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China Display Optoelectronics Technology Holdings Limited

華顯光電技術控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 334)

**CONTINUING CONNECTED TRANSACTIONS –
MASTER EQUIPMENT RENTAL (2023-2025) AGREEMENT**

INTRODUCTION

The Board is pleased to announce that on 4 April 2023 (Hong Kong time after trading hours), the Company entered into the Master Equipment Rental (2023-2025) Agreement with Wuhan CSOT, and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

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. As Wuhan CSOT is an indirect subsidiary of TCL Technology, it is an associate of TCL Technology and therefore also a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Master Equipment Rental (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) under Rule 14.07 of the Listing Rules calculated with reference to the proposed annual caps of the Master Equipment Rental (2023-2025) Agreement exceed 0.1% but all are less than 5%, the continuing connected transactions contemplated thereunder are exempt from the circular (including independent financial advice) and Shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules but are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 4 April 2023 (Hong Kong time after trading hours), the Company entered into the Master Equipment Rental (2023-2025) Agreement with Wuhan CSOT, and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

THE MASTER EQUIPMENT RENTAL (2023-2025) AGREEMENT

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

- Date: 4 April 2023 (after trading hours)
- Parties: (i) The Company (for itself and on behalf of the Group);
and
(ii) Wuhan CSOT.
- Duration: From 4 April 2023 to 31 December 2025 (both days inclusive).
- Condition precedent: The Master Equipment Rental (2023-2025) Agreement is conditional on and subject to the compliance by the Company with relevant Listing Rules requirements in respect of the Master Equipment Rental (2023-2025) Agreement, the transactions contemplated thereunder and the proposed annual caps.

Major terms:

Each member of the Group may in its ordinary and usual course of business from time to time at its absolute discretion request to rent Equipment from Wuhan CSOT, and Wuhan CSOT may at its absolute discretion decide whether to rent the relevant Equipment to the relevant member of the Group.

The terms and conditions (including rental fees, payment terms, rental subject, maintenance arrangement, tax arrangement, registration procedures in relation to rental, etc.) of any Equipment rental conducted pursuant to the Master Equipment Rental (2023-2025) Agreement shall be agreed between relevant member(s) of the Group and Wuhan CSOT in writing by individual agreement(s) from time to time. The terms of such individual agreements shall be consistent with the Master Equipment Rental (2023-2025) Agreement save and except for the clauses regarding applicable law and dispute resolution.

The rental fees for the relevant Equipment shall be payable in accordance with the payment terms and time as specified in the relevant individual agreements. The relevant member of the Group and Wuhan CSOT may mutually agree in writing to adjust the rental fees and other terms and conditions of the individual agreement, provided that such adjustment complies with the Master Equipment Rental (2023-2025) Agreement and the Listing Rules.

Wuhan CSOT shall retain the ownership of the relevant Equipment, whereas the relevant member of the Group shall have the right to use the relevant Equipment. Unless otherwise agreed in the individual agreement, the relevant member of the Group shall not sublet, transfer or pledge the relevant Equipment.

Unless otherwise agreed in the individual agreement, in the event that Wuhan CSOT desires to sell or pledge the relevant Equipment being rented under the Master Equipment Rental (2023-2025) Agreement to third parties, Wuhan CSOT shall take all reasonable steps to procure such third parties to be bound by the terms of the Master Equipment Rental (2023-2025) Agreement and the relevant individual agreement.

Pricing policy and basis of price determination:

The overall terms and conditions (including but not limited to rental fees) of the Equipment rental as a whole shall be no less favourable to the relevant member of the Group than those offered by Independent Third Parties and shall be on normal commercial terms and negotiated on an arm's length basis.

In determining whether the overall terms and conditions are no less favourable to the relevant member of the Group than those offered by Independent Third Parties, the Group will take into account all relevant factors, including the rental fees, quality of Equipment, business plan of the Group, and the fair market price ranges and pricing terms of renting equipment of identical, or (if identical equipment is not available) of comparable or similar type, scale, quality, specifications, usage, etc. offered by Independent Third Parties in the market as at the time when the relevant individual agreement is entered into. In general, the fees payable by the relevant member of the Group shall not be higher than the fees that may be paid by the relevant member of the Group to Independent Third Parties in respect of the rental of the relevant equipment.

INTERNAL CONTROL PROCEDURES

In order to safeguard the interest of the Company and the Shareholders, and to ensure that the Master Equipment Rental (2023-2025) Agreement and the transactions contemplated thereunder are on normal commercial terms and on terms no less favourable to the Group than those offered by Independent Third Parties, in addition to the pricing policy disclosed above, the Company has also adopted the following internal control procedures:

- (i) The internal control unit of the Group will compare the terms offered by Wuhan CSOT with the terms offered by at least two Independent Third Party and make an overall assessment of the terms offered, including the quality of the equipment, past history of dealing with the such party (if any), payment terms and rental fees, to ensure that those offered by Wuhan CSOT are no less favourable to the Group than those offered by Independent Third Parties. Where no identical equipment rental are offered by Independent Third Parties, the internal control unit will then obtain at least two quotations from Independent Third Parties in respect of similar or comparable equipment rental and compare them with those offered by Wuhan CSOT and determine whether on an overall evaluation of the rental fees to be charged, payment terms and other terms and conditions, the terms offered by Wuhan CSOT are no less favourable to the Group than those offered by Independent Third Parties.
- (ii) The finance department of the Group will maintain a database to record and monitor the aggregate transaction amounts under the continuing connected transactions from time to time and prepare a monthly report on the status of the aggregate transaction amounts which will be submitted to the finance director of the Group for review.

- (iii) Before conducting any transactions with connected persons, the finance department will confirm that the Group still has sufficient unused annual caps for carrying out the relevant continuing connected transactions. The finance department will on a regular basis review the continuing connected transactions carried out during the period under review to assess, and compile a report, on (i) whether the continuing connected transactions of the Group have been carried out in accordance with the terms of the relevant agreement and the Company's pricing policy; and (ii) the transactions amount during the month under review, the aggregate amount of transactions conducted during the relevant financial year and whether the relevant annual caps have been exceeded. If it is anticipated that the annual caps may be exceeded if the Company is to carry out the proposed transactions, it will take all appropriate steps in advance to comply with the relevant requirements under the Listing Rules including but not limited to revising the relevant annual caps before entering into the proposed transactions.
- (iv) The Company's internal control unit will on a half-year basis review the monitoring policies and procedures of the continuing connected transactions to ensure the abovementioned policies and procedures are adequate and effective, the findings of the review will be reported by the head of internal control unit to the finance director of the Company. The internal control unit regularly reviews and monitors whether the continuing connected transactions are conducted on normal commercial terms and in compliance with the policies and procedures. In the event of any non-compliance issue or inadequacy in the policies and procedures, the internal control unit will immediately report such matters to the independent non-executive directors and will take remedial actions.
- (v) The independent non-executive Directors will be provided with the internal control report which sets out the matters subject to review, the methodology adopted, the findings of the internal control department as well as remedial actions taken (if any). Further, where appropriate, the management will provide independent non-executive Directors with reports in respect of the on-going continuing connected transactions; sufficient information relating to (i) financial performance and position of the Company; (ii) the implementation of the continuing connected transactions and (iii) the agreement(s) on the continuing connected transactions to be entered into will also be provided to enable the independent non-executive Directors to make their independent judgment in reviewing the continuing connected transactions. The internal control department of the Company will alert the independent non-executive Directors of any deficiency of internal controls or non-compliance issue.

- (vi) All such personnel involved in the internal control procedures are independent of TCL Technology and its associates.

PROPOSED ANNUAL CAPS

The following table sets out the proposed annual caps of the continuing connected transactions under the Master Equipment Rental (2023-2025) Agreement for the three years ending 31 December 2025:

For the year ending 31 December 2023 <i>RMB'000</i>	For the year ending 31 December 2024 <i>RMB'000</i>	For the year ending 31 December 2025 <i>RMB'000</i>
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Aggregate fees to be paid by the Group

Proposed annual cap	5,500	6,000	6,600
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BASIS FOR DETERMINATION OF THE PROPOSED ANNUAL CAPS

The Group has not entered into any similar master equipment rental agreement as the Master Equipment Rental (2023-2025) Agreement with Wuhan CSOT historically. The proposed annual caps under the Master Equipment Rental (2023-2025) Agreement are determined with reference to the following factors:

- (i) The historical amount of rental expenses incurred by members of the Group for renting similar equipment from Independent Third Parties for the year ended 31 December 2021 and year ended 31 December 2022, which amounted to RMB3,703,000 and RMB2,754,000 respectively.
- (ii) The demand of the Group for Equipment rental from Wuhan CSOT for the two years ending 31 December 2025 is expected to increase by 10% year-on-year in light of the continuous expansion and organic growth of the business of the Group, as well as the Group's expected mix of self-owned equipment and rental equipment.

- (iii) The prevailing market rental fees for equipment which are identical or similar to the Equipment in type, scale, quality, specifications, usage etc. offered by Independent Third Parties.

REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER EQUIPMENT RENTAL (2023-2025) AGREEMENT

In order to optimise the Group's capital investment and production cost, the Group has maintained a suitable mix of self-owned equipment and rental equipment. In view of the prevailing market rental fee of the Equipment, the rising trend of market interest rate, as well as the estimated future production demand in particular arising from the increased production scale following the Group's new display module factory commencing operation at the end of 2022, the Group considers that it is more cost-efficient for the Group to rent the Equipment, as opposed to making one-off purchases, so as to save interest expenses and reduce capital investment. Whilst the Group may still choose to rent equipment from Independent Third Parties, the entering into of the Master Equipment Rental (2023-2025) Agreement will provide the Group with more choices of equipment rental and hence strengthening the flexibility in supply chain management of the Group.

Further, given the close relationship between the Group and TCL Technology Group, Wuhan CSOT, being an indirect subsidiary of TCL Technology, is familiar with the needs of the Group and is able to promptly rent the appropriate types of equipment to the Group. Accordingly, the Company believes that it is beneficial for the Company to enter the Master Equipment Rental (2023-2025) Agreement with Wuhan CSOT.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Master Equipment Rental (2023-2025) Agreement, the transactions contemplated thereunder and the proposed annual caps are fair and reasonable; on normal commercial terms or better, entered into in the ordinary and usual course of business of the Group; and in the interests of the Company and the Shareholders as a whole.

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).

Wuhan CSOT is a company established under the laws of the PRC with limited liability. As at the date of this announcement, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Wuhan CSOT is owned as to approximately 95.35% by TCL CSOT, whilst TCL CSOT is in turn owned as to approximately 80.03% by TCL Technology. Accordingly, Wuhan CSOT is an indirect subsidiary of TCL Technology. Wuhan CSOT is principally engaged in the production of the 6th generation LTPS (Oxide) LCD and AMOLED display panels.

TCL Technology is a major PRC conglomerate and is principally engaged in semi-conductor display and material business. The shares of TCL Technology are listed on the Shenzhen Stock Exchange (stock code: 000100). 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.

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. As Wuhan CSOT is an indirect subsidiary of TCL Technology, it is an associate of TCL Technology and therefore also a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Master Equipment Rental (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) under Rule 14.07 of the Listing Rules calculated with reference to the proposed annual caps of the Master Equipment Rental (2023-2025) Agreement exceed 0.1% but all are less than 5%, the continuing connected transactions contemplated thereunder are exempt from the circular (including independent financial advice) and Shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules but are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

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 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 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 director and a general manager of Wuhan CDOT, a general manager of Wuhan CSOT; and (iii) Mr. ZHANG Feng 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 of TCL CSOT, and a director 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 Equipment Rental (2023-2025) Agreement. Accordingly, all Directors are entitled to vote on the Board resolutions for considering and approving the Master Equipment Rental (2023-2025) Agreement pursuant to the Bye-laws.

DEFINITIONS

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

“AMOLED”	Active-matrix organic light-emitting diode;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Bye-laws”	the bye-laws of the Company as supplemented or amended or substituted from time to time;
“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 meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Equipment”	the machineries, equipment, tools and articles (including but not limited to machineries, equipment, tools and articles for the purposes of manufacturing, communication, research and development, testing, engineering and office use) which is legally owned by Wuhan CSOT or which Wuhan CSOT has the right to rent to third party(ies);
“Master Equipment Rental (2023-2025) Agreement”	the master equipment rental (2023-2025) agreement dated 4 April 2023 entered into between Wuhan CSOT and the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;

“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	A person(s) or company(ies) which is/are independent of and not connected with any directors, chief executives, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries and their respective associates;
“LCD”	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;
“LTPS”	low-temperature poly-silicon;
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan, for the purpose of this announcement;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Cap. 571 of Laws of Hong Kong);
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of Share(s);
“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 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 and its subsidiaries;
“Wuhan CSOT”	Wuhan China Star Optoelectronics Technology Co., Ltd.* (武漢華星光電技術有限公司), a company established under the laws of the PRC with limited liability and an indirect subsidiary of TCL Technology;
“%”	per cent.

On behalf of the Board

LIAO QIAN

Chairman

Hong Kong, 4 April 2023

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.