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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)

**(1) RENEWAL OF
CONTINUING CONNECTED TRANSACTIONS –
MASTER FINANCIAL SERVICES (2023-2025) AGREEMENT
AND
(2) MAJOR TRANSACTION AND ADVANCE TO AN ENTITY
IN RESPECT OF THE DEPOSIT SERVICES UNDER
MASTER FINANCIAL SERVICES (2023-2025) AGREEMENT
AND
(3) PROPOSED AMENDMENTS TO THE BYE-LAWS**

MASTER FINANCIAL SERVICES (2023-2025) AGREEMENT

The Board is pleased to announce that the Company had on 31 October 2022 (Hong Kong time after trading hours) entered into the Master Financial Services (2023-2025) Agreement with TCL Technology and Finance Company which is on substantially similar terms as the Master Financial Services (2020 Renewal) Agreement save that (i) the scope of the Master Financial Services (2023-2025) Agreement does not include the promotion services provided by members of the Group; and (ii) the respective scope of service of Financing Services and Other Financial Services has been modified to reflect and comply with the latest regulatory framework imposed by the CBIRC.

LISTING RULES IMPLICATIONS

As at the date of this announcement, TCL Technology, the ultimate controlling shareholder of the Company, indirectly held approximately 64.20% of the number of issued Shares and therefore is a connected person of the Company under the Listing Rules. Finance Company, being a subsidiary of TCL Technology, is also a connected person of the Company. Therefore, the transactions (including the Deposit Services) contemplated under the Master Financial Services (2023-2025) Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) with reference to the proposed annual caps of the Master Financial Services (2023-2025) Agreement exceed 5%, the continuing connected transactions contemplated thereunder are subject to the reporting, announcement, circular (including independent financial advice), Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in relation to the proposed annual caps of Deposit Services under the Master Financial Services (2023-2025) Agreement exceed 25% and the assets ratio thereof exceeds 8%, in addition to being continuing connected transactions, the Deposit Services also constitute major transactions of the Company and are subject to the relevant major transaction requirements under Chapter 14 of the Listing Rules; and the Deposit Services further constitute advances to an entity and are subject to the relevant disclosure requirements under Chapter 13 of the Listing Rules.

PROPOSED AMENDMENT TO THE BYE-LAWS

Pursuant to the Consultation Conclusion on Listing Regime for Overseas Issuers published by the Stock Exchange in November 2021, the Stock Exchange has revised the core shareholder protection standards under Appendix 3 to the Listing Rules with effect from 1 January 2022. Accordingly, the Board proposed to amend the Existing Bye-Laws by adopting the Amended Bye-Laws in order to, among other things, bring the Bye-Laws in line with the relevant requirements of the Listing Rules as well as the applicable laws of Bermuda.

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS – MASTER FINANCIAL SERVICES (2023-2025) AGREEMENT

Reference is made to the circulars of the Company dated 9 December 2019 and 12 July 2021 respectively. As stated therein, the Company, TCL Technology and Finance Company had entered into the Master Financial Services (2020 Renewal) Agreement on 2 December 2019, which will expire on 31 December 2022. As the Company, TCL Technology and Finance Company wish to continue the continuing connected transactions thereunder, on 31 October 2022 (after trading hours), the Company entered into the Master Financial Services (2023-2025) Agreement with TCL Technology and Finance Company, which is on substantially similar terms as the Master Financial Services (2020 Renewal) Agreement save that (i) the scope of the Master Financial Services (2023-2025) Agreement does not include the promotion services provided by members of the Group; and (ii) the respective scope of service of Financing Services and Other Financial Services has been modified to reflect and comply with the latest regulatory framework imposed by the CBIRC.

The material terms of the Master Financial Services (2023-2025) Agreement are summarised below:

Date: 31 October 2022

Parties: (1) the Company (for itself and on behalf of its subsidiaries);
(2) TCL Technology (for itself and on behalf of TCL Technology Group); and
(3) Finance Company.

Duration: From 1 January 2023 or the Shareholders' Approval Date (whichever is later) to 31 December 2025 (both days inclusive).

Condition precedent: The Master Financial Services (2023-2025) Agreement is conditional on and subject to the compliance by the Company with relevant Listing Rules requirements in respect of the Master Financial Services (2023-2025) Agreement, including but not limited to obtaining the approval from Shareholders at the SGM.

Major terms and pricing policy:

Deposit Services

Any China Display Qualified Member may from time to time and in its absolute discretion request to deposit money with Finance Company, and Finance Company may in its absolute discretion decide whether to accept cash deposits from a China Display Qualified Member (including current deposits, fixed deposits or any other form of deposits), provided that the terms of the Deposit Services to be offered by Finance Company shall be subject to the following requirements:

- (1) for deposits made within the PRC, the interest rate shall not be less than the highest of:
 - (i) the minimum interest rate promulgated by the PBOC for the same type of deposit from time to time;
 - (ii) the interest rates for the same type of deposits offered to the relevant China Display Qualified Member by major commercial banks in the PRC; and
 - (iii) the interest rates for the same type of deposits offered by Finance Company to any other members of TCL Technology Group (including the Group); and

other terms and conditions offered by Finance Company as a whole shall also be not less favourable than those offered by major commercial banks in the PRC (*see Note 1*) and Finance Company to any other members of the TCL Technology Group (including the Group) for the same type of deposits and shall be on normal commercial terms; and

(2) for deposits made outside the PRC, the interest rate shall not be lower than the highest of:

(i) the interest rates for the same type of deposits offered to the relevant China Display Qualified Member by major commercial banks located in the place where the relevant China Display Qualified Member is located; and

(ii) the interest rates for the same type of deposits offered by Finance Company to any other members of the TCL Technology Group (including the Group); and

other terms and conditions offered by Finance Company as a whole shall also be not less favourable than those offered by major commercial banks located in the place where the relevant China Display Qualified Member is located (*see Note 1*) and Finance Company to any other members of the TCL Technology Group (including the Group) for the same type of deposits and shall be on normal commercial terms.

TCL Technology undertakes and will procure Finance Company and all its TCL Financial Services Associates to jointly and severally with TCL Technology undertake with the Group that, subject to compliance with the Measures for the Administration of Finance Companies of Enterprise Groups* (《企業集團財務公司管理辦法》) and all regulatory indicators imposed by the CBIRC and/or other applicable laws and regulations, at any time during the term of the Master Financial Services (2023-2025) Agreement, the maximum amount of loans, financing and guarantees available under the Financing Services of the Master Financial Services (2023-2025) Agreement provided by TCL Financial Services Associates to China Display Qualified Members shall not be less than the total amount of deposits (including normal cash deposit and deposit of cash or bank instruments as security) placed by the China Display Qualified Members with Finance Company. (*see Note 2*)

If any China Display Qualified Member demands repayment of any money deposited by it with Finance Company in accordance with the relevant terms and procedures and Finance Company fails to follow the repayment demand, such China Display Qualified Member shall then have the right to:

- (a) offset the relevant outstanding deposit amount against up to the same amount of any outstanding loans owed by it and/or any financing provided to it by TCL Financial Services Associates and/or TCL Technology; and/or
- (b) transfer the right mentioned in (a) above to other China Display Qualified Members, so that other China Display Qualified Members have the right to offset the relevant outstanding deposit amount against up to the same amount of any outstanding loans owed by them and/or any financing provided to them by TCL Financial Services Associates and/or TCL Technology; and/or
- (c) request TCL Technology to repay the outstanding deposit amount on behalf of Finance Company in full.

Upon enquiry from any China Display Qualified Member, Finance Company shall within one business day (or such other time as agreed by the parties) provide an offer specifying the interest rates and terms of Deposit Services (including but not limited to whether the deposit can be withdrawn before its maturity, as well as the notice period of such withdrawal). The terms and conditions of any Deposit Services conducted pursuant to the Master Financial Services (2023-2025) Agreement shall be agreed between the relevant China Display Qualified Member and Finance Company in writing by individual agreement(s) from time to time. The terms of such individual agreements shall be consistent with the Master Financial Services (2023-2025) Agreement save and except for the clauses regarding applicable law and dispute resolution.

Financing Services

Any China Display Qualified Member may from time to time and in its absolute discretion request any Financing Services (including bills discounting services) from TCL Financial Services Associates, and the relevant TCL Financial Services Associate may in its absolute discretion decide whether to provide Financing Services, provided that the terms of the Financing Services to be offered by TCL Financial Services Associates shall be subject to the following requirements:

- (1) If any of the TCL Financial Services Associates decides to provide any Financing Services to a China Display Qualified Member within the PRC, the interest rates charged by such TCL Financial Services Associate shall not exceed the lowest of:
 - (i) the maximum interest rates promulgated by the PBOC from time to time in respect of same type of financing services;
 - (ii) the interest rates offered by major commercial banks in the PRC for same type of financing services; and
 - (iii) the interest rates for same type of financing services provided by such TCL Financial Services Associate to any other members of TCL Technology Group (including the Group) with the same credit rating; and

other terms and conditions offered by such TCL Financial Services Associate in respect of the Financing Services as a whole shall not be less favourable than those offered by other major commercial banks in the PRC and TCL Financial Services Associates to any other members of the TCL Technology Group (including the Group) with the same credit rating in respect of same type of financing services and shall be on normal commercial terms.

(2) If any of the TCL Financial Services Associates decides to provide any Financing Services to a China Display Qualified Member outside the PRC, the interest rates charged by such TCL Financial Services Associate shall not exceed the lower of:

(i) the interest rates offered by major commercial banks located in the place where the relevant China Display Qualified Member is located for same type of financing services; and

(ii) the interest rates for same type of financing services provided by such TCL Financial Services Associate to any other members of the TCL Technology Group (including the Group) with the same credit rating; and

other terms and conditions offered by such TCL Financial Services Associate in respect of the Financing Services as a whole shall not be less favourable than those offered by such TCL Financial Services Associate to any other members of TCL Technology Group (including the Group) with the same credit rating and major commercial banks located in the place where the relevant China Display Qualified Member is located in respect of same type of financing services and shall be on normal commercial terms.

TCL Financial Services Associates may request China Display Qualified Member(s) to provide security to TCL Financial Services Associates in respect of the Financing Services.

Upon enquiry from any China Display Qualified Member, the respective TCL Financial Services Associate shall within three business days (or such other time as agreed by the parties) provide an offer specifying the interest rates and terms of Financing Services. The terms and conditions of any Financing Services conducted pursuant to the Master Financial Services (2023-2025) Agreement shall be agreed between the relevant China Display Qualified Member and TCL Financial Services Associate in writing by individual agreement(s) from time to time. The terms of such individual agreements shall be consistent with the Master Financial Services (2023-2025) Agreement save and except for the clauses regarding applicable law and dispute resolution.

Other Financial Services

Any China Display Qualified Member may from time to time and in its absolute discretion request TCL Financial Services Associates to provide Other Financial Services, and the relevant TCL Financial Services Associate may in its absolute discretion decide whether to provide Other Financial Services, provided that the terms of the Other Financial Services to be offered by TCL Financial Services Associates shall be subject to the following requirements:

- (1) The fees charged by TCL Financial Services Associates in respect of provision of Other Financial Services within the PRC shall not exceed the lowest of:
 - (i) the fees promulgated by PBOC (if applicable) for relevant services from time to time;
 - (ii) the fees charged by major commercial banks in the PRC in respect of same type of services; and
 - (iii) the fees charged for the same type of services offered by TCL Financial Services Associates to any other members of the TCL Technology Group (including the Group) with the same credit rating; and

other terms and conditions of the Other Financial Services offered by TCL Financial Services Associates within the PRC as a whole shall not be less favourable than those offered by PBOC, major commercial banks in the PRC and TCL Financial Services Associates to any other members of the TCL Technology Group (including the Group) with the same credit rating for the same type of services and shall be on normal commercial terms.

- (2) The fees charged by TCL Financial Services Associates in respect of provision of Other Financial Services outside the PRC shall not exceed the lower of:
 - (i) the fees promulgated by the major commercial banks located in the place where the relevant China Display Qualified Member is located for the same type of services; and
 - (ii) the fees charged for the same type of services offered by TCL Financial Services Associates to any other members of the TCL Technology Group (including the Group) with the same credit rating; and

other terms and conditions of the Other Financial Services offered by TCL Financial Services Associates outside the PRC as a whole shall not be less favourable than those offered by the major commercial banks located in the place where the relevant China Display Qualified Member is located and TCL Financial Services Associates to any other members of the TCL Technology Group (including the Group) with the same credit rating for the same type of services and shall be on normal commercial terms.

The relevant China Display Qualified Member may from time to time determine in its absolute discretion choose to use Other Financial Services provided by TCL Financial Services Associates or any other independent financial institutions.

The terms and conditions of any Other Financial Services conducted pursuant to the Master Financial Services (2023-2025) Agreement shall be agreed between the relevant China Display Qualified Member and TCL Financial Services Associate in writing by individual agreement(s) from time to time. The terms of such individual agreements shall be consistent with the Master Financial Services (2023-2025) Agreement save and except for the clauses regarding applicable law and dispute resolution.

TCL Technology's undertakings:

TCL Technology undertakes with the Company, among others, that:

- (1) it will procure TCL Financial Services Associates to perform its obligations under the Master Financial Services (2023-2025) Agreement; and
- (2) in case TCL Financial Services Associates experience any financial difficulties, TCL Technology will, subject to internal approvals and the applicable rules and regulations, inject capital to TCL Financial Services Associates based on the needs of TCL Financial Services Associates so as to enable the relevant TCL Financial Services Associate to duly perform its obligations under the Master Financial Services (2023-2025) Agreement and the relevant individual agreements thereunder.

Notes:

1. The major commercial banks in PRC include (but not limited to) Bank of China, Industrial and Commercial Bank of China, Agricultural Bank of China and China Construction Bank. The major commercial banks located in the place where the relevant China Display Qualified Member is located include (but not limited to), in the case of Hong Kong, Bank of China (Hong Kong), The Hongkong and Shanghai Banking Corporation and China Construction Bank (Asia).

2. With this undertaking, China Display Qualified Members could be assured that facilities available to them under the Master Financial Services (2023-2025) Agreement could be of at least the amount of deposits they maintain with Finance Company.

Internal control procedures and pricing policy for conducting transactions under the Master Financial Services (2023-2025) Agreement

The Group will follow the following internal control procedures and pricing policies when conducting the transactions under the Master Financial Services (2023-2025) Agreement:

Deposit Services

- (1) If Finance Company decides to accept any amount of cash deposits from a China Display Qualified Member (including current deposits, fixed deposits or any other form of deposits), the interest rates offered by Finance Company will be determined in accordance with the pricing policy as set out in the Master Financial Services (2023-2025) Agreement. The Group will also compare from time to time and at least every quarter the interest rates offered by Finance Company against (i) the benchmark interest rates promulgated by the PBOC (in the case of deposit made in PRC), (ii) interest rates quoted by at least three major commercial banks in the relevant jurisdiction and (iii) interest rates for similar deposit service quoted by Finance Company to other members of TCL Technology Group to ensure those offered by Finance Company is no less favourable or better than the said benchmark interest rates.
- (2) The Group's finance department will monitor the maximum daily balance of the deposits on a daily basis to ensure that the aggregate deposits do not exceed the applicable annual caps.
- (3) The Group will also maintain accounts with independent banks. Should the balance at the end of any day exceed the maximum daily balance of deposits, the excess funds will be transferred to the Group's bank accounts with an independent commercial bank.

- (4) The Group will request Finance Company, TCL Financial Services Associates and TCL Technology to provide the Group with sufficient information including various financial indicators, such as its asset size, liquidity ratios, operation ratios, level of bad assets and its risk rating assessed by CBIRC (if and when available) at the end of every year as well as annual and interim financial statements to enable the Group to monitor and review the financial condition of Finance Company and/or TCL Financial Services Associates. Finance Company, TCL Financial Services Associates and TCL Technology shall notify the Group, subject to compliance with applicable laws and regulations, should it be subject to any judicial, legal or regulatory proceedings or investigations which are reasonably likely to have a material impact on the financial condition of any of them. If the Group considers that there is any material adverse change in the financial condition of Finance Company and/or TCL Financial Services Associates, the Group will take appropriate measures (for example, early uplift of deposits and a moratorium on further deposits) to protect the Group's financial position.
- (5) Finance Company and/or TCL Financial Services Associates will also provide the Group with a monthly report on the status of the Group's deposits so as to enable the Group to monitor and ensure that the relevant annual cap under the Master Financial Services (2023-2025) Agreement has not been exceeded. Particularly, the Group has in place an internal control system to monitor the usage of annual cap, and Finance Company would monitor the daily ending balance of cash deposited by the Group and would issue a warning to the Group when the balance reaches 90% of the relevant annual cap. Upon receiving the warning, the Group will instruct Finance Company to transfer and deposit such amount in excess with other independent financial institutions as soon as possible within the same day and in any event no later than the next business day. The Group will also conduct a weekly forecast on its level of operating cash to determine the amount to be deposited with Finance Company in the following week, so as to ensure the maximum outstanding daily ending balance of deposits deposited with Finance Company will not exceed the relevant annual cap at any given time. If it is expected that the amount of cash to be generated from Finance Company (e.g. cash received from bills discounting service provided by Finance Company), if deposited with Finance Company, will cause the total balance of cash deposited by the Group with Finance Company exceeding the relevant annual cap, the Group will instruct Finance Company to transfer and deposit such amount in excess with other independent financial institutions in advance so as to ensure the maximum outstanding daily ending balance of deposits deposited with Finance Company will not exceed the relevant annual cap at any given time.

- (6) The Group will, from time to time at its sole discretion, request for the deposits with Finance Company to be withdrawn (either in full or in part) to assess and ensure the liquidity and safety of the Group's deposits.
- (7) Pursuant to the Master Financial Services (2023-2025) Agreement, TCL Technology has undertaken that if Finance Company fails to make any repayment in accordance with the relevant terms and procedure, TCL Technology shall repay any outstanding deposit amount on behalf of Finance Company in full and/or offset the relevant outstanding deposit amount against and up to the same amount of any outstanding loans owed by it to and/or any trade financing provided to it by Finance Company and/or TCL Financial Services Associates and/or TCL Technology. Such undertaking provides indemnification for the deposits with Finance Company under the Master Financial Services (2023-2025) Agreement.
- (8) The Company will prepare risk assessment reports and data in respect of the funds deposited with Finance Company every quarter which will be submitted to the Board for consideration. The contents of such risk assessment reports include the total balance and maximum daily balance of the deposits for the reporting period, a summary of the interest rates of the deposits with Finance Company during the reporting period, and the terms thereof. It will also report to the Board every six months with respect to the deposits under the Master Financial Services (2023-2025) Agreement including compliance with annual caps and any potential change in the risk profile of Finance Company.

Financing Services

- (1) In general, the interest rates or bill discount rate (as the case may be) offered by TCL Financial Services Associates in respect of the financing services shall not be higher than those charged by other independent financial institutions in the PRC or those offered to other members of the TCL Technology Group. Other terms and conditions offered by TCL Financial Services Associates as a whole shall also not be less favourable than those offered by other independent financial institutions or those offered to other members of the TCL Technology Group, and shall be on normal commercial terms negotiated on arm's length basis. However, in cases where the relevant financing service is not provided by other independent financial institutions (other than TCL Financial Services Associates), for example where the value of the bill is small, the Group will, after taking into account such factor, assess whether the overall terms and conditions offered by TCL Financial Services Associates as a whole are no less favourable to the Group than those terms of general financing services offered by other independent financial institutions or those offered to other members of the TCL Technology Group.
- (2) The Group will, for every transaction, (i) obtain bill discount rates or interest rates (as the case may be) from at least three major PRC commercial banks such as Bank of China Limited in respect of financing service, and (ii) obtain bill discount rates or interest rates (as the case may be) offered by TCL Financial Services Associates to other members of the TCL Technology Group, and make comparisons with those offered by TCL Financial Services Associates.
- (3) The Group's finance department will monitor the aggregate financing amount (including interest payable and service fees) under the Financing Services to ensure that it does not exceed the applicable annual caps.

Other Financial Services

- (1) The fees to be charged by Finance Company and/or TCL Financial Services Associates in respect of Other Financial Services shall not be higher than the fees determined by PBOC (if applicable) and the fees charged by other independent financial institutions service providers in respect of such services.
- (2) The Group will, for every transaction, obtain quotes of fees from at least three independent financial institutions in respect of services similar to the Other Financial Services, and make comparisons to review the fairness and reasonableness of fees charged by Finance Company and/or TCL Financial Services Associates which shall be no less favourable than those offered by Independent Third Parties. Other terms and conditions of Other Financial Services offered by Finance Company and/or TCL Financial Services Associates as a whole shall also be no less favourable than those offered by other independent financial institutions service providers and shall be on normal commercial terms. In case of such market comparable is not available, the fees to be charged by Finance Company and/or TCL Financial Services Associates shall be no less favourable to the Group than the rate charged by Finance Company and/or TCL Financial Services Associates to other members of TCL Technology Group for providing similar services in respect of Other Financial Services.

The Company's audit committee will also scrutinize the implementation and enforcement of the transactions under the Master Financial Services (2023-2025) Agreement. If the Company's audit committee is of the view that it would be in the Company's interests to reduce the level of deposits and/or other continuing connected transactions with any TCL Financial Services Associates, the Group will take appropriate steps to implement its decision. Any material findings in the risk assessment reports, the views of the Company's audit committee on the deposits and/or other continuing connected transactions under the Master Financial Services (2023-2025) Agreement (including its views on how the terms of the Master Financial Services (2023-2025) Agreement have been complied with) and its decisions on matters in relation thereto, if any and where appropriate, will be disclosed in the Company's annual reports.

The responsible personnel conducting the above internal control procedures are all employees of the Company who are independent to TCL Technology, Finance Company and their associates.

HISTORICAL FIGURES AND PROPOSED ANNUAL CAPS

The following table sets out the respective historical figures of the continuing connected transactions under the Master Financial Services (2020 Renewal) Agreement, and the proposed annual caps of the Master Financial Services (2023-2025) Agreement:

	Master Financial Services (2020 Renewal) Agreement			Master Financial Services (2023-2025) Agreement		
	For the year ended 31 December 2020 (audited) RMB'000	For the year ended 31 December 2021 (audited) RMB'000	For the nine months ended 30 September 2022 (unaudited) (for actual amount only)/ For the year ending 31 December 2022 (for historical annual cap only) RMB'000	For the year ending 31 December 2023 RMB'000	For the year ending 31 December 2024 RMB'000	For the year ending 31 December 2025 RMB'000
Deposit Services –						
Maximum outstanding daily ending balances of deposits (including interest receivables in respect of these deposits and deposits as security)						
– Historical Annual Cap	895,000	1,450,000	1,690,000			
– Actual amount	560,528	1,123,408	1,302,286			
– Proposed Annual Cap				1,700,000	1,870,000	2,057,000
Financing Services –						
aggregate financing amount (including interest payable and service fees) <i>(see Notes 1 and 2)</i>						
– Historical Annual Cap	600,000	660,000	726,000			
– Actual amount	Nil	Nil	Nil			
– Proposed Annual Cap				400,000	400,000	400,000
Other Financial Services –						
financial service charges						
– Historical Annual Cap	1,300	1,500	1,600			
– Actual amount	Nil	Nil	Nil			
– Proposed Annual Cap				1,000	1,100	1,200

Notes:

1. The amount excludes the facility amount without cash or bank instruments as security and other unsecured loans, financing and guarantees available under the facility line provided by TCL Financial Services Associates to the China Display Qualified Members which, if conducted on normal commercial terms or better, are fully exempt connected transactions under Rule 14A.90 of the Listing Rules.
2. The annual caps of financing services under the Master Financial Services (2020 Renewal) Agreement were set only for bills discounting (measured in terms of aggregate face value of bills discounted) as no other type of financing services were contemplated thereunder. Under the Master Financial Services (2023-2025) Agreement, the proposed annual caps of Financing Services are set for aggregate financing amount (including but not limited to principal amount of bank loans and financing instruments, interest payable, service fees and aggregate face value of bills discounted) under the scope of Financing Services as it is contemplated that different types of financing services (including but not limited to bill discounting) may be received by China Display Qualified Members during the term of the Master Financial Services (2023-2025) Agreement.

BASIS FOR DETERMINING THE PROPOSED ANNUAL CAPS

The proposed annual caps in relation to the Master Financial Services (2023-2025) Agreement are determined with reference to the following factors:

Deposit Services

- (i) The historical amounts of the balance of deposit that the Group placed with Finance Company pursuant to the Master Financial Services (2020 Renewal) Agreement.
- (ii) It is estimated that the maximum amount of balance of deposit to be placed by the Group pursuant to the Master Financial Services (2023-2025) Agreement in 2023 would reach approximately RMB1,531 million. Taking into account the Group's internal control measures to keep the maximum deposit amount below 90% of the relevant annual cap (as discussed in paragraph 5 of the sub-section headed "Deposit Services" under the section headed "Internal control procedures and pricing policy for conducting transactions under the Master Financial Services (2023-2025) Agreement"), the proposed annual cap of RMB1,700 million for year 2023 would be just enough to cater for the deposit needs of China Display Qualified Members. The proposed annual caps of Deposit Services for year 2024 and 2025 are set with reference to the expected increase of approximately 10% per annum in balance of deposits with Finance Company during the term of the Master Financial Services (2023-2025) Agreement in view of business growth.

- (iii) Having been satisfied by the services and the benefits provided by Finance Company such as higher interest rates than available from other financial institutions, it is likely that the Group will allocate more of its cash to be deposited with Finance Company if and when the terms offered by it are more favourable than the commercial terms offered by other financial institutions.
- (iv) In view of uncertainty and fluctuation in the peak of cash inflow from customers of China Display Qualified Members, a buffer has been included in the estimation of proposed annual caps.

Financing Services

- (i) The expected financing need of China Display Qualified Members during the term of the Master Financial Services (2023-2025) Agreement.
- (ii) The financing services under the Master Financial Services (2020 Renewal) Agreement have not been utilised by China Display Qualified Members since external financial institutions have provided more favourable terms. Nevertheless, China Display Qualified Members may still consider receiving Financing Services during the term of the Master Financial Services (2023-2025) Agreement if the terms offered by TCL Financial Services Associates become more favourable and satisfy the pricing policies of the Group. In this regard, smaller annual caps (representing a decrease of approximately 45% from 2022 to 2023) are still proposed.
- (iii) The historical financing amount of China Display Qualified Members provided by independent PRC commercial banks amounting to approximately RMB316 million, RMB497 million and RMB251 million for the two years ended 31 December 2020 and 2021, and nine months ended 30 September 2022 respectively.

Other Financial Services

- (i) The expected demand for Other Financial Services from China Display Qualified Members during the term of the Master Financial Services (2023-2025) Agreement.

- (ii) Other financing services under the Master Financial Services (2020 Renewal) Agreement have not been utilised by China Display Qualified Members since external financial institutions have provided more favourable terms. Nevertheless, for the purpose of providing flexibility to China Display Qualified Members, smaller annual caps (representing a decrease of 37.5% from 2022 to 2023) are still proposed.
- (iii) The historical amount of fees in the amount of approximately RMB496,000, RMB1,397,000 and RMB1,123,000 paid by China Display Qualified Members to independent financial institutions for other financing services (such as issuance of letters of credit) for the two years ended 31 December 2020 and 2021, and for the nine months ended 30 September 2022 respectively.
- (iii) An expected increase of approximately 10% per annum in demand for Other Financial Services during the term of the Master Financial Services (2023-2025) Agreement in view of business growth.

FINANCIAL EFFECT OF THE DEPOSIT SERVICES

Whilst the Company will be able to continue to earn interest income from the deposits made with Finance Company, given such interest income earned from Finance Company for the year ended 31 December 2021 was only approximately RMB18,721,000 and represented a small proportion of the Company's earnings and net assets, the Company anticipates that the Deposit Services contemplated under the Master Financial Services (2023-2025) Agreement will not have any material impact on the Company's earnings, assets and liabilities.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Directors (excluding the independent non-executive Directors whose views will be set out in the letter from Independent Board Committee to be contained in the circular to be despatched by the Company) consider that the terms of the Master Financial Services (2023-2025) Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and it is in the interest of the Company and the Shareholders as a whole to enter into the Master Financial Services (2023-2025) Agreement and the transactions contemplated thereunder for the following reasons:

1. The Master Financial Services (2023-2025) Agreement allows TCL Financial Services Associates to provide cost efficient finance and treasury services to all China Display Qualified Members. The Company believes that TCL Financial Services Associates, which are financial institutions duly established in or outside the PRC and the pricing policies and the operation of which are subject to guidelines issued by the CBIRC or relevant authorities where the financial institutions duly established outside the PRC, may facilitate the China Display Qualified Members to obtain cheaper financing from other financial institutions in or outside the PRC by taking advantage of the inter-bank lending rates which TCL Financial Services Associates may enjoy in respect of their own borrowings from other financial institutions. Since the credit ranking of TCL Technology is better than that of China Display Qualified Members, TCL Financial Services Associates may obtain better financing options from the financial institutions outside through TCL Technology by making use of its advantage in credit ranking, and in turn the TCL Financial Services Associates may offer favourable financing options to China Display Qualified Members. It is expected that the inter-bank interest rates are usually lower than the interest rates of other corporate commercial loans.
2. Finance Company has been providing financial services to the Group under the Master Financial Services (2020 Renewal Agreement) and has a thorough understanding of the operations and development needs of the Group. Accordingly, it is expected that TCL Financial Services Associates (including Finance Company) will be more efficient in terms of processing transactions for the Group than other financial institutions given their close relationships.
3. Further, the Master Financial Services (2023-2025) Agreement provides more flexibility to China Display Qualified Members in respect of managing cash flow and financing needs as China Display Qualified Members may choose to receive services from both TCL Financial Services Associates and independent financial service providers. For illustration, China Display Qualified Members may receive commercial bills which are not backed by PRC commercial banks, and hence are generally not accepted by independent PRC commercial banks for discounting, whereas TCL Financial Services Associates are more flexible in accepting those commercial bills for discounting purpose.

The Directors consider that Deposit Services contemplated under the Master Financial Services (2023-2025) Agreement will not result in the Group having excessive reliance on TCL Technology Group for the following reasons:

1. China Display Qualified Members are not obliged to make deposits with Finance Company and any China Display Qualified Member shall only make such deposits if the interest rate offered by Finance Company is no less favourable than those rates offered by other independent financial institutions. And in any event, China Display Qualified Members are at liberty to withdraw any amount deposited with Finance Company pursuant to the terms of the Master Financial Services (2023-2025) Agreement;
2. Even if Finance Company fails to provide the best interest rate to China Display Qualified Members, given cash deposit services are widely available, China Display Qualified Members can easily find alternative independent third-party service providers;
3. The Company considers that the risk associated with depositing cash with Finance Company is low:
 - (a) to the best knowledge and belief of the Company after making all reasonable enquiries, in order to manage the credit risks, Finance Company would carefully evaluate the operation situation and financial position of the member companies within the Group and TCL Technology Group when receiving loan application from them and only provides loans to such member companies who have sound financial position;
 - (b) Finance Company has been conducting its business in compliance with the relevant applicable rules and regulations and every financial indicators of each of Finance Company is normal; and
 - (c) as set out in the articles of association of Finance Company, in the event that Finance Company falls into financial difficulty in payments, TCL Technology has the obligation to take all necessary steps including injecting capital into Finance Company based on its funding needs, to restore its financial position. Given TCL Technology, a company listed on the Shenzhen Stock Exchange, is a substantial company, the Company considers that it would be extremely unlikely for Finance Company to fail to restore its financial position.

LISTING RULES IMPLICATIONS

As at the date of this announcement, TCL Technology, the ultimate controlling shareholder of the Company, indirectly held approximately 64.20% of the number of issued Shares and therefore is a connected person of the Company under the Listing Rules. Finance Company, being a subsidiary of TCL Technology, is also a connected person of the Company. Therefore, the transactions (including the Deposit Services) contemplated under the Master Financial Services (2023-2025) Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) with reference to the proposed annual caps of the Master Financial Services (2023-2025) Agreement exceed 5%, the continuing connected transactions contemplated thereunder are subject to the reporting, announcement, circular (including independent financial advice), Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in relation to the proposed annual caps of Deposit Services under the Master Financial Services (2023-2025) Agreement exceed 25% and the assets ratio thereof exceeds 8%, in addition to being continuing connected transactions, the Deposit Services also constitute major transactions of the Company and are subject to the relevant major transaction requirements under Chapter 14 of the Listing Rules; and the Deposit Services further constitute advances to an entity and are subject to the relevant disclosure requirements under Chapter 13 of the Listing Rules.

An Independent Board Committee has been established by the Company to advise the Shareholders on the terms and the proposed caps of the Master Financial Services (2023-2025) Agreement. The Company has appointed the Independent Financial Advisor to advise the Independent Board Committee and the Shareholders in this regard.

In accordance with the Listing Rules, any connected person of the Company and any Shareholder with a material interest in the Master Financial Services (2023-2025) Agreement and its associate(s) must abstain from voting on the relevant resolution(s) at the SGM. Accordingly, TCL Technology and TCL Associates will abstain from voting on the resolution in respect of the Master Financial Services (2023-2025) Agreement to be put forward at the SGM. Save as the aforesaid, the Directors are not aware of any other Shareholders who are required to abstain from voting on the resolution(s) in respect of the Master Financial Services (2023-2025) Agreement to be put forward at the SGM.

As at the date of this announcement, 1,357,439,806 Shares are held by High Value Ventures Limited, an indirect subsidiary of TCL Technology and a TCL Associate. Hence, as at the date of this announcement, holders of a total number of 1,357,439,806 Shares, representing approximately 64.20% of the total number of issued Shares, will abstain from voting on the resolution(s) in respect of the Master Financial Services (2023-2025) Agreement to be put forward at the SGM.

Notwithstanding the respective interest and/or roles of certain Directors in TCL Technology Group, in particular, as at the date of this announcement, (i) Mr. LIAO Qian who is deemed to be interested in 1,775,339 shares in TCL Technology (representing approximately 0.0127% of the issued share capital of TCL Technology) within the meaning of Part XV of the SFO and is an executive director, the senior vice president and the secretary of the board of directors of TCL Technology; (ii) Mr. OUYANG Hongping who is deemed to be interested in 517,605 shares in TCL Technology (representing approximately 0.0037% of the issued share capital of TCL Technology) within the meaning of Part XV of the SFO and is also a general manager of low-temperature polysilicon division of small and medium-sized display business group of TCL CSOT, a director and a general manager of Wuhan CDOT, a general manager of Wuhan CSOT; and (iii) Mr. ZHANG Feng who is deemed to be interested in 1,500,067 shares in TCL Technology (representing approximately 0.0107% of the issued share capital of TCL Technology) within the meaning of Part XV of the SFO and is also the legal representative of Wuhan CSOT and Wuhan CDOT, the senior vice president and the general manager of small and medium-sized display business group of TCL CSOT, and a director and the general manager of Wuhan China Star Optoelectronics Semiconductor Display Technology Company Limited* (武漢華星光電半導體顯示技術有限公司); as each of their respective interest in TCL Technology Group is either by virtue of common directorship/senior management role or the immaterial shareholding in TCL Technology, their respective direct or indirect interests in TCL Technology Group are insignificant, none of them is considered as having a material interest in the transactions contemplated under the Master Financial Services (2023-2025) Agreement. Further, none of the TCL Associates are associates of any of the Directors. Accordingly, all Directors are entitled to vote on the Board resolutions for considering and approving the Master Financial Services (2023-2025) Agreement pursuant to the Bye-laws.

GENERAL INFORMATION OF THE PARTIES

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.cdoh8.com (the information that appears in this website does not form part of this announcement).

TCL Technology is a major PRC conglomerate and is principally engaged in semi-conductor display and material business. For more information on TCL Technology, please visit its official website at <http://www.tcltech.com> (the information that appears in that website does not form part of this announcement). As at the date of this announcement, based on the information available to the Directors, no shareholder of TCL Technology holds 10% or more equity interest in TCL Technology.

Finance Company, a subsidiary of TCL Technology, is owned as to 82% by TCL Technology and 18% by TCL CSOT as at the date of this announcement. It is principally engaged in provision of financial services including corporate finance advisory services, credit worthiness verification and related consultancy and agency services, collection and payment services, approved insurance agency services, guarantee services, agency lending and investment services, discounting bills and design of various schemes for settlement and clearing in respect of group fund transfer, and any other services approved by the CBIRC.

PROPOSED AMENDMENTS TO THE BYE-LAWS

This announcement is made by the Company pursuant to Rule 13.51(1) of the Listing Rules in relation to the Proposed Amendments to the Bye-Laws.

Pursuant to the Consultation Conclusion on Listing Regime for Overseas Issuers published by the Stock Exchange in November 2021, the Stock Exchange has revised the core shareholder protection standards under Appendix 3 to the Listing Rules with effect from 1 January 2022. Listed issuers are required to make necessary amendments to their constitutional documents by the second annual general meeting following 1 January 2022 to bring the constitutional documents to conformation with the revised Appendix 3 to the Listing Rules.

The Bye-Laws have not been amended since 2015. Accordingly, the Board proposed to amend the Existing Bye-Laws by adopting the Amended Bye-Laws in order to (i) bring the Bye-Laws in line with the relevant requirements of the Listing Rules as well as the applicable laws of Bermuda; (ii) allow general meetings of the Company to be held in the form of a hybrid meeting or electronic meeting where Shareholders may attend by electronic means in addition to a physical meeting where Shareholders attend in person; and (iii) provide flexibility to the Company in relation to the conduct of general meetings. Other housekeeping and consequential amendments to the Bye-Laws are also proposed, including making consequential amendments in connection with the above amendments to the Bye-Laws and for clarity and consistency with the other provisions of the Bye-Laws where it is considered desirable and to better align the wording with those of the Listing Rules and the applicable laws of Bermuda. The full text of the Proposed Amendments will be set out in the appendix to the circular to be despatched to the Shareholders.

The Proposed Amendments and the adoption of the Amended Bye-Laws are subject to the consideration and approval by the Shareholders by way of a special resolution at the SGM.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) further details of the Master Financial Services (2023-2025) Agreement; (ii) a letter from the Independent Board Committee; (iii) a letter from the Independent Financial Advisor; (iv) further details of the Proposed Amendments and the proposed adoption of the Amended Bye-Laws; and (v) a notice convening the SGM, will be despatched to the Shareholders on or before 21 November 2022.

DEFINITIONS

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

“Amended Bye-Laws”	the amended and restated Bye-Laws incorporating all the Proposed Amendments proposed to be adopted by the shareholders by way of a special resolution at the SGM;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;

“Board”	the board of Directors of the Company;
“Bye-Laws”	the bye-laws of the Company as supplemented or amended or substituted from time to time;
“CBIRC”	China Banking and Insurance Regulatory Commission;
“CDOT Huizhou”	China Display Optoelectronics Technology (Huizhou) Company Limited, a wholly-owned subsidiary of the Company;
“China Display Qualified Member”	such member(s) of the Group which satisfies the qualification of Qualified Member(s) during the term of the Master Financial Services (2023-2025) Agreement;
“close associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Company”	China Display Optoelectronics Technology Holdings Limited, an exempted 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 meanings ascribed to it under the Listing Rules;
“Deposit Services”	deposit of money by China Display Qualified Members with Finance Company pursuant to the Master Financial Services (2023-2025) Agreement;
“Director(s)”	the director(s) of the Company;
“Existing Bye-Laws”	the existing Bye-Laws adopted by at a special general meeting of the Company held on 11 March 2015;

“Finance Company”	TCL Technology Finance Co., Ltd.* (TCL科技集團財務有限公司)(formerly known as TCL Finance Co., Ltd.* (TCL集團財務有限公司)), a company established under the laws of the PRC with limited liability and a subsidiary of TCL Technology;
“Financing Services”	the provision of loan and credit services, including but not limited to provision of secured or unsecured loans, bill discounting, non-financing guarantee services and loan and credit services as permitted by the CBIRC or its representative offices (such as bill acceptance, etc.) by TCL Financial Services Associates to China Display Qualified Members pursuant to the Master Financial Services (2023-2025) 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 PRC;
“Independent Board Committee”	an independent committee of the Board established for the purpose of advising the Shareholders in respect of the Master Financial Services (2023-2025) Agreement, the transactions contemplated thereunder and the proposed annual caps comprising all independent non-executive Directors who do not have a material interest in the transactions;
“Independent Financial Advisor”	Halcyon Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial advisor appointed by the Board to advise the Independent Board Committee and the Shareholders in respect of the Master Financial Services (2023-2025) Agreement;

“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”	liquid crystal display;
“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 Financial Services (2020 Renewal) Agreement”	the master financial services (2020 renewal) agreement dated 2 December 2019 entered into among the Company, TCL Technology and Finance Company in respect of, among others, the provision of deposit services, financing services and other financial services by TCL Financial Services Associates;
“Master Financial Services (2023-2025) Agreement”	the master financial services (2023-2025) agreement dated 31 October 2022 entered into among the Company, TCL Technology and Finance Company in respect of the provision of Deposit Services, Financing Services and Other Financial Services by Finance Company and/or TCL Financial Services Associates;
“Memorandum”	the memorandum of association of the Company as amended from time to time;

“Other Financial Services”	all financial services which may be provided by TCL Financial Services Associates to the China Display Qualified Members under the Master Financial Services (2023-2025) Agreement other than the Deposit Services and the Financing Services, namely (i) financing advisory services, credit verification and related consultation and agency services (including but not limited to issuance of letters of credit, back-to-back letters of credit, standby letters of credit, and transfer of letters of credit); (ii) entrusted loans; (iii) collection of transaction payments (including payment and disbursements on import collection bills, export and documents against acceptance bills); (iv) internal transfer and settlement, and corresponding settlement and clearance solutions advisory services; (v) derivative transactions for hedging purposes as permitted by the CBIRC or its representative offices; and (vi) any other services approved by the relevant authority;
“PBOC”	the People’s Bank of China, the central bank of the PRC;
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this announcement;
“Proposed Amendments”	the proposed amendments to the Existing Bye-Laws to be incorporated in the Amended Bye-Laws;
“Qualified Member(s)”	all entities for which TCL Financial Services Associates will be allowed to provide services pursuant to application laws and regulations, including but not limited to the Measures for the Administration of Finance Companies of Enterprise Groups* (《企業集團財務公司管理辦法》) promulgated by the CBIRC;
“RMB”	Renminbi, the lawful currency of the PRC;

“SFO”	the Securities and Futures Ordinance (Cap. 571 of Laws of Hong Kong);
“SGM”	the special general meeting of the Company to be convened and held to consider and, if thought fit, approve, (i) the Master Financial Services (2023-2025) Agreement, the transactions contemplated thereunder and the proposed annual caps; and (ii) the amendments to the Existing Bye-Laws by way of adoption of the Amended Bye-Laws;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of Share(s);
“Shareholders’ Approval Date”	the date on which the Shareholders approve the Master Financial Services (2023-2025) Agreement, the transactions contemplated thereunder and the proposed annual caps;
“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 Associates”	the associate(s) of TCL Technology;
“TCL CSOT”	TCL China Star Optoelectronics Technology Co., Ltd.* (TCL 華星光電技術有限公司), formerly known as Shenzhen China Star Optoelectronics Technology Co., Ltd. * (深圳市華星光電技術有限公司), a company established under the laws of the PRC with limited liability and a subsidiary of TCL Technology;

“TCL Technology”	TCL Technology Group Corporation (TCL科技集團股份有限公司)(formerly known as TCL Corporation (TCL集團股份有限公司)), a joint stock limited 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);
“TCL Technology Group”	TCL Technology, its subsidiary(ies) and any entity(ies) that may become subsidiary(ies) of TCL Technology from time to time, and for the purpose of the Master Financial Services (2023-2025) Agreement and the transactions contemplated thereunder includes TCL Associates but, unless otherwise specified, excludes the Group;
“TCL Financial Services Associate(s)”	members of TCL Technology Group including but not limited to Finance Company which carry on businesses in financial services including but not limited to deposit, provision of credit facilities, clearing, bill discounting, entrusted loans, notes underwriting, non-financing guarantee, financial advisory, credit verification and consulting agency business and such other services as permitted by the CBIRC (e.g. bills acceptance, derivative transactions for hedging purposes and trading of fixed-income instruments);
“Wuhan CDOT”	Wuhan China Display Optoelectronics Technology Company Limited* (武漢華顯光電技術有限公司), a company established under the laws of the PRC with limited liability and a subsidiary of TCL Technology;

