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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in doubt as to any aspect about this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitors, professional accountant or other professional advisor.

If you have sold or transferred all your Shares in China Display Optoelectronics Technology Holdings Limited, you should at once hand this circular and proxy form enclosed herein to the purchaser or transferee, or to the bank or stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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) CONTINUING CONNECTED TRANSACTIONS – SUPPLEMENTAL AGREEMENT TO MASTER FINANCIAL SERVICES (2023-2025) AGREEMENT AND (2) MAJOR TRANSACTION AND ADVANCE TO AN ENTITY IN RESPECT OF THE DEPOSIT AND CASH POOLING SERVICES UNDER MASTER FINANCIAL SERVICES (2023-2025) AGREEMENT

Independent Financial Advisor to the Independent Board Committee  
and the Shareholders



Pelican Financial Limited

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A letter from the Board is set out on pages 6 to 23 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Shareholders is set out on page 24 to 25 of this circular. A letter from Pelican Financial Limited, the Independent Financial Advisor, containing its advice to the Independent Board Committee and the Shareholders is set out on pages 26 to 51 of this circular.

A notice convening the SGM to be held at 8th Floor, Building 22E, Phase Three, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong on 12 December 2023, Tuesday at 3:00 p.m. is set out on pages 59 to 60 of this circular.

If a tropical cyclone signal no. 8 or above is hoisted or a black rainstorm warning signal or “extreme conditions” as defined under Chapter 1 of the Rules of the Exchange of the Stock Exchange is/are in force at or at any time after 12:00 noon on the date of the SGM and/or the Hong Kong Observatory and/or the government of Hong Kong (as the case may be) has announced at or before 12:00 noon on the date of the SGM that either of the above mentioned warnings is to be issued within the next two hours, the SGM will be postponed. The Company will publish an announcement to notify Shareholders of the date, time and place of the postponed SGM.

The SGM will be held as scheduled when an amber or red rainstorm warning signal is in force. Shareholders should decide on their own whether they would attend the SGM under bad weather conditions bearing in mind their own situation.

Whether or not you are able to attend the SGM or any adjournment or postponement thereof (as the case may be) in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or via the designated website (<https://spot-meeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company, as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment or postponement thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment or postponement thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

22 November 2023

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“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;
“Cash Pooling Services”	the cash pooling services under the TCL Cash Pooling Arrangement provided by members of TCL Technology Group pursuant to the Master Financial Services (2023-2025) Agreement (as amended and supplemented by the Supplemental Agreement);
“CBIRC”	China Banking and Insurance Regulatory Commission;
“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;
“Deposit and Cash Pooling Services”	the Deposit Services and the Cash Pooling Services;
“Director(s)”	the director(s) of the Company;
“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;

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## DEFINITIONS

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“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 terms of the Supplemental Agreement and the proposed annual caps in respect of the Deposit and Cash Pooling Services under the Master Financial Services (2023-2025) Agreement (as amended and supplemented by the Supplemental Agreement), comprising all independent non-executive Directors who do not have a material interest in the transactions;
“Independent Financial Advisor”	Pelican Financial 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 terms of the Supplemental Agreement and the proposed annual caps in respect of the Deposit and Cash Pooling Services under the Master Financial Services (2023-2025) Agreement (as amended and supplemented by the Supplemental 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;

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## DEFINITIONS

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“Latest Practicable Date”	means 17 November 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular;
“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 (for details, please refer to the circulars of the Company dated 9 December 2019 and 12 July 2021 respectively);
“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 and (as the case may be) as amended and supplemented by the Supplemental Agreement;
“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 circular;
“Qualified Member(s)”	all entities for which TCL Financial Services Associates and/or members of TCL Technology Group will be allowed to provide services pursuant to applicable 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);

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## DEFINITIONS

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“SGM”	the special general meeting of the Company to be convened and held to consider and, if thought fit, approve the Supplemental Agreement, the transactions contemplated thereunder and the proposed annual caps;
“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 Day”	the date on which the Shareholders approve the Supplemental 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;
“Supplemental Agreement”	the supplemental agreement to the Master Financial Services (2023-2025) Agreement dated 27 October 2023 entered into among the Company, TCL Technology and Finance Company;
“TCL Associates”	the associate(s) of TCL Technology;
“TCL Cash Pooling Arrangement”	the utilisation or participation from time to time by members of TCL Technology Group in cash pooling services and/or arrangements provided by Independent Third Party licensed banks or financial institutions in or outside the PRC excluding Deposit Services;
“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;

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## DEFINITIONS

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“TCL Financial Services Associate(s)”	member(s) 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);
“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 Supplemental Agreement, the Master Financial Services (2023-2025) Agreement and the transactions contemplated thereunder, includes TCL Associates but, unless otherwise specified, excludes the Group;
“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;
“Wuhan CSOT Semiconductor”	Wuhan China Star Optoelectronics Semiconductor Display Technology Co., Ltd.* (武漢華星光電半導體顯示技術有限公司), a company established under the laws of the PRC with limited liability and a subsidiary of TCL Technology; and
“%”	per cent.

*The English translations of Chinese names or words in this circular, 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.*

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## LETTER FROM THE BOARD

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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)**

*Non-executive Director:*

Mr. LIAO Qian (*Chairman*)

*Executive Directors:*

Mr. OUYANG Hongping (*Chief Executive Officer*)

Mr. WEN Xianzhen

Mr. XI Wenbo

*Independent Non-executive Directors:*

Ms. HSU Wai Man, Helen

Mr. XU Yan

Mr. LI Yang

*Registered Office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Principal Place of Business*

*in Hong Kong:*

8th Floor

Building 22E

Phase Three, Hong Kong Science Park

Pak Shek Kok

New Territories

Hong Kong

22 November 2023

To the Shareholders

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS –  
SUPPLEMENTAL AGREEMENT TO  
MASTER FINANCIAL SERVICES (2023-2025) AGREEMENT  
AND  
(2) MAJOR TRANSACTION AND ADVANCE TO AN ENTITY  
IN RESPECT OF THE DEPOSIT AND CASH POOLING SERVICES UNDER  
MASTER FINANCIAL SERVICES (2023-2025) AGREEMENT**

#### INTRODUCTION

Reference is made to the announcement of the Company dated 27 October 2023. As stated therein, the Company had on 27 October 2023 entered into the Supplemental Agreement with TCL Technology and Finance Company to, among other things, amend the scope of the Deposit Services under the Master Financial Services (2023-2025) Agreement to include the Cash Pooling Services. The Supplemental Agreement is subject to Shareholders' approval, and the transactions contemplated thereunder constitute continuing connected transactions and major transaction of the Company.



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## LETTER FROM THE BOARD

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The purposes of this circular are:

- (i) to provide the Shareholders with further details regarding the Supplemental Agreement;
- (ii) to set out the recommendations from the Independent Board Committee to the Shareholders regarding the terms of the Supplemental Agreement and the proposed annual caps in respect of the Deposit and Cash Pooling Services under the Master Financial Services (2023-2025) Agreement (as amended and supplemented by the Supplemental Agreement);
- (iii) to set out the advice from Pelican Financial Limited, the Independent Financial Advisor, regarding the terms of the Supplemental Agreement and the proposed annual caps in respect of the Deposit and Cash Pooling Services under the Master Financial Services (2023-2025) Agreement (as amended and supplemented by the Supplemental Agreement); and
- (iv) to give the Shareholders other information in accordance with the requirements of the Listing Rules.

The notice of SGM is enclosed herein as part of this circular.

### **SUPPLEMENTAL AGREEMENT TO MASTER FINANCIAL SERVICES (2023-2025) AGREEMENT**

The Company has entered into the Master Financial Services (2023-2025) Agreement with TCL Technology and Finance Company on 31 October 2022, pursuant to which, among other things, any China Display Qualified Member may from time to time in its absolute discretion request Finance Company to provide Deposit Services, and Finance Company may in its absolute discretion decide whether to provide Deposit Services. The Master Financial Services (2023-2025) Agreement, the transactions contemplated thereunder together with the relevant annual caps for the three years ending 31 December 2025 were subsequently approved, confirmed and ratified by the Shareholders during a special general meeting of the Company held on 23 December 2022. For details, please refer to the circular of the Company dated 21 November 2022.

In view of the growing need for flexible cash management, the Company has on 27 October 2023 (Hong Kong time after trading hours) entered into the Supplemental Agreement with TCL Technology and Finance Company to, among other things, amend the scope of the Deposit Services under the Master Financial Services (2023-2025) Agreement to include the Cash Pooling Services. Save for the aforementioned amendment, there is no other material change to the terms and conditions of the Master Financial Services (2023-2025) Agreement. The transactions under the Cash Pooling Services would be covered by the existing annual caps of the Deposit Services.

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## LETTER FROM THE BOARD

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The material terms of the Supplemental Agreement are summarised below:

- Date: 27 October 2023
- 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: The Supplemental Agreement shall be effective from the Shareholders' Approval Date, and shall be valid during the term of the Master Financial Services (2023-2025) Agreement, that is, until 31 December 2025.
- Condition precedent: The Supplemental Agreement is conditional on and subject to the compliance by the Company with relevant Listing Rules requirements in respect of the Supplemental Agreement, including but not limited to obtaining the approval from Shareholders at the SGM.
- Amendments to the Master Financial Services (2023-2025) Agreement: The scope of the Deposit Services under the Master Financial Services (2023-2025) Agreement has been expanded to include the Cash Pooling Services.
- Under the Cash Pooling Services, any China Display Qualified Member may from time to time request for participation in the TCL Cash Pooling Arrangement, and the relevant member of TCL Technology Group (including Finance Company) may in its absolute discretion decide whether to allow the relevant China Display Qualified Member to participate in the TCL Cash Pooling Arrangement, provided that the terms of the TCL Cash Pooling Arrangement 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; and
    - (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

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## LETTER FROM THE BOARD

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other terms and conditions as a whole under the TCL Cash Pooling Arrangement shall also be not less favourable than those offered by major commercial banks in the PRC (see *Note 1*) 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 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 other terms and conditions as a whole under the TCL Cash Pooling Arrangement 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*) 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 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 aggregate amount of (i) deposits (including normal cash deposit and deposit of cash or bank instruments as security) placed by the China Display Qualified Members with Finance Company; and (ii) deposits placed by the China Display Qualified Members under the TCL Cash Pooling Arrangement pursuant to the Master Financial Services (2023-2025) Agreement. (see *Note 2*)

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## LETTER FROM THE BOARD

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If (i) any China Display Qualified Member demands repayment of any money deposited by it with Finance Company under the Deposit Services in accordance with the relevant terms and procedures and Finance Company fails to follow the repayment demand; or (ii) any China Display Qualified Member demands repayment of any money deposited by it under the TCL Cash Pooling Arrangement in accordance with the relevant terms and procedures and the relevant member of TCL Technology Group 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 members of TCL Technology Group; 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 members of TCL Technology Group; and/or
- (c) request TCL Technology to repay the outstanding deposit amount on behalf of Finance Company or the relevant member of TCL Technology Group in full.

Upon enquiry from any China Display Qualified Member, the relevant member of TCL Technology Group shall within one business day (or such other time as agreed by the parties) provide an offer specifying the interest rates and terms of TCL Cash Pooling Arrangement (including but not limited to terms in relation to the liability of each participant of the relevant cash pool, as well as the notice period of withdrawal of deposits). The terms and conditions of any Cash Pooling Services/TCL Cash Pooling Arrangement conducted pursuant to the Master Financial Services (2023-2025) Agreement shall be agreed between the relevant China Display Qualified Member and the relevant member of TCL Technology Group and/or relevant licensed bank or financial institution 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.

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## LETTER FROM THE BOARD

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

- (1) it will procure members of TCL Technology Group to perform its obligations under the Master Financial Services (2023-2025) Agreement; and
- (2) in case members of TCL Technology Group experience any financial difficulties, TCL Technology will, subject to internal approvals and the applicable rules and regulations, inject capital to members of TCL Technology Group based on the needs of members of TCL Technology Group so as to enable the relevant member of TCL Technology Group 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 aggregate amount of deposits they (i) maintain with Finance Company; and (ii) place under the TCL Cash Pooling Arrangement.

### **Information on the Cash Pooling Services**

As part of the cash flow management of TCL Technology Group, members of TCL Technology Group (including Finance Company) will from time to time enter into the TCL Cash Pooling Arrangement to utilise cash pooling arrangements offered by Independent Third Party licensed banks or financial institutions in or outside the PRC (“**Pooling Agent(s)**”).

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## LETTER FROM THE BOARD

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Under the Cash Pooling Services, China Display Qualified Members may participate in the TCL Cash Pooling Arrangement whereby the funds of the relevant China Display Qualified Member will be consolidated into the cash pool of the relevant member of TCL Technology Group (including Finance Company) with the relevant Pooling Agent. If a China Display Qualified Member would like to use the Cash Pooling Services by participating in the TCL Cash Pooling Arrangement, subject to compliance with the Supplemental Agreement, the relevant China Display Qualified Member will be required to enter into individual written agreement(s) with the Pooling Agent which sets out the then prevailing terms and conditions of the TCL Cash Pooling Arrangement when the relevant China Display Qualified Member consolidates its funds into the cash pool of the relevant TCL Cash Pooling Arrangement for the first time. Once the relevant China Display Qualified Member has signed up with the relevant Pooling Agent, it may participate in the relevant TCL Cash Pooling Arrangement with the same Pooling Agent at its own discretion. The relevant China Display Qualified Member will also have access to information including but not limited to the prevailing deposit interest rate of the Cash Pooling Services which is set with reference to the deposit interest rate offered by the Pooling Agent to the relevant member of TCL Technology Group via an online system established and maintained by TCL Technology Group. Additionally, the relevant member of TCL Technology Group will from time to time inform the relevant China Display Qualified Member of the prevailing deposit interest rate of the Cash Pooling Services.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date and in so far as jurisdictions where China Display Qualified Members are situated are concerned, TCL Technology Group (including Finance Company) has established TCL Cash Pooling Arrangement with (i) various major commercial banks in the PRC including but not limited to Bank of China, Industrial and Commercial Bank of China, Agricultural Bank of China and China Construction Bank and (ii) Bank of China (Hong Kong) in Hong Kong.

The intention of the Cash Pooling Services is to enhance efficiency in the deployment of funds of the Group. Given the size of TCL Technology Group's cash pool (including the Group's cash pool), the Group can leverage on the collective bargaining power of TCL Technology Group and the Group combined regarding terms for deposits than it would by setting up a separate Group cash pool or making separate cash deposits. Please refer to the paragraph headed "Reasons for and Benefits of Entering into the Supplemental Agreement" for further potential benefits of the Cash Pooling Services to the Group.

### **Internal control procedures and pricing policy for conducting transactions under the Deposit and Cash Pooling Services**

The Group will continue to follow the internal control procedures and pricing policies as stated in the circular of the Company dated 21 November 2022 when conducting the transactions contemplated under the Master Financial Services (2023-2025) Agreement (as amended and

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## LETTER FROM THE BOARD

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supplemented by the Supplemental Agreement). Further, the Group will extend the application of the following specific and general internal control procedures and pricing policies to the Cash Pooling Services as follows:

- (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) or if any China Display Qualified Member places deposit under the TCL Cash Pooling Arrangement, the interest rates offered by Finance Company or under the TCL Cash Pooling Arrangement (as the case may be) will be determined in accordance with the pricing policy as set out in the Master Financial Services (2023-2025) Agreement (as amended by the Supplemental Agreement). The Group will also compare from time to time and at least every quarter the interest rates offered 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) in respect of the Deposit Services, interest rates for similar deposit service quoted by Finance Company to other members of TCL Technology Group, to ensure the interest rates offered are no less favourable or better than the said benchmark interest rates. In the circumstances where a China Display Qualified Member is to choose between placing a deposit under the Deposit Services or under the Cash Pooling Services, the relevant China Display Qualified Member will further compare the overall terms and conditions (including but not limited to interest rates) offered under each of the Deposit Services and the Cash Pooling Services and choose the more favourable offer.
- (2) The Group will have access to information including but not limited to the status and balance of its deposits at any time via an online system established and maintained by TCL Technology Group. Additionally, the Group will set up an alert system which would alert the Group when the balance of the deposits reaches 90% of the relevant annual cap.
- (3) 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.
- (4) The Group will also maintain accounts with independent banks. Should the balance at the end of any day deposited with the relevant member of TCL Technology Group reaches 90% of the relevant annual cap, the Group will deposit or transfer any excess funds or existing fund maintained with the relevant member of TCL Technology Group to the Group's bank accounts with an independent commercial bank.

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## LETTER FROM THE BOARD

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- (5) The Group will request the relevant member of TCL Technology Group 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 the relevant member of TCL Technology Group. The relevant member of TCL Technology Group 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 the relevant member of TCL Technology Group, 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.
- (6) The relevant member of TCL Technology Group 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 (as amended and supplemented by the Supplemental Agreement) has not been exceeded. Particularly, the Group has in place an internal control system to monitor the usage of annual cap, and the relevant member of TCL Technology Group 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 the relevant member of TCL Technology Group 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 the relevant member of TCL Technology Group in the following week, so as to ensure the maximum outstanding daily ending balance of deposits deposited with the relevant member of TCL Technology Group will not exceed the relevant annual cap at any given time. If it is expected that the amount of cash to be generated from the relevant member of TCL Technology Group (e.g. cash received from bills discounting service provided by Finance Company or interest income from TCL Cash Pooling Arrangement), if deposited with the relevant member of TCL Technology Group, will cause the total balance of cash deposited by the Group with the relevant member of TCL Technology Group exceeding the relevant annual cap, the Group will instruct the relevant member of TCL Technology Group 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 under the Deposit and Cash Pooling Services will not exceed the relevant annual cap at any given time.



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## LETTER FROM THE BOARD

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- (7) The Group will, from time to time at its sole discretion, request for the deposits with the relevant member of TCL Technology Group to be withdrawn (either in full or in part) to assess and ensure the liquidity and safety of the Group's deposits.
- (8) Pursuant to the Master Financial Services (2023-2025) Agreement (as amended and supplemented by the Supplemental Agreement), TCL Technology has undertaken that if the relevant member of TCL Technology Group fails to make any repayment in accordance with the relevant terms and procedure, TCL Technology shall repay any outstanding deposit amount on behalf of the relevant member of TCL Technology Group 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 members of TCL Technology Group. Such undertaking provides indemnification for the deposits under the Deposit and Cash Pooling Services of the Master Financial Services (2023-2025) Agreement (as amended and supplemented by the Supplemental Agreement).
- (9) The Company will prepare risk assessment reports and data in respect of the funds deposited with the relevant member of TCL Technology Group 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 the relevant member of TCL Technology Group 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 (as amended and supplemented by the Supplemental Agreement) including compliance with annual caps and any potential change in the risk profile of the relevant member of TCL Technology Group.
- (10) The Company's audit committee will also scrutinise the implementation and enforcement of the transactions under the Master Financial Services (2023-2025) Agreement (as amended and supplemented by the Supplemental 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 member of TCL Technology Group, 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 (as amended and supplemented by the Supplemental 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.
- (11) The responsible personnel conducting the above internal control procedures are all employees of the Company who are independent to TCL Technology Group.

## LETTER FROM THE BOARD

### HISTORICAL FIGURES AND PROPOSED ANNUAL CAPS

The transactions under the Cash Pooling Services would be covered by the existing annual caps of the Deposit Services. Accordingly, the proposed annual caps of the Deposit and Cash Pooling Services under the Master Financial Services (2023-2025) Agreement (as amended and supplemented by the Supplemental Agreement) for the three years ending 31 December 2025 would be the same as the existing annual caps of the Deposit Services.

The following table sets out (i) the relevant historical figures of the Deposit Services under the Master Financial Services (2020 Renewal) Agreement for the three years ended 31 December 2022 and the Master Financial Services (2023-2025) Agreement for the nine months ended 30 September 2023; (ii) the existing annual caps of the Deposit Services under the Master Financial Services (2023-2025) Agreement for the three years ending 31 December 2025; and (iii) the proposed annual caps of the Deposit and Cash Pooling Services under the Master Financial Services (2023-2025) Agreement (as amended and supplemented by the Supplemental Agreement) for the three years ending 31 December 2025:

	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 year ended 31 December 2022 (audited) RMB'000	For the nine months ended 30 September 2023 (unaudited) (for actual amount only)/ For the year ending 31 December 2023 (for existing annual caps and proposed annual caps only) RMB'000	For the year ending 31 December 2024 RMB'000	For the year ending 31 December 2025 RMB'000
<i>Deposit and Cash Pooling Services -</i>						
<i>Maximum outstanding daily ending balances of deposits (including interest receivables in respect of these deposits and deposits as security)</i>						
- Historical/Existing annual cap (Note 1)	895,000	1,450,000	1,690,000	1,700,000	1,870,000	2,057,000
- Actual amount (Note 1)	560,528	1,123,408	1,040,077	677,631	N/A	N/A
- Proposed annual cap (Note 2)	N/A	N/A	N/A	1,700,000	1,870,000	2,057,000

**Notes:**

- The respective historical/existing annual caps and historical transaction amounts refer to the annual caps and historical transaction amounts under the Deposit Services of the Master Financial Services (2020 Renewal) Agreement or the Master Financial Services (2023-2025) Agreement (as the case may be), and for the avoidance of doubt, exclusive of Cash Pooling Services.
- The respective proposed annual caps include (i) deposits (including interest receivables in respect of these deposits and deposits as security) placed by the China Display Qualified Members with Finance Company; and (ii) deposits placed by the China Display Qualified Members under the TCL Cash Pooling Arrangement (including interest receivables in respect of these deposits and deposits as security).

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## LETTER FROM THE BOARD

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### **BASIS FOR DETERMINING THE PROPOSED ANNUAL CAPS**

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

- (i) The historical amounts of the balance of deposit that the Group placed with Finance Company under the Deposit Services of the Master Financial Services (2023-2025) Agreement and the Master Financial Services (2020 Renewal) Agreement.
- (ii) The Cash Pooling Services only serve as an additional option for China Display Qualified Members to manage their cash balances and the Company does not expect there to be an additional demand for placing cash deposits by any China Display Qualified Members. Therefore, it is expected that after expanding the scope of Deposit Services to include Cash Pooling Services, there will be no change in the estimated maximum amount of balance of deposit to be placed thereunder by China Display Qualified Members for the three years ending 31 December 2025 as set out in the circular of the Company dated 21 November 2022.

### **FINANCIAL EFFECT OF THE DEPOSIT AND CASH POOLING SERVICES**

Whilst the Company will be able to continue to earn interest income from the deposits under the Deposit and Cash Pooling Services, given such interest income earned from Deposit Services for the nine months ended 30 September 2023 was only approximately RMB1,582,334 and represented a small proportion of the Company's earnings and net assets, the Company anticipates that the Deposit and Cash Pooling Services contemplated under the Master Financial Services (2023-2025) Agreement (as amended and supplemented by the Supplemental Agreement) will not have any material impact on the Company's earnings, assets and liabilities.

### **REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL AGREEMENT**

The Directors (excluding the independent non-executive Directors whose views will be set out in the Letter from Independent Board Committee included in this circular) consider that the terms of the Supplemental 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 Supplemental Agreement and the transactions contemplated thereunder for the following reasons:

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## LETTER FROM THE BOARD

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1. The Supplemental Agreement seeks to amend and supplement the Master Financial Services (2023-2025) Agreement such that China Display Qualified Members are allowed to participate in the TCL Cash Pooling Arrangement, which offers China Display Qualified Members an additional option to manage their cash balances. In view of the size of the cash pool under the TCL Cash Pooling Arrangement, China Display Qualified Members are likely to receive more favourable terms for deposits by participating in the TCL Cash Pooling Arrangement than it would by setting up a separate cash pool or by separately placing similar cash deposits with other banks or financial institutions. Nonetheless, it is not mandatory for China Display Qualified Members to participate in the TCL Cash Pooling Arrangement by way of the Cash Pooling Services. China Display Qualified Members will only utilise such services if the interest rate offered thereunder is no less favourable than those offered by Independent Third Party licensed banks or financial institutions.
2. Members of TCL Technology Group are familiar with the capital structure, business operations and capital requirements of China Display Qualified Members, enabling it to be in a better position to provide Cash Pooling Services which can cater for the financial needs of China Display Qualified Members. In particular, China Display Qualified Members may manage their deposits under the Cash Pooling Services through an integrated online system of TCL Technology Group which enhances efficiency of cash balance management and provides convenience for daily operations.
3. The Company believes that the risks of the TCL Cash Pooling Arrangement is low as it is provided by licensed banks or financial institutions duly established in or outside the PRC to relevant members of TCL Technology Group and the pricing policies and the operation of which are subject to guidelines issued by the CBIRC or relevant authorities where the banks or financial institutions duly established outside the PRC, and its participants only include members of TCL Technology Group.

The Directors consider that the Deposit and Cash Pooling Services contemplated under the Master Financial Services (2023-2025) Agreement (as amended and supplemented by the Supplemental 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 utilise the Deposit and Cash Pooling Services and any China Display Qualified Member shall only make such deposits if the interest rate offered thereunder is no less favourable than those rates offered by other independent financial institutions.
2. Given that cash deposit services are widely available, China Display Qualified Members can easily find alternative independent third-party service providers if the interest rates under the Deposit and Cash Pooling Services are not favourable.

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## LETTER FROM THE BOARD

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As the Supplemental Agreement is conditional upon and subject to, among others, obtaining the approval from Shareholders at the SGM, should the resolutions in respect of the Master Financial Services (2023-2025) Agreement (as amended and supplemented by the Supplemental Agreement) including the proposed annual caps be voted down, the Supplemental Agreement and the transaction contemplated thereunder will not take effect. Accordingly, the terms of the Master Financial Services (2023-2025) Agreement and the relevant annual caps will remain the same as those disclosed in the circular dated 21 November 2022 (that is without addition of the Cash Pooling Services). The Group will continue to utilise the services under the existing Master Financial Services (2023-2025) Agreement and existing annual caps for the remaining term until 31 December 2025.

### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, 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 and Cash Pooling Services) contemplated under the Master Financial Services (2023-2025) Agreement (as amended and supplemented by the Supplemental 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 (as amended and supplemented by the Supplemental 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 and Cash Pooling Services under the Master Financial Services (2023-2025) Agreement (as amended and supplemented by the Supplemental Agreement) exceed 25% and the assets ratio thereof exceeds 8%, in addition to being continuing connected transactions, the Deposit and Cash Pooling 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 and Cash Pooling Services further constitute advances to an entity and are subject to the relevant disclosure requirements under Chapter 13 of the Listing Rules.

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## LETTER FROM THE BOARD

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An Independent Board Committee has been established by the Company to advise the Shareholders on the terms of the Supplemental Agreement and the proposed annual caps in respect of the Deposit and Cash Pooling Services under the Master Financial Services (2023-2025) Agreement (as amended and supplemented by the Supplemental 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 (as amended and supplemented by the Supplemental Agreement) and its close 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(s) in respect of the Master Financial Services (2023-2025) Agreement (as amended and supplemented by the Supplemental 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 (as amended and supplemented by the Supplemental Agreement) to be put forward at the SGM.

As at the Latest Practicable Date, 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 Latest Practicable Date, 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 (as amended and supplemented by the Supplemental 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 Latest Practicable Date, (i) Mr. LIAO Qian who is deemed to be interested in 1,564,782 shares in TCL Technology (representing approximately 0.0083% of the issued share capital of TCL Technology) within the meaning of Part XV of the SFO and is an executive director, senior vice president and secretary of the board of directors of TCL Technology; (ii) Mr. OUYANG Hongping who is deemed to be interested in 481,344 shares in TCL Technology (representing approximately 0.0026% 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 subsidiary of TCL Technology) and a general manager of Wuhan CSOT Semiconductor (a subsidiary of TCL Technology); and (iii) Mr. XI Wenbo who is deemed to be interested in 693,500 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 the vice president and head of financial centre of TCL CSOT (a subsidiary of TCL Technology); 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 (as amended and supplemented by the Supplemental 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 Supplemental Agreement pursuant to the Bye-laws.

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## LETTER FROM THE BOARD

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### 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 plant in the PRC and distributes its products in Asia, with its focus on Hong Kong and the PRC markets. For more information on the Group, please visit its official website at [www.cdoh8.com](http://www.cdoh8.com) (the information that appears in this website does not form part of this circular).

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 circular). As at the Latest Practicable Date, 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 Latest Practicable Date. 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, deposit services and design of various schemes for settlement and clearing in respect of group fund transfer, and any other services approved by the CBIRC.

### SGM

The Company will convene the SGM at 8th Floor, Building 22E, Phase Three, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong on 12 December 2023, Tuesday at 3:00 p.m., at which resolution(s) will be proposed for the purposes of considering and, if thought fit, approving the Supplemental Agreement, the transactions contemplated thereunder and the proposed annual caps in relation thereto. The notice of the SGM is set out on pages 59 to 60 of this circular.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, TCL Technology and TCL Associates are required to abstain from voting on the resolution(s) to be put forward at the SGM in respect of the Supplemental Agreement.



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## LETTER FROM THE BOARD

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A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM or any adjournment or postponement thereof (as the case may be) in person, please complete the form of proxy in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or via the designated website (<https://spot-emeeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company, as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment or postponement thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the SGM or any adjournment or postponement thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

### **RECORD DATE**

The record date (being the last date of registration of any transfer of Shares given there will be no closure of register of members) for determining the entitlements of the Shareholders to attend and vote at the SGM is 7 December 2023, Thursday. In order to qualify to attend and vote at the SGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:30 p.m. on 7 December 2023, Thursday.

### **VOTING BY POLL**

In accordance with Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the voting on all resolution(s) at the SGM will be conducted by way of poll.

### **RECOMMENDATION**

Your attention is drawn to (i) the Letter from the Independent Board Committee set out on page 24 to 25 of this circular which contains the recommendation of the Independent Board Committee to the Shareholders regarding the resolution(s) in respect of the Supplemental Agreement and the proposed annual caps in respect of the Deposit and Cash Pooling Services under the Master Financial Services (2023-2025) Agreement (as amended and supplemented by the Supplemental Agreement) to be proposed at the SGM; (ii) the letter from Pelican Financial Limited, the Independent Financial Advisor, set out on pages 26 to 51 of this circular which contains its advice to the Independent Board Committee and the Shareholders in respect of the terms of the Supplemental Agreement and the proposed annual caps in respect of the Deposit and Cash Pooling Services under the Master Financial Services (2023-2025) Agreement (as amended and supplemented by the Supplemental Agreement); and (iii) additional information set out in the appendices to this circular.



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## LETTER FROM THE BOARD

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The Independent Board Committee, having taken into account the advice (together with principal factors and reasons considered in arriving at such advice) of the Independent Financial Advisor, are of the opinion that (i) the entering into of the Supplemental Agreement is in the ordinary and usual course of business of the Group; (ii) the terms of the Supplemental Agreement and the transactions contemplated thereunder are on normal commercial terms, are fair and reasonable so far as the independent Shareholders are concerned and are in the interests of the Company and its Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the SGM in respect of the Supplemental Agreement, the transactions contemplated thereunder and the proposed annual caps.

The Board are of the opinion that (i) the entering into of the Supplemental Agreement is in the ordinary and usual course of business of the Group; (ii) the terms of the Supplemental Agreement and the transactions contemplated thereunder are on normal commercial terms, are fair and reasonable so far as the independent Shareholders are concerned; and are in the interests of the Company and the Shareholders as a whole.

The Board also considers that the resolution(s) proposed in the notice of SGM in respect of the Supplemental Agreement is in the best interests of the Company and the Shareholders as a whole and therefore recommend you to vote in favour of all the relevant resolution(s) to be proposed at the SGM in respect of the Supplemental Agreement, the transactions contemplated thereunder and the proposed annual caps.

Yours faithfully,  
By order of the Board  
**LIAO Qian**  
*Chairman*

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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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)**

Date: 22 November 2023

*To: the Shareholders*

Dear Sirs or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS –  
SUPPLEMENTAL AGREEMENT TO  
MASTER FINANCIAL SERVICES (2023-2025) AGREEMENT  
AND  
(2) MAJOR TRANSACTION AND ADVANCE TO AN ENTITY  
IN RESPECT OF THE DEPOSIT AND CASH POOLING SERVICES UNDER  
MASTER FINANCIAL SERVICES (2023-2025) AGREEMENT**

We refer to the circular of the Company dated 22 November 2023 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms defined in the Circular bear the same meanings when used in this letter unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to consider and advise the Shareholders in respect of the terms of the Supplemental Agreement and the proposed annual caps in respect of the Deposit and Cash Pooling Services under the Master Financial Services (2023-2025) Agreement (as amended and supplemented by the Supplemental Agreement), details of which are set out in the Circular.

We wish to draw your attention to the letter from the Board and the letter from the Independent Financial Advisor set out on pages 6 to 23 and pages 26 to 51 of the Circular respectively.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having taken into account the advice (together with principal factors and reasons considered in arriving at such advice) of Pelican Financial Limited, the Independent Financial Advisor, we are of the opinion that (i) the entering into of the Supplemental Agreement is in the ordinary and usual course of business of the Group; (ii) the terms of the Supplemental Agreement and the transactions contemplated thereunder are on normal commercial terms, are fair and reasonable so far as the independent Shareholders are concerned and are in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Shareholders to vote in favour of the resolution(s) to be proposed at the SGM in respect of the Supplemental Agreement, the transactions contemplated thereunder and the proposed annual caps at the SGM.

Yours faithfully,

**HSU Wai Man, Helen,**

**XU Yan,**

**LI Yang**

*Independent Board Committee*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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*The following is the full text of the letter of recommendation from the Independent Financial Advisor to the Independent Board Committee and the Shareholders, which has been prepared for incorporation in this circular.*

PELICAN FINANCIAL LIMITED



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28/F, Lee Garden Two, 28 Yun Ping Road, Causeway Bay, Hong Kong

22 November 2023

*To the Independent Board Committee and the independent Shareholders of  
China Display Optoelectronics Technology Holdings Limited*

Dear Sirs,

### **CONTINUING CONNECTED TRANSACTIONS – SUPPLEMENTAL AGREEMENT TO MASTER FINANCIAL SERVICES (2023-2025) AGREEMENT**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the independent Shareholders in respect of the Supplemental Agreement and the transactions contemplated under the Master Financial Services (2023-2025) Agreement, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company dated 22 November 2023 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 27 October 2023 (the “**Announcement**”), in relation to the entering into of the Supplemental Agreement with TCL Technology and Finance Company on 27 October 2023. This Supplemental Agreement, among other things, amends the scope of the Deposit Services under the Master Financial Services (2023-2025) Agreement to include Cash Pooling Services.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, 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 and Cash Pooling Services) contemplated under the Master Financial Services (2023-2025) Agreement (as amended and supplemented by the Supplemental 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 (as amended and supplemented by the Supplemental 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.

The Board currently comprises three executive Directors, one non-executive Director and three independent non-executive Directors. The Independent Board Committee, which currently comprises all the independent non-executive Directors, namely Ms. Hsu Wai Man Helen, Mr. Xu Yan and Mr. Li Yang, has been established to advise the independent Shareholders on the terms of the Supplemental Agreement and the proposed annual caps in respect of the Deposit and Cash Pooling Services under the Master Financial Services (2023-2025) Agreement (as amended and supplemented by the Supplemental Agreement). We have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the independent Shareholders in this respect and such appointment has been approved by the Independent Board Committee.

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 (as amended and supplemented by the Supplemental 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 (as amended and supplemented by the Supplemental 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 (as amended and supplemented by the Supplemental Agreement) to be put forward at the SGM.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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As at the Latest Practicable Date, 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 Latest Practicable Date, 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 (as amended and supplemented by the Supplemental 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 Latest Practicable Date, (i) Mr. LIAO Qian who is deemed to be interested in 1,564,782 shares in TCL Technology (representing approximately 0.0083% of the issued share capital of TCL Technology) within the meaning of Part XV of the SFO and is an executive director, senior vice president and secretary of the board of directors of TCL Technology; (ii) Mr. OUYANG Hongping who is deemed to be interested in 481,344 shares in TCL Technology (representing approximately 0.0026% 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 subsidiary of TCL Technology) and a general manager of Wuhan CSOT Semiconductor (a subsidiary of TCL Technology); and (iii) Mr. XI Wenbo who is deemed to be interested in 693,500 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 the vice president and head of financial centre of TCL CSOT (a subsidiary of TCL Technology); 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 (as amended and supplemented by the Supplemental 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 Supplemental Agreement pursuant to the Bye-laws.

### **OUR INDEPENDENCE**

Pelican Financial Limited is not connected with the Directors, chief executive or substantial shareholders of the Company or any of their respective associates and therefore is considered suitable to give independent advice to the Independent Board Committee and the independent Shareholders. In the last two years, there has been no engagement between the Company and us. Apart from normal professional fees payable to us in connection with this appointment of us as Independent Financial Adviser, no arrangement exists whereby Pelican Financial Limited will receive any fees or benefits from the Company or the Directors, chief executive or substantial shareholders of the Company or any of their respective associates.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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Our role is to provide you with our independent opinion and recommendation as to (i) whether the entering into of the Supplemental Agreement is in the ordinary and usual course of business of the Group; (ii) whether the terms of the Supplemental Agreement and the transactions contemplated thereunder had been negotiated and arrived at on an arms-length basis, on normal commercial terms or better, and are fair and reasonable so far as the independent Shareholders are concerned and whether they are in the interests of the Company and the Shareholders as a whole; and (iii) how the independent Shareholders should vote in respect of the relevant resolutions regarding the Supplemental Agreement, and the transactions contemplated respectively thereunder and the proposed annual caps at the SGM.

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the independent Shareholders, we have performed relevant procedures and those steps which we deemed necessary in forming our opinions which include, among other things, review of relevant agreements, documents as well as information provided by the Company and verified them, to an extent, to the relevant public information, statistics and market data, the relevant industry guidelines and rules and regulations as well as information, facts and representations provided, and the opinions expressed, by the Company and/or the Directors and/or the management of the Group. The documents reviewed include, but are not limited to, the Master Financial Services (2023-2025) Agreement, the Supplemental Agreement, the audited annual report for the year ended 31 December 2022 (the “**2022 Annual Report**”), the unaudited interim report for the six months ended 30 June 2023 (the “**2023 Interim Report**”), the circular of the Company dated 21 November 2022, the Announcement and the Circular. We have assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of the Group. The Company will notify the independent Shareholders of any material changes after the Latest Practicable Date and after the dispatch of the Circular. The independent Shareholders will also be notified of any material changes to such information provided and our opinion as soon as possible.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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### PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the Supplemental Agreement and the transactions contemplated thereunder, we have considered the following principal factors and reasons.

**(a) Background information of the Parties**

**(i) The Group**

The Group, headquartered in the PRC, 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 plant in the PRC and distributes its products in Asia, with its focus on Hong Kong and the PRC markets.

**(ii) TCL Technology**

TCL Technology is a major PRC conglomerate and is principally engaged in semiconductor display and material business. As at the Latest Practicable Date, based on the information available to the Directors, no shareholder of TCL Technology holds 10% or more equity interest in TCL Technology.

**(iii) Finance Company**

Finance Company, a subsidiary of TCL Technology, is owned as to 82% by TCL Technology and 18% by TCL CSOT as at the Latest Practicable Date. It is principally engaged in the 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, deposit services and design of various schemes for settlement and clearing in respect of group fund transfer, and any other services approved by the CBIRC.



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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR**

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**(b) Financial information of the Group**

Set out below is a summary of the financial information of the Group for the two years ended 31 December 2022 as extracted from the 2022 Annual Report and the six months ended 30 June 2022 and 2023 as extracted from the 2023 Interim Report respectively.

**Table 1: Financial information of the Group**

	For the six months ended		For the year ended	
	30 June		31 December	
	2023	2022	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
<i>Revenue by types of goods or services</i>				
– Sale of industrial products	1,209,564	2,710,676	4,172,765	5,794,994
– Processing services	17,295	24,577	35,585	45,100
<b>Total Revenue</b>	<b>1,226,859</b>	<b>2,735,253</b>	<b>4,208,350</b>	<b>5,840,094</b>
<b>Gross profit</b>	<b>86,774</b>	<b>208,896</b>	<b>343,744</b>	<b>494,632</b>
<b>(Loss)/Profit for the period/year from continuing operations</b>	<b>(7,418)</b>	<b>133,973</b>	<b>169,025</b>	<b>166,488</b>
Profit for the year from a discontinued operation	–	–	–	33,223
<b>(Loss)/Profit for the period/year</b>	<b>(7,418)</b>	<b>133,973</b>	<b>169,025</b>	<b>199,711</b>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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According to the 2022 Annual Report, the total revenue decreased from RMB5,840.1 million for the year ended 31 December 2021 to RMB4,208.4 million for the year ended 31 December 2022. The sale of industrial products business was the principal continuing operation segment of the Group, contributing to approximately 99.2% of the total revenue in both years. The revenue generated from the sale of industrial products for the years ended 31 December 2021 and 2022 amounted to approximately RMB5,795.0 million and RMB4,172.8 million respectively, which represented a decrease of approximately RMB1,622.2 million or 28.0%. In terms of sales volume, the Group sold a total of 54.2 million units for the year ended 31 December 2022, representing a decrease of 18.7% as compared with 66.7 million units for the year ended 31 December 2021. The decrease in the sale of industrial products was mainly due to (i) the weak demand in the smartphone market, where brand customers have been prudent and reduced their orders to destock; and (ii) the decrease of approximately 12.7% in the overall average selling price of LCD Module products of the Group to RMB79.4. As such, the Group recorded a gross profit of RMB343.7 million for the year ended 31 December 2022 with a gross profit margin of 8.2%, representing a decrease of approximately RMB150.9 million or 30.5% as compared with RMB494.6 million for the year ended 31 December 2021. For the year ended 31 December 2022, the Group reported a profit of approximately RMB169.0 million. The primary cause for the decrease was a one-time profit of approximately RMB33.2 million that was earned in 2021 from an operation that has since been discontinued. Despite this overall decrease, the profit from continuing operations increased by approximately 1.5% from approximately RMB166.5 million in 2021. This increase in profit from continuing operations was driven by (i) the increase in subsidies in the form of tax deductions as the Group was entitled to preferential tax treatment applicable to high-tech and innovative enterprises; and (ii) the implementation of various budget and cost-control policies which enhanced the operational efficiency of the Group by maintaining the administrative and operating expenditures at a relatively low level.

According to the 2023 Interim Report, the Group's revenue decreased by approximately RMB1,508.4 million or 55.1%, from RMB2,735.3 million for the six months ended 30 June 2022 to approximately RMB1,226.9 million for the six months ended 30 June 2023. The significant decrease in revenue was mainly due to a decline in sales of industrial products from approximately RMB2,710.7 million for the six months ended 30 June 2022 to approximately RMB1,209.6 million for the same period in 2023, which is impacted by an unstable global economy, declining smartphone market and high global inflation. During the six months ended 30 June 2023, the Group recorded a loss of approximately RMB7.4 million, as compared with a profit of approximately RMB134.0 million for the corresponding period in 2022. The notable change from profit to loss was mainly due to (i) the aforementioned decrease in sales performance; (ii) a 34.1% decline in the overall average selling price of LCD Module products (excluding processing modules) to RMB57.2, which was further down from the average selling price of RMB79.4 observed in 2022; (iii) an increase in other expenses of 871.6%, which include a realised loss and fair value loss on derivative financial instruments totaling approximately RMB48.1 million.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR**

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Meanwhile, the consolidated assets and liabilities of the Group as at 31 December 2022 and 30 June 2023 as extracted from the 2023 Interim Report are summarized as follows:

**Table 2: Financial position of the Group**

	<b>As at 30 June 2023</b>	<b>As at 31 December 2022</b>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Total assets		
– non-current assets	811,401	675,431
– current assets	<u>1,785,503</u>	<u>1,904,750</u>
	<b>2,596,904</b>	<b>2,580,181</b>
Total liabilities		
– non-current liabilities	23,186	75,635
– current liabilities	<u>1,590,324</u>	<u>1,504,381</u>
	<b>1,613,510</b>	<b>1,580,016</b>
<b>Net current assets</b>	<b>195,179</b>	<b>400,369</b>
<b>Net assets</b>	<b>983,394</b>	<b>1,000,165</b>

The Group recorded total assets of approximately RMB2,580.1 million and RMB2,596.9 million as at 31 December 2022 and 30 June 2023, respectively. As at 30 June 2023, the non-current assets of the Group amounted to RMB811.4 million, mainly comprised of (i) property, plant and equipment of approximately RMB725.6 million; (ii) right-of-use assets of approximately RMB29.6 million; (iii) time deposits of approximately RMB19.0 million; (iv) intangible assets of approximately RMB15.7 million; and (v) deferred tax assets of approximately RMB11.1 million. Meanwhile, the Group's current assets amounted to RMB1,785.5 million as at 30 June 2023, mainly consisted of (i) trade and bills receivables of approximately RMB898.1 million; (ii) cash and cash equivalents of approximately RMB690.8 million; (iii) inventories of approximately RMB125.3 million; and (iv) prepayments and other receivables of approximately RMB70.7 million.

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On the other hand, the Group recorded total liabilities of approximately RMB1,580.0 million and RMB1,613.5 million as at 31 December 2022 and 30 June 2023, respectively. The non-current liabilities of the Group as at 30 June 2023 amounted to approximately RMB23.2 million, comprised of (i) deferred income of approximately RMB21.3 million; (ii) deferred tax liabilities of approximately RMB1.9 million. As at 30 June 2023, the current liabilities of the Group amounted to RMB1,590.3 million, mainly comprised of (i) trade payables of approximately RMB1,065.4 million; (ii) other payables and accruals of approximately RMB489.8 million; (iii) tax payable of approximately RMB34.0 million.

As such, the consolidated net current assets and net assets of the Group as at 30 June 2023 amounted to approximately RMB195.2 million and RMB983.4 million respectively, which was decreased by 51.3% and 1.7% from approximately RMB400.4 million and RMB1,000.2 million as at 31 December 2022 respectively. The substantial decrease in net current assets was primarily due to a significant reduction in prepayments and other receivables of approximately RMB674.9 million and trade and bills receivables of approximately RMB167.3 million on the assets side, coupled with an increase in other payables and accruals of approximately RMB109.5 million on the liabilities side. These changes were offset to an extent by other items in the balance sheet which also contributed to the overall change in net current assets.

As at 31 December 2022, the Group's interest-bearing bank loans and other borrowings were approximately RMB62.3 million. The gearing ratio, which is calculated based on the Group's total interest-bearing loans (including bank and other borrowings) divided by its total assets, was 2.4%. As at 30 June 2023, the Group had no interest-bearing bank loans and other borrowings. With the cash and bank balances in hand, the Group's liquidity position remains strong to meet its working capital requirements.

Despite facing weak demand in the smartphone market and an unstable global economy during 2022 and the first half of 2023, the Group has demonstrated financial prudence. It managed to significantly increase its cash and cash equivalents balance from RMB279.0 million as at 31 December 2022 to RMB690.8 million as at 30 June 2023, and discharged all its interest-bearing bank and other borrowings during the first half of 2023. The increased cash reserve enables it to contribute to and derive benefits from the cash pool, potentially yielding higher interest rates through the collective bargaining power of the China Display Qualified Members and TCL Technology Group. Furthermore, the absence of any outstanding borrowings indicates that the Group is taking prudent financial management, hence entering into the Supplemental Agreement aligns with the low-risk strategy under the prevailing market situation. Given the Group's financial positions and the terms of the Supplemental Agreement, we believe that entering into the Supplemental Agreement could be a strategic move for the Group to potentially enhance returns from its idle cash reserves during this challenging period and, taking into account the reasons for and benefits of entering into the Supplemental Agreement as discussed in the below section, it is in the interest of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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### (c) Reasons for and benefits of entering into the Supplemental Agreement

As Independent Financial Adviser, we have reviewed the benefits of entering into the Supplemental Agreement and the transactions contemplated thereunder, and assessed whether they are fair and reasonable for the independent Shareholders and in the interests of the Company and the Shareholders as a whole.

According to the Board Letter, the Supplemental Agreement intends to amend and supplement the Master Financial Services (2023-2025) Agreement thereby enabling the participation of China Display Qualified Members in the TCL Cash Pooling Arrangement. This arrangement offers China Display Qualified Members an additional option to manage their cash balances. Considering the size of the cash pool within the TCL Cash Pooling Arrangement, it is anticipated that China Display Qualified Members are poised to benefit from more favourable terms for deposits through their participation, in comparison to the potential benefits they might receive if they were to establish a separate cash pool or place comparable cash deposits with alternative banks or financial institutions. Nonetheless, it is not mandatory for China Display Qualified Members to participate in the TCL Cash Pooling Arrangement by way of the Cash Pooling Services. China Display Qualified Members will only utilise such services if the interest rate offered thereunder is no less favourable than those offered by Independent Third Party licensed banks or financial institutions.

On the other hand, members of TCL Technology Group are familiar with the capital structure, business operations and capital requirements of China Display Qualified Members, enabling it to be in a better position to provide Cash Pooling Services that can cater to the financial needs of China Display Qualified Members. In particular, China Display Qualified Members may manage their deposits under the Cash Pooling Services through an integrated online system of TCL Technology Group which enhances the efficiency of cash balance management and provides convenience for daily operations.

We are given to understand that the Company believes that the risks of the TCL Cash Pooling Arrangement are low as the deposit service under the TCL Cash Pooling Arrangement is provided by licensed banks or financial institutions duly established in or outside the PRC to relevant members of TCL Technology Group and the pricing policies and the operation of which are subject to guidelines issued by the CBIRC or relevant authorities where the banks or financial institutions duly established outside the PRC, and its participants only include members of TCL Technology Group.

We noted that the Directors consider that the Deposit and Cash Pooling Services contemplated under the Master Financial Services (2023-2025) Agreement (as amended and supplemented by the Supplemental Agreement), which we concur, will not lead to the Group developing an excessive dependence on TCL Technology Group. This is due to two reasons: (i) China Display Qualified Members are not obliged to utilise the Deposit and Cash Pooling Services and any China Display Qualified Member shall only make such deposits if the interest rate offered thereunder is no less favourable than those rates offered by other independent

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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financial institutions; and (ii) given cash deposit services are widely available, China Display Qualified Members can easily find alternative independent third-party service providers if the interest rates under the Deposit and Cash Pooling Services are not favourable.

As the Supplemental Agreement is conditional and subject to, among others, obtaining the approval from Shareholders at the SGM, should the resolutions in respect of the Master Financial Services (2023-2025) Agreement (as amended and supplemented by the Supplemental Agreement) including the proposed annual caps be voted down, the Supplemental Agreement and the transaction contemplated thereunder will not take effect. Accordingly, the terms of the Master Financial Services (2023-2025) Agreement and the relevant annual caps will remain the same as those disclosed in the circular dated 21 November 2022 (that is without addition of the Cash Pooling Services). The Group will continue to utilise services under the existing Master Financial Services (2023-2025) Agreement and the existing annual caps for the remaining term until 31 December 2025.

In considering the fairness and reasonableness of the terms of the Supplemental Agreement, we have obtained and reviewed (i) three randomly-selected samples of deposits placed by the relevant China Display Qualified Members to Finance Company during 2020 and 2023; (ii) the notices of interest rate for Deposit Services offered by Finance Company and issued in 2020, 2021 and 2022; (iii) the benchmark interest rate promulgated by the PBOC; and (iv) three sample quotations of other financial service from Independent Third Party licensed bank and/or financial institutions in the PRC. We have also conducted an independent search on the interest rates offered by three major commercial banks in the PRC. We observed that the deposit interest rates offered by Finance Company were higher than those offered by the three independent licensed banks, which demonstrated the Company's would secure the best available interest rates so as to maximise returns on deposits. Considering the Company's practice to only place deposits when the deposit interest rate is more favourable than those rates from other financial institutes, and that under this extended arrangement with TCL Cash Pool Arrangement, the China Display Qualified Members can benefit from the combined bargaining power of both the TCL Technology Group and the Group itself, the larger size of their pooled cash resources can potentially secure a higher interest rate than it would be possible by establishing a separate cash pool or making individual cash deposits with independent financial institutions. Based on our independent research and our discussion with the Company, financial institutions typically offer increasingly favorable deposit interest rates for larger amounts and for longer period. This is due to the perceived stability and lower risk associated with these larger deposits, which allows the financial institutions to allocate these funds in longer-term and higher yield investments. Therefore, pooling cash resources as proposed under the TCL Cash Pooling Arrangement could potentially secure a higher interest rate, as it represents a larger deposit than individual members or the Group could provide separately. However, the interest rates can vary based on multiple factors, including market conditions and the financial institution's policies. Should, in any event, the terms provided by other financial institutions prove more favourable than those of the TCL Cash Pooling Arrangement, the China Display Qualified Members retains the option to deposit with these institutions. This approach would maximise the return, which is in the interest of the Company and the Shareholders as a whole.

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Having considered that (i) the Cash Pooling Services shall offer the China Display Qualified Members (a) more favourable terms for the deposits service than those by other independent financial institutions, due to the combined bargaining power of both the TCL Technology Group and the China Display Qualified Members, which allows for larger cash deposits and thus higher interest rates; (b) greater flexibility in daily operations in terms of cash management, as the China Display Qualified Members can use the money through an integrated online system of TCL Technology Group (matching its contribution) instead of managing and withdrawing money from different separate bank accounts; (c) a relatively low risk financial management arrangement as the TCL Cash Pooling Arrangement is facilitated by licensed banks or financial institutions adhering to stringent regulations by the CBIRC or relevant authorities; and (d) the option to, or not to, participate in the TCL Cash Pooling Arrangement under Supplemental Agreement; (ii) the internal control measures are in place, and (iii) the Group has carried out deposit services in its daily operations, we consider that the terms of the Supplemental 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. Therefore, it is in the interest of the Company and the Shareholders as a whole to enter into of the Supplemental Agreement and the transactions contemplated thereunder.

### **(d) Principal terms of the Supplemental Agreement**

Below summarises the principal terms of the Supplemental Agreement:

Date:	27 October 2023
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:	The Supplemental Agreement shall be effective from the Shareholders' Approval Date, and shall be valid during the term of the Master Financial Services (2023-2025) Agreement.
Condition precedent and duration:	The Supplemental Agreement is conditional on and subject to the compliance by the Company with relevant Listing Rules requirements in respect of the Supplemental Agreement, including but not limited to obtaining the approval from Shareholders at the SGM.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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Amendments to the Master Financial Services (2023-2025) Agreement:

The scope of the Deposit Services under the Master Financial Services (2023-2025) Agreement has been expanded to include the Cash Pooling Services.

Under the Cash Pooling Services, any China Display Qualified Member may from time to time request for participation in the TCL Cash Pooling Arrangement, and the relevant member of TCL Technology Group (including fianance company) may in its absolute discretion decide whether to allow the relevant China Display Qualified Member to participate in the TCL Cash Pooling Arrangement, provided that the terms of the TCL Cash Pooling Arrangement 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; and
  - (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

other terms and conditions as a whole under the TCL Cash Pooling Arrangement shall also be not less favourable than those offered by major commercial banks in the PRC (*see Note 1*) 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



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- (2) for deposits made outside the PRC, the interest rate shall not be lower than 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 other terms and conditions as a whole under the TCL Cash Pooling Arrangement 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*) 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 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 aggregate amount of (i) deposits (including normal cash deposit and deposit of cash or bank instruments as security) placed by the China Display Qualified Members with Finance Company; and (ii) deposits placed by the China Display Qualified Members under the TCL Cash Pooling Arrangement pursuant to the Master Financial Services (2023-2025) Agreement. (see *Note 2*)

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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If (i) any China Display Qualified Member demands repayment of any money deposited by it with Finance Company under the Deposit Services in accordance with the relevant terms and procedures and Finance Company fails to follow the repayment demand; or (ii) any China Display Qualified Member demands repayment of any money deposited by it under the TCL Cash Pooling Arrangement in accordance with the relevant terms and procedures and the relevant member of TCL Technology Group 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 members of TCL Technology Group; 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 members of TCL Technology Group; and/or
- (c) request TCL Technology to repay the outstanding deposit amount on behalf of Finance Company or the relevant member of TCL Technology Group in full.

Upon enquiry from any China Display Qualified Member, the relevant member of TCL Technology Group shall within one business day (or such other time as agreed by the parties) provide an offer specifying the interest rates and terms of TCL Cash Pooling Arrangement (including but not limited to terms in relation to the liability of each participant of the relevant cash pool, as well as the notice period of withdrawal of deposits). The terms and conditions of any Cash Pooling Services/TCL Cash

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Pooling Arrangement conducted pursuant to the Master Financial Services (2023-2025) Agreement shall be agreed between the relevant China Display Qualified Member and the relevant member of TCL Technology Group and/or relevant licensed bank or financial institution 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 undertakes with the Company, among others, that:

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

*Note 1:* The major commercial banks in the 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).

*Note 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 aggregate amount of deposits they (i) maintain with Finance Company; and (ii) place under the TCL Cash Pooling Arrangement.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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### (e) Information on the Cash Pooling Services

As part of the cash flow management of TCL Technology Group, members of TCL Technology Group (including Finance Company) will from time to time enter into TCL Cash Pooling Arrangement to utilise cash pooling arrangements offered by Independent Third Party licensed banks or financial institutions in or outside the PRC (“**Pooling Agent(s)**”).

Under the Cash Pooling Services, China Display Qualified Members may participate in the TCL Cash Pooling Arrangement whereby the funds of the relevant China Display Qualified Member will be consolidated into the cash pool of the relevant member of TCL Technology Group (including Finance Company) with the relevant Pooling Agent. If a China Display Qualified Member would like to use the Cash Pooling Services by participating in the TCL Cash Pooling Arrangement, subject to compliance with the Supplemental Agreement, the relevant China Display Qualified Member will be required to enter into individual written agreement(s) with the Pooling Agent which sets out the then prevailing terms and conditions of the TCL Cash Pooling Arrangement when the relevant China Display Qualified Member consolidates its funds into the cash pool of the relevant TCL Cash Pooling Arrangement for the first time. Once the relevant China Display Qualified Member has signed up with the relevant Pooling Agent, it may participate in the relevant TCL Cash Pooling Arrangement with the same Pooling Agent at its own discretion. The relevant China Display Qualified Member will also have access to information including but not limited to the prevailing deposit interest rate of the Cash Pooling Service which is set with reference to the deposit interest rate offered by the Pooling Agent to the relevant member of TCL Technology Group via an online system established and maintained by TCL Technology Group. Additionally, the relevant member of TCL Technology Group will from time to time inform the relevant China Display Qualified Member of the prevailing deposit interest rate of the Cash Pooling Services.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, and in so far as jurisdictions where China Display Qualified Members are situated are concerned, TCL Technology Group (including Finance Company) has established TCL Cash Pooling Arrangement with (i) various major commercial banks in the PRC including but not limited to Bank of China, Industrial and Commercial Bank of China, Agricultural Bank of China and China Construction Bank and (ii) Bank of China (Hong Kong) in Hong Kong.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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The intention of the Cash Pooling Services is to enhance efficiency in the deployment of funds of the Group. Given the size of TCL Technology Group’s cash pool (including the Group’s cash pool), the Group can leverage on the collective bargaining power of TCL Technology Group and the Group combined regarding terms for deposits than it would by setting up a separate Group cash pool or making separate cash deposits. Please refer to the paragraph headed “Reasons for and Benefits of Entering into the Supplemental Agreement” for further potential benefits of the Cash Pooling Services to the Group in the Board Letter and in this letter.

**(f) Basis for determining the annual caps and our analysis**

The transactions under the Cash Pooling Services would be covered by the existing annual caps of the Deposit Services. Accordingly, the proposed annual caps of the Deposit and Cash Pooling Services under the Master Financial Services (2023-2025) Agreement (as amended and supplemented by the Supplemental Agreement) for the three years ending 31 December 2025 would be the same as the existing annual caps of the Deposit Services.

The following table sets out (i) the relevant historical figures of the Deposit Services under the Master Financial Services (2020 Renewal) Agreement for the three years ended 31 December 2022 and the Master Financial Services (2023-2025) Agreement for the nine months ended 30 September 2023; (ii) the existing annual caps of the Deposit Services under the Master Financial Services (2023-2025) Agreement for the three years ending 31 December 2025; and (iii) the proposed annual caps of the Deposit and Cash Pooling Services under the Master Financial Services (2023-2025) Agreement (as amended and supplemented by the Supplemental Agreement) for the three years ending 31 December 2025:

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	Master Financial Services (2020 Renewal) Agreement			Master Financial Services (2023-2025) Agreement		
				For the nine months ended 30 September 2023 (unaudited) (for actual amount only)/ For the year ending 31 December 2023		
	For the year ended 31 December 2020 (audited) RMB'000	For the year ended 31 December 2021 (audited) RMB'000	For the year ended 31 December 2022 (audited) RMB'000	(for existing annual caps and proposed annual caps only) RMB'000	For the year ending 31 December 2024 RMB'000	For the year ending 31 December 2025 RMB'000
<i>Deposit and Cash Pooling Services –</i>						
<i>Maximum outstanding daily</i>						
<i>ending balances of deposits</i>						
<i>(including interest receivables in</i>						
<i>respect of these deposits and</i>						
<i>deposits as security)</i>						
– Historical/Existing Annual Cap (Note 1)	895,000	1,450,000	1,690,000	1,700,000	1,870,000	2,057,000
– Actual amount (Note 1)	560,528	1,123,408	1,040,077	677,631	N/A	N/A
Utilisation rate	62.6%	77.5%	61.5%	53.1%		
				(Note 3)		
– Proposed Annual Cap (Note 2)	N/A	N/A	N/A	1,700,000	1,870,000	2,057,000

*Note 1:* The respective historical/existing annual caps and historical transaction amounts refer to the annual caps and historical transaction amounts under the Deposit Services of the Master Financial Services (2020 Renewal) Agreement or the Master Financial Services (2023-2025) Agreement (as the case may be), and for the avoidance of doubt, exclusive of Cash Pooling Services.

*Note 2:* The respective proposed annual caps include (i) deposits (including interest receivables in respect of these deposits and deposits as security) placed by the China Display Qualified Members with Finance Company; and (ii) deposits placed by the China Display Qualified Members under the TCL Cash Pooling Arrangement (including interest receivables in respect of these deposits and deposits as security).

*Note 3:* The utilisation rate for the 9 months ended 30 June 2023 was calculated using ninth-twelfth of the annual caps set out for the year ended 31 December 2023.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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As stated in the Board Letter, we noted that the proposed annual caps in relation to the Deposit and Cash Pooling Services under the Master Financial Services (2023-2025) Agreement are determined with reference to:

- (i) the historical amounts of the balance of deposit that the Group placed with Finance Company under the Deposit Services of the Master Financial Services (2023-2025) Agreement and the Master Financial Services (2020 Renewal) Agreement; and
- (ii) the Cash Pooling Services only serve as an additional option for China Display Qualified Members to manage their cash balances and the Company does not expect there to be an additional demand for placing cash deposits by any China Display Qualified Members. Therefore, it is expected that after expanding the scope of Deposit Services to include Cash Pooling Services, there will be no change in the estimated maximum amount of balance of deposit to be placed thereunder by China Display Qualified Members for the three years ending 31 December 2025 as set out in the circular of the Company dated 21 November 2022.

To assess the fairness and reasonableness of the proposed annual caps, we have obtained and reviewed (i) a schedule of the historical amounts of the balance of deposit that the Group placed with Finance Company under the Deposit Services pursuant to the Master Financial Services (2023-2025) Agreement and the Master Financial Services (2020 Renewal) Agreement; and (ii) the previous schedule of estimation when determining the annual caps for the Master Financial Services (2023-2025) Agreement. Based on our discussion with the Company, the Supplemental Agreement aims to expand the scope of the Deposit Services under the Master Financial Services (2023-2025) Agreement to include Cash Pooling Services so as to enhance efficiency in the deployment of funds of the Group, the core service remains the same. However, instead of just depositing money by the China Display Qualified Members with Finance Company, it extends to a cash pool arrangement with TCL Technology Group to utilise cash pooling arrangements offered by Independent Third Party licensed banks or financial institutions in or outside the PRC. We noted that the Group's estimation was based on (i) the estimated maximum balance of deposit to be placed pursuant to the Master Financial Services (2023-2025) Agreement in 2023 of approximately RMB1,531 million (which the figure remains unchanged after considering the cash pooling arrangement as the introduction of the service would not impact the Group's business operations or cash flow); (ii) an expected 10% growth per annum in the balance of deposits with Finance Company during the term of the Master Financial Services (2023-2025) Agreement; and (iii) a buffer of 10% for each year. Despite the Group's recent underperformance in 2022 and the first half in 2023, the expected 10% growth per annum is still reasonable as it generally aligns with the compound annual growth rate of global displays market size of approximately 8.4% between 2022 and 2030 as stated in a research report published by Data Bridge Market Research, an international research institute, in October 2023<sup>1</sup>, and it also

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<sup>1</sup> Please refer to the website of Data Bridge Market Research, an international research institute, at: <https://www.databridgemarketresearch.com/reports/global-display-market>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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factors in the potential market recovery and the opportunities in the growing Internet of Things market (including smart home products) as mentioned in the 2023 Interim Report. Considering the utilisation rate of the maximum outstanding daily ending balances of deposits was approximately 53.1% for the first nine months ended 30 September 2023, there is still capacity for the Group for the rest of 2023. Given no anticipated increase in demand, maintaining the current caps under the Master Financial Services (2023-2025) Agreement offers flexibility for unforeseen opportunities or needs while ensuring the Group does not exceed the thresholds. For details of the advantages of this adjustment, please refer to the above section “Reasons for and benefits of entering into the Supplemental Agreement”.

In light of the above and the expectation of no additional demand, together with the internal control measures that are in place as discussed in the below section, we are of the view that the proposed annual caps in relation to the Deposit and Cash Pooling Services under the Master Financial Services (2023-2025) Agreement, which remain unaltered, are determined based on reasonable grounds and after careful consideration, and they are fair and reasonable so far as the Company and the independent Shareholders are concerned.

**(g) Financial effect of the Deposit and Cash Pooling Services**

Whilst the Company will be able to continue to earn interest income from the deposits under the Deposit and Cash Pooling Services, given such interest income earned from Deposit Services for the nine months ended 30 September 2023 was only approximately RMB1,582,334 and represented a small proportion of the Company’s earnings and net assets, the Company anticipates that the Deposit and Cash Pooling Services contemplated under the Master Financial Services (2023-2025) Agreement (as amended and supplemented by the Supplemental Agreement) will not have any material impact on the Company’s earnings, assets and liabilities.

**(h) Internal control procedures and pricing policy for conducting transactions under the Deposit and Cash Pooling Services**

As set out in the Board Letter, the Group will continue to follow the internal control procedures and pricing policies as stated in the circular of the Company dated 21 November 2022 when conducting the transactions contemplated under the Master Financial Services (2023-2025) Agreement (as amended and supplemented by the Supplemental Agreement). Further, the Group will extend the application of the following specific and general internal control procedures and pricing policies to the Cash Pooling Services as follows:

- (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) or if any China Display Qualified Member places deposit under the TCL Cash Pooling Arrangement, the interest rates offered by Finance Company or under the TCL Cash Pooling Arrangement (as the case may be) will be determined in accordance with the pricing policy as set out in the Master Financial Services (2023-2025) Agreement (as amended by the Supplemental Agreement). The Group will also



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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compare from time to time and at least every quarter the interest rates offered 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) in respect of the Deposit Services, interest rates for similar deposit service quoted by Finance Company to other members of TCL Technology Group, to ensure the interest rates offered is no less favourable or better than the said benchmark interest rates. In the circumstances where a China Display Qualified Member is to choose between placing a deposit under the Deposit Services or under the Cash Pooling Services, the relevant China Display Qualified Member will further compare the overall terms and conditions (including but not limited to interest rates) offered under each of the Deposit Services and the Cash Pooling Services and choose the more favourable offer.

- (2) The Group will have access to information including but not limited to the status and balance of its deposits at any time via an online system established and maintained by TCL Technology Group. Additionally, the Group will set up an alert system which would alert the Group when the balance of the deposits reaches 90% of the relevant annual cap.
- (3) 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.
- (4) The Group will also maintain accounts with independent banks. Should the balance at the end of any day deposited with the relevant member of TCL Technology Group reaches 90% of the relevant annual cap, the Group will deposit or transfer any excess funds or existing fund maintained with the relevant member of TCL Technology Group to the Group's bank accounts with an independent commercial bank.
- (5) The Group will request the relevant member of TCL Technology Group 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 the relevant member of TCL Technology Group. The relevant member of TCL Technology Group 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 the relevant member of TCL Technology Group, 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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- (6) The relevant member of TCL Technology Group 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 (as amended and supplemented by the Supplemental Agreement) has not been exceeded. Particularly, the Group has in place an internal control system to monitor the usage of annual cap, and the relevant member of TCL Technology Group 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 the relevant member of TCL Technology Group 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 the relevant member of TCL Technology Group in the following week, so as to ensure the maximum outstanding daily ending balance of deposits deposited with the relevant member of TCL Technology Group will not exceed the relevant annual cap at any given time. If it is expected that the amount of cash to be generated from the relevant member of TCL Technology Group (e.g. cash received from bills discounting service provided by Finance Company or interest income from TCL Cash Pooling Arrangement), if deposited with the relevant member of TCL Technology Group, will cause the total balance of cash deposited by the Group with the relevant member of TCL Technology Group exceeding the relevant annual cap, the Group will instruct the relevant member of TCL Technology Group 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 under the Deposit and Cash Pooling Services will not exceed the relevant annual cap at any given time.
- (7) The Group will, from time to time at its sole discretion, request for the deposits with the relevant member of TCL Technology Group to be withdrawn (either in full or in part) to assess and ensure the liquidity and safety of the Group's deposits.
- (8) Pursuant to the Master Financial Services (2023-2025) Agreement (as amended and supplemented by the Supplemental Agreement), TCL Technology has undertaken that if the relevant member of TCL Technology Group fails to make any repayment in accordance with the relevant terms and procedure, TCL Technology shall repay any outstanding deposit amount on behalf of the relevant member of TCL Technology Group 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 members of TCL Technology Group. Such undertaking provides indemnification for the deposits under the Deposit and Cash Pooling Services of the Master Financial Services (2023-2025) Agreement (as amended and supplemented by the Supplemental Agreement).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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- (9) The Company will prepare risk assessment reports and data in respect of the funds deposited with the relevant member of TCL Technology Group 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 the relevant member of TCL Technology Group 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 (as amended and supplemented by the Supplemental Agreement) including compliance with annual caps and any potential change in the risk profile of the relevant member of TCL Technology Group.
- (10) The Company's audit committee will also scrutinise the implementation and enforcement of the transactions under the Master Financial Services (2023-2025) Agreement (as amended and supplemented by the Supplemental 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 member of TCL Technology Group, 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 (as amended and supplemented by the Supplemental 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.
- (11) The responsible personnel conducting the above internal control procedures are all employees of the Company who are independent to TCL Technology Group.

### ***Our assessment of internal control procedures and the pricing policy***

Pursuant to the Supplemental Agreement, the interest rate offer by Finance Company or under the TCL Cash Pooling Arrangement (as the case may be) will be determined with regard to the benchmark interest rates promulgated by the PBOC and the interest rates offered by major commercial banks in the PRC or outside the PRC, where applicable.

In assessing whether the above internal control measures and pricing policy are put in place and effectively implemented, we have obtained and reviewed (i) three randomly-selected samples of deposits placed by the relevant China Display Qualified Members to Finance Company during 2020 and 2023; (ii) the notices of interest rate for Deposit Services offered by Finance Company and issued 2020, 2021 and 2022; (iii) the benchmark interest rate promulgated by the PBOC; and (iv) three sample quotations of other financial service from Independent Third Party licensed bank and/or financial institutions in the PRC. Given that all samples were selected on a random basis and spread across the period, we consider

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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the samples to be fair and representative, as well as sufficient and representative, and allows for a comparison of interest rates of different maturities at different points in time. Upon reviewing the deposits placed by the relevant China Display Qualified Members to Finance Company and the notices of interest rates for Deposit Services offered by the Finance Company, we found that the interest rate offered by Finance Company was no less favorable than (i) the benchmark interest rate promulgated by the PBOC; (ii) the interest rates quoted by three major commercial banks in the PRC; and (iii) the interest rates that the Finance Company would offer to any members of TCL Technology Group for similar deposit service. We have also reviewed the internal policies and procedures governing the connected transactions under the Deposit and Cash Pooling Services.

Taking into account that (i) the existing transactions under the Master Financial Services (2023-2025) Agreement have been conducted in accordance with their terms; (ii) the interest rates for deposits service will be compared against market benchmarks and with the terms offered to any members of TCL Technology Group for similar deposit service; (iii) a monitoring system is in place with the finance department of the Group to ensure that the daily deposit balances and the annual caps will not be exceeded; (iv) the pricing and proposed annual caps of the Transactions will be reviewed annually by the Group's auditors and internal audit department as well as the Company's audit committee; and (v) there is an appropriate segregation of duties in the conducting the internal control procedures, who are independent from TCL Technology Group, we are satisfied that the internal control measures and procedures are adequate and effective in ensuring that the transactions under the Deposit and Cash Pooling Services under the Master Financial Services (2023-2025) Agreement (as amended and supplemented by the Supplemental Agreement) will be entered on normal commercial terms and are comparable to, or no less favorable than, the market prices and terms.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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### RECOMMENDATION

Having considered the principal factors and reasons discussed above, we are of the opinion that (i) the entering into of the Supplemental Agreement is in the ordinary and usual course of business of the Group; (ii) the terms of the Supplemental Agreement and the transactions contemplated thereunder are on normal commercial terms, are fair and reasonable so far as the independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the independent Shareholders vote in favor of the relevant resolutions regarding the Supplemental Agreement, the transactions contemplated thereunder and the proposed annual caps at the SGM.

Yours faithfully,  
For and on behalf of  
**Pelican Financial Limited**  
**Charles Li\***  
*Managing Director*

\* *Charles Li is a responsible person registered under the SFO to carry out Type 6 (advising on corporate finance) regulated activity for Pelican Financial Limited and has over 30 years of experience in the accounting and financial services industry.*

## 1. THREE-YEAR FINANCIAL INFORMATION OF THE GROUP

The Company is required to set out in this circular the information for the last three financial years with respect to the profits and losses, financial record and position, set out as comparative table and the latest published audited statement of financial position together with the notes on the annual accounts for the last financial year of the Group.

The audited consolidated financial statements of the Company for the years ended 31 December 2022, 2021 and 2020 together with the relevant notes to the financial statements of the Company can be found on pages 54 to 125 of the annual report of the Company for the year ended 31 December 2022, pages 54 to 127 of the annual report of the Company for the year ended 31 December 2021, and pages 54 to 125 of the annual report of the Company for the year ended 31 December 2020. The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2023 together with the relevant notes to the financial information of the Company can be found on pages 3 to 30 of the interim report of the Company for the six months ended 30 June 2023. Please see below the hyperlinks to the said annual reports and interim report:

Interim report for the six months ended 30 June 2023:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0914/2023091400378.pdf>

Annual report for the year ended 31 December 2022:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0426/2023042602465.pdf>

Annual report for the year ended 31 December 2021:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0413/2022041300337.pdf>

Annual report for the year ended 31 December 2020:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0416/2021041600615.pdf>

## 2. STATEMENT OF INDEBTEDNESS

### **Bank and other borrowings**

As at 30 September 2023, being the latest practicable date for the purpose of this statement of indebtedness, the Group had nil bank borrowings and secured bank loans, unsecured bank loans, and interest payable.

### **Finance lease liabilities, contingent liabilities and commitments**

As at 30 September 2023, the Group had nil finance lease liabilities, and contracted but not provided capital commitments for plants and machineries of RMB35,607,906.

Save as aforesaid, the Group did not have any outstanding indebtedness in respect of any borrowings, mortgages, charges or debentures, loan capital, bank loans and overdrafts, term loans or other loans, debt securities or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits or hire purchase commitments, finance lease commitments, guarantees or other material contingent liabilities or indebtedness as at the close of business on 30 September 2023, being the latest practicable date for the purpose of this statement of indebtedness.

The Directors have confirmed that there has not been any material change in the indebtedness or the contingent liabilities of the Group since 30 September 2023.

### **3. WORKING CAPITAL**

As at the Latest Practicable Date, the Directors, after due and careful enquiry, are of the opinion that, after taking into consideration of the effect of the transactions contemplated under the Supplemental Agreement and the financial resources available to the Group, including internally generated financial resources, the Group will have sufficient working capital for its present requirement, that is for at least the next 12 months from the date of publication of this circular, in the absence of unforeseeable circumstances. The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

### **4. FINANCIAL AND TRADING PROSPECTS**

According to the latest report from IDC, a global market intelligence firm, it is expected that global smartphone shipments will decrease by 4.7% to 1,150 million units in 2023, hitting a new low in a decade. The global smartphone market remained sluggish with lackluster consumer demands. Market conditions with no signs of an upturn have affected the display module industry. Nevertheless, the Group remains cautiously optimistic about the development of the display module business, and will continuously monitor the opportunities and trend in the growing Internet of Thing market so as to expand its business horizontally. The Group is confident that its competitiveness will be enhanced by improving the planning of industrial chain and boosting its technological and economies of scale advantages.

### **5. ACQUISITIONS AFTER THE DATE OF THE LATEST PUBLISHED AUDITED ACCOUNTS**

As at the Latest Practicable Date, the Group has not made or agreed to make or is proposing to make any acquisition of a business or an interest in the share capital of a company whose profits or assets make or will make a material contribution to the figures in the auditor's report or next published accounts of the Group after the date of the latest published audited accounts required to be disclosed in this circular pursuant to the Listing Rules.

## 1. RESPONSIBILITY OF THE DIRECTORS

This document, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

## 2. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules (“**Model Code**”) to be notified to the Company and the Stock Exchange, were as follows:

### (a) Interest in the Company – Long Positions

Name of Directors	Nature of interest	Number of ordinary Shares held			Total	Approximate percentage of total number of issued Shares (Note 1)
		Personal interest	Other interests	Number of underlying shares held under equity derivatives		
OUYANG Hongping	Beneficial owner	14,037,998	-	-	14,037,998	0.66%

Note:

- Such percentage was calculated based on the number of Shares and underlying Shares in which the relevant Director was interested as notified to the Company and disclosed on the website of the Stock Exchange pursuant to Part XV of the SFO, against the number of issued Shares as at the Latest Practicable Date, being 2,114,307,929 Shares in issue.



## (b) Interest in associated corporations of the Company – Long Positions

*TCL Technology (Note 1)*

Name of Directors	Nature of interest	Number of ordinary shares held		Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital of TCL Technology (Note 3)
		Personal Interest	Other Interest (Note 2)			
LIAO Qian	Beneficial owner	1,289,075	275,707	–	1,564,782	0.0083%
OUYANG Hongping	Beneficial owner	280,804	200,540	–	481,344	0.0026%
XI Wenbo	Beneficial owner	424,698	268,802	–	693,500	0.0037%

## Notes:

1. TCL Technology, a joint stock limited company established under the laws of the PRC, is the ultimate controlling shareholder of the Company.
2. These interests are incentive shares that has been granted to the relevant Director under the incentive scheme adopted by TCL Technology and were not vested as at the Latest Practicable Date.
3. Such percentage was calculated based on the number of issued shares of TCL Technology as at the Latest Practicable Date, being 18,779,080,767 shares in issue, as informed by TCL Technology.

As at the Latest Practicable Date, the following Directors were directors/employees of a company which had an interest in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

- (a) Mr. LIAO Qian was also an executive director, senior vice president and secretary of the board of directors of TCL Technology.
- (b) Mr. OUYANG Hongping was also a director and a general manager of Wuhan CDOT (a subsidiary of TCL Technology) and a general manager of Wuhan CSOT Semiconductor (a subsidiary of TCL Technology).
- (c) Mr. XI Wenbo was also the vice president and head of financial centre of TCL CSOT.

Save as disclosed in this section, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

**3. MATERIAL ADVERSE CHANGES**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since the date to which the latest published audited accounts for the financial year ended 31 December 2022 of the Group were made up.

**4. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

**5. DIRECTORS' INTEREST IN THE GROUP'S ASSETS**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2022 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group as referred to in paragraph 40 of Appendix 1B to the Listing Rules.

As at the Latest Practicable Date, none of the Directors had any material interest in any contract or arrangement which was subsisting and significant in relation to the business of the Group.

**6. COMPETING INTERESTS**

As at the Latest Practicable Date, the Directors were not aware that any of them (or his/her respective close associates) had direct or indirect interests in any business which competes or was likely to compete, either directly or indirectly, with the business of the Group which would fall to be discloseable under the Listing Rules.

**7. LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and, so far as the Directors are aware, no litigation, arbitration or claim of material importance was pending or threatened against any member of the Group.

## 8. EXPERT AND CONSENT

The following is the qualifications of the expert who has given opinion or advice, which are contained or referred to in this circular:

<b>Name</b>	<b>Qualification</b>
Pelican Financial Limited	A licensed corporation under the SFO to conduct Type 6 (advising on corporate finance) regulated activities for the purpose of the SFO

Pelican Financial Limited, the Independent Financial Advisor, has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 22 November 2023 and references to its name, in the form and context in which it is included.

As at the Latest Practicable Date, Pelican Financial Limited did not have (i) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and (ii) any direct or indirect interest in any assets which have, since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Company were made up), been acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

## 9. MATERIAL CONTRACTS

In the two years immediately preceding the date of this circular and up to the Latest Practicable Date, the following contract(s), not being contract(s) entered into in the ordinary course of business, were entered into by the Company or any of its subsidiaries which are or may be material: the equity transfer agreement dated 1 August 2022 entered into among CDOT Huizhou, Huizhou Gaoshengda Technology Co., Ltd.\* (惠州高盛達科技有限公司), Huizhou Zhicheng Investment Management Partnership (Limited Partnership)\* (惠州市智誠投資管理合夥企業(有限合夥)), Huizhou Zhihe Investment Management Partnership (Limited Partnership)\* (惠州市智合投資管理合夥企業(有限合夥)) and Huizhou Kedate Zhixian Technology Company Limited\* (惠州科達特智顯科技有限公司, formerly known as Huizhou Gaoshengda Zhixian Technology Company Limited\* (惠州高盛達智顯科技有限公司)) in relation to the acquisition of 100% of the equity interest in and of Huizhou Kedate Zhixian Technology Company Limited at a consideration of RMB51 million (for details, please refer to the announcements of the Company dated 1 August 2022 and 11 August 2022).

**10. MISCELLANEOUS**

- (a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business in Hong Kong is 8th Floor, Building 22E, Phase Three, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong.
- (b) The Company's Hong Kong branch share registrar and transfer office is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (c) The secretary of the Company is Ms. CHEUNG Bo Man, a practising solicitor of Hong Kong.
- (d) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

**11. DOCUMENTS ON DISPLAY**

Electronic copies of the following documents are published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company ([www.cdoth8.com](http://www.cdoth8.com)) for a period of 14 days from the date of this circular (both days inclusive):

- (a) the Supplemental Agreement;
- (b) the Master Financial Services (2023-2025) Agreement;
- (c) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (d) the letter from Pelican Financial Limited, the Independent Financial Advisor, the text of which is set out in this circular; and
- (e) the written consent from Pelican Financial Limited referred to in the section headed "EXPERT AND CONSENT" in this appendix.

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## NOTICE OF SGM

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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)**

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “SGM”) of China Display Optoelectronics Technology Holdings Limited (the “Company”) will be held at 8th Floor, Building 22E, Phase Three, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong on 12 December 2023, Tuesday, at 3:00 p.m., for the purposes of considering and, if thought fit, passing the following resolution(s) of the Company:

#### **ORDINARY RESOLUTION(S)**

To consider and, if thought fit, pass the following resolution(s) (with or without modification) as ordinary resolution(s) of the Company:

1. **“THAT:**

- (a) the Supplemental Agreement (as defined in the circular of the Company dated 22 November 2023 (the “Circular”)), a copy of which is marked “A” and initialled by the chairperson of the meeting for the purpose of identification, the terms and the transactions thereunder together with the relevant proposed annual caps in relation to such transactions for the three financial years ending 31 December 2025 as set out in the Circular be and are hereby approved, confirmed and ratified; and
- (b) any director of the Company be and is hereby authorised to sign and execute such other documents or supplemental agreements or deeds for and on behalf of the Company and to do all such things and take all such actions as he or she may consider necessary, desirable or expedient for the purpose of carrying out or giving effect to or otherwise in connection with the Supplemental Agreement or the transactions contemplated thereunder.”

By order of the Board

**LIAO Qian**

*Chairman*

Hong Kong, 22 November 2023

*Notes:*

- 1. A member of the Company who is a holder of two or more shares of the Company, and who is entitled to attend and vote at the SGM, is entitled to appoint more than one proxy or a duly authorised corporate representative to attend and vote in his stead. A proxy needs not be a member of the Company.

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## NOTICE OF SGM

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2. A form of proxy for the SGM is enclosed to the notice of the SGM. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with a valid power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be lodged at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or via the designated website (<https://spot-emeeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company, not less than 48 hours before the time appointed for holding the SGM or any adjournment or postponement thereof. Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the SGM and any adjournment or postponement thereof should he so wish. In such event, his form of proxy will be deemed to have been revoked.
3. The record date (being the last date of registration of any transfer of shares of the Company given there will be no closure of register of members) for determining the entitlements of the shareholders of the Company to attend and vote at the SGM is 7 December 2023, Thursday. In order to qualify to attend and vote at the SGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by no later than 4:30 p.m. on 7 December 2023, Thursday.
4. Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either personally by proxy, in respect of such share of the Company as if he was solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders, stand on the register in respect of the relevant joint holding.
5. If a tropical cyclone signal no. 8 or above is hoisted or a black rainstorm warning signal or "extreme conditions" as defined under Chapter 1 of the Rules of the Exchange of the Stock Exchange is/are in force at or at any time after 12:00 noon on the date of the SGM and/or the Hong Kong Observatory and/or the government of Hong Kong (as the case may be) has announced at or before 12:00 noon on the date of the SGM that either of the above mentioned warnings is to be issued within the next two hours, the SGM will be postponed. The Company will publish an announcement to notify Shareholders of the date, time and place of the postponed SGM.

The SGM will be held as scheduled when an amber or red rainstorm warning signal is in force. Shareholders should decide on their own whether they would attend the SGM under bad weather conditions bearing in mind their own situation.

*As at the date of this notice, the Board comprises Mr. LIAO Qian as Chairman and non-executive director; Mr. OUYANG Hongping, Mr. WEN Xianzhen and Mr. XI Wenbo as executive directors; and Ms. HSU Wai Man Helen, Mr. XU Yan and Mr. LI Yang as independent non-executive directors.*