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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 adviser.

If you have sold or transferred all your Shares in China Display Optoelectronics Technology Holdings Limited (the “Company”), 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)

REVISION OF ANNUAL CAP FOR CONTINUING CONNECTED TRANSACTIONS UNDER THE MASTER SALE AND PURCHASE (2022-2024) AGREEMENT

Independent Financial Adviser to the Independent Board Committee and the Shareholders



Pelican Financial Limited

A letter from the Board is set out on pages 5 to 17 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Shareholders is set out on page 18 of this circular. A letter from Pelican Financial Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Shareholders is set out on pages 19 to 37 of this circular.

A notice convening the SGM of the Company to be held at 8th Floor, Building 22E, Phase Three, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong on 23 May 2024, Thursday at 4 p.m. or immediately after the conclusion of the annual general meeting of the Company to be held on the same day is set out on pages 42 to 43 of this circular.

If a tropical cyclone signal no. 8 or above 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-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 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.

26 April 2024

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DEFINITIONS

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

“2024 Purchase Annual Cap”	the existing annual cap of the purchase of Materials from TCL Technology Group under the Master Sale and Purchase (2022-2024) Agreement for the year ending 31 December 2024;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Bye-Laws”	the bye-laws of the Company as supplemented or amended or substituted from time to time;
“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;
“Connected Person List”	a list of connected persons maintained by the finance department of the Company by, on a quarterly basis, counterchecking with each party in the Transaction Parties List to ascertain whether they are connected persons of the Company;
“Director(s)”	the director(s) of the Company;
“Existing Annual Cap(s)”	the existing annual cap(s) of the purchase of Materials from TCL Technology Group under the Master Sale and Purchase (2022-2024) Agreement for the three years ending 31 December 2022, 2023 and 2024;
“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;

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors established for the purpose of reviewing the Revised 2024 Purchase Annual Cap;
“Independent Financial Adviser”	Pelican Financial Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Board to advise the Independent Board Committee and the Shareholders in respect of the Revised 2024 Purchase Annual Cap;
“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;
“Latest Practicable Date”	means 22 April 2024, 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 Sale and Purchase (2022-2024) Agreement”	the master Sale and Purchase (2022-2024) agreement dated 24 November 2021 entered into between TCL Technology and the Company;
“Materials”	the articles, things, parts or materials required for manufacturing or production of Products, including but not limited to light-emitting diode, iron frames and other components and parts;
“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;

DEFINITIONS

“Products”	products including but not limited to LCD modules manufactured, produced or otherwise sold or distributed by the Group;
“Revenue Limit”	<p>the undertakings by the Company and TCL Technology with each other under the Master Sale and Purchase (2022-2024) Agreement that:</p> <p>(i) the aggregate amount of purchase of Materials from TCL Technology Group by the Group shall not exceed 50% of the Group’s then total revenue in each of the financial years during the term of the Master Sale and Purchase (2022-2024) Agreement; and</p> <p>(ii) the aggregate amount of sale of Products to TCL Technology Group by the Group shall not exceed 50% of the Group’s then total revenue in each of the financial years during the term of the Master Sale and Purchase (2022-2024) Agreement.</p>
“Revised 2024 Purchase Annual Cap”	the proposed revised annual cap of the purchase of Materials from TCL Technology Group under the Master Sale and Purchase (2022-2024) Agreement for the year ending 31 December 2024;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Cap. 571 of Laws of Hong Kong);
“SGM”	the special general meeting of the Company to be convened and held to consider and, if thought fit, approve, among other things, the Revised 2024 Purchase Annual Cap;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

DEFINITIONS

“subsidiary/subsidiaries”	any entity within the meaning of the term “subsidiary” as defined in the Listing Rules and the term “subsidiaries” shall be construed accordingly;
“TCL CSOT”	TCL China Star Optoelectronics Technology Co., Ltd.* (TCL華星光電技術有限公司), formerly known as Shenzhen China Star Optoelectronics Technology Co., Ltd.* (深圳市華星光電技術有限公司), a company established under the laws of the PRC with limited liability and a subsidiary of TCL Technology;
“TCL Technology”	TCL Technology Group Corporation (TCL科技集團股份有限公司) (formerly known as TCL Corporation (TCL集團股份有限公司)), a joint stock limited company established under the laws of the PRC, the ultimate controlling shareholder of the Company, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000100);
“TCL Technology Group”	TCL Technology, its subsidiary(ies) and any entity(ies) that may become subsidiary(ies) of TCL Technology from time to time during the term of the Master Sale and Purchase (2022-2024) Agreement but does not include the Group (unless otherwise specified) for the purpose of this circular;
“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;
“%”	per cent.

The English transliteration of the Chinese name(s) in this circular, where indicated with “”, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese names.*

LETTER FROM THE BOARD

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. LI Yang

Mr. XU Yan

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

26 April 2024

To the Shareholders

Dear Sir or Madam,

REVISION OF ANNUAL CAP FOR CONTINUING CONNECTED TRANSACTIONS UNDER THE MASTER SALE AND PURCHASE (2022-2024) AGREEMENT

INTRODUCTION

Reference is made to (i) the announcement and the circular of the Company dated 24 November 2021 and 30 November 2021 respectively in relation to the Master Sale and Purchase (2022-2024) Agreement and (ii) the announcement of the Company dated 27 March 2024.

The purposes of this circular are:

- (i) to provide the Shareholders with further details regarding the Revised 2024 Purchase Annual Cap;
- (ii) to set out the recommendations from the Independent Board Committee regarding the Revised 2024 Purchase Annual Cap;

LETTER FROM THE BOARD

- (iii) to set out the advice from Pelican Financial Limited, the Independent Financial Adviser, regarding the Revised 2024 Purchase Annual Cap; 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.

REVISION OF ANNUAL CAP IN RESPECT OF THE MASTER SALE AND PURCHASE (2022-2024) AGREEMENT

The Company has entered into the Master Sale and Purchase (2022-2024) Agreement with TCL Technology on 24 November 2021, pursuant to which, among other things, each member of the Group may, at its absolute discretion, request to purchase its required Materials from members of the TCL Technology Group, and each member of the TCL Technology Group may, at its absolute discretion, request to purchase Products from members of the Group. The Master Sale and Purchase (2022-2024) Agreement and the transactions contemplated thereunder together with the relevant annual caps for the three years ending 31 December 2024 were subsequently approved, confirmed and ratified by the Shareholders during a special general meeting held on 16 December 2021.

Based on the actual amounts of Materials purchased from members of the TCL Technology Group under the Master Sale and Purchase (2022-2024) Agreement and the projected demand for Materials, the Company anticipates that the 2024 Purchase Annual Cap under the Master Sale and Purchase (2022-2024) Agreement will not be sufficient to meet the demand of the Group. Accordingly, the Company proposes to revise the 2024 Purchase Annual Cap.

Save for the Revised 2024 Purchase Annual Cap, all terms and conditions of the Master Sale and Purchase (2022-2024) Agreement shall remain unchanged. For the avoidance of doubt, no revision is proposed to be made to the respective annual caps for the sale of Products to TCL Technology Group under the Master Sale and Purchase (2022-2024) Agreement.

Principal terms and details of the Master Sale and Purchase (2022-2024) Agreement are set out in the announcement and circular of the Company dated 24 November 2021 and 30 November 2021 respectively.

LETTER FROM THE BOARD

HISTORICAL FIGURES AND PROPOSED REVISED 2024 PURCHASE ANNUAL CAP

The following table sets out the respective relevant historical figures of the purchase of Materials from TCL Technology Group under the Master Sale and Purchase (2022-2024) Agreement for the two years ended 31 December 2023 and for the three months ended 31 March 2024, the Existing Annual Caps for the three years ending 31 December 2024 and the proposed Revised 2024 Purchase Annual Cap for the year ending 31 December 2024:

	For the year ended 31 December 2022 RMB'000	For the year ended 31 December 2023 RMB'000	For the three months ended 31 March 2024 (for actual amount only)/For the year ending 31 December 2024 (for 2024 Purchase Annual Cap and Revised Annual Cap) RMB'000
Master Sale and Purchase (2022-2024) Agreement			
<i>Purchase of Materials from TCL Technology Group</i>			
Existing Annual Caps	387,000	426,000	469,000
Actual amount	156,504	298,319	265,611
Utilisation Rate	40.4%	70.0%	56.6%
Proposed Revised 2024 Purchase Annual Cap	N/A	N/A	1,300,000

For the avoidance of doubt, the Company and TCL Technology undertook with each other under the Master Sale and Purchase (2022-2024) Agreement that, among others, the aggregate amount of purchase of Materials from TCL Technology Group by the Group shall not exceed 50% of the Group's then total revenue in each of the financial years during the term of the Master Sale and Purchase (2022-2024) Agreement (i.e. the Revenue Limit). As further explained in the paragraph headed "Reasons for and Benefits of Revising the Existing Caps", the projected ratio of the Revised 2024 Purchase Annual Cap to the total revenue of the Group for the year ending 31 December 2024 is expected to be 26.5%.

LETTER FROM THE BOARD

BASIS FOR DETERMINING THE REVISED 2024 PURCHASE ANNUAL CAP

The proposed Revised 2024 Purchase Annual Cap in relation to the Master Sale and Purchase (2022-2024) Agreement is determined with reference to the following factors:

- (i) Based on the audited financial statements of the Group for the year ended 31 December 2023 and the unaudited management accounts of the Group, the historical figure of the Group's purchase of Materials from TCL Technology Group under the Master Sale and Purchase (2022-2024) Agreement for the year ended 31 December 2022 and the year ended 31 December 2023 reached RMB156,504,000 and RMB298,319,000 respectively.
- (ii) Following the commencement of production of the display panel production line "t9" of TCL CSOT, a member of TCL Technology Group, in September 2022, the Group has formed an integrated panel and module business model with TCL CSOT, and has benefited from a stable supply of Materials that meets the specific demands of first-tier brand customers. As many of the Group's brand customers have requested for Materials with certain specifications which could only be satisfied by Materials supplied by TCL CSOT, the Group saw an increase in the purchase of Materials from TCL Technology Group under the Master Sale and Purchase (2022-2024) Agreement, as evidenced by the increasing trend in the actual amount of Materials purchased from TCL Technology Group for the two years ended 31 December 2023. Such increase in sourcing demand from TCL Technology Group is expected to continue for the remaining term of the Master Sale and Purchase (2022-2024) Agreement to meet the Group's production need.
- (iii) As a result, the unaudited historical amount of purchase of Materials from TCL Technology Group during the three months ended 31 March 2024 reached RMB265,611,000, representing 56.6% of the 2024 Purchase Annual Cap for the year ending 31 December 2024.
- (iv) Based on the current trend and the current orders on hand, taking into account the prevailing average unit price of Materials of approximately RMB15.5 and the Group is expected to purchase an average of 7.1 million units of Materials per month, the average monthly amount of purchases of Materials for the period from 1 April 2024 to 31 December 2024 is projected to be approximately RMB110 million. Accordingly, it is projected that the 2024 Purchase Annual Cap will be exceeded in May 2024 and the Group's amount of purchase of Materials from TCL Technology Group is expected to reach approximately RMB1.26 billion by the end of year 2024.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF REVISING THE EXISTING CAPS

The Group has been obtaining Materials from the TCL Technology Group under the Master Sale and Purchase (2022-2024) Agreement, as discussed in the section headed “Basis for Determining the Revised 2024 Purchase Annual Cap”, the Company anticipates that the actual amount of purchases will exceed the previous estimation and that the 2024 Purchase Annual Cap will not be sufficient to meet the Group’s demand for the year ending 31 December 2024. The revision of the 2024 Purchase Annual Cap will facilitate members of the Group to secure a stable and reliable supply of the necessary Materials for Products that meets customers’ requirements. Hence, the Revised 2024 Purchase Annual Cap will allow the Group to continue to grow its production scale and strengthen its economics of scale advantage.

The Directors consider that the continuing connected transactions contemplated under the Master Sale and Purchase (2022-2024) Agreement will not result in significant reliance on TCL Technology Group because:

- (i) none of the current Independent Third Party suppliers of the Group has indicated any intention to discontinue the cooperation with the Group, the Group expects to maintain its existing portfolio of Independent Third Party suppliers and hence will retain diverse sources of supplies of Materials;
- (ii) TCL Technology Group supplies only one to two kinds of Materials to the Group. Whereas the Group will continue to explore the feasibility of sourcing such Materials from other Independent Third Party suppliers, it would only source the requisite Materials from TCL Technology Group if it is the most cost efficient and practical source. In the event that the Group cannot source the requisite Materials from TCL Technology Group, the Group will obtain such Materials from Independent Third Party suppliers which offer the next most cost efficient supply, in which case the Group will discuss with the relevant customers to ascertain if modifications to their product orders are necessary based on the specifications of the Materials that are available from Independent Third Party suppliers; and
- (iii) the revenue of the Group for year 2024 is projected to reach approximately RMB4.9 billion, which is based on (i) the sales forecast for 2024 of the Group with its existing customers, including order quantity, production and shipment schedule, unit price of products; (ii) potential orders from new customers; and (iii) the Group’s production capacity. On this basis, the proposed Revised 2024 Purchase Annual Cap in respect of the purchase of Materials from TCL Technology Group for the year ending 31 December 2024 accounts for no more than 31.7% of the projected total cost of sales of the Group for the year ending 31 December 2024 and no more than 26.5% of the total revenue of the Group for the year ending 31 December 2024. In any event, the actual amount of Purchase is always subject to the Revenue Limit.

LETTER FROM THE BOARD

In light of the above, the Directors (excluding the independent non-executive Directors whose views will be set out in the letter from the Independent Board Committee) consider that the Revised 2024 Purchase Annual Cap 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 in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL PROCEDURES AND PRICING POLICY

The Group will continue to follow the internal control procedure and pricing policies as stated in the announcement and circular of the Company dated 24 November 2021 and 30 November 2021 respectively when conducting the transactions contemplated under the Revised 2024 Purchase Annual Cap of the Master Sale and Purchase (2022-2024) Agreement. The aforementioned internal control procedures and pricing policies in respect of the purchase of Materials from TCL Technology Group are set out below for easy reference:

General internal control procedures and pricing policies

- (i) The finance department of the Company has maintained a list of transaction parties (“**Transaction Parties List**”) of all material transactions and highlighted those who are connected persons of the Company so that staff members could identify transactions that constitute connected transactions of the Company. Whenever the relevant department of the Company intends to enter into transaction with an entity, the relevant department would check against the Transaction Parties List to see if such entity is a connected person of the Company, and if so the connected transaction would be subject to applicable review and monitoring procedures (including those set out herein, if applicable) to ensure the connected transactions would be on normal commercial terms and on terms no less favourable from the perspective of the Group.
- (ii) The finance department of the Company has, on a quarterly basis, counterchecked with each party in the Transaction Parties List to ascertain whether they are connected persons of the Company, so as to maintain the Connected Person List for the staff members to identify transactions constituting connected transactions of the Company in particular those to be made pursuant to the Non-exempt Transactions (where the connected person is a member of TCL Technology Group). Any alteration to the Connected Person List could only be made after checking with the counterparty to ascertain the relationship with the Company, in the case of an addition to the Connected Person List, evidence such as organisation chart will have to be obtained, and in the case of a removal from the Connected Person List, evidence will have to be obtained to confirm the date of the relevant party ceasing to be a connected person of the Company. Whenever there is an update to the Connected Person List, it must be reported and approved by the management of the Group to ensure the management is aware of such update.

LETTER FROM THE BOARD

- (iii) The finance department of the Group will maintain a database to record and monitor the aggregate transaction amounts under the continuing connected transactions from time to time and prepare a monthly report on the status of the aggregate transaction amounts which will be submitted to the finance director of the Group for review.

- (iv) Before conducting any transactions with connected persons, the finance department would confirm that the Group still has sufficient unused annual caps for carrying out the relevant continuing connected transactions. The finance department would on a regular basis review the continuing connected transactions carried out during the period under review to assess, and compile a report, on (i) whether the continuing connected transactions of the Group have been carried out in accordance with the terms of the relevant agreement and the Company's pricing policy; and (ii) the transactions amount during the month under review, the aggregate amount of transactions conducted during the relevant financial year and whether the relevant annual caps have been exceeded. If it is anticipated that the annual caps may be exceeded if the Company is to carry out the proposed transactions, it would take all appropriate steps in advance to comply with the relevant requirements under the Listing Rules including but not limited to revising the relevant annual caps before entering into the proposed transactions. In particular, when 80% of the amount under the relevant annual cap has been utilised, the finance department would send an alert to the operation unit and management, and they would be required to ascertain if there is still sufficient unused annual cap before accepting any further order from the relevant connected persons. When 90% of the amount under the relevant annual cap has been utilised, the Group will consider refusing orders from relevant connected persons until the relevant annual cap has been revised in compliance with the Listing Rules.

- (v) Every time before conducting any continuing connected transactions, the relevant department of the Group would first prepare the relevant individual agreement for the continuing connected transactions and submit it to the finance department and legal department of the Group for review and approval. The finance department and legal department of the Group would review the terms of the proposed transaction and the draft individual agreement to be entered into to make sure that the terms are in compliance with the pricing policy of the Group and the overall terms and conditions (including prices and payment terms) are no less favourable to the relevant member of the Group than those offered by Independent Third Parties. The transactions could only be carried out after the finance department and the legal department have given their approval therefor.

LETTER FROM THE BOARD

- (vi) The Company's internal control unit will on a half-year basis review the monitoring policies and procedures of the continuing connected transactions to ensure the abovementioned policies and procedures are adequate and effective, the findings of the review will be reported by the head of internal control unit to the finance director of the Company. The internal control unit regularly reviews and monitors whether the continuing connected transactions are conducted on normal commercial terms and in compliance with the policies and procedures. In the event of any non-compliance issue or inadequacy in the policies and procedures, the internal control unit will immediately report such matters to the independent non-executive directors and will take remedial actions.
- (vii) The independent non-executive Directors will be provided with the internal control report which sets out the matters subject to review, the methodology adopted, the findings of the internal control department as well as remedial actions taken (if any). Further, the management will provide independent non-executive Directors with half-yearly reports in respect of the on-going continuing connected transactions; sufficient information relating to (i) financial performance and position of the Company; (ii) the implementation of the continuing connected transactions and (iii) the agreement(s) on the continuing connected transactions to be entered into will also be provided to enable the independent non-executive Directors to make their independent judgment in reviewing the continuing connected transactions. The internal control department of the Company will alert the independent non-executive Directors of any deficiency of internal controls or non-compliance issue.
- (viii) All such personnel involved in the internal control procedures are independent of TCL Technology and its associates.

Specific internal control procedures and pricing policies

- (i) Before purchasing any Materials from TCL Technology Group, the Group would ensure that the transactions are on normal commercial terms and on terms no less favourable from the perspective of the Group than those offered by Independent Third Parties. The internal control unit of the Group will compare the terms offered by TCL Technology Group with the terms offered by at least two Independent Third Party and make an overall assessment of the terms offered, including the quality of the Materials, past history of dealing with the such party (if any), payment terms and Materials price (as the case may be), to ensure that those offered by TCL Technology Group is no less favourable to the Group than those offered by Independent Third Parties.

LETTER FROM THE BOARD

- (ii) Where no identical Materials are offered by Independent Third Parties, the internal control unit will then obtain at least two quotations from Independent Third Parties in respect of similar or comparable Materials and compare them with those offered by TCL Technology Group and determine whether on an overall evaluation of the prices to be charged, payment terms and other terms and conditions, the terms offered by TCL Technology Group are no less favourable to the Group than those offered by Independent Third Parties.

- (iii) It is the current pricing policy of the Group that the gross profit margin of the Products shall be no less than 3% on average. In the case where no quotations for identical, similar or comparable Materials can be obtained and the Group decides to purchase Materials from TCL Technology Group, if the cost of such Materials is so high that it will result in the gross profit margin of the relevant Product dropping below the minimum average of 3%, the Group will consider whether to purchase such Materials from TCL Technology Group based on a basket of factors, including not limited to (i) whether the Group is able to obtain better offer from Independent Third Parties; (ii) whether the Group has available production capacity and manpower to handle the relevant order; (iii) the customers' demand and the long-term relationship with the customers; and (iv) the overall impact to the profitability of the Group, and the Group shall only proceed on such purchase from TCL Technology Group if it is in the interest of the Shareholders and the Group as a whole to do so.

- (iv) The Group will set up half-year targets for purchase of Materials, which should generally not exceed 50% of the total purchase target (as the case may be) of the Group for the period, together with the annual revenue target of the Group, it could project the approximate amount of purchase from TCL Technology Group, which will be subject to review from time to time by its internal control unit depending on the surrounding circumstances such as Group's performance and overall market conditions. The finance department will provide the actual revenue at the end of each month to enable the purchase unit and internal control unit to compare the actual purchase figures against the purchase targets, the purchase limit as well as the latest revenue of the Group from time to time and to make necessary adjustment for the purchase from TCL Technology Group for the remaining half year period, if needed, to ensure that the Revenue Limit will not be exceeded.

LETTER FROM THE BOARD

- (v) The internal control unit of the Group will maintain a database to record (a) the total revenue of the Group; and (b) the aggregate amount of purchase of Materials from TCL Technology Group. Where the Group proposes to make a purchase which will result in the then aggregate amount of purchase of Materials from TCL Technology Group exceeding 45% of the then total revenue of the Group in the relevant financial year, the Group will favourably consider offers from other Independent Third Parties for purchase of Materials as and when appropriate and the internal control unit will notify the relevant department to temporarily decline or delay to process the purchase instructions from the Group and any further instructions from the relevant departments can only be processed on a discretionary basis until there are sufficient purchases from other Independent Third Parties to ensure that the Revenue Limit for the corresponding financial year will not be exceeded. Where necessary, the Group will also consider refusing purchase of Materials from TCL Technology Group until there is sufficient Revenue Limit and/or the relevant Revenue Limit has been revised in compliance with the Listing Rules (including but not limited to obtaining Shareholders' approval, where appropriate).

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, TCL Technology, the ultimate controlling shareholder of the Company, indirectly holds approximately 64.20% of the number of issued Shares of the Company and therefore is a connected person of the Company under the Listing Rules. Therefore, the transactions contemplated under the Revised 2024 Purchase Annual Cap and the Master Sale and Purchase (2022-2024) 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 Revised 2024 Purchase Annual Cap exceed 5%, the Revised 2024 Purchase Annual Cap are subject to the reporting, announcement, Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee has been established by the Company to advise the Shareholders on the Revised 2024 Purchase Annual Cap. The Company has appointed the Independent Financial Advisor to advise the Independent Board Committee and the Shareholders in this regard.

LETTER FROM THE BOARD

In accordance with the Listing Rules, any connected person of the Company and any Shareholder with a material interest in the Revised 2024 Purchase Annual Cap and its close associate(s) must abstain from voting on the relevant resolution(s) 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. Hence, as at the Latest Practicable Date, holders of a total number of 1,357,439,806 Shares, representing approximately 64.20% of the number of issued Shares, will abstain from voting on the resolution in respect of the Revised 2024 Purchase Annual Cap 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 also an executive director, the senior vice president and the secretary of the board of directors of TCL Technology; (ii) Mr. OUYANG Hongping who is deemed to be interested in 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 China Star Optoelectronics Semiconductor Display Technology Company Limited* (武漢華星光電半導體顯示技術有限公司, a subsidiary of TCL CSOT); 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; as each of their respective direct interest in the TCL Technology Group is by virtue of common directorship/senior management role and the immaterial interest in shares of 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 Revised 2024 Purchase Annual Cap and the Master Sale and Purchase (2022-2024) Agreement, therefore all Directors are entitled to vote on the Board resolution(s) for considering and approving the Revised 2024 Purchase Annual Cap pursuant to the Bye-laws.

GENERAL INFORMATION OF THE PARTIES

Headquartered in the PRC, the Group is principally engaged in the research and development, manufacture, sales and distribution of LCD modules. The Group is also one of the major suppliers of small and medium sized display modules in the PRC. The Group has its manufacturing plants in the PRC and distributes its products in Asia, with focus on Hong Kong and the PRC markets. For more information on the Group, please visit its official website at www.cdoh8.com (the information that appears in this website does not form part of this circular).

LETTER FROM THE BOARD

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.

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 23 May 2024, Thursday at 4 p.m. or immediately after the conclusion of the annual general meeting of the Company to be held on the same day, at which resolutions will be proposed for the purposes of considering and, if thought fit, approving the proposed Revised 2024 Purchase Annual Cap. The notice of the SGM is set out on pages 42 and 43 of this circular.

A form of proxy for use at the SGM is enclosed. Such form of proxy is also published on the website of the Stock Exchange (www.hkexnews.hk) and the Company (www.cdoth8.com). 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, 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 adjourned or postponed meeting should you so wish.

CLOSURE OF REGISTER OF MEMBERS

The Hong Kong branch register of members of the Company will be closed from 20 May 2024, Monday, to 23 May 2024, Thursday (both dates inclusive), for the purposes of determining the entitlements of the Shareholders to attend and vote at the SGM. No transfer of the Shares may be registered on those dates. The record date for determining the entitlements of the Shareholders to attend and vote at the SGM is 20 May 2024, Monday. 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 17 May 2024, Friday.

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to (a) the letter from the Independent Board Committee set out on page 18 of this circular which contains the recommendation of the Independent Board Committee to the Shareholders regarding the resolution in respect of the Revised 2024 Purchase Annual Cap to be proposed at the SGM; (b) the letter from Pelican Financial Limited, the Independent Financial Adviser, set out on pages 19 to 37 of this circular which contains its advice to the Independent Board Committee and the Shareholders in respect of the Revised 2024 Purchase Annual Cap; and (c) additional information set out in the appendix to this circular.

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 Adviser, considers that the proposed Revised 2024 Purchase Annual Cap and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and are entered in the ordinary and usual course of business of the Group, 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 to be proposed at the SGM in respect of the Revised 2024 Purchase Annual Cap.

The Board are of the opinion that the Revised 2024 Purchase Annual Cap 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 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 are 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 resolutions to be proposed at the SGM.

Yours faithfully,
By order of the Board
LIAO Qian
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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: 26 April 2024

To: the Shareholders

Dear Sirs or Madam,

**REVISION OF ANNUAL CAP
FOR CONTINUING CONNECTED TRANSACTIONS
UNDER THE MASTER SALE AND PURCHASE (2022-2024) AGREEMENT**

We refer to the circular of the Company dated 26 April 2024 (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 Revised 2024 Purchase Annual Cap under the Master Sale and Purchase (2022-2024) 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 Adviser set out on pages 5 to 17 and pages 19 to 37 of the Circular respectively.

Having taken into account of the advice (together with principal factors and reasons considered in arriving at such advice) of Pelican Financial Limited, the Independent Financial Adviser, we are of the opinion that the Revised 2024 Purchase Annual Cap and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and are entered in the ordinary and usual course of business of the Group, 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 to be proposed at the SGM in respect of the Revised 2024 Purchase Annual Cap.

Yours faithfully,
HSU Wai Man, Helen,
XU Yan,
LI Yang
Independent Board Committee

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER



PELICAN FINANCIAL LIMITED

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

26 April 2024

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

Dear Sirs,

REVISION OF ANNUAL CAP FOR CONTINUING CONNECTED TRANSACTIONS UNDER THE MASTER SALE AND PURCHASE (2022-2024) 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 transactions contemplated under the Revised 2024 Purchase Annual Cap and the Master Sale and Purchase (2022-2024) Agreement, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company dated 26 April 2024 (the “**Circular**”), of which this letter forms 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 March 2024 (the “**Announcement**”), in relation to the revision of the 2024 Purchase Annual Cap under the Master Sale and Purchase (2022-2024) Agreement. Based on the actual amounts of Materials purchased from members of the TCL Technology Group under the Master Sale and Purchase (2022-2024) Agreement and the projected demand for Materials, the Company anticipates that the 2024 Purchase Annual Cap under the Master Sale and Purchase (2022-2024) Agreement will not be sufficient to meet the demand of the Group. Accordingly, the Company proposes to revise the 2024 Purchase Annual Cap. Save for the Revised 2024 Purchase Annual Cap, all terms and conditions of the Master Sale and Purchase (2022-2024) Agreement shall remain unchanged.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, TCL Technology, the ultimate controlling shareholder of the Company, indirectly holds approximately 64.20% of the number of issued Shares of the Company and therefore is a connected person of the Company under the Listing Rules. Therefore, the transactions contemplated under the Revised 2024 Purchase Annual Cap and the Master Sale and Purchase (2022-2024) 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 Revised 2024 Purchase Annual Cap exceed 5%, the Revised 2024 Purchase Annual Cap are subject to the reporting, announcement, Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

In accordance with the Listing Rules, any connected person of the Company and any Shareholder with a material interest in the Revised 2024 Purchase Annual Cap and its close associate(s) must abstain from voting on the relevant resolution(s) 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. Hence, as at the Latest Practicable Date, holders of a total number of 1,357,439,806 Shares, representing approximately 64.20% of the number of issued Shares, will abstain from voting on the resolution in respect of the Revised 2024 Purchase Annual Cap 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 also an executive director, the senior vice president and the secretary of the board of directors of TCL Technology; (ii) Mr. OUYANG Hongping who is deemed to be interested in 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 the senior vice president of TCL CSOT, a director of Wuhan CSOT (a subsidiary of TCL Technology) and a director and a general manager of Wuhan China Star Optoelectronics Semiconductor Display Technology Company Limited* (武漢華星光電半導體顯示技術有限公司, a subsidiary of TCL CSOT); 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; as each of their respective direct interest in the TCL Technology Group is by virtue of common directorship/senior management role and the immaterial interest in shares of 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 Revised 2024 Purchase Annual Cap and the Master Sale and Purchase (2022-2024) Agreement, therefore all Directors are entitled to vote on the Board resolution(s) for considering and approving the Revised 2024 Purchase Annual Cap pursuant to the Bye-laws.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Board currently comprises three executive Directors, one non-executive Directors 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. LI Yang, and Mr. XU Yan, has been established to advise the Independent Shareholders on the Revised 2024 Purchase Annual Cap. 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.

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, other than our engagement by the Company to act as its independent financial advisor in respect of supplemental agreement and the transactions contemplated under the Master Financial Services (2023-2025) Agreement as disclosed in its circulars dated 22 November 2023, there was no other 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. As at the Latest Practicable Date, there were no relationships or interests between us and the Group, TCL Technology Group or any of their respective substantial shareholders, directors or chief executives, or their respective associates that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser. Accordingly, we consider that we are eligible to give independent advice on the transactions contemplated under the Revised 2024 Purchase Annual Cap and the Master Sale and Purchase (2022-2024) Agreement.

Our role is to provide you with our independent opinion and recommendation as to (i) whether the revision of the 2024 Purchase Annual Cap under the Master Sale and Purchase (2022-2024) Agreement is in the ordinary and usual course of business of the Group; (ii) whether the terms of the transactions contemplated under the Revised 2024 Purchase Annual Cap and the Master Sale and Purchase (2022-2024) Agreement 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 transactions contemplated under the Revised 2024 Purchase Annual Cap and the Master Sale and Purchase (2022-2024) Agreement at the SGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 Sale and Purchase (2022-2024) Agreement, the audited annual report for the year ended 31 December 2022 (the “**2022 Annual Report**”), the annual results announcement of the Company for the year ended 31 December 2023 (the “**2023 Annual Results**”), the announcement of the Company dated 24 November 2021, the circular of the Company dated 30 November 2021, 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of transactions contemplated under the Revised 2024 Purchase Annual Cap and the Master Sale and Purchase (2022-2024) Agreement, we have considered the following principal factors and reasons.

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

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.

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.

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

Set out below is a summary of the financial information of the Group for the years ended 31 December 2022 and 2023 as extracted from the 2023 Annual Results.

Table 1: Financial information of the Group

	For the year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)
Revenue by types of goods or services		
– Sale of industrial products	2,511,931	4,172,765
– Processing services	<u>64,875</u>	<u>35,585</u>
Total Revenue	<u>2,576,806</u>	<u>4,208,350</u>
Gross profit	<u>174,051</u>	<u>343,744</u>
Profit for the period/year	<u>13,086</u>	<u>169,025</u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the 2023 Annual Results, the Group's revenue decreased by approximately RMB1,631.5 million or 38.8%, from RMB4,208.4 million for the year ended 31 December 2022 to approximately RMB2,576.8 million for the year ended 31 December 2023. The decrease in revenue was mainly due to (i) a decrease of approximately RMB1,660.8 million in sales of industrial products from approximately RMB4,172.8 million for the year ended 31 December 2022 to approximately RMB2,511.9 million for 2023; and (ii) the decrease of overall average selling price due to fierce competition in the industry. The sale of industrial products business was the principal business segment of the Group, contributing to approximately 97.5% of the total revenue for the year ended 31 December 2023. In terms of sales volume, the Group sold a total of 47.6 million units for the year ended 31 December 2023, representing a decrease of 12.1% as compared with 54.2 million units for the year ended 31 December 2022.

For the year ended 31 December 2023, the Group recorded a profit of approximately RMB13.1 million, as compared with a profit of approximately RMB169.0 million in 2022. The notable decrease in profit was mainly due to (i) the aforementioned decrease in sales performance, with a 12.1% and 26.1% year-on-year decline in the total sales volume to 47.6 million units and overall average selling price (excluding processing modules) to RMB58.7, respectively; and (ii) an increase in other expenses of 83.7%, which include the increase of realized loss and fair value loss on derivative financial instruments totaling approximately RMB25.1 million from RMB28.6 million for the year ended 31 December 2022 to RMB53.7 million for the year ended 31 December 2023.

According to the 2023 Annual Result, a new production line "t9" has been inaugurated to enhance the manufacture of liquid-crystal display panels. These panels are poised to fulfill the needs of premier smartphone brands. Furthermore, the Group's medium-sized product portfolio has witnessed a substantial surge in both sales volume and revenue, increased by 43.9% and 61.5% respectively. This growth is underpinned by the advent of technologies from 5G to the Internet of Things (IoT), indicating a rapid expansion in the market demand for medium-sized products and the Group is poised to concentrate on this burgeoning segment, seizing the emergent trends and opportunities.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Meanwhile, the consolidated assets and liabilities of the Group as at 31 December 2022 and 31 December 2023 as extracted from the 2023 Annual Results are summarized as follows:

Table 2: Financial position of the Group

	As at 31 December 2023	As at 31 December 2022
	(Audited)	(Audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Total assets		
– non-current assets	812,500	675,431
– current assets	<u>1,719,377</u>	<u>1,904,750</u>
	2,531,877	2,580,181
 Total liabilities		
– non-current liabilities	12,632	75,635
– current liabilities	<u>1,509,797</u>	<u>1,504,381</u>
	<u>1,522,429</u>	<u>1,580,016</u>
 Net current assets	<u>209,580</u>	<u>400,369</u>
 Net assets	<u>1,009,448</u>	<u>1,000,165</u>

The Group recorded total assets of approximately RMB2,531.9 million as at 31 December 2023. The non-current assets of the Group amounted to RMB812.5 million, mainly comprised of (i) property, plant and equipment of approximately RMB722.6 million; (ii) right-of-use assets of approximately RMB29.5 million; (iii) time deposits of approximately RMB19.0 million; and (iv) treasury deposits at related party of approximately RMB15.0 million. Meanwhile, the Group's current assets amounted to RMB1,719.4 million as at 31 December 2023, mainly consisted of (i) treasury deposit at related party of approximately RMB831.4 million; (ii) trade and bills receivables of approximately RMB542.4 million; (iii) inventories of approximately RMB200.6 million; (iv) prepayments and other receivables of approximately RMB119.3 million; and (v) cash and cash equivalents of approximately RMB23.2 million.

On the other hand, the Group recorded total liabilities of approximately RMB1,522.4 million as at 31 December 2023. The non-current liabilities of the Group amounted to approximately RMB12.6 million, comprised of (i) deferred income of approximately RMB10.9 million; (ii) deferred tax liabilities of approximately RMB1.5 million. The current liabilities of the Group amounted to RMB1,509.8 million, mainly comprised of (i) trade payables of approximately RMB1,049.9 million; (ii) other payables and accruals of approximately RMB409.9 million; (iii) tax payable of approximately RMB41.5 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As such, the net current assets of the Group as at 31 December 2023 amounted to approximately RMB209.6 million, which was decreased by 47.7%. The substantial decrease in net current assets was primarily due to a reduction in prepayments and other receivables of approximately RMB626.3 million, and trade and bills receivables of approximately RMB188.4 million. The net assets of the Group was approximately RMB1,009.4 million, which was relatively stable between the two years.

(c) Reasons for and benefits of revising the 2024 Purchase Annual Cap

Based on the 2023 Annual Results and the Board Letter, we have observed that the Group is intensifying its collaboration with TCL CSOT to concentrate on the Amorphous silicon (“A-Si”) display market, which is an integrated panel and module business, with TCL CSOT’s liquid-crystal display panel production line “t9”. This enables the Group to offer high-quality, customized services to several first-tier smartphone brands. Consequently, the Company anticipates that the actual amount of purchases of Materials from TCL Technology Group under the Master Sale and Purchase (2022-2024) Agreement will exceed the previous estimation and that the 2024 Purchase Annual Cap will not be sufficient to meet the Group’s demand for the year ending 31 December 2024. The revision of the 2024 Purchase Annual Cap will facilitate members of the Group to secure a stable and reliable supply of the necessary Materials for Products that meet customers’ requirements. Therefore, the Revised 2024 Purchase Annual Cap is intended to support the Group’s efforts to grow its production scale and reinforce its economic scale advantage.

According to the data from the International Data Corporation’s (IDC) Worldwide Quarterly Mobile Phone Tracker¹, the Chinese smartphone market is moving towards recovery with the fourth quarter of 2023 delivering year-over-year growth of 1.2% on shipments of 73.6 million units. It is expected that the Chinese smartphone market will reach 287 million units in 2024, a year-on-year increase of 3.6%, achieving the first year-on-year increase since 2021. At the same time, the volume of A-Si panels is also expected to rise, ushering in a period of booming growth. According to forecasts from research firm CINNO Research, demand for A-Si panels will continue to grow, driven by new projects from multiple major customers².

In respect of the smartphone market moving towards recovery and the growth of demand for A-Si panels, we noted that the unaudited historical amount of purchase of Materials from TCL Technology Group had reached RMB265.6 million for the three months ended 31 March 2024, representing 56.6% of the 2024 Purchase Annual Cap for the year ending 31 December 2024.

¹ Please refer to the Worldwide Quarterly Mobile Phone Tracker of IDC, a global research provider, at https://www.idc.com/getdoc.jsp?containerId=IDC_P8397

² Please refer to the industry report issued by CINNO Research, a semiconductor display industry consulting firm, at <http://www.cinno.com.cn/industry/news/smartphonepanelmarket2401>; and <http://www.cinno.com.cn/industry/news/smartphonepanelmarket2402>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have obtained and reviewed the sales forecast for the year ending 31 December 2024, after due and careful enquiry, we noted that the revenue of the Group for the year 2024 is projected to reach approximately RMB4.9 billion, which is based on (i) the sales forecast for 2024 of the Group with its existing customers, including order quantity, production and shipment schedule, unit price of products; (ii) potential orders from new customers; and (iii) the Group's production capacity. On this basis, the proposed Revised 2024 Purchase Annual Cap in respect of the purchase of Materials from TCL Technology Group for the year ending 31 December 2024 accounts for no more than 31.7% of the projected total cost of sales of the Group for the year ending 31 December 2024 and no more than 26.5% of the total revenue of the Group for the year ending 31 December 2024. In any event, the actual amount of Purchase is always subject to the Revenue Limit. We also noted that none of the current Independent Third Party suppliers of the Group has indicated any intention to discontinue the cooperation with the Group, the Group expects to maintain its existing portfolio of Independent Third Party suppliers and hence will retain diverse sources of supplies of Materials. Moreover, we understand that TCL Technology Group supplies only one to two kinds of Materials to the Group. Whereas the Group will continue to explore the feasibility of sourcing such Materials from other Independent Third Party suppliers, it would only source the requisite Materials from TCL Technology Group if it is the most cost efficient and practical source. In the event that the Group cannot source the requisite Materials from TCL Technology Group, the Group will obtain such Materials from Independent Third Party suppliers which offer the next most cost efficient supply, in which case the Group will discuss with the relevant customers to ascertain if modifications to their product orders are necessary based on the specifications of the Materials that are available from Independent Third Party suppliers. Thus, we concur with the Directors that the continuing connected transactions contemplated under the Master Sale and Purchase (2022-2024) Agreement will not result in significant reliance on TCL Technology Group.

Given that (i) the actual usage has exceeded half of the 2024 Purchase Annual Cap in just the first three months in 2024; (ii) the 2024 Purchase Annual Cap is expected to be fully utilized in May 2024 if not being renewed; (iii) the anticipated increase in demand of smartphone module and other display module from customers; (iv) the Directors consider that the continuing connected transactions contemplated under the Master Sale and Purchase (2022-2024) Agreement will not result in significant reliance on TCL Technology Group, and (v) the longstanding and positive relationship between the Company and TCL Technology Group, we consider that the Revised 2024 Purchase Annual Cap and the transactions contemplated thereunder is in the interests of the Company and its Shareholders as a whole.

We also understand that, aside from the Revised 2024 Purchase Annual Cap, all terms and conditions of the Master Sale and Purchase (2022-2024) Agreement shall remain unchanged. Meanwhile, no revisions are proposed to be made to the respective annual caps for the sale of Products to TCL Technology under the Master Sale and Purchase (2022-2024) Agreement. As such, the management of the Group believes, and we concur, that the Revised 2024 Purchase Annual Cap and the transactions contemplated thereunder is in ordinary and usual course of business of the Group and are in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(d) Principal terms of the Master Sale and Purchase (2022-2024) Agreement

The Company has entered into the Master Sale and Purchase (2022-2024) Agreement with TCL Technology on 24 November 2021, pursuant to which, among other things, each member of the Group may, at its absolute discretion, request to purchase its required Materials from members of the TCL Technology Group, and each member of the TCL Technology Group may, at its absolute discretion, request to purchase Products from members of the Group. The Master Sale and Purchase (2022-2024) Agreement and the transactions contemplated thereunder together with the relevant annual caps for the three years ending 31 December 2024 were subsequently approved, confirmed and ratified by the Shareholders during a special general meeting held on 16 December 2021.

Principal terms and details of the Master Sale and Purchase (2022-2024) Agreement are set out in the announcement and circular of the Company dated 24 November 2021 and 30 November 2021 respectively.

(e) Historical figures and proposed revised 2024 Purchase Annual Cap

The following table sets out the respective relevant historical figures of the purchase of Materials from TCL Technology Group under the Master Sale and Purchase (2022-2024) Agreement for the two years ended 31 December 2023 and for the three months ended 31 March 2024, the Existing Annual Caps for the three years ending 31 December 2024 and the proposed Revised 2024 Purchase Annual Cap for the year ending 31 December 2024:

	For the year ended 31 December 2022 RMB'000	For the year ended 31 December 2023 RMB'000	For the three months ended 31 March 2024 (for actual amount only)/For the year ending 31 December 2024 (for 2024 Purchase Annual Cap and Revised 2024 Purchase Annual Cap) RMB'000
Master Sale and Purchase (2022-2024) Agreement			
<i>Purchase of Materials from TCL Technology Group</i>			
Existing Annual Caps	387,000	426,000	469,000
Actual amount	156,504	298,319	265,611
Utilisation Rate	40.4%	70.0%	56.6%
Proposed Revised 2024 Purchase Annual Cap	N/A	N/A	1,300,000

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the avoidance of doubt, the Company and TCL Technology undertook with each other under the Master Sale and Purchase (2022-2024) Agreement that, among others, the aggregate amount of purchase of Materials from TCL Technology Group by the Group shall not exceed 50% of the Group's then total revenue in each of the financial years during the term of the Master Sale and Purchase (2022-2024) Agreement (i.e. the Revenue Limit). As further explained in the above paragraph headed "Reasons for and Benefits of Revising the Existing Caps", the projected ratio of the Revised 2024 Purchase Annual Cap to the total revenue of the Group for the year ending 31 December 2024 is expected to be 26.5%.

(f) Basis for determining the revised 2024 Purchase Annual Cap

As stated in the Board Letter, we noted that the proposed Revised 2024 Purchase Annual Cap in relation to the Master Sale and Purchase (2022-2024) Agreement is determined with reference to (i) historical purchase amount of Materials from TCL Technology Group; (ii) business and production needs using the display panel production line "t9" of TCL CSOT; and (iii) future projections based on current orders and prices.

In terms of historical figures of the Group's purchase of Materials from TCL Technology Group, we understand the Company has referred to the 2023 Annual Results and the unaudited management accounts for the three months ended 31 March 2024, which we have also reviewed and noted that there is an increasing trend on volume of products that require the Materials. In 2023, the Group's purchase amount of Materials from TCL Technology Group was approximately RMB298.3 million, representing an increase of approximately 90.6% from approximately RMB156.5 million in 2022. The utilisation rate of the Group's purchase of Materials from TCL Technology Group under the Master Sale and Purchase (2022-2024) Agreement for the year ended 31 December 2023 was approximately 70.0% and were near the limit of the Existing Annual Caps. As stated in the 2023 Annual Results, the sales volume of the Group's medium-sized products for the year ended 31 December 2023 reached 2.9 million units, representing an increase of 43.9% from the previous year. We also noted that the Group will launch two new medium-sized production lines in 2024 to meet the increasing market demand for medium-size display modules. On the other hand, the Group intends to increase investment in smart homes, smart industrial control and other medium-sized commercial display markets. It is anticipated that these strategic moves will lead to an increased need for Materials to manufacture these products.

In addition to the above, the proposed Revised 2024 Purchase Annual Cap is also determined regarding the fact that following the commencement of production of the display panel production line "t9" of TCL CSOT, a member of TCL Technology Group, in September 2022, the Group has formed an integrated panel and module business model with it, and has benefited from a stable supply of Materials from TCL CSOT that meets the specific demands of first-tier brand customers. As many of the Group's brand customers have requested for Materials with certain specifications that could only be satisfied by Materials supplied by TCL CSOT, the Group saw an increase in the purchase of Materials from TCL Technology Group under the Master Sale and Purchase (2022-2024) Agreement. Such an increase in sourcing demand from TCL Technology Group is expected to continue for the remaining term of the Master Sale and Purchase (2022-2024) Agreement to meet its production needs.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As a result, the unaudited historical amount of purchase of Materials from TCL Technology Group during the three months ended 31 March 2024 reached approximately RMB265.6 million, representing 56.6% of the 2024 Purchase Annual Cap for the year ending 31 December 2024. For illustrative purposes, this represents an increase of approximately 256.1% compared with one quarter of the actual purchase amount in 2023 of approximately RMB74.6 million (i.e. a three-twelfths of the actual purchase amount of RMB298.3 million). Based on current trend and the current orders on hand, it is projected that the 2024 Purchase Annual Cap will be exceeded in May 2024 and is expected to reach approximately RMB1.26 billion by the end of 2024.

In assessing the fairness and reasonableness of the proposed Revised 2024 Purchase Annual Cap, we have discussed with the Company and obtained the relevant workings for review, which show amongst others, the monthly actual and forecasted breakdown of the historical amount purchased of Materials from TCL Technology Group in 2024. Based on our review, we noted that the prevailing average unit price of Materials is approximately RMB15.5. With the Group's anticipated monthly purchase volume of an average of 7.1 million units of Materials, the average monthly amount of purchases of Materials for the period from 1 April 2024 to 31 December 2024 is projected to be approximately RMB110 million. Consequently, the total expected purchase would reach approximately RMB1.26 billion by the end of 2024.

We have also conducted independent research on the trend of the smartphone and the display market. According to research of Canalys³, a global technology market analysis firm, the global smartphone market experienced an 8% year-on-year growth in Q4 2023, reaching 319.2 million units. The market is projected to expand by 4%, reaching 1.17 billion units in 2024, and is expected to reach 1.25 billion units by 2027. In line with our discussion in the above paragraph headed "Reasons for and Benefits of Revising the Existing Caps", the Chinese smartphone market and the demand for A-Si panels are expected to grow in the future according to the research of IDC and CINNO respectively. According to a report from market research institution OMDIA⁴, the display demand is forecasted to grow by 9% in area and 7% in revenue in 2024. In light of the aforementioned research and forecasts, the outlook for the smartphone and display markets is expected to show recovery, and the demand for display modules is anticipated to grow, which aligns with the Group's anticipated product demand growth amidst an expanding market.

³ Please refer to the smartphone market research of Canalys, a global technology market analyst firm, at <https://www.canalys.com/newsroom/worldwide-smartphone-market-2023>; and <https://www.canalys.com/newsroom/smartphone-forecast-global-region-2024>

⁴ Please refer to the Display Dynamics of OMDIA, a global analyst and advisory, at <https://omdia.tech.informa.com/om120845/display-dynamics-february-2024-the-display-market-should-recover-in-2024>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Additionally, to assess the fairness and reasonableness of the pricing basis of Materials supplied by TCL CSOT, we have obtained and reviewed 3 quotations for one kind of the Materials from TCL Technology Group under the Master Sale and Purchase (2022-2024) Agreement. We have discussed with the management of the Company, we noted that such Material would often need bespoke processing. This often involves the production of an initially oversized sheet, that is subsequently cut to precise dimensions. The specific demands of the Group's requirement for size, thickness, resolution, refresh rate and brightness necessitate the need to set up a specialised production line by the manufacturer. Given this, the existing production lines available in the market are incapable of fulfilling the specific requirements of the Group's brand customers for panels. Should a manufacturer decides to set up a new production line to accommodate the Company's needs, there would likely be supplementary costs involved, alongside a requisite for the Company to commit to certain production volumes.

Upon comparing the 3 quotations for the Material from TCL Technology Group with 3 quotations for the same material of comparable sizes from Independent Third Party during the same period, we noted that the slightly smaller material from the Independent Third Party is priced at approximately RMB11.58 per unit, which is more expensive than the slightly larger-sized Material provided by TCL Technology Group, which is priced at approximately RMB10.86 per unit. Additionally, the quotation offered by TCL Technology Group provides additional customized services, including precision punching and curved cutting etc., which are crucial to the first-tier brand customers of the Group.

From our independent research and our discussion with the Company, we understand that the production line "t9" of TCL CSOT has the capability to produce display panels ranging from 6 inches to 100 inches in size. This means that the project includes the production of small-sized products such as mobile phones, and also supports medium-sized products, including tablets, laptops, vehicle-mounted systems, and monitors. Furthermore, it is equipped to supply large-sized items like televisions and commercial display screens, thereby covering the full spectrum of product sizes. The production line "t9" of TCL CSOT aligns with the Company's business development.

Taking into account (i) the adaptability of production line "t9" of TCL CSOT in meeting the unique specifications of the Company's clients; (ii) the longstanding and positive relationship between the Company and TCL Technology Group; (iii) the general reluctance among manufacturers to initiate new production lines for individual clients without guaranteed volume commitments, and (iv) the Materials offered by TCL Technology Group not only meet the specialized needs of the Group but are also sold at a more competitive price than those from Independent Third Parties, we are of the view that the price of the Materials supplied by TCL Technology Group were no less favourable than the Materials supplied by the Independent Third Parties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on (i) the utilisation rate of approximately 40.4% and 70.0% for the years ended 31 December 2022 and 2023 respectively; (ii) the price of the Materials supplied by TCL Technology Group were no less favourable than the Materials supplied by the Independent Third Parties; and (iii) the utilisation rate of the 2024 Purchase Annual Cap reaching approximately 56.6% as at 31 March 2024 and is expected to be fully utilised in May 2024, we are of the view that the proposed Revised 2024 Purchase Annual Cap in relation to the Master Sale and Purchase (2022-2024) Agreement are fair and reasonable to the Company and the Shareholders as a whole.

(g) Internal control procedures and pricing policy

As set out in the Board Letter, the Group will continue to follow the internal control procedure and pricing policies as stated in the announcement and circular of the Company dated 24 November 2021 and 30 November 2021 respectively when conducting the transactions contemplated under the Revised 2024 Purchase Annual Cap and the Master Sale and Purchase (2022-2024) Agreement. The internal control procedures and pricing policies in respect of the purchase of Materials from TCL Technology Group are set out below for easy reference:

General internal control procedures and pricing policies

- (i) The finance department of the Company has maintained a list of transaction parties (“**Transaction Parties List**”) of all material transactions and highlighted those who are connected persons of the Company so that staff members could identify transactions that constitute connected transactions of the Company. Whenever the relevant department of the Company intends to enter into transaction with an entity, the relevant department would check against the Transaction Parties List to see if such entity is a connected person of the Company, and if so the connected transaction would be subject to applicable review and monitoring procedures (including those set out herein, if applicable) to ensure the connected transactions would be on normal commercial terms and on terms no less favourable from the perspective of the Group.
- (ii) The finance department of the Company has, on a quarterly basis, counterchecked with each party in the Transaction Parties List to ascertain whether they are connected persons of the Company, so as to maintain the Connected Person List for the staff members to identify transactions constituting connected transactions of the Company in particular those to be made pursuant to the Non-exempt Transactions (where the connected person is a member of TCL Technology Group). Any alteration to the Connected Person List could only be made after checking with the counterparty to ascertain the relationship with the Company, in the case of an addition to the Connected Person List, evidence such as organisation chart will have to be obtained, and in the case of a removal from the Connected Person List, evidence will have to be obtained to confirm the date of the relevant party ceasing to be a connected person of the Company. Whenever there is an update to the Connected Person List, it must be reported and approved by the management of the Group to ensure the management is aware of such update.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) The finance department of the Group will maintain a database to record and monitor the aggregate transaction amounts under the continuing connected transactions from time to time and prepare a monthly report on the status of the aggregate transaction amounts which will be submitted to the finance director of the Group for review.
- (iv) Before conducting any transactions with connected persons, the finance department would confirm that the Group still has sufficient unused annual caps for carrying out the relevant continuing connected transactions. The finance department would on a regular basis review the continuing connected transactions carried out during the period under review to assess, and compile a report, on (i) whether the continuing connected transactions of the Group have been carried out in accordance with the terms of the relevant agreement and the Company's pricing policy; and (ii) the transactions amount during the month under review, the aggregate amount of transactions conducted during the relevant financial year and whether the relevant annual caps have been exceeded. If it is anticipated that the annual caps may be exceeded if the Company is to carry out the proposed transactions, it would take all appropriate steps in advance to comply with the relevant requirements under the Listing Rules including but not limited to revising the relevant annual caps before entering into the proposed transactions. In particular, when 80% of the amount under the relevant annual cap has been utilised, the finance department would send an alert to the operation unit and management, and they would be required to ascertain if there is still sufficient unused annual cap before accepting any further order from the relevant connected persons. When 90% of the amount under the relevant annual cap has been utilised, the Group will consider refusing orders from relevant connected persons until the relevant annual cap has been revised in compliance with the Listing Rules.
- (v) Every time before conducting any continuing connected transactions, the relevant department of the Group would first prepare the relevant individual agreement for the continuing connected transactions and submit it to the finance department and legal department of the Group for review and approval. The finance department and legal department of the Group would review the terms of the proposed transaction and the draft individual agreement to be entered into to make sure that the terms are in compliance with the pricing policy of the Group and the overall terms and conditions (including prices and payment terms) are no less favourable to the relevant member of the Group than those offered by Independent Third Parties. The transactions could only be carried out after the finance department and the legal department have given their approval therefor.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (vi) The Company's internal control unit will on a half-year basis review the monitoring policies and procedures of the continuing connected transactions to ensure the abovementioned policies and procedures are adequate and effective, the findings of the review will be reported by the head of internal control unit to the finance director of the Company. The internal control unit regularly reviews and monitors whether the continuing connected transactions are conducted on normal commercial terms and in compliance with the policies and procedures. In the event of any non-compliance issue or inadequacy in the policies and procedures, the internal control unit will immediately report such matters to the independent non-executive directors and will take remedial actions.
- (vii) The independent non-executive Directors will be provided with the internal control report which sets out the matters subject to review, the methodology adopted, the findings of the internal control department as well as remedial actions taken (if any). Further, the management will provide independent non-executive Directors with half-yearly reports in respect of the on-going continuing connected transactions; sufficient information relating to (i) financial performance and position of the Company; (ii) the implementation of the continuing connected transactions and (iii) the agreement(s) on the continuing connected transactions to be entered into will also be provided to enable the independent non-executive Directors to make their independent judgment in reviewing the continuing connected transactions. The internal control department of the Company will alert the independent non-executive Directors of any deficiency of internal controls or non-compliance issue.
- (viii) All such personnel involved in the internal control procedures are independent of TCL Technology and its associates.

Specific internal control procedures and pricing policies

- (i) Before purchasing any Materials from TCL Technology Group, the Group would ensure that the transactions are on normal commercial terms and on terms no less favourable from the perspective of the Group than those offered by Independent Third Parties. The internal control unit of the Group will compare the terms offered by TCL Technology Group with the terms offered by at least two Independent Third Party and make an overall assessment of the terms offered, including the quality of the Materials, past history of dealing with the such party (if any), payment terms and Materials price (as the case may be), to ensure that those offered by TCL Technology Group is no less favourable to the Group than those offered by Independent Third Parties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) Where no identical Materials are offered by Independent Third Parties, the internal control unit will then obtain at least two quotations from Independent Third Parties in respect of similar or comparable Materials and compare them with those offered by TCL Technology Group and determine whether on an overall evaluation of the prices to be charged, payment terms and other terms and conditions, the terms offered by TCL Technology Group are no less favourable to the Group than those offered by Independent Third Parties.
- (iii) It is the current pricing policy of the Group that the gross profit margin of the Products shall be no less than 3% on average. In the case where no quotations for identical, similar or comparable Materials can be obtained and the Group decides to purchase Materials from TCL Technology Group, if the cost of such Materials is so high that it will result in the gross profit margin of the relevant Product dropping below the minimum average of 3%, the Group will consider whether to purchase such Materials from TCL Technology Group based on a basket of factors, including not limited to (i) whether the Group is able to obtain better offer from Independent Third Parties; (ii) whether the Group has available production capacity and manpower to handle the relevant order; (iii) the customers' demand and the long-term relationship with the customers; and (iv) the overall impact to the profitability of the Group, and the Group shall only proceed on such purchase from TCL Technology Group if it is in the interest of the Shareholders and the Group as a whole to do so.
- (iv) The Group will set up half-year targets for purchase of Materials, which should generally not exceed 50% of the total purchase target (as the case may be) of the Group for the period, together with the annual revenue target of the Group, it could project the approximate amount of purchase from TCL Technology Group, which will be subject to review from time to time by its internal control unit depending on the surrounding circumstances such as Group's performance and overall market conditions. The finance department will provide the actual revenue at the end of each month to enable the purchase unit and internal control unit to compare the actual purchase figures against the purchase targets, the purchase limit as well as the latest revenue of the Group from time to time and to make necessary adjustment for the purchase from TCL Technology Group for the remaining half year period, if needed, to ensure that the Revenue Limit will not be exceeded.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (v) The internal control unit of the Group will maintain a database to record (a) the total revenue of the Group; and (b) the aggregate amount of purchase of Materials from TCL Technology Group. Where the Group proposes to make a purchase which will result in the then aggregate amount of purchase of Materials from TCL Technology Group exceeding 45% of the then total revenue of the Group in the relevant financial year, the Group will favourably consider offers from other Independent Third Parties for purchase of Materials as and when appropriate and the internal control unit will notify the relevant department to temporarily decline or delay to process the purchase instructions from the Group and any further instructions from the relevant departments can only be processed on a discretionary basis until there are sufficient purchases from other Independent Third Parties to ensure that the Revenue Limit for the corresponding financial year will not be exceeded. Where necessary, the Group will also consider refusing purchase of Materials from TCL Technology Group until there is sufficient Revenue Limit and/or the relevant Revenue Limit has been revised in compliance with the Listing Rules (including but not limited to obtaining Shareholders' approval, where appropriate).

Our assessment of internal control procedures and the pricing policy

In assessing whether the above internal control measures and pricing policy are put in place and effectively implemented, we have obtained and reviewed (i) the records for evaluation of three sample quotations offered by TCL Technology Group to the Group from 2022 to 2024; (ii) the records for evaluation of three sample quotations offered by Independent Third Parties to the Group during 2022 to 2024; and (iii) three randomly-selected record from the database, which recorded the aggregate transaction amounts under the continuing connected transactions for the month, as well as the monthly reports that will be submitted to finance director of the Group for review.

After reviewing the aforementioned documents, we observed that the records for evaluation of quotations offered by TCL Technology Group and Independent Third Party to the Group from 2022 to 2024 are comprehensive, which include the reviewing department, specific approval personnel, approval time, and processing opinions. It is noted that each quotation has been reviewed by no fewer than six individuals, including the head of resource development, financial department staff, financial accounting and reporting specialists, deputy general manager, and general manager. Furthermore, our review of the three random-selected records from the database and monthly reports has shown that a tracking system is implemented to ensure the transaction amounts do not exceed the annual caps. As such, it is ascertained that a robust approval process and monitoring system are in place within the Group to ensure compliance with the annual caps.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Taking into account that (i) the existing transactions under the Master Sale and Purchase (2022-2024) Agreement have been conducted in accordance with their terms; (ii) the quotations of Materials from TCL Technology Group will be compared against market benchmarks and other Independent Third Parties for similar Materials; (iii) a monitoring system is in place with the finance department of the Group to ensure that 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 contemplated under the Revised 2024 Purchase Annual Cap and the Master Sale and Purchase (2022-2024) 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 revision of the 2024 Purchase Annual Cap under the Master Sale and Purchase (2022-2024) Agreement is in the ordinary and usual course of business of the Group; (ii) the terms of the transactions contemplated under the Revised 2024 Purchase Annual Cap and the Master Sale and Purchase (2022-2024) Agreement 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 to vote in favor of the relevant resolutions regarding the transactions contemplated under the Revised 2024 Purchase Annual Cap and the Master Sale and Purchase (2022-2024) Agreement 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. 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 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 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		Number of underlying shares held under equity derivatives	Total	Approximate percentage of total number of issued Shares (Note 1)
		Personal interest	Other interests			
OUYANG Hongping	Beneficial Owner	14,037,998	-	-	14,037,998	0.66%

Notes:

- Such percentage was calculated based on the number of shares and underlying shares of the Company 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 (Note 2)	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 confirmed that there was no 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 2023 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 interest in any assets which have been, since 31 December 2023 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to 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 D1B 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. 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:

Name	Qualification
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 Adviser, has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 26 April 2024 and references to its name, in the form and context in which it appears.

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 2023 (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.

8. MISCELLANEOUS

This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

9. 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) for a period of 14 days from the date of this circular (both days inclusive):

- (a) the Master Sale and Purchase (2022-2024) Agreement.

NOTICE OF SGM

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 23 May 2024, Thursday, at 4 p.m. or immediately after the conclusion of the annual general meeting of the Company to be held on the same day, for the purposes of considering and, if thought fit, passing the following ordinary resolution(s) (with or without modifications):

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 Revised 2024 Purchase Annual Cap (as defined in the circular of the Company dated 26 April 2024) be and is hereby approved, confirmed and ratified; and
- (b) any one or more of the directors of the Company be and is hereby authorised to do all such acts and take all such actions as he/she or they may consider necessary, desirable or expedient for the purpose of carrying out or giving effect to or otherwise in connection with the Revised 2024 Purchase Annual Cap or the transactions contemplated thereunder.”

By order of the Board

LIAO Qian

Chairman

Hong Kong, 26 April 2024

Notes:

- 1. A member of the Company who is a holder of two or more Shares, 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.

NOTICE OF SGM

2. A form of proxy for the SGM is enclosed with the Company's circular dated 26 April 2024. Such form of proxy is also published on the website of the Stock Exchange (www.hkexnews.hk) and the Company (www.cdoth8.com). 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 deposited 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 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 Hong Kong branch register of members of the Company will be closed from 20 May 2024, Monday to 23 May 2024, Thursday (both days inclusive), for the purposes of determining the entitlements of the members of the Company to attend and vote at the Meeting. No transfers of Shares may be registered during the said period. The record date for determining the entitlements of the shareholders of the Company to attend and vote at the Meeting is 20 May 2024, Monday. In order to qualify for the aforesaid entitlements, 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 no later than 4:30 p.m. on 17 May 2024, Friday.
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 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 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 of the Company 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.