

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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)

- (1) CONNECTED TRANSACTION IN RELATION TO
SUBSCRIPTION OF NEW SHARES BY
THE CONTROLLING SHAREHOLDER;
(2) PROPOSED SHARE ISSUANCE UNDER SPECIFIC MANDATE;
(3) APPLICATION FOR WHITEWASH WAIVER;
AND
(4) NOTICE OF EGM**

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

 **SOMERLEY CAPITAL LIMITED**

Terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 5 to 16 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 17 to 18 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 43 of this circular.

A notice convening the extraordinary general meeting (the “EGM”) of Truly International Holdings Limited (the “Company”) to be held at 2/F Chung Shun Knitting Centre, 1–3 Wing Yip Street, Kwai Chung, N.T., Hong Kong on Monday, 29 October 2018 at 10:00 a.m., is set out on pages EGM-1 to EGM-3 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.

5 October 2018

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DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Announcement”	the announcement dated 31 July 2018 made by the Company in relation to, among others, the Subscription and application for the Whitewash Waiver
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (excluding Saturday and Sunday) on which commercial banks generally are open for business in Hong Kong
“Company”	Truly International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Subscription
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company from time to time
“EGM”	the extraordinary general meeting of the Company to be convened at 2/F Chung Shun Knitting Centre, 1–3 Wing Yip Street, Kwai Chung, N.T., Hong Kong on Monday, 29 October 2018 at 10:00 a.m. for the purpose of considering and if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder (including the Specific Mandate) and the Whitewash Waiver
“Encumbrances”	a mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance or security interest of any kind, or any other type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect;
“Executive”	the executive director of the Corporate Finance Division of the SFC or any delegate of the executive director
“Group”	the Company and its subsidiaries

DEFINITIONS

“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board which comprises all the independent non-executive Directors, namely Mr. Chung Kam Kwong, Mr. Ip Cho Ting, Spencer and Mr. Heung Kai Sing, established to advise the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver
“Independent Financial Adviser”	Somerley Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the Whitewash Waiver
“Independent Shareholder(s)”	Shareholders other than (i) the Subscriber and his associates and parties acting in concert with him, including Mr. Wong Pong Chun, James and his spouse, Mr. Cheung Tat Sang and Mr. Li Jian Hua and his spouse; (ii) those who have a material interest in the Subscription or are required by the Listing Rules to abstain from voting on the resolution approving the Subscription, the allotment and issue of the Subscription Shares and other transactions contemplated under the Subscription Agreement; and (iii) those who are involved in or interested in the Subscription and/or the Whitewash Waiver
“independent third party(ies)”	independent third party who is not connected person (as defined in the Listing Rules) of the Company and is independent of and not connected with the connected persons of the Company
“Last Trading Day”	30 July 2018, being the last trading day of the Shares immediately prior to the entering into of the Subscription Agreement
“Latest Practicable Date”	2 October 2018, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Committee”	has the meaning ascribed thereto under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

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“Long Stop Date”	30 November 2018, or any other date to be agreed by the Subscriber and the Company in writing
“Relevant Period”	the period commencing on the date falling six months preceding 31 July 2018, being the date of the Announcement, up to and including the Latest Practicable Date
“RMB”	the lawful currency of PRC
“SFC”	The Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary shares of HK\$0.02 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the EGM to grant the authority to the Board for the allotment and issue of the Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Mr. Lam Wai Wah, the Chairman and managing Director of the Company, being a controlling shareholder of the Company
“Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 31 July 2018 entered into between the Company and the Subscriber in relation to the Subscription
“Subscription Price”	HK\$1.18 per Subscription Share
“Subscription Share(s)”	168,800,000 new Shares to be allotted and issued to the Subscriber pursuant to the Subscription Agreement
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“USD”	the lawful currency of the United States of America

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“Whitewash Waiver”

a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligations of the Subscriber to make a mandatory general offer for all the issued securities of the Company not already owned, or controlled or agreed to be acquired by the Subscriber and any parties acting in concert with him under Rule 26 of the Takeovers Code which would, if the Subscription proceeds, otherwise arise as a result of the Subscription

“%”

per cent

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

Non-executive Director:

Mr. Li Jian Hua

Independent Non-executive Directors:

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

Registered Office:

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

*Principal Place of Business in
Hong Kong*

2/F Chung Shun Knitting Centre
1-3 Wing Yip Street
Kwai Chung, N.T.
Hong Kong

5 October 2018

To: the Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION IN RELATION TO
SUBSCRIPTION OF NEW SHARES BY
THE CONTROLLING SHAREHOLDER;
(2) PROPOSED SHARE ISSUANCE UNDER SPECIFIC MANDATE;
AND
(3) APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

Reference is made to the Announcement on 31 July 2018 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 168,800,000 new Shares at the Subscription Price of HK\$1.18 per Subscription Share to the Subscriber. The Subscription is subject to various conditions set out below under the paragraph headed “Conditions precedent”.

The purpose of this circular is to provide you with, among others, (i) further details of the Subscription, the Subscription Agreement, the Specific Mandate and the Whitewash Waiver; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders advising on the Subscription Agreement, the transactions contemplated thereunder, including

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the grant of the Specific Mandate, and the Whitewash Waiver; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders advising on the Subscription Agreement, the transactions contemplated thereunder, including the grant of the Specific Mandate, and the Whitewash Waiver; (iv) a notice of EGM; and (v) other information as required under the Listing Rules and the Takeovers Code.

SUBSCRIPTION OF NEW SHARES

The Subscription Agreement

Date

31 July 2018 (after trading hours)

Parties

Issuer: the Company

Subscriber: Lam Wai Wah

The Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 168,800,000 new Shares at the Subscription Price of HK\$1.18 per Subscription Share to the Subscriber, with an aggregate consideration of HK\$199,184,000.

The Subscription Shares

The Subscription Shares represent (i) approximately 5.41% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) 5.13% of the issued share capital of the Company as enlarged by the Subscription Shares (assuming there will be no other change in the number of issued Shares between the Latest Practicable Date and the date of Completion, save for the issue and allotment of the Subscription Shares). Based on the closing price of the Shares of HK\$1.26 per Share on the Last Trading Day, the Subscription Shares have a market value of HK\$212,688,000, and the aggregate nominal value of the Subscription Shares is HK\$3,376,000.

Subscription Price

The Subscription Price of HK\$1.18 per Subscription Share, which represents:

- (i) a discount of approximately 6.35% to the closing price of HK\$1.26 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 4.84% to the average closing price of HK\$1.24 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the date of the Last Trading Day;

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- (iii) a discount of approximately 7.16% to the average closing price of HK\$1.271 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 56.33% to the Group's audited consolidated tangible net assets per Share as at 31 December 2017 of approximately HK\$2.7022; and
- (v) a discount of approximately 5.6% to the closing price of HK\$1.25 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was determined after arm's length negotiations between the Company and the Subscriber with reference to recent market prices of the Shares, in particular, the recent downward trend of the Company's share price and the share price discount rate of the recent proposed subscription of new shares and placing of shares in the market. The Directors (including the members of the Independent Board Committee whose opinion is set forth in the "LETTER FROM THE INDEPENDENT BOARD COMMITTEE" in this circular) consider that taken into account the factors abovementioned, the issuance of the Subscription Shares at a discount to the closing price of the Shares is justified, and that the Subscription Price is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Conditions precedent

Completion is conditional upon the fulfillment of the following conditions:

- (a) the passing of the resolution(s) at the EGM by the Independent Shareholders to approve the Subscription Agreement and the transactions contemplated thereunder, including the granting of the Specific Mandate to allot and issue the Subscription Shares and the Whitewash Waiver;
- (b) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Subscription Shares on the Main Board of the Stock Exchange and such permission not having been revoked or withdrawn;
- (c) the Executive granting or agreeing to grant the Whitewash Waiver to the Subscriber;
- (d) the Company not having received written notice from the Stock Exchange indicating that the listing of the Shares on the Stock Exchange would be suspended, revoked or withdrawn immediately after the Completion due to the Subscription Agreement and/or the transactions contemplated thereunder;
- (e) in addition to condition (b) above, the Company having obtained each necessary consent, permit, approval, registration, filing, notice, confirmation, authorisation or waiver (including but not limited to those provided by the SFC, the Stock Exchange or any other third party (if applicable)) in relation to the Subscription Agreement and/or the transactions contemplated thereunder, if any, and such consent, permit, approval, registration, filing, notice, confirmation, authorisation or waiver (if applicable) not having been revoked or withdrawn;

LETTER FROM THE BOARD

- (f) the representations, warranties and undertakings given by the Company under the Subscription Agreement remaining true and accurate in all material respects;
- (g) the Company having fulfilled its obligations under the Subscription Agreement in all material respects;
- (h) the representations, warranties and undertakings given by the Subscriber under the Subscription Agreement remaining true and accurate in all material respects; and
- (i) the Subscriber having fulfilled its obligations under the Subscription Agreement in all material respects.

As at the Latest Practicable Date, (save for the approvals and filings required by the SFC and the Stock Exchange in relation to certain announcements and circulars), the Company is not aware of any material consent, permit, approval, registration, filing, notice, confirmation, authorisation or waiver required in relation to the Subscription Agreement and/or the transactions contemplated thereunder which must be obtained by the Company on or before Completion.

The conditions set out in paragraphs (e), (f) and (g) above may be waived by the Subscriber, while the conditions set out in paragraphs (h) and (i) may be waived by the Company. Save as aforementioned, none of the conditions precedent can be waived by any parties to the Subscription Agreement. In the event that the conditions are not fulfilled or waived (as the case may be) on or before 5:00 p.m. of the Long Stop Date (or such later date as may be agreed between the Company and the Subscriber), the Subscription Agreement shall lapse and all the rights and obligations thereunder shall cease, save for any rights or obligations which may accrue prior to the date of such lapse or any liabilities for any antecedent breaches thereof. The Subscription will not proceed if the Whitewash Waiver is not granted by the Executive, or, if so granted by the Executive but not approved by the Independent Shareholders.

As at the Latest Practicable Date, conditions (a), (b), (c), (e), (g) and (i) above have yet to be fulfilled, while no breach of conditions (d), (f) and (h) has been observed.

Completion

Subject to the conditions having been fulfilled or waived (if applicable), the Completion will take place on the third (3rd) Business Day following the day on which the last of conditions has been fulfilled (or waived, as the case may be), and in any event not later than the Long Stop Date (or such other date as may be agreed by the Company and the Subscriber in writing).

On the date of the Completion, the Subscriber shall pay to the Company the total consideration of HK\$199,184,000 for the subscription of the Subscription Shares and the Subscription Shares shall be allotted and issued to the Subscriber free from all Encumbrances and ranking *pari passu* with all the existing Shares in issue in all respects including the right to any dividends or distributions made or declared thereafter.

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Payment terms

The Subscriber shall pay the total Subscription Price of HK\$199,184,000 by way of either bank wire transfer or a cheque on the date of Completion.

Lock-up undertakings

The Subscriber undertakes to and covenants with the Company that, unless in compliance with the requirements of the Listing Rules, the Subscriber shall not, in the period commencing on the date of Completion and ending on the date which is 6 months from the date of Completion, dispose of, or enter into any agreement to dispose of or otherwise create any encumbrances in respect of, any of the Subscription Shares.

Specific mandate to issue the Subscription Shares

The Subscription Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM.

APPLICATION FOR LISTING

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares on the main board of the Stock Exchange.

BACKGROUND OF THE COMPANY AND SUBSCRIBER

The principal business activities of the Company are the 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.

The Subscriber is the controlling shareholder, Chairman and managing Director of the Company. He is the founder of the Group and has over 40 years of experience in the electronics industry. He is primarily responsible for the formulation of the Group's overall strategic plans and business development.

Based on the information made available to the Company, as at the Latest Practicable Date, the Subscriber and parties acting in concert with him were interested in an aggregate of 1,370,244,500 Shares, representing approximately 43.91% of the total issued share capital of the Company.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The gross proceeds from the Subscription are expected to be approximately HK\$199 million in aggregate. After deducting related professional fees and all related expenses which will be borne by the Company in relation to the Subscription, the net proceeds of the Subscription will amount to approximately HK\$198 million. The net proceeds from the Subscription will mainly be used for general working capital of the Group and to strengthen the Group's financial position.

LETTER FROM THE BOARD

As disclosed in the 2017 annual report of the Company, as at 31 December 2017, the Group has (i) outstanding bank and other borrowings and bond payable, net of restricted bank deposits, cash and bank balances, of approximately HK\$5,756 million and (ii) net current liabilities of approximately HK\$893 million. As stated in the management discussion and analysis section (page 23) of the Company's 2017 annual report, the management would find some measures other than loans refinancing to improve the net current liabilities position in 2018. Therefore, the management believes that the Subscription is one of some other measures for the Group to improve the net current liabilities position in 2018.

Besides, in early June 2018, the Company has estimated that the Group might potentially breach certain financial covenants in relation to certain ratios of net borrowings of some bank loan agreements for the testing date on 30 June 2018. It was mainly because the relevant financial covenants are tightened up gradually from 2018 to 2020 and yet the Group's smartphone related products' revenue decreased significantly in last quarter of 2017 and the first quarter of 2018. Therefore, the Group had written to lenders requesting for a waiver for complying with these financial covenants (i.e. the requirement of the ratio of the adjusted consolidated net borrowings of the Group to its consolidated tangible net worth and the ratio of the consolidated net borrowings of the Group to its consolidated tangible net worth be no more than 0.80:1 and 1:1, respectively) for the testing date on 30 June 2018 as mentioned above in early June 2018 and had successfully received the lenders' consent on 30 June 2018 and there has been no further update on such issue since then and up to the Latest Practicable Date.

As disclosed in the announcement of the Company dated 31 August 2018 regarding the Company's unaudited condensed consolidated financial statements for the six months ended 30 June 2018, the ratio of the consolidated net borrowing of the Group to its consolidated tangible net worth was approximately 1.03:1, which was in breach of one of the financial covenants as stated above. Had the Subscription taken place on 30 June 2018, the ratio of the consolidated net borrowing of the Group to its consolidated tangible net worth would have been reduced to approximately 0.98:1, which would have been in compliance with the relevant financial covenant.

As the net proceeds from the Subscription is expected to be applied to the general working capital of the Group, it will further enhance the Company's working capital position and improve the Group's net debt ratio and net current liabilities position. The Subscription could raise a substantial amount of additional capital and funding to equip the Group with more resources to further develop the Group's existing businesses. As at the Latest Practicable Date, the Board does not have any concrete intention or plan to undertake any further equity fundraising in the next 12 months. Despite so, as the Group's operational and financial performance depends on the business environment the Group operates in and is subject to unforeseeable events and changes, the Board would not rule out the possibility or need to conduct further fundraising activities as and when required. In such case, the fundraising activities shall be conducted in accordance with the relevant rules and regulations including but not limited to the Listing Rules and the Takeovers Code.

The Directors consider that the Subscription represents an opportunity to raise capital for the Company in order to maintain a sufficient cash position of the Group to meet with its current liabilities and to enhance the capital base of the Company. The Board (including the

LETTER FROM THE BOARD

members of the Independent Board Committee whose opinion is set forth in the “LETTER FROM THE INDEPENDENT BOARD COMMITTEE” in this circular) consider the terms of the Subscription Agreement to be normal commercial terms and is fair and reasonable and the Subscription is in the interests of the Company and the Shareholders as a whole.

In the circumstances, the Board considers that the Subscription, compared to say a rights issue or open offer, is the preferred equity financing method for the Group taking into account the Company’s share price and the stock market situations, the time and procedures needed for each of the financing options. Debts were not appropriate due to additional gearing.

As at the Latest Practicable Date, the Board intended to continue the existing business of the Group and did not intend to introduce any major changes to the existing operation and business of the Company and had no intention to make any major changes to the continued employment of the existing employees of the Group.

IMPLICATIONS OF THE LISTING RULES AND THE TAKEOVERS CODE

The Subscriber is a controlling shareholder and a Director, and therefore a connected person under Chapter 14A of the Listing Rules. Accordingly, the Subscription constitutes a connected transaction of the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Upon Completion, the shareholding of the Subscriber and parties acting in concert with him will increase from approximately 43.91% (43.2% if class (6) presumption under the definition of “acting in concert” under the Takeovers Code does not apply) to approximately 46.11% of the then issued share capital of the Company as enlarged by the Subscription (assuming there will be no other change in the number of issued Shares between the Latest Practicable Date and the date of Completion, save for the issue and allotment of the Subscription Shares and excluding holdings of concert parties presumed under Class (6)), thereby triggering an obligation on the Subscriber under Rule 26.1 of the Takeovers Code to make a mandatory general offer for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by him or parties acting in concert with him, unless the Whitewash Waiver is granted by the Executive. In this regard, the Subscriber has made an application to the Executive for the Whitewash Waiver in respect of the mandatory general offer obligation resulting from the allotment and issue of the Subscription Shares. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, approval by the Independent Shareholders of the Subscription and the Whitewash Waiver at the EGM by way of poll.

Upon Completion, Mr. Wong Pong Chun, James and his spouse, Mr. Cheung Tat Sang, and Mr. Li Jian Hua and his spouse will no longer be presumed to be acting in concert with the Subscriber under class (6) presumption under the definition of “acting in concert” under the Takeovers Code.

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Application for Whitewash Waiver

An application has been made by the Subscriber to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 to the Notes on Dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among others, the approval of the Independent Shareholders taken on a poll at the EGM. As the Whitewash Waiver is one of the conditions precedent to the Subscription Agreement and such condition is not waivable, the Subscription will not proceed if the Whitewash Waiver is not granted by the Executive, or is not approved by the Independent Shareholders.

As at the Latest Practicable Date, as confirmed by each of the Subscriber and the parties acting in concert with him, other than 1,370,244,500 Shares as disclosed in the section headed “EFFECT ON THE SHAREHOLDING OF THE COMPANY” below and all the transactions contemplated under the Subscription Agreement as disclosed herein, neither the Subscriber nor any parties acting in concert with him:

- (a) has acquired or entered into any agreement or arrangement to acquire any voting rights in the Company within the 6 months prior to the date of the Announcement up to the Latest Practicable Date;
- (b) owned any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivative in respect of securities in the Company;
- (c) had any arrangement as referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) or contracts with any other parties in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which might be material to the Subscription Agreement, the transactions contemplated thereunder (including the Specific Mandate) and the Whitewash Waiver;
- (d) has received any irrevocable commitment to vote for the resolution approving the transactions contemplated under the Subscription Agreement (including the Specific Mandate) and/or the Whitewash Waiver;
- (e) had any agreements or arrangements to which the Subscriber or parties acting in concert with him is a party which relate to the circumstances in which the Subscriber or parties acting in concert with him may or may not invoke or seek to invoke a pre-condition or a condition to the transactions contemplated under the Subscription Agreement and/or the Whitewash Waiver; and
- (f) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

As at the Latest Practicable Date, the Company did not believe that the Subscription gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the Latest Practicable Date, the

LETTER FROM THE BOARD

Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible. The Company notes that the Executive may not grant the Whitewash Waiver if the Subscription does not comply with other applicable rules and regulations.

EFFECT ON THE SHAREHOLDING OF THE COMPANY

As at the Latest Practicable Date, the Company had 3,120,429,398 Shares in issue.

The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately following the completion of the Subscription (assuming no change in the issued share capital of the Company as at the Latest Practicable Date and upon the Completion save for the allotment and issue of the Subscription Shares):

Shareholders	Shareholding as at the Latest Practicable Date		Shareholding upon the Completion	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Subscriber (as beneficial owner)	1,273,052,000	40.80	1,441,852,000	43.84
Spouse of Subscriber (<i>Note 1</i>)	74,844,000	2.40	74,844,000	2.28
Mr. Wong Pong Chun, James (as beneficial owner) (<i>Note 2</i>)	—	—	—	—
Spouse of Mr. Wong Pong Chun, James (<i>Note 3</i>)	1,650,000	0.05	1,650,000	0.05
Mr. Cheung Tat Sang (as beneficial owner) (<i>Note 4</i>)	6,129,000	0.20	6,129,000	0.19
Mr. Li Jian Hua (as beneficial owner) (<i>Note 5</i>)	14,547,000	0.47	14,547,000	0.44
Spouse of Mr. Li Jian Hua (<i>Note 6</i>)	22,500	0.00	22,500	0.00
		<i>(Note 7)</i>		<i>(Note 7)</i>
Sub-total of the Subscriber and parties (as at the Latest Practicable Date) acting in concert with him	1,370,244,500	43.91	1,539,044,500	46.79
Public shareholders	1,750,184,898	56.09	1,750,184,898	53.21
Total	3,120,429,398	100.00	3,289,229,398	100.00

Notes:

- The Subscriber is deemed to be interested in 74,844,000 Shares, being interests held beneficially by his spouse.

LETTER FROM THE BOARD

2. Mr. Wong Pong Chun, James is an executive Director and is presumed to be acting in concert with the Subscriber under class (6) presumption under the definition of “acting in concert” under the Takeovers Code until Completion. This class (6) presumption will cease to apply after Completion.
3. Mr. Wong Pong Chun, James is deemed to be interested in 1,650,000 Shares, being the interests held beneficially by his spouse, Lai Ching Mui, Stella.
4. Mr. Cheung Tat Sang is an executive Director and is presumed to be acting in concert with the Subscriber under class (6) presumption under the definition of “acting in concert” under the Takeovers Code until Completion. This class (6) presumption will cease to apply after Completion.
5. Mr. Li Jian Hua is a non-executive Director and is presumed to be acting in concert with the Subscriber under class (6) presumption under the definition of “acting in concert” under the Takeovers Code until Completion. This class (6) presumption will cease to apply after Completion.
6. Mr. Li Jian Hua is deemed to be interested in 22,500 Shares, being the interests held by his spouse, Guo Yu Yan.
7. Rounded to two decimal places.

FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

Date of announcement	Event	Net Proceeds	Intended use of proceeds	Actual use of proceeds
12 September 2017	(a) placing of 160,000,000 Shares to not less than six placees at a price of HK\$2.02 per Share;	(a) HK\$319.7 million;	as general working capital of the Group and to enhance the Group’s equity capital to rectify its breach of financial covenants on 30 June 2017 under various bank loan agreements	as general working capital of the Group
	(b) subscription of 53,330,000 Shares by the controlling shareholder (i.e. the Subscriber) at a price of HK\$2.02 per Share	(b) HK\$107.1 million		

Save as disclosed above, the Company has not carried out other capital raising activities during the 12 months immediately preceding the Latest Practicable Date.

EGM

A notice convening the EGM to be held at 2/F Chung Shun Knitting Centre, 1–3 Wing Yip Street, Kwai Chung, N.T., Hong Kong, Hong Kong at 10:00 a.m. on Monday, 29 October 2018 is set out on pages EGM-1 to EGM-3 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.

LETTER FROM THE BOARD

The EGM will be convened for the purpose of considering and, if thought fit, approving, among other things, the Subscription Agreement, the transactions contemplated thereunder (including the Specific Mandate) and the Whitewash Waiver.

Other than the Subscriber and parties acting in concert with him, including Mr. Wong Pong Chun, James and his spouse, Mr. Cheung Tat Sang and Mr. Li Jian Hua and his spouse, there is no other Shareholder that is interested in or involved in the Subscription, the Specific Mandate or the Whitewash Waiver. Save for the Subscriber and his associates and parties acting in concert with him, including Mr. Wong Pong Chun, James and his spouse, Mr. Cheung Tat Sang and Mr. Li Jian Hua and his spouse, no Shareholder is required to abstain from voting for the resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver at the EGM.

By virtue of the interests in the Subscription, Mr. Lam Wai Wah, being the Chairman, managing Director of the Company as well as the Subscriber, has abstained from voting on the relevant Board resolutions for approving the Subscription Agreement, the transactions contemplated thereunder and the Whitewash Waiver. Save as disclosed above, none of the Directors is regarded as having a material interest in, and therefore none of them is required to abstain from voting on, the relevant Board resolutions for approving the Subscription Agreement, the transactions contemplated thereunder and the Whitewash Waiver.

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 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.

RECOMMENDATIONS

Your attention is drawn to (i) the letter of advice from the Independent Board Committee to the Independent Shareholders on the Subscription Agreement, the transactions contemplated thereunder, including the Specific Mandate, and the Whitewash Waiver; and (ii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement, the transactions contemplated thereunder, including the Specific Mandate, and the Whitewash Waiver.

The Board (including the members of the Independent Board Committee whose opinion is set forth in the "LETTER FROM THE INDEPENDENT BOARD COMMITTEE" in this circular after considering the advice of the Independent Financial Adviser), is of the view that although the Subscription is not in the ordinary and usual course of business of the Company, the terms of the Subscription Agreement are fair, reasonable and on normal commercial terms, and are in the interests of the Company and the Shareholders as a whole; and considers that (i) the execution, delivery and performance of the Subscription Agreement; (ii) the allotment and issue of the Subscription Shares in accordance with the Subscription Agreement; (iii) the

LETTER FROM THE BOARD

Specific Mandate under which the Subscription Shares will be issued; and (iv) the Subscription and the Whitewash Waiver, are in the interests of the Company and the Shareholders as a whole, accordingly, recommends that the Independent Shareholders to vote in favor of the resolution(s) relating thereto at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter of the Independent Board Committee to the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate and the Whitewash Waiver for inclusion in 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)

5 October 2018

To the Independent Shareholders

Dear Sir or Madam,

- (1) CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF
NEW SHARES BY THE CONTROLLING SHAREHOLDER;
(2) PROPOSED SHARE ISSUANCE UNDER SPECIFIC MANDATE;
AND
(3) APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

We have been appointed to form an independent board committee to consider and advise you on the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate and the Whitewash Waiver, details of which are set out in the circular issued by the Company to the Shareholders dated 5 October 2018 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular will have the same meanings when used herein unless the context otherwise requires.

We wish to draw your attention to the letter from the Board and the letter of advice from the Independent Financial Adviser set out on pages 5 to 16 and pages 19 to 43 of the Circular, respectively, and the additional information set out in the appendices to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the terms of the Subscription Agreement, and the principal factors and reasons considered by the Independent Financial Adviser, we concur with the view of the Independent Financial Adviser and consider that although the Subscription Agreement is not in the ordinary and usual course of business of the Company, the terms of the Subscription Agreement and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and have been entered into on normal commercial terms, and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend you to vote in favour of the resolutions to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver.

Yours faithfully,

For and on behalf of the Independent Board Committee

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

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the letter of advice from Somerley Capital Limited to the Independent Board Committee and the Independent 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

5 October 2018

*To: the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

**(1) CONNECTED TRANSACTION IN RELATION TO
SUBSCRIPTION OF NEW SHARES BY
THE CONTROLLING SHAREHOLDER;
AND
(2) APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in connection with (i) the Subscription; and (ii) the Whitewash Waiver. Details of the Subscription and the Whitewash Waiver are set out in the circular of the Company dated 5 October 2018 (the “**Circular**”), of which this letter forms part. Unless otherwise defined, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 31 July 2018, the Company and the Subscriber entered into the Subscription Agreement in relation to the subscription of 168,800,000 Subscription Shares at the Subscription Price of HK\$1.18 per Subscription Share. The Subscription Shares represent approximately (i) 5.41% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) 5.13% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares. The Subscription Shares will be allotted and issued under the Specific Mandate to be sought at the EGM. The Subscriber is a controlling shareholder and a director of the Company, and therefore a connected person under Chapter 14A of the Listing Rules. Accordingly, the Subscription constitutes a connected transaction of the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Upon Completion, the shareholding of the Subscriber and parties acting in concert with him will increase from approximately 43.91% (43.2% if class (6) presumption under the definition of “acting in concert” under the Takeovers Code does not apply) to approximately 46.11% of the then issued share capital of the Company as enlarged by the Subscription

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(assuming there will be no other change in the number of issued Shares between the Latest Practicable Date and the date of Completion, save for the issue and allotment of the Subscription Shares and excluding holdings by concert parties under class (6) presumption under the definition of “acting in concert” under the Takeovers Code), thereby triggering an obligation on the Subscriber under Rule 26.1 of the Takeovers Code to make a mandatory general offer for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by him or parties acting in concert with him, unless the Whitewash Waiver is granted by the Executive. In this regard, the Subscriber has made an application to the Executive for the Whitewash Waiver in respect of the mandatory general offer obligation resulting from the allotment and issue of the Subscription Shares. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, approval by the Independent Shareholders of the Subscription and the Whitewash Waiver at the EGM by way of poll. Save for the Subscriber, his associates and parties acting in concert with him, no Shareholder is required to abstain from voting for the resolutions to approve the Subscription and the Whitewash Waiver at the EGM.

The Independent Board Committee comprising all of the independent non-executive Directors, namely Mr. Chung Kam Kwong, Mr. Ip Cho Ting, Spencer and Mr. Heung Kai Sing, has been established to advise the Independent Shareholders in respect of the Subscription and on how they should vote at the EGM. We, Somerley Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

In formulating our advice, we have reviewed, among other things, the Subscription Agreement, the annual reports of the Company for the financial years ended 31 December 2016 and 31 December 2017 (the “**2017 Annual Report**”) and the interim report of the Company for the six months ended 30 June 2018 (the “**2018 Interim Report**”), the loan agreements containing the relevant financial covenants, and the information contained in the Circular. We have relied on the information and facts supplied, and the opinions expressed, by the Directors and the management of the Group, and have assumed that they were 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 have, however, not conducted any independent investigation into the business and affairs of the Group, the Subscriber or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Circular were true at the time they were made and at the Latest Practicable Date and will continue to be true up to the time of the EGM, and that the Independent Shareholders will be informed as soon as reasonably practicable if we become aware of any material change to such information provided and representations made.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We are not associated or connected with the Company, its directors, its controlling shareholder, the Subscriber or any party acting, or presumed to be acting, in concert with any of them and accordingly, we are considered eligible to give independent advice to the Independent Board Committee and the Independent Shareholders on the Subscription and the Whitewash Waiver. Apart from normal professional fees paid or payable to us in connection with our appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, its directors, its controlling shareholder, the Subscriber or any party acting, or presumed to be acting, in concert with any of them.

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. In the past two years, except for independent financial adviser engagements in relation to (i) the connected transaction regarding subscription of new shares, details of which were set out in the circular of the Company dated 4 October 2017; and (ii) the proposed spin-off and separate listing of Truly Opto-Electronics Limited on the Shenzhen Stock Exchange and the deemed disposal of interest in Truly Opto-Electronics Limited by the Company, details of which were set out in the circular of the Company dated 8 November 2017, there has been no engagement between the Company or its subsidiaries and Somerley Capital Limited. We do not consider that the past engagements as independent financial adviser give rise to any conflict for Somerley Capital Limited acting as the independent financial adviser in respect of the Subscription and the Whitewash Waiver.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into account the following principal factors and reasons:

1. Background of the Group and the Subscriber

The Group is principally engaged in the 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 2018 Interim Report, approximately 68% 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, personal healthcare products and electrical devices. The Directors expect that LCD business will continue to be the core business of the Group in the next few years.

The Subscriber, Mr. Lam Wai Wah (the “**Chairman**”), is the founder and chairman of the Group and has over 40 years of experience in the electronics industry. He is primarily responsible for the formulation of the Group’s overall strategic planning and business development.

2. Background to and reasons for the Subscription Agreement

— *Breach of financial covenants*

As disclosed in the “Letter from the Board” contained in the Circular, in early June 2018, the Company estimated that the Group might potentially breach certain financial covenants in relation to certain ratios of net borrowings contained in the various bank loan agreements as at 30 June 2018. This is due to a combination of circumstances, in that the relevant financial covenants tighten gradually from 2018 to 2020 while the decrease in smartphone-related revenue in the last quarter of 2017 and first quarter of 2018 has adversely affected the financial position of the Group.

The financial covenants in relation to net debt ratio (the “**Net Debt Ratio**”) are contained in a facility agreement (the “**Facility Agreement**”) entered into between the Group and ten lending banks on 20 June 2016 for a term loan facility of HK\$4.5 billion and other loan agreements entered into during 2013 to 2016 in relation to term loan facility (the “**Other Loan Agreements**”). The financial covenants require that the ratios of consolidated net borrowings to consolidated tangible net worth and adjusted consolidated net borrowings to consolidated tangible net worth shall not be more than 1:1 and 0.8:1 respectively as at both 30 June 2018 and 31 December 2018. According to the Facility Agreement and Other Loan Agreements, a breach of financial covenant constitutes an event of default if a waiver is not obtained. In light of the reason stated below, the Company has applied for a waiver for complying with these financial covenants for the testing date on 30 June 2018 in early June 2018 and successfully received the lenders’ consent on 30 June 2018 and there has been no further update on such issuance of consent since then and up to the Latest Practicable Date. The next date at which the financial covenants will be calculated will be 31 December 2018.

As disclosed in the “Letter from the Board” contained in the Circular and based on the financial results included in the 2018 Interim Report, the ratio of the consolidated net borrowings of the Group to its consolidated tangible net worth was 1.03:1 as at 30 June 2018, which was in breach of one of the financial covenants as stated above. Had the Subscription taken place on 30 June 2018, the ratio of the consolidated net borrowings of the Group to its consolidated tangible net worth would have been reduced to 0.98:1, which would have been in compliance with the relevant financial covenant.

— *Assessment*

Previously, the Company conducted fund raising activities in the second half of 2017 by placing new shares to independent placees and the Subscriber, raising net proceeds of approximately HK\$427 million. The Group has complied with the financial covenants as at 31 December 2017. However, it was estimated by the Company that the Group might breach certain financial covenants for the testing date on 30 June 2018, indicating that the amount of funds raised in 2017 may not be sufficient for the Group’s mid to long term development and maintaining the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

financial position of the Group. The net proceeds from the Subscription will enhance the Company's working capital position and improve the Group's Net Debt Ratio and net current liabilities position, reducing the risk of breaching the financial covenants.

We consider it prudent for the Company to act proactively to counter the risk of a potential breach of covenants and take steps to increase the equity capital base of the Group to assure Shareholders and lenders. It is also advisable, in our view, for the Company to raise funds in order to remedy the breach and reduce the risk of future breach, as well as to facilitate future development of the Group. As advised by the management of the Company, they have considered different forms of equity fund raising methods. Debt is not an option in this situation as debt would result in higher gearing and worsen the Net Debt Ratio.

The Subscription Shares, in aggregate, represent amounts of (i) approximately 5.41% of the issued share capital of the Company as at the date of the Announcement; and (ii) approximately 5.13% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company from the date of the Announcement and up to completion of the Subscription). In the circumstances of the Group's financial position and in view of the recent Share price performance and the recent market sentiment, the Board did not consider the additional time and procedures needed for a rights issue or open offer to be advisable, also taking into account the costs involved such as possible underwriting commissions and other legal expenses for material size of funding. No underwriting or marketing fees are payable in respect of the issue of the Subscription Shares.

As disclosed in the 2017 Annual Report, the Group has implemented cost-cutting measures since the last quarter in 2017. As advised by the management of the Company, the Company will communicate with the Company's lenders as regards possible amendments of the financial covenants after the fund-raising exercise, in order to ensure there is no breach of financial covenants on the next testing date.

In this important period for the Company, the Chairman wishes to show his support for the Group financially as well as to demonstrate to the Company's lenders, Shareholders and potential investors as a whole that he remains confident of the future prospects of the Group despite the recent performance of the Shares and the Group's operations. For this purpose, the Chairman has agreed with the Company that he will inject a further HK\$199 million cash through subscription of the Subscription Shares. The Chairman has also agreed to a lock-up of such shares for six months after issue.

We note that, according to the Facility Agreement and Other Loan Agreements, the ratios of consolidated net borrowings to consolidated tangible net worth and adjusted consolidated net borrowings to consolidated tangible net worth shall not be more than 0.75:1 and 0.5:1 respectively as of each testing date after 31 December 2018, indicating that there is still potential for a subsequent breach of the relevant financial covenants. Despite this possibility, as disclosed in the "Letter from the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Board” contained in the Circular, the Board does not have any concrete intention or plan to undertake any further equity fundraising in the next 12 months, but would not rule out the possibility or need to conduct further fundraising activities.

As disclosed in the 2018 Interim Report, the Board is of the view that the financial performance of the Group will be improving in the short term. As such, when considering the size of the Subscription, the Board would like to keep the dilution effect on existing public Shareholders’ shareholdings minimal, while allowing the Group to comply with the relevant financial covenants in the short term.

3. Financial information of the Group

Financial results

Set out below is a summary of the audited financial results of the Group for the years ended 31 December 2013, 2014, 2015, 2016 and 2017, and unaudited financial results of the Group for the six months ended 30 June 2017 and 2018 as extracted from the 2017 Annual Report and the 2018 Interim Report.

	For the year ended 31 December				For the six months ended 30 June		
	2013	2014	2015	2016	2017	2017	2018
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
	(audited)	(audited)	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	20,681	21,416	19,427	22,072	20,733	10,834	9,065
Gross profit	2,892	2,486	2,122	2,196	2,040	914	946
Gross profit margin	13.98%	11.61%	10.92%	9.95%	9.84%	8.44%	10.43%
Profit/(loss) for the year/period attributable to owners of the Company	<u>1,620</u>	<u>1,118</u>	<u>845</u>	<u>582</u>	<u>63</u>	<u>(227)</u>	<u>6</u>

Revenue

The Group’s revenue remained broadly stable, ranging from approximately HK\$19.4 billion to HK\$22.1 billion through the years 2013 to 2017. The drop in revenue in 2017 was mainly due to the decrease in smartphone shipment volume in China as compared to 2016, resulting from a lower level of sales orders from customers for smartphone related products.

The Group’s revenue for the six months ended 30 June 2018 was approximately HK\$9.1 billion, representing a decrease of approximately 16.3% as compared to the corresponding period in 2017. The decrease was mainly attributable to a fall in

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

smartphone shipment volume in China, as a result of fewer new models of mobile phone launched for the first half of 2018 as compared to the corresponding period in 2017.

Gross profit margin

The gross profit margin has shown a downward trend since 2013, dropping to a low of approximately 9.84% in 2017. The decline was mainly attributable to (i) an overall depreciation of Renminbi in recent years; and (ii) decrease in average selling prices of the Group's smartphone related products due to keen competition. In line with the recent trend of change of smartphone screen scale from 16:9 to 18:9, the Group's customers changed their orders from smartphones with 16:9 screens to those with 18:9, resulting in potential excess raw material used in producing 16:9 screens. The Group has provided discounts on some original 16:9 smartphone products in the second quarter of 2017 to accelerate the use of the relevant raw materials by the Group, leading to a slightly lower gross profit margin during 2017 as compared to 2016.

The Group's gross profit margin for the six months ended 30 June 2018 was approximately 10.43%, which was higher than that for the corresponding period in 2017 of approximately 8.44%. The increase in gross profit margin was mainly due to the fact that the Group provided certain discounts on some original 16:9 smartphone products sales orders in the second quarter of 2017 to accelerate the use of relevant raw materials, but there was no such discount provided to customers in the first half of 2018.

Profit for the year/period

The Group's profit attributable to owners of the Company has dropped since 2013 from approximately HK\$1,620 million to HK\$63 million in 2017. The decrease in profit was mainly due to the share of losses of associates, which has been significantly increasing since 2014, with the highest amount of approximately HK\$372 million recorded for the year ended 31 December 2017. The main loss was from one of the major associates, Truly (Huizhou) Smart Display Limited, which started production in late 2016 and continued to incur an operating loss in 2017. In addition to the lower gross profit recorded in 2017, one-off full provision for bad and doubtful debt of Lemobile Information Technology (Beijing) Co., Ltd ("**Lemobile**") was made during 2017 with a net negative effect of approximately HK\$414 million on the Group's profit.

The Group's profit attributable to owners of the Company for the six months ended 30 June 2018 improved to approximately HK\$5.7 million from the loss of approximately HK\$227.4 million attributable to owners of the Company for the corresponding period in 2017. The improvement was mainly attributable to net effect of (i) the abovementioned one-off full provision for bad and doubtful debt, amounting to approximately HK\$414 million in the first half of 2017, whereas no such provision was made in the first half of 2018; (ii) the government grant received in the first half of 2017 in relation to development of advance technology, amounting

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
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to approximately HK\$80 million, but not recurring in the first half of 2018; (iii) other losses recorded during the period of approximately HK\$61.5 million as a result of the exchange loss recognised on Renminbi; and (iv) the increased distribution and selling expenses amounting to approximately HK\$51.3 million in the first half of 2018 as compared to the corresponding period in 2017.

Financial position

Set out below is a summary of the unaudited consolidated financial position of the Company as at 30 June 2018 as extracted from the 2018 Interim Report and the audited consolidated financial position of the Company as at 31 December 2017 as extracted from the 2017 Annual Report.

	As at 30 June 2018	As at 31 December 2017
	<i>HK\$ million</i>	<i>HK\$ million</i>
	(unaudited)	(audited)
Total non-current assets	14,741	14,371
Total current assets	11,582	12,568
TOTAL ASSETS	26,323	26,939
Total current liabilities	13,688	13,461
Total non-current liabilities	4,312	5,030
TOTAL LIABILITIES	18,000	18,491
NET CURRENT LIABILITIES	(2,106)	(893)
NET ASSETS	8,323	8,448
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	7,733	7,883
Net asset value (“NAV”) per Share (HKD)	2.48	2.53
Gearing ratio	74%	73%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 30 June 2018

As at 30 June 2018, total assets of the Group amounted to approximately HK\$26.3 billion, representing a decrease of approximately HK\$0.6 billion from 31 December 2017. The decrease mainly stemmed from (i) a decrease in interest in associates by approximately HK\$0.3 billion; (ii) a decrease in trade and other receivables by approximately HK\$1.4 billion; partly offset by a rise in property, plant and equipment by approximately HK\$0.7 billion. Total liabilities of the Group amounted to approximately HK\$18.0 billion as at 30 June 2018, representing a decrease of approximately HK\$0.5 billion from 31 December 2017. The decrease was mainly attributable to (i) a decrease in bank and other borrowings by approximately HK\$0.7 billion.

As at 30 June 2018, the NAV per Share was approximately HK\$2.48, calculated by dividing the NAV of the Group attributable to the owners of the Company of approximately HK\$7,733 million by the number of Shares in issue as at 30 June 2018.

As disclosed in the 2018 Interim Report, the gearing ratio of the Group, calculated based on total interest-bearing debts, net of restricted bank deposits and cash and bank balances, as a percentage of equity attributable to owners of the Company, was approximately 74% as at 30 June 2018, which is comparable to approximately 73% as at 31 December 2017.

As at 31 December 2017

As at 31 December 2017, total assets of the Group amounted to approximately HK\$26,939 million, mainly comprising property, plant and equipment, interests in associates, trade and other receivables and restricted bank deposits, bank balances and cash. Total assets increased by approximately HK\$3.6 billion as compared to 31 December 2016, which was mainly due to an increase in property, plant and equipment of approximately HK\$3.6 billion. Total liabilities of the Group amounted to approximately HK\$18,491 million as at 31 December 2017, mainly comprising trade and other payables and unsecured bank and other borrowings. Total liabilities increased by approximately HK\$2.5 billion from 31 December 2016, which was mainly attributable to additional bank and other borrowings of approximately HK\$1.2 billion and an increase of trade and other payables of approximately HK\$1.2 billion.

As at 31 December 2017, the Group's net current liabilities amounted to approximately HK\$893 million as compared to the net current assets of approximately HK\$1,528 million as at 31 December 2016. As disclosed in the 2017 Annual Report, this was mainly due to (i) significant provision for bad and doubtful debt for Lemobile; and (ii) relying on short-term financing for few new long-term investments in 2017 after breaching certain bank and other borrowing agreement during 2017.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Principal terms of the Subscription Agreement

Set out below is a summary of the principal terms of the Subscription Agreement. Further details of the Subscription Agreement are set out in the “Letter from the Board” contained in the Circular.

Date: 31 July 2018

Parties: (1) The Company as the issuer
(2) The Subscriber

The Subscription Shares

Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, 168,800,000 Subscription Shares at a total consideration of HK\$199,184,000, at the Subscription Price of HK\$1.18 per Subscription Share, payable by the Subscriber to the Company at Completion. The net proceeds of the Subscription are approximately HK\$198 million after deducting related professional fees and other related expenses.

The Subscription Price

The Subscription Price is HK\$1.18 per Subscription Share. As stated in the “Letter from the Board” contained in the Circular, the Subscription Price was negotiated on an arm’s length basis between the Company and the Subscriber and was determined with regard to the recent market prices of the Shares, in particular, the recent downward trend of the Company’s share price and the share price discount rate of the recent proposed subscription of new shares and placing of shares in the market.

The size of the Subscription, ranking of the Subscription Shares and lock-up

The Subscription Shares represent approximately (i) 5.41% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) 5.13% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares. The Subscription Shares will be allotted and issued under the Specific Mandate to be sought at the EGM.

The Subscription Shares, when allotted and issued, shall rank pari passu in all respects among themselves and with all the Shares in issue as at the date of allotment and issue of the Subscription Shares.

The Subscriber has agreed that, unless in compliance with the requirements of the Listing Rules, he shall not, within six months after the completion date of the Subscription, dispose of, nor enter into any agreement to dispose of, or otherwise create any encumbrances in respect of any of the Subscription Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Conditions precedent

The Subscription is conditional upon the fulfilment (or waiver, if applicable) of the following main conditions (the “**Conditions Precedent**”), including but not limited to:

- (a) the passing of resolutions at the EGM by the Independent Shareholders to approve (i) the Subscription Agreement and the transactions contemplated thereunder, including the granting of the Specific Mandate to the Directors to allot and issue the Subscription Shares; and (ii) the Whitewash Waiver;
- (b) the granting of approval from the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares on the main board of the Stock Exchange and such permission not having been revoked or withdrawn; and
- (c) the Executive granting or agreeing to grant the Whitewash Waiver to the Subscriber.

Shareholders should note that the majority required for the passing of the resolution in respect of Condition Precedent (a)(ii) above has recently been increased from 50% to 75% of the number of shares voted by the Independent Shareholders.

None of the conditions precedent stated above can be waived by any parties to the Subscription Agreement. If any of the conditions is not fulfilled or waived (as applicable) on or before the long stop date of 30 November 2018, the Subscription Agreement shall lapse and all the rights and obligations under the Subscription Agreement shall cease, save for any rights or obligations which may accrue prior to the date of such lapse or any liabilities for any antecedent breaches thereof. The Subscription will not proceed if the Whitewash Waiver is not granted by the Executive, or, if so granted by the Executive but not approved by the Independent Shareholders.

5. Evaluation of the Subscription Price

The Subscription Price of HK\$1.18 per Subscription Share represents:

- (a) a discount of approximately 1.67% to the closing price of the Shares of HK\$1.20 per Share as quoted on the Stock Exchange on the date of the Announcement;

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- (b) a discount of approximately 4.22% to the average of the closing prices per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the date of the Announcement of approximately HK\$1.232 per Share;
- (c) a discount of approximately 5.68% to the average of the closing prices per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the date of the Announcement of approximately HK\$1.251 per Share;
- (d) a discount of approximately 15.97% to the average of the closing prices per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the date of the Announcement of approximately HK\$1.404 per Share;
- (e) a discount of approximately 26.50% to the average of the closing prices per Share as quoted on the Stock Exchange for the 60 consecutive trading days up to and including the date of the Announcement of approximately HK\$1.605 per Share;
- (f) a discount of approximately 5.6% to the closing price of the Shares of HK\$1.25 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (g) a discount of approximately 52.42% to the NAV per Share attributable to the owners of the Company as at 30 June 2018 of approximately HK\$2.48 per Share, calculated based on the NAV of the Group attributable to the owners of the Company of approximately HK\$7,733 million and the 3,120,429,398 Shares in issue as at 30 June 2018.

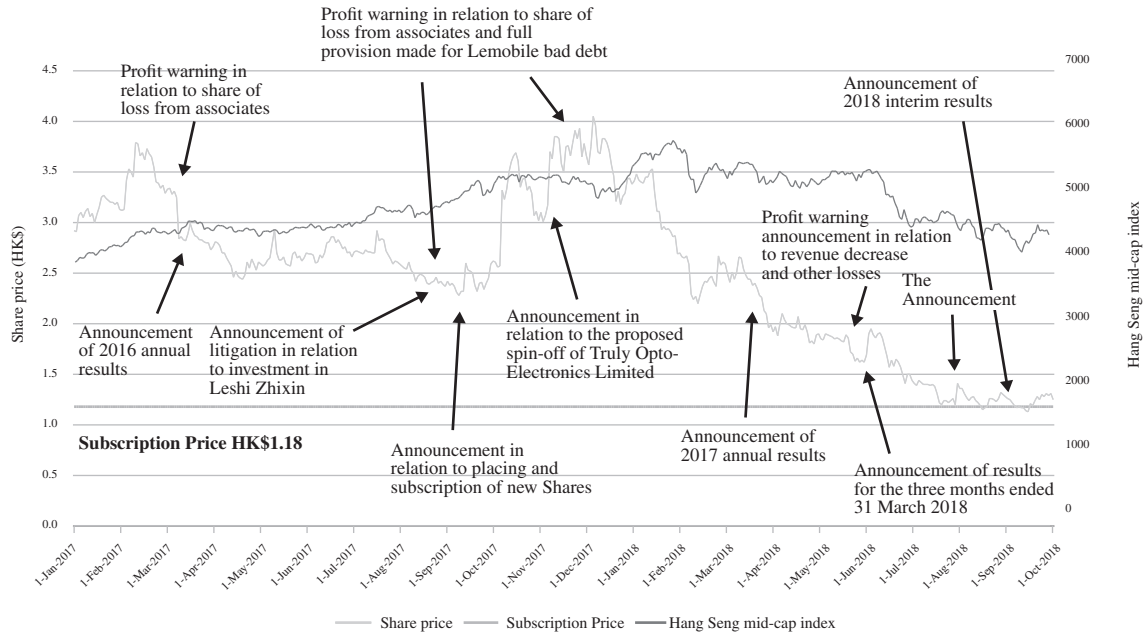
As part of our assessment on the fairness and reasonableness of the Subscription Price, we have performed the analyses set out below.

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Historical Share price performance

The following chart sets out the daily closing prices of the Shares on the Stock Exchange for the period from 1 January 2017 up to and including the Latest Practicable Date (the “**Review Period**”), including a comparison to the Hang Seng mid-cap Index (the Company is one of the index constituents):

Share price of the Company



Source: website of the Stock Exchange

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As illustrated in the chart above, the Share price closed in a range between HK\$1.13 and HK\$4.05 during the Review Period.

After a profit warning released on 9 March 2017 for the year ended 31 December 2016 in relation to a significant increase in share of loss from associates and the publication of 2016 annual results on 17 March 2017, the Share price fell from HK\$3.25 on 9 March 2017 to a low of HK\$2.44 on 24 April 2017. The Share price remained relatively stable from May 2017 to August 2017, fluctuating within a range of HK\$2.37 to HK\$2.93.

A profit warning announcement was made on 22 August 2017 in relation to significant increase in share of loss from associates and one-off full provision of bad and doubtful debt of Lemobile and a further announcement was made on 29 August 2017 regarding the litigation in relation to the investment in Leshi Zhixin Electronic Technology (Tianjin) Limited.

After the publication of the announcement in relation to the placing of new shares to independent places and the Subscriber on 12 September 2017, the closing price of the Shares increased from HK\$2.32 on to HK\$2.60 on the next trading day. The Company published the announcement in relation to the proposed spin-off of Truly Opto-Electronics Limited on 6 November 2017 and the Share price increased from HK\$3.17 on the same day to HK\$3.50 on 15 November 2017. Despite the publication of a profit warning in relation to share of loss from associates and full provision made for bad debt on 15 November 2017, the Share price increased from HK\$3.5 to HK\$3.76 on 17 November 2017. On the same day, the results announcement for the nine months ended 30 September 2017, which reported a net profit, was published. The Share price subsequently reached its one-year high of HK\$4.05 on 4 December 2017.

However, the Share price has demonstrated a downward trend since then, dropping to HK\$2.4 on 20 March 2018 following unfavourable monthly turnover announcements for December 2017, January 2018 and February 2018.

On 23 March 2018, the Company published its 2017 annual results, reporting a year-on-year decrease of approximately 89.2% of net profit attributable to the Shareholders. The Share price further dropped from HK\$2.26 to HK\$2.13 on the next trading day. It then reached HK\$1.62 on 30 May 2018 after the release of a profit warning in relation to decrease in revenue and other gains and losses on 23 May 2018. The Share price has continued to demonstrate a general downward trend from approximately HK\$2.0 to approximately HK\$1.2 from June 2018 to July 2018.

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On 31 July 2018, the Announcement in relation to the Subscription was published. The closing price of the Shares increased from HK\$1.20 on the date of the Announcement to HK\$1.41 on 1 August 2018 (the first trading day after the publication of the Announcement), representing an increase of approximately 17.5% over the closing price on the date of the Announcement. In our view, the increase in the Share price was likely to be attributable to a favourable market reaction to the Subscription following the Announcement. The Share price closed at HK\$1.25 on the Latest Practicable Date.

Comparable Issues

We have performed an analysis of comparable issues by searching the website of the Stock Exchange on a best effort basis for all share issues (the “**Comparable Issues**”) announced since 1 July 2018 and up to the Latest Practicable Date by companies listed on the Stock Exchange which involve placing/subscription/issue of new shares of listed companies. We have excluded (i) issues of consideration shares for acquisition of assets; (ii) issues announced by listed companies, which, as at the date of announcement and/or currently, were/are under prolonged suspension; (iii) issues involving only convertible securities; (iv) issues involving whitewash waiver application with change in control of the ultimate beneficial owner of the listed companies; (v) issues which have subsequently been terminated or lapsed; and (vi) open offers or rights issues of new shares, as different pricing considerations apply for these types of issues.

We consider that a review period from 1 July 2018 to the Latest Practicable Date is appropriate since the Comparable Issues are considered for the purpose of assessing recent market practice in relation to the setting of subscription prices under similar market conditions. Comparable Issues further back in time may not be indicative of the current market sentiment. It should be noted that the subject companies involved in the Comparable Issues may have different principal activities, market capitalisations, profitability and financial positions as compared to those of the Company. However, as the Comparable Issues can provide a general understanding of the pricing for this type of transaction in Hong Kong under the current market environment, we consider them relevant in assessing the fairness and reasonableness of the Subscription Price.

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For each of the Comparable Issues identified, we compared the premium or discount of its issue/subscription price to (a) the closing price on the last trading day; and (b) the average closing price for the five, ten, 30 and 60 trading days immediately prior to the release of the respective announcement, as summarised in the following table.

Date of announcement	Company name and stock code	Premium/(discount) of placing/subscription/issue price over/(to)				
		closing share price on the last trading day immediately prior to the announcement %	average closing share price for the 5 trading days immediately prior to the announcement %	average closing share price for the 10 trading days immediately prior to the announcement %	average closing share price for the 30 trading days immediately prior to the announcement %	average closing share price for the 60 trading days immediately prior to the announcement %
		(approximate)	(approximate)	(approximate)	(approximate)	(approximate)
3 July 2018	CMBM Capital Holdings Limited (stock code: 1141)	(18.4)	(19.5)	(20.3)	(25.1)	(31.0)
6 July 2018	Sinofortune Financial Holdings Limited (stock code: 8123)	5.3	3.8	3.3	(1.4)	(8.4)
9 July 2018	Jingrui Holdings Limited (stock code: 1862)	(10.1)	(13.0)	(19.9)	(30.3)	(30.6)
10 July 2018	Huabang Financial Holdings Limited (stock code: 3638)	(18.0)	(15.0)	(13.3)	1.4	8.6
11 July 2018	FDG Electric Vehicles Limited (stock code: 729)	(53.5)	(51.1)	(50.5)	(54.3)	(66.3)
12 July 2018	China Financial Leasing Group Limited (stock code: 2312)	(18.6)	(16.4)	(16.1)	(21.0)	(24.3)
19 July 2018	Shanghai Fosun Pharmaceutical (Group) Company (stock code: 2196)	(9.0)	(7.9)	(6.3)	(13.3)	(14.8)
22 July 2018	China Biotech Services Holdings Limited (stock code: 8037)	22.0	20.9	21.6	20.4	23.7

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Date of announcement	Company name and stock code	Premium/(discount) of placing/subscription/issue price over/(to)				
		closing share price on the last trading day immediately prior to the announcement %	average closing share price for the 5 trading days immediately prior to the announcement %	average closing share price for the 10 trading days immediately prior to the announcement %	average closing share price for the 30 trading days immediately prior to the announcement %	average closing share price for the 60 trading days immediately prior to the announcement %
		(approximate)	(approximate)	(approximate)	(approximate)	(approximate)
24 July 2018	Shougang Concord International Enterprises Company Limited (stock code: 697)	28.9	30.2	33.0	24.5	18.8
24 July 2018	Amax International Holdings Limited (stock code: 959)	(10.2)	(17.1)	(10.5)	(2.8)	(5.2)
27 July 2018	Longitech Smart Energy Holding Limited (stock code: 1281)	(19.9)	(18.9)	(17.9)	(26.5)	(35.0)
27 July 2018	Courage Investment Group Limited (stock code: 1145)	(12.4)	(4.1)	(3.3)	(12.8)	(28.8)
28 July 2018	FDG Electric Vehicles Limited (stock code: 729)	(13.5)	(14.3)	(17.1)	(23.1)	(40.6)
30 July 2018	China Putian Food Holding Limited (stock code: 1699)	(27.1)	(25.7)	(25.0)	(22.3)	(25.1)
2 August 2018	China Technology Solar Power Holdings Limited (stock code: 8111)	5.3	2.2	1.8	0.5	(1.2)
8 August 2018	Yusei Holdings Limited (stock code: 96)	(18.0)	(18.9)	(22.6)	(28.4)	(32.1)
10 August 2018	Success Dragon Int'l Holdings Limited (stock code: 1182)	(4.0)	(5.1)	(6.6)	(10.5)	(25.5)
14 August 2018	Chong Hing Bank Limited (stock code: 1111)	(2.1)	(2.7)	(1.7)	(3.1)	(4.7)

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Date of announcement	Company name and stock code	Premium/(discount) of placing/subscription/issue price over/(to)				
		closing share price on the last trading day immediately prior to the announcement %	average closing share price for the 5 trading days immediately prior to the announcement %	average closing share price for the 10 trading days immediately prior to the announcement %	average closing share price for the 30 trading days immediately prior to the announcement %	average closing share price for the 60 trading days immediately prior to the announcement %
		(approximate)	(approximate)	(approximate)	(approximate)	(approximate)
14 August 2018	Jacobson Pharma Corporation Limited (stock code: 2633)	13.8	13.7	14.0	14.9	9.5
20 August 2018	Ban Loong Holdings Limited (stock code: 30)	0.0	(1.1)	(0.4)	(0.9)	(4.5)
22 August 2018	China Biotech Services Holdings Limited (stock code: 8037)	(13.8)	(11.2)	(10.8)	(6.0)	(2.8)
27 August 2018	China Beidahuang Industry Group Holdings Limited (stock code: 39)	11.1	18.3	23.3	18.9	12.8
28 August 2018	Amax International Holdings Limited (stock code: 959)	(19.3)	(17.1)	(7.3)	(5.7)	(2.4)
29 August 2018	Code Agriculture (Holdings) Limited (stock code: 8153)	(3.8)	(2.5)	(2.3)	(7.6)	(14.4)
30 August 2018	Zhejiang United Investment Holdings Group Limited (stock code: 8366)	(8.8)	(4.1)	(0.8)	(0.3)	(11.5)
30 August 2018	China Grand Pharmaceutical and Healthcare Holdings Limited (stock code: 512)	(0.2)	(0.8)	0.2	1.3	(1.6)
7 September 2018	China Investment Fund International Holdings Limited (stock code: 612)	(18.4)	(18.3)	(20.6)	(24.6)	(9.0)

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Date of announcement	Company name and stock code	Premium/(discount) of placing/subscription/issue price over/(to)				
		closing share price on the last trading day immediately prior to the announcement %	average closing share price for the 5 trading days immediately prior to the announcement %	average closing share price for the 10 trading days immediately prior to the announcement %	average closing share price for the 30 trading days immediately prior to the announcement %	average closing share price for the 60 trading days immediately prior to the announcement %
		(approximate)	(approximate)	(approximate)	(approximate)	(approximate)
9 September 2018	FDG Electric Vehicles Limited (stock code: 729)	(5.3)	(5.3)	(8.2)	(8.5)	(16.4)
11 September 2018	CMMB Vision Holdings Limited (stock code: 471)	14.3	8.7	6.3	5.8	0.5
11 September 2018	Global Strategic Group Limited (stock code: 8007)	(2.0)	(2.2)	(1.0)	13.0	19.2
12 September 2018	Chinlink International Holdings Limited (stock code: 997)	(9.1)	(9.7)	(10.8)	(13.4)	(14.1)
12 September 2018	EverChina Int'l Holdings Company Limited (stock code: 202)	(9.5)	(10.3)	(10.9)	(12.4)	(13.9)
14 September 2018	Fullsun International Holdings Group Co., Limited (stock code: 627)	3.5	0.0	(1.6)	(5.7)	(12.2)
14 September 2018	China Uptown Group Company Limited (stock code: 2330)	0.7	(10.5)	(10.3)	(13.7)	(15.9)
19 September 2018	Code Agriculture (Holdings) Limited (stock code: 8153)	3.1	1.4	0.9	(2.6)	(7.6)
19 September 2018	China Zenith Chemical Group Limited (stock code: 362)	(6.0)	(7.4)	(8.0)	(9.9)	(13.4)

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Date of announcement	Company name and stock code	Premium/(discount) of placing/subscription/issue price over/(to)				
		closing share price on the last trading day immediately prior to the announcement %	average closing share price for the 5 trading days immediately prior to the announcement %	average closing share price for the 10 trading days immediately prior to the announcement %	average closing share price for the 30 trading days immediately prior to the announcement %	average closing share price for the 60 trading days immediately prior to the announcement %
		(approximate)	(approximate)	(approximate)	(approximate)	(approximate)
21 September 2018	Huisheng International Holdings Limited (stock code: 1340)	(3.6)	(4.1)	(5.2)	(7.8)	(15.1)
27 September 2018	Zhuoxin International Holdings Limited (stock code: 8266)	(2.8)	(16.1)	(19.7)	(20.4)	(20.6)
	Mean (simple average)	(6.0)	(6.6)	(6.4)	(8.3)	(12.0)
	Maximum	(53.5)	(51.1)	(50.5)	(54.3)	(66.3)
	Minimum	28.9	30.2	33.0	24.5	23.7
	The Subscription	(1.7)	(5.7)	(7.5)	(16.0)	(26.5)

Note: During the period from 1 July 2018 to the Latest Practicable Date, a Comparable Issue was identified with a premium of placing price over the closing share price on the last trading day immediately prior to the announcement over 100%. Given the majority of the premia/discounts of the Comparable Issues are less than 100%, it is considered more meaningful to exclude such Comparable Issue from our assessment.

The 38 Comparable Issues set out in the table above have generally involved a placing, subscription or issue of new shares at discounts to their respective closing prices on the last trading day and their respective historical trading prices. As set out in the table above, the Subscription Price represents (a) a discount of approximately 1.7% to the closing Share price on the date of the Announcement; (b) a discount of approximately 5.7%, 7.5%, 16.0% and 26.5% to the average closing prices for the five, ten, 30 and 60 trading days immediately prior to and including the date of the Announcement respectively. These discounts are lower than or close to the mean of discounts of the Comparable Issues for the closing share price as at the last trading day prior to the announcement as well as for the average closing share prices for the five and ten trading days; and within the range of discounts of the Comparable Issues for the average closing share prices for the 30 and 60 trading days.

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Comparison of the Subscription Price with NAV per Share

The Subscription Price represents a discount of approximately 52.42% to the NAV per Share attributable to the owners of the Company as at 30 June 2018 of approximately HK\$2.48 per Share. Given that the Group is principally engaged in the manufacture and sale of LCD products and majority of the assets comprise plant and machinery and leasehold land and buildings which are crucial for the Group's daily operations, it is considered that comparison to the Share price, i.e. Comparable Issues, is more meaningful than comparison of the Subscription Price to the NAV for assessment of the fairness and reasonableness of the Subscription Price as it is not appropriate for the Group to realise these assets to obtain additional funding.

Conclusion

Given that (i) the Subscription Price was negotiated on an arm's length basis with the Subscriber; and (ii) the discounts of the Subscription Price are within the range of discounts of the Comparable Issues, we are of the view that the pricing of the Subscription is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

6. Financial effects of the Subscription

As set out in the "Letter from the Board" contained in the Circular, the gross and net proceeds of the Subscription are estimated to be approximately HK\$199 million and HK\$198 million respectively.

Based on the unaudited financial position of the Group set out in the 2018 Interim Report and adopting terms as defined in the Facility Agreement and Other Loan Agreements, immediately upon completion of the Subscription, it is expected that the Net Debt Ratio will be enhanced from 1.03:1 to 0.98:1, as set out for illustrative purpose in the table below.

HK\$ million		As of 30 June 2018	As enhanced by the net proceeds of the Subscription
Consolidated tangible net worth	A	8,302	8,500 (<i>Note</i>)
Consolidated total borrowings	B	11,443	11,443
Cash	C	2,925	3,123 (<i>Note</i>)
Consolidated net borrowings	D=B-C	8,518	8,320
Net Debt Ratio	E=D/A	1.03	0.98

Note: The amounts are estimated based on net proceeds of approximately HK\$198 million received from the Subscription.

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The estimated enhanced Net Debt Ratio of 0.98:1 conforms to the limit as set out in the Facility Agreement and Other Loan Agreements of 1:1 for the testing date on 30 June 2018.

It is expected that the NAV will increase immediately upon Completion but the NAV per Share will decrease as the Subscription Price represents a discount to the NAV per Share. However, taking into account that we consider the Subscription Price is fair and reasonable in market terms and the Subscription is beneficial to the Group based on the assessment above, the potential impact on the NAV per Share is acceptable.

7. Effects of the Subscription on shareholdings in the Company

The Subscription Shares represent approximately 5.41% of the issued share capital of the Company as at the Latest Practicable Date and approximately 5.13% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares.

The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the Completion (assuming there is no change in the issued share capital of the Company other than the issue of the Subscription Shares between the Latest Practicable Date and the Completion).

	As at the Latest Practicable Date		Immediately after Completion	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Subscriber	1,273,052,000	40.80	1,441,852,000	43.84
Spouse of the Subscriber	74,844,000	2.40	74,844,000	2.28
Spouse of Mr. Wong Pong Chun, James	1,650,000	0.05	1,650,000	0.05
Mr. Cheung Tat Sang	6,129,000	0.20	6,129,000	0.19
Mr. Li Jian Hua	14,547,000	0.47	14,547,000	0.44
Spouse of Mr. Li Jian Hua	<u>22,500</u>	<u>0.00</u>	<u>22,500</u>	<u>0.00</u>
Sub-total of the Subscriber and the parties acting in concert with him	1,370,244,500	43.91	1,539,044,500	46.79
Public Shareholders	<u>1,750,184,898</u>	<u>56.09</u>	<u>1,750,184,898</u>	<u>53.21</u>
Total	<u><u>3,120,429,398</u></u>	<u><u>100.00</u></u>	<u><u>3,289,229,398</u></u>	<u><u>100.00</u></u>

As shown in from the table above, the existing public Shareholders' shareholdings will be diluted slightly from approximately 56.09% as at the Latest Practicable Date to approximately 53.21% immediately after the Completion. We do not consider this dilution material.

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Having considered (i) the benefits to be derived by the Group from the Subscription as set out in the section headed “2. Background to and reasons for the Subscription Agreement” of this letter; (ii) that the Subscription Price is considered to be fair and reasonable as discussed under the section headed “5. Evaluation of the Subscription Price” of this letter; and (iii) that the financial position of the Group will be improved immediately upon the Completion as set out in the section headed “6. Financial effects of the Subscription” of this letter, we consider that the terms of the Subscription Agreement are fair and reasonable.

8. Whitewash Waiver — Takeovers Code provisions

The Subscriber and parties acting in concert with him are interested in approximately 43.91% (43.2% if class (6) presumption under the definition of “acting in concert” under the Takeovers Code does not apply) of the issued share capital of the Company as at the Latest Practicable Date. Upon completion of the Subscription, the Subscriber and parties acting in concert with him will in aggregate be interested in approximately 46.11% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, excluding holdings by concert parties under class (6) presumption under the definition of “acting in concert” under the Takeovers Code. This increase is very slightly more than the 2% creeper limit under Rule 26.1 of the Takeovers Code.

Consequently, the Subscriber would be obliged to make an unconditional mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Subscriber and parties acting in concert with him, unless the Whitewash Waiver is obtained from the Executive. In this regard, the Subscriber has made an application to the Executive for the Whitewash Waiver which, if granted, will be subject to, among other things, approval by the Independent Shareholders at the EGM by a way of poll.

Shareholders should note that the Subscription is subject to the fulfilment or waiver (as the case may be) of a number of Conditions Precedent, including the granting by the Executive of the Whitewash Waiver and the approval by the Independent Shareholders at the EGM for the Whitewash Waiver, which cannot be waived. The approval of the Whitewash Waiver by the Independent Shareholders will be therefore necessary for the Group to proceed to the completion of the Subscription.

DISCUSSION

Despite a placing of new Shares in September 2017, in early June 2018, the management considered there was a risk of breaching the Group’s banking covenants as at 30 June 2018. It was later demonstrated by the financial included in the 2018 Interim Report that the relevant banking covenant applicable to the Group was breached for the testing date on 30 June 2018. This was because those covenants tighten over time and because of a decrease in smartphone-related revenue. We agree that it is prudent for the Company to move proactively in these circumstances to remedy the breach and to reduce the risk of future breach. The Group, in our view, was relatively highly geared as at 31 December 2017 and 30 June 2018 with a gearing ratio of approximately 73% to 74%.

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The Subscription will raise about HK\$198 million and involves just over 5% of the Company's issued share capital. The Share price has been severely depressed during 2018, falling from approximately HK\$3.53 to approximately HK\$1.25 as at the Latest Practicable Date, partly because of both 2017 results and current market sentiments. In such circumstances, the Chairman is demonstrating support through the Subscription and, in our view, he is one of the few likely sources of additional capital in the present circumstances.

Based on the Comparable Issues, the discount of the Subscription Price and recent average market prices of the Shares is close to the mean for such issues, and below or close to the mean based on the average for up to ten trading days. This, together with the need to reduce the risk of further breaches of banking covenants, is the main factor in our assessment.

The net proceeds of the Subscription (if completed) will amount to approximately HK\$198 million. On the basis set out in the section headed "6. Financial effects of the Subscription" of this letter, the Net Debt Ratio would be enhanced from 1.03:1 to 0.98:1, conforming to the relevant loan covenant of no more than 1:1 for the testing date on 30 June 2018.

The Subscription will involve some dilution for the Independent Shareholders, both in terms of their shareholding percentage (from approximately 56% to approximately 53%) and in the NAV per Share. However, in our view, the degree of dilution is not material and is acceptable in the circumstances surrounding the Subscription.

Shareholders should note that the Subscription is conditional, among other things, on the granting of the Whitewash Waiver which requires a 75% majority, after a change in recent regulations.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors, we consider that the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and that the Subscription 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 Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the EGM.

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.

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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. FINANCIAL INFORMATION OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2018 AND FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2015, 2016 AND 2017

Financial information of the Group for the six months ended 30 June 2018 and for each of the three years ended 31 December 2015, 2016 and 2017 is set out in the following documents which are also available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (<http://www.truly.com.hk>):

- (i) pages 4 to 30 of the interim report for the six months ended 30 June 2018 of the Company published on 18 September 2018
(<http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0918/LTN20180918189.pdf>);
- (ii) pages 53 to 156 of the annual report for the year ended 31 December 2017 of the Company published on 24 April 2018
(<http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0424/LTN20180424661.pdf>);
- (iii) pages 49 to 139 of the annual report for the year ended 31 December 2016 of the Company published on 13 April 2017
(<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0413/LTN20170413285.pdf>);
- (iv) pages 39 to 126 of the annual report for the year ended 31 December 2015 of the Company published on 15 April 2016
(<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0415/LTN20160415505.pdf>).

The following summary of financial information for the six months ended 30 June 2018 and for each of the three years ended 31 December 2015, 2016 and 2017 is extracted from the condensed consolidated financial statements and the consolidated financial statements of the Company as set forth in the interim report for the six months ended 30 June 2018, and the annual reports of the Company for the years ended 31 December 2015, 2016 and 2017, respectively.

	Six months ended			
	30 June 2018	For the year ended 31 December		
	(unaudited)	2017	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
INCOME STATEMENT				
Revenue	9,065,249	20,733,418	22,071,521	19,427,118
Allowance for doubtful debt for a Specific customer, net of Insurance compensation Received	—	(413,669)	—	—
Share of loss of associates	(229,362)	(371,980)	(368,048)	(47,691)
Profit before tax	82,149	187,288	872,352	1,123,356
Income taxation expense	(43,447)	(94,451)	(195,785)	(194,509)
Profit attributable to:				
Owners of the Company	5,693	62,987	581,867	845,422
Non-controlling interests	33,009	29,850	94,700	83,425
Total comprehensive income (expenses) attributable to:				
Owners of the Company	(149,587)	831,592	(83,332)	357,463
Non-controlling interest	24,045	67,486	61,096	63,611
Earning per share				
Basic (HK cents per share)	0.18	2.13	20.02	29.08
Dividend per share (HK cents per share)	—	1	9	10
Dividend recognised as distribution to owners	—	87,213	290,710	348,852
STATEMENT OF FINANCIAL POSITION				
Total assets	26,323,224	26,938,830	23,296,761	18,234,444
Total liabilities	(18,000,611)	(18,490,675)	(16,001,894)	(10,638,863)
Total equity	8,322,613	8,448,155	7,294,867	7,595,581
Non-controlling interests	589,429	565,384	583,392	510,064

2. BUSINESS TREND AND FINANCIAL AND TRADING PROSPECTS

Business Trend

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.

The Group has published its monthly unaudited turnover for eight months up to August 2018 on 4 September 2018 since the Company's 2017 annual report published on 24 April 2018.

The Group's unaudited net accumulative consolidated turnover for the three months ended 31 March 2018 amounted to approximately HK\$4,072 million, representing a decrease of approximately 26.3% as compared with that of approximately HK\$5,525 million for the three months ended 31 March 2017.

The Group's unaudited net accumulative consolidated turnover for the six months ended 30 June 2018 amounted to approximately HK\$9,065 million, representing a decrease of approximately 16.3% as compared with that of approximately HK\$10,834 million for the six months ended 30 June 2017.

The Group's unaudited net accumulative consolidated turnover for the eight months ended 31 August 2018 amounted to approximately HK\$12,297 million, representing a decrease of approximately 13.7% as compared with that of approximately HK\$14,251 million for the eight months ended 31 August 2017.

The decrease magnitude in the Group's unaudited net accumulative consolidated turnover for the first eight months in 2018 has been gradually improved when compared to the same period in 2017. This was mainly resulted from the continuous growth of non-smartphone business revenue in first half of 2018 and the decrease magnitude in smartphone business revenue being improved gradually during first half of 2018 when compared to the same period of 2017.

Prospects

The smartphone industry is still improving since second quarter of 2018. However, the trading relationship and trade war between the United States and the PRC is getting more dynamic with uncertainty. As stated in the Company's 2017 annual report, the management has implemented some cost down measures and internal reform since the last quarter of 2017, which aims to reduce the pressure on the Group's profit margins.

Since the Group had net current liabilities of approximately HK\$2,106 million as at 30 June 2018, the management would continue to enhance management on internal cash flow generation, speed up the proposed spin-off and separate listing of the subsidiary on the Shenzhen Stock Exchange by way of issuance of new shares of the subsidiary, and seek some other measures to improve the net current liabilities position in 2018.

3. 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 2018, 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 unsecured domestic corporate bonds on the Shenzhen Stock Exchange with the amount of RMB750 million on 28 July 2016.

Other borrowings

As at 31 August 2018, 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\$7,714 million (excluding debt securities), comprising approximately of HK\$6,623 million with the guarantee by the Company and approximately of HK\$1,091 million without guarantee.

Contingent liabilities

As at 31 August 2018, 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\$3.44 billion and the bank loans with the amount of approximately HK\$2.75 billion were utilized by the associate.

Furthermore, as at 31 August 2018, 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\$810 million. 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 Huizhou as at 31 August 2018 and considered the risk to be insignificant and it is less likely that any guaranteed amount will be claimed by the counterparties.

The Directors confirm that there was no material change in the indebtedness status of the Group since 31 August 2018 up to the Latest Practicable Date.

4. MATERIAL CHANGE

As set out in the Company’s interim report for the six months ended 30 June 2018, the Group recorded a consolidated profit of approximately HK\$38.7 million, as compared to a loss of approximately HK\$260.8 million for the same period in 2017. The improvement was mainly

attributable to the net effect of (i) the one-off provision for bad and doubtful debt of a customer made in the same period in 2017 with net impact of approximately HK\$414 million; (ii) the government grant of approximately HK\$80 million received in the first half of 2017 but not recurring in 2018; (iii) other losses recorded during the period of approximately HK\$61.5 million as a result of the exchange loss recognised on Renminbi; and (iv) the increase in distribution and selling expenses amounting to approximately HK\$51.3 million in the first half of 2018, details of which are set out in the Company's interim report for the six months ended 30 June 2018.

Except (i) as set out in this circular as regards the Subscription and the Subscription Agreement; and (ii) the particulars as disclosed in the paragraph above, the Directors confirm that there had been no material change in the financial or trading position or outlook of the Group since 31 December 2017, the date to which the latest audited consolidated financial statements of the Company were made up, and up to and including the Latest Practicable Date.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save as disclosed in the section headed "4. Material change" above, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

1. RESPONSIBILITY STATEMENTS

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.

This circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

(a) Share capital of the Company

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon Completion (assuming there will be no other change in the number of issued Shares between the Latest Practicable Date and the date of Completion, save for the issue and allotment of the Subscription Shares) as follows:

(i) Share capital as at the Latest Practicable Date

	Nominal value per Share <i>HK\$</i>	Number of Shares	Amount <i>HK\$</i>
Authorised:			
As at the Latest Practicable Date	0.02	<u>5,000,000,000</u>	<u>100,000,000.00</u>
Issued and fully paid:			
As at the Latest Practicable Date	0.02	<u>3,120,429,398</u>	<u>62,408,587.96</u>

(ii) *Share capital immediately upon Completion (assuming there will be no other change in the number of issued Shares between the Latest Practicable Date and the date of Completion, save for the issue and allotment of the Subscription Shares)*

	Nominal value per Share HK\$	Number of Shares	Amount HK\$
Authorised:			
As at the Latest Practicable Date	0.02	<u>5,000,000,000</u>	<u>100,000,000.00</u>
Issued and fully paid:			
As at the Latest Practicable Date	0.02	3,120,429,398	62,408,587.96
Subscription Shares to be issued pursuant to the Subscription	0.02	<u>168,800,000</u>	<u>3,376,000.00</u>
Shares in issue upon Completion	0.02	<u>3,289,229,398</u>	<u>65,784,587.96</u>

All issued Shares rank *pari passu* in all respects with each other, including, in particular, as to dividends, voting rights and return of capital.

The Subscription Shares to be allotted and issued will, when issued, rank *pari passu* in all respects with the Shares then in issue. The Subscriber will be entitled to receive all dividends and distributions which may be declared, made or paid on or after the date of issue of Subscription Shares. As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

No Share has been issued since 31 December 2017 (being the date on which the latest audited financial statement of the Company were made up) and up to the Latest Practicable Date.

The issued Shares are listed on the Stock Exchange. None of the securities of the Company is listed or dealt in, and no listing or permission to deal in the securities of the Company is being or is proposed to be sought on any other stock exchange.

(b) Share options

As at the Latest Practicable Date, the Company did not have any outstanding convertible securities, options or warrants in issue or similar rights which confer any right to subscribe for, convert or exchange into the Shares or any agreement or arrangement to issue Shares.

3. MARKET PRICE

The table below sets out the closing prices of the Shares on the Stock Exchange (i) on the last trading day of each of the calendar months during the Relevant Period; (ii) on the Last Trading Day; and (iii) on the Latest Practicable Date.

Date	Closing price per Share (HK\$)
31 January 2018	2.66
28 February 2018	2.61
29 March 2018	1.99
30 April 2018	1.80
31 May 2018	1.64
29 June 2018	1.50
30 July 2018 (<i>being the Last Trading Day</i>)	1.26
31 July 2018	1.20
31 August 2018	1.26
28 September 2018	1.31
2 October 2018 (<i>being the Latest Practicable Date</i>)	1.25

The highest and lowest closing market prices of the Shares recorded on the Stock Exchange during the Relevant Period were HK\$2.70 on 30 January 2018 and HK\$1.13 on 13 September 2018, respectively.

4. DISCLOSURE OF INTERESTS

(i) Directors

(a) Directors' and chief executive's interests in the Company and associated corporation

Save as the Subscription, 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/ Capacity	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⁾	Interest held by spouse	1,650,000(L)	0.05%
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 Opto-Electronics Limited (“**Truly Shanwei**”)

Name of Director	Nature of interest/ 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 1,273,052,000 Shares, representing approximately 40.80% of the issued share capital of the Company beneficially whereas his spouse holds 74,844,000 Shares, representing approximately 2.40% of the issued share capital of the Company beneficially, therefore Lam Wai Wah is deemed to be interested in approximately 43.20% of the Company's issued share capital.
- (3) Wong Pong Chun, James' spouse holds 1,650,000 Shares, representing approximately 0.05% of the issued share capital of the Company beneficially, therefore Wong Pong Chun, James is deemed to be interested in approximately 0.05% of the Company's issued share capital.
- (4) Li Jian Hua holds 14,547,000 Shares, representing approximately 0.47% of the issued share capital of the Company beneficially whereas his spouse holds 22,500 Shares, representing approximately 0.00% of the issued share capital of the Company beneficially, therefore Li Jian Hua is deemed to be interested in approximately 0.47% of the Company's issued share capital.
- (5) Lhasa Development Zone Jianyuan Investment Management Co., Ltd, ("Lhasa") is a company wholly-owned by Li Jian Hua, who is deemed to be interested in all the registered capital of Truly Shanwei contributed by Lhasa.

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.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or proposed Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(ii) Substantial Shareholders

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.

5. SHAREHOLDINGS OF AND DEALINGS IN THE SECURITIES OF THE COMPANY AND THE SUBSCRIBER AND PARTIES ACTING IN CONCERT WITH HIM AND OTHER ARRANGEMENT

As at the Latest Practicable Date:

- (a) the Company did not hold, control or have direction over any shares and any options, warrants, derivatives or convertible securities in respect of securities (“**Relevant Securities**”) in any member of the Subscriber and parties acting in concert with him and it had not dealt for value in any such securities of any member of the Subscriber and parties acting in concert with him during the Relevant Period;
- (b) save as disclosed under the paragraph headed “Interests of Directors and chief executive” in this appendix, none of the Directors or chief executive of the Company held, controlled or had direction over any Relevant Securities in any member of the Subscriber and parties acting in concert with him or any Relevant Securities in the Company and save for Mr. Wong Pong Chun, James, an executive Director, disposed of 4,649,000 Shares (representing approximately 0.15% of the issued share capital of the Company) beneficially owned by him on 3 September 2018 which the Executive has confirmed it did not constitute a disqualifying transaction under paragraph 3(b) of Schedule VI to the Takeovers Code, none of them had acquired for value in any such securities of any member of the Subscriber and parties acting in concert with him or any such securities of the Company during the Relevant Period nor had any of them acquired or disposed for value any such securities of any member of the Subscriber and parties acting in concert with him or any such securities of the Company between the date of the Announcement and the Latest Practicable date;
- (c) save as disclosed under the paragraph headed “Directors’ and chief executive’s interests in the Company and associated corporation” in this appendix, none of the Directors and their respective associates owned or controlled any Relevant Securities in the Company, and none of them has dealt for value in any such securities of the Company during the Relevant Period;
- (d) save as disclosed in the paragraph headed “EGM” in the letter from the Board in this circular, no person will be abstained from voting on the resolutions to approve the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver at the EGM. Save for each of the Subscriber and his associates, Mr. Wong Pong Chun, James and his spouse, Mr. Cheung Tat Sang, and Mr. Li Jian Hua and his spouse who will abstain from voting at the EGM, no other Directors held any Shares as at the Latest Practicable Date and therefore no other Directors are required to indicate to vote for or against the resolutions in respect of the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver;
- (e) no person had irrevocably committed themselves to vote in favour of or against the resolutions approving the Subscription Agreement and the transactions contemplated thereunder, the Specific Mandate, the Whitewash Waiver at the EGM;

- (f) neither the Company nor any of the Directors has borrowed or lent any Shares and any Relevant Securities in the Company;
- (g) no benefit will be given to any Director as compensation for loss of office in any members of the Group or otherwise in connection with the Subscription Agreement, the Specific Mandate, the Whitewash Waiver and the transactions contemplated thereunder;
- (h) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Subscription Agreement, the Specific Mandate, the Whitewash Waiver and the transactions contemplated thereunder or otherwise connected with the Subscription Agreement, the Specific Mandate, the Whitewash Waiver and the transactions contemplated thereunder;
- (i) save for the Subscription Agreement and the transactions contemplated thereunder, there was no material contract entered into by the Subscriber in which any Director had a material personal interest; and
- (j) there was no agreement, arrangement or understanding (including any compensation arrangement) between the Subscriber or any parties acting in concert with him and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or was dependent upon the Subscription or the Whitewash Waiver.

As at the Latest Practicable Date, save as disclosed under the paragraph headed “Changes in the shareholding of the Company” in the letter from the Board in this circular and the paragraphs headed “Share capital” and “Disclosure of interests” in this appendix:

- (a) none of the Subscriber and the parties acting in concert with him owned or controlled any Relevant Securities in the Company as at the Latest Practicable Date;
- (b) the Subscriber or parties acting in concert with him did not borrow or lend any Shares during the Relevant Period;
- (c) no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and the Subscriber and parties acting in concert with him during the Relevant Period;
- (d) none of the Subscriber and parties acting in concert with him has received any irrevocable commitment to vote for or against the Subscription or the Whitewash Waiver during the Relevant Period; and
- (e) save for Mr. Wong Pong Chun, James, an executive Director, disposed of 4,649,000 Shares (representing approximately 0.15% of the issued share capital of the Company) beneficially owned by him on 3 September 2018 which the Executive has confirmed it did not constitute a disqualifying transaction under paragraph 3(b) of

Schedule VI to the Takeovers Code, none of the Subscriber and parties acting in concert with him has dealt for value in any Relevant Securities in the Company during the Relevant Period.

As at the Latest Practicable Date, no Shares to be acquired by the Subscriber and parties acting in concert with him pursuant to the Subscription Agreement will be transferred, charged or pledged to any other person. As at the Latest Practicable Date, there was no agreement, arrangement or understanding and any related charges or pledges which may result in the transfer of voting rights in such Shares.

6. SERVICE CONTRACTS

There is no service contract with the Company or any of its subsidiaries or associated companies in force for the Directors (i) which (including both continuous and fixed term contracts) has been entered into or amended within 6 months before the date of the Announcement; (ii) which is a continuous contract with a notice period of 12 months or more; or (iii) which is a fixed term contract with more than 12 months to run irrespective of the notice period.

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with the Company, or any of its subsidiaries or associated companies which was not determinable by the employer within one year without payment of compensation (other than statutory compensation).

7. LITIGATION

In February 2017, Truly Electronics Manufacturing Limited (信利電子有限公司) (“**Truly Electronics**”), an indirectly wholly-owned subsidiary of the Company, entered into an investment agreement, pursuant to which Truly Electronics conditionally agreed to acquire in aggregate of 2.3438% equity interest in Leshi Zhixin Electronic Technology (Tianjin) Limited* (樂視致新電子科技(天津)有限公司) (“**Leshi Zhixin**”) at a consideration of RMB720,000,000. The first instalment of the consideration in the amount of RMB240 million was paid in March 2017. Subsequently, as the Company’s management considered that a condition of the relevant investment agreement has been breached by Leshi Zhixin and/or Leshi Holding (Beijing) Co., Ltd.* (樂視控股(北京)有限公司) (“**Leshi Holding**”), Truly Electronics suspended the payment of the remaining instalments of the consideration in the amount of RMB480 million and terminated the said investment agreement in July 2017. In August 2017, Truly Electronics (as plaintiff) filed a civil complaint against Leshi Zhixin and Leshi Holding (as defendants) to seek rectification of the breach by Leshi Zhixin and Leshi Holding and refund of the first instalment of RMB240 million paid by Truly Electronics. For further details, please refer to the Company’s announcements dated 29 August 2017 and 23 March 2018, the 2017 Annual Report and the 2018 Interim Report of the Company.

The first hearing by the court of the said case has been completed on 4 June 2018 in Beijing. Recently, the Group has been informed by the Group’s PRC lawyers that a decision letter issued by the relevant court has been received in August 2018, which the court has decided to turn down the Group’s civil complaint in relation to the dispute on the said investment agreement. After discussion with the Group’s PRC lawyers, the Group has lodged

an objection to the relevant court in Beijing on 31 August 2018 as the management believes, after being advised by the PRC lawyers, that the Group has reasonable grounds to challenge the said court decision.

As at the Latest Practicable Date, save as disclosed above, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

8. EXPERTS AND CONSENTS

The qualifications of the expert who have given opinions and advice in this circular as follows:

Name	Qualification
Somerville Capital Limited	a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

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, report and/or advice and the references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, the expert named above did not have any direct or indirect shareholding in any member of the Group, or any right to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or any interests, directly or indirectly, in any asset which had been acquired, disposed of by or leased to any member of the Group, or was proposed to be acquired, disposed of by or leased to any member of the Group, since 31 December 2017, being the date to which the latest published audited financial statements of the Company were made up.

9. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the date of the Announcement and up to and including the Latest Practicable Date of this circular and are or may be material:

- (i) the investment agreement dated 14 February 2017 entered into between Truly Electronics Manufacturing Limited (信利電子有限公司) (“**Truly Electronics**”), an indirectly wholly-owned subsidiary of the Company and amongst others, Leishi Zhixin Electronic Technology (Tianjin) Limited* (樂視致新電子科技(天津)有限公司), pursuant to which Truly Electronics conditionally agreed to acquire in aggregate 2.3438% equity interest in Leshi Zhixin at a consideration of RMB720 million;

- (ii) the capital increase agreement dated 5 May 2017 entered into between Truly Semiconductors Limited (信利半導體有限公司) (“**Truly Semiconductors**”), an indirect wholly-owned subsidiary of the Company, 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) (“**Huizhou Zhongkai**”) and Huizhou Investment Holdings Limited* (惠州市投資控股有限公司) (“**Huizhou Investment**”) to increase the registered capital of Truly (Huizhou) Smart Display Limited* (信利(惠州)智能顯示有限公司), an associate of the Company, from RMB2,300 million to RMB2,682,641,157 with Truly Semiconductors agreed to inject a total amount of RMB410,000,000;
- (iii) the joint venture agreement dated 16 June 2017 entered into between Truly Electronics, Renshou County People’s Government (“**Renshou Government**”), Renshou County Industries Investment Co., Ltd.* (仁壽縣產業投資有限公司) (“**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) (“**Sichuan IC Fund**”), pursuant to which Truly Electronics, Renshou Industries, and Sichuan IC Fund will contribute RMB500 million (for 7.1429% equity interest), RMB4,500 million (for 64.2857% equity interest) and RMB2,000 million (for 28.5714% equity interest) respectively to form a joint venture company as the project company for fifth generation TFT-LCD high-end display production line project;
- (iv) the framework agreement dated 14 July 2017 entered into between Truly Electronics and Meishan City People’s Government (“**Meishan Government**”) pursuant to which Truly Electronics and designated investors of Meishan Government would invest a total of RMB40,400 million to establish joint venture companies for the investment, construction and operation of the project regarding the production of the fifth generation of TFT-LCD and the project regarding the production line of the sixth generation active-matrix organic light-emitting diode;
- (v) the joint venture agreement dated 14 July 2017 entered into between Truly Electronics, Meishan Government, Renshou Government and Renshou Industries pursuant to which Truly Electronics and Renshou Industries would contribute RMB2,000 million for 13.3% equity interest and RMB13,000 million for 86.7% equity interest respectively in relation to the formation of the project company for the production of the sixth generation of active-matrix organic light-emitting diode;
- (vi) the placing agreement dated 12 September 2017 entered into between the Company, The Hongkong and Shanghai Banking Corporation Limited (“**HSBC**”) and Mizuho Securities Asia Limited (“**Mizuho**”) pursuant to which HSBC and Mizuho acted as placing agents in relation to the placing of 160,000,000 new Shares with aggregate gross proceeds of HK\$323.2 million;
- (vii) the subscription agreement dated 12 September 2017 entered into between the Company and the Subscriber in relation to the subscription of 53,330,000 Shares by the Subscriber for a total consideration of HK\$107,726,600; and
- (viii) the Subscription Agreement.

* For identification purposes

10. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have, since 31 December 2017 (being the date to which the latest audited financial statements of the Group were made up) and up to the Latest Practicable Date, been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group and subsisting which was significant in relation to the business of the Group.

11. MISCELLANEOUS

- (a) The principal place of business of the Company in Hong Kong is situated at 2/F Chung Shun Knitting Centre, 1-3 Wing Yip Street, Kwai Chung, N.T., Hong Kong. The registered office of the Company in the Cayman Islands is located at P.O. Box 309, Grand Cayman, Cayman Islands, British West Indies;
- (b) The branch share registrar and transfer office of the Company is Tricor Secretaries Limited and situated at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong;
- (c) The secretary of the Company is Mr. Ma Wai Tong, a member of the Hong Kong Institute of Certified Public Accountants;
- (d) The address of the Subscriber is 2/F Chung Shun Knitting Centre, 1-3 Wing Yip Street, Kwai Chung, N.T., Hong Kong;
- (e) The auditor of the Company is Deloitte Touche Tohmatsu and its registered office is situated at 35/F, One Pacific Place, 88 Queensway, Hong Kong;
- (f) The Independent Financial Adviser is Somerley Capital Limited and its registered office is situated at 20/F, China Building, 29 Queen's Road Central, Hong Kong;
- (g) The translation into Chinese language of this circular, the notice of EGM and the form of proxy for the EGM are for reference only. In the event of any inconsistency, the English text of this circular, the notice of EGM and the form of proxy for the EGM shall prevail over the Chinese language text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (i.e. from 9:00 a.m. to 12:00 p.m. and from 2:00 p.m. to 5:30 p.m.) at the principal place of business of the Company in Hong Kong situated at 2/F Chung Shun Knitting Centre, 1-3 Wing Yip Street, Kwai Chung, N.T., Hong Kong on any Business Days from the

date of this circular up to and including the date of the EGM and will also be available for inspection on the website of the SFC at www.sfc.hk and the website of the Company at www.truly.com.hk from the date of this circular up to and including the date of the EGM:

- (a) the memorandum of association and articles of association of the Company;
- (b) the annual reports of the Company for the last two financial years ended 31 December 2016 and 2017 respectively;
- (c) this circular;
- (d) the letter from the Board, the text of which is set out on pages 5 to 16 of this circular;
- (e) the letter from the Independent Board Committee, the text of which is set out on pages 17 to 18 of this circular;
- (f) the letter from the Independent Financial Adviser, the text of which is set out on pages 19 to 43 of this circular;
- (g) the written consents as referred to in the paragraph headed “EXPERTS AND CONSENTS” in this appendix;
- (h) the material contracts as referred to in the paragraph headed “MATERIAL CONTRACTS” in this appendix; and
- (i) the Subscription Agreement.



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, N.T., Hong Kong on Monday, 29 October 2018 at 10:00 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 and special resolution of the Company:

ORDINARY RESOLUTION

1. “**THAT** subject to the fulfilment of the terms and conditions set out in the subscription agreement dated 31 July 2018 (the “**Subscription Agreement**”, copy of which have been produced to this meeting marked “A” and initialled by the Chairman for the purpose of identification) entered into between the Company and Lam Wai Wah (the “**Subscriber**”) pursuant to which the Company has agreed to allot and issue and the Subscriber has agreed to subscribe for 168,800,000 new shares of the Company (the “**Subscription Shares**”) at the subscription price of HK\$1.18 per Subscription Share (the “**Subscription Price**”):
 - i. the Subscription Agreement and the matters contemplated thereunder be and are hereby approved, confirmed and ratified;
 - ii. all the transactions contemplated under the Subscription Agreement, including but not limited to the specific mandate to allot and issue the Subscription Shares by the Company to the Subscriber pursuant to the Subscription Agreement (the “**Specific Mandate**”), be and are hereby approved and the Directors be and are hereby authorised to allot and issue the Subscription Shares to the Subscriber pursuant to the Subscription Agreement;
 - iii. any one or more of the director(s) of the Company (the “**Director(s)**”) be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with the implementation of and giving effect to the Subscription Agreement and the transactions contemplated thereunder.”

NOTICE OF EGM

SPECIAL RESOLUTION

1. **“THAT**, subject to the granting of the Whitewash Waiver (as defined below) by the executive director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the executive director and any conditions that may be imposed thereon, the waiver of obligation on the part of the Subscriber and any parties acting in concert with him to make a mandatory general offer to shareholders of the Company for all the issued shares of the Company not already owned or agreed to be acquired by the Subscriber and any parties acting in concert with him which might otherwise arise as a result of the Subscriber subscribing for the Subscription Shares under the Subscription Agreement pursuant to Note 1 on Dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers (the **“Whitewash Waiver”**), be and is hereby approved, and that any one or more of the Directors be and is/are authorised to do all such acts and things and execute all such document as he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to any of the matters relating to, or incidental to, the Whitewash Waiver.”

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

Hong Kong, 5 October 2018

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 of the Company (the **“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.
3. The Subscriber, his associates and parties acting in concert with him (including Mr. Wong Pong Chun, James and his spouse, Mr. Cheung Tat Sang and Mr. Li Jian Hua and his spouse), who are interested in 1,370,244,500 Shares (representing approximately 43.91% of the existing issued share capital of the Company as at the date hereof) will abstain from voting on the relevant ordinary resolution and the relevant special resolution to be proposed at the meeting to approve the Subscription Agreement, the transactions contemplated thereunder (including the Specific Mandate) and the Whitewash Waiver.
4. 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.

NOTICE OF EGM

5. As required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the above resolutions will be decided by the Shareholders by way of poll.
6. The form of proxy for use at the meeting is enclosed herewith.
7. The register of members of the Company will be closed from Friday, 26 October 2018 to Monday, 29 October 2018 (both days inclusive), during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the meeting, all transfer of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by not later than 4:30 p.m. (Hong Kong time) on Thursday, 25 October 2018.

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.