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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)

**DISCLOSEABLE TRANSACTION
CONSTRUCTION AGREEMENT**

THE AGREEMENT

The Board is pleased to announce that after a tendering process, on 8 April 2021 (after trading hours), CDOT Huizhou (an indirect wholly-owned subsidiary of the Company) entered into the Agreement with the Contractor, the successful bidder, pursuant to which the Contractor will provide certain construction services to CDOT Huizhou at the Consideration, subject to adjustments (if any).

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) calculated under Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the Agreement exceeds 5% but all are less than 25%, the transaction contemplated under the Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that after a tendering process, on 8 April 2021 (after trading hours), CDOT Huizhou (an indirect wholly-owned subsidiary of the Company) entered into the Agreement with the Contractor, the successful bidder, pursuant to which the Contractor will provide certain construction services to CDOT Huizhou at the Consideration, subject to adjustments (if any) as set out below.

THE AGREEMENT

The principal terms of the Agreement are set out below:

Date: 8 April 2021

Parties: (i) CDOT Huizhou; and
(ii) the Contractor.

Subject Matter: The Contractor is appointed as the contractor responsible for the construction and engineering works of factory plant, dormitories and ancillary facilities located at the Construction Area.

Construction Period: The construction period is expected to be 418 days, scheduled to commence on 8 April 2021 and end on 31 May 2022.

If there are any delays to the expected construction timetable and such delay is attributable to the Contractor, the Contractor will be subject to a daily delay fee of RMB50,000.

Consideration:

The Consideration payable to the Contractor pursuant to the Agreement shall be RMB211,366,388.68 (equivalent to approximately HK\$251,357,341.75), subject to adjustments (“**Adjustments**”) based on the actual work to be undertaken and certain customary price adjustment mechanism with reference to, among others, market price of raw materials necessary for the construction, as set out below, provided that in any event the Consideration (inclusive of the Adjustments, if any) shall not exceed RMB220,000,000.00 (equivalent to approximately HK\$261,624,450.00).

The Consideration will be financed by the Group’s internal resources, bank facilities or a combination of both.

Adjustments to
Consideration:

The Consideration may be subject to the following Adjustments:

(i) *Fluctuation of material fees*

According to the terms of the Agreement, in the event that the fluctuation of the price of steel reinforcement, concrete and/or copper cable exceeds 5%, the Consideration will be adjusted in accordance with the corresponding mechanism under the Agreement.

(ii) *Change of construction plan*

The adjustment of pricing for a change of plan shall be made in the following manners:

- (1) In the event that the Agreement contains an applicable item identical or similar to the proposed change of plan, the applicable item will be used as the basis to determine the pricing of the change of plan;

(2) In the event that the Agreement does not contain an applicable item identical or similar to the change of plan, the pricing will be determined either with reference to the price of materials needed for the change of plan or by negotiation between CDOT Huizhou and the Contractor.

(iii) Change in relevant PRC laws and regulations

In the event that there is any change in PRC laws and regulations which would affect the Consideration, the Consideration shall be adjusted accordingly with reference to the actual impact of such change in laws and regulations.

Basis of determination of Consideration: The Consideration was determined based on the bidding price offered by the Contractor, and CDOT Huizhou awarded the Agreement to the Contractor after an open tendering process. CDOT Huizhou evaluated the experience and capability of the Contractor, the expected scope and complexity of the construction to be performed, the expected cost of the project and the prevailing market price for carrying out a construction of similar scale and complexity.

Payment Terms: The Consideration, subject to the Adjustments (if any), shall be settled by CDOT Huizhou in cash via 7-day promissory notes in the following manner:

(i) CDOT Huizhou shall pay a deposit to the Contractor, being 10% of the Consideration (after deducting the Estimated Sum), within 30 days after entering into the Agreement and upon receipt of the Guarantee Letter (as defined below), and such deposit will be applied to offset the monthly payments in (ii) below;

- (ii) in the course of construction, CDOT Huizhou shall make monthly payments to the Contractor which amount shall be calculated based on 80% of the assessed value of construction work completed in that month. Up to 80% of the Consideration (including the 10% deposit above) will be paid through the monthly payment for completed construction work;
- (iii) upon the completion of all construction works and CDOT Huizhou having inspected the construction works and accepted the same, up to 90% of the Consideration shall be paid;
- (iv) after completion of the settlement procedure, up to 97% of the Consideration shall be paid; and
- (v) the remaining 3% of the Consideration, which will be withheld by CDOT Huizhou as quality assurance fee (“**Quality Assurance Fee**”) under the Agreement, shall be paid 2 years after the inspection and acceptance of the completed construction works by CDOT Huizhou pursuant to the Agreement (after deduction of expenses incurred by CDOT Huizhou in the relevant maintenance works in relation to quality issues of the construction works under the Agreement during the warranty period, as more specifically detailed below).

Sub-contracting:

Unless prior written approval is obtained from CDOT Huizhou, the Contractor shall not sub-contract any works under the Agreement.

For sub-contracting works under the Agreement approved by CDOT Huizhou, a sub-contracting service fee (the “**Sub-contracting Service Fee**”) in the amount of 1.5% of the consideration of such approved sub-contract work shall be payable by CDOT Huizhou to the Contractor. The Sub-contracting Service Fee is in addition to the Consideration and is not subject to the aforementioned cap of Consideration of RMB220,000,000.00.

As such, before approving any sub-contracting work, the Company will ensure that all applicable requirements under the Listing Rules will be complied with.

Warranty period:

During the warranty period, the Contractor shall be responsible for providing routine maintenance works and handling and fixing any quality issues of the constructions works under the Agreement in a timely manner:

- (1) Unless otherwise specified, the warranty period is 2 years from the date of the inspection and acceptance of the completed construction works by CDOT Huizhou pursuant to the Agreement.
- (2) The warranty period for waterproof and leak-proof works for lavatories, rooms and external walls is 5 years. The warranty period for decoration and renovation works, electric wires and pipelines, water pipes and installation of machineries is 2 years. The warranty period for the main structural construction is the reasonable useful life as stipulated under the relevant design document. The warranty period for heating and cooling systems is 2 heating periods and cooling periods respectively.
- (3) During the warranty period, the Contractor shall carry out maintenance works within 7 days after receiving notice of quality issues of the construction works under the Agreement, failing which CDOT Huizhou shall have the right to carry out maintenance works and deduct the relevant expenses from the Quality Assurance Fee.

Guarantee: The Contractor shall give a guarantee in favor of CDOT Huizhou in respect of the performance of its obligations under the Agreement, in an amount equivalent to 10% of the Consideration for the period from the date of commencing the construction works until the end of the 3rd month after the inspection and acceptance of the completed construction works by CDOT Huizhou pursuant to the Agreement, by way of providing CDOT Huizhou a guarantee letter (“**Guarantee Letter**”) to be issued by a bank.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT

Reference is made to the announcement of the Company dated 5 March 2021. Following the launching of the small and medium-sized LCD module project as disclosed in the said announcement, the Group has entered into the Agreement to commence the construction of the smart factory for the said project. The smart factory will be used for, among others, production of the new touch-in display module. The Group will also relocate the existing 20 production lines for mobile phone display modules and 2 production lines for medium-sized display modules to the new smart factory, as well as expanding the production capacities for wearable and medium-sized display modules of the Group. The construction of the smart factory will enhance the production scale of the Group so as to facilitate the Group in capturing the growing market demand.

The Contractor was selected by CDOT Huizhou for the transaction contemplated under the Agreement through an open tendering process and the Consideration was determined based on the bidding price offered by the Contractor. CDOT Huizhou awarded the Agreement to the Contractor after thorough evaluation of the bids, considering factors including but not limited to the experience and capability of the bidders, the expected scope of work and the expected cost of the construction project. CDOT Huizhou considers that the Contractor is able to provide up to standard construction services for implementing the Agreement.

The Directors (including the independent non-executive Directors) are of the view that (i) the terms of the Agreement are fair and reasonable; (ii) the Agreement is on normal commercial terms; and (iii) the Agreement is in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) calculated under Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the Agreement exceeds 5% but all are less than 25%, the transaction contemplated under the Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

INFORMATION OF THE GROUP AND CDOT HUIZHOU

Headquartered in the PRC, the Group is principally engaged in the research and development, manufacture, sales and distribution of LCD modules. The Group is also one of the major suppliers of small and medium sized display modules in the PRC. The Group has its manufacturing plants in the 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).

CDOT Huizhou, an indirect wholly-owned subsidiary of the Company, was established in the PRC with limited liability. It is principally engaged in the manufacture and sale of LCD modules for mobile phones and tablets and providing processing service of LCD modules.

INFORMATION ON THE CONTRACTOR

The Contractor is a PRC-based company principally engaged in the contracting of construction, engineering and equipment installation works, urban landscaping design and engineering design. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Contractor is ultimately beneficially owned as to approximately 95.0% by Mr. HUANG Xueliu, approximately 2.5% by Mr. HUANG Xuedong and approximately 2.5% by Mr. HUANG Kaihe, and each of the Contractor and its ultimate beneficial owners is an Independent Third Party.

DEFINITIONS

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

“Agreement”	the agreement dated 8 April 2021 entered into between CDOT Huizhou and the Contractor in respect of the construction of factory plant, dormitories and ancillary facilities located at the Construction Area
“Board”	the board of Directors of the Company
“CDOT Huizhou”	China Display Optoelectronics Technology (Huizhou) Co., Ltd.* (華顯光電技術(惠州)有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Company”	China Display Optoelectronics Technology Holdings Limited, a company incorporated in the Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 0334)
“connected person(s)”	has the meanings ascribed to it under the Listing Rules
“Consideration”	the total consideration payable for services to be obtained under the Agreement

“Construction Area”	a piece of land situated at Dongsheng Village, Chenjiang Road, Zhongkai Hi-tech Industrial Development Zone, Huizhou, Guangdong Province, the PRC with the total construction area of 48,806 square metres
“Contractor”	Fujian Liantai Construction Engineering Co., Ltd.* (福建聯泰建設工程有限公司), a company established in the PRC with limited liability
“Director(s)”	the director(s) of the Company
“Estimated Sum”	The aggregate of (i) the estimated fees for materials, equipment and services which are necessary for the construction but the standard and price of which are not determinable at the time of the Agreement; and (ii) the estimated fees for matters such as procurement of materials, equipment or services, change of construction plan, adjustments to Consideration or any other matters which are uncertain or unforeseeable at the time of entering into the Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	a party who is not a connected person of the Company and is independent of and not connected with the Company and its connected persons
“LCD”	liquid crystal display
“Listing Rules”	the rules governing the listing of securities on the Stock Exchange

“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan for the purposes of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	any entity within the meaning of the term “subsidiary” as defined in the Listing Rules and the term “subsidiaries” shall be construed accordingly
“%”	per cent

On behalf of the Board

LIAO Qian

Chairman

Hong Kong, 8 April 2021

For the purposes of this announcement, the exchange rate of HK\$1.00=RMB0.8409 has been used for currency translation, where applicable. Such an exchange rate is for illustrative purposes and does not constitute representations that any amount in RMB or HK\$ has been, could have been or may be converted at such a rate.

The English translation of Chinese names or words in this announcement, where indicated by “”, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

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. ZHANG Feng as executive Directors; and Ms. HSU Wai Man Helen, Mr. XU Yan and Mr. LI Yang as independent non-executive Directors.