

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Truly International Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Truly International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 31 December 2023 and related notes as set out on pages 1 to 5 of the appendix. The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages 1 to 5 of the appendix.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the acquisition of approximately 12.55% equity interests in Truly (Renshou) High-end Display Technology Limited (信利(仁壽)高端顯示科技有限公司), on the Group's financial position as at 31 December 2023 as if the transaction had taken place at 31 December 2023. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 December 2023, on which an auditor's report has been published.

Director' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountant" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements" issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2023 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.



Deloitte Touche Tohmatsu

Certified Public Accountants Hong Kong

26 April 2024

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF TRULY INTERNATIONAL HOLDINGS LIMITED (THE "COMPANY") AND ITS SUBSIDIARIES (HEREINAFTER COLLECTIVELY REFERRED TO AS THE "GROUP") INCLUDING FURTHER ACQUIRED EQUITY INTERESTS IN TRULY (RENSHOU) HIGH-END DISPLAY TECHNOLOGY LIMITED (REFERRED TO AS THE "TARGET COMPANY") (HEREINAFTER REFERRED TO AS THE "ENLARGED GROUP")

(Extract from the Circular)

(I) BASIS OF PREPARATION

On 3 April 2024, Truly Opto-Electronics Limited (信利光電股份有限公司) ("Truly Opto-Electronics"), a company incorporated in the People's Republic of China (the "PRC") and an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement to further acquire the equity interests of approximately 12.55% in Truly (Renshou) High-end Display Technology Limited (信利(仁壽)高端顯示科技有限公司) (the "Target Company") for consideration of RMB1,097,460,000 (the "Further Acquisition") from a shareholder of the Target Company, Renshou Jian No. 1 Investment Centre Limited Partnership (仁壽集安一號投資中心(有限合夥)) ("Renshou Jian No. 1 L.P.").

The unaudited pro forma financial information that includes unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group is prepared to provide information on the Enlarged Group as a result of the completion of the Further Acquisition on the basis of notes set out below for illustrating the effect of the Further Acquisition, as if the Further Acquisition had taken place on 31 December 2023 for the preparation of the unaudited pro forma consolidated statement of assets and liabilities.

The unaudited pro forma financial information is prepared based on certain assumptions, estimates and uncertainties for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group as at 31 December 2023 or at any future date.

The unaudited pro forma financial information for the year ended 31 December 2023 is prepared based on (i) the consolidated statement of financial position of the Group as at 31 December 2023 as extracted from the consolidated financial statements set out in the latest published annual report of the Group and (ii) the statement of financial position of the Target Company at 31 December 2023 as extracted from the accountants' report of the Target Company set out in Appendix II to this Circular, after making pro forma adjustments of the Further Acquisition that are (i) directly attributable to the Further Acquisition; and (ii) factually supportable, as described in the accompanying notes.

(II) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	The Group as at 31 December 2023	Pro forma adjustments		Unaudited pro forma of Enlarged Group
	<i>HK\$ 000</i> <i>(note 1)</i>	<i>HK\$ 000</i> <i>(note 2)</i>	<i>HK\$ 000</i> <i>(note 3)</i>	<i>HK\$ 000</i>
NON-CURRENT ASSETS				
Property, plant and equipment	12,928,174			12,928,174
Right-of-use assets	599,568			599,568
Goodwill	534,413			534,413
Interest in an associate	1,542,138	1,211,030		2,753,168
Financial assets at fair value through profit or loss	4,220			4,220
Deferred tax assets	47,193			47,193
Deposits paid for acquisition of property, plant and equipment	52,809			52,809
Rental deposits	<u>256</u>			<u>256</u>
	<u>15,708,771</u>			<u>16,919,801</u>
CURRENT ASSETS				
Inventories	3,206,930			3,206,930
Trade and other receivables	3,576,849			3,576,849
Trade and bills receivables at fair value through other comprehensive income	619,109			619,109
Amount due from an associate	8,828			8,828
Restricted bank deposits	582,856			582,856
Cash and cash equivalents	<u>802,291</u>		(1,986)	<u>800,305</u>
	<u>8,796,863</u>			<u>8,794,877</u>
CURRENT LIABILITIES				
Trade and other payables	7,025,977	1,211,030		8,237,007
Contract liabilities	270,584			270,584
Tax payable	106,191			106,191
Bank and other borrowings	5,104,469			5,104,469
Amount due to an associate	418,493			418,493
Lease liabilities	<u>4,200</u>			<u>4,200</u>
	<u>12,929,914</u>			<u>14,140,944</u>
NET CURRENT LIABILITIES	<u>(4,133,051)</u>			<u>(5,346,067)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>11,575,720</u>			<u>11,573,734</u>

	The Group as at 31 December 2023	Pro forma adjustments		Unaudited pro forma of Enlarged Group
	<i>HK\$ '000</i> <i>(note 1)</i>	<i>HK\$ '000</i> <i>(note 2)</i>	<i>HK\$ '000</i> <i>(note 3)</i>	<i>HK\$ '000</i>
NON-CURRENT LIABILITIES				
Bank and other borrowings	1,570,967			1,570,967
Other payables	26,697			26,697
Lease liabilities	1,169			1,169
Deferred tax liabilities	156,124			156,124
	<u>1,754,957</u>			<u>1,754,957</u>
NET ASSETS	<u><u>9,820,763</u></u>			<u><u>9,818,777</u></u>

Notes:

- (1) The amounts are extracted from the latest published consolidated financial statements of the Group for the year ended 31 December 2023.
- (2) On 3 April 2024, Truly Opto-Electronics Limited (信利光電股份有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement to further acquire the equity interests of approximately 12.55% in the Target Company for consideration of RMB1,097,460,000 from a shareholder of the Target Company, Renshou Jian No. 1 L.P..

Pursuant to the equity transfer agreement, the Consideration is required to be settled by 30 June 2024 and the Group has the right to extend the full payment of the Consideration by 31 December 2024, provided that the Consideration is subject to interest at a rate of 3.203% per annum.

Based on the estimation of the management of the Company, the Consideration of RMB1,097,460,000 (equivalent to approximately HK\$1,211,030,000) will be settled by 31 December 2024 together with the interests of RMB17,576,000 (equivalent to approximately HK\$19,395,000) for the period from 1 July 2024 to 31 December 2024.

Upon the completion of the Further Acquisition, the Group's equity interest in the Target Company will be increased from 17.14% to 29.69% but the Group continues to use the equity method to account for the results of the Target Company. The Group has significant influence over the Target Company by virtue of the substantial voting right of 67.1% granted to the Group in the first ten years since the incorporation of the Target Company in 2017, as stated in the shareholders' agreement of the Target Company. Other than the Group, there are two other shareholders in the Target Company, which is unchanged upon completion of the Further Acquisition. According to the Articles of Association of Target Company, shareholders' meeting can only be held with the presence of at least two shareholders and including the purchaser. The directors of the Company consider that the Group does not have control but only significant influence over Target Company under such a term because relevant activities of the associate is directed through shareholder's meeting and any resolutions to be passed in shareholders' meetings shall have the consent from either one of the other shareholders demonstrated by their action of being present in the meetings. Target Company is therefore classified as an associate of the Group.

For illustrative purpose, the goodwill of HK\$183,553,000 would be recognised and included in the carrying amount of the interests in an associate, being the excess of the consideration paid by the Group amounting to RMB1,097,460,000 (equivalent to HK\$1,211,030,000) over the share of carrying amount of net assets attributable to the additional interest in the Target Company amounting to RMB975,882,000 (equivalent to HK\$1,027,477,000), assuming the Further Acquisition had been completed on 31 December 2023. The share of carrying amount of net assets attributable to the additional interest in the Target Company is based on 12.55% of the net assets amounted to RMB7,775,954,000 (equivalent to approximately HK\$8,187,064,000), of the Target Company as at 31 December 2023 according to the accountants' report issued by the reporting accountants of the Target Company as set out in the Appendix II to this Circular.

For illustrative purposes, pro forma adjustment was made in the unaudited pro forma consolidated statement of assets and liabilities to reflect that the consideration of RMB1,097,460,000 (equivalent to approximately HK\$1,211,030,000), which is required to be settled within six months since the completion of the Further Acquisition, will be recognised as consideration payables and included in trade and other payables, assuming the Further Acquisition had been completed on 31 December 2023.

For illustrative purpose, the directors of the Company assessed if there is an indicator that the recoverable amount (i.e. higher of value in use and fair value less costs of disposal) is less than the carrying amount of the investment (including goodwill) in accordance with HKAS 36 "*Impairment of Assets*" ("HKAS 36") and concluded that there would have no impairment of the investment if the Further Acquisition had been completed on 31 December 2023 for the purpose of unaudited pro forma consolidated statement of assets and liabilities. The recoverable amount of the Target Company has been determined based on a value in use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period. However, should there be any adverse changes to the business of the Target Company, including but not limited to, any subsequent adverse changes in the operation, impairment may be required to be recognised against the investment in accordance with HKAS 36. The directors confirmed that they will adopt consistent approach to assess impairment of investment in subsequent periods in accordance with the requirements of HKAS 36.

- (3) The adjustment represents the estimated expenditures incurred in connection with the Further Acquisition which is charged to profit or loss of the Group including the accountancy, legal, valuation and other professional services fees to be borne by the Group of approximately HK\$1,986,000.
- (4) For the purpose of preparation of this unaudited pro forma financial information, the exchange rate as at 31 December 2023 adopted by the management of the Company is RMB90.622 to HK\$100.
- (5) Save as set out above, no other adjustments have been made to the unaudited pro forma financial information to reflect any trading results or other transactions of the Group and the Target Company entered into subsequent to 31 December 2023.