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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)

**ANNOUNCEMENT ON BUSINESS UPDATE
FOR THE FIRST QUARTER ENDED 31 MARCH 2023**

This announcement is made by China Display Optoelectronics Technology Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”), pursuant to the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In order to further enhance the transparency of the Group and provide additional information with which shareholders of the Company and potential investors may better appraise the recent business development and financial position of the Group in a timely manner, the board (the “**Board**”) of directors of the Company (the “**Directors**”) would like to provide an update to its shareholders and potential investors on certain unaudited financial and operating data of the Group for the three months ended 31 March 2023 (the “**Review Period**”).

BUSINESS REVIEW

During the Review Period, against a backdrop of high inflation and complex geopolitical situation, the global economy was full of uncertainties, which hampered the recovery of consumer demand. Despite the continuously sluggish mobile phone market during the Review Period, China's smartphone market saw a small rebound driven by the Chinese New Year holiday which came earlier, the extensive relaxation of COVID-19 control measures and restrictions, and the launch of new products by major mobile phone manufacturers. According to Counterpoint, a technology market research institute, the sales volume of smartphones in China increased by over 40% month-on-month in January 2023. The Group also recorded a sales volume of 9.96 million units in the first quarter of 2023, representing a quarter-on-quarter increase of 19.5%. However, overall sales volume of the Group still decreased by 39.8% year-on-year during the Review Period. As product structure changed and upstream panels and chips were at the trough of the industry cycle, the average selling price of the Group's products (excluding processing modules) decreased by 30.6% year-on-year to RMB61.4. The total revenue of the Group during the Review Period decreased by 58.1% year-on-year, but increased by 5.5% quarter-on-quarter to RMB592.20 million. During the Review Period, the sales volume of modules for sale reached 9.52 million units, representing a year-on-year decrease of 39.8%, accounting for 95.6% of the total sales volume of the Group. The relevant revenue reached RMB583.84 million, representing a year-on-year decrease of 58.3%.

Sales volume by product segment and their respective year-on-year comparisons:

(Unaudited)	For the three months ended 31 March				Change %
	2023		2022		
	<i>million units</i>	%	<i>million units</i>	%	
Sale of TFT LCD module					
Non-laminated modules	0.91	9.1	1.03	6.3	-12.4
Laminated modules	8.61	86.5	14.78	89.3	-41.7
Processing TFT LCD module					
Non-laminated modules	-	-	0.13	0.8	-100.0
Laminated modules	0.44	4.4	0.59	3.6	-25.2
Total	<u>9.96</u>	100.0	<u>16.53</u>	100.0	-39.8

Revenue by product segment and their respective year-on-year comparisons:

(Unaudited)	For the three months ended 31 March				Change %
	2023		2022		
	<i>RMB million</i>	%	<i>RMB million</i>	%	
Sale of TFT LCD module					
Non-laminated modules	20.65	3.5	46.06	3.3	-55.2
Laminated modules	563.19	95.1	1,352.83	95.7	-58.4
Processing TFT LCD module					
Non-laminated modules	-	-	2.12	0.1	-100.0
Laminated modules	8.36	1.4	12.86	0.9	-35.0
Total	592.20	100.0	1,413.87	100.0	-58.1

OUTLOOK

Looking ahead to 2023, the outlook for global economic growth is not optimistic, which will impact consumer confidence. International Data Corporation (IDC), an international research institute, adjusted its latest forecast for global shipments of smartphones in 2023 from a slight year-on-year increase of 2.8% to a year-on-year decrease of 1.1%, amounting to 119 million units, which reflected the cautious attitude of the overall market. The Group will closely monitor market trends and actively plan sales strategies for mobile phones and medium-sized industrial display modules to capture business opportunities. As brand customers complete the audit of the Group's new factory located in Chenjiang, Huizhou, the Group hopes to rely on long-term strategic partnerships with first-class mobile phone manufacturers to create greater value for the Group and shareholders of the Company by enhancing its advantages in technology and economies of scale. In general, the Group is cautiously optimistic about the long-term development of the display module business.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's principal financial instruments comprise cash and cash equivalents, time deposits and interest-bearing bank loans. According to the unaudited financial statements, the Group's cash and cash equivalents and time deposits balance as at 31 March 2023 amounted to RMB121 million, of which 32.4% was in RMB, 64.8% was in US dollar and 2.8% was in HK dollar. As at 31 March 2023, the Group's interest-bearing bank loans amounted to RMB60 million and the Group had no other borrowings.

The Board wishes to remind shareholders of the Company and potential investors that the above financial and operating data are based on the Group's management accounts which have not been audited or reviewed by auditors. Accordingly, figures and discussions contained in this announcement should in no way be regarded as providing any indication or assurance on the financial results of the Group for the three months ended 31 March 2023. Shareholders of the Company and potential investors are cautioned not to place undue reliance on such data.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

On behalf of the Board

LIAO Qian

Chairman

Hong Kong, 26 April 2023

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.