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**TRULY<sup>®</sup>**

**TRULY INTERNATIONAL HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 00732)**

**DISCLOSEABLE TRANSACTION**

**SHAREHOLDERS AGREEMENT  
ON FORMATION OF A JOINT VENTURE COMPANY**

**SHAREHOLDERS AGREEMENT**

The Board is pleased to announce that on 17 December 2013, Truly Semiconductors, an indirectly wholly-owned subsidiary of the Company, entered into the Shareholders Agreement with Huizhou Zhongkai and Huizhou Investment in relation to the formation of the JV Company, which will be a company with limited liability.

Pursuant to the Shareholders Agreement, the registered capital of the JV Company will be RMB1,132 million and each of Truly Semiconductors, Huizhou Zhongkai and Huizhou Investment will contribute RMB600 million, RMB307 million and RMB225 million by cash, representing approximately 53.00%, 27.12% and 19.88% of the total registered capital of the JV Company, respectively.

The JV Company will be primarily engaged in development and production of AMOLED display products.

**LISTING RULES IMPLICATIONS**

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

## SHAREHOLDERS AGREEMENT

**Date:** 17 December 2013

**Parties:** (1) Truly Semiconductors;  
(2) Huizhou Zhongkai; and  
(3) Huizhou Investment

**Subject Matter:** Pursuant to the Shareholders Agreement, the Parties will form the JV Company, which will be a company with limited liability. The registered capital of the JV Company will be RMB1,132 million, with each of Truly Semiconductors, Huizhou Zhongkai and Huizhou Investment contributing RMB600 million, RMB307 million and RMB225 million by cash, representing approximately 53.00%, 27.12% and 19.88% of the total registered capital of the JV Company, respectively.

20% of the registered capital shall be paid by the Parties prior the establishment of the JV Company and the remaining amount shall be paid by 1 August 2014.

Truly Semiconductors will satisfy its capital commitment in the JV Company by internally generated funds and bank loans.

The terms of the Shareholders Agreement are determined based on arm's length negotiations between the Parties.

### **Business and Total Investment of the JV Company**

The JV Company will be primarily engaged in development and production of AMOLED display products, with a total investment of RMB6,000 million. The JV Company plans to fund the investment by a combination of registered capital contributions, bank loans and government subsidies. Other than pledging their respective JV Equity Interest, if needed, the Parties will not provide additional security for the JV Company's bank loans.

### **Board Composition and Management**

Truly Semiconductors will be responsible for the operation and management of the JV Company.

The board of the JV Company shall comprise of seven members, out of which three of them shall be nominated by Truly Semiconductors, one by each of Huizhou Zhongkai and Huizhou Investment and the remaining two by employees of the JV Company.

The JV Company shall have one president who shall be nominated by Truly Semiconductors, and two vice-presidents, each of whom shall be nominated by Truly Semiconductors and Huizhou Zhongkai, respectively.

### **Voting Power of JV Shareholders**

The JV Shareholders' voting rights shall be proportional to their JV Equity Interest. However, for the five years immediately after the establishment of the JV Company, Huizhou Zhongkai shall delegate 14% of the voting power on decisions relating to the operation and management of the JV Company it owns to Truly Semiconductors, increasing Truly Semiconductors' voting power on decisions relating to the operation and management of the JV Company from 53% to 67%, and during this period, unless agreed by Truly Semiconductors, such voting rights proportions shall not change.

The necessary quorum for any shareholders' meeting of the JV Company is JV Shareholders with more than 50% voting rights, including at least one of Huizhou Zhongkai and Huizhou Investment, present at the meeting. The following matters shall be effective only after (i) approval by the JV Shareholders who represent more than two thirds of the voting rights in the JV Company, including at least one of Huizhou Zhongkai and Huizhou Investment, and (ii) approval by two thirds of the JV Directors, including at least one director nominated by Huizhou Zhongkai or Huizhou Investment:

- (a) amendment to the articles of the JV Company;
- (b) increase or reduction in the registered capital of the JV Company;
- (c) merge, separation, dissolution or change of corporate form of the JV Company;
- (d) provision of guarantee by the JV Company to third parties or issue of debt; and
- (e) material investment or disposal of assets by the JV Company.

### **Supervisory Committee**

The supervisory committee of the JV Company shall comprise of five members, including three shareholders' representatives and two employees' representatives. Each of the Parties is entitled to nominate one shareholders' representative.

## **Transfer of JV Equity Interest**

The JV Shareholders may transfer their JV Equity Interest to each other; however, any proposed transfer to non-JV Shareholders shall be approved by more than half of the non-transferring JV Shareholders. In case a proposed transfer is disapproved by more than half of the non-transferring JV Shareholders, the JV Shareholders who disapprove such transfer shall purchase the JV Equity Interest to be transferred; otherwise they are deemed to consent to such transfer. For any approved transfer, the non-transferring JV Shareholders shall have the right of first refusal to purchase such equity interest.

Nevertheless, (i) within 20 years upon the establishment of the JV Company, without written consent of all the Parties, none of the Parties may directly or indirectly transfer or pledge any of their JV Equity Interest to any third party other than for providing security for the JV Company's debt, and Huizhou Zhongkai and Huizhou Investment may only transfer their JV Equity Interest to Truly Semiconductors and Truly Semiconductors may only transfer its JV Equity Interest to its affiliates, provided, however, that if after two years of commercial production, the JV Company is unable to meet the agreed economic results not due to *force majeure*, Huizhou Zhongkai and Huizhou Investment shall not be subject to such transfer and pledge restrictions; (ii) if the JV Shareholders transfer their JV Equity Interest to their respective affiliates who control or are under common control of the respective JV Shareholders, the non-transferring JV Shareholders shall grant consent to such transfer and waive their right of first refusal, provided that such affiliates will assume all the rights and obligations of the transferring JV Shareholders under the Shareholders Agreement; (iii) none of the JV Shareholders may transfer their JV Equity Interest to any competitors of the JV Company, any of the Parties or other companies controlled by or under the common control of any of the Parties; and (iv) five years after the establishment of the JV Company, Truly Semiconductors or its assignee is entitled to gradually purchase all the JV Equity Interest held by Huizhou Zhongkai and Huizhou Investment according to terms agreed by the relevant parties.

## **Profit Appropriation**

Upon approval by the JV Shareholders, the JV Company shall distribute its profits to the JV Shareholders according to the proportion of their capital contributions.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE SHAREHOLDERS AGREEMENT**

### **1. AMOLED display industry is in line with the PRC government's industry development plan and policies**

AMOLED display industry falls under the PRC government's "Twelfth Five-Year Plan" and is one of the most crucial development projects under the "Medium- and Long-Term Information Industry Development Outline 2006–2020" ("2006年至2020年信息產業中長期發展綱要"). High-end and new type of electronic information industry ranks number one among the eight strategic industries under the "Twelfth Five-Year Plan" of Guangdong Province, while new types of OLED (Organic Light-Emitting Diode) display have been listed under the first section of the high-end and new type of electronic information industry. The Group's AMOLED industrialization project has been included in the "Pilot Projects for the Development of Strategic Emerging Industries under the Twelfth Five-Year Plan of Guangdong Province" ("廣東省十二五戰略性新興產業集聚發展試點重點項目"), and has also received great attentions from Guangdong provincial government and Huizhou municipal government as well as industrial subsidy support.

### **2. AMOLED products have enormous market potential**

Given the enhanced features such as brighter color, more vivid, bendable and flexible display, wider viewing angle, thinner and lighter as well as energy saving, the management of the Group believes that AMOLED is very likely to be the mainstream technology for the next generation displays.

As the best option for flexible displays, AMOLED has enormous potential which will create brand new products, thereby leading to exciting applications in the future. In view of its thinner, lighter and durable features, it is expected that flexible display will first be applied to medium- and small-sized products such as curved screens, smartphones with foldable screens, smart watches and wearable products like headset-form smart glasses, and tablet computers, as well as vehicle displays.

DisplaySearch, a market research organization, stated that the market size of small-sized displays market worldwide will double by 2016, reaching approximately US\$72 billion, of which AMOLED products will account for over 15%. Meanwhile, according to the data from IHS iSuppli, a market research firm, the number of flexible AMOLED display products manufactured this year is estimated to be 3.2 million, and will reach 792 million by 2020, with revenue increased to US\$41.3 billion. Displaybank, another market display and research firm, also indicated that the number of flexible AMOLED displays manufactured in 2015 will reach approximately 25 million, and expand to approximately 800 million by 2020, representing approximately 13% of the whole display market.

The Group has been focusing on medium- and small-sized flat panel displays for more than 20 years. Its products have been used in portable equipments (such as smartphones, tablet computers and watches), motor vehicles and industrial meters. The

features of AMOLED well satisfy the above applications. The management of the Group believes that customers of the Group wish to apply AMOLED technologies, the new generation display technology, to their end products.

### **3. Purpose of this investment and its effects on the Group**

This investment will enable the Group to position its AMOLED, seize the opportunities in the market in advance and have the first-mover advantages in the new wave of competition in the international smart tablet display industry. It will also enable the Group to enhance its overall strength in product competition and overall competitiveness in the display field and expand its industry chain as well as value chain.

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

### **INFORMATION OF THE GROUP**

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

### **INFORMATION OF HUIZHOU ZHONGKAI AND HUIZHOU INVESTMENT**

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

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

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

### **LISTING RULES IMPLICATIONS**

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## DEFINITIONS

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

|                                |  |
|--------------------------------|--|
| “AMOLED”                       | active-matrix organic light-emitting diode, a type of semiconductor product  |
| “Board”                        | the board of Directors   |
| “Company”                      | Truly International Holdings Limited (信利國際有限公司), a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange  |
| “connected person”             | has the same meaning ascribed to it under the Listing Rules  |
| “Director(s)”                  | the directors of the Company   |
| “Group”                        | the Company and its subsidiaries   |
| “Huizhou Investment”           | Huizhou Investment Holdings Limited* (惠州市投資控股有限公司), a company incorporated in the PRC and wholly-owned by the State-owned Assets Supervision and Administration Commission of Huizhou Municipal Government* (惠州市人民政府國有資產監督管理委員會) |
| “Huizhou Zhongkai”             | Huizhou Zhongkai High-tech District Investment and Development Company Limited* (惠州仲愷高新區投資開發有限責任公司), a company incorporated in the PRC and wholly-owned by Huizhou Management Committee  |
| “Huizhou Management Committee” | Huizhou Zhongkai High-tech Industry Development District Management Committee* (惠州仲愷高新技術產業開發區管理委員會), the sole shareholder of Huizhou Zhongkai  |
| “JV Company”                   | a limited liability company to be jointly formed by the Parties in the PRC pursuant to the Shareholders Agreement  |
| “JV Directors”                 | the directors of the JV Company  |
| “JV Equity Interest”           | the equity interest in the JV Company held by the JV Shareholders  |
| “JV Shareholders”              | means the shareholders of the JV Company from time to time   |
| “Listing Rules”                | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited   |
| “Parties”                      | Truly Semiconductors, Huizhou Zhongkai and Huizhou Investment  |

|                          |   |
|--------------------------|---|
| “PRC”                    | the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan   |
| “RMB”                    | Renminbi, the lawful currency of the PRC  |
| “Shareholder(s)”         | holder(s) of the Share(s) of the Company from time to time  |
| “Shareholders Agreement” | The Shareholders Agreement dated 17 December 2013 entered into by Truly Semiconductors, Huizhou Zhongkai and Huizhou Investment, in relation to the formation of the JV Company |
| “subsidiary(ies)”        | has the meaning ascribed thereto in section 2 of the Companies Ordinance  |
| “Truly Semiconductors”   | Truly Semiconductors Limited (信利半導體有限公司), a company incorporated in the PRC, an indirectly wholly-owned subsidiary of the Company   |
| “US\$”                   | the lawful currency of the United States of America   |
| “%”                      | per cent  |

\* *For identification purpose only*

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

Hong Kong, 17 December 2013

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