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China Display Optoelectronics Technology Holdings Limited

華顯光電技術控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 334)

**CONTINUING CONNECTED TRANSACTIONS
MASTER PROCESSING AGREEMENT AND
CHANGE OF ADDRESS OF
HONG KONG BRANCH SHARE REGISTRAR AND
TRANSFER OFFICE**

MASTER PROCESSING AGREEMENT

The Board is pleased to announce that the Company had on 18 June 2019 (after trading hours) entered into the Master Processing Agreement with TCL Corporation pursuant to which, among others, the Group shall process the Raw Materials provided by TCL Corp Group into Semi-Finished Materials and/or Finished Goods for the relevant member(s) of the TCL Corp Group in accordance with the terms and conditions thereof.

LISTING RULES IMPLICATIONS

TCL Corporation, the ultimate controlling Shareholder of the Company, currently indirectly holds approximately 64.21% of the number of issued Shares of the Company, and therefore is a connected person of the Company under the Listing Rules. Hence, the transactions contemplated under the Master Processing Agreement constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios (other than the profits ratio) with reference to the annual caps of the Master Processing Agreement exceeds 0.1% but all are less than 5%, the continuing connected transactions contemplated thereunder are subject to the reporting, announcement and annual review but are exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Notwithstanding the respective roles and/or interest of certain Directors in TCL Corp Group, none of the Directors is considered as having a material interest in the transactions contemplated under the Master Processing Agreement. Therefore, all the Directors are entitled to vote on the Board resolution for considering and approving the Master Processing Agreement pursuant to the Company's bye-laws.

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The Board is pleased to announce that the Company had on 18 June 2019 (after trading hours) entered into the Master Processing Agreement with TCL Corporation pursuant to which, among others, the Group shall process the Raw Materials provided by TCL Corp Group into Semi-Finished Materials and/or Finished Goods for the relevant member(s) of the TCL Corp Group in accordance with the terms and conditions thereof.

Set out below are major terms of the Master Processing Agreement:

Date: 18 June 2019 (after trading hours)

Parties: (1) the Company (for itself and on behalf of its Subsidiaries)
(2) TCL Corporation (for itself and on behalf of each and every member of TCL Corp Group)

Duration: From 18 June 2019 to 31 December 2019 (both dates inclusive)

Major Terms:

If any member of the TCL Corp Group so requests, the Group shall or procure its member(s) to process the Raw Materials as provided by TCL Corp Group into Semi-Finished Materials and/or Finished Goods for the relevant member(s) of TCL Corp Group in accordance with the Quality Specification, provided that:

- (a) the relevant member(s) of the Group considers that it has the relevant resources to meet the timeline, quality and the quantity of the relevant order placed;
- (b) where the relevant member(s) of the TCL Corp Group requests the same kind of service from an Independent Third Party, the overall commercial terms (including charges and payment terms) offered by the relevant member(s) of the Group to the TCL Corp Group shall be no more favourable than those offered by such third party; and
- (c) where the relevant member(s) of the Group simultaneously provides the same kind of service to an Independent Third Party, the overall commercial terms (including charges and payment terms) provided by the relevant member(s) of the Group to the TCL Corp Group shall be no more favourable to TCL Corp Group than the relevant member(s) of the Group would offer to such third party.

The material processing services provided by the Group shall be on a non-exclusive basis but orders placed by TCL Corp Group shall be given priority, provided that such order placed by the TCL Corp Group shall be on terms no less favourable than those offered by an Independent Third Party.

Processing fee and price determination:

The processing fee to be charged by the Group (including the payment terms) against TCL Corp Group shall be no more favourable to TCL Corp Group than those which the Group would offer to Independent Third Parties.

PRICING POLICY AND INTERNAL CONTROL PROCEDURES

To ensure that the transactions under the Master Processing Agreement are on normal commercial terms and on terms no more favourable than those offered to Independent Third Parties by the Group, or offered by Independent Third Parties to the relevant member of TCL Corp Group, the Company has adopted the following measures:

- (1) every time before the relevant member of the Group accepts a request from the relevant member of TCL Corp Group for the processing of Raw Materials, the operation unit of the relevant member of the Group will review the draft individual processing contract for the engagement to confirm that the Group has the relevant resources to meet the timeline, quality and the quantity of the relevant order placed. The processing fee that the Group charges is in general determined based on factors such as the cost for processing, level of technology required and quantity ordered etc.
- (2) The internal control unit will then review the terms of the draft individual processing contract to make sure that the terms are in compliance with the Master Processing Agreement and the overall terms of the engagement in respect of processing similar Raw Materials to similar Semi-Finished Materials and/or Finished Goods are no more favourable than those offered by the Group to Independent Third Parties. Where no similar service for processing the relevant Raw Material into similar Semi-Finished Goods and/or Finished Goods is offered by the Group to Independent Third Parties, the Group will request the relevant member of TCL Corp Group to obtain at least two quotations from Independent Third Parties (who are able to provide the required services of satisfactory quality and at satisfactory standard to TCL Corp Group) whereby the Group will compare the overall terms of the engagement, and in particular the processing fee to be charged, against those offered by Independent Third Parties to ensure that those offered by the Group are no more favourable. Where no such quotations could be obtained, the Group will compare the gross profit margin of the processing fee to be charged by the Group against the gross profit margin for selling similar Semi-Finished Materials and/or Finished Goods to ensure that a higher gross profit margin will be achieved by offering processing service.

- (3) When evaluating the terms of a draft individual processing contract, the internal control unit will compare it with all quotations provided to or by Independent Third Parties for the same or equivalent processing services at comparable quality and determine whether on an overall evaluation of the processing fees to be charged, the payment terms as stated in the draft individual processing contract against the quotations offered to or by Independent Third Parties, are the most favourable to the Group.
- (4) The relevant member of the Group will only enter into individual processing contract with the relevant member of the TCL Corp Group after receiving the approval by the internal control unit which confirms that the overall terms are no more favourable than those offered by the Group to Independent Third Parties or those offered by Independent Third Parties to the relevant member of TCL Corp Group.
- (5) The internal control unit of the Group will conduct a monthly review on whether the Group still has sufficient unused amount under the annual caps for carrying out the continuing connected transactions during the year, and will provide a report on the relevant continuing connected transaction and data on utilisation of the relevant annual cap to the Board every quarter. If it is anticipated that the annual caps may be exceeded and if the Group is to continue carrying out the continued connected transactions throughout the year, the Group will take all appropriate steps in advance to comply with the relevant requirements under the Listing Rules and seek to revise the relevant annual caps in accordance with the relevant requirements of the Listing Rules before entering into the proposed transactions.

Accordingly, notwithstanding the absence of specific pricing terms under the Master Processing Agreement for the continuing connected transactions, the Directors are of the view that given the methods and procedures adopted allow comprehensive comparison between these pricing terms with market standards, they can ensure the fairness and reasonableness of these pricing terms and that the continuing connected transactions are conducted on normal commercial terms, hence the interests of the Company and its Shareholders as a whole are not prejudiced.

ANNUAL CAP

The following table sets out the annual cap of the continuing connected transactions under the Master Processing Agreement for the period from 18 June 2019 to 31 December 2019:

	For the period from 18 June 2019 to 31 December 2019 RMB'000
Processing Fee	<u>54,000</u>

DETERMINATION OF THE ANNUAL CAP

In determining the annual caps for the processing service under the Master Processing Agreement, the Directors have taken into account, among others, (i) the projected amount of approximately 5,000,000 units of Raw Materials expected to be processed by the Group and TCL Corp Group's projected requirement of, Semi-Finished Materials and Finished Goods for its operations having considered the operation level of TCL Corp Group during the period under the Master Processing Agreement; and (ii) the processing fee for processing LCD modules with reference to the pricing policy as disclosed in this announcement.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

As the Group is a midstream player in the smart display device market, the Group will from time to time receive commission projects from customers (including relevant member(s) of TCL Corp Group) for processing Raw Materials into Semi-Finished Materials and/or Finished Goods to be used in downstream end products. Further, the Group has set up a new production facility in Wuhan, the PRC, which could provide an annual production capacity of approximately 60 million units in 2019 and 120 million units from 2020 onwards after the expansion of production lines. With the increased production capacity, the Directors consider that the arrangement under the Master Processing Agreement will enable the Group to undertake more commission work from members of TCL Corp Group to promote the Group's business as an original design manufacturer and enhance the efficient use of resources and utilisation of the expanded production capacity of the Group.

This manufacturing mode of processing Raw Materials provided by customers enables the Group to drive down procurement costs and inventory management costs, this result in a higher gross profit margin as compared to that of selling LCD Modules manufactured by the Group. Accordingly, the Directors consider that the arrangement under the Master Processing Agreement provides the Group with a more profitable manufacturing mode which will create greater value to Shareholders and is therefore in the interest of the Company and the Shareholders as a whole.

In view of the above, the Directors (including the independent non-executive Directors) consider that the pricing term for the Master Processing Agreement are fair and reasonable, and consider that the continuing connected transactions contemplated thereunder and the annual cap thereof are in the ordinary and usual course of business of the Company, on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

GENERAL INFORMATION AND RELATIONSHIP OF THE PARTIES

Headquartered in the PRC, the Group is principally engaged in the research and development, manufacture, sales and distribution of LCD modules for mobile phones and tablets. The Group is also one of the major suppliers of small and medium sized display modules in the PRC. The Group has its manufacturing plant in PRC and distributes its products in Asia, with focus on Hong Kong and the PRC markets. For more information on the Group, please visit its official website at www.cdoth8.com (the information that appears in this website does not form part of this announcement).

TCL Corporation is a major PRC conglomerate and is principally engaged in the semi-conductor display and material business. For more information on the TCL Corporation, please visit its official website at <http://www.tcl.com> (the information that appears in this website does not form part of this announcement).

LISTING RULES IMPLICATIONS

TCL Corporation, the ultimate controlling Shareholder of the Company, currently indirectly holds approximately 64.21% of the number of issued Shares of the Company, and is a connected person of the Company under the Listing Rule. Therefore, the transactions contemplated under the Master Processing Agreement constitute continuing connected transactions of the Company.

As one of the applicable percentage ratios (other than the profits ratio) with reference to the annual caps of the Master Processing Agreement exceeds 0.1% but all are less than 5%, the continuing connected transactions contemplated thereunder are subject to the reporting, announcement and annual review but are exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

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CHANGE OF ADDRESS OF HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

With effect from 11 July 2019, the Hong Kong Branch Share Registrar and Transfer Office of the Company, Tricor Investor Services Limited (the "Branch Share Registrar"), will change its address from Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong to

**Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong**

All telephone and facsimile numbers of the Branch Share Registrar will remain unchanged.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings when used herein:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	China Display Optoelectronics Technology Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 334)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Finished Goods”	products including but not limited to LCD modules manufactured, produced or otherwise sold or distributed by the Group
“Group”	the Company and its Subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a person(s) or company(ies) which is/are independent of and not connected with any directors, chief executives, controlling shareholders and substantial shareholders of the Company or any of its Subsidiaries and their respective associates
“LCD module”	the integrated module of liquid crystal display, integrated circuit, connector and other structural components
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Master Processing Agreement”	the master processing agreement dated 18 June 2019 entered into between TCL Corporation and the Company
“Materials”	the articles, things, parts or materials required for manufacturing or production of Finished Goods, including light-emitting diode, iron frames and other components and parts
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement
“Quality Specification”	means the processing procedures and specifications of the Semi-Finished Materials and the Finished Goods (if applicable) provided by the TCL Corp Group to the Group from time to time
“Raw Materials”	means the article, things, components, moulds or raw materials sourced and owned by TCL Corp Group including but not limited to plastic parts
“RMB”	Renminbi, the lawful currency of the PRC
“Semi-Finished Materials”	means the semi-finished materials produced or manufactured by the Group pursuant to the terms of the Master Processing Agreement which will then be used by TCL Corp Group for the manufacturing and production of its products
“Shareholder(s)”	holder(s) of share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”/ “Subsidiaries”	any entity within the meaning of the term “subsidiary” as defined in the Listing Rules and the term “Subsidiaries” shall be construed accordingly
“TCL Corp Group”	TCL Corporation, its Subsidiaries and associates

“TCL Corporation”

TCL Corporation (TCL集團股份有限公司), a joint stock company established under the laws of the PRC, the ultimate controlling Shareholder of the Company, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000100)

“%”

per cent

On behalf of the Board

LIAO Qian

Chairman

Hong Kong, 18 June 2019

As at the date of this announcement, the Board comprises Mr. Liao Qian as Chairman and non-executive Director; Mr. Ouyang Hongping, Mr. Wen Xianzhen and Mr. Zhao Jun as executive Directors; and Ms. Hsu Wai Man Helen, Mr. Xu Yan and Mr. Li Yang as independent non-executive Directors.