

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.

## 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.

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.

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.

## **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.

**(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
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
<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>

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.

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.



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.

**(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

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.

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.

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

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*)

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.

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.



(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.

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:

	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
<b>Deposit and Cash Pooling Services –</b>						
<b>Maximum outstanding daily ending balances of deposits (including interest receivables in respect of these deposits and deposits as security)</b>						
- 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.

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>

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

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.

- (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).

- (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



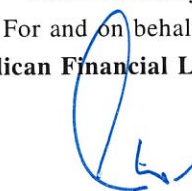
the samples to be fair and representative, as well as sufficient and representative, and allows for a comparison of interest rates of different maturities at different points in time. Upon reviewing the deposits placed by the relevant China Display Qualified Members to Finance Company and the notices 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.

## 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.*