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 a 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, together with the accompanying form of proxy to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

TRULY®

TRULY INTERNATIONAL HOLDINGS LIMITED

信利國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00732)

MAJOR TRANSACTION
ACQUISITION OF EQUITY INTERESTS IN TRULY RS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

A notice convening the EGM of the Company to be held at 2/F Chung Shun Knitting Centre, 1–3 Wing Yip Street, Kwai Chung, New Territories, Hong Kong on Monday, 27 May 2024 at 11:00 a.m., is set out on pages EGM-1 to EGM-2 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, 17/F, Far East Finance Centre, 16 Harcourt Road, 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.

26 April 2024

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In this circular, the following expressions shall have the following meanings unless the context requires otherwise.

"Agreement"	the equity transfer agreement dated 3 April 2024 entered into between the Purchaser and the Vendor regarding the acquisition of approximately 12.55% equity interest in Truly RS
"Announcement"	the announcement of the Company dated 3 April 2024
"Board"	the board of directors of the Company
"Company"	Truly International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Hong Kong Stock Exchange
"connected person"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the consideration of RMB1,097,460,000 payable by the Purchaser to the Vendor for the Further Acquisition
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Agreement and the transactions thereunder
"Enlarged Group"	the Group as enlarged by Truly RS immediately upon the completion of the Further Acquisition
"Further Acquisition"	the acquisition of approximately 12.55% equity interests in Truly RS contemplated under the Agreement
"Group"	the Company and its subsidiaries
"Guarantor"	Truly Semiconductors Limited* (信利半導體有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Latest Practicable Date"	25 April 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
"Previous Acquisition"	the acquisition of 10% equity interests in Truly RS contemplated under the equity transfer agreement dated 13 December 2022 entered into between the Purchaser and the Vendor
"Purchaser"	Truly Opto-Electronics Limited* (信利光電股份有限公司), a company incorporated in the PRC and an indirect non-wholly owned subsidiary of the Company
"Relevant Acquisitions"	the Previous Acquisition and Further Acquisition
"Renshou Industries"	Renshou County Industries Investment Co., Ltd.* (仁壽縣產業投資有限公司), a limited liability company incorporated in the PRC, a shareholder of Truly RS and an independent third party of the Group
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary share(s) of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Truly RS" or "Target Company"	Truly (Renshou) High-end Display Technology Limited* (信利(仁壽)高端顯示科技有限公司), a company incorporated in the PRC and an associate of the Group
"Valuation Report"	the valuation report prepared by Asset Appraisal Limited, a firm of independent professional valuers appointed by the Purchaser

"Vendor" or "Renshou Jian No. 1 L.P."	Renshou Jian No. 1 Investment Centre Limited Partnership* (仁壽集安一號投資中心(有限合夥)), a limited partnership established in the PRC, a shareholder of Truly RS and an independent third party of the Group
"%"	per cent.

** Terms marked with "*" denote translation of company names from Chinese into English, and are for identification purposes only. In the event of inconsistency, the names in their original language prevail.*

Unless otherwise indicated, the exchange rate of RMB90.622=HK$100 has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such rate or at any other rates.

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 Wing Cheung

Non-executive Directors:
Mr. Song Bei Bei
Mr. Dai Cheng Yun

Independent non-executive Directors:
Mr. Chung Kam Kwong
Mr. Heung Kai Sing
Mr. Cheung Wai Yin, Wilson

Registered office:
PO Box 309, Ugland House,
Grand Cayman, KY1-1104,
Cayman Islands

Principal place of business in Hong Kong:
2/F Chung Shun Knitting Centre
1–3 Wing Yip Street
Kwai Chung, New Territories
Hong Kong

26 April 2024

Dear Shareholders

MAJOR TRANSACTION
ACQUISITION OF EQUITY INTERESTS IN TRULY RS

INTRODUCTION

Reference is made to the Announcement in relation to the Further Acquisition.

As disclosed in the Announcement, on 3 April 2024 (after trading hours), the Purchaser entered into the Agreement with the Vendor in relation to the Further Acquisition, pursuant to which the Purchaser has agreed to purchase, and the Vendor has agreed to sell, approximately 12.55% of the equity interests of Truly RS at a total consideration of RMB1,097,460,000.

Upon completion of the Further Acquisition, the Purchaser shall hold approximately 29.69% of the equity interests in Truly RS. Through the Purchaser, the Company will indirectly hold approximately 29.69% of the equity interests in Truly RS and Truly RS will remain as an associate of the Group. The remaining equity interests in Truly RS will be held by the Vendor and Renshou Industries as to approximately 6.02% and 64.29%, respectively.

The purpose of this circular is to provide you with, among others, (i) further details of the Agreement and the Further Acquisition; (ii) financial information of Truly RS; (iii) unaudited pro-forma financial information of the Enlarged Group; (iv) details of the Valuation Report; (v) other information as required under the Listing Rules; and (vi) notice of the EGM.

THE AGREEMENT

Set out below are the principal terms of the Agreement:

Date

3 April 2024 (after trading hours)

Parties

(1) Renshou Jian No. 1 L.P. (as Vendor)

(2) Truly Opto-Electronics Limited* (信利光電股份有限公司), an indirect non-wholly owned subsidiary of the Company (as Purchaser)

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Vendor and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons.

As at the Latest Practicable Date, Truly RS is held as to approximately 17.14% by the Purchaser, approximately 18.57% by the Vendor, and approximately 64.29% by Renshou Industries. Truly RS is an associate of the Group and has been accounted for in the consolidated financial statements of the Group using equity method. See below section headed "Information of the Parties" for details.

Subject matter

Pursuant to the Agreement, the Purchaser has agreed to purchase, and the Vendor has agreed to sell, approximately 12.55% of the equity interests of Truly RS at a total consideration of RMB1,097,460,000.

Consideration and payment terms

The total consideration of Further Acquisition is RMB1,097,460,000, which shall be settled by the Purchaser in the following manner:

1. The Purchaser shall pay the entire Consideration to the Vendor on or before 30 June 2024 (the "**Payment Date**").

2. The Purchaser has the right to delay the full payment of the Consideration to 31 December 2024, provided that the Purchaser shall pay the Vendor the interest of the Consideration at a rate of 3.203% per annum.

3. Should the Purchaser opt to make an advance payment before the Payment Date, the Vendor shall reduce the Consideration accordingly. The reduction amount will be calculated based on the amount paid in advance, applying an annualized interest rate of 3.203% for the period from the date of the advance payment (inclusive) to the Payment Date (inclusive).

4. If the Agreement comes into effect after the Payment Date, the Purchaser shall complete the payment within five (5) days from the effective date of the Agreement, with the interest for delayed payment accrued from the day after the Payment Date to the day of full payment at a rate of 3.203% per annum.

5. If the Vendor receives any cash dividend from the relevant equity interest of Truly RS prior to the transfer of the same to the Purchaser, the Consideration shall be adjusted by deducting the amount of the dividend received from the Consideration.

6. No further adjustments to the Consideration will be made for any changes in the profits, losses, or net assets value of Truly RS from the date of the Agreement until the completion of the Further Acquisition.

The Consideration shall be paid by the Group's internal resources.

Based on the estimation of the management of the Company, the Company currently expects to exercise the right to delay the full payment of the Consideration and shall make the full payment of the Consideration on or before 31 December 2024.

Basis of Consideration of the Further Acquisition

The Consideration was determined upon arm's length negotiations between the parties to the Agreement after taking into account (1) the business operation of Truly RS, which has steadily increased its production capacity and utilization rate following the completion of the main construction of its fifth-generation TFT-LCD plant in Renshou County in 2018, achieving over 90% capacity utilization in 2023; (2) the business development prospects of Truly RS, which are promising given its established production base that recently planned to make an approximately RMB 600 million investment in equipment, anticipated to increase the capacity utilization rate by 20% and continuous improvements in operational efficiency; (3) the book value of the net asset value of Truly RS of approximately RMB7,775,954,000 as of 31 December 2023; (4) the valuation of the fair value of 12.55% equity interests of Truly RS of approximately RMB992,000,000 as at 1 March 2024 by an independent valuer based on market approach using guideline public company method where the public companies selected are those mainly engaged in flat panel display related businesses in the PRC as shown in the Valuation Report; and (5) the share structure and strategic influence of Truly RS, where upon completion of the Further Acquisition, the Group, as the second largest shareholder, will increase its equity interests in Truly RS from 17.14% to 29.69%. This will give the Group greater influence over Truly RS and ensure the ongoing supply of TFT-LCD products from Truly RS to the Group, putting aside the 67.1% voting rights already held by the Group within the first ten years since the incorporation of Truly RS in 2017.

The difference between the net asset value and the valuation of the fair value of Truly RS is approximately RMB128,428,470. The net asset value generally reflected historical financial information of Truly RS, including its assets which were mainly recorded at cost (less applicable depreciation and amortization) rather than their respective fair values. In contrast, the valuation of Truly RS is based on the company's EBITDA for the trailing 12-month period ended 30 June 2023 multiplied by a EV-to-EBITDA Ratio using a market approach. Accordingly, the valuation does not necessarily reflect the historical costs of assets recorded in the accounts of the company.

Despite the difference of approximately RMB105,460,000 between the valuation of the 12.55% equity interests of Truly RS and the Consideration, given the business operation and the promising business development prospects of Truly RS, as well as the Group's greater influence over Truly RS following the Further Acquisition, the Directors are of the view that the Consideration is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Effective date

The Agreement shall become effective on the date when approvals are obtained from the Purchaser's competent stock exchange, regulatory authorities, board of directors, and shareholders' meeting (if applicable), following the signing by the duly authorized representatives of the parties and the affixing of the company seal.

Completion

The completion of the Further Acquisition shall take place on the date when all Consideration has been paid by the Purchaser to the Vendor.

Guarantee

The Guarantor, an indirect wholly-owned subsidiary of the Company, has agreed to guarantee the obligations of the Purchaser to pay the Consideration together with the interests accrued thereon (if any) and any other compensation, damages and expenses payable by the Purchaser in accordance with the terms of the Agreement, pursuant to the Guarantee Agreement entered into between the Guarantor and the Vendor on 3 April 2024.

REASONS FOR AND BENEFITS OF THE FURTHER ACQUISITION

We established Truly RS to enhance our production capacities and satisfy the growing demand from our customers for advanced TFT-LCD display products. Reference is made to the announcement of the Company dated 16 June 2017 in relation to the formation of a joint venture company and the announcement dated 8 September 2017 regarding update on the formation of a joint venture company. In 2017, the Group entered into a joint venture agreement with Renshou County People's Government, Renshou Industries, and Sichuan Province Integrated Circuit and Information Security Industry 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), an independent third party of the Group and a limited partner of the Vendor, to develop a fifth generation thin-film transistor liquid-crystal display (TFT-LCD) production line, capable of producing high-end displays including amorphous silicon (α-Si), oxide, and low-temperature polysilicon (LTPS) TFT-LCD displays. As a result, Truly RS was incorporated on 8 September 2017 with its equity interests held by Truly Electronics Manufacturing Limited* (信利電子有限公司), an indirect wholly-owned subsidiary of the Company, Renshou Industries and the Vendor as to approximately 7.14%, 64.29% and 28.57%, respectively.

The performance of TFT-LCD display production of Truly RS has been improving over the years following the completion of the main construction of its fifth-generation TFT-LCD plant in Renshou County in 2018. After the installation of main machines in 2020 and the commencement of mass production in 2021, both the production capacity and the capacity utilization rate have increased steadily, with a utilization rate reaching over 90% in 2023.

The α-Si TFT-LCD line of Truly RS has significantly enhanced our output and market share in the smartphone display sector, effectively meeting the precise demands of global smartphone manufacturers. Additionally, the LTPS TFT-LCD line of Truly RS, dedicated to automotive displays, offers key advantages such as high brightness and narrow bezels, crucial for modern vehicle interfaces.

Considering the promising business development prospects of Truly RS, given its established production base and continuous improvements in operational efficiency, the Group is optimistic about its future prospects. Accordingly, the Group decided to increase its shareholding in Truly RS. Currently, the Group does not have any intention to acquire additional interest in Truly RS.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Agreement, the Guarantee Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION OF THE PARTIES

The Group

The Group is primarily engaged in the business of, among other things, manufacturing and sales of liquid crystal display (“**LCD**”) products, touch panels, compact camera modules, fingerprint identification modules, printed circuit board products, personal health care products and electrical devices.

The Purchaser

The Purchaser is an indirect non-wholly owned subsidiary of the Group and is primarily engaged in the business of manufacturing and sales of touch panels and compact camera modules.

The Guarantor

The Guarantor is an indirect wholly-owned subsidiary of the Company and is primarily engaged in the business of manufacturing and sales of LCD products.

The Vendor

The Vendor is a limited partnership incorporated in the PRC and owned by (a) Sichuan Development Xingzhan Industry Guidance Equity Investment Fund Partnership (Limited Partnership)* (四川發展興展產業引導股權投資基金合夥企業(有限合夥)), (b) Sichuan Province Integrated Circuit and Information Security Industry 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), (c) Renshou Industries and (d) Sichuan Hong Core Equity Investment Fund Management Limited* (四川弘芯股權投資基金管理有限公司), which is also the Vendor's executive partner. Party (a) and party (b) above are registered investment funds registered with the Asset Management Association of China. The executive partner of party (a) above is Sichuan Hong Yuan Emerging Industry Equity Investment Fund Management Limited* (四川弘遠新興產業股權投資基金管理有限公司). The fund manager of party (b) above is party (d). The ultimate beneficial owner of party (c) above is Renshou County State-Owned Assets and Finance Bureau* (仁壽縣國有資產和金融工作局). Party (d) above is ultimately controlled by Sichuan Development Holding Co., Ltd. (四川發展(控股)有限責任公司), which is a state-owned company solely owned by the People's Government of Sichuan province.

The Vendor is established for the sole purpose to invest in Truly RS.

Truly RS

Truly RS is a company incorporated in the PRC and is an associate of the Group. As at the Latest Practicable Date, Truly RS is held as to 17.14% by the Purchaser, approximately 18.57% by the Vendor, and approximately 64.29% by Renshou Industries. Recognizing the Group's leadership in the semiconductor industry and its essential role in advancing Truly RS's core business development, the Vendor and Renshou Industries have enabled the Group to take comprehensive management responsibilities to ensure operational stability, while other shareholders participate only in major decision-making. Additionally, Renshou Industries has authorized the Group to exercise 60% of the voting rights to enhance day-to-day operational efficiency. As a result, the Group has significant influence over Truly RS with a total of 67.1% of the voting rights, including the 60% authorized by Renshou Industries within the first ten years since the incorporation of Truly RS in 2017. Renshou Industries and the Vendor hold voting rights of 4.3% and 28.6%, respectively. According to the articles of Truly RS, shareholders' meeting can only be held with the presence of at least two shareholders and including the Purchaser. The Directors consider that the Group does not have control but only significant influence over Truly RS under such a term because relevant activities of the associate is directed through shareholders' 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. Truly RS is therefore classified as an associate of the Group.

Upon completion of the Further Acquisition, the Purchaser shall hold approximately 29.69% of the equity interests in Truly RS. Through the Purchaser, the Company will indirectly hold approximately 29.69% of the equity interests in Truly RS and Truly RS will remain as an associate of the Group; and be accounted for in the consolidated financial statements of the Group using equity method. The remaining equity interests in Truly RS will be held by the Vendor and Renshou Industries as to approximately 6.02% and 64.29%, respectively.

Truly RS is primarily engaged in the business of manufacturing and sales LCD products.

For the two years ended 31 December 2022 and 2023, extract of key items from the financial information of Truly RS as set out in Appendix II are as follows:

	For the year ended/ As at 31 December 2022	**For the year ended/ As at 31 December 2023**
	RMB'000	*RMB'000*
Revenue	1,857,020	2,329,722
Profit before taxation	182,542	292,258
Profit for the year	158,034	247,515
Total assets	10,779,725	11,710,540
Net assets	7,528,439	7,775,954

EFFECT OF THE FURTHER ACQUISITION ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

Upon completion of the Further Acquisition, the Purchaser's equity interest in Truly RS will be increased from 17.14% to 29.69%. Truly RS will remain as an associate of the Company, and the financial results of Truly RS will be accounted for in the Group's consolidated financial statements using equity method. As referred to in the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, the financial effects of the Further Acquisition on the Group as if the Further Acquisition had been completed on 31 December 2023 would be as follows:

(a) As for assets and liabilities of the Group, the interests in associate and total assets would increase by approximately RMB1,097,460,000 (equivalent to HK$1,211,030,000) while trade and other payables and total liabilities would increase by approximately RMB1,097,460,000 (equivalent to HK$1,211,030,000) upon the completion of the Further Acquisition.

(b) The Group would incur expenditures 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. Therefore, the cash and cash equivalents and total assets would decrease by approximately HK$1,986,000 while the other reserves and total equity would decrease by approximately HK$1,986,000.

As the above information is for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the results and financial position of the Enlarged Group for any future financial periods or dates.

For details of the unaudited pro forma financial information on the Enlarged Group immediately following completion of the Further Acquisition, please refer to Appendix IV to this circular.

LISTING RULES IMPLICATIONS

As the Further Acquisition is proposed to be made by the Group within a 12-month period after the Previous Acquisition, and the Relevant Acquisitions are both with respect to the acquisition of equity interests of Truly RS by the Purchaser from the Vendor, the Relevant Acquisitions are aggregated as a series of transactions pursuant to Rule 14.22 of the Listing Rules. As one or more of the relevant applicable percentage ratios (as defined under the Listing Rules) in respect of the Relevant Acquisitions, on an aggregate basis, exceeds 25% but is less than 100%, the Relevant Acquisitions constitute a major transaction of the Company under Chapter 14 of the Listing Rules and will be subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

EGM

The Company will seek approval at the EGM for the Agreement. As far as the Directors are aware, none of the Shareholders has a material interest in the Agreement which is different from those of other Shareholders. As such, no Shareholder is required to abstain from voting in respect of the proposed resolution to approve the Agreement at the EGM.

A notice convening the EGM to be held at 2/F Chung Shun Knitting Centre, 1–3 Wing Yip Street, Kwai Chung, New Territories, Hong Kong, at 11:00 a.m. on Monday, 27 May 2024 is set out on pages EGM-1 to EGM-2 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.

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, 17/F, Far East Finance Centre, 16 Harcourt Road, 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.

RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the view that the terms of the Agreement, the Guarantee Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Accordingly, the Directors (including the independent non-executive Directors) recommend the shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Agreement, the Guarantee Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

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

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

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for the three years ended 31 December 2023 together with the relevant notes thereto are disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (https://www.truly.com.hk):

- pages 58 to 196 in the annual report of the Company for the year ended 31 December 2021 published on 22 April 2022 (https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0422/2022042200576.pdf)
- pages 54 to 192 in the annual report of the Company for the year ended 31 December 2022 published on 17 April 2023 (https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0417/2023041700393.pdf)
- pages 52 to 168 in the annual report of the Company for the year ended 31 December 2023 published on 18 April 2024 (the "**2023 Annual Report**") (https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0418/2024041800426.pdf)

Each of the said consolidated financial statements of the Group is incorporated by reference to this circular and forms part of this circular.

2. INDEBTEDNESS

Save as disclosed below and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at 29 February 2024, 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 (other than normal trade bills) or acceptance credits, mortgages, charges, debentures, loan capital, guarantees or significant contingent liabilities.

Bank and other borrowings

As at 29 February 2024, the Group had total outstanding bank and other borrowings of approximately HK$6,976.5 million, amongst which approximately HK$2,699.2 million were unsecured and guaranteed by the Company and certain subsidiaries of the Company and HK$4,277.3 million were unsecured and unguaranteed.

Lease liabilities

As at 29 February 2024, the Group had lease liabilities with carrying amount of HK$1.1 million, which was secured by our rental deposits and unguaranteed.

Contingent liabilities

As at 29 February 2024, the Group had no significant contingent liabilities.

3. WORKING CAPITAL SUFFICIENCY

The Directors are of the opinions that, in the absence of unforeseeable circumstances and having regard to the financial resources available to the Group, including internally generated funds and available bank facilities, the Group will have sufficient working capital for its present requirements for the next twelve months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

The Directors are of the opinion that there was no material adverse change in the financial or trading position of the Group since 31 December 2023, being the date to which the latest published audited accounts of the Group have been made up, and up to the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Directors are of the view that upon completion of the Further Acquisition, Truly RS will enhance the competitive advantage of the Enlarged Group in the PRC. The Further Acquisition is in line with the Group's on-going expansion strategy which will further strengthen the financial performance of the Group.

Looking ahead to 2024, the global economic environment remains uncertain and the competitive environment is full of challenges. The management will uphold a cautiously optimistic attitude, and keep abreast of the development of technological demand and changes in the supply chain of the display and non-display business market, as well as pursue the continuous upgrading of R&D technology and production processes. The Group will maintain close communication with customers of various products, provide them with high-quality products and solutions to achieve steady expansion and business growth. Meanwhile, the Group will also continue to tighten our control over costs and expenses. With a significant increase in sales in the first two months of 2024 as compared to that of 2023, the Directors are of the view that the Group will achieve steady growth in results in 2024.

After publication of the 2023 Annual Report, other than the Further Acquisition, the Group has not acquired or agreed to acquire or is proposing to acquire a business or an interest in the share capital of a company whose profits or assets make or will make a material contribution to the figures in the Company's accountants' report or next published account of the Company. The Company will comply with the relevant requirements under the Listing Rules if and when any of such transactions materialize.

The following is the text of a report set out on pages II-1 to II-37, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF TRULY (RENSHOU) HIGH-END DISPLAY TECHNOLOGY LIMITED TO THE DIRECTORS OF TRULY INTERNATIONAL HOLDINGS LIMITED

Introduction

We report on the historical financial information of Truly (Renshou) High-end Display Technology Limited* (信利(仁壽)高端顯示科技有限公司) (the "**Target Company**") set out on pages II-3 to II-37, which comprises the statements of financial position of the Target Company as at 31 December 2021, 2022 and 2023, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of the Target Company for each of the three years ended 31 December 2023 (the "**Relevant Periods**") and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-3 to II-37 forms an integral part of this report, which has been prepared for inclusion in the circular of Truly International Holdings Limited (the "**Company**") dated 26 April 2024 (the "**Circular**") in connection with the acquisition of approximately 12.55% equity interests in the Target Company.

Directors' responsibility for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 3 to the Historical Financial Information, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of the Circular in which the Historical Financial Information of the Target Company is included, and such information is prepared based on the accounting policies materially consistent with those of the Company.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

* *For identification purposes only*

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 3 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Target Company, as well as evaluating the overall presentation of the Historical 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 the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Company's financial position as at 31 December 2021, 2022 and 2023, and of the Target Company's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in note 3 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-3 have been made.

Dividends

We refer to note 10 to the Historical Financial Information which states that no dividend was declared or paid by the Target Company in respect of the Relevant Periods.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 April 2024

HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Company for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand ("**RMB'000**") except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
	NOTES	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*
Revenue	*5*	1,745,432	1,857,020	2,329,722
Cost of sales		(1,489,234)	(1,844,840)	(2,511,411)
Gross profit (loss)		256,198	12,180	(181,689)
Other income	*6*	52,054	312,650	675,943
Other gains and losses, net	*6*	729	1,575	(12,522)
Distribution and selling expenses		(3,567)	(4,941)	(2,110)
Administrative expenses		(101,967)	(97,331)	(94,731)
Finance costs	*7*	(9,947)	(41,591)	(92,633)
Profit before taxation		193,500	182,542	292,258
Income tax expense	*8*	(16,680)	(24,508)	(44,743)
Profit and total comprehensive income for the year	*9*	176,820	158,034	247,515

STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	NOTES	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*12*	9,220,613	8,867,551	8,368,652
Right-of-use assets	*13*	62,395	58,057	56,778
Long-term receivables	*16*	—	—	296,688
Deposits paid for acquisition of property, plant and equipment	*14*	94,119	28,998	29,055
Loan receivables from related parties	*25*	512,161	536,330	549,654
		9,889,288	9,490,936	9,300,827
CURRENT ASSETS				
Inventories	*15*	168,642	215,325	311,448
Trade and other receivables	*16*	639,954	237,131	733,170
Amounts due from related parties	*25*	743,153	768,154	1,346,886
Restricted bank deposits	*17*	124,670	—	4,672
Bank balances	*17*	93,236	68,179	13,537
		1,769,655	1,288,789	2,409,713
TOTAL ASSETS		11,658,943	10,779,725	11,710,540
CURRENT LIABILITIES				
Trade and other payables	*18*	962,432	766,648	873,316
Contract liabilities	*19*	82,640	49,031	87,169
Amounts due to related parties	*25*	313,819	123,785	249,742
Bank and other borrowings due within one year	*20*	1,222,644	1,513,161	1,494,684
		2,581,535	2,452,625	2,704,911
NET CURRENT LIABILITIES		(811,880)	(1,163,836)	(295,198)
TOTAL ASSETS LESS CURRENT LIABILITIES		9,077,408	8,327,100	9,005,629

		As at 31 December		
	NOTES	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES				
Bank and other borrowings due after one year	*20*	1,664,687	731,837	1,118,108
Deferred tax liabilities	*21*	42,316	66,824	111,567
		1,707,003	798,661	1,229,675
TOTAL LIABILITIES		4,288,538	3,251,286	3,934,586
NET ASSETS		7,370,405	7,528,439	7,775,954
CAPITAL AND RESERVES				
Paid-up capital	*22*	7,000,000	7,000,000	7,000,000
Reserves		370,405	528,439	775,954
TOTAL EQUITY		7,370,405	7,528,439	7,775,954

STATEMENTS OF CHANGES IN EQUITY

	Paid-up capital *RMB'000*	Statutory reserve *RMB'000* *(note)*	Retained profits *RMB'000*	Total *RMB'000*
At 1 January 2021	7,000,000	102	193,483	7,193,585
Profit and total comprehensive income for the year	—	—	176,820	176,820
Appropriation to reserve	—	2,944	(2,944)	—
At 31 December 2021	7,000,000	3,046	367,359	7,370,405
Profit and total comprehensive income for the year	—	—	158,034	158,034
Appropriation to reserve	—	864	(864)	—
At 31 December 2022	7,000,000	3,910	524,529	7,528,439
Profit and total comprehensive income for the year	—	—	247,515	247,515
Appropriation to reserve	—	848	(848)	—
At 31 December 2023	7,000,000	4,758	771,196	7,775,954

Note: The statutory reserve represents the amount transferred from net profit for the year of the Target Company, which was established in the People's Republic of China (the "**PRC**"), based on the financial statements of the Target Company prepared in accordance with the China Accounting Standards for Business Enterprise, in accordance with the relevant PRC laws until the statutory surplus reserve reaches 50% of its registered capital. The statutory surplus reserve cannot be reduced except either use to set off the accumulated losses or increase capital.

STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
OPERATING ACTIVITIES			
Profit before taxation	193,500	182,542	292,258
Adjustments for:			
Depreciation of property, plant and equipment	433,283	549,763	551,560
Depreciation of right-of-use assets	1,344	1,333	1,279
(Reversal of) allowance for inventories	(2,586)	75,436	(67,743)
(Gain) loss on disposal/write-off of property, plant and equipment and right-of-use assets	—	(4,294)	11,729
Interest income	(19,360)	(30,050)	(73,545)
Finance costs	9,947	41,591	92,633
Operating cash flows before movements in working capital	616,128	816,321	808,171
Decrease (increase) in inventories	111,607	(122,119)	(28,380)
Decrease (increase) in trade and other receivables	244,553	402,823	(792,727)
(Increase) decrease in trade amounts due from related parties	(78,646)	104,702	40,968
(Decrease) increase in trade and other payables	(30,214)	(110,763)	438,322
Increase (decrease) in contract liabilities	33,180	(33,609)	38,138
(Decrease) increase in trade amounts due to related parties	(57,550)	(804)	154,427
NET CASH FROM OPERATING ACTIVITIES	839,058	1,056,551	658,919

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
INVESTING ACTIVITIES			
Placement of restricted bank deposits	(124,670)	—	(4,672)
Withdrawal of restricted bank deposits	—	124,670	—
Purchase and deposits paid for property, plant and equipment	(647,899)	(169,699)	(350,183)
Proceeds from disposal of property, plant and equipment and right-of-use assets	—	11,808	—
Government grant received	—	31,212	—
Interest income received	19,360	30,050	73,545
Advances to related parties	(700,000)	(1,020,000)	(1,320,000)
Repayment from related parties	26,969	866,128	686,976
NET CASH USED IN INVESTING ACTIVITIES	(1,426,240)	(125,831)	(914,334)
FINANCING ACTIVITIES			
New bank and other borrowings raised	1,111,000	610,000	1,972,178
Repayment of bank and other borrowings	(634,588)	(1,215,085)	(1,564,935)
Interest paid	(191,347)	(161,462)	(178,000)
Advances from related parties	269,942	118,888	21,000
Repayments to related parties	(3,210)	(308,118)	(49,470)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	551,797	(955,777)	200,773
NET DECREASE IN CASH AND CASH EQUIVALENTS	(35,385)	(25,057)	(54,642)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	128,621	93,236	68,179
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances	93,236	68,179	13,537

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target Company was established in the PRC with limited liability on 8 September 2017. The addresses of the registered office and principal places of business of the Target Company are Wenlin Industrial Zone, 1 Xinli Road, Renshou Town, Meishan City, Sichuan Province, the PRC.

The shareholders of the Target Company are Renshou County Industries Investment Co., Ltd. (仁壽縣產業投資有限公司) ("**Renshou Industries**"), 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.**") and Truly Opto-Electronics Limited (信利光電股份有限公司), a subsidiary of the Company, which was incorporated as an exempted company with limited liability in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (together with its subsidiaries refer to as "**Truly Group**"), and owned as to 64.29%, 18.57% and 17.14% of the Target Company, respectively. Renshou Industries are indirectly held by Renshou Development Investment Group Co., Ltd. (仁壽發展投資集團有限公司), a state-owned entity (together with Renshou Industries and Renshou Jian No. 1 L.P. refer to as "**Renshou Shareholders**").

The Target Company is engaged in manufacturing and sales of LCD products.

The Historical Financial Information is presented in RMB, which is the same as the functional currency of the Target Company.

The statutory financial statements of the Target Company for each of the years ended 31 December 2021 and 2022 prepared in accordance with relevant accounting principles and financial regulations applicable to the enterprises in the PRC were audited by ShineWing Certified Public Accountants (Special General Partnership) Sichuan Branch, certified public accountants registered in the PRC. The statutory financial statements of the Target Company for the year ended 31 December 2023 prepared in accordance with relevant accounting principles and financial regulations applicable to the enterprises in the PRC were audited by Yongtuo Certified Public Accountants (Special General Partnership) Sichuan Branch, certified public accountants registered in the PRC.

2. APPLICATION OF HKFRSs

For the purpose of preparing the Historical Financial Information for the Relevant Periods, the Target Company has consistently applied the accounting policies which conform with HKFRSs issued by the HKICPA, that are effective for the accounting period beginning on 1 January 2023 throughout the Relevant Periods.

Amendments to HKFRSs in issue but not yet effective

The Target Company has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

The directors of the Target Company anticipate that the application of the above amendments to HKFRSs will have no material impact on the financial performance and positions of the Target Company in the foreseeable future.

3. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION AND MATERIAL ACCOUNTING POLICY INFORMATION

The Historical Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

3.1 Basis of preparation of Historical Financial Information

Going concern

As at 31 December 2023, the Target Company had net current liabilities of approximately RMB295,198,000. The directors of the Target Company have carefully assessed the Target Company's liquidity position by taking into account: (a) included in the current liabilities were the contract liabilities of approximately RMB87,169,000 with no expected future cash outflows; and (b) Renshou Industries has committed to provide financial support to the Target Company to meet in full its financial obligations as and when they fall due for at least the next twelve months from date of this report. The directors of the Target Company believe that the Target Company has adequate resources to continue operations and meet its liabilities as at when they fall due for the foreseeable future of not less than 12 months from the date of this report. Therefore, the directors of the Target Company are of opinion that it is appropriate to prepare the Historical Financial Information on a going concern basis.

3.2 Material accounting policy information

The Historical Financial Information has been prepared on the historical cost basis, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Revenue from contracts with customers

The Target Company recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A receivable represents the Target Company's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Target Company's obligation to transfer goods or services to a customer for which the Target Company has received consideration (or an amount of consideration is due) from the customer.

Information about Target Company's accounting policies relating to contracts with customers is provided in note 5.

Property, plant and equipment

Property, plant and equipment in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below), are stated in the statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Target Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their estimated useful lives, using the reducing balance/straight-line methods. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use assets

The cost of right-of-use assets includes the amount of the initial measurement of lease liability.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses.

Right-of-use assets are depreciated on a straight-line basis over the lease term.

The Target Company presents right-of-use assets as a separate line item on the statements of financial position.

Impairment on property, plant and equipment and right-of-use assets

At the end of each reporting period, the Target Company reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment and right-of-use assets is estimated individually. When it is not possible to estimate the recoverable amount individually, the Target Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Target Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised at fair value in profit or loss on a systematic basis over the periods in which the Target Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Target Company should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Target Company with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Target Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Company expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Target Company must incur to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when the Target Company becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 *Revenue from Contracts with Customers* ("**HKFRS 15**"). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of financial asset from the beginning of each reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets subject to impairment assessment under HKFRS 9 *Financial Instruments* ("HKFRS 9")

The Target Company performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and other receivables, loan receivables from related parties, amounts due from related parties, restricted bank deposits and bank balances) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Target Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at each reporting date as well as the forecast of future conditions.

The Target Company always recognises lifetime ECL for trade receivables and trade related balances with related parties.

For all other instruments, the Target Company measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Target Company recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Target Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Target Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Irrespective of the outcome of the assessment, the Target Company presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Target Company has reasonable and supportable information that demonstrates otherwise.

The Target Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Target Company considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Company, in full (without taking into account any collaterals held by the Target Company).

Irrespective of the above, the Target Company considers that default has occurred when the instrument is more than 90 days past due unless the Target Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Target Company in accordance with the contract and the cash flows that the Target Company expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Target Company recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Target Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Target Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, amounts due to related parties, and bank and other borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Target Company derecognises financial liabilities when, and only when, the Target Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Company's accounting policies, the management of the Target Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next twelve months.

Estimated impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at cost less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Target Company has to exercise judgment and make estimation, particularly in assessing: (i) whether an event has occurred or any indicators that may affect the asset value; (ii) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (iii) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 December 2021, 2022 and 2023, the carrying amounts of property, plant and equipment and right-of-use assets subject to impairment assessment in aggregate were RMB9,283,008,000, RMB8,925,608,000 and RMB8,425,430,000, respectively. Based on the impairment assessment, no impairment loss is considered necessary.

Allowance for inventories

Inventories are carried at the lower of cost and net realisable value at the end of each reporting period. Net realisable value is determined on the basis of the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The management estimates the net realisable value for inventories based primarily on the latest invoice prices, current market conditions, historical experience on selling similar inventories and physical conditions of the inventories. When there is a downward trend in the market, the selling price of the finished goods may decrease which imposes pressures to the net realisable values. In addition, the management performs an inventory review at the end of each reporting period and assesses the need for write down of inventories.

As at 31 December 2021, 2022 and 2023, the carrying amount of the inventories amounted to RMB168,642,000, RMB215,325,000 and RMB311,448,000, respectively, after taking into account for the allowance for inventories of RMB675,000, RMB76,111,000 and RMB8,368,000, as at 31 December 2021, 2022 and 2023, respectively.

5. REVENUE

Disaggregation of revenue from contract with customers by types of products is analysed as follows:

	Year ended 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Types of goods			
Sales of LCD products — Recognised at a point in time	1,745,432	1,857,020	2,329,722

The Target Company is principally engaged in manufacturing and sales of LCD products. The Target Company recognises the revenue at a point in time when the control of products is transferred to the customer, i.e. when the goods have been delivered to customer's specific location. A receivable is recognised by the Target Company when the goods are delivered to the customer's premises as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. The customers have neither right of return nor rights to defer or avoid payment for the goods once they are accepted by the customers. The normal credit period is 30 to 90 days upon delivery.

During the Relevant Periods, all performance obligations for sales of LCD products are for period of one year or less. As permitted under HKFRS 15, the transaction price allocated to unsatisfied performance obligations as at 31 December 2021, 2022 and 2023 are not disclosed.

6. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	Year ended 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Other income			
Government grants *(note 16)*	10,351	256,383	577,758
Bank interest income	9,060	13,397	5,645
Interest income from amounts due from related parties *(note 25)*	10,300	16,653	67,900
Lease income	21,954	24,542	24,615
Others	389	1,675	25
	52,054	312,650	675,943
Other gains and losses, net			
Gain (loss) on disposal/write-off of property, plant and equipment and right-of-use assets *(note)*	—	4,294	(11,729)
Net exchange gain (loss)	1,249	(1,194)	(778)
Others	(520)	(1,525)	(15)
	729	1,575	(12,522)

Note: During the year ended 31 December 2022, the Target Company entered into an agreement with the relevant government authority in Sichuan Province, the PRC, pursuant to which land use rights of certain parcels of land in Renshou Town, Sichuan Province, the PRC, together with certain structures and other assets thereon, were resumed by the relevant government authority at a consideration by way of cash compensation of RMB11,808,000 (the "**Land Resumption**"). The carrying amounts of the relevant land use rights and property, plant and equipment are RMB4,509,000 and RMB3,005,000, respectively, were derecognised as a result of the Land Resumption and a net gain of RMB4,294,000 was recognised and included in the gain on disposal of property, plant and equipment and right-of-use assets for the year ended 31 December 2022.

7. FINANCE COSTS

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank and other borrowings	162,237	116,098	138,531
Interest on loan from related parties *(note 25)*	6,376	8,116	20
	168,613	124,214	138,551
Less: Capitalised in the cost of qualifying assets	(158,666)	(82,623)	(45,918)
	9,947	41,591	92,633

Borrowing costs capitalised during the years ended 31 December 2021, 2022 and 2023 that arose on the general borrowing pool are calculated by applying a capitalisation rate of 6.62%, 6.46% and 5.73% per annum, respectively, to expenditures on qualifying assets.

8. INCOME TAX EXPENSE

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Current tax in the PRC			
Enterprise income tax ("**EIT**")	—	—	—
Deferred tax *(note 21)*	16,680	24,508	44,743
	16,680	24,508	44,743

The Target Company, which was registered in Sichuan Province and regarded as advanced technology enterprise by local tax bureau, is entitled to the PRC income tax at a preferential rate of 15% since 1 January 2021 to 15 December 2024.

No provision for the EIT was made for the years ended 31 December 2021 and 2023 since the Target Company had no assessable profits for the respective years.

No provision for the EIT was made for the year ended 31 December 2022 since the Target Company had unutilised tax loss to offset the assessable profit for the year.

The income tax expense for the Relevant Periods can be reconciled to the profit before taxation for the statements of profit or loss and other comprehensive income are as follows:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation	193,500	182,542	292,258
Tax at EIT rate of 15%	29,025	27,381	43,839
Tax effect of expenses not deductible for tax purpose	83	1,702	6,038
Tax effect of additional deduction of research and development expenses incurred *(note)*	(12,428)	(4,575)	(5,134)
Income tax expense for the year	16,680	24,508	44,743

Note: The eligible research and development costs incurred in the PRC and charged to profit or loss is subject to an additional 100% tax deduction in the calculation of income tax expense for the Relevant Periods.

9. PROFIT FOR THE YEAR

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year has been arrived at after charging (crediting):			
Auditors' remuneration	150	138	150
Staff's salaries and other benefits	142,376	133,917	130,405
Staff's retirement benefit contributions	8,075	9,271	9,211
	150,451	143,188	139,616
Less: Amount capitalised in inventories	(2,967)	(10,516)	(12,144)
	147,484	132,672	127,472
Depreciation of property, plant and equipment	433,283	549,763	551,560
Less: Amount capitalised in inventories	(11,181)	(54,595)	(63,102)
	422,102	495,168	488,458
Depreciation of right-of-use assets	1,344	1,333	1,279
Cost of inventories recognised as cost of sales	1,262,471	1,613,051	2,461,964
Research and development costs included in cost of sales	82,854	87,624	88,463
(Reversal of) allowance for inventories recognised as cost of sales	(2,586)	75,436	(67,743)

10. DIVIDENDS

No dividend was declared or paid by the Target Company during the Relevant Periods.

11. EARNINGS PER SHARE

Earnings per share has not been presented as its inclusion is not considered meaningful for the purpose of the Historical Financial Information in this report.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
COST						
At 1 January 2021	1,480,068	1,969,688	1,778,966	2,728	3,960,587	9,192,037
Additions	—	12,072	6,080	170	562,676	580,998
Finance costs capitalised	—	—	—	—	158,666	158,666
Transfer upon completion	465,150	443,545	2,173,053	—	(3,081,748)	—
At 31 December 2021	1,945,218	2,425,305	3,958,099	2,898	1,600,181	9,931,701
Additions	—	3,846	5,000	—	140,953	149,799
Finance costs capitalised	—	—	—	—	82,623	82,623
Government grant received *(note a)*	—	—	—	—	(31,212)	(31,212)
Transfer upon completion	—	1,538	590,181	—	(591,719)	—
Disposals *(note b)*	—	—	(6,106)	—	—	(6,106)
At 31 December 2022	1,945,218	2,430,689	4,547,174	2,898	1,200,826	10,126,805
Additions	—	3,366	241	—	14,865	18,472
Finance costs capitalised	—	—	—	—	45,918	45,918
Transfer upon completion	—	—	354,952	—	(354,952)	—
Disposals/write-off	—	—	(14,530)	—	—	(14,530)
At 31 December 2023	1,945,218	2,434,055	4,887,837	2,898	906,657	10,176,665
DEPRECIATION						
At 1 January 2021	49,179	78,150	149,164	1,312	—	277,805
Provided for the year	43,310	62,377	327,146	450	—	433,283
At 31 December 2021	92,489	140,527	476,310	1,762	—	711,088
Provided for the year	48,630	73,042	427,750	341	—	549,763
Eliminated on disposals *(note b)*	—	—	(1,597)	—	—	(1,597)
At 31 December 2022	141,119	213,569	902,463	2,103	—	1,259,254
Provided for the year	48,630	71,698	430,993	239	—	551,560
Eliminated on disposals/ write-off	—	—	(2,801)	—	—	(2,801)
At 31 December 2023	189,749	285,267	1,330,655	2,342	—	1,808,013
CARRYING AMOUNTS						
At 31 December 2021	1,852,729	2,284,778	3,481,789	1,136	1,600,181	9,220,613
At 31 December 2022	1,804,099	2,217,120	3,644,711	795	1,200,826	8,867,551
At 31 December 2023	1,755,469	2,148,788	3,557,182	556	906,657	8,368,652

Notes:

(a) During the year ended 31 December 2022, the Target Company received government grants from Renshou government amounting to RMB31,212,000 related to the construction of manufacturing plant and facilities, which are deducted from the carrying amount of the asset.

(b) During the year ended 31 December 2022, the Target Company disposed certain parcel of land use rights together with certain structures and other assets, which were classified as plant and machinery and included in property, plant and equipment. Details are set out in note 6.

The cost of buildings is depreciated over forty years, using the straight-line method.

The other items of property, plant and equipment, other than construction in progress, are depreciated on a reducing balance method at the following rates per annum:

Furniture, fixtures and equipment	2.5% to 20%
Plant and machinery	11% to 15%
Motor vehicles	25% to 30%

13. RIGHT-OF-USE ASSETS

	Leasehold land
	RMB'000
Carrying amounts	
At 31 December 2021	62,395
At 31 December 2022	58,057
At 31 December 2023	56,778

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Depreciation charge	1,344	1,333	1,279

The Target Company owns several industrial buildings where its manufacturing facilities are primarily located and office buildings. The Target Company is the registered owner of these property interests, including the underlying leasehold lands.

During the year ended 31 December 2022, the Target Company disposed certain parcel of land use rights together with certain structures and other assets thereon. Details are set out in note 6.

14. DEPOSITS PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2021, 2022 and 2023, the Target Company had made deposits of RMB94,119,000, RMB28,998,000 and RMB29,055,000 in relation to the acquisition of the property, plant and equipment from independent third parties, respectively.

15. INVENTORIES

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	123,825	61,042	59,755
Work in progress	27,553	49,194	63,701
Finished goods	17,264	105,089	187,992
	168,642	215,325	311,448

16. TRADE AND OTHER RECEIVABLES

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables from third parties	48	315	338,358
Prepayments	58,948	62,854	100,909
Deposit paid for lease liabilities	—	—	—
Other tax recoverables	434,752	13	1,031
Government subsidy receivables from Renshou government *(note)*	140,767	160,000	582,258
Other receivables	5,439	13,949	7,302
	639,954	237,131	1,029,858
Less: Government subsidy receivables classified as non-current assets	—	—	(296,688)
	639,954	237,131	733,170

Note: During the year ended 31 December 2023, a government subsidy of RMB601,060,000 is granted to the Target Company for the operating expenses and finance costs already incurred in relation to the development and production of LCD products, which are classified as advanced technology products, by Renshou government. There were no unfulfilled conditions of the Target Company in relation to the entitlement of the government grant. The Target Company has obtained a written confirmation from the Renshou government that it will receive the government grants by instalments from 2024 to 2026. Accordingly, the fair value of such government grants amounting to RMB560,857,000 are recognised in profit or loss and included in "other income" for the year ended 31 December 2023.

As at 31 December 2023, the carrying amount of government subsidy receivables are RMB560,857,000, of which RMB264,169,000 will be due in one year are classified as current assets and RMB296,688,000 which will be due after one year are classified as non-current assets.

The significant portion of the government subsidy receivables at 31 December 2021 and 2022 have been recovered by the Target Company.

As at 1 January 2021, trade receivables from contracts with customers amounted to RMB25,000,000.

The Target Company allows a credit period ranging from 30 to 90 days to its trade customers. The following is an aged analysis of trade receivables based on the invoice date at the end of each reporting period.

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 60 days	48	170	338,358
More than 90 days	—	145	—
	48	315	338,358

Details of impairment assessment of trade and other receivables are set out in note 27.

17. RESTRICTED BANK DEPOSITS/BANK BALANCES

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Restricted bank deposits	124,670	—	4,672
Bank balances	93,236	68,179	13,537
	217,906	68,179	18,209

Bank balances and deposits denominated in currencies other than the functional currency of the Target Company are set out below:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Denominated in United States Dollar ("**USD**")	4,626	—	4,671
Denominated in Japan Yen ("**JPY**")	20,047	—	—
	24,673	—	4,671

Restricted bank deposits are to secure letters of guarantee with maturity within one year and are classified as current assets. The restricted bank deposits are released upon expiration of letters of guarantee subsequent to the end of each reporting period.

The interest rates of the restricted bank deposits and bank balances are as follows:

	As at 31 December		
	2021	**2022**	**2023**
Interest rates (per annum):			
Restricted bank deposits	0.3%	N/A	0.3%
Bank balances	0.3%	0.3%	0.3%

18. TRADE AND OTHER PAYABLES

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	356,616	264,541	700,531
Accrued construction cost for property, plant and equipment	551,813	466,792	135,138
Other payables	28,959	10,472	20,072
Other tax payables	411	6,873	956
Accrued staff costs	24,633	17,970	16,619
	962,432	766,648	873,316

The credit period on purchases of goods ranges from 60 to 90 days. The Target Company has financial risk management policies in place to ensure that all payables are settled within the credit time frame. The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 60 days	272,781	212,267	600,196
61 to 90 days	19,021	12,881	48,267
More than 90 days	64,814	39,393	52,068
	356,616	264,541	700,531

Trade and other payables denominated in currencies other than the functional currency of the Target Company are set out below:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Denominated in USD	106,294	76,084	46,351
Denominated in JPY	56,464	27,081	23,136
	162,758	103,165	69,487

19. CONTRACT LIABILITIES

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Amounts received in advance in respect of sale of goods	82,640	49,031	87,169

As at 1 January 2021, contract liabilities amounted to RMB49,460,000.

The following table sets out the revenue in each reporting period recognised that was included in the contract liabilities balance at the beginning of each reporting period:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Sale of LCD products	49,460	82,640	49,031

20. BANK AND OTHER BORROWINGS

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Bank borrowings, secured	680,000	664,000	922,778
Other borrowings, secured	2,207,331	1,580,998	1,690,014
	2,887,331	2,244,998	2,612,792
Fixed-rate borrowings	2,207,331	1,620,998	2,316,792
Variable-rate borrowings	680,000	624,000	296,000
	2,887,331	2,244,998	2,612,792
Bank and other borrowings			
— current liabilities	1,222,644	1,513,161	1,494,684
— non-current liabilities	1,664,687	731,837	1,118,108
	2,887,331	2,244,998	2,612,792

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of bank borrowings repayable*:			
Within one year	431,000	664,000	655,798
More than one year but not exceeding two years	249,000	—	266,980
	680,000	664,000	922,778
Less: Amounts due within one year shown under current liabilities	(431,000)	(664,000)	(655,798)
Amounts due after one year shown under non-current liabilities	249,000	—	266,980
Carrying amount of other borrowings repayable*:			
Within one year	791,644	849,161	838,886
More than one year but not exceeding two years	761,904	470,210	516,565
More than two years but not exceeding five years	653,783	261,627	334,563
	2,207,331	1,580,998	1,690,014
Less: Amounts due within one year shown under current liabilities	(791,644)	(849,161)	(838,886)
Amounts due after one year shown under non-current liabilities	1,415,687	731,837	851,128

* The amounts due are based on scheduled repayment dates set out in loan agreements.

All the Target Company's borrowings are denominated in RMB. The effective interest rates of the Target Company's borrowings are as follows:

	As at 31 December		
	2021	2022	2023
Effective interest rates (per annum):			
Fixed-rate borrowings	5.01% to 8.88%	5.01% to 8.88%	5.01% to 8.88%
Variable-rate borrowings	3.9% to 5.05%	3.6% to 5.05%	4.35% to 6.98%

As at 31 December 2021, 2022 and 2023, the bank and other borrowings are secured by property, plant and equipment as disclosed in note 24 and are guaranteed by Renshou Shareholders as disclosed in note 25.

21. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the Relevant Periods:

	Temporary difference on deductible depreciation	Temporary difference on allowance for inventories	Tax losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	32,725	(489)	(6,600)	25,636
Charge (credit) to profit or loss	21,544	388	(5,252)	16,680
At 31 December 2021	54,269	(101)	(11,852)	42,316
Charge (credit) to profit or loss	30,081	(11,315)	5,742	24,508
At 31 December 2022	84,350	(11,416)	(6,110)	66,824
Charge (credit) to profit or loss	35,604	10,161	(1,022)	44,743
At 31 December 2023	119,954	(1,255)	(7,132)	111,567

As at 31 December 2021, 2022 and 2023, the Target Company had unutilised tax losses of RMB79,013,000, RMB40,733,000 and RMB47,547,000, respectively, for which a deferred tax asset of RMB11,852,000, RMB6,110,000 and RMB7,132,000, respectively, has been recognised.

22. PAID-UP CAPITAL

	RMB'000
Registered capital and paid-up capital	
At 1 January 2021, 31 December 2021, 2022 and 2023	7,000,000

23. CAPITAL COMMITMENTS

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Capital expenditure contracted for but not provided in the Historical Financial Information in respect of property, plant and equipment	336,652	304,414	273,289

24. PLEDGE OF ASSETS

The followings assets were pledged to secured certain facilities granted to the Target Company at the end of each reporting period.

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	5,873,384	5,602,112	6,255,411

25. RELATED PARTY DISCLOSURES

(a) Related party balances

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from related parties:			
— Trade nature *(note i)*			
Truly Group	573,226	468,524	427,556
— Non-trade nature			
Interest-bearing			
Renshou Shareholders *(note ii)*	669,619	821,118	1,442,789
Interest-free			
Truly Group *(note iii)*	12,469	14,842	26,195
	1,255,314	1,304,484	1,896,540
Less: Loan receivables due after one year and classified as non-current assets	(512,161)	(536,330)	(549,654)
	743,153	768,154	1,346,886

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Amounts due to related parties:			
— Trade nature *(note iv)*			
Truly Group	917	5,363	86,138
Renshou Shareholders	22,186	16,936	90,588
	23,103	22,299	176,726
— Non-trade nature			
Interest-bearing			
Renshou Shareholders *(note v)*	235,000	—	—
Interest-free			
Truly Group *(note vi)*	37,716	4,940	7,051
Renshou Shareholders *(note v)*	18,000	96,546	65,965
	55,716	101,486	73,016
	313,819	123,785	249,742

Notes:

(i) For the trade balances due from Truly Group, a 30 to 90 days credit term is granted from the issuance of invoices.

As at 1 January 2021, trade receivables from contracts with customers amounted to RMB494,580,000.

The following is an aging analysis of trade amounts due from Truly Group presented based on the invoice date at the end of each reporting period, which approximated to the respective revenue recognition date:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 60 days	380,111	195,666	252,287
61 to 90 days	158,169	139,752	58,790
More than 90 days	34,946	133,106	116,479
	573,226	468,524	427,556

(ii) During the years ended 31 December 2021, 2022 and 2023, the Target Company entered into loan agreements with Renshou Shareholders, regarding the fund provision of RMB700,000,000, RMB1,020,000,000, and RMB1,320,000,000, respectively, with maturity periods ranging from one year to six years. The funds advanced to Renshou Shareholders carried interest ranging from 5.0% per annum to 7.5% per annum and were unsecured and unguaranteed.

At 31 December 2021, 2022 and 2023, the amounts of RMB157,458,000, RMB284,788,000 and RMB893,135,000, respectively, are due in one year and classified as current assets and the amounts of RMB512,161,000, RMB536,330,000 and RMB549,654,000, respectively, are due after one year and classified as non-current assets.

(iii) As at 31 December 2021, 2022 and 2023, the non-trade balances due from Truly Group were interest-free, unsecured and repayable on demand.

(iv) For the trade balances due to Truly Group and Renshou Shareholders, the credit period on purchases of goods ranges from 60 to 90 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 60 days	917	5,063	176,726
61 to 90 days	—	34	—
More than 90 days	22,186	17,202	—
	23,103	22,299	176,726

(v) As at 31 December 2021, included in the non-trade balances due to Renshou Shareholders, the amount of RMB235,000,000 represented the loan provided by Renshou Shareholders. As at 31 December 2021, 2022 and 2023, the remaining balances due to Renshou Shareholders were interest-free, unsecured and repayable on demand.

During the years ended 31 December 2021, 2022 and 2023, the Target Company entered into loan agreements with certain subsidiaries of Renshou Shareholders, regarding the fund provision of RMB235,000,000, RMB300,000,000 and RMB21,000,000, respectively, with maturity dates ranging March 2022 to June 2023. The funds advanced from Renshou Shareholders carried interests ranging from 7% per annum to 8% per annum and were unsecured and unguaranteed and repayable within one year.

(vi) As at 31 December 2021, 2022 and 2023, the non-trade balances due to Truly Group and Renshou Shareholders were interest-free, unsecured and repayable on demand.

(vii) All the amounts due from/to related parties are denominated in RMB.

(b) Related party transactions

Saved as disclosed elsewhere in the Historical Financial Information, during the Relevant Periods, the Target Company entered into the following transactions with related parties:

Related party	Nature of transaction	As at 31 December 2021 *RMB'000*	2022 *RMB'000*	2023 *RMB'000*
Truly Group	Sales	1,602,788	1,623,090	764,573
	Purchase	39,074	26,310	210,508
Renshou Shareholders	Sales	—	227	—
	Purchase	36,142	49,388	58,870
	Interest income	10,300	16,653	67,900
	Interest expenses	6,376	8,116	20

During the Relevant Periods, Renshou Shareholders provided guarantees in respective of bank and other borrowings of the Target Company. As at 31 December 2021, 2022 and 2023, the carrying amounts of the guaranteed bank and other borrowings are RMB2,887,331,000, RMB2,244,998,000 and RMB2,612,792,000, respectively.

(c) Compensation of key management personnel

	Year ended 31 December 2021	2022	2023
Short-term benefits	4,595	4,002	3,914
Post-employment benefits	276	291	282
	4,871	4,293	4,196

The remuneration of key management personnel is determined having regard to the performance of the individuals.

26. CAPITAL RISK MANAGEMENT

The Target Company manages its capital to ensure that the Target Company will be able to continue as a going concern while maximising the return to the shareholders of The Target Company through the optimisation of the debt and equity balance. The Target Company's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Target Company consists of net debts, which includes, where appropriate, amounts due to related parties, bank and other borrowings, net of cash and cash equivalents and equity attributable to the owners of the Target Company, comprising issued share capital and reserves.

The directors of the Target Company review the capital structure on a regular basis. As part of this review, the directors of the Target Company consider the cost of capital and the risks associated with each class of the capital, and takes appropriate actions to balance its overall capital structure.

27. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
At amortised cost	1,478,707	1,386,927	2,260,409
Financial assets			
At amortised cost	3,586,725	2,643,796	3,583,137

(b) Financial risk management objectives and policies

The Target Company's major financial instruments include loan receivables from related parties, trade and other receivables, amounts due from related parties, restricted bank deposits, bank balances, trade and other payables, amounts due to related parties, and bank and other borrowings.

Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risks

(i) Currency risk

Certain bank balances, and trade and other payables of the Target Company are denominated in currencies other than RMB, the functional currency of the Target Company, which expose the Target Company to foreign currency risk.

The Target Company currently do not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Target Company's foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Assets			
USD	4,626	—	4,671
JPY	20,047	—	—
Liabilities			
USD	106,294	76,084	46,351
JPY	56,464	27,081	23,136

Sensitivity analysis

The Target Company are mainly exposed to the fluctuation of foreign exchange rates of USD and JPY.

The following table details the Target Company's sensitivity to a 5% increase and decrease in RMB, the functional currency of the Target Company, against the relevant foreign currencies. 5% is the sensitivity rate used in the management's assessment of the reasonably possible change in the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of each reporting period for a 5% change in the functional currency of the Target Company. A positive number below indicates an increase in profit for the year where RMB, strengthens 5% against the relevant foreign currencies. For a 5% weakening of RMB, there would be an equal and opposite impact on the profit for the year.

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Impact on profit for the year			
USD	4,321	3,234	1,771
JPY	1,548	1,151	983

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the Relevant Periods.

(ii) Interest rate risk

The Target Company is exposed to fair value interest rate risk in relation to fixed-rate loan receivables due from related parties, fixed-rate loans due to related parties, and bank and other borrowings. The Target Company is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank and other borrowings. The Target Company's cash flow interest rate risk is mainly concentrated on the fluctuation on the fluctuation of benchmark rate for the bank and other borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of each reporting period. The analysis is prepared assuming the variable-rate bank and other borrowings outstanding at the end of each reporting period were outstanding for the whole year. A 100 basis point increase or decrease in variable-rate bank and other borrowings are used and represents management's assessment of the reasonably possible change in interest rates. A negative number below indicates a decrease in profit for the year where the interest rates are higher for 100 basis points and all other variables were held constant. Where the interest rates are lower for 100 basic points and all other variables were held constant, there would be an equal and opposite impact on the profit for the year.

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Impact on profit for the year	(5,780)	(5,304)	(2,516)

Credit risk and impairment assessment

At the end of each reporting period, the Target Company's maximum exposure to credit risk which will cause a financial loss to the Target Company due to failure to discharge an obligation by the counterparties is the gross carrying amount of each class of financial assets disclosed as below.

	External credit rating	Internal credit rating	*Notes*	12m or life-time ECL	Gross carrying amount 2021	2022	2023
					RMB'000	*RMB'000*	*RMB'000*
Trade receivables and trade amounts due from related parties	N/A	(i)	16/25	Life-time ECL (individual assessment)	573,274	468,839	765,914
Other receivables and non-trade amounts due from related parties (including loan receivables from related parties)	N/A	(ii)	16/25	12m ECL	687,527	849,909	1,476,286
Restricted bank deposits and bank balances	AAA	N/A	17	12m ECL	217,906	68,179	18,209

(i) Trade receivables arising from contracts with customers and trade amounts due from related parties

As at 31 December 2021, 2022 and 2023, the Target Company was exposed to concentration of credit risk on trade receivables accounted for 99.99%, 99.93% and 55.82% of the total trade receivables, respectively, which represented the trade balances due from certain subsidiaries of Truly Group, the Target Company's largest customers.

In order to minimise credit risk, the management of the Target Company promptly monitors determination of credit limits, credit approvals and other reviewing procedures to ensure that follow-up action is taken to recover overdue debts.

For trade receivables, the Target Company has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Target Company considered the expected credit losses on trade receivables and trade amounts due from related parties are insignificant.

(ii) Other receivables, non-trade amounts due from related parties (including loan receivables from related parties), restricted bank deposits and bank balances

The credit risk of other receivables and non-trade amounts due from related parties (including loan receivables from related parties) are managed through an internal process. The credit quality of each counterparty is investigated before an advance is made. The Target Company also actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. Further, the Target Company closely monitors the financial performance of the related parties. In this regard, the directors of the Target Company consider that the Target Company's credit risk is significantly reduced.

For other receivables and non-trade amounts due from related parties (including loan receivables from related parties), the directors of the Target Company consider the counterparties with good credit worthiness based on past repayment history. In the opinion of the directors of the Target Company, the risk of default by these counterparties is not significant and the Target Company assessed that the ECL on these balances are insignificant.

The credit risk on bank balances and restricted bank deposits is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies or state-owned banks in the PRC. In the opinion of the directors of the Target Company, the risk of default by these counterparties is not significant and the Target Company assessed that the ECL on these balances are insignificant.

Liquidity risk

In the management of liquidity risk, the Target Company's management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target Company's operations and mitigate the effects of fluctuations in cash flows. The Target Company is dependent upon its bank and other borrowings as significant sources of liquidity.

As at 31 December 2023, the Target Company had net current liabilities of approximately RMB295,198,000. The directors of the Target Company have carefully assessed the Target Company's liquidity position by taking into account: (a) included in the current liabilities were the contract liabilities of approximately RMB87,169,000 with no expected future cash outflows; and (b) Renshou Industries has committed to provide financial support to the Target Company to meet in full its financial obligations as and when they fall due for at least the next twelve months from date of this report. The directors of the Target Company believe that the Target Company has adequate resources to continue operations and meet its liabilities as at when they fall due for the foreseeable future of not less than 12 months from the end of the reporting period.

The following table details the Target Company's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Company can be required to pay. The maturity dates for financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rates existing at the end of each reporting period.

Liquidity tables

	Weighted average effective interest rate	On demand and less than 3 months	3 months to 1 year	1–5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2021						
Financial liabilities						
Trade and other payables	—	385,575	—	—	385,575	385,575
Amounts due to related parties						
— interest-bearing	8.00	—	244,400	—	244,400	235,000
— interest-free	—	78,819	—	—	78,819	78,819
Bank and other borrowings						
— fixed rate	7.23	403,889	513,405	1,568,986	2,486,280	2,207,331
— variable rate	4.64	4,963	454,821	254,644	714,428	680,000
		873,246	1,212,626	1,823,630	3,900,102	3,586,725
At 31 December 2022						
Financial liabilities						
Trade and other payables	—	275,013	—	—	275,013	275,013
Amounts due to related parties						
— interest-free	—	123,785	—	—	123,785	123,785
Borrowings						
— fixed rate	7.27	436,010	532,925	854,118	1,823,053	1,620,998
— variable rate	4.34	103,394	535,153	—	638,547	624,000
		938,202	1,068,078	854,118	2,860,398	2,643,796
At 31 December 2023						
Financial liabilities						
Trade and other payables	—	720,603	—	—	720,603	720,603
Amounts due to related parties						
— interest-free	—	249,742	—	—	249,742	249,742
Borrowings						
— fixed rate	5.81	303,755	1,139,617	1,137,131	2,580,503	2,316,792
— variable rate	5.11	129,218	5,738	182,750	317,706	296,000
		1,403,318	1,145,355	1,319,881	3,868,554	3,583,137

The amounts included above for variable-rate borrowings are subject to change if changes in variable rates differ to those estimates of interest rates determined at the end of each reporting period.

(c) Fair value measurements of financial instruments

The management considers that the carrying amounts of the financial assets and financial liabilities of the Target Company recorded at amortised cost in the Historical Financial Information at the end of each reporting period approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

28. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Target Company's liability arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Target Company's statements of cash flows as cash from financing activities:

	Amounts due to related parties (excluding trade amounts due to related parties) *RMB'000* *(note 25)*	Bank and other borrowings *RMB'000* *(note 20)*	Total *RMB'000*
At 1 January 2021	23,984	2,433,653	2,457,637
Financing cash flows	260,356	291,441	551,797
Interest expenses	6,376	162,237	168,613
At 31 December 2021	290,716	2,887,331	3,178,047
Financing cash flows	(197,346)	(758,431)	(955,777)
Interest expenses	8,116	116,098	124,214
At 31 December 2022	101,486	2,244,998	2,346,484
Financing cash flows	(28,490)	229,263	200,773
Interest expenses	20	138,531	138,551
At 31 December 2023	73,016	2,612,792	2,685,808

29. EVENTS AFTER THE RELEVANT PERIODS

Subsequent to 31 December 2023, no significant event took place.

30. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Company have been prepared in respect of any period subsequent to 31 December 2023.

*Set out below is the management discussion and analysis of Truly (Renshou) High-end Display Technology Limited (the "****Target Company****") for each of the three years ended 31 December 2021, 2022 and 2023 (collectively the "****Relevant Periods****")* based on the financial information of the Target Company as set out in Appendix II to this circular.

BUSINESS REVIEW

The Target Company is a company incorporated in the PRC with limited liability and is accounted for as an associate of the Group throughout the Relevant Periods. The Target Company completed the main construction work of the fifth-generation TFT-LCD plant in Renshou County in 2018. The installation of main machines was completed in 2020, pilot operation commenced at the end of 2020 in full and mass production commenced in 2021, and its production capacity and capacity utilisation rate increased steadily for the Relevant Periods.

FINANCIAL REVIEW

Revenue

During the Relevant Periods, the revenue of the Target Company was mainly derived from the sales of TFT-LCD panels. An analysis of revenue is as follows:

	For the year ended 31 December 2021	**For the year ended 31 December 2022**	**For the year ended 31 December 2023**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from sales of TFT-LCD panels	1,745,432	1,857,020	2,329,722

For the year ended 31 December 2022, the revenue from sales of TFT-LCD panels increased by approximately RMB112 million or 6.4% as compared to the year ended 31 December 2021, mainly attributable to the rise in its capacity utilisation rate.

For the year ended 31 December 2023, the revenue from sales of TFT-LCD panels increased by approximately RMB473 million or 25.5% as compared to the year ended 31 December 2022, mainly attributable to the further increase in its utilisation rate and increase in new sale orders received from third party customers.

Other Income

Other income mainly includes government grants, bank interest income, interest income from amounts due from related parties and lease income.

Other income increased by approximately RMB260.6 million or 500.6% from approximately RMB52.1 million for the year ended 31 December 2021 to approximately RMB312.7 million for the year ended 31 December 2022. This was primarily attributable to an increase in government grants from approximately RMB10.4 million for the year ended 31 December 2021 to approximately RMB256.4 million for the year ended 31 December 2022.

Other income increased by approximately RMB363.3 million or 116.2% from approximately RMB312.7 million for the year ended 31 December 2022 to approximately RMB675.9 million for the year ended 31 December 2023. The increase was primarily attributable to an increase in government grants from approximately RMB256.4 million for the year ended 31 December 2022 to approximately RMB577.8 million for the year ended 31 December 2023 and the government grants are recognised based on the approval of government grant by relevant government, which are subject to periodical approval, review and/or adjustments made by the government taking into account of the performance of the Target Company and other factors from time to time.

Gross Profit and Gross Profit Margin

During the Relevant Periods, the gross profit (loss) were as follows:

	For the year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Gross profit (loss) of sales of TFT-LCD panels	256,198	12,180	(181,689)

The gross profit (loss) margins were 14.7%, 0.7% and (7.8%) for the years ended 31 December 2021, 2022 and 2023, respectively. The decrease in gross profit and gross profit margin was primarily attributed to a significant decrease in unit prices, driven by intense competition in the LCD market since the fourth quarter of 2022, and a slower-than-expected recovery in the consumer market post-epidemic. Specifically, the average unit price dropped by approximately 20% in 2022 compared to 2021, with a further decrease in 2023, resulting in a cumulative reduction of 45% compared to 2021. Despite these challenges, the Target Company effectively controlled costs and increased sales volume, achieving a cumulative reduction in average fixed unit costs of around 20% by 2023 compared to 2021. Management anticipates a recovery in unit prices in 2024 and has been actively expanding the market to increase sales volumes and control fixed costs. By 2024, as unit prices began to rise gradually, the Group achieved breakeven for the first two months of the year.

Profit Attributable to Owners of the Target Company

For the years ended 31 December 2021, 2022 and 2023, the Target Company recorded profit attributable to owners of the Target Company of approximately RMB177 million, RMB158 million and RMB248 million, respectively.

FINANCIAL RESOURCES REVIEW

Liquidity and Financial Resources

By adopting a prudent financial management approach, the Target Company maintained a healthy financial position. As at 31 December 2021, 2022 and 2023, the Target Company had cash and cash equivalents (including restricted bank deposits) of approximately RMB218 million, RMB68 million and RMB18 million, respectively. Working capital represents net current liabilities of approximately RMB812 million, RMB1.164 billion and RMB295 million, respectively. The current ratio, being calculated by dividing current assets by current liabilities as at the end of the respective period, was approximately 0.69, 0.53 and 0.89, respectively. The gearing ratio, being calculated by dividing total interest-bearing liabilities by total equity as at the end of the respective period and multiplied by 100%, was approximately 42.4%, 29.8% and 33.6%, respectively.

As at 31 December 2021, 2022 and 2023, the Target Company had outstanding interest-bearing liabilities (after deducting restricted bank deposits, cash and bank balances) of approximately RMB2.904 billion, RMB2.177 billion and RMB2.595 billion, respectively. These liabilities carry interests at fixed rates or at prevailing market rates and their maturity profile is set out as below.

As at 31 December 2021, 2022 and 2023, the Target Company had the interest-free and unsecured amounts due to related companies (excluding those trade amounts and interest-bearing amounts), which are repayable on demand.

The Target Company was exposed to interest rate risk in relation to variable rate bank balances and bank and other borrowings.

Bank and Other Borrowings/Loans Provided by Related Parties

As at 31 December 2021, 2022 and 2023, bank and other borrowings of the Target Company were as follows:

	31 December 2021	31 December 2022	31 December 2023
	RMB'000	*RMB'000*	*RMB'000*
Bank borrowings (secured)	680,000	664,000	922,778
Other borrowings (secured)	2,207,331	1,580,998	1,690,014
Loans provided by related parties (unsecured)	235,000	—	—
	3,122,331	2,244,998	2,612,792
Fixed-rate borrowings	2,442,331	1,620,998	2,316,792
Variable-rate borrowings	680,000	624,000	296,000
	3,122,331	2,244,998	2,612,792
Carrying amount of borrowings repayable based on scheduled repayment dates:			
Within one year	1,457,644	1,513,161	1,494,684
After one year but within two years	1,010,904	470,210	783,545
After two years but within five years	653,783	261,627	334,563
	3,122,331	2,244,998	2,612,792

Bank Balances/Restricted Bank Deposits

As at 31 December 2021, 2022 and 2023, the Target Company had cash and bank balances and deposits as follows:

	31 December 2021	31 December 2022	31 December 2023
	RMB'000	*RMB'000*	*RMB'000*
Bank balances	93,236	68,179	13,537
Restricted bank deposits	124,670	—	4,672
	217,906	68,179	18,209

Restricted bank deposits were used to secure letters of guarantee with maturity within one year and were classified as current assets accordingly. The restricted bank deposits will be released upon expiration of letters of guarantee subsequent to the end of each relevant periods.

Bank balances and deposits of the Target Company denominated in currencies other than RMB were set out below:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
USD	4,626	—	4,671
JPY	20,047	—	—

Capital Commitments

As at 31 December 2021, 2022 and 2023, the Target Company had contracted but not provided for capital expenditure in respect of property, plant and equipment of approximately RMB1.715 billion, RMB1.683 billion and RMB585 million, respectively.

Charge on assets

As at 31 December 2021, 2022 and 2023, the borrowings were (i) guaranteed by related parties of the Target Company; and/or (ii) secured by property, plant and equipment with carrying amounts of approximately RMB5.873 billion, RMB5.602 billion and RMB6.255 billion, respectively.

Funding and Treasury Policies

During the Relevant Periods, the Target Company mainly financed its operations and investing activities by internally generated funds and available bank facilities. The directors of the Target Company are of the view that the Target Company has sufficient financial resources to meet in full its financial obligations and capital commitments in the foreseeable future.

Currency Risk and Management

Certain transactions of the Target Company are denominated in foreign currencies, which are currencies other than RMB. The carrying amounts of foreign currency denominated monetary assets and monetary liabilities of the Target Company were as follows:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Assets			
USD	4,626	—	4,671
JPY	20,047	—	—
Liabilities			
USD	106,294	76,084	46,351
JPY	56,464	27,081	23,136

During the Relevant Periods, the Target Company undertakes the operations and transactions denominated in RMB. The Target Company did not enter into any derivative contracts to minimise the currency risk exposure.

Contingent Liabilities

As at the end of each relevant periods, the Target Company did not have any guarantees and/or other significant contingent liabilities.

SEGMENT INFORMATION

As the Target Company is engaged in the business of manufacture and sale of LCDs products, no discrete financial information is provided other than the results and financial position of the Target Company as a whole.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, 2022 and 2023, the Target Company had 1,245, 1,245 and 1,221 full-time employees in the PRC. During the years ended 31 December 2021, 2022 and 2023, the Target Company provided regular trainings in relation to various aspects such as environmental, social and governance issues, intellectual property rights and work safety to its employees.

The employee remuneration of the employees of the Target Company for the years ended 31 December 2021, 2022 and 2023 comprised salaries, discretionary bonuses subject to individual performance and the financial performance of the Target Company, social security insurance in the PRC, medical insurance and other competitive fringe benefits. The remuneration policy of the employees of the Target Company is determined based on their responsibilities, abilities, skills, experience and performance as well as market salary levels. The Target Company reviews employees' remuneration and benefits annually based on relevant market practices and individual employee performance.

SIGNIFICANT INVESTMENT, CAPITAL ASSETS, ACQUISITION AND DISPOSAL

During the Relevant Periods, the Target Company did not (1) hold any significant investment; (2) have any future plan of significant investment or capital assets; and (3) carry out any significant acquisition and/or disposal of equity interest.

EVENTS SUBSEQUENT TO THE RELEVANT PERIODS

The Target Company has no significant event subsequent to the Relevant Periods and up to the date of this circular.

The information set out in this Appendix IV, which does not form part of the Accountant's Report of Target Company as set out in Appendix II and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with ''Financial Information of Group'' set out in Appendix I and the ''Accountants' Report of Target Company'' set out in Appendix II.

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")

(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 as at 31 December 2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(note 1)	*(note 2)*	*(note 3)*	
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	256			256
	15,708,771			16,919,801
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	802,291		(1,986)	800,305
	8,796,863			8,794,877
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	4,200			4,200
	12,929,914			14,140,944
NET CURRENT LIABILITIES	(4,133,051)			(5,346,067)
TOTAL ASSETS LESS CURRENT LIABILITIES	11,575,720			11,573,734

	The Group as at 31 December 2023	Pro forma adjustments		Unaudited pro forma of Enlarged Group as at 31 December 2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(note 1)	*(note 2)*	*(note 3)*	
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
	1,754,957			1,754,957
NET ASSETS	9,820,763			9,818,777

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.

REPORTING ACCOUNTANTS' REPORT ON PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.

Deloitte. 德勤

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 IV-1 to IV-5 of the circular issued by the Company dated 26 April 2024 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages IV-1 to IV-5 of Appendix IV to the Circular.

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

The following is the report prepared for the purpose of incorporation in this circular received from Asset Appraisal Limited, an independent valuer, in connection with its valuation of the equity interest of Truly RS as at 1 March 2024.

Asset Appraisal Limited
中誠達資產評值顧問有限公司

Rm 801, 8/F, On Hong Commercial Building
No.145 Hennessy Road, Wanchai, HK
香港灣仔軒尼詩道145號安康商業大廈8樓801室
Tel : (852) 2529 9448 Fax : (852) 3544 5854

Date: 26 April 2024

The Board of Directors
Truly International Holdings Limited
2/F Chung Shun Knitting Centre
1–3 Wing Yip Street
Kwai Chung
New Territories
Hong Kong

Dear Sirs,

Re: Valuation of Equity Interest of Truly (Renshou) High-end Display Technology Limited ("Truly RS")

INSTRUCTIONS

In accordance with the instructions from Truly International Holdings Limited (the "**Company**"), we have completed a valuation of the equity interests in Truly RS.

We confirm that we have made relevant enquiries and obtained such information as we consider necessary for the purpose of providing our opinion of fair value of 100% equity interest in Truly RS as at 1 March 2024 (the "**Valuation Date**").

This report identifies the assets appraised, describes the basis and methodology of valuation, investigation and analysis, assumptions, limiting conditions and presents our opinion of value.

The opinions expressed in this report have been based on the information supplied to Asset Appraisal Limited ("**AAL**") by the Company. Whilst AAL has confirmed that the Company has represented to AAL that full disclosure has been made of all material information and that to the best of its knowledge and understanding, such information is complete, accurate and true. AAL has no reason to doubt this representation. No responsibility is assumed by AAL for any errors or omissions in the supplied information and AAL does not accept any consequential liability arising from commercial decisions or actions resulting from them.

PURPOSE OF VALUATION

It is our understanding that this report is prepared solely for the use as one of the references for the transaction involving the equity interests in Truly RS.

The objective of AAL is to assess the Fair Value of the equity interests in Truly RS in order to provide the Company with an independent value opinion. The responsibility for determining the agreed consideration of any transaction or share transfer involving Truly RS rests solely with the Company or its subsidiaries. The results of our analysis should not be construed to be an investment recommendation. No one should rely on our report for any purchase price determination purpose or as a substitute for their own due diligence. It is inappropriate to use this valuation report for purpose other than its intended use or by third parties. These third parties should conduct their own investigation and independent assessment and underlying valuation assumptions.

BACKGROUND OF TRULY RS

Truly RS is a company incorporated in the People's Republic of China (the "**PRC**") with limited liability and is one of the global leading producers and suppliers in the flat panel industry using thin-film transistor liquid crystal display (TFT-LCD) technology. It was founded in 2017 and commenced mass production in the first quarter 2020.

The production base of Truly RS which is situated at No. 1 Truly Boulevard, Wenlin Town Industrial Park, Renshou County, Sichuan Province, the PRC is stretching a land area of approximately 553,333 square metres. It is equipped with 5th generation production lines handling glass substrates measuring up to 1,100 × 1,300 mm and are capable for array process, colour filter process and cell fabrication process in the fabrication of TFT-LCD panels. It is offering customers with one stop solutions and supports in off the shelf or full custom design panels. With the properties of high resolution and image clarity, light weight and low energy consumption of TFT-LCD panels, they are ideal for applications in laptops, handheld devices and medical equipment.

The audited financial information for the years ended 31 December 2022 and 2023 which are extracted from audited financial statements for the years ended 31 December 2022 and 2023 as set out in Appendix II and the unaudited financial information of the Target Company for the twelve months ended 30 June 2023 which are prepared by management, are set out as follow:

RMB'000	**Year ended 31 December 2022** (Audited)	**Year ended 31 December 2023** (Audited)	**12 months ended 30 June 2023** (Unaudited)
Revenue	1,857,020	2,329,722	1,499,969
Gross Profit(Loss)	12,180	(181,689)	(58,909)
Profit(Loss) before taxation	182,542	292,258	(10,131)
Total Assets	10,779,724	11,710,540	10,018,022
Net Assets	7,528,439	7,775,954	7,402,452

**Note:* In addition to the change on profit before taxation casted by the normal course of business of Truly RS over the second half of 2023, the discernible gap in the profit/loss before taxation between the trailing 12-month period ended 30 June 2023 and the trailing 12-month period ended 31 December 2023 is mainly attributable to the Government grant recognized by Truly RS in the second half of 2023 (please refer to Note 6 and Note 16 of the Accountant's Report exhibited in Appendix II for details of the Government Grant). As revealed from the Accountant's Report, there is substantial increase in the amount of Government grant recognized by Truly RS from the fiscal year of 2022 to 2023.

BASIS OF VALUATION

Our valuation is based on market value basis.

According to the International Valuation Standards released by the International Valuation Standards Council in 2022, Market Value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing Sellers in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

SOURCE OF INFORMATION

In the course of our valuation, we have been furnished by the management of the Company and Truly RS (the "**Management**") with the financial and operational information of Truly RS.

We made reference to or reviewed the following major documents and data:

1. Brief descriptions of the potential share transfer in relation to the transfer of registered capital of Truly RS;

2. Historical financial information and the financial positions of Truly RS of the past 3 financial years; and

3. Descriptions of business models, operating assets held and engaged by Truly RS in undertaking its normal operations.

We assumed that the data and information we obtained in the course of the valuation, along with the opinions and representations provided to us by the Management are true, accurate and complete and accepted them without independent verification except as expressly described herein. We have no reason to suspect that any material facts have been omitted, nor are we aware of any facts or circumstances, which would render the information, opinion and representations made to us to be untrue, inaccurate or misleading.

In addition, we have also obtained market data, industrial information and statistical figures from Bloomberg database and other publicly available sources.

SCOPE OF WORK AND LIMITATION THEREON

For this valuation, we have performed the following scope of work:

- discussed with the Management in relation to the development, operations and other relevant information of Truly RS;
- reviewed relevant information and other relevant data concerning and the Target Group provided to us by the Management;
- performed market research and relevant statistical figures from public sources in relation to the valuation of Truly RS;
- prepared a valuation model to derive the value of Truly RS; and
- presented all relevant information on the scope of works, limitations in scope of work, sources of information, an overview of Truly RS, valuation methodology, major assumptions, limiting conditions, remarks and opinion of value in this report.

Our valuation of Truly RS is subject to the following limitations in relation to our scope of work mentioned above:

- Our understanding of Truly RS and its operating conditions is mainly based on the financial information and the financial forecast provided by the Management as well as the understanding of the Management on the operation strategies and development prospects of Truly RS. We did not conduct any audit or prudent surveys on the truthfulness, accuracy and reliability of the information obtained during the period of this project. We do not accept any responsibility for the accuracy and completeness of the information provided by the Company, nor do we express any opinions on any such information.
- Although we have communicated with the Company on key operating and financial matters of Truly RS in the course of this valuation, our work cannot substitute other matters which may influence the decision-making judgment and may be identified in

other professional services (including but not limited to the audit, due diligence and other businesses) to be considered by the Company in making management decisions and judgments.

- We have not conducted audit or other assurance work in accordance with the professional standards issued by the relevant institutes of certified public accountants for the purpose of this valuation. Therefore, we do not provide audit opinions, certifications or other forms of assurance opinions on related services or information we rely on.

- We must point out that this valuation report does not constitute a technical report and does not express opinions on technologies employed by Truly RS, legal title on any of its operating assets (whether tangible or intangible), environmental issues and contractual rights involved in its business operations.

KEY ASSUMPTIONS

Our investigation included discussion with the Management with regard to the history, operation and prospects of the businesses of Truly RS, an overview of certain financial data, an analysis of the industry and competitive environment, analysis of historical and prospective financial results, an analysis of comparable transactions, operating statistics and other due diligence documents.

In arriving at our opinion of value, we have considered the following principal factors:

- the economic outlook for the concerned market and specific competitive environments affecting the industry;

- the legal and regulatory issues of the industry in general;

- the business risks of Truly RS;

- the price multiples of the comparable companies engaging in business operations similar to Truly RS; and

- the experience of the management team of Truly RS and support from its shareholders.

A number of general assumptions have to be made in arriving at our value conclusion. The key assumptions adopted in this valuation include:

- there will be no material changes in the laws, rules or regulations, financial, economic, market and political conditions where Truly RS or its subsidiaries operate which may materially and adversely affect its businesses;

- there will be no major changes in the current taxation law applicable to Truly RS or its subsidiaries;

- Truly RS and its subsidiaries shall fulfill all legal and regulatory requirements necessary to conduct its business;

- Truly RS shall not be constrained by the availability of finance and there will be no material fluctuation of the finance costs;

- Truly RS and its subsidiaries shall have uninterrupted rights to operate its existing businesses;

- the future movement of exchange rates and interest rates will not differ materially from prevailing market expectations;

- the facilities, systems and technologies utilized by Truly RS are all sound and capable in performing its designed functions for supporting its business operations. The utilization of these facilities, systems and technologies as well as the existing trademark and tradename by Truly RS shall not infringe any relevant regulations, law and intellectual property rights of its shareholders and any third party;

- Truly RS will retain competent management, key personnel and technical staff for their operations and the relevant shareholders will support its ongoing operations;

- Truly RS and its subsidiaries has obtained all necessary permits and approvals to carry out its businesses and its ancillary services and shall be entitled to renew those permits and approvals upon their expiry subject to no legal impediment and costs of substantial amount, no event has occurred that would prevent those permits and approvals from being suspended, renewed or reissued and would result in any impairment of the scope of authorized business activities of Truly RS;

- as part of our analysis, we have reviewed financial and business information from public sources together with such financial information, management representation, documentation and other pertinent data that are specific to Truly RS and its operations and made available to us by the Management during the course of our valuation. We have assumed the accuracy of, and have relied on the information and management representations provided in arriving at our opinion of value;

- except those stated in the financial statements, Truly RS are free and clear of any lien, charge, option, pre-emption rights, unsettled dispute, lawsuit or other encumbrances or rights whatsoever and to the knowledge of Truly RS and its management, no event of default has occurred or will occur on any amount due to Truly RS; and

- the estimated fair value does not include considerations of any extraordinary financing or income guarantees, special tax considerations or any other typical benefits which may influence the ordinary business enterprise value of Truly RS.

VALUATION METHODOLOGY

In the appraisal of Truly RS, we have considered three generally accepted approaches namely Cost Approach, Income Approach and Market Approach.

Cost approach establishes value based on the cost of reproducing or replacing the assets less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable. This approach might be considered the most consistently reliable indication of value for assets without a known used market or separately identifiable cash flows attributable to assets appraised.

Income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the property than an amount equal to the present worth of anticipated future benefits (income) from the same or equivalent assets with similar risk.

Market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparable. Assets for which there is an established market may be appraised by this approach.

Given the nature of the business operations of Truly RS and the availability of market information, it is considered that the market approach is the most optimal approach to value Truly RS whilst both the cost approach and the income approach have been disclaimed and have also not been engaged as secondary approach to cross-check the valuation results derived from the market approach on the following grounds:

- under the cost approach (also known as the asset based approach), the fair value of equity interest is determined based on the replacement costs or reproduction costs of assets rather than the ability to generate streams of benefits in the future. As the economic value of Truly RS is mainly attributable to its ability to generate revenues through its products and services but not the value or replacement costs of its assets, the cost approach is incapable to reliably reflect the value of its equity interest. Therefore, this approach has been disclaimed as both primary valuation approach and secondary approach for counter-checking purpose;

- under the income approach, the fair value of equity interest is the function of future net cash flows that can be generated from the business operations of Truly RS and the discount rate by which the future net cash flow stream is discounted to present values. The reasonableness of the fair value determined by the income approach depending on the estimation of various projected inputs including but not limiting to new order volume, product pricing, raw material costs, operating costs and their growth rates over the projection period. Despite the fact that a business plan has been prepared by the management of Truly RS, given the uncertainty and dynamic nature of flat panel industry, it is difficult to form a reliable basis for estimating various projection inputs. Furthermore, as discussed with the management of the Company, there is tremendous uncertainty in the future market on smartphone industry, the major sector in which majority of Truly RS customers are being engaged. In the absence of reliable business projection, the income approach is considered to be not a reliable valuation approach for valuing the equity interest in Truly RS and has been disclaimed as both primary valuation approach and secondary approach for counter-checking purpose; and

- Truly RS, as a TFT-LCD panel supplier, has sufficient track records and has participated in the sector for more than 3 years. As advised by the Company, Truly RS is expected to sustain its existing business operations in long term in the future. Therefore, we have considered that market approach is the most optimal approach to determine its fair value.

The market approach determines the fair value of the assets by reference to the transaction prices, or ''valuation multiples'' implicit in the transaction prices, of identical or similar assets on the market. A valuation multiple is a multiple determined by dividing the transaction price paid for similar business enterprises by a financial parameter, such as historical or prospective turnover or profit at a given level. Valuation multiples are applied to the corresponding financial parameter of the subject asset in order to value it.

Selection of Comparable Companies

Several listed entities engaging in similar line of businesses have been identified and their share trading price ratios against various economic measures have been analysed for comparison purpose.

In selecting appropriate comparable companies, we have adopted the following selection criteria, all of which must be satisfied:

- the company is engaged in flat panel display related businesses sharing the same business nature as Truly RS;
- the company is based in the PRC with its core production base situated in the PRC having the same geographic location as Truly RS;
- the company's share trading prices and financial information are publicly available, to avert situation of misinformation;
- the operating profit for the latest 12 months financial relevant periods is positive to come up with a meaningful price multiple; and
- the company's shares have more than 2 years' exchange trading history as newly listed stocks have relatively higher potential to be traded at unreasonable price level.

Given the above selection criteria, the following comparable companies have been identified for comparison purpose. As each of the flat panel display product providers has its unique product scope and there may not be a company or companies engaging in exactly the same product scope as Truly RS. We have considered that the selected comparable companies and Truly RS are all operating in flat panel display related businesses. Notwithstanding the difference in the scale of operations and product mixes of the selected comparable companies and Truly RS, we believe that none of the companies that meeting the selection criteria is excluded and the list of comparable companies is full and exhaustive and analysis of them provides a general reference as to the market valuation of companies engaging in business operations similar to Truly RS.

Ticker	Company Name	Description of Business	Date of Debut Trading in the Stock Exchange	% Revenue Attributed to Relevant Business Segment	% Revenue Attributed to Domestic Sale
600707 CH	IRICO Display Devices Co., Ltd.	IRICO Display Devices Co., Ltd. manufactures and markets color display devices. It produces liquid crystal glass substrates, color picture tubes, and related components. It markets its products throughout the PRC.	21 May 1996	96%	23%
000050 CH	Tianma Microelectronics Co., Ltd.	Tianma Microelectronics Co., Ltd. manufactures and markets liquid crystal displays and liquid crystal display modules. It markets its products throughout the PRC.	15 March 1995	99%	59%
301106 CH	Jiangsu Smartwin Electronics Technology Co., Ltd.	Jiangsu Smartwin Electronics Technology Co., Ltd. researches, develops, manufactures, and distributes liquid crystal displays. It produces TN type, STN type, VA type LCD and modules, TFT LCD modules, and more. It markets products in the PRC, Japan, Europe, America, and Southeast Asia.	27 January 2022	100%	65%

Ticker	Company Name	Description of Business	Date of Debut Trading in the Stock Exchange	% Revenue Attributed to Relevant Business Segment	% Revenue Attributed to Domestic Sale
002273 CH	Zhejiang Crystal-Optech Co., Ltd.	Zhejiang Crystal-Optech Co., Ltd. manufactures and distributes optical components. It produces optical displays, optical imaging products, optical lens, and other products. It also operates import and export businesses.	18 September 2008	89%	24%
300389 CH	Shenzhen Absen Optoelectronic Company Limited	Shenzhen Absen Optoelectronic Company Limited develops, manufactures, sells and provides services for LED application products. Its main product is LED full-color display.	31 July 2014	100%	37%

- The selected comparable companies are primarily engaged in the relevant business segment with more than 85% of their revenues generated from the business segment.

- The selected comparable companies are being operated in the PRC with their core production bases situated in the PRC. Their products are distributed in both domestic and international markets with domestic-to-total sale revenue ratios ranging from 23% to 65%. Currently, the PRC is taking the lead in the display panel dominance battle and has overtaken Korea to become the top display panel maker in the global market. Given the massive production capacities of the manufacturers in the PRC, it is commonly found that the customer bases of the manufacturers in the PRC are made up of both domestic and overseas companies, particularly where many PRC companies have relocated parts of their production lines offshore in recent years. As confirmed by the Management, Truly RS has long focused on domestic customers since majority of their products have been allocated to supply the demand of the Group. The Management further confirmed that the barrier of entry to overseas markets is very low and there is no discernible difference in product pricing and profit margin between products supplied to domestic customers and to overseas customers as far as the relevant business segment is concerned. Having regarded to the unique nature of the relevant business segment and the significant role played by the PRC companies in the global supply chain of the relevant business segment, we have included those companies with over 20% of revenues generated from domestic sale market as the selected comparable companies.

- All the selected comparable companies have positive operating profits in term of earnings before interest, depreciation and amortization.

Selection of Price Multiples

Under Market approach, price multiples are the tools for conducting comparison. A valuation multiple is a ratio that relates share value to some economic measures of the comparable companies. Typical price multiples commonly used are:

- Price-to-Book Value Ratio (PB Ratio);
- Price-to-Sales Ratio (PS Ratio);
- Price-to-Earnings Ratio (PE Ratio); and
- Enterprise-to-EBITDA Ratio (EV-to-EBITDA Ratio).

In view of the nature of business operations of Truly RS, PB Ratio is considered not appropriate for this valuation on the ground that Truly RS, which are not an investment holding company, has its fair value being determined based on its abilities to generate future income streams rather than the costs of replacement of its assets and liabilities. The company specific advantages are not captured in Price-to-Book Value Ratio. The PS Ratio is also considered not appropriate for this valuation since revenues may not consider the cost structure and profitability (which are considered primary factors affecting the value of a company of the same kind).

Both PE Ratio and EV-to-EBITDA Ratio are applicable to measure business value of Truly RS as both of them relate the business value with profitability of the business. Among the two ratios, EV-to-EBITDA Ratio is more preferrable to PE Ratio on the ground that the former ratio is neutral to capital structure, cash positions, depreciation and amortization policies and taxation policy of the business operations being valued and the comparable companies. Therefore, we have employed the EV-to-EBITDA Ratio based on publicly available information including Bloomberg database and the financial statements and announcements of respective comparable companies.

Based on the above financial figures over the latest reported 12-month period (being trailing 12 months ended 30 June 2023) that are publicly available and the closing share prices as at the Valuation Date of the selected comparable companies, the EV-to-Enterprise Ratio of comparable companies are as follows:

Company Ticker	Cur	Share Closing Price as at 1 Mar 2024	Market Capitalization (Mil)	Enterprise Value (Mil) *(A)* *(Note 1)*	Trailing 12-month EBITDA (Mil) *(B)* *(Note 2)*	EV-to-EBITDA Ratio *(A)/(B)*
600707 CH	RMB	7.23	25,944.06	33,525.20	1,316.97	25.46
000050 CH	RMB	9.34	22,955.36	46,647.32	1,964.62	23.74
301106 CH	RMB	36.13	2,622.56	2,038.43	86.76	23.49
002273 CH	RMB	11.59	16,117.43	14,368.05	609.55	23.57
300389 CH	RMB	17.68	6,425.39	5,970.51	294.13	20.30
					Sample Mean	**23.31**

Notes:

1. The reconciliation of the enterprise value with the market capitalization of each of the comparable companies as at the Valuation Date are set out as follows:

Company Ticker	Cur	Market Capitalization (Mil) *(A)*	Cash (Mil) *(B)*	Non-operating assets (Mil) *(C)*	Debts (Mil) *(D)*	Enterprise Value (Mil) *(A)-(B)-(C)+(D)*
600707 CH	RMB	25,944.06	8,102.84	1,268.41	16,952.39	33,525.20
000050 CH	RMB	22,955.36	9,077.53	149.91	32,919.39	46,647.32
301106 CH	RMB	2,622.56	238.98	386.07	40.93	2,038.43
002273 CH	RMB	16,117.43	1,901.71	18.56	170.90	14,368.05
300389 CH	RMB	6,425.39	732.97	212.98	491.07	5,970.51

2. The reconciliation of the EBITDA with the net profit/(loss) before taxation of each of the comparable companies are set out as follows:

Company Ticker	Cur	Net Profit/(loss) before taxation (Mil) *(A)*	Depreciation & Amortization (Mil) *(B)*	Other Income (Mil) *(C)*	Net Finance Expenses/ (Income) (Mil) *(D)*	Non-operating Expenses/ (Income) (Mil) *(E)*	EBITDA'(Mil) *(A)+(B)-(C) +(D)+(E)*
600707 CH	RMB	(1,789.52)	2,778.61	247.38	529.43	44.83	1,316.97
000050 CH	RMB	(1,563.98)	3,685.34	1,137.71	639.16	341.81	1,964.62
301106 CH	RMB	98.41	22.33	11.75	(26.44)	4.21	86.76
002273 CH	RMB	536.46	292.93	173.07	(99.62)	52.85	609.55
300389 CH	RMB	277.77	36.38	34.56	0.20	14.34	294.13

3. As the company needed the valuation report earlier for internal review and discussions before the Agreement was signed on 3 April 2024, our financial analysis and computation for this valuation have to be carried out ahead of the release of 2023 full year operating results from the comparable companies. As such, we have taken their financial information over the period from 1 July 2022 to 30 June 2023 (being the latest available 12-month publicly reported period) in determining the relevant financial measures for this valuation.

Determination of Share Capital of Truly RS

The mean EV-to-EBITDA Ratio of the sample group is taken as the expected multiple for determination of the value of share equity of Truly RS. As revealed from its unaudited financial statement for the trailing 12-month period ended 30 June 2023, the equity value of Truly RS is determined as follows:

In RMB	**Truly RS**
Trailing 12-month Net Loss Before Tax	(10,131,479)
Add back Finance Costs for the period	48,551,601
Add back Depreciation and Amortization for the period	561,172,969
Add back Non-operating Expenses/(Income)	(197,035,468)
Trailing 12-month EBITDA	402,557,623
Expected EV-to-EBITDA Ratio	23.31
Determined Enterprise Value	9,383,618,192
Add back cash and bank balance	18,207,818
Less debt	(2,770,253,441)
Add non-operating assets	2,169,465,789
Equity Value	8,801,038,358
Interest attributable to the Sale Shares	12.55%
Value attributable to the Sale Shares	**1,104,530,314**
Less marketability discount (10.2%)	**(112,662,092)**
Value of Sale Shares after marketability discount	**991,868,222**
Round to	**992,000,000**

In concluding our opinion of value of the Sale Shares, we have considered the factor of marketability discount adjustment as the Sale Shares is not tradable in any stock exchange. We consider 10.2% is deemed to be sufficient to reflect the marketability discount of the Sale Shares with reference to Stout Restricted Stock Study, an online resource that provides empirical support for quantifying discount on lack of marketability.

LIMITING CONDITIONS

During the course of our valuation, we have reviewed the financial information, management representations and other pertinent data and the information made available to us. We have no reason to doubt the truth and accuracy of the information provided to us. We were also advised by the Company that no material factors have been omitted from the information to reach an informed view, and have no reason to suspect that any material information has been withheld.

We shall not be required to give testimony or attendance in court or to any government agency by reason of this valuation and with reference to the project described herein unless prior arrangements have been made. No responsibility is assumed for matters legal in nature. No investigation has been made of the title to or any liabilities against the business enterprise and its operating assets valued. In this valuation, it is presumed that, unless otherwise noted, the owners' claim is valid, the property rights are good and marketable, and there are no encumbrances which cannot be cleared through normal processes.

No opinion is intended to be expressed for matters which require legal or other specialised expertise or knowledge, beyond that customarily employed by valuers.

Our conclusions assume continuation of prudent management policies over whatever period of time considered to be necessary in order to maintain the character and integrity of the assets valued. We assume that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect their market value. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

We do not investigate any industrial safety and health related regulations in association with this particular operation. It is assumed that all necessary licenses, procedures and measures were implemented in accordance with the government legislation and guidance.

No allowance has been made in our valuation for any off-balance sheet charges, debts or amounts owing on the assets valued nor for any expenses or taxation which may be incurred in effecting a sale. It is assumed that the assets valued are free from any off-balance sheet encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

CONCLUSION OF MARKET VALUE

Based on the investigation and analysis stated above and on the valuation method employed, in our opinion that the market value of 12.55% share capital of Truly RS as at 1 March 2024 is reasonably represented by an amount of RMB992,000,000 (RENMINBI YUAN NINE HUNDRED AND NINETY TWO MILLION ONLY).

We hereby certify that we have neither present nor prospective interest in the appraised assets or the value reported.

This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

Yours faithfully,
For and on behalf of
Asset Appraisal Limited

Tse Wai Leung
CFA MRICS MHKIS RPS(GP)
Director

Tse Wai Leung is a member of the Royal Institution of Chartered Surveyors, a member of The Hong Kong Institute of Surveyors, a Registered Professional Surveyor in General Practice and a holder of Chartered Financial Analyst (CFA). He is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Valuation Forum and has over 10 years' experience in valuation of assets in Hong Kong, in Macau and in the PRC.

1. RESPONSIBILITY STATEMENT

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.

2. DISCLOSURE OF INTERESTS

Directors' interests

As of Latest Practicable Date, the interests or short positions of the Directors or chief executives of the Company in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules were as follows:

(i) Interest in the Company

Name	Capacity/nature of interest	Number of Shares	Long/short position	Approximately percentage of Shareholding in the Company
Lam Wai Wah	Beneficial owner	1,504,956,000	Long position	47.61%
	Held by spouse(1)	74,844,000		2.37%
Wong Pong Chun, James	Held by spouse(2)	1,650,000	Long position	0.05%
Song Bei Bei	Beneficial owner	2,600,000	Long position	0.08%
Dai Cheng Yun	Beneficial owner	244,000	Long position	0.01%

(ii) Interest in associated corporations

Truly Opto-Electronics Limited[(3)]

Name	Capacity/nature of interest	Registered capital contributed *(RMB)*	Long/short position	Approximately percentage of interest in Truly Opto-Electronics Limited
Wong Pong Chun, James	Beneficial owner	2,590,120	Long position	0.70%

Notes:

(1) Lam Wai Wah is deemed to be interested in 74,844,000 ordinary shares of the Company, being the interests held beneficially by his spouse, Chung King Yee, Cecilia.

(2) Wong Pong Chun, James is deemed to be interested in 1,650,000 ordinary shares of the Company, being the interests held beneficially by his spouse, Lai Ching Mui, Stella.

(3) Truly Opto-Electronics Limited, a company registered in the People's Republic of China, is an indirect non-wholly owned subsidiary of the Company.

(4) The calculation is based on the total number of 3,161,105,398 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at Latest Practicable Date, none of the Directors and the chief executives of the Company and their respective associates had or was deemed to have any interests and short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was 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 taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

3. FURTHER INFORMATION CONCERNING DIRECTORS

A. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into any service agreements with any member of the Group, excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

B. COMPETING BUSINESS INTEREST OF DIRECTORS

As at the Latest Practicable Date, none of the Directors or their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

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

As at the Latest Practicable Date:

(a). none of the Directors had any interests, direct or indirect, in any assets which have been, since 31 December 2023 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and

(b). none of the Directors was materially interested in any contract or arrangement entered into with any member of the Group subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

4. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given an opinion or advice to the Company as contained in this circular:

Name	**Qualification**
Asset Appraisal Limited	Independent Valuer
Deloitte Touche Tohmatsu	Certified Public Accountants

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report or opinion (as applicable) as set out in this circular and references to its name in the form and context in which it appears in this circular.

As at the Latest Practicable Date, each of the above experts had no shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the above experts had no interest, direct or indirect, in any asset since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to an member of the Group.

5. LITIGATION

As at the Latest Practicable Date, no members of the Group were engaged in any litigation or arbitration or claims of material importance to the Group as known to the Directors to be pending or threatened against any member of the Group.

Based on the information provided by the Vendor, as at the Latest Practicable Date, no member of Truly RS, was engaged in any litigation or arbitration or claims of material importance and no litigation, arbitration or claims was known to be pending or threatened by or against Truly RS.

6. MATERIAL CONTRACTS

The following contracts (being contracts entered into outside the ordinary course of business carried by the Group) had been entered by members of the Group within the two years immediately preceding the date of this circular and up to the Latest Practicable Date:

(1) an equity transfer agreement dated 13 December 2022 entered into among the Purchaser, the Vendor and Truly RS, pursuant to which the Purchaser has agreed to purchase, and the Vendor has agreed to sell, 10% of the equity interests of Truly RS at a total Consideration of RMB845,440,000;

(2) a guarantee agreement dated 13 December 2022 entered into between the Guarantor and the Vendor, pursuant to which the Guarantor has agreed to guarantee the obligations of the Purchaser to pay the consideration together with the interests accrued thereon (if any) and any other compensation, damages and expenses payable by the Purchaser in accordance with the terms of the equity transfer agreement dated 13 December 2022;

(3) an equity transfer agreement dated 17 January 2023 entered into between Truly Electronics Manufacturing Limited, ("**Truly Electronics HK**", a direct wholly-owned subsidiary of the Company) and Mr. Cheung Wing Cheung, ("**Mr. Cheung**", an executive Director and a Shareholder of the Company), pursuant to which Mr. Cheung has agreed to transfer 324,020 shares of Truly Opto-Electronics Limited* (信利光電股份有限公司) to Truly Electronics HK at the consideration of RMB10,000;

(4) an equity transfer agreement dated 17 January 2023 entered into between Truly Electronics HK and Mr. Lam Wai Wah ("**Mr. Lam**", an executive Director and a controlling shareholder of the Company), pursuant to which Mr. Lam has agreed to transfer 1,043,460 shares of Truly Opto-Electronics Limited* (信利光電股份有限公司) to Truly Electronics HK at the consideration of RMB10,000;

(5) a strategic allotment agreement dated 25 December 2023 entered into between the Purchaser and Shanghai Longqi Technology Co., Ltd.* (上海龍旗科技股份有限公司), pursuant to which the Purchaser has agreed to subscribe for A-shares issued by Shanghai Longqi Technology Co., Ltd.* (上海龍旗科技股份有限公司), for an amount not exceeding RMB20,000,000;

(6) the Agreement; and

(7) a guarantee agreement dated 3 April 2024 entered into between the Guarantor and the Vendor, pursuant to which the Guarantor has agreed to guarantee the obligations of the Purchaser to pay the Consideration together with the interests accrued thereon (if any) and any other compensation, damages and expenses payable by the Purchaser in accordance with the terms of the Agreement (the "**Guarantee Agreement**").

7. MISCELLANEOUS

(1) The company secretary of the Company is Mr. Lau Fan Yu. Mr. Lau is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

(2) The registered office of the Company is located at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

(3) The principal office of the Company is located at 2/F Chung Shun Knitting Centre, 1–3 Wing Yip Street, Kwai Chung, New Territories, Hong Kong.

(4) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(5) In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

8. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.truly.com.hk) for a period of 14 days commencing from the date of this circular:

(a) the Agreement;

(b) the Guarantee Agreement;

(c) the accountants' report of Truly RS from Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this circular;

(d) the report on the unaudited pro forma financial information of the Enlarged Group from Deloitte Touche Tohmatsu, the text of which is set out in Appendix IV to this circular;

(e) the valuation report prepared by Asset Appraisal Limited, the text of which is set out in Appendix V to this circular; and

(f) the written consent referred to in the paragraph headed "4. Expert and Consent" in this appendix.

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 ("**EGM**") of Truly International Holdings Limited (the "**Company**") will be held at 2/F Chung Shun Knitting Centre, 1–3 Wing Yip Street, Kwai Chung, New Territories, Hong Kong on Monday, 27 May 2024 at 11:00 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 of the Company:

ORDINARY RESOLUTION

"**THAT**:

(a) the equity transfer agreement dated 3 April 2024 entered into between Truly Opto-Electronics Limited* (信利光電股份有限公司), a non-wholly owned subsidiary of the Company, as the purchaser, and Renshou Jian No. 1 Investment Centre Limited Partnership* (仁壽集安一號投資中心(有限合夥)) as the vendor, regarding the acquisition of approximately 12.55% equity interest in Truly (Renshou) High-end Display Technology Limited* (信利(仁壽)高端顯示科技有限公司), a copy of which is tabled at the EGM and marked "A" and initialed by the chairman of the EGM for identification purpose, and the transactions contemplated thereunder be and is hereby approved, confirmed and ratified;

(b) the guarantee agreement dated 3 April 2024 entered into between Truly Semiconductors Limited* (信利半導體有限公司), an indirect wholly-owned subsidiary of the Company as the guarantor and Renshou Jian No. 1 Investment Centre Limited Partnership* (仁壽集安一號投資中心(有限合夥)), pursuant to which the guarantor has agreed to guarantee the obligations of Truly Opto-Electronics Limited* (信利光電股份有限公司), a non-wholly owned subsidiary of the Company, to pay the consideration of RMB1,097,460,000 together with the interests accrued thereon (if any) and any other compensation, damages and expenses payable by the Purchaser in accordance with the terms of the equity transfer agreement dated 3 April 2024, a copy of which is tabled at the EGM and marked "B" and initialed by the chairman of the EGM for identification purpose, and the transactions contemplated thereunder be and is hereby approved, confirmed and ratified; and

(c) any one director or company secretary of the Company be and is hereby authorized on behalf of the Company to do all such acts and sign all such documents and to enter into all such transactions and arrangements as may be necessary or expedient in order to ensure smooth implementation of and to give effect to the agreements and the transactions contemplated thereunder."

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

Hong Kong, 26 April 2024

Notes:

(1) A member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.

(2) In order to be valid, the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power of attorney or other authority, must be lodged at the Company's principal office at 2nd Floor, Chung Shun Knitting Centre, 1–3 Wing Yip Street, Kwai Chung, New Territories, Hong Kong not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof.

(3) For determining the entitlement to attend and vote at the EGM, the Register of Members will be closed from Thursday, 23 May 2024 to Monday, 27 May 2024, during the period no transfer of shares can be registered. In order to be eligible to attend and vote at the EGM, all transfers accompanied by relevant share certificates must be lodged with the Company's Branch Share Registrar, Tricor Secretaries Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 22 May 2024.

(4) Pursuant to the Rule 13.39(4) of the Listing Rules, all resolutions set out in this notice shall be decided by poll.

(5) A form of proxy for use at the above meeting is enclosed.

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