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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

**If you have sold or transferred** all your Shares in China Display Optoelectronics Technology Holdings Limited (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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This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase, or subscribe for securities.

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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)**

## **FURTHER REVISION OF ANNUAL CAP FOR CONTINUING CONNECTED TRANSACTIONS UNDER THE MASTER SALE AND PURCHASE (2022-2024) AGREEMENT AND RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS – MASTER PROCESSING (2025-2027) AGREEMENT MASTER SALE AND PURCHASE (2025-2027) AGREEMENT AND MASTER HR SUBCONTRACTING (2025-2027) AGREEMENT**

### **Independent Financial Advisor to the Independent Board Committee and the Shareholders**



### **Pelican Financial Limited**

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A letter from the Board is set out on pages 7 to 37 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Shareholders is set out on pages 38 to 39 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 40 to 79 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 7 November 2024, Thursday at 3:00 p.m. is set out on pages 84 to 87 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-meeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company, as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment or postponement thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment or postponement thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

14 October 2024

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## DEFINITIONS

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

“2024 Purchase Annual Cap”	the original annual cap of RMB469,000,000 for the purchase of Materials from TCL Technology Group under the Master Sale and Purchase (2022-2024) Agreement for the year ending 31 December 2024;
“Agreements”	the Master Processing (2025-2027) Agreement, Master Sale and Purchase (2025-2027) Agreement and/or Master HR Subcontracting (2025-2027) Agreement;
“April 2024 Circular”	the circular of the Company dated 26 April 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;
“Director(s)”	the director(s) of the Company;
“Finished Goods”	has the same meaning as Products;
“Further Revised 2024 Purchase Annual Cap”	the proposed further revised annual cap of RMB1,800,000,000 for the purchase of Materials from TCL Technology Group under the Master Sale and Purchase (2022-2024) Agreement for the year ending 31 December 2024;
“Group”	the Company and its subsidiaries;

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## DEFINITIONS

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“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Huizhou TCL”	Huizhou TCL Human Resources Company Limited* (惠州TCL人力資源服務有限公司), a company established under the laws of PRC with limited liability and a subsidiary of TCL Technology;
“Huizhou TCL Group”	Huizhou TCL and its subsidiary(ies) and any entity(ies) that may become subsidiary(ies) of Huizhou TCL from time to time, and for the purpose of the Master HR Subcontracting (2025-2027) Agreement and the transactions contemplated thereunder include the associate(s) of Huizhou TCL and any entity(ies) that may become associate(s) of Huizhou TCL from time to time;
“Human Resources Services”	the provision of human resources to members of the Group in accordance with the business needs of members of the Group to complete the projects designated by members of the Group under the Master HR Subcontracting (2025-2027) Agreement;
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors established for the purpose of reviewing the Agreements, the transactions contemplated thereunder and the proposed annual caps and the proposed Further Revised 2024 Purchase Annual Cap;
“Independent Financial Advisor”	Pelican Financial Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial advisor appointed by the Board to advise the Independent Board Committee and the Shareholders in respect of the proposed Further Revised 2024 Purchase Annual Cap, the Agreements and the respective transactions contemplated thereunder;

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## DEFINITIONS

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“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”	8 October 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 HR Subcontracting (2022-2024) Agreement”	the master human resources subcontracting (2022-2024) agreement dated 24 November 2021 entered into between the Company and Huizhou TCL;
“Master HR Subcontracting (2025-2027) Agreement”	the master human resources subcontracting (2025-2027) agreement dated 10 September 2024 entered into between the Company and Huizhou TCL;
“Master Processing (2022-2024) Agreement”	the master processing (2022-2024) agreement dated 24 November 2021 entered into between TCL Technology and the Company;
“Master Processing (2025-2027) Agreement”	the master processing (2025-2027) agreement dated 10 September 2024 entered into between TCL Technology and the Company;
“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;
“Master Sale and Purchase (2025-2027) Agreement”	the master sale and purchase (2025-2027) agreement dated 10 September 2024 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;

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## DEFINITIONS

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“November 2021 Circular”	the circular of the Company dated 30 November 2021;
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purpose of this circular;
“Products”	means products including but not limited to LCD Module manufactured, produced or otherwise sold or distributed by the Group;
“Quality Specification”	the processing procedures and specifications of the Semi-Finished Materials and the Finished Goods (if applicable) provided by TCL Technology Group to the Group from time to time;
“Raw Materials”	the articles, things, components, moulds or raw materials required for manufacturing or production of Semi-Finished Materials and/or Finished Goods, including but not limited to plastic parts;
“Revenue Limit”	has the meaning ascribed thereto under the paragraph headed “Master Sale and Purchase (2025-2027) Agreement” in this circular;
“Revised 2024 Purchase Annual Cap”	the existing revised annual cap of RMB1,300,000,000 for the purchase of Materials from TCL Technology Group under the Master Sale and Purchase (2022-2024) Agreement for the year ending 31 December 2024 approved by the Shareholders at the special general meeting of the Company held on 23 May 2024;
“RMB”	Renminbi, the lawful currency of the PRC;
“Semi-Finished Materials”	the semi-finished materials produced or manufactured by the Group pursuant to the terms of the Master Processing (2025-2027) Agreement including but not limited to small and medium sized LCD Module which will then be used by TCL Technology Group for the manufacturing and production of TCL Technology Group Products;

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## DEFINITIONS

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“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 Agreements, the transactions contemplated thereunder and the proposed annual caps and the proposed Further 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);
“Shareholders’ Approval Date”	the date on which the Shareholders approve the Further Revised 2024 Annual Cap, each of the Agreements, the transactions contemplated thereunder and the proposed annual caps;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary/subsidiaries”	any entity within the meaning of the term “subsidiary” as defined in the Listing Rules and the term “subsidiaries” shall be construed accordingly;
“TCL CSOT”	TCL China Star Optoelectronics Technology Co., Ltd.* (TCL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 Holdings”	TCL Industries Holdings Co., Ltd.* (TCL實業控股股份有限公司), a company established under the laws of the PRC;
“TCL Technology”	TCL Technology Group Corporation (TCL科技集團股份有限公司), 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, but does not include the Group (unless otherwise specified) for the purpose of this circular;

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## DEFINITIONS

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“TCL Technology Group Products”	products including but not limited to display panels and/or modules for television, mobile phone and tablet display manufactured or otherwise sold by the TCL Technology Group;
“Wuhan CSOT”	Wuhan China Star Optoelectronics Technology Co., Ltd.* (武漢華星光電技術有限公司), a company established under the laws of the PRC with limited liability and an indirect subsidiary of TCL Technology;
“%”	per cent.

*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.*



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## LETTER FROM THE BOARD

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### China Display Optoelectronics Technology Holdings Limited 華顯光電技術控股有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 334)**

*Non-executive Director:*

Mr. LIAO Qian (*Chairman*)

*Executive Directors:*

Mr. OUYANG Hongping (*Chief Executive Officer*)

Mr. WEN Xianzhen

Mr. XI Wenbo

Mr. WANG Xinfu

*Independent Non-executive Directors:*

Ms. HSU Wai Man, Helen

Mr. LI Yang

Mr. XU Yan

Ms. YANG Qiulin

*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

14 October 2024

*To the Shareholders*

Dear Sir or Madam,

**FURTHER REVISION OF ANNUAL CAP  
FOR CONTINUING CONNECTED TRANSACTIONS  
UNDER THE MASTER SALE AND PURCHASE (2022-2024) AGREEMENT  
AND  
RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS –  
MASTER PROCESSING (2025-2027) AGREEMENT  
MASTER SALE AND PURCHASE (2025-2027) AGREEMENT AND  
MASTER HR SUBCONTRACTING (2025-2027) 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, (ii) the announcement and the circular of the Company dated 27 March 2024 and 26 April 2024 respectively in relation to the Revised 2024 Purchase Annual Cap and (iii) the announcement of the Company dated 10 September 2024.

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## LETTER FROM THE BOARD

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The purposes of this circular are

- (i) to provide the Shareholders with further details regarding the proposed Further Revised 2024 Purchase Annual Cap and the Agreements, the transactions contemplated thereunder and the proposed annual caps;
- (ii) to set out the recommendation from the Independent Board Committee regarding the proposed Further Revised 2024 Purchase Annual Cap and the Agreements, the transactions contemplated thereunder and the proposed annual caps;
- (iii) to set out the advice from Pelican Financial Limited, the Independent Financial Adviser, regarding the proposed Further Revised 2024 Purchase Annual Cap and the Agreements, the transactions contemplated thereunder and the proposed annual caps; 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.

### **FURTHER REVISION OF THE REVISED 2024 PURCHASE ANNUAL CAP**

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.

The 2024 Purchase Annual Cap has been revised from RMB469,000,000 to RMB1,300,000,000, which was approved by the Shareholders at the special general meeting of the Company held on 23 May 2024. For details, please refer to the April 2024 Circular.

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 Revised 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 further revise the Revised 2024 Purchase Annual Cap.

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## LETTER FROM THE BOARD

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Save for the Further 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 of the Company dated 24 November 2021 and the November 2021 Circular respectively.

### CONTINUING CONNECTED TRANSACTIONS

#### (1) Master Processing (2025-2027) Agreement

Reference is made to the November 2021 Circular. As stated therein, on 24 November 2021, the Company entered into the Master Processing (2022-2024) Agreement with TCL Technology, which will expire on 31 December 2024. As the Company and TCL Technology wish to continue the continuing connected transactions contemplated thereunder, the Company has on 10 September 2024 (after trading hours) entered into the Master Processing (2025-2027) Agreement with TCL Technology.

The Master Processing (2025-2027) Agreement is on substantially similar terms as the Master Processing (2022-2024) Agreement.

The material terms of the Master Processing (2025-2027) Agreement are summarised below:

Date:	10 September 2024
Parties:	(i) the Company (for itself and on behalf of the Group); and (ii) TCL Technology (for itself and on behalf of TCL Technology Group).
Duration:	From 1 January 2025 or the Shareholders' Approval Date (whichever is later) to 31 December 2027 (both days inclusive).
Condition Precedent:	The Master Processing (2025-2027) Agreement is conditional on and subject to compliance by the Company with relevant requirements of the Listing Rules in respect of the Master Processing (2025-2027) Agreement, including but not limited to obtaining the Shareholders' approval at the SGM.

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## LETTER FROM THE BOARD

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Major Terms:

If any member of TCL Technology Group so requests, the Company may, at its absolute discretion, procure the relevant member of the Group to process Raw Materials into Semi-Finished Materials and/or Finished Goods for the relevant member of TCL Technology Group in accordance with the Quality Specification.

The material processing services provided by the Group shall be on a non-exclusive basis.

TCL Technology will procure the relevant member of TCL Technology Group to provide the relevant member of the Group with the Raw Materials. The title to the Raw Materials (to the extent sourced from and owned by TCL Technology Group), the Semi-Finished Materials and the Finished Goods shall at all times be vested with the relevant member of TCL Technology Group.

In the event that the relevant member of TCL Technology Group is unable to provide sufficient Raw Materials to the Group to process into the requisite Semi-Finished Materials and/or Finished Goods, the relevant member of the Group may (but is not obliged to) source for any such shortfall in Raw Materials from other suppliers on behalf of the relevant member of TCL Technology Group and the relevant member of TCL Technology Group shall reimburse the relevant member of the Group of cost of such Raw Materials.

The terms and conditions of the material processing services provided by the Group to TCL Technology Group shall be agreed by relevant member of the Group and TCL Technology Group in writing by individual agreements from time to time. The terms of such individual agreements shall be consistent with the terms of the Master Processing (2025-2027) Agreement save and except the clauses regarding applicable law and dispute resolution.

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## LETTER FROM THE BOARD

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Processing fee and price determination: The overall terms and conditions (including but not limited to processing fees and payment terms) as a whole of each processing order offered by the relevant member of TCL Technology Group to the Group shall be no less favourable to the Group than those offered by Independent Third Parties and shall be on normal commercial terms or better. Each processing order shall be negotiated on an arm's length basis.

In determining whether the overall terms and conditions of any material processing services conducted pursuant to the Master Processing (2025-2027) Agreement are no less favourable to the Group than those offered by Independent Third Parties, the Group shall take into account all relevant factors including the fair market price ranges and pricing terms of material processing services of identical, or (if that is not available) of comparable or similar nature, quality, specifications, required time, etc. offered by other Independent Third Parties in the market at the time when the relevant individual agreement is entered into.

### **(2) Master Sale and Purchase (2025-2027) Agreement**

Reference is made to the November 2021 Circular. As stated therein, on 24 November 2021, the Company has entered into the Master Sale and Purchase (2022-2024) Agreement with TCL Technology, which will expire on 31 December 2024. As the Company and TCL Technology wish to continue the continuing connected transactions contemplated thereunder, the Company has on 10 September 2024 (after trading hours) entered into the Master Sale and Purchase (2025-2027) Agreement with TCL Technology. The Master Sale and Purchase (2025-2027) Agreement is on substantially similar terms as the Master Sale and Purchase (2022-2024) Agreement.

The material terms of the Master Sale and Purchase (2025-2027) Agreement are summarised below:

Date:	10 September 2024
Parties:	(i) the Company (for itself and on behalf of the Group); and (ii) TCL Technology (for itself and on behalf of TCL Technology Group).
Duration:	From 1 January 2025 or the Shareholders' Approval Date (whichever is later) to 31 December 2027 (both days inclusive).

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## LETTER FROM THE BOARD

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- Condition Precedent: The Master Sale and Purchase (2025-2027) Agreement is conditional on and subject to compliance by the Company with relevant requirements of the Listing Rules in respect of the Master Sale and Purchase (2025-2027) Agreement, including but not limited to obtaining the Shareholders' approval at the SGM.
- Sale of Products to TCL Technology Group: Each member of TCL Technology Group may, at its absolute discretion, request to purchase Products from members of the Group.
- If any member of TCL Technology Group so requests or makes a written offer to any member of the Group to purchase from the Group any Products, the Company may, at its absolute discretion, procure relevant members of the Group to supply such Products to the relevant member of TCL Technology Group.
- The terms and conditions of the sale of Products shall be agreed by relevant member of the Group and TCL Technology Group in writing by individual agreements from time to time. The terms of such individual agreements shall be consistent with the terms of the Master Sale and Purchase (2025-2027) Agreement save and except the clauses regarding applicable law and dispute resolution.
- Purchase of Materials from TCL Technology Group: Each member of the Group may, at its absolute discretion, request to purchase its required Materials from members of TCL Technology Group.
- Upon receiving purchase request from members of the Group, TCL Technology may, at its absolute discretion, procure the relevant member of TCL Technology Group to sell to the relevant member of the Group the required Materials.
- The terms and conditions of the purchase of Materials shall be agreed by relevant member of the Group and TCL Technology Group in writing by individual agreements from time to time. The terms of such individual agreements shall be consistent with the terms of the Master Sale and Purchase (2025-2027) Agreement save and except the clauses regarding applicable law and dispute resolution.

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## LETTER FROM THE BOARD

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Price determination: The overall terms and conditions (including but not limited to price, payment terms and credit terms) as a whole offered by the relevant member of TCL Technology Group to relevant member of the Group shall be no less favourable to the relevant member of the Group than those offered by Independent Third Parties and shall be on normal commercial terms or better. Each sale or purchase order shall be negotiated on an arm's length basis.

In determining whether the overall terms and conditions of any sale and purchase conducted pursuant to the Master Sale and Purchase (2025-2027) Agreement are no less favourable to the relevant member of the Group than those offered by Independent Third Parties, the Group shall take into account all relevant factors including the fair market price ranges and pricing terms of goods of identical, or (if this is not available) of comparable or similar quality, specifications, quantities, required time of delivery, etc. offered by Independent Third Parties in the market as at the time when the relevant individual agreement is entered into.

Revenue Limit: Each of the Company and TCL Technology undertakes with each other that:

- (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 year during the term of the Master Sale and Purchase (2025-2027) Agreement; and
- (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 year during the term of the Master Sale and Purchase (2025-2027) Agreement.

(hereinafter "**Revenue Limit**").

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## LETTER FROM THE BOARD

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### (3) Master HR Subcontracting (2025-2027) Agreement

Reference is made to the November 2021 Circular. As stated therein, on 24 November 2021, the Company has entered into the Master HR Subcontracting (2022-2024) Agreement with Huizhou TCL, which will expire on 31 December 2024. As the Company and Huizhou TCL wish to continue the continuing connected transactions contemplated thereunder, the Company has on 10 September 2024 (after trading hours) entered into the Master HR Subcontracting (2025-2027) Agreement with Huizhou TCL. The Master HR Subcontracting (2025-2027) Agreement is on substantially similar terms as the Master HR Subcontracting (2022-2024) Agreement.

The material terms of the Master HR Subcontracting (2025-2027) Agreement are summarised below:

Date:	10 September 2024
Parties:	(i) the Company (for itself and on behalf of the Group); and  (ii) Huizhou TCL (for itself and on behalf of the Huizhou TCL Group).
Duration:	From 1 January 2025 or the Shareholders' Approval Date (whichever is later) to 31 December 2027 (both days inclusive).
Condition Precedent:	The Master HR Subcontracting (2025-2027) Agreement is conditional on and subject to compliance by the Company with relevant requirements of the Listing Rules in respect of the Master HR Subcontracting (2025-2027) Agreement, including but not limited to obtaining the Shareholders' approval at the SGM.
Major terms:	Members of the Group may, at its absolute discretion, engage the relevant member of the Huizhou TCL Group for provision of the Human Resources Services.  The relevant member of the Huizhou TCL Group shall be responsible for, among other things:  (i) the hiring of labour, the payment of wages, social security and employee compensation in accordance with applicable laws and regulations;



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## LETTER FROM THE BOARD

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- (ii) organisation, recruitment and provision of suitable production labour and support staff to meet the needs of the Group under the Human Resources Services;
- (iii) supervision and training (including legal compliance, labour protection, safety training in respect of personal injury and incident and disaster prevention) of labour under the Human Resources Services; and
- (iv) day-to-day management of labour and designated projects under the Human Resources Services to ensure that the requirements of the relevant member of the Group are satisfied.

The relevant member of the Group shall be responsible for, among other things:

- (i) provision of work premises, facilities, equipment, and raw materials etc. necessary for completion of the designated projects;
- (ii) provision of specific guidelines, regulations, standards, requirements or targets in respect of each designated project;
- (iii) ensuring a safe working environment and provision of specialised safety training or other necessary training.

The relevant member of the Group and the relevant member of the Huizhou TCL Group shall agree on the terms (including but not limited to fees and payment terms) of the provision of Human Resources Services in writing by individual agreements from time to time. The terms (other than terms in relation to jurisdiction and dispute resolution) of such individual agreements shall be consistent with and not deviate from the Master HR Subcontracting (2025-2027) Agreement.

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## LETTER FROM THE BOARD

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The relevant member of the Group shall have absolute discretion in deciding whether and to what extent the requirements under the designated projects are satisfied and such decision of the relevant member of the Group shall be final and conclusive. In the event the relevant member of the Group determines that the relevant member(s) of the Huizhou TCL Group is unable to satisfy in any respect the relevant requirements in a timely manner, the Group shall have the right to terminate the relevant individual agreement.

Price determination:

The fees under the Human Resources Services are calculated based on:

- (i) the salaries/wages of the relevant labour/staff provided by the relevant member of Huizhou TCL Group under the Human Resources Services; and
- (ii) the actual costs and other disbursements incurred by the relevant member of Huizhou TCL Group under the Human Resources Services.

An estimation of the aforesaid salaries, costs and other disbursements to be incurred or paid by the relevant member of Huizhou TCL Group shall be set out in the individual agreements and be supported with written evidence. If the actual salaries, costs and other disbursements incurred by the relevant member of Huizhou TCL Group are higher than those set out in the individual agreements, the relevant member of the Group shall have absolute discretion to pay to the relevant member of Huizhou TCL Group only such estimated amounts set out in the individual agreements.

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

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## LETTER FROM THE BOARD

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In determining whether the terms and conditions of any individual agreements for the Human Resources Services are no less favourable to the relevant member of the Group than those offered by independent third parties, the Group shall take into account all relevant factors including the fair market price ranges and pricing terms of human resources services of identical, or (if this is not available) of comparable or similar nature, quality, type, specifications, required time, etc. offered by Independent Third Parties in the market as at the time when the relevant individual agreement is entered into.

Payment term: Unless otherwise agreed in the individual agreements, the fees for the Human Resources Services shall be payable by the relevant member of the Group to the relevant member of Huizhou TCL Group on a monthly basis and shall be settled on or before the 15th day of each month.

### INTERNAL CONTROL PROCEDURES AND PRICING POLICIES

In order to safeguard the interests of the Company and the Shareholders, and to ensure that the Agreements and the transactions contemplated thereunder are on normal commercial terms and on terms no less favourable to the Group than those offered by Independent Third Parties, in addition to those disclosed above, the Company has also adopted the following general and specific internal control procedures and pricing policies:

#### General internal control procedures and pricing policies

- (i) The finance department of the Company has maintained a list of transaction parties (the “**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 sales or procurement department (in the case of the Master Sale and Purchase (2025-2027) Agreement and Master Processing (2025-2027) Agreement) or human resources department (in the case of the Master HR Subcontracting (2025-2027) Agreement) of the Company intends to enter into transaction with an entity, the relevant department would check against the Transaction Parties List to see if the 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.

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## LETTER FROM THE BOARD

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- (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 a connected person of the Company, so as to maintain the list of connected persons (the “**Connected Person List**”) for the staff members to identify transactions constituting connected transactions of the Company. 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 addition of a connected relationship, evidence such as organisation chart will have to be obtained, and in the case of cessation of a connected relationship, evidence will have to be obtained to confirm the date of cessation as 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.
  
- (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 monthly 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.

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- (v) Every time before conducting any continuing connected transactions, the sales or procurement department (in the case of the Master Sale and Purchase (2025-2027) Agreement and Master Processing (2025-2027) Agreement) or human resources department (in the case of the Master HR Subcontracting (2025-2027) Agreement) 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.
- (vi) The Company's internal control unit will on a half-year basis review the monitoring 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.

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### Master Processing (2025-2027) Agreement

- (i) Every time before the relevant member of the Group accepts a request from the relevant member of TCL Technology Group for the processing of Raw Materials, the operation unit of the relevant member of the Group will review the draft individual processing order for the engagement to confirm that the Group has the relevant resources to meet the timeline, quality and the quantity of the relevant order placed. The processing fee that the Group charges is in general determined based on factors such as the cost for processing, level of technology and skills required and quantity ordered etc. taking into account of prevailing market conditions, and will vary depending on the specification of each order. Such price determination mechanism is in line with the market or the industry. In any event, the Group will make reference to the prevailing market or industry practices and conditions to ensure the processing fee to be charged is consistent with the market or industry.
- (ii) When evaluating the terms of a draft individual processing order, the internal control unit will compare it with all quotations provided to or by Independent Third Parties for the same or equivalent processing services at comparable quality and determine whether on an overall evaluation of the processing fees to be charged, the payment terms as stated in the draft individual processing order against the quotations offered to or by Independent Third Parties, are no less favourable to the Group.
- (iii) Where no similar service for processing the relevant Raw Material into similar Semi-Finished Materials and/or Finished Goods is offered by the Group to Independent Third Parties, the Group will request the relevant member of TCL Technology Group to obtain at least two quotations from Independent Third Parties (who are able to provide the required services of satisfactory quality and at satisfactory standard to TCL Technology Group) whereby the Group will compare the overall terms of the engagement, and in particular the processing fee to be charged, against those offered by Independent Third Parties to ensure that those offered by the Group are no more favourable. Where no such quotations could be obtained, the Group will compare the gross profit margin of the processing fee to be charged by the Group against the gross profit margin for selling similar Semi-Finished Materials and/or Finished Goods to ensure that a higher gross profit margin will be achieved by offering processing service. For illustration, the current gross profit margin of processing service in general is within the range of approximately 3% to 20%, depending on the type and specification of Semi-Finished Materials and/or Finished Goods required by the customer. Nevertheless, the margin that the Group charges may vary during the term of the Master Processing (2025-2027) Agreement depending on factors such as market circumstances, customer relationship, product specifications, transportation and mode of delivery, production cost, etc. The reason for requesting the relevant member of TCL Technology Group to obtain quotations from Independent Third Parties instead of obtaining quotations by the Group itself is because it is impractical for the Group, as a

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## LETTER FROM THE BOARD

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service provider in the context of processing service, to obtain quotations from Independent Third Party processing service providers who are competitors of the Group, as those Independent Third Parties will be reluctant to provide the Group with such sensitive information.

### **Master Sale and Purchase (2025-2027) Agreement**

- (i) Before selling any Products to or 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 Products or Materials, past history of dealing with the such party (if any), payment terms and Product or 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.
- (ii) Where no identical Products or 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 Products or 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) The Group sets a minimum gross profit margin for the Products which is determined with reference to the average price of similar products offered by Independent Third Parties on open market, production cost and market competition. The said minimum gross profit margin will be reviewed and adjusted from time to time based on prevailing market demand and with a view to maintaining the Group's competitiveness amidst changing market condition. 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 prevailing minimum gross profit margin, 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

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## LETTER FROM THE BOARD

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the interest of the Shareholders and the Group as a whole to do so. Whilst each Product has a different minimum gross profit margin, the prevailing minimum gross profit margin for the Products as of the Latest Practicable Date range from 2% to 8%.

- (iv) The Group will set up half-year targets for sale of Products and purchase of Materials, which should generally not exceed 50% of the total sale or 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 sale and 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 in the end of each month to enable the sale unit, purchase unit and internal control unit to compare the actual sale and purchase figures against the sale and purchase targets, the sale and purchase limit as well as the latest revenue of the Group from time to time and to make necessary adjustment for the sale and purchase to and from TCL Technology Group for the remaining half year period, if needed, to ensure that the Revenue Limit will not be exceeded.
  
- (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 and sale of Products to TCL Technology Group. Where the Group proposes to make a purchase or sale which will result in the then aggregate amount of purchase of Materials from or sale of Products to 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 or sale of Products as and when appropriate and the internal control unit will notify the relevant department to temporarily decline or delay to process the sale or 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 or sales from/to 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 or sale of Products to 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).



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### Master HR Subcontracting (2025-2027) Agreement

- (i) To ensure that the continuing connected transactions contemplated under the Master HR Subcontracting (2025-2027) Agreement are on normal commercial terms and terms no less favourable than those available from Independent Third Parties, where comparable services are available on the market from Independent Third Parties, before requesting the Human Resources Services from Huizhou TCL Group, the Group would obtain a quotation from at least two Independent Third Parties for similar or comparable services and conduct an assessment on the terms of the provision of such services. The Group would only engage Huizhou TCL Group for the provision of the Human Resources Services when the terms offered by Huizhou TCL Group are better than those offered by Independent Third Parties. The quotations obtained from the Independent Third Parties would be recorded in an internal system maintained by the Group which would be updated from time to time so that the members of the Group would have an easy access of information regarding the market price and other terms of contract.

### HISTORICAL FIGURES

The following table sets out the historical figures and the existing annual caps of the continuing connected transactions under the Agreements for the three years ending 31 December 2024:

	For the year ended 31 December 2022 (audited) RMB'000	For the year ended 31 December 2023 (audited) RMB'000	For the year ending 31 December 2024 (for historical annual cap)/For the period from 1 January 2024 to 31 August 2024 (for actual amount) (unaudited) RMB'000
<b>Master Processing (2022-2024) Agreement</b>			
<i>Processing fees</i>			
- Historical annual caps	198,000	218,000	239,000
- Actual amount	35,585	64,875	31,933
- Utilisation rate	18.0%	29.8%	13.4%

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## LETTER FROM THE BOARD

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	For the year ended 31 December 2022 (audited) RMB'000	For the year ended 31 December 2023 (audited) RMB'000	For the year ending 31 December 2024 (for historical annual cap)/For the period from 1 January 2024 to 31 August 2024 (for actual amount) (unaudited) RMB'000
<b>Master Sale and Purchase (2022-2024) Agreement</b>			
<i>Purchase of Materials from TCL Technology Group</i>			
– Historical annual caps	387,000	426,000	1,300,000 (Note)
– Actual amount	156,504	298,319	880,772
– Utilisation rate	40.4%	70.0%	67.8%
 <i>Sale of Products to TCL Technology Group</i>			
– Historical annual caps	2,781,000	3,059,000	3,364,000
– Actual amount	1,335,122	842,783	1,165,222
– Utilisation rate	48.0%	27.6%	34.6%
 <b>Master HR Subcontracting (2022-2024) Agreement</b>			
<i>Service fees</i>			
– Historical annual caps	106,000	122,000	141,000
– Actual amount	1,516	35,843	42,418
– Utilisation rate	1.4%	29.4%	30.1%

*Note:*

The annual cap for the purchase of Materials from TCL Technology Group for the year ending 31 December 2024 has been revised from RMB469,000,000 to RMB1,300,000,000. The revision was approved by the Shareholders at the special general meeting of the Company held on 23 May 2024. For details, please refer to the April 2024 Circular.

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## LETTER FROM THE BOARD

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### PROPOSED FURTHER REVISED 2024 PURCHASE ANNUAL CAP AND PROPOSED ANNUAL CAPS

The following table sets out the proposed Further Revised 2024 Purchase Annual Cap and the respective proposed annual caps of the continuing connected transactions under the Agreements for the three years ending 31 December 2027:

	For the year ending 31 December 2024 <i>RMB'000</i>	For the year ending 31 December 2025 <i>RMB'000</i>	For the year ending 31 December 2026 <i>RMB'000</i>	For the year ending 31 December 2027 <i>RMB'000</i>
<b>Master Processing (2025-2027) Agreement</b>				
<i>Processing fees</i>				
Proposed annual caps	N/A	100,000	120,000	144,000
<b>Master Sale and Purchase (2022-2024) Agreement</b>				
Proposed Further Revised 2024 Purchase Annual Cap	1,800,000	N/A	N/A	N/A
	<i>(Note)</i>			
<b>Master Sale and Purchase (2025-2027) Agreement</b>				
<i>Purchase of Materials from TCL Technology Group</i>				
Proposed annual caps	N/A	2,500,000	3,000,000	3,600,000
<i>Sale of Products to TCL Technology Group</i>				
Proposed annual caps	N/A	2,500,000	3,000,000	3,600,000
<b>Master HR Subcontracting (2025-2027) Agreement</b>				
<i>Service fees</i>				
Proposed annual caps	N/A	100,000	115,000	132,250

*Note:*

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 the Revenue Limit. As further explained in the paragraph headed “Reasons for and Benefits of Revision of the Revised 2024 Purchase Annual Cap and the Continuing Connected Transactions”, the projected ratio of the Further Revised 2024 Purchase Annual Cap to the total revenue of the Group for the year ending 31 December 2024 is expected to be 40.9%.

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### **BASIS FOR DETERMINATION OF THE PROPOSED FURTHER REVISED 2024 PURCHASE ANNUAL CAP AND PROPOSED ANNUAL CAPS**

The Directors determined the proposed Further Revised 2024 Purchase Annual Cap and the proposed annual caps in relation to the Agreements with reference to, among others, the following factors:

#### **Further Revised 2024 Purchase Annual Cap**

- (i) 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 some 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 demand for sourcing 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.
- (ii) As a result, the unaudited historical amount of purchase of Materials from TCL Technology Group during the eight months ended 31 August 2024 reached RMB880,772,000, representing 67.8% of the Revised 2024 Purchase Annual Cap and 188% of the 2024 Purchase Annual Cap.
- (iii) As of 31 August 2024, the Group has received sales order of around RMB1,386 million from its customers for September to December 2024. On the basis of the current trend and the current orders on hand, it is projected that the Group will purchase RMB180 million worth of Materials from TCL Technology Group monthly in order to satisfy the production needs. As such, the amount of purchase of Materials from TCL Technology Group will exceed the Revised 2024 Purchase Annual Cap in or about November 2024 and will reach RMB1,666,671,000 at the end of 2024.

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## LETTER FROM THE BOARD

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### **Master Processing (2025-2027) Agreement**

The Directors determined the proposed annual caps in relation to the Master Processing (2025-2027) Agreement with reference to, among others, the following factors:

- (i) The historical amounts of the relevant transactions under the Master Processing (2022-2024) Agreement, in particular, the processing fees received by the Group for the eight months ended 31 August 2024 was RMB31.93 million.
- (ii) The processing order for the year ending 31 December 2025 is projected to reach 6.5 million units and it is expected that the processing order volume of the Group will steadily increase during the three years ending 31 December 2027 while the average processing fee per unit is expected to be at the range of RMB14-15 for the year ending 31 December 2025. On this basis, the processing fee for the year ending 31 December 2025 is projected to reach roughly RMB100 million.
- (iii) As part of the Group's initiative to diversity its product mix, it is expected that medium-sized display modules will account for a higher proportion of the Group's products. The prevailing average processing fee per unit for medium-sized display modules ranges from RMB22-23.
- (iv) The 20% annual increase in the proposed annual caps from 2025 to 2027 has taken into account the expected annual organic growth rate of 10% in respect of the sale volume of processing products to TCL Technology Group during the three years ending 31 December 2027 and an estimated 10% increase in average processing fee as a result of the increase of weighting of medium-sized display modules in the product mix of the Group.

### **Master Sale and Purchase (2025-2027) Agreement**

The Directors determined the proposed annual caps in relation to the Master Sale and Purchase (2025-2027) Agreement with reference to, among others, the following factors:

#### **Purchase of Materials from TCL Technology Group:**

- (i) The amount of purchase of Materials from TCL Technology Group during the year ending 31 December 2024 is expected to reach over 90% of the Further Revised 2024 Purchase Annual Cap.
- (ii) It is expected that the Company will participate in a new project for the sales of parts to Independent Third Parties, and the projected shipment during the year ending 31 December 2025 reaching 8.5 million units. Hence, the demand for the relevant Materials which has an average price of RMB145 per unit is expected to increase correspondingly.

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- (iii) As mentioned above in the paragraph under Basis for Determination of the Further Revised 2024 Purchase Annual Cap, as the display panel production line “t9” of TCL CSOT provides a stable supply of Materials which meet certain specification demanded by the Group’s customers and the Group has attracted new brand customers, it is expected that the revenue of the Group’s mobile phone and tablet module for the year ending 31 December 2025 is expected to increase 20% year-on-year. Additionally, driven by the increased average size of the Group’s products and a shift in focus towards the development of medium-sized display modules, the proportion of sales volume derived from tablet modules for the six months ended 30 June 2024 reached 11.4% of the Group’s total sales volume, representing a year-on-year increase of 44.6 times. The Group expects the demand for Materials sourced from TCL Technology Group will further increase by approximately 50% year-on-year during the year ending 31 December 2025.
- (iv) The 20% annual increase in the proposed annual caps taking into account the Materials sourcing demand corresponding to the 10% expected annual organic growth rate in the sales volume of the Group from 2025 to 2027, with an additional 10% increase in the average cost of the Group’s Materials during the same period. This cost increase is attributed to a strategic shift towards the development of medium-sized display modules. As more Material is required for producing larger-sized products, even if the unit price of the Materials remains relatively the same, the overall average cost of the Group is expected to increase for the three years ending 31 December 2027.

### **Sale of Products to TCL Technology Group:**

- (i) The historical amounts of the relevant transactions under the Master Sale and Purchase (2022-2024) Agreement of RMB1,165 million as at 31 August 2024, representing a 34.6% utilisation of the annual cap for the year ending 31 December 2024 with currently confirmed purchase orders placed by TCL Technology Group for September to December 2024 amounting to approximately RMB696 million, with the total amount of sale of Products to TCL Technology Group for the year ending 31 December 2024 is expected to reach 60% of the relevant annual cap.
- (ii) It is expected that the Company will participate in a new project for the sales of parts to Independent Third Parties with the projected shipment during the year ending 31 December 2025 reaching 8.5 million units. Based on the average price of the relevant Materials of RMB145 per unit and the Group’s policy on minimum gross profit margin, such parts are expected to be sold at RMB148 with a 2% average gross profit margin, thereby contributing approximately RMB1,258 million to sales.

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- (iii) As the display panel production line “t9” of TCL CSOT provides a new source of panels, coupled with orders from new brand customers, it is expected that the revenue of the Group’s mobile phone and tablet module for the year ending 31 December 2025 is expected to increase 20% year-on-year.
- (iv) The 20% annual increase in the proposed annual caps taking into account the 10% expected annual organic growth rate in the sales volume of the Group from 2025 to 2027, with an additional 10% increase in the average selling prices of the Group’s Products during the same period. This price increase is attributed to the larger average size of the Group’s products and a strategic shift towards the development of medium-sized display modules. For the six months ended 30 June 2024, the overall average selling price of the Group’s Products increased by 76.3% year-on-year to RMB100.9.

### **Master HR Subcontracting (2025-2027) Agreement**

The Directors determined the proposed annual caps in relation to the Master HR Subcontracting (2025-2027) Agreement with reference to, among others, the following factors:

- (i) the historical amounts of the relevant transactions under the Master HR Subcontracting (2022-2024) Agreement.
- (ii) the expected increase of labour demand (in terms of man hour) of the Group at an annual rate of 10% during the term of the Master HR Subcontracting (2025-2027) Agreement taking into account the Group’s business development plan and expected organic growth of 10%-15% of the Group’s sales volume resulting from orders from new brand customers and the new source of supply of panels from the display panel production line “t9” for the three years ending 31 December 2027.
- (iii) the average rate of the Human Resources Services is expected to increase at an annual rate of 5% taking into consideration of inflation.
- (iv) the experience and expertise of the labour supplied by Huizhou TCL Group.
- (v) an additional 10% – 20% of buffer is taken into account for each of the three years from 2025 to 2027.

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### REASONS FOR AND BENEFITS OF REVISION OF THE REVISED 2024 PURCHASE ANNUAL CAP AND THE CONTINUING CONNECTED TRANSACTIONS

#### Revision of the Revised 2024 Purchase Annual Cap

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 Determination of the Proposed Further Revised 2024 Purchase Annual Cap and Proposed Annual Caps”, the Company anticipates that the actual amount of purchases of Materials will exceed the previous estimation and that the Revised 2024 Purchase Annual Cap will not be sufficient to meet the Group’s demand for the year ending 31 December 2024. The further revision of the Revised 2024 Purchase Annual Cap will facilitate members of the Group to secure a stable and reliable supply of the necessary Materials that meets customers’ requirements. Hence, the Further 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 for the following reasons:

- (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 a diversified source of supply 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 latest projection of the revenue of the Group for year 2024 is approximately RMB4.4 billion, which is based on (i) the revenue of RMB1.84 billion for the six months ended 30 June 2024; (ii) the sales forecast for the second half of 2024 of the Group with its existing customers, including order quantity, production and shipment schedule, unit price of products; (iii) potential orders from new customers; (iv) the Group’s production capacity; and (v) the substantial increase in the Company’s projected revenue for the year ending 31 December 2024 is attributable to (i) the shift in the Company’s product mix, with the focus being placed on medium-sized display



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modules which command a higher selling price, (ii) the cooperation between the Group and the display panel production line “t9” of TCL CSOT which allow the Group to meet the technical specifications of more first-tier brand customers and get sizeable purchase orders from such customers and (iii) the new project for the sale of parts to Independent Third Parties as mentioned in the section headed “Basis for Determination of the Proposed Further Revised 2024 Purchase Annual Cap and Proposed Annual Caps” which creates a new source of revenue. On the basis of paragraph (iii) above, the proposed Further Revised 2024 Purchase Annual Cap accounts for no more than 43.1% of the projected total cost of sales of the Group and no more than 40.9% 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. Given the various internal control measures that have been put in place, it is highly unlikely that the Revenue Limit will be exceeded. Yet in such unlikely event, the Group will halt the sale of Materials to the TCL Technology Group pursuant to the Master Sale and Purchase (2022-2024) Agreement until the Group can generate sufficient revenue from Independent Third Parties during the relevant financial year.

### **Master Processing (2025-2027) Agreement**

The business of processing raw materials provided by customers is a principal business segment of the Group. Under the Master Processing (2025-2027) Agreement, the Raw Materials to be processed by the Group will either be provided by the customers, or in rare cases where the relevant customer is unable to provide sufficient Raw Materials, such customer will reimburse the Group for the costs of Raw Materials. In view of the tight supply and cost fluctuation of raw materials in recent years, this business model provides the Group with a more flexible option to satisfy the needs of the customers and enhances the chance of the Group obtaining the necessary Raw Materials in time. That said, historically during the two years ending 31 December 2023 and the eight months ended 31 August 2024, the Group has not sourced the Raw Materials on behalf of customers under this arrangement.

The Master Processing (2025-2027) Agreement enables the Group to continue providing processing service to TCL Technology Group, which will facilitate the operation of the Group’s business by providing additional and stable sources of business opportunities and enhancing the efficient use of resources and utilisation of the production capacity of the Group.

The Directors consider that the continuing connected transactions contemplated under the Master Processing (2025-2027) Agreement will not result in significant reliance on TCL Technology Group as each of the proposed annual caps of for the three years ending 31 December 2027 accounts for less than 5.59% of the total revenue of the Group for the year ended 31 December 2023.

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### **Master Sale and Purchase (2025-2027) Agreement**

The Master Sale and Purchase (2025-2027) Agreement will provide members of the Group with a stable and reliable source of supply of the necessary Materials for the Products of the Group.

Moreover, the Master Sale and Purchase (2025-2027) Agreement will also provide the Group with more flexible options as to the sales channels of its Products.

The market of smartphone products and products with display modules are dynamic and ever-changing. A holistic customer experience is of critical importance and as such brand customers which offer a wide range of electronic appliances would place order for multiple types of electronic products with TCL Technology Group at the same time. Meanwhile, the products respectively produced or manufactured by the Group and TCL Technology Group are of different types (with the former focusing on small-to-medium sized LCD Module while the latter focusing on large-sized display and new energy photovoltaic products). Thus, in order to swiftly cope with market changes, to strengthen the operating capability of the Group, and to share the sales channels within TCL Technology Group, the Group would first sell its products to members of the TCL Technology Group for them to re-sell such products to third party customers. Whilst currently the Group may not be able to establish direct business relationship with certain Independent Third Party brand customers, by providing Products to TCL Technology Group for its processing or onward sale to such Independent Third Party brand customers, the Group may gradually establish direct sales channel with these Independent Third Party brand customers.

Although the proposed annual caps under the Master Sale and Purchase (2025-2027) Agreement are substantially higher than the historical transaction amounts, the Directors consider that the continuing connected transactions contemplated under the Master Sale and Purchase (2025-2027) Agreement will not result in significant reliance on TCL Technology Group for the following reasons:

- (i) the Group expects to maintain its existing portfolio of Independent Third Party customers/suppliers, as none of the existing Independent Third Party customers/suppliers has indicated any intention to discontinue the cooperation with the Group;
- (ii) the Group has been exploring new markets and new Independent Third Party customers and optimising its product mix. The Group has capitalised on the advancement in its medium-sized display modules and gradually attracted new brand customers, thereby diversifying its sources of revenue. In view of the aforesaid, the Group is confident that it could maintain its revenue from Independent Third Parties in the future;

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## LETTER FROM THE BOARD

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- (iii) 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
- (iv) the purchase of Materials from and sale of Products to TCL Technology Group will be subject to the Revenue Limit such that the size of the Group's continuing connected transactions under the Master Sale and Purchase (2025-2027) Agreement will be tied to the growth of the Group's relevant transactions with Independent Third Party suppliers and customers. Given the various internal control measures that have been put in place, it is highly unlikely that the Revenue Limit will be exceeded. Yet in such unlikely event, the Group will halt the sale of Materials to the TCL Technology Group pursuant to the Master Sale and Purchase (2025-2027) Agreement until the Group can generate sufficient revenue from Independent Third Parties during the relevant financial year.

### **Master HR Subcontracting (2025-2027) Agreement**

Huizhou TCL Group is principally engaged in the business of provision of human resources services in the area of electronic components production. The specialisation and experience of the labour and that supplied by Huizhou TCL Group meet the demand of the Group. Also, the economics of scale achieved by Huizhou TCL Group will allow the Group to obtain skilled labour at a lower cost when compared to the Group hiring similar skilled labour by itself.

Under the Master HR Subcontracting (2025-2027) Agreement, Huizhou TCL Group will provide a stable and flexible supply of human resources to the Group upon the Group's request, which saves the Group from the time and resources required in recruiting sufficient and additional skilled workers on a short-term basis in particular at peak seasons and reduces the risk of production disruption in case the Group could not recruit the necessary skilled workers in time. Also, given the close cooperation between Huizhou TCL Group and the Group during the past three years, Huizhou TCL Group is familiar with the needs of the Group and is able to promptly provide the suitable works to the Group.

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## LETTER FROM THE BOARD

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In light of the above, the Directors (excluding the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee) consider that (i) the Further Revised 2024 Purchase Annual Cap and (ii) the terms of the Agreements and the respective transactions contemplated thereunder are fair and reasonable; on normal commercial terms or better, entered into in the ordinary and usual course of business of the Group; and in the interests of the Company and the Shareholders as a whole.

### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, TCL Technology, the ultimate controlling shareholder of the Company, indirectly held approximately 64.20% of the number of issued Shares and therefore is a connected person of the Company under the Listing Rules. Huizhou TCL is held as to 50% by TCL Technology and is therefore an associate of TCL Technology and hence also a connected person of the Company under the Listing Rules. Therefore, the Further Revised 2024 Purchase Annual Cap, the Agreements and the respective transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) with reference to the proposed Further Revised 2024 Purchase Annual Cap and the respective proposed annual caps of each of the Master Processing (2025-2027) Agreement, the Master Sale and Purchase (2025-2027) Agreement and the Master HR Subcontracting (2025-2027) Agreement exceed 5%, the continuing connected transactions contemplated thereunder are subject to the reporting, announcement, circular (including independent financial advice), Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee has been established to advise the Shareholders on the Further Revised 2024 Purchase Annual Cap and the terms of and the proposed annual caps of the Agreements. The Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in this regard.

In accordance with the Listing Rules, any connected person of the Company and any Shareholder with a material interest in the Further Revised 2024 Purchase Annual Cap and/or the Agreements 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 relevant resolutions to be put forward at the SGM. Save as the aforesaid, the Directors are not aware of any other Shareholders who are required to abstain from voting on the resolution(s) in respect of the Further Revised 2024 Purchase Annual Cap and the Agreements to be put forward at the SGM.

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## LETTER FROM THE BOARD

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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 is deemed to be interested in 3,196,661 shares in TCL Technology (representing approximately 0.017% 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 is deemed to be interested in 785,869 shares in TCL Technology (representing approximately 0.0042% 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, and a director and the 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); (iii) Mr. XI Wenbo is deemed to be interested in 719,442 shares in TCL Technology (representing approximately 0.0038% 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 and (iv) Mr. Wang Xinfu is deemed to be interested in 9,350 shares in TCL Technology (representing approximately 0.000050% of the issued share capital of TCL Technology) within the meaning of Part XV of the SFO; as each of their respective direct interest in TCL Technology Group is by virtue of common directorship/senior management role and/or 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 Further Revised 2024 Purchase Annual Cap and the Agreements, therefore all Directors are entitled to vote on the Board resolutions for considering and approving the Further Revised 2024 Purchase Annual Cap and the Agreements 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 Module. 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 focus on Hong Kong and the PRC markets. For more information on the Group, please visit its official website at [www.tclcdot.com](http://www.tclcdot.com) (the information that appears in this website does not form part of this circular).

TCL Technology is a major PRC conglomerate and is principally engaged in two core industries of new display and new energy photovoltaic products. 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.

Huizhou TCL is principally engaged in the business of provision of human resources referral and subcontracting services in the area of electronic components. Huizhou TCL is held as to 50% by each of TCL Holdings and TCL Technology.

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## LETTER FROM THE BOARD

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### 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 7 November 2024, Thursday at 3:00 p.m., at which resolutions will be proposed for the purposes of considering and, if thought fit, approving the proposed Further Revised 2024 Purchase Annual Cap, the Master Processing (2025-2027) Agreement, Master Sale and Purchase (2025-2027) Agreement, the Master HR Subcontracting (2025-2027) Agreement, the transactions contemplated thereunder and the proposed annual caps in relation thereto. The notice of the SGM is set out on pages 84 to 87 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](http://www.hkexnews.hk)) and the Company ([www.tclcdot.com](http://www.tclcdot.com)). Whether or not you are able to attend the SGM or any adjournment thereof (as the case may be) in person, please complete the form of proxy in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or via the designated website (<https://spot-emeeting.tricor.hk>) by using the username and password provided on the notification letter 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 thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the SGM or any adjourned meeting should you so wish.

### RECORD DATE

The record date (being the last date of registration of any transfer of Shares given there will be no closure of register of members) for determining the entitlements of the Shareholders to attend and vote at the SGM is 4 November 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 4 November 2024, Monday.

### RECOMMENDATION

Your attention is drawn to (a) the letter from the Independent Board Committee set out on pages 38 to 39 of this circular which contains the recommendation of the Independent Board Committee to the Shareholders regarding the resolution in respect of the Further Revised 2024 Purchase Annual Cap, the Agreements and the respective transactions contemplated thereunder to be proposed at the SGM; (b) the letter from Pelican Financial Limited, the Independent Financial Advisor, set out on pages 40 to 79 of this circular which contains its advice to the Independent Board Committee and the Shareholders in respect of the proposed Further Revised 2024 Purchase Annual Cap, the Agreements and the respective transactions contemplated thereunder; and (c) additional information set out in the appendix to this circular.

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## LETTER FROM THE BOARD

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The Independent Board Committee, having taken into account the advice (together with principal factors and reasons considered in arriving at such advice) of the Independent Financial Advisor, considers that the proposed Further Revised 2024 Purchase Annual Cap, the Agreements and the respective 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 resolutions to be proposed at the SGM in respect of the Further Revised 2024 Purchase Annual Cap, the Agreements and the respective transactions contemplated thereunder.

The Board are of the opinion that the Further Revised 2024 Purchase Annual Cap, the Agreements and the respective 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 resolutions 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*

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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**China Display Optoelectronics Technology Holdings Limited**  
**華顯光電技術控股有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 334)**

Date: 14 October 2024

*To: the Shareholders*

Dear Sirs or Madam,

**FURTHER REVISION OF ANNUAL CAP  
FOR CONTINUING CONNECTED TRANSACTIONS  
UNDER THE MASTER SALE AND PURCHASE (2022-2024) AGREEMENT  
AND  
RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS –  
MASTER PROCESSING (2025-2027) AGREEMENT  
MASTER SALE AND PURCHASE (2025-2027) AGREEMENT AND  
MASTER HR SUBCONTRACTING (2025-2027) AGREEMENT**

We refer to the circular of the Company dated 14 October 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 Further Revised 2024 Purchase Annual Cap, the Agreements and the respective transactions contemplated thereunder, details of which are set out in the Circular.

We wish to draw your attention to the letter from the Board and the letter from the Independent Financial Advisor set out on pages 7 to 37 and pages 40 to 79 of the Circular respectively.



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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 Advisor, we consider that the Further Revised 2024 Purchase Annual Cap, the Agreements and the respective 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 resolutions to be proposed at the SGM in respect of the Further Revised 2024 Purchase Annual Cap, the Agreements and the respective transactions contemplated thereunder.

Yours faithfully,

**HSU Wai Man, Helen,**

**XU Yan,**

**LI Yang,**

**YANG Qiulin**

*Independent Board Committee*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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



### PELICAN FINANCIAL LIMITED

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

14 October 2024

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

Dear Sirs,

**FURTHER REVISION OF ANNUAL CAP  
FOR CONTINUING CONNECTED TRANSACTIONS  
UNDER THE MASTER SALE AND PURCHASE (2022-2024) AGREEMENT  
AND  
RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS  
UNDER MASTER PROCESSING (2025-2027) AGREEMENT,  
MASTER SALE AND PURCHASE (2025-2027) AGREEMENT  
AND MASTER HR SUBCONTRACTING (2025-2027) AGREEMENT**

#### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the independent Shareholders in relation to the proposed Further Revised 2024 Purchase Annual Cap and the Agreements, the transactions contemplated thereunder and the proposed annual caps, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company dated 14 October 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 10 September 2024 (the “**Announcement**”), in relation to the proposed Further Revised 2024 Purchase Annual Cap and the Agreements, the transactions contemplated thereunder and the proposed annual caps.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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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 Revised 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 further revise the 2024 Purchase Annual Cap. Save for the Further 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.

On 24 November 2021, the Company entered into the Master Processing (2022-2024) Agreement and the Master Sale and Purchase (2022-2024) Agreement with TCL Technology, and entered into the Master HR Subcontracting (2022-2024) Agreement with Huizhou TCL, which will expire on 31 December 2024. As the Company and TCL Technology or Huizhou TCL (as the case may be) wish to continue the continuing connected transactions contemplated thereunder, the Company has on 10 September 2024 (after trading hours) entered into the Agreements with TCL Technology or Huizhou TCL (as the case may be).

### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, TCL Technology, the ultimate controlling shareholder of the Company, indirectly held approximately 64.20% of the number of issued Shares and therefore is a connected person of the Company under the Listing Rules. Huizhou TCL is held as to 50% by TCL Technology and is therefore an associate of TCL Technology and hence also a connected person of the Company under the Listing Rules. Therefore, the Further Revised 2024 Purchase Annual Cap, the Agreements and the respective transactions contemplated thereunder 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 Further Revised 2024 Purchase Annual Cap and the respective annual caps of each of the Master Processing (2025-2027) Agreement, the Master Sale and Purchase (2025-2027) Agreement and the Master HR Subcontracting (2025-2027) Agreement exceed 5%, the continuing connected transactions contemplated thereunder are subject to the reporting, announcement, circular (including independent financial advice), Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

In accordance with the Listing Rules, any connected person of the Company and any Shareholder with a material interest in the Further 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 Further Revised 2024 Purchase Annual Cap to be put forward at the SGM.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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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 is deemed to be interested in 3,196,661 shares in TCL Technology (representing approximately 0.017% 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 is deemed to be interested in 785,869 shares in TCL Technology (representing approximately 0.0042% 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, and a director and the general manager of Wuhan China Star Optoelectronics Semiconductor Display Technology Company Limited<sup>#</sup> (武漢華星光電半導體顯示技術有限公司, a subsidiary of TCL CSOT); (iii) Mr. XI Wenbo is deemed to be interested in 719,442 shares in TCL Technology (representing approximately 0.0038% 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; and (iv) Mr. Wang Xinfu is deemed to be interested in 9,350 shares in TCL Technology (representing approximately 0.000050% of the issued share capital of TCL Technology) within the meaning of Part XV of the SFO; as each of their respective direct interest in 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 Further Revised 2024 Purchase Annual Cap and the Agreements, therefore all Directors are entitled to vote on the Board resolutions for considering and approving the Further Revised 2024 Purchase Annual Cap and the Agreements pursuant to the Bye-laws.

### THE INDEPENDENT BOARD COMMITTEE

The Board currently comprises four executive Directors, one non-executive Directors and four 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, Mr. Xu Yan and Ms. Yang Qiulin, has been established to advise the independent Shareholders on the proposed Further Revised 2024 Purchase Annual Cap and the terms of and the proposed annual caps of the Agreements. 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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In the last two years, aside from our engagement by the Company to act as its independent financial advisor in respect of (i) the supplemental agreement to the Master Financial Services (2023-2025) Agreement and the transactions contemplated thereunder; and (ii) the transactions contemplated under the Revised 2024 Purchase Annual Cap and the Master Sale and Purchase (2022-2024) Agreement, as disclosed in its circulars dated 22 November 2023 and 26 April 2024 respectively, there have been 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, Huizhou TCL 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 proposed Further Revised 2024 Purchase Annual Cap and the Agreements, the transactions contemplated thereunder and the proposed annual caps.

Our role is to provide you with our independent opinion and recommendation as to (i) whether the proposed Further Revised 2024 Purchase Annual Cap and the Agreements, the transactions contemplated thereunder and the proposed annual caps are in the ordinary and usual course of business of the Group; (ii) whether the proposed Further Revised 2024 Purchase Annual Cap and the terms of the Agreements, the transactions contemplated thereunder and the proposed annual caps 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 proposed Further Revised 2024 Purchase Annual Cap and the Agreements, the transactions contemplated thereunder and the proposed annual caps at the SGM.

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the independent Shareholders, we have performed relevant procedures and those steps which we deemed necessary in forming our opinions which include, among other things, review of relevant agreements, documents as well as information provided by the Company and verified them, to an extent, to the relevant public information, statistics and market data, the relevant industry guidelines and rules and regulations as well as information, facts and representations provided, and the opinions expressed, by the Company and/or the Directors and/or the management of the Group. The documents reviewed include, but are not limited to, the Agreements, the annual report of the Company for the year ended 31 December 2023 (the “**2023 Annual Report**”), the interim report of the Company for the six months ended 30 June 2024 (the “**2024 Interim Report**”), the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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announcement of the Company dated 24 November 2021, the circular of the Company dated 30 November 2021, the announcement and the circular of the Company dated 27 March 2024 and 26 April 2024 respectively in relation to the Revised 2024 Purchase Annual Cap, the Announcement and the Circular. We have assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us.

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

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

### PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the proposed Further Revised 2024 Purchase Annual Cap and the Agreements, the transactions contemplated thereunder and the proposed annual caps, we have considered the following principal factors and reasons.

#### **1 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 Module. 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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### *TCL Technology*

TCL Technology is a major PRC conglomerate and is principally engaged in two core industries of new display and new energy photovoltaic products. 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.

### *Huizhou TCL*

Huizhou TCL is principally engaged in the business of provision of human resources referral and subcontracting services in the area of electronic components. Huizhou TCL is held as to 50% by each of TCL Holdings and TCL Technology.

## 2 Financial information of the Group

Set out below is a summary of the financial information of the Group for the two years ended 31 December 2023 and for the six months ended 30 June 2023 and 30 June 2024 as extracted from the 2023 Annual Report and the 2024 Interim Report, respectively.

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

	<b>For the six months ended</b>		<b>For the year ended</b>	
	<b>30 June</b>		<b>31 December</b>	
	<b>2024</b>	<b>2023</b>	<b>2023</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
<i>Revenue by types of goods or services</i>				
– Sale of industrial products	1,818,142	1,209,564	2,511,931	4,172,765
– Processing services	22,858	17,295	64,875	35,585
<b>Total Revenue</b>	<b>1,841,000</b>	<b>1,226,859</b>	<b>2,576,806</b>	<b>4,208,350</b>
Gross profit	69,605	86,774	174,051	343,744
<b>Profit/(Loss) for the period/ year</b>	<b>6,974</b>	<b>(7,418)</b>	<b>13,086</b>	<b>169,025</b>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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### ***For the six months ended 30 June 2024***

According to the 2024 Interim Report, the Group recorded a total revenue of RMB1,841.0 million for the six months ended 30 June 2024, representing an increase of approximately 50.1%, compared with the corresponding period in 2023. Such an increase was mainly due to (i) the sales volume of tablet modules increased by 44.6 times year-on-year to 2.3 million units, (ii) an almost 5-fold year-on-year increase in the sales volume of commercial display products to 457,700 units; and (iii) the high unit price of medium sized products contributed to a 76.3% year-on-year increase in the overall average selling price of the Group's products, reaching RMB100.9 per unit.

Despite the increase in revenue, the Group record a decline in the gross profit margin, which was 3.8% as compared with 7.1% for the six months ended 30 June 2023. However, for the six months ended 30 June 2024, the Group experienced a positive shift in profitability, from a loss of RMB7.4 million for the six months ended 30 June 2023 to a profit of RMB7.0 million for the six months ended 30 June 2024. The turnaround from loss to profit was mainly attributable to (i) the government subsidies amounting to approximately RMB10 million received by the Group's subsidiaries in the PRC during the six months ended 30 June 2024 due to the subsidiaries being eligible for enhanced value added tax credits; (ii) the realised losses on derivative financial instruments (such as forward currency contracts used to hedge the Group's foreign currency exposure) decreasing from RMB40 million in the corresponding period last year to less than RMB1 million for the six months ended 30 June 2024; and (iii) costs reduction and efficiency enhancing measures adopted by the Group.

### ***For the year ended 31 December 2023***

According to the 2023 Annual Report, 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 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. The decreased was impacted by the sluggish electronic consumer market, global political uncertainty and high inflation and thus a 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.



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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.

Meanwhile, the consolidated assets and liabilities of the Group as at 31 December 2023 and 30 June 2024 as extracted from the 2024 Interim Report are summarized as follows:

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

	<b>As at 30 June 2024</b>	<b>As at 31 December 2023</b>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Total assets		
– non-current assets	1,033,385	812,500
– current assets	1,839,987	1,719,377
	2,873,372	2,531,877
Total liabilities		
– non-current liabilities	19,453	12,632
– current liabilities	1,838,723	1,509,797
	1,858,176	1,522,429
<b>Net current assets</b>	<b>1,264</b>	<b>209,580</b>
<b>Net assets</b>	<b>1,015,196</b>	<b>1,009,448</b>

The Group recorded total assets of approximately RMB2,873.4 million as at 30 June 2024, comprising non-current assets of approximately RMB1,033.4 million and current assets of approximately RMB1,840.0 million. On the other hand, the Group recorded total liabilities of approximately RMB1,858.2 million as at 30 June 2024, comprising non-current liabilities of approximately RMB19.5 million and current liabilities of approximately RMB1,838.7 million.

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As such, the net current assets of the Group as at 30 June 2024 amounted to approximately RMB1.3 million, which decreased by 99.4% from approximately RMB209.6 million as at 31 December 2023. The substantial decrease in net current assets was primarily due to (i) an increase of approximately RMB170.0 million or 16.2% in trade payables, which was mainly driven by the increase of approximately RMB614.1 million or 50.1% in revenue for the six months ended 30 June 2024 and the increase of approximately RMB631.3 million or 55.4% in cost of sales; (ii) an increase of approximately RMB182.9 million or 44.6% in other payables and accruals, which mainly consist of utilities that are generated from the rise in revenue, with the growth rate aligning with the revenue increase rate; and (iii) a reduction in prepayments and other receivables of approximately RMB22.6 million. These changes affected the Group's liquidity but did not substantially alter the overall financial stability, as the net assets of the Group remained relatively stable at approximately RMB1,015.2 million.

### **3 Reasons for and benefits of the proposed Further Revised 2024 Purchase Annual Cap and the Agreements**

#### ***The proposed Further Revised 2024 Purchase Annual Cap***

According to the 2023 Annual Report and the Board Letter, it is 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, 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 Revised 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 further revise the Revised 2024 Purchase Annual Cap. The further revision of the Revised 2024 Purchase Annual Cap will facilitate members of the Group to secure a stable and reliable supply of the necessary Materials that meets customers' requirements. Therefore, the Further 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 Tracker<sup>1</sup>, smartphone shipments in China grew by 8.9% year-over-year to 71.6 million units in the second quarter of 2024. This marks the third consecutive quarter of growth, leading to 140.8 million units shipped in the first half of 2024 and a 7.7% year-over-year growth. The recovery was supported by accumulated replacement needs

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<sup>1</sup> Please refer to the Worldwide Quarterly Mobile Phone Tracker of IDC, a global research provider, at <https://www.idc.com/getdoc.jsp?containerId=prAP52467524>

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and a low comparison base year. Additionally, IDC has increased its smartphone forecast for worldwide smartphone shipments from growth of 4% for the year, to 5.8%, reaching 1.23 billion units. In respect of the recovery and expected growth of the smartphone market, we noted that the unaudited historical amount of purchase of Materials from TCL Technology Group had reached RMB880.8 million for the eight months ended 31 August 2024, representing 67.75% of the 2024 Purchase Annual Cap for the year ending 31 December 2024.

Given that (i) the actual usage for the eight months ended 31 August 2024 has exceeded 67% of the Revised 2024 Purchase Annual Cap; (ii) the Revised 2024 Purchase Annual Cap is expected to be fully utilized in or about November 2024 if not being renewed; (iii) the anticipated increase in demand of smartphone module and other display module from existing and new 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 as discussed in the section “6.1 The proposed Further Revised 2024 Purchase Annual Cap” below, and (v) the longstanding and positive relationship between the Company and TCL Technology Group, we consider that the Further Revised 2024 Purchase Annual Cap and the transactions contemplated thereunder are 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.

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 Directors believe, and we concur, that the Further Revised 2024 Purchase Annual Cap and the transactions contemplated thereunder are 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.

### ***Master Processing (2025-2027) Agreement***

As stated in the Borad Letter, the processing service of raw materials provided by customers is a principal business segment of the Group. Under the Master Processing (2025-2027) Agreement, the Raw Materials to be processed by the Group will either be provided by the customers, or if the relevant customer is unable to provide sufficient Raw Materials, such customer will reimburse the Group for the costs of Raw Materials. In view of the tight supply and cost fluctuation of raw materials in recent years, this business model provides the Group with a more flexible option to satisfy the customers’ needs.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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The Master Processing (2025-2027) Agreement enables the Group to continue providing processing service to TCL Technology Group, which will facilitate the operation of the Group's business by providing additional and stable sources of business opportunities and enhancing the efficient use of resources and utilisation of the production capacity of the Group. Furthermore, we observed that proposed annual caps for the processing fees for the three years ending 31 December 2027 are approximately RMB100 million, RMB120 million and RMB144 million respectively, account for approximately 3.88%, 4.66% and 5.59% of the Group's revenue of approximately RMB2,576.8 million for the year ended 31 December 2023. In this respect, we concur with the Directors that the continuing connected transactions contemplated under the Master Processing (2025-2027) Agreement will not result in significant reliance on TCL Technology Group.

In light of the above, we are of the view that entering into of the Master Processing (2025-2027) Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

### ***Master Sale and Purchase (2025-2027) Agreement***

After our discussion with the Company, it is understood that the Group specializes in small-to-medium sized LCD Module, in contrast to TCL Technology Group, which focuses on large-sized displays and new energy photovoltaic products. In order to enhance comparative competitiveness, expand its customer base, and further improve the Group's profitability, the Group has been maintaining close collaborations with TCL CSOT and has together formed a business model of panel and module integration to seize the huge opportunities in the medium-sized display market.

We understand that the market for smartphone products and products with display modules is dynamic and ever-changing. A holistic customer experience is critically important, and as such, brand customers that offer a wide range of electronic appliances often place orders for multiple types of electronic products with TCL Technology Group simultaneously. Thus, to swiftly adapt to market changes, strengthen the Group's operating capabilities, and share sales channels within TCL Technology Group, the Group initially sells its products to members of the TCL Technology Group, who then resell these products to third-party customers. While the Group may not currently be able to establish direct business relationships with certain independent brand customers, by supplying products to TCL Technology Group for processing or onward sale to such independent brand customers, the Group may gradually establish direct sales channels with these Independent Third Party brand customers.

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Given that the Master Sale and Purchase (2025-2027) Agreement will (i) provide members of the Group with a stable and reliable source of supply of the necessary Materials for the Products of the Group; (ii) provide the Group with more flexible options as to the sales channels of its Products; (iii) not result in significant reliance on TCL Technology Group as discussed below, we concur with the Directors that entering into of the Master Sale and Purchase (2025-2027) Agreement is 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.

### ***Master HR Subcontracting (2025-2027) Agreement***

Under the Master HR Subcontracting (2025-2027) Agreement, Huizhou TCL Group will provide a stable and flexible supply of human resources to the Group upon the Group's request, which saves the Group from the time and resources required in recruiting sufficient and additional skilled workers on a short-term basis in particular at peak seasons and reduces the risk of production disruption in case the Group could not recruit the necessary skilled workers in time. Also, given the close cooperation between Huizhou TCL Group and the Group during the past three years, Huizhou TCL Group is familiar with the needs of the Group and is able to promptly provide the suitable works to the Group.

Hence, we considered that the Master HR Subcontracting (2025-2027) Agreement provides flexibility but not an obligation to the Group to engage Huizhou TCL Group in their respective business operation whenever their respective directors consider appropriate. As such, entering into of the Master HR Subcontracting (2025-2027) Agreement is 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.

## **4 Principal terms of the Agreements**

### ***4.1 Master Processing (2025-2027) Agreement***

Pursuant to the Master Processing (2025-2027) Agreement, (i) if any member of TCL Technology Group so requests, the Company may, at its absolute discretion, procure the relevant member of the Group to process Raw Materials into Semi-Finished Materials and/or Finished Goods for the relevant member of TCL Technology Group in accordance with the Quality Specification; (ii) the material processing services provided by the Group shall be on a non-exclusive basis but orders placed by TCL Technology Group shall be given priority; (iii) TCL Technology will procure the relevant member of TCL Technology Group to provide the relevant member of the Group with the Raw Materials. The title to the Raw Materials (to the extent sourced from and owned by TCL Technology Group), the Semi-Finished Materials and the Finished Goods shall at all times be vested with the relevant member of TCL Technology Group; and (iv) in the event that the relevant member of TCL Technology Group is unable to provide sufficient Raw Materials to the Group to process into the requisite Semi-Finished Materials and/or Finished Goods, the relevant member of the Group may (but is not obliged to) source for any such shortfall in Raw Materials from

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other suppliers on behalf of the relevant member of TCL Technology Group and the relevant member of TCL Technology Group shall reimburse the relevant member of the Group of cost of such Raw Materials. The terms and conditions of the material processing services provided by the Group to TCL Technology Group shall be agreed by relevant member of the Group and TCL Technology Group in writing by individual agreements from time to time. The terms of such individual agreements shall be consistent with the terms of the Master Processing (2025-2027) Agreement save and except the clauses regarding applicable law and dispute resolution. For details on the terms of the Master Processing (2025-2027) Agreement, please refer to the section headed “CONTINUING CONNECTED TRANSACTIONS” in the Board Letter.

### *Processing fee and price determination*

The overall terms and conditions (including but not limited to processing fees and payment terms) as a whole of each processing order offered by the relevant member of TCL Technology Group to the Group shall be no less favourable to the Group than those offered by Independent Third Parties and shall be on normal commercial terms or better. Each processing order shall be negotiated on an arm’s length basis.

In determining whether the overall terms and conditions of any material processing services conducted pursuant to the Master Processing (2025-2027) Agreement are no less favourable to the Group than those offered by Independent Third Parties, the Group shall take into account all relevant factors including the fair market price ranges and pricing terms of material processing services of identical, or (if that is not available) of comparable or similar nature, quality, specifications, required time, etc. offered by other Independent Third Parties in the market at the time when the relevant individual agreement is entered into.

### *Our assessment of the principal terms*

We have reviewed the Master Processing (2025-2027) Agreement and have discussed with the management of the Company the major terms thereof, and we noted that the terms thereof are incorporated substantially from the Master Processing (2022-2024) Agreement, save and except the clauses regarding applicable law and dispute resolution. Further, the Group is not obliged to provide the relevant processing services for the relevant members of TCL Technology Group. If the Group decides to provide the relevant processing services for the relevant members of TCL Technology Group, it shall be conducted based on normal commercial terms after arm’s length negotiation and normal commercial terms that are no less favourable than the terms offered by Independent Third Parties and which are in the interests of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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After our discussion with the Group, we noted that the Group has yet to provide any processing service to any Independent Third Parties. As such the Group had compared the gross profit margin of the processing fee to be charged by the Group against the gross profit margin for selling similar Semi-Finished Materials and/or Finished Goods to ensure that a higher gross profit margin will be achieved by offering processing service.

In this respect, we have obtained, reviewed and examined the gross profit margin of the processing fees from 3 quotations for offering processing services to the relevant member of TCL Technology Group, selected from different and randomly-assigned months from 2022 to 2024, and compared them with 3 of the Group's quotations for the gross profit margin for selling similar Semi-Finished Materials and/or Finished Goods to Independent Third Parties. We consider our samples as fair and representative as they were selected on a random basis and cover different points of time during the three years (while the quotations to Independent Third Parties in the same quarter were compared directly). Through our comparison, we noted that the gross profit margin of offering processing services to the relevant member of TCL Technology Group were higher than the gross profit margin of sales of Semi-Finished Materials or Finished Goods to Independent Third Parties.

Given that the Group will (i) request the relevant member of TCL Technology Group to obtain at least two quotations from Independent Third Parties for comparison of the overall terms of the engagement if no similar service for processing the relevant Raw Material into similar Semi-Finished Materials and/or Finished Goods is offered by the Group to Independent Third Parties; (ii) where no such quotations could be obtained, the Group will compare the gross profit margin of the processing fee to be charged by the Group against the gross profit margin for selling similar Semi-Finished Materials and/or Finished Goods to ensure that a higher gross profit margin will be achieved by offering processing service; and (iii) our review of the internal control measures adopted by the Group as discussed in the below section headed "7 Internal control procedures and pricing policy" of this letter, we are of the view that the terms of the Master Processing (2025-2027) Agreement are on normal commercial terms and 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.

### **4.2 Master Sale and Purchase (2025-2027) Agreement**

Set out below are the principal terms for selling of Products to TCL Technology Group and purchasing of Materials from TCL Technology Group under the Master Sale and Purchase (2025-2027) Agreement. For details on the terms of the Master Sale and Purchase (2025-2027) Agreement, please refer to the section headed "CONTINUING CONNECTED TRANSACTIONS" in the Board Letter.

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### *Sale of Products to TCL Technology Group*

Pursuant to the Master Sale and Purchase (2025-2027) Agreement, each member of TCL Technology Group may, at its absolute discretion, request to purchase Products from members of the Group. If any member of TCL Technology Group so requests or makes a written offer to any member of the Group to purchase from the Group any Products, the Company may, at its absolute discretion, procure relevant members of the Group to supply such Products to the relevant member of TCL Technology Group. The terms and conditions of the sale of Products shall be agreed by relevant member of the Group and TCL Technology Group in writing by individual agreements from time to time. The terms of such individual agreements shall be consistent with the terms of the Master Sale and Purchase (2025-2027) Agreement save and except the clauses regarding applicable law and dispute resolution.

### *Purchase of Materials from TCL Technology Group*

Pursuant to the Master Sale and Purchase (2025-2027) Agreement, each member of the Group may, at its absolute discretion, request to purchase its required Materials from members of TCL Technology Group. Upon receiving purchase request from members of the Group, TCL Technology may, at its absolute discretion, procure the relevant member of TCL Technology Group to sell to the relevant member of the Group the required Materials.

The terms and conditions of the purchase of Materials shall be agreed by relevant member of the Group and TCL Technology Group in writing by individual agreements from time to time. The terms of such individual agreements shall be consistent with the terms of the Master Sale and Purchase (2025-2027) Agreement save and except the clauses regarding applicable law and dispute resolution.

### *Price determination*

The overall terms and conditions (including but not limited to price, payment terms and credit terms) as a whole offered by the relevant member of TCL Technology Group to relevant member of the Group shall be no less favourable to the relevant member of the Group than those offered by Independent Third Parties and shall be on normal commercial terms or better. Each sale or purchase order shall be negotiated on an arm's length basis.

In determining whether the overall terms and conditions of any sale and purchase conducted pursuant to the Master Sale and Purchase (2025-2027) Agreement are no less favourable to the relevant member of the Group than those offered by Independent Third Parties, the Group shall take into account all relevant factors including the fair market price ranges and pricing terms of goods of identical, or (if this is not available) of comparable or similar quality, specifications, quantities, required time of delivery, etc. offered by Independent Third Parties in the market as at the time when the relevant individual agreement is entered into.



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### Revenue Limit

Each of the Company and TCL Technology undertakes with each other that:

- (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 year during the term of the Master Sale and Purchase (2025-2027) Agreement; and
- (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 year during the term of the Master Sale and Purchase (2025-2027) Agreement.

Our assessment of the principal terms

We have reviewed the Master Sale and Purchase (2025-2027) Agreement and have discussed with the management of the Company the major terms thereof, and we noted that the terms thereof are incorporated substantially from the Master Sale and Purchase (2022-2024) Agreement. Further, it is also noted that the Group is not restricted from purchasing any Materials or selling any Products from/to Independent Third Parties. If the relevant member of the Group decides to purchase any Materials or selling any Products from/to TCL Technology Group, it shall be conducted based on normal commercial terms after arm's length negotiation and normal commercial terms that are no less favourable than the terms offered by Independent Third Parties and are in the interests of the Group.

In determining whether the pricing basis adopted in selling Products to TCL Technology Group under the Master Financial (2025-2027) Agreement is fair and reasonable, we have obtained, reviewed and examined 6 purchase orders for Products from TCL Technology Group during 2022 to 2024, and comparable them with 6 purchase orders for similar/comparable Product from Independent Third Parties during the same period. From the comparison, we note that the unit prices for sales of Products to TCL Technology Group, ranged approximately from RMB84.5 to RMB96.7, were competitive and favourable compared to the unit prices (including tax) offered to Independent Third Parties, which ranged from RMB55.3 to RMB78.0.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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Similarly, in respect of Materials supplied by the TCL Technology Group, we have obtained, reviewed and examined 6 quotations for 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 these demands, 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 decide 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 6 quotations for the Material from TCL Technology Group with 6 quotations for the same material of comparable sizes from Independent Third Party during the same period, we noted that the slightly smaller-sized material from the Independent Third Party, which ranged from approximately RMB30.5 to RMB53.0 per unit, is more expensive than the slightly larger-sized Material provided by TCL Technology Group ranged from approximately RMB25.6 to RMB34.1 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. After reviewing such quotations, we also observed that the payment terms for purchasing Material from TCL Technology Group were no less favourable than those offered by Independent Third Parties.

In light of the above and our review of the internal control measures adopted by the Group as discussed in the below section headed "7 Internal control procedures and pricing policy" of this letter, we are of the view that the terms and the price determination of Master Sale and Purchase (2025-2027) Agreement are on normal commercial terms and 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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### ***4.3 Master HR Subcontracting (2025-2027) Agreement***

Pursuant to the Master HR Subcontracting (2025-2027) Agreement, members of the Group may, at its absolute discretion, engage the relevant member of the Huizhou TCL Group for provision of the Human Resources Services. The relevant member of the Huizhou TCL Group shall be responsible for, among other things (i) the hiring of labour, the payment of wages, social security and employee compensation in accordance with applicable laws and regulations; (ii) organisation, recruitment and provision of suitable production labour and support staff to meet the needs of the Group under the Human Resources Services; (iii) supervision and training (including legal compliance, labour protection, safety training in respect of personal injury and incident and disaster prevention) of labour under the Human Resources Services; and (iv) day-to-day management of labour and designated projects under the Human Resources Services to ensure that the requirements of the relevant member of the Group are satisfied. The relevant member of the Group shall be responsible for, among other things (i) provision of work premises, facilities, equipment, and raw materials etc. necessary for completion of the designated projects; (ii) provision of specific guidelines, regulations, standards, requirements or targets in respect of each designated project; (iii) ensuring a safe working environment and provision of specialised safety training or other necessary training.

The relevant member of the Group and the relevant member of the Huizhou TCL Group shall agree on the terms (including but not limited to fees and payment terms) of the provision of Human Resources Services in writing by individual agreements from time to time. The terms (other than terms in relation to jurisdiction and dispute resolution) of such individual agreements shall be consistent with and not deviate from the Master HR Subcontracting (2025-2027) Agreement.

The relevant member of the Group shall have absolute discretion in deciding whether and to what extent the requirements under the designated projects are satisfied and such decision of the relevant member of the Group shall be final and conclusive. In the event the relevant member of the Group determines that the relevant member(s) of the Huizhou TCL Group is unable to satisfy in any respect the relevant requirements in a timely manner, the Group shall have the right to terminate the relevant individual agreement.

Unless otherwise agreed in the individual agreements, the fees for the Human Resources Services shall be payable by the relevant member of the Group to the relevant member of Huizhou TCL Group on a monthly basis and shall be settled on or before the 15th day of each month. For details on the terms of the Master HR Subcontracting (2025-2027) Agreement, please refer to the section headed “CONTINUING CONNECTED TRANSACTIONS” in the Board Letter.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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### *Price determination*

The fees under the Human Resources Services are calculated based on:

- (i) the salaries/wages of the relevant labour/staff provided by the relevant member of Huizhou TCL Group under the Human Resources Services; and
- (ii) the actual costs and other disbursements incurred by the relevant member of Huizhou TCL Group under the Human Resources Services.

An estimation of the aforesaid salaries, costs and other disbursements to be incurred or paid by the relevant member of Huizhou TCL Group shall be set out in the individual agreements and be supported with written evidence. If the actual salaries, costs and other disbursements incurred by the relevant member of Huizhou TCL Group are higher than those set out in the individual agreements, the relevant member of the Group shall have absolute discretion to pay to the relevant member of Huizhou TCL Group only such estimated amounts set out in the individual agreements.

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

In determining whether the terms and conditions of any individual agreements for the Human Resources Services are no less favourable to the relevant member of the Group than those offered by independent third parties, the Group shall take into account all relevant factors including, in respect of salaries/wages of relevant labour/staff, the fair market price ranges and pricing terms of human resources services of identical, or (if this is not available) of comparable or similar nature, quality, type, specifications, required time, etc. offered by Independent Third Parties in the market as at the time when the relevant individual agreement is entered into.

### *Our assessment of the principal terms*

We have reviewed the Master HR Subcontracting (2025-2027) Agreement and have discussed with the management of the Company the major terms thereof, and we noted that the terms thereof are incorporated substantially from the Master HR Subcontracting (2022-2024) Agreement. Further, it is also noted that the Group is not restricted from engaging Independent Third Parties for provision of the Human Resources Services. If the relevant member of the Group decides to engage the relevant member of the Huizhou TCL Group for provision of the Human Resources

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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Services, it shall be conducted based on normal commercial terms after arm's length negotiation and normal commercial terms that are no less favourable than the terms offered by Independent Third Parties and are in the interests of the Group.

To assess the fairness and reasonableness of the terms in the Master HR Subcontracting (2025-2027) Agreement, we have discussed with the management and noted that the Group had only entered into one contract with Huizhou TCL Group in respect of the provision of the Human Resources Services under the Master HR Subcontracting (2022-2024) Agreement. We have obtained and review the sample contract from the Group with respect to the provision of the Human Resources Services from Huizhou TCL Group and compared it with 2 sample contracts for providing similar service by Independent Third Party during the same period. After reviewing these sample contracts, which included detailed pricing and payment terms, and based on confirmation from the Company, it is observed that the prices and payment terms for the Human Resources Services provided by Huizhou TCL Group were no less favourable than those offered by Independent Third Parties.

### 5 Historical figures and proposed annual caps

The following table sets out the respective historical figures of the continuing connected transactions as described above for the two years ended 31 December 2023 and the eight months ended 31 August 2024.

**Table 3: Historical transaction amounts of relevant continuing connected transactions**

	For the year ended 31 December 2022 <i>(audited)</i> RMB'000	For the year ended 31 December 2023 <i>(audited)</i> RMB'000	For the year ending 31 December 2024  (for historical annual cap)/ For the period from 1 January 2024 to 31 August 2024  (for actual amount) <i>(unaudited)</i> RMB'000
<b>Continuing Connected Transactions</b>			
<b>Master Processing (2022-2024) Agreement</b>			
<i>Processing fees</i>			
– Historical annual caps	198,000	218,000	239,000
– Actual amount	35,585	64,875	31,933
– Utilisation rate	17.97%	29.76%	13.36%

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	<b>For the year ended 31 December 2022 <i>(audited)</i> RMB'000</b>	<b>For the year ended 31 December 2023 <i>(audited)</i> RMB'000</b>	<b>For the year ending 31 December 2024 (for historical annual cap)/ For the period from 1 January 2024 to 31 August 2024 (for actual amount) <i>(unaudited)</i> RMB'000</b>
<b>Continuing Connected Transactions</b>			
<b>Master Sale and Purchase (2022-2024) Agreement</b>			
<i>Purchase of Materials from TCL Technology Group</i>			
– Historical annual caps	387,000	426,000	1,300,000 <i>(Note)</i>
– Actual amount	156,504	298,319	880,772
– Utilisation rate	40.44%	70.03%	67.75%
<i>Sale of Products to TCL Technology Group</i>			
– Historical annual caps	2,781,000	3,059,000	3,364,000
– Actual amount	1,335,122	842,783	1,165,222
– Utilisation rate	48.01%	27.55%	34.64%
<b>Master HR Subcontracting (2022-2024) Agreement</b>			
<i>Service fees</i>			
– Historical annual caps	106,000	122,000	141,000
– Actual amount	1,516	35,843	42,418
– Utilisation rate	1.43%	29.38%	30.08%

*Note:*

The annual cap for the purchase of Materials from TCL Technology Group for the year ending 31 December 2024 has been revised from RMB469,000,000 to RMB1,300,000,000. The revision was approved by the Shareholders at the special general meeting of the Company held on 23 May 2024. For details, please refer to the April 2024 Circular.

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Set out below are the proposed Further Revised 2024 Purchase Annual Cap and the respective proposed annual caps of the continuing connected transactions under the Agreements for the three years ending 31 December 2027.

**Table 4: Proposed Further Revised 2024 Purchase Annual Cap and proposed annual caps**

	For the year ending 31 December 2024 <i>RMB'000</i>	For the year ending 31 December 2025 <i>RMB'000</i>	For the year ending 31 December 2026 <i>RMB'000</i>	For the year ending 31 December 2027 <i>RMB'000</i>
<b>Master Processing (2025-2027) Agreement</b>				
<i>Processing fees</i>				
Proposed annual caps	N/A	100,000	120,000	144,000
<b>Master Sale and Purchase (2022-2024) Agreement</b>				
Proposed Further Revised 2024 Purchase Annual Cap	1,800,000 <i>(Note)</i>	N/A	N/A	N/A
<b>Master Sale and Purchase (2025-2027) Agreement</b>				
<i>Purchase of Materials from TCL Technology Group</i>				
Proposed annual caps	N/A	2,500,000	3,000,000	3,600,000
<i>Sale of Products to TCL Technology Group</i>				
Proposed annual caps	N/A	2,500,000	3,000,000	3,600,000
<b>Master HR Subcontracting (2025-2027) Agreement</b>				
<i>Service fees</i>				
Proposed annual caps	N/A	100,000	115,000	132,250

*Note:*

For the avoidance of doubt, the Company and TCL Technology Group 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 the Revenue Limit. As further explained in the paragraph headed "Reasons for and Benefits of Revision of the Revised 2024 Purchase Annual Cap and the Continuing Connected Transactions" in the Board Letter, the projected ratio of the Further Revised 2024 Purchase Annual Cap to the total revenue of the Group for the year ending 31 December 2024 is expected to be 40.9%.

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### 6 Basis of the proposed annual caps and our analysis

#### *6.1 The proposed Further Revised 2024 Purchase Annual Cap*

In determining the proposed Further Revised 2024 Purchase Annual Cap, the Group has taken into account, among others, (i) the expected continuation of increased demand for sourcing from TCL Technology Group for the remaining term of the Master Sale and Purchase (2022-2024) Agreement to meet the Group's production need; (ii) the unaudited historical amount of purchase of Materials from TCL Technology Group during the eight months ended 31 August 2024, which reached RMB880.8 million representing approximately 67.75% of the Revised 2024 Purchase Annual Cap and 187.8% of the 2024 Purchase Annual Cap; and (iii) the projections based on the current trend and the current orders on hand, indicating that the monthly amount of purchase of Materials from TCL Technology Group will be RMB180 million and the amount of purchase of Materials from TCL Technology Group will exceed the Revised 2024 Purchase Annual Cap by November 2024 and will reach RMB1,666,671,000 at the end of 2024.

In terms of historical figures of the Group's purchase of Materials from TCL Technology Group, we have reviewed the 2023 Annual Report and the unaudited management accounts for the eight months ended 31 August 2024. It is noted that there is an increasing trend in the volume of products that require the Materials. For the years ended 31 December 2022 and 2023 and the eight months ended 31 August 2024, the actual amounts of Materials purchased from TCL Technology Group under the Master Sale and Purchase (2022-2024) Agreement were approximately RMB156.5 million, RMB298.3 million and RMB880.8 million, respectively. This represents an increase of approximately 90.6% from 2022 to 2023, and if annualized, an increase of over 340% for 2024 compared to the full year 2023, based on the first eight months' actual amount. Furthermore, we also noted that the Group has implemented an additional medium-sized production line in the first half of 2024 as stated in the 2024 Interim Report to meet the increasing market demand for medium-size display modules and capitalise on the huge opportunities in the smart home and IoT markets. On the other hand, the Group intends to continue increasing 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.

As discussed in the previous section, the display panel production line "t9" of TCL CSOT, a member of TCL Technology Group, enables the Group to offer high-quality, customized services to several first-tier smartphone brands. The stable supply of Materials from TCL CSOT meets the specific demands of these 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



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to continue for the remaining term of the Master Sale and Purchase (2022-2024) Agreement to meet its production needs. From our discussion with the Group, it is expected that the monthly purchase of Materials from TCL Technology Group to be RMB180 million from August 2024 onwards, driven by the increased demand from customers and the expanded production capacity of TCL CSOT's t9 line, as well as the expected sales composition, the product-specific profit margins and the historical purchasing trends.

In relation to the projected monthly order of RMB180 million, we have undertaken the following work done: (i) assessed the rationale and ground of the assumption and examined the calculations; (ii) analyzed the Company's historical performance, noting that revenue has risen by over 50% as of 30 June 2024 in comparison to the corresponding period in 2023; (iii) reviewed the most recent customer orders received as of August 2024, which total approximately RMB1.4 billion for the period from September to December 2024; and (iv) engaged in discussions with the Company to gain insights into the overall industry landscape. We are of the view that the anticipated monthly purchase of RMB180 million is fair and reasonable.

Furthermore, as stated in the Board Letter, the Directors consider, and we concur, 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, as:

- (i) From our review of the sales forecast for the year ending 31 December 2024, we noted that the revenue of the Group for the year 2024 is projected to reach approximately RMB4.4 billion, which is based on (i) the revenue of RMB1.84 billion for the six months ended 30 June 2024; (ii) the sales forecast for the second half of 2024 of the Group with its existing customers, including order quantity, production and shipment schedule, unit price of products; (iii) potential orders from new customers; (iv) the Group's production capacity; and (v) the substantial increase in the Company's projected revenue for the year ending 31 December 2024 is attributable to (i) the shift in the Company's product mix, with the focus being placed on medium-sized display modules which command a higher selling price, (ii) the cooperation between the Group and the display panel production line "t9" of TCL CSOT which allow the Group to meet the technical specifications of more first-tier brand customers and get sizeable purchase orders from such customers and (iii) the new project for the sale of parts to Independent Third Parties which creates a new source of revenue. On this basis, the proposed Further Revised 2024 Purchase Annual Cap accounts for no more than 43.1% of the projected total cost of sales of the Group and no more than 40.9% of the total revenue of the Group for the year ending 31 December 2024;

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- (ii) none of the current independent 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 suppliers and hence will retain diverse sources of supplies of Materials; and
- (iii) TCL Technology Group supplies only one to two types of Materials to the Group. Whereas the Group will continue to explore the feasibility of sourcing such Materials from other independent 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 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 suppliers.

In light of these factors, we believe that the proposed Further Revised 2024 Purchase Annual Cap is justified and aligns with the Group's business strategy and growth trajectory. It provides the necessary flexibility to meet anticipated production needs while capitalizing on market opportunities in the smart home and IoT sectors., we are of the view that the proposed Further Revised 2024 Purchase Annual Cap in relation to the Master Sale and Purchase (2022-2024) Agreement are fair and reasonable, and in the interest of the Group and the Shareholders as a whole.

### ***6.2 Master Processing (2025-2027) Agreement***

In determining the proposed annual caps for the Master Processing (2025-2027) Agreement, the Group has taken into account, among others, (i) the historical amounts of the relevant transactions under the Master Processing (2022-2024) Agreement, in particular, the processing fees received by the Group for the eight months ended 31 August 2024 was RMB31.93 million; (ii) the processing order for the year ending 31 December 2025 is projected to reach 6.5 million units and it is expected that the processing order volume of the Group will steadily increase during the three years ending 31 December 2027 while the average processing fee per unit is expected to be at the range of RMB14-15 for the year ending 31 December 2025. On this basis, the processing fee for the year ending 31 December 2025 is projected to reach roughly RMB100 million; and (iii) the 20% annual increase in the proposed annual caps from 2025 to 2027 has taken into account the expected annual organic growth rate of 10% in respect of the sale volume of processing products to TCL Technology Group during the three years ending 31 December 2027 and an estimated 10% increase in average processing fee as a result of the increase of weighting of medium-sized display modules in the product mix of the Group.

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We have obtained and reviewed the relevant schedule detailing the processing fees from TCL Technology Group for the three years ending 31 December 2027. We noted that the processing fee per unit is RMB14, which is within the range of quotations for offering processing services to the relevant member of TCL Technology that we have reviewed, which ranged from RMB8.03 to RMB22.75, and that the processing order will reach 6.5 million units for the year ending 31 December 2025. It is also noted that the annual increase of the sale volume of processing products to TCL Technology Group is expected to be 20% per year. Consequently, the expected processing fee would be approximately RMB91 million, RMB109.2 million and RMB131.0 million for the three years ending 31 December 2027 respectively, which are close to the proposed annual caps for the processing fees for the three years ending 31 December 2027.

In assessing the fairness and reasonableness of the 20% annual increase of the sale volume of Semi-Finished Materials and/or Finished Goods to TCL Technology Group, we have conducted a detailed analysis covering several critical aspects of both the Company and the market, such as (i) examined the Company's historical performance, the Group recorded a year-on-year increase rate of 82.3% in processing and manufacturing service under the Master Processing (2022-2024) Agreement from RMB35.6 million for the year ended 31 December 2022 to RMB64.9 million for the year ended 31 December 2023, (ii) analyzed the demand dynamics for Semi-Finished Materials and/or Finished Goods within TCL Technology Group, according to TCL Technology's interim report for the six months ended 30 June 2024<sup>2</sup>, there was a notable increase in the revenue from their display business of approximately 40.4%, increasing from RMB35.5 billion for the six months ended 30 June 2023 to RMB49.9 billion for the six months ended 30 June 2024. TCL Technology also saw a corresponding 20.2% increase in operating costs during the six months ended 30 June 2024, indicative of expanded production scales and enhanced market engagement; and (iii) discussed with the Company the expected increase in the average processing fee. As part of the Group's initiative to diversify its product mix, it is anticipated that medium-sized display modules, which are more expensive than small-sized ones, will constitute a larger proportion of the Group's product mix. The Company estimate a 10% increase in the average processing fee due to a higher weighting of medium-sized display modules. Having considered the above, we are of the view that the 20% annual growth rate is fair and reasonable.

Moreover, it is observed that proposed annual caps for the processing fees for the three years ending 31 December 2027 of approximately RMB100 million, RMB120 million and RMB144 million respectively, account for approximately 3.88%, 4.66% and 5.59% of the Group's revenue of approximately RMB2,576.8 million for the year ended 31 December

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<sup>2</sup> Please refer to the TCL Technology's interim report for the six months ended 30 June 2024, at <https://www.szse.cn/disclosure/listed/bulletinDetail/index.html?b3ce7180-6f6c-4225-b8b3-cae13416a455>

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2023. In this respect, we concur with the Directors that the continuing connected transactions contemplated under the Master Processing (2025-2027) Agreement will not result in significant reliance on TCL Technology Group.

Having consider that (i) the Master Processing (2025-2027) Agreement enables the Group to continue to provide processing service to TCL Technology Group; (ii) it will facilitate the operation of the Group's business by providing additional and stable sources of business opportunities and enhancing the efficient use of resources and utilisation of the production capacity of the Group; (iii) the processing fees used in determining the annual caps for the Master Processing (2025-2027) Agreement are properly estimated; and (iv) the continuing connected transactions contemplated under the Master Processing (2025-2027) Agreement will not result in significant reliance on TCL Technology Group, we are of the view that the proposed annual caps under the Master Processing (2025-2027) Agreement are fair and reasonable to the Company and the Shareholders as a whole.

### **6.3 Master Sale and Purchase (2025-2027) Agreement**

#### *Purchase of Materials from TCL Technology Group*

In determining the proposed annual caps for purchase of Materials from TCL Technology Group under the Master Sale and Purchase (2025-2027) Agreement, the Group has taken into account, among others, (i) the amount of purchase of Materials from TCL Technology Group during the year ending 31 December 2024 is expected to reach over 90% of the Further Revised 2024 Purchase Annual Cap; (ii) the expected increase in demand for Materials, linked to the Company's participation in a new project for the sales of parts to Independent Third Parties, and the projected shipment reaching 8.5 million units during the year ending 31 December 2025; (iii) the stable supply of Materials from the display panel production line "t9" of TCL COST that meet specific requirements of the Group's customers, which has enabled the Group to attract new brand customers; and (iv) the 20% annual increase in the proposed annual caps taking into account the Materials sourcing demand corresponding to the 10% expected annual organic growth rate in the sales volume of the Group from 2025 to 2027, with an additional 10% increase in the average cost of the Group's Materials during the same period.

#### *Sale of Products to TCL Technology Group*

In determining the proposed annual caps for sale of Products to TCL Technology Group under the Master Sale and Purchase (2025-2027) Agreement, the Group has taken into account, among others, (i) the historical amounts of the relevant transactions under the Master Sale and Purchase (2022-2024) Agreement; (ii) the Company's participation in a new project for the sales of parts to Independent Third Parties, and projected shipment reaching 8.5 million units during the year ending 31 December 2025; (iii) the expected 20% increase in revenue from the Group's mobile phone and tablet module for the year ending 31 December 2025 due to new source of panels from the display panel production line "t9" and orders from new brand customers; and (iv)

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the 20% annual increase in the proposed annual caps taking into account the 10% expected annual organic growth rate in the sales volume of the Group from 2025 to 2027, with an additional 10% increase in the average selling prices of the Group's Products during the same period.

With the above considerations, we have obtained and reviewed the relevant schedules and/or the relevant supporting documents for the composition of the relevant proposed annual caps and they were found to be proper.

After our discussion about the background and basis of the projection with the Company, we gained insights into the Company's involvement in a new sales project, which entails selling parts to Independent Third Parties. Having carefully projected alongside these parties, the Company expects that the shipments from this new project for the year ending 31 December 2025, will reach approximately 8.5 million units. Consequently, there is an anticipated increase in demand for relevant materials, priced on average at RMB145 per unit. We have reviewed the details and calculations of the projected shipments and noted that the sales volume generated from this new project was approximately 0.6 million units in July and August of 2024, and the Company expect this to increase in the next year. Upon scrutinizing the plans for the new sales project, we found that this initiative is set to facilitate the sale of parts for 8.5 million units, contributing approximately RMB1,258 million to sales, based on the average cost of the relevant Materials of RMB145 per unit and the Group's policy on minimum gross profit margin, such parts are expected to be sold at RMB148 with a 2% average gross profit margin.

In determining the proposed annual caps for purchase of Materials and sale of Products from/to TCL Technology Group under the Master Sale and Purchase (2025-2027) Agreement, the Group has considered the 10% expected annual organic growth rate and 10% increase in the average cost of the Materials/selling price of the Products. According to the 2024 Interim Report, following the commencement of production at TCL CSOT's LCD panel t9 production line in 2022, which focuses on the medium-sized IT and professional display markets, and the formation of an integrated panel and module business model between the Group and TCL CSOT, the Group has been actively developing its medium-sized display modules and smart home products. During the first half of 2023, an additional production line for medium-sized modules was implemented to meet market demand and capitalize on the significant opportunities in the smart home and IoT markets. We understand that the Group remains cautiously optimistic about the prospects of developing its display module business and is confident in its ability to enhance competitiveness by perfecting its industrial chain and improving its technology and economies of scale. Given that the historical transaction amounts of purchase of Materials from TCL Technology Group under the Master Sale and Purchase (2025-2027) Agreement increased by approximately 90.6% for the two years ended 31 December 2023 and the annualized amount of sale of Products to TCL Technology Group is approximately RMB1,747.8 million

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for the year ending 31 December 2024, representing an increase of approximately 107.4% compared with the previous year, we consider a 10% expected annual organic growth rate in the sales volume of the Group from 2025 to 2027 is fair and reasonable.

Regarding the use of a 10% increase in the average cost of the Materials/selling price of the Products, we understand that this cost increase is attributed to a strategic shift towards the development of medium-sized display modules. As more material is required for producing larger-sized products, even if the unit price of Materials remains relatively stable, the overall average cost for the Group is expected to increase for the three years ending 31 December 2027. According to the 2024 Interim Report, the high unit price of medium-sized products increased by 76.3% year-on-year to RMB100.9 for the six months ended 30 June 2024. Therefore, we consider the 10% increase in the average cost of the Materials/selling price of the Products is fair and reasonable.

As discussed in the above sections headed “3 Reasons for and benefits of the proposed Further Revised 2024 Purchase Annual Cap and the Agreements” and “6.1 The proposed Further Revised 2024 Purchase Annual Cap”, there is an increase in demand for smartphone module and other display module from customer since the commencement of production of the display panel production line “t9” of TCL CSOT and that the Group has benefited from a stable supply of Materials from TCL CSOT that meets the specific demands of first-tier brand customers. It is expected that the revenue of the Group’s mobile phone and tablet modules for the year ending 31 December 2025 is expected to increase 20% year-on-year.

As mentioned in the section headed “3 Reasons for and benefits of the proposed Further Revised 2024 Purchase Annual Cap and the Agreements”, we have conducted independent research on smartphone shipments in both the PRC and global markets. According to the data from IDC, smartphone shipments in China grew by 8.9% year-over-year to 71.6 million units in the second quarter of 2024. This marks the third consecutive quarter of growth, leading to 140.8 million units shipped in the first half of 2024 and a 7.7% year-over-year growth. The trend is expected to remain stable in the coming years. Additionally, IDC has increased its smartphone forecast for worldwide smartphone shipments from growth of 4% for the year, to 5.8%, reaching 1.23 billion units. Regarding the tablet market, according to the report “Worldwide tablet shipments up 18% in Q2 2024” published by Canalys<sup>3</sup>, worldwide tablet shipments increased by 18% year-on-year in the second quarter of 2024, reaching 35.9 million units. This growth is primarily driven by the recovery of the education market and the resurgence of seasonal purchasing patterns. The PRC tablet market has shown tremendous growth due to domestic vendors’ aggressive promotional strategies, which have significantly increased tablet penetration in the country. According to the 2024 Interim Report, the Group’s sales volume of tablet modules increased by 44.6 times year-on-year to 2.3 million units for the six months ended 30 June 2024, and

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<sup>3</sup> Please refer to the report “Worldwide tablet shipments up 18% in Q2 2024” published by Canalys, a global technology market analysis company, at <https://www.canalys.com/newsroom/global-tablet-shipments-Q2-2024>

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contributing a revenue of RMB433.5 million. Given the growth trend for the smartphone and tablet markets, we consider the expected 20% increase in revenue of mobile phone and tablet modules for the year ending 31 December 2025 to be aligned with the trend and the growing demand in the smartphone and tablet market.

Additionally, driven by the increased average size of the Group's products and a shift in focus towards the development of medium-sized display modules. For the six months ended June 30, 2024, the proportion of sales volume derived from tablet modules reached 11.4%, representing a year-on-year increase of 44.6 times. The Group expects the demand for Materials sourced from TCL CSOT will further increase by approximately 50% year-on-year during the year ending 31 December 2025.

The historical transaction amounts of purchase of Materials from TCL Technology Group under the Master Sale and Purchase (2025-2027) Agreement were approximately RMB156.5 million and RMB298.3 million for the two years ended 31 December 2023, representing an increase of approximately 90.6%. For the eight months ended 31 August 2024, the actual amount of purchase of Materials was approximately RMB880.8 million under Master Sale and Purchase (2025-2027) Agreement. If such amount is annualised, the amount of purchase of Materials for the year ending 31 December 2024 is estimated to be approximately RMB1.3 billion, representing an increase of approximately 342.9% compared with the previous year.

On the other hand, the historical transaction amounts of sale of Products to TCL Technology Group under the Master Sale and Purchase (2025-2027) Agreement were approximately RMB1,335.1 million and RMB842.8 million for the two years ended 31 December 2023, with utilization rate of 48.01% and 27.55% respectively. For the eight months ended 31 August 2024, the actual amount of sale of Products to TCL Technology Group was approximately RMB1,165.2 million under Master Sale and Purchase (2025-2027) Agreement. If such amount is annualised, the estimated amount of sale of Products for the year ending 31 December 2024 is estimated to be approximately RMB1,747.8 million, representing an increase of approximately 107.4% compared with the previous year.

Given the significant historical growth of both Materials and Products from 2022 to 2024, coupled with the Company's participation in new sales projects and acquisition of new customers, the Group anticipates a continued increase in demand for the Company's products. This increased demand is expected to drive up both the purchase of Materials from and the sale of Products to TCL Technology Group. Considering both the historical growth trends and the projected future expansion, we are of the view that the proposed annual caps in relation to the Master Sale and Purchase (2025-2027) Agreement during the three years ending 31 December 2027 are fair and reasonable.

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Although the proposed annual caps under the Master Sale and Purchase (2025-2027) Agreement are substantially higher than the historical transaction amounts, similar to the reasons explain above in “6.1 The proposed Further Revised 2024 Purchase Annual Cap”, and that the purchase of Materials from and sale of Products to TCL Technology Group will be subject to the Revenue Limit ensuring that the scale of these continuing connected transactions will be tied to the growth of the Group’s relevant transactions with Independent Third Party suppliers and customers, the Directors consider, and we concur, that the continuing connected transactions contemplated under the Master Sale and Purchase (2025-2027) Agreement will not result in significant reliance on TCL Technology Group.

### **6.4 Master HR Subcontracting (2025-2027) Agreement**

As stated in the Board Letter, the Directors determined the proposed annual caps in relation to the Master HR Subcontracting (2025-2027) Agreement with reference to, among others (i) the historical labour costs incurred by members of the Group for similar projects and operations; (ii) the expected increase of labour demand (in terms of man hour) of the Group at an annual rate of 10% during the term of the Master HR Subcontracting (2025-2027) Agreement taking into account the Group’s business development plan and expected organic growth of 10 to 15% of the Group’s sales volume resulting from orders from new brand customers and the new source of supply of panels from the display panel production line “t9” for the three years ending 31 December 2027; (iii) the prevailing market rate of services similar to the Human Resources Services which is expected to increase at an annual rate of 5% taking into consideration of inflation; (iv) the experience and expertise of the labour supplied by Huizhou TCL Group; and (v) an additional 10% to 20% of buffer is taken into account for each of the three years from 2025 to 2027.

The historical transaction amounts of service fees under the Master HR Subcontracting (2025-2027) Agreement were approximately RMB1.5 million and RMB35.8 million for the two years ended 31 December 2023, representing an increase of approximately 2,264.3%. For the eight months ended 31 August 2024, the actual amount of service fees under the Master HR Subcontracting (2025-2027) Agreement was approximately RMB42.4 million. If such amount is annualised, the estimated amount of service fees for the year ending 31 December 2024 is estimated to be approximately RMB63.6 million, representing an increase of approximately 77.5% compared with the previous year. The proposed annual cap for the service fees under the Master HR Subcontracting (2025-2027) Agreement for the year ending 31 December 2025 is RMB100 million, representing an increase of 57.2% of the annualised amount of approximately RMB63.6 million for the year ending 31 December 2024.

We have obtained and reviewed a schedule detailing the service fees to Huizhou TCL Group for the three years ending 31 December 2027. We noted an expected annual increase of 15% for the proposed annual caps during 2025 to 2027, taking into account the Group’s business development plan and expected organic growth of the Group’s sales volume for the



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three years ending 31 December 2027, as well as the prevailing market rate of services similar to the Human Resources Services which is expected to increase at an annual rate of 5% taking into consideration of inflation. After our discussion with the Group, we understand that the proposed annual caps for the Master HR Subcontracting (2025-2027) Agreement also reference the historical labour costs incurred by members of the Group for similar projects and operations, in particular, the relevant historical labour costs for the eight months ended 31 August 2024 was approximately RMB42.4 million.

Following a thorough inquiry with the Company, it has come to our attention that a buffer of 10 to 20% has been set aside. This measure is primarily a result of the Company's policy to engage HR services only when it cannot independently find suitable and adequate personnel. As a result, the actual transaction amount may vary. Furthermore, the costs associated with HR services are subject to several influencing factors, including (i) prevailing market wages, (ii) conditions within the labor market, and (iii) seasonal demand fluctuations, particularly during periods such as the Chinese New Year or peak market seasons.

We have also examined the forecast for the labor force and total working hours provided by the Company for the four-year period concluding on 31 December 2027. It is noteworthy that (i) the Group has secured customer orders amounting to approximately RMB1.4 billion as of 31 August 2024, which is expected to lead to an increase in labor costs and a subsequent rise in the estimated service fees for the year ending 31 December 2024, surpassing the annualized figure of approximately RMB63.6 million; (ii) the Company is set to engage in a new sales initiative involving the sale of parts to Independent Third Parties; (iii) an additional production line for medium-sized modules is scheduled for implementation in the first half of 2024; (iv) the market is experiencing a recovery, alongside collaborations with TCL CSOT; and (v) the necessity for a buffer to address uncontrollable variables. Therefore, we believe that the projected labor force and working hours are accurately estimated and consistent with the Group's strategic goals to improve production efficiency and achieve economies of scale, ultimately leading to cost reductions.

Having considered that (i) the substantial historical growth in purchase of Materials and sale of Products from 2022 to 2024, indicating a strong upward trend in the Group's human resource needs; (ii) the Group's anticipated business expansion and organic growth, which aligns with the projected increase in labour demand; (iii) the projected labour force and working hours for the four years ending 31 December 2027 being properly estimated; (iv) the observed inflationary pressure on labour costs in the PRC market, as evidenced by the Urban Unit Employment Average Monetary Wage Index increase of approximately 5.8% in 2023 according to the National Bureau of Statistics of China, aligns closely with the projected 5% annual increase in the prevailing market rate for Human Resources Services.; and (v) the need for flexibility in human resource allocation to meet the Group's business

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needs, we are of the view that the proposed annual caps for the Master HR Subcontracting (2025-2027) Agreement during the three years ending 31 December 2027 is fair and reasonable.

In order to justify the anticipated growth rate for the Agreements based on the economic context, we have conducted research on China's economy. According to the China Economic Update (June 2024) published by the World Bank Group<sup>4</sup>, which highlighted:

- 1) Favorable external demand drove China's growth performance in early 2024 with global economic activity has recently firmed, supported by an uptick in manufacturing and resilient growth in the United States. China's economic growth on a seasonally adjusted annualized basis, growth accelerated to 6.6 percent in the first quarter of 2024, from 4.9 percent in the fourth quarter last year. In year-on-year terms, GDP growth rose to 5.3 percent from 5.2 percent during the same period.
- 2) Trade activity and capital flows improved in early 2024, merchandise exports have gained some momentum, benefiting from near-term strength in external demand, especially from emerging markets. After a 4.7 percent contraction in goods exports in 2023, exports grew by 1.5 percent year-on-year in the first four months of 2024, propelled by stronger demand from developed markets and Asian economies. Export volumes have rebounded, in part due to real effective exchange rate depreciation.
- 3) Trade in services improved due to a recovery in inbound and outbound tourism. Services exports increased by 6.4 percent year-on-year in the first quarter of 2024, as inbound tourism started to recover and transport services stabilized in line with higher goods exports and rising shipping costs. Concurrently, services imports saw an increase of 14.5 percent year on year, driven by the recovery in outbound tourism.
- 4) Domestically, consumer spending on services remained robust, while growth in demand for goods stayed below the pre-pandemic trend. Goods retail sales expanded by 3.5 percent in the first four months of 2024.
- 5) Capital spending in manufacturing and infrastructure remained resilient increasing by 9.9 and 8.8 percent year-on-year, respectively in 2024. Manufacturing investment was lifted by policy measures on equipment upgrades

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<sup>4</sup> Please refer to the "China Economic Update – June 2024" published by the The World Bank Group, a specialized organization of the United Nations, at <https://thedocs.worldbank.org/en/doc/c7a6b75bc5c138a7ec7e62789695978f-0070012024/original/CEU-June-2024-EN.pdf>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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and other support to priority sectors, while infrastructure investment benefited from the remaining balance of RMB500 billion in disaster recovery and resilience stimulus announced last year.

### 7 Internal control procedures and pricing policy

To ensure that the terms of each of the Agreements and the transactions contemplated thereunder are on normal commercial terms and on terms no less favourable to the Group than those offered by Independent Third Parties, the Group has adopted a set of comprehensive internal control measures (the “**Internal Control Measures**”). Please refer to the section headed “INTERNAL CONTROL PROCEDURES AND PRICING POLICIES” in the Board Letter for details on the respective internal control procedures and pricing policies adopted for each of the Agreements. The following is a summary of these internal control procedures and pricing policies.

#### *General internal control procedures and pricing policies*

- (i) The finance department of the Company has maintained a 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 sales or procurement department (in the case of the Master Sale and Purchase (2025-2027) Agreement and Master Processing (2025-2027) Agreement) or human resources department (in the case of the Master HR Subcontracting (2025-2027) Agreement) 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 Group will maintain a database to record and monitor the aggregate transaction amounts under the continuing connected transactions from time to time and prepare a monthly report on the status of the aggregate transaction amounts which will be submitted to the finance director of the Group for review.
- (iii) Before conducting any transactions with connected persons, the finance department 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 monthly 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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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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.

- (iv) Every time before conducting any continuing connected transactions, the sales or procurement department (in the case of the Master Sale and Purchase (2025-2027) Agreement and Master Processing (2025-2027) Agreement) or human resources department (in the case of the Master HR Subcontracting (2025-2027) Agreement) 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.

### ***Specific internal control procedures and pricing policies***

#### *Master Processing (2025-2027) Agreement*

- (i) Every time before the relevant member of the Group accepts a request from the relevant member of TCL Technology Group for the processing of Raw Materials, the operation unit of the relevant member of the Group will review the draft individual processing order for the engagement to confirm that the Group has the relevant resources to meet the timeline, quality and the quantity of the relevant order placed. The processing fee that the Group charges is in general determined based on factors such as the cost for processing, level of technology and skills required and quantity ordered etc. taking into account of prevailing market conditions, and will vary depending on the specification of each order. Such price determination mechanism is in line with the market or the industry. In any event, the Group will make reference to the prevailing market or industry practices and conditions to ensure the processing fee to be charged is consistent with the market or industry.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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- (ii) When evaluating the terms of a draft individual processing order, the internal control unit will compare it with all quotations provided to or by Independent Third Parties for the same or equivalent processing services at comparable quality and determine whether on an overall evaluation of the processing fees to be charged, the payment terms as stated in the draft individual processing order against the quotations offered to or by Independent Third Parties, are no less favourable to the Group.
- (iii) Where no similar service for processing the relevant Raw Material into similar Semi-Finished Materials and/or Finished Goods is offered by the Group to Independent Third Parties, the Group will request the relevant member of TCL Technology Group to obtain at least two quotations from Independent Third Parties (who are able to provide the required services of satisfactory quality and at satisfactory standard to TCL Technology Group) whereby the Group will compare the overall terms of the engagement, and in particular the processing fee to be charged, against those offered by Independent Third Parties to ensure that those offered by the Group are no more favourable. Where no such quotations could be obtained, the Group will compare the gross profit margin of the processing fee to be charged by the Group against the gross profit margin for selling similar Semi-Finished Materials and/or Finished Goods to ensure that a higher gross profit margin will be achieved by offering processing service. For illustration, the current gross profit margin of processing service in general is within the range of approximately 3% to 20%, depending on the type and specification of Semi-Finished Materials and/or Finished Goods required by the customer. Nevertheless, the margin that the Group charges may vary during the term of the Master Processing (2025-2027) Agreement depending on factors such as market circumstances, customer relationship, product specifications, transportation and mode of delivery, production cost, etc. The reason for requesting the relevant member of TCL Technology Group to obtain quotations from Independent Third Parties instead of obtaining quotations by the Group itself is because it is impractical for the Group, as a service provider in the context of processing service, to obtain quotations from Independent Third Party processing service providers who are competitors of the Group, as those Independent Third Parties will be reluctant to provide the Group with such sensitive information.

### *Master Sale and Purchase (2025-2027) Agreement*

- (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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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- (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) The Group sets a minimum gross profit margin for the Products which is determined with reference to the average price of similar products offered by Independent Third Parties on open market, production cost and market competition. The said minimum gross profit margin will be reviewed and adjusted from time to time based on prevailing market demand and with a view to maintaining the Group's competitiveness amidst changing market condition. 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 prevailing minimum gross profit margin, 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. Whilst each Product has a different minimum gross profit margin, the prevailing minimum gross profit margin for the Products as of the Latest Practicable Date range from 2% to 8%.
  
- (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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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- (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).

### *Master HR Subcontracting (2025-2027) Agreement*

- (i) To ensure that the continuing connected transactions contemplated under the Master HR Subcontracting (2025-2027) Agreement are on normal commercial terms and terms no less favourable than those available from Independent Third Parties, where comparable services are available on the market from Independent Third Parties, before requesting the Human Resources Services from Huizhou TCL Group, the Group would obtain a quotation from at least two Independent Third Parties for similar or comparable services and conduct an assessment on the terms of the provision of such services. The Group would only engage Huizhou TCL Group for the provision of the Human Resources Services when the terms offered by Huizhou TCL Group are better than those offered by Independent Third Parties. The quotations obtained from the Independent Third Parties would be recorded in an internal system maintained by the Group which would be updated from time to time so that the members of the Group would have an easy access of information regarding the market price and other terms of contract.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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### *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; (iii) email records for approving quotations; (iv) 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 had been/will be submitted to finance director of the Group for review; and (v) two annual continuing connected transactions reports, which recorded the aggregate transaction amounts under the continuing connected transactions for the two years ended 2023.

After reviewing the aforementioned documents, we observed that the records for evaluation of quotations offered by TCL Technology Group and Independent Third Parties 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 has been 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.

Taking into account that (i) the existing transactions under the Agreements have been conducted in accordance with their terms; (ii) the quotations under each Agreements from TCL Technology Group will be compared against market benchmarks and other Independent Third Parties for similar services/products; (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 Further Revised 2024 Purchase Annual Cap and the Agreements will be entered on normal commercial terms and are comparable to, or no less favorable than, the market prices and terms.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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### RECOMMENDATION

Having considered the principal factors and reasons discussed above, we are of the opinion that (i) the proposed Further Revised 2024 Purchase Annual Cap and the Agreements, the transactions contemplated thereunder and the proposed annual caps are in the ordinary and usual course of business of the Group; (ii) the proposed Further Revised 2024 Purchase Annual Cap and the terms of the Agreements, the transactions contemplated thereunder and the proposed annual caps 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 proposed Further Revised 2024 Purchase Annual Cap and the Agreements, the transactions contemplated thereunder and the proposed annual caps at the SGM.

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

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

# *For information purpose only, the English translation of Chinese names or words in this letter should not be regarded as the official English translation of such Chinese names or words.*

## 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 (Note 1)	Total	Approximate percentage of total number of issued Shares (Note 2)
		Personal interest	Other interests			
OUYANG Hongping	Beneficial Owner	14,037,998	–	–	14,037,998	0.66%
WANG Xinfu	Beneficial Owner	2,639,036	–	–	2,639,036	0.12%

*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	Other Interest (Note 2)			
LIAO Qian	Beneficial Owner	1,726,619	1,470,042	–	3,196,661	0.0170%
OUYANG Hongping	Beneficial Owner	462,435	323,434	–	785,869	0.0042%
XI Wenbo	Beneficial Owner	442,039	277,403	–	719,442	0.0038%
WANG Xinfu	Beneficial Owner	9,350	–	–	9,350	0.000050%

*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 the senior vice president of TCL CSOT, a director of Wuhan CSOT, and a director and the 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).
- (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:

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

Pelican Financial Limited, the Independent Financial Advisor, has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 14 October 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 2020 (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 and the website of the Company ([www.tclcdot.com](http://www.tclcdot.com)) for a period of 14 days from the date of this circular:

- (a) the Master Sale and Purchase (2022-2024) Agreement;
- (b) the Master Processing (2025-2027) Agreement;
- (c) the Master Sale and Purchase (2025-2027) Agreement; and
- (d) the Master HR Subcontracting (2025-2027) Agreement.

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## NOTICE OF SGM

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### China Display Optoelectronics Technology Holdings Limited 華顯光電技術控股有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 334)**

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “**SGM**”) of China Display Optoelectronics Technology Holdings Limited (the “**Company**”) will be held at 8th Floor, Building 22E, Phase Three, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong, on 7 November 2024, Thursday, at 3:00 p.m., for the purposes of considering and, if thought fit, passing the following ordinary resolution(s) (with or without modifications):

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

1. “**THAT:**

- (a) the Further Revised 2024 Purchase Annual Cap (as defined in the circular of the Company dated 14 October 2024) be and are 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 Further Revised 2024 Purchase Annual Cap or the transactions contemplated thereunder.”

2. “**THAT:**

- (a) the Master Processing (2025-2027) Agreement (as defined in the circular of the Company dated 14 October 2024), a copy of which has been produced to the meeting and marked “A” and initialled by the chairperson of the meeting for the purpose of identification, the terms and the transactions thereunder together with the relevant annual caps in relation thereto for the three years ending 31 December 2027 as set out in the circular of the Company dated 14 October 2024 be and are hereby approved, confirmed and ratified; and

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## NOTICE OF SGM

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(b) any one or more of the directors of the Company be and is hereby authorised to sign and execute such other documents or supplemental agreements or deeds for and on behalf of the Company and to do all such acts and take all such steps 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 Master Processing (2025-2027) Agreement or the transactions contemplated thereunder, and to agree with such variation, amendment or waiver as are, in the opinion of the directors of the Company, in the interest of the Company and the shareholders of the Company as a whole, provided that such variation, amendment or waiver shall not be material in nature.”

3. **“THAT:**

(a) the Master Sale and Purchase (2025-2027) Agreement (as defined in the circular of the Company dated 14 October 2024), a copy of which has been produced to the meeting and marked “B” and initialled by the chairperson of the meeting for the purpose of identification, the terms and the transactions thereunder together with the relevant annual caps in relation thereto for the three years ending 31 December 2027 as set out in the circular of the Company dated 14 October 2024 be and are hereby approved, confirmed and ratified; and

(b) any one or more of the directors of the Company be and is hereby authorised to sign and execute such other documents or supplemental agreements or deeds for and on behalf of the Company and to do all such acts and take all such steps 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 Master Sale and Purchase (2025-2027) Agreement or the transactions contemplated thereunder, and to agree with such variation, amendment or waiver as are, in the opinion of the directors of the Company, in the interest of the Company and the shareholders of the Company as a whole, provided that such variation, amendment or waiver shall not be material in nature.”

4. **“THAT:**

(a) the Master HR Subcontracting (2025-2027) Agreement (as defined in the circular of the Company dated 14 October 2024), a copy of which has been produced to the meeting and marked “C” and initialled by the chairperson of the meeting for the purpose of identification, the terms and the transactions thereunder together with the relevant annual caps in relation thereto for the three years ending 31 December 2027 as set out in the circular of the Company dated 14 October 2024 be and are hereby approved, confirmed and ratified; and

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## NOTICE OF SGM

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- (b) any one or more of the directors of the Company be and is hereby authorised to sign and execute such other documents or supplemental agreements or deeds for and on behalf of the Company and to do all such acts and take all such steps 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 Master HR Subcontracting (2025-2027) Agreement or the transactions contemplated thereunder, and to agree with such variation, amendment or waiver as are, in the opinion of the directors of the Company, in the interest of the Company and the shareholders of the Company as a whole, provided that such variation, amendment or waiver shall not be material in nature.”

By order of the Board  
**LIAO Qian**  
*Chairman*

Hong Kong, 14 October 2024

*Notes:*

1. A member of the Company who is a holder of two or more shares of the Company (“**Share(s)**”), 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.
2. A form of proxy for the SGM is enclosed with the Company’s circular dated 14 October 2024. Such form of proxy is also published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.tlclcdot.com](http://www.tlclcdot.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 or via the designated website (<https://spot-emeeting.tricor.hk>) by using the username and password provided on the notification letter by the Company not less than 48 hours before the time appointed for holding the SGM or any adjournment or postponement thereof. Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the SGM and any adjournment or postponement thereof should he so wish. In such event, his form of proxy will be deemed to have been revoked.
3. The record date (being the last date of registration of any transfer of Shares given there will be no closure of register of members) for determining the entitlements of the shareholders of the Company to attend and vote at the SGM is 4 November 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 4 November 2024, Monday.
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.



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## NOTICE OF SGM

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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, Mr. XI Wenbo and Mr. WANG Xinfu as executive directors; and Ms. HSU Wai Man Helen, Mr. XU Yan, Mr. LI Yang and Ms. YANG Qiulin as independent non-executive directors.*