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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
ACQUISITION OF THE ENTIRE EQUITY INTEREST
IN HUIZHOU GAOSHENGDA ZHIXIAN
TECHNOLOGY CO., LTD.**

THE ACQUISITION

The Board is pleased to announce that on 1 August 2022 (after trading hours), CDOT Huizhou (an indirect wholly-owned subsidiary of the Company), the Vendors and the Target Company entered into the Equity Transfer Agreement, pursuant to which the Vendors conditionally agreed to sell, and CDOT Huizhou conditionally agreed to acquire, the Sale Shares representing 100% of the equity interest in and of the Target Company at a consideration of RMB51,000,000. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Company will be consolidated into the accounts of the Group.

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 Acquisition exceeds 5% but all are less than 25%, the Acquisition 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 (including independent financial advice) and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 1 August 2022 (after trading hours), CDOT Huizhou (an indirect wholly-owned subsidiary of the Company), the Vendors and the Target Company entered into the Equity Transfer Agreement, pursuant to which the Vendors conditionally agreed to sell, and CDOT Huizhou conditionally agreed to acquire, the Sale Shares representing 100% of the equity interest in and of the Target Company at a consideration of RMB51,000,000. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Company will be consolidated into the accounts of the Group.

THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are set out below:

- Date: 1 August 2022 (after trading hours)
- Parties:
- (i) Huizhou Gaoshengda (as one of the vendors and owner of 65% of the equity interest of the Target Company) (“Vendor A”);
 - (ii) Huizhou Zhicheng (as one of the vendors and owner of 20% of the equity interest of the Target Company) (“Vendor B”);
 - (iii) Huizhou Zhihe (as one of the vendors and owner of 15% of the equity interest of the Target Company) (“Vendor C”);
 - (iv) CDOT Huizhou (as purchaser); and
 - (v) Target Company.
- Subject matter of the Acquisition: The Sale Shares, being 100% of the equity interests in and of the Target Company.

Consideration and
payment terms:

The Consideration for the Acquisition is RMB51,000,000 (equivalent to approximately HK\$59,338,500), as to RMB33,150,000 to Vendor A, RMB10,200,000 to Vendor B and RMB7,650,000 to Vendor C.

The Consideration shall be settled by CDOT Huizhou in cash in the following manner:

- (i) on the Completion Date, CDOT Huizhou shall pay 51% of the Consideration (i.e. RMB26,010,000) to the Vendors, as to RMB16,906,500 to Vendor A, RMB5,202,000 to Vendor B and RMB3,901,500 to Vendor C; and
- (ii) within 5 working days after the Completion Date, CDOT Huizhou shall pay the remaining 49% of the Consideration (i.e. RMB24,990,000) to the Vendors, as to RMB16,243,500 to Vendor A, RMB4,998,000 to Vendor B and RMB3,748,500 to Vendor C.

CDOT Huizhou intends to fund the Consideration by internal resources of the Group.

Conditions Precedent:

The Completion is conditional upon the fulfilment and/or waiver of, as the case may be, the following conditions precedent on or before the Long Stop Date:

- (i) as at the Completion Date, no judicial or government-related authorities having issued any judgment, ruling or order which forbids or restricts the Acquisition and there being no pending or potential litigation, arbitration, judgment, order or ruling that is or may be adverse to the Vendors, the Target Company or the Acquisition;

- (ii) CDOT Huizhou and the Vendors having executed all transaction documents pursuant to the Equity Transfer Agreement and having obtained all necessary authorisations or approvals to execute the same;
- (iii) each of CDOT Huizhou, the Vendors and the Target Company having obtained all necessary authorisation from its respective board of directors and shareholders by way of board and/or shareholders resolutions in relation to the Acquisition and/or amendment to the articles of Target Company;
- (iv) as at the Completion Date, there being no event, fact, condition, change or other circumstances which may reasonably give rise to material adverse effect on the financial position, business, assets, liabilities, operation or prospects of the Target Company;
- (v) from the date of the Equity Transfer Agreement to the Completion Date, (a) there has not been any change in the shareholding of the Target Company; (b) the business licenses and qualifications of the Target Company remain effective and have not been terminated, revoked or cancelled; (c) there has not been any event(s) which gives rise to or likely gives rise to any material adverse change; or (d) the Target Company has not obtained any loan from its associated person(s);
- (vi) the Vendors having complied with and fulfilled all of their capital contribution obligation in relation to the Target Company, that is having made capital contribution of a total of RMB50,000,000 to the Target Company;

- (vii) the Vendors having procured and the Target Company has terminated all existing related-party transactions and settled all payables and receivables arising from non-related-party transactions;
- (viii) each of the Target Company and the Vendors having complied with and performed all of the undertakings, obligations and conditions under the Equity Transfer Agreement required to be performed before the Completion Date in all material aspects;
- (ix) the Vendors having delivered to CDOT Huizhou the resignation letters of all directors and supervisors of the Target Company nominated or appointed by the Vendors which shall take effect on the Completion Date (if applicable);
- (x) the warranties given by the Vendors under the Equity Transfer Agreement remaining true, accurate and not misleading from the date of the Equity Transfer Agreement up to the Completion; and
- (xi) CDOT Huizhou and/or its beneficial owner and ultimate beneficial owner having complied with all requirements under the Listing Rules in relation to the Equity Transfer Agreement and the transactions contemplated thereunder.

CDOT Huizhou, at its absolute discretion, may waive any of the conditions precedent (iv), (v), (vii) or (x) above by notice in writing. For the avoidance of doubt, neither CDOT Huizhou nor the Vendors may waive condition precedent (xi) above.

If the above conditions precedent have not been fulfilled (or waived, as the case may be) in accordance with the Equity Transfer Agreement on or before the Long Stop Date, the Equity Transfer Agreement shall cease and determine automatically, and the parties shall be released from all obligations thereunder save for any antecedent breach of the terms thereof.

Completion:

Completion shall take place on the fifth working day (or any other date agreed by all parties in writing) after the fulfilment (or waiver, as the case may be) of all conditions precedent.

The Vendors shall procure the Target Company, and the Target Company shall, complete all necessary registration with relevant State Administration for Industry and Commerce in the PRC in respect of the Acquisition as soon as reasonably practicable.

Upon Completion, CDOT Huizhou shall become the sole owner of the Sale Shares and shall be entitled to exercise all shareholder's rights and assume all obligations in respect of the entire equity interest in and of the Target Company.

BASIS OF THE CONSIDERATION

The Consideration was determined after arm's length negotiations between CDOT Huizhou and the Vendors with reference to the valuation of the net assets of the Target Company as at 31 May 2022 in the amount of approximately RMB51,003,200 (equivalent to approximately HK\$59,342,223) as set out in the valuation report prepared by an independent valuer in the PRC using the asset-based valuation approach.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company established under the laws of the PRC with limited liability in March 2020, which is principally engaged in the business of research and development, sales and distribution of smart touch-screen systems and intelligent recognition systems, sales and distribution of electronic products, research and development of information publishing systems, provision of intelligent recognition services and product design, provisions of application and foundation software services and technical consultancy services. As at the date of this announcement, the Target Company is held as to 65% by Vendor A, 20% by Vendor B and 15% by Vendor C respectively.

Set out below is the financial information of the Target Company for the financial years ended 31 December 2021 and 31 December 2020 as extracted from the audited financial statements of the Target Company prepared in accordance with the PRC Accounting Standards for Business Enterprises:

	For the financial year ended 31 December 2021 RMB	For the financial year ended 31 December 2020 RMB
Revenue	15,848,709	232,438
(Net loss) before tax	(6,700,190)	(3,449,206)
(Net loss) after tax	(6,700,190)	(3,449,206)
	As at 31 December 2021 RMB	As at 31 December 2020 RMB
Total assets	44,611,909	23,640,562
Net assets	39,100,604	22,830,794

As at 31 May 2022, based on the unaudited financial statements of the Target Company, the net asset value of the Target Company was approximately RMB37,580,600 (equivalent to approximately HK\$43,725,028).

REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER AGREEMENT

The Group strives to develop its medium-sized display module and smart home device business segments and continues its effort in broadening its product range and technology platforms to enhance its competitiveness. After the Acquisition, the Target Company will be a supplier of IoT related products of the Group, thus creating synergy effect with the existing display module products of the Group, and also laying the foundation for the development of the Group in the IoT field in the future. Through long-term planning of the production chain of the Group, the Group will be able to further develop its production technology and capitalise on its production capacity, allowing it to capture business opportunities arising in the future.

The Directors (including the independent non-executive Directors) are of the view that (i) the terms of the Acquisition are fair and reasonable; (ii) the Acquisition is on normal commercial terms; and (iii) the Acquisition 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 Acquisition exceeds 5% but all are less than 25%, the Acquisition 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 (including independent financial advice) 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 is a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in the manufacture and sale of small and medium sized LCD modules and provision of LCD module processing services.

INFORMATION OF THE VENDORS

Vendor A is a company established under the laws of the PRC with limited liability and it is principally engaged in the production and sale of wireless transmission products, smart home and IoT related products, touch-screen systems, intelligent recognition systems and other information technology services and products. As at the date of this announcement, Gaoshengda Holdings (Huizhou) Co., Ltd.* (高盛達控股(惠州)有限公司), which holds approximately 60.54% equity interest in and of Huizhou Gaoshengda, is the single-largest shareholder of Huizhou Gaoshengda. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Mr. Zhao Zhongyao* (趙忠堯) is the ultimate beneficial owner of and is indirectly interested in approximately 35.06% equity interest in and of Gaoshengda Holdings (Huizhou) Co., Ltd.* (高盛達控股(惠州)有限公司).

Vendor B is a limited partnership established under the laws of the PRC and it is principally engaged in investment holding. As at the date of this announcement, the general partner of Huizhou Zhicheng is Huizhou Gaoshengda Equity Investment.

Vendor C is a limited partnership established under the laws of the PRC and it is principally engaged in investment holding. As at the date of this announcement, the general partner of Huizhou Zhihe is Huizhou Gaoshengda Equity Investment.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of Huizhou Gaoshengda, Huizhou Zhicheng and Huizhou Zhihe and their ultimate beneficial owners is an Independent Third Party. In ascertaining the independence of the Vendors and their ultimate beneficial owners, enquiries have been made with each of the Directors and the substantial shareholders (as defined in the Listing Rules) of the Company, and none of them are connected person(s) of the Vendors and their ultimate beneficial owners as at the date of this announcement.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by CDOT Huizhou from the Vendors in accordance with the Equity Transfer Agreement;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“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 under the laws of 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: 00334);
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Equity Transfer Agreement;
“Completion Date”	the date on which the Completion shall take place;
“connected person(s)”	has the meanings ascribed to it under the Listing Rules;
“Consideration”	the total consideration of the Acquisition of RMB51,000,000 (equivalent to approximately HK\$59,338,500) payable by CDOT Huizhou to the Vendors pursuant to the Equity Transfer Agreement;

“Director(s)”	the director(s) of the Company;
“Equity Transfer Agreement”	the equity transfer agreement dated 1 August 2022 entered into among CDOT Huizhou, the Vendors and the Target Company in relation to the Acquisition;
“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 PRC;
“Huizhou Gaoshengda” or “Vendor A”	Huizhou Gaoshengda Technology Co., Ltd.* (惠州高盛達科技有限公司), a company established under the laws of the PRC with limited liability;
“Huizhou Gaoshengda Equity Investment”	Huizhou Gaoshengda Equity Investment Co., Ltd. * (惠州高盛達股權投資有限公司), a company established under the laws of the PRC with limited liability;
“Huizhou Zhicheng” or “Vendor B”	Huizhou Zhicheng Investment Management Partnership (Limited Partnership)* (惠州市智誠投資管理合夥企業(有限合夥)), a limited partnership established under the laws of the PRC;
“Huizhou Zhihe” or “Vendor C”	Huizhou Zhihe Investment Management Partnership (Limited Partnership)* (惠州市智合投資管理合夥企業(有限合夥)), a limited partnership established under the laws of the PRC;
“Independent Third Party”	person(s) or company(ies) which is/are independent of and not connected with any directors, chief executives, controlling shareholders, substantial shareholders and connected persons of the Company or any of its subsidiaries and their respective associates;

“IoT”	Internet of things;
“LCD”	liquid crystal display;
“Listing Rules”	the rules governing the listing of securities on the Stock Exchange;
“Long Stop Date”	31 August 2022 or such other date as agreed in writing by the parties to the Equity Transfer Agreement;
“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;
“Sale Shares”	100% of the equity interest in and of the Target Company;
“Share(s)”	share(s) of the Company;
“Shareholder(s)”	holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	any entity within the meaning of the term “subsidiary” as defined in the Listing Rules and the term “subsidiaries” shall be construed accordingly;
“Target Company”	Huizhou Gaoshengda Zhixian Technology Co., Ltd.* (惠州高盛達智顯科技有限公司), a company established under the laws of the PRC with limited liability;
“Vendor(s)”	means Huizhou Gaoshengda, Huizhou Zhicheng and Huizhou Zhihe;

“working day(s)” for the purpose of the Equity Transfer Agreement, means any day (other than a Saturday, Sunday or public holiday) on which banks in the PRC are generally open for normal banking business; and

“%” per cent

On behalf of the Board

LIAO Qian

Chairman

Hong Kong, 1 August 2022

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.*

For the purposes of this announcement, the exchange rate of RMB1.00 = HK\$1.1635 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.

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.