHOU ZHONGKAI AND HUIZHOU INVESTMENT

Huizhou Zhongkai is a state-owned enterprise and is wholly-owned by Huizhou Management Committee. It is primarily engaged in investment activities.

Huizhou Investment is a state-owned enterprise and is wholly-owned by State-owned Assets Supervision and Administration Commission of Huizhou Municipal Government. It is primarily engaged in investment activities.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Huizhou Zhongkai and Huizhou Investment and their respective ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

## LISTING RULES IMPLICATION

As certain applicable percentage ratios of the transaction under the Capital Increase Agreement are more than 5% but less than 25%, the transaction under the Capital Increase Agreement constitutes a discloseable transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“AMOLED”	active-matrix organic light-emitting diode, a type of semiconductor product
“Announcements”	the announcements of the Company dated 17 December 2013 and 11 November 2014
“Board”	the board of Directors
“Capital Increase”	an increase in the registered capital of the JV Company pursuant to the Capital Increase Agreement
“Capital Increase Agreement”	the capital increase agreement dated 5 May 2017 entered into among Truly Semiconductors, Huizhou Zhongkai and Huizhou Investment
“Company”	Truly International Holdings Limited (信利國際有限公司), a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Huizhou Investment”	Huizhou Investment Holdings Limited* (惠州市投資控股有限公司), a company incorporated in the PRC and wholly-owned by the State-owned Assets Supervision and Administration Commission of Huizhou Municipal Government* (惠州市人民政府國有資產監督管理委員會)
“Huizhou Zhongkai”	Huizhou Zhongkai High-tech District Investment and Development Company Limited* (惠州仲愷高新區投資開發有限責任公司), a company incorporated in the PRC and wholly-owned by Huizhou Management Committee
“Huizhou Management Committee”	Huizhou Zhongkai High-tech Industry Development District Management Committee* (惠州仲愷高新技術產業開發區管理委員會), the sole shareholder of Huizhou Zhongkai

“JV Company”	Truly (Huizhou) Smart Display Limited* (信利(惠州)智能顯示有限公司), a limited liability company incorporated in the PRC and formed by the Parties pursuant to the Shareholders Agreement
“JV Shareholders”	means the shareholders of the JV Company from time to time
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	Truly Semiconductors, Huizhou Zhongkai and Huizhou Investment
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the Share(s) of the Company from time to time
“Shareholders’ Agreement”	a shareholders’ agreement dated 17 December 2013 entered into among Truly Semiconductors, Huizhou Zhongkai and Huizhou Investment, in relation to the formation of the JV Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the laws of Hong Kong)
“Truly Semiconductors”	Truly Semiconductors Limited (信利半導體有限公司), a company incorporated in the PRC, an indirect wholly-owned subsidiary of the Company
“%”	per cent

\* *For identification only*

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

Hong Kong, 5 May 2017

*As at the date of this announcement, the Board comprises Mr. Lam Wai Wah, Mr. Wong Pong Chun, James and Mr. Cheung Tat Sang as Executive Directors, Mr. Li Jian Hua as Non-executive Director and Mr. Chung Kam Kwong, Mr. Ip Cho Ting, Spencer and Mr. Heung Kai Sing as Independent Non-executive Directors.*