THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 334)

(1) DISPOSAL OF 70% INTEREST IN THE TARGET GROUP
(2) VARIATION OF THE NON-COMPETITION DEED (2015)
AND
(3) NOTICE OF SPECIAL GENERAL MEETING

Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders

SOMERLEY CAPITAL LIMITED

A letter from the Board is set out on pages 7 to 26 of this circular

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 27 to 28 of this circular. A letter from Somerley Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 29 to 43 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 10 June 2021, Thursday at 2:00 p.m. is set out on pages SGM-1 to SGM-3 of this circular.

If a Typhoon Signal No. 8 or above is hoisted or a Black Rainstorm Warning Signal or "extreme conditions" as defined under Chapter 1 of the rules of the Exchange of the Stock Exchange is/are in force at or at any time after 12:00 noon on the date of the SGM and/or the Hong Kong Observatory and/or the government of Hong Kong (as the case may be) has announced at or before 12:00 noon on the date of the SGM that either of the above mentioned warnings is to be issued within the next two hours, the meeting SGM will be adjourned. The Company will publish an announcement to notify Shareholders of the date, time and place of the adjourned 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 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 Hong Kong branch share registrar of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre 183 Queen's Road East Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment 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 thereof should you so wish.

26 May 2021

CONTENTS

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

"AMOLED"	active-matrix organic light-emitting diode;
"Announcement"	the announcement of the Company dated 25 May 2021 in relation to the Disposal and the variation of the Non-Competition Deed (2015);
"A-Si"	amorphous silicon;
"associate(s)"	has the meaning ascribed to it under the Listing Rules;
"Board"	the board of Directors of the Company;
"Business Day"	a day (other than Saturdays, Sundays or days on which a typhoon signal No. 8 or "black" rainstorm signal is hoisted in Hong Kong) on which banks are generally open for business in Hong Kong;
"CDOT Huizhou"	China Display Optoelectronics Technology (Huizhou) Company Limited, a wholly-owned subsidiary of the Company;
"Company"	China Display Optoelectronics Technology Holdings Limited, a company incorporated in the Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 00334);
"Completion Date"	the tenth Business Day after the fulfillment or waiver (as the case may be) of all conditions precedent set forth in the Disposal Agreement (or such later date as may be agreed upon by both parties in writing);
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"Covenantor(s)"	TCL Technology and TCL CSOT, individually or collectively (as the case may be);
"Director(s)"	the director(s) of the Company;
"Disposal"	the disposal of 70% equity interest in the Target Company as contemplated under the Disposal Agreement;

"Disposal Agreement"	the conditional share transfer agreement dated 25 May 2021 entered into between CDOT Huizhou, a wholly-owned subsidiary of the Company, and Wuhan CSOT, in relation to the disposal of the 70% equity interest in the Target Company by CDOT Huizhou to Wuhan CSOT;
"First Deed of Variation (2021)"	the deed entered into by TCL Technology, TCL Industries, TCL CSOT and the Company on 25 May 2021 in relation to the variation of the Non-Competition Deed (2015);
"Group"	the Company and its subsidiaries;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Independent Board Committee"	an independent committee under the Board comprising all independent non-executive Directors established for the purpose of reviewing the transactions contemplated under the Disposal Agreement and the First Deed of Variation (2021);
"Independent Financial Adviser" or "Somerley Capital Limited"	Somerley Capital Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Disposal Agreement and the First Deed of Variation (2021);
"Independent Shareholder(s)"	shareholders of the Company (excluding TCL Technology, TCL CSOT and their respective associates, and Shareholders who are involved or interested in the Disposal and the variation of the Non-Competition Deed (2015));
"Independent Shareholders' Approval"	the approval made by Independent Shareholders at the SGM in relation to the Disposal and the variation of the Non-Competition Deed (2015);
"Independent Valuer"	Shenzhen China United Assets Appraisal Co., Ltd.;

"Long Stop Date"	31 December 2021;
"Latest Practicable Date"	21 May 2021, 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;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"LTPS"	low-temperature poly-silicon;
"Materials"	the articles, things, parts or materials required for manufacturing or production of Products, including light-emitting diode, iron frames and other components and parts;
"Novation Date"	25 May 2021;
"Non-Competition Deed (2015)" or "Original Deed"	the non-competition deed dated 17 April 2015 executed by TCL Technology and TCL Industries both as covenantors in favour of the Company, pursuant to which each of TCL Technology and TCL Industries has undertaken not to directly or indirectly carry out or engage in the Original Restricted Activity or be interested therein. Relevant information has been disclosed in the circular of the Company dated 30 June 2014;
"Original Restricted Activity"	research and development, manufacturing, sales and distribution of LCD modules used in mobile phones;
"PRC" or "China"	the People's Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this circular;
"Products"	products including but not limited to LCD modules manufactured, produced or otherwise sold or distributed by the Group;

"Relevant Acquisition"	the transaction completed on 27 April 2017 in relation to acquisition of 53.81% of the then issued shares of the Company by TCL CSOT through High Value Ventures Limited (an indirectly wholly-owned subsidiary of TCL CSOT) from sellers including TCL Industries;
"Restricted Activity"	research and development, manufacturing, sales and distribution of LCD modules (excluding LTPS modules) used in mobile phones;
"RMB"	Renminbi, the lawful currency of the PRC;
"SFO"	the Securities and Futures Ordinance (Cap. 571 of Laws of Hong Kong);
"SGM"	the special general meeting of the Company to be convened and held by the Company at 8th Floor, Building 22E, Phase Three, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong on 10 June 2021, Thursday at 2:00 p.m. to consider and, if thought fit, approve, among other things, the Disposal and the variation of the Non-Competition Deed (2015);
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company;
"Shareholder(s)"	holder(s) of Share(s);
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"subsidiary(ies)"	any entity within the meaning of the term "subsidiary" as defined in the Listing Rules and the term "Subsidiaries" shall be construed accordingly;
"Target Company"	Wuhan China Display Optoelectronics Technology Company Limited*（武漢華顯光電技術有限公司）, a company established under the laws of the PRC with limited liability and an indirect Subsidiary of the Company;

"Target Equity Interest"	70% share interest in the Target Company held by CDOT Huizhou;
"Target Group"	the Target Company and its subsidiaries;
"TCL Associate(s)"	the associate(s) of TCL Technology;
"TCL CSOT"	TCL China Star Optoelectronics Technology Co., Ltd.*（TCL華星光電技術有限公司）, formerly known as Shenzhen China Star Optoelectronics Technology Co., Ltd.*（深圳市華星光電技術有限公司）, a company established under the laws of the PRC with limited liability;
"TCL Holdings"	TCL Industries Holdings Co., Ltd.*（TCL實業控股股份有限公司）, formerly known as TCL Industries Holdings (Guangdong) Inc.*（TCL實業控股(廣東)股份有限公司）, a joint stock limited company established under the laws of the PRC;
"TCL Industries"	T.C.L. Industries Holdings (H.K.) Limited, a company incorporated in Hong Kong, and a wholly-owned Subsidiary of TCL Holdings;
"TCL Restructuring"	the restructuring carried out by TCL Technology and completed on 31 March 2019 which involved the spin off, among others, of all the equity interest held by TCL Technology in TCL Industries, together with those equity interests in various associates, to TCL Holdings, which is not a connected person of the Company;
"TCL Technology"	TCL Technology Group Corporation（TCL科技集團股份有限公司）(formerly known as TCL Corporation（TCL集團股份有限公司）) a joint stock limited company established under the laws of the PRC, the ultimate controlling Shareholder of the Company, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000100);

"TCL Technology Group"	TCL Technology, its Subsidiary(ies) and any entity(ies) that may become subsidiary(ies) of TCL Technology from time to time but does not include the Group (unless otherwise specified) for the purpose of this circular;
"Valuation Reference Date"	31 December 2020;
"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 a TCL Associate; and
"%"	per cent.

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:
LIAO Qian *(Chairman)*

Executive Directors:
OUYANG Hongping *(Chief Executive Officer)*
WEN Xianzhen
ZHANG Feng

Independent Non-executive Directors:
HSU Wai Man, Helen
XU Yan
LI Yang

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business in Hong Kong:
8th Floor
Building 22E
Phase Three of Hong Kong Science Park
Pak Shek Kok
New Territories
Hong Kong

26 May 2021

To the Shareholders

Dear Sir or Madam,

(1) DISPOSAL OF 70% INTEREST IN THE TARGET GROUP AND (2) VARIATION OF THE NON-COMPETITION DEED (2015)

I. INTRODUCTION

Reference is made to the announcement of the Company dated 25 May 2021 in relation to, among other things, the Disposal and the variation of the Non-Competition Deed (2015).

The purposes of this circular are to:

(i) provide the Shareholders with further details regarding the Disposal and the variation of the Non-Competition Deed (2015);

(ii) set out the recommendation from the Independent Board Committee regarding the Disposal and the variation of the Non-Competition Deed (2015);

(iii) set out the advice from the Independent Financial Adviser regarding the Disposal and the variation of the Non-Competition Deed (2015); and

(iv) 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.

II. BACKGROUND INFORMATION ON THE PARTIES

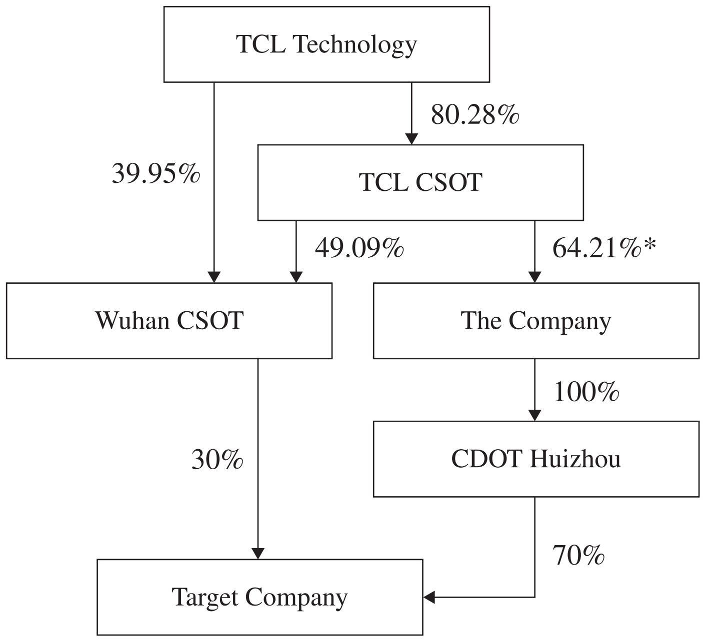
Headquartered in the PRC, the Group is principally engaged in the research and development, manufacture, sales and distribution of LCD modules. The Group is also one of the major suppliers of small and medium sized display modules in the PRC. The Group has its manufacturing plants in the PRC and distributes its products in Asia, with focus on Hong Kong and the PRC markets. For more information on the Group, please visit its official website at www.cdoth8.com (the information that appears in this website does not form part of this circular).

CDOT Huizhou is a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company. CDOT Huizhou is principally engaged in the manufacturing and sales of LCD modules for mobile phones and tablets and the provision of LCD module processing services.

Wuhan CSOT is a company established under the laws of the PRC with limited liability. It is owned as to approximately 49.09% by TCL CSOT (a subsidiary of TCL Technology), and is therefore an associate of TCL Technology. Wuhan CSOT is principally engaged in the production of the 6th generation LTPS (Oxide) LCD or AMOLED display panels.

TCL Technology is a major PRC conglomerate and is principally engaged in semi-conductor display and material business. For more information on TCL Technology, please visit its official website at https://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.

As at the Latest Practicable Date, the relationship between the Company, TCL Technology, TCL CSOT, CDOT Huizhou, and Wuhan CSOT is as follows:



* *As at the Latest Practicable Date, High Value Ventures Limited is directly interested in 1,357,439,806 Shares, representing approximately 64.21% of the issued Shares of the Company. High Value Ventures Limited is a wholly-owned subsidiary of China Star Optoelectronics International (HK) Limited* (華星光電國際(香港)有限公司), which is wholly-owned by TCL CSOT.*

Therefore, TCL Technology, TCL CSOT and Wuhan CSOT are connected persons of the Company under the Listing Rules. The Disposal and the variation of the Non-Competition Deed (2015) constitute connected transactions of the Company under the Listing Rules.

TCL Industries was a party to the Non-Competition Deed (2015) and is also a party to the First Deed of Variation (2021). TCL Industries is a company incorporated in Hong Kong and a wholly-owned subsidiary of TCL Holdings. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Li Dongsheng was indirectly interested in 2,149,980,000 shares in TCL Holdings (approximately 33.33% of share capital of TCL Holdings) at the Latest Practicable Date.

III. THE DISPOSAL

Disposal Agreement

On 25 May 2021, CDOT Huizhou and Wuhan CSOT entered into the Disposal Agreement, pursuant to which Wuhan CSOT has conditionally agreed to acquire from CDOT Huizhou, and CDOT Huizhou has conditionally agreed to transfer to Wuhan CSOT, 70% equity interest in the Target Company for a consideration of RMB286 million, which shall be paid in cash. Upon completion of the Disposal, the Target Company will no longer be an indirect subsidiary of the Company.

A summary of the principal terms of the Disposal Agreement is as follows:

Date: 25 May 2021

Parties: CDOT Huizhou (Seller); and
Wuhan CSOT (Buyer)

Subject matter: Pursuant to the terms and conditions of the Disposal Agreement, Wuhan CSOT has conditionally agreed to acquire from CDOT Huizhou, and CDOT Huizhou has conditionally agreed to transfer to Wuhan CSOT, 70% equity interest in the Target Company.

Consideration and payment method: The consideration is RMB286 million, which shall be paid in cash in accordance with the following arrangements:

(i) within 30 Business Days from the date when the Disposal Agreement becomes effective, the Buyer shall pay the Seller 30% of the consideration for the transfer of the Target Equity Interest, i.e. RMB85.8 million; and

(ii) within 30 Business Days from the Completion Date, the Buyer shall pay the Seller the remaining 70% of the consideration for the transfer of the Target Equity Interest, i.e. RMB200.2 million.

Conditions precedent: The closing of the Disposal is conditional upon the satisfaction of the following conditions precedent:

(i) the Disposal is approved by the internal approval authorities of the parties (such as the board of directors and/or the general meeting) in accordance with the respective parties' articles of association and relevant laws and regulations;

(ii) the representations, warranties and undertakings made by the parties are true, accurate and non-misleading from the date of signing the Disposal Agreement to the Completion Date (inclusive);

(iii) as of the Completion Date, there have been no material adverse changes in the equity, assets, finance and operations of the Target Company;

(iv) as of the Completion Date, there has been no effective judicial judgment, arbitration award or administrative penalty with a material adverse impact on the Target Company. For the avoidance of doubt, the existence of any ongoing litigation, arbitration, administrative investigation and other legal procedures does not constitute the dissatisfaction of this condition;

(v) the Independent Shareholders having approved the Disposal Agreement and the transaction contemplated thereunder;

(vi) the First Deed of Variation (2021) is approved by the Independent Shareholders; and

(vii) the parties have obtained from competent government or regulatory authorities or relevant third parties all consents, waivers, authorisations and approvals (if any) required to enter into and perform the Disposal Agreement.

Where any of the conditions precedent is not fulfilled or waived by the other party before the Long Stop Date (or any other later date as may be agreed upon by both parties in writing), the Disposal Agreement shall be terminated, and the parties shall not assume any obligations and liabilities under the agreement except for any breach of any terms therein before the termination. The parties confirm that the conditions precedent set out in (v), (vi) and (vii) above cannot be waived.

As of the Latest Practicable Date, save for condition precedent (i), none of the above conditions precedent has been fulfilled.

The parties currently have no intention to waive any of the above conditions precedent.

Completion:	The Completion shall take place on the tenth business day (or such later date as the parties may agree in writing) after all the conditions precedent set forth in the Disposal Agreement are fulfilled or waived, as the case may be.

Basis for Determination of the Consideration

The consideration under the Disposal Agreement was determined by the parties through arm's length negotiation based on the principle of fairness after taking into account a number of factors, including:

(i) the fair market value of all equity interests in the Target Group as at 31 December 2020 (being the Valuation Reference Date) as appraised by the Independent Valuer using the income approach was RMB408,051,700;

(ii) the historical operating results of the Target Group; and

(iii) the business prospects of the Target Group and other factors.

As stated in the Valuation Report of the Target Group in Appendix II to this circular, as at the Valuation Reference Date of 31 December 2020, all equity interests in the Target Group were valued at RMB408,051,700 under the income approach and at RMB401,693,600 under the market approach.

The Independent Valuer is of the view that the appraisal under the income approach is based on a comprehensive analysis of the internal operating conditions of the subject entity and the external market environment and an overall consideration of the subject entity's historical profitability and future business forecast and other factors, so the appraisal result can give a better view of the equity interests concerned. The appraisal result under the market approach is greatly affected by market fluctuations as it is indirect pricing based on the historical operating data of the subject entity with reference to the share prices of listed companies in the same industry. Moreover, the Target Company is now in a special stage of production mode and capacity adjustment. As such, the appraisal result under the market approach cannot reasonably reflect the effect of the subject entity's future development on its valuation. After fully considering the valuation-related characteristics, the Independent Valuer drew a valuation conclusion based on the income approach.

Based on the valuation conclusion in the Valuation Report of the Target Group, the Directors believe that the income approach proposed by the Independent Valuer can better reflect the value of shareholders' equity of the Target Company.

Based on the above, the Directors (including independent non-executive Directors) are of the view that the valuation under the income approach can give a better view of the value of shareholders' equity of the Target Company, so the above consideration being set at RMB286 million is fair and reasonable to the Company and its shareholders as a whole.

Since the discounted cash flow method has taken into account the discounted cash flow projections of the Target Group (the "**Target Group Profit Forecast**" or the "**Target Group Discounted Cash Flows**"), the Target Group Profit Forecast constitutes a profit forecast under Rule 14.61 of the Listing Rules.

The bases and assumptions set out in the Target Group Profit Forecast is included in Appendix III to this circular. A report from Ernst & Young dated 25 May 2021 in compliance with Rule 14.62(2) of the Listing Rules and a letter from the Board in compliance with Rule 14.62(3) of the Listing Rules relating to the profit forecast of the Target Group Profit are included in Appendix IV and Appendix V, respectively, to this circular.

IV. INFORMATION ON THE TARGET COMPANY

(A) General Information

The Target Company is a limited liability company established in August 2016 under the laws of the PRC by CDOT Huizhou (then known as TCL Display Technology (Huizhou) Co., Ltd.) with a registered capital of RMB1 million. CDOT Huizhou was and is an indirect subsidiary of the Company.

In October 2016, CDOT Huizhou entered into a joint venture agreement with Wuhan CSOT and the Target Company pursuant to which, among other matters, CDOT Huizhou and Wuhan CSOT agreed to contribute RMB349 million and RMB150 million for the increase in registered capital of the Target Company, respectively. Upon completion of such capital contribution in December 2016, the Target Company has been owned as to 70% by CDOT Huizhou and 30% by Wuhan CSOT. For more details, see the circular of the Company dated 8 December 2016.

(B) Business Information

The Target Group is principally engaged in the OEM of LTPS LCD modules for mobile phones, tablets and vehicle-mounted products. Currently, the Target Group has 17 small-size module production lines (17 binding lines, 18 laminating lines and 17 assembly lines) and 5 medium-size module production lines (5 binding lines, 2 laminating lines and 5 assembling lines), with a planned annual capacity of 90.55 million pieces. Its module products cover 3-8" small-size LCD and 7-17.5" medium-size LCD.

The Target Group's major customer is Wuhan CSOT, and its module production base is located in the T3 plant of Wuhan CSOT to seamlessly connect with Wuhan CSOT's LTPS panel production process in that plant. In order to meet the needs of Wuhan CSOT's T3 plant for back-end module processing and new product development, the Target Group began to build medium-size and in-vehicle module production lines in 2019, which have been completed and put into operation in 2020.

(C) Financial Information

The following is certain consolidated financial information of the Target Group for the years ended 31 December 2019 and 2020 and as at 31 December 2019 and 2020, which is derived from the audited report of the Target Group for the relevant years prepared in accordance with PRC Financial Reporting Standards:

	For the year ended 31 December	
	2019	**2020**
	RMB'000	
Revenue	2,916,857	785,530
Profit/(loss) before tax	(9,199)	(75,625)
Profit/(loss) after tax	(16,574)	(62,738)

	As at 31 December	
	2019	**2020**
	RMB'000	
Total assets	795,295	762,715
Net asset	434,196	371,458

For the two years ended 31 December 2019 and 2020, the Target Group recorded (a) revenue of approximately RMB2,916.9 million and RMB785.5 million respectively; and (b) loss after tax of approximately RMB16.6 million and RMB62.7 million respectively. Such increase in the loss after tax in 2020 compared to 2019 was mainly attributable to lower demand for mobile phones and related modules and supply chain disruption due to the COVID-19 pandemic.

V. REASONS FOR AND BENEFITS OF THE DISPOSAL

The Board is of the view that the Disposal is in the interests of the Company and its Shareholders as a whole for the reasons set out below.

(A) The Disposal facilitates the focus on A-Si module and horizontal expansion of the Company's business

Through the Disposal, the Group can further concentrate its resources on the A-Si module business, and enhance the competitiveness and market recognition of its A-Si module products by improving its presence in the industry chain and strengthening advantages in technology and scale. According to IHS report, A-Si will maintain a firm foothold in various flat panel display application areas (including mobile phones, tablets, laptops, desktops, televisions, cars, screen display, and smart watches). As the overall demand will be stable, the annual panel shipments will remain at approximately 1.75 billion pieces. With extensive experience and technologies from years of manufacturing A-Si modules, the Group has established a sound reputation in the industry, and will strive to maximise industrial efficiency and output, maintain orders from first-class customers, and continue to consolidate its long-term customer base including Samsung, Transsion, TCL Communication, and OPPO. In addition, the Group will build a smart factory for the new TID (Touch In Display) module in Chenjiang, Huizhou with a total GFA of approximately 100,000 square metres to further focus on A-Si modules business.

The latest report of International Data Corporation ("**IDC**") predicts that smart terminals will become increasingly scenario-based in the future. It is expected that approximately 8% of smart products will be used in education and more than 20% in smart home in 2021. In view of this, the Group has continued to vigorously develop the medium-size smart home and wearable products, so as to seize the huge opportunities in these markets and expand its business horizontally. After the completion of the Disposal, the Group will speed up the shift from mobile phone module business to wearables and smart home module business. Meanwhile, the Group will strengthen the research and development of 5G products to develop and upgrade cutting-edge screen display technologies, including under-screen fingerprint technology, so as to meet the requirements of 5G mobile phones and lay a good foundation for the arrival of the new infrastructure era.

(B) The Disposal helps the Group divest the loss-making LTPS module business and improve the Group's profitability

Since 2019, AMOLED products, also high-end products, have gradually been mass produced with increasingly widened application in the PRC. Given the competitive market conditions, the sales price and revenue of LTPS products produced by the Target Group have both declined, leading to losses incurred by the Target Group for the past two financial years. By shedding the burden of the LTPS module business, the management of the Company can devote more time and resources to optimize and expand the A-Si module business and grow the smart home module business. Therefore, the Board believes that the Disposal presents an opportunity to the Company and can further improve the Group's profitability.

Currently, the Group does not intend to engage in the research & development, manufacturing, sales and distribution of LTPS modules upon the completion of the Disposal. In any event, the amendment to the Non-Competition Deed (2015) as set out hereinafter, just serves the purpose of allowing Wuhan CSOT to continue the business operation of the Target Company after Wuhan CSOT acquires the Target Company, and does not restrict the Company from engaging in the aforesaid LTPS business if opportunities arise in future.

(C) The Disposal has a reasonable valuation and will create greater operating value for the Group

The cash proceeds from the Disposal can consolidate the cash position of the Group, which helps the Group to build a smart factory for the new TID (Touch In Display) modules, boost the research and development capabilities and manufacturing technologies of the Group, and expand its business size, creating a new profit growth driver and bringing greater growth prospects for the Group. The Board believes that not only can the Disposal raise a large amount of fund for the Company, but also present a means of seeking new opportunities and accelerating the generation of returns for shareholders.

Overall, the Directors (excluding independent non-executive Directors whose opinion is set out in the Letter from the Independent Board Committee) are of the view that the Disposal is beneficial to the Group's long-term strategic objectives, and the terms of the Disposal Agreement are on normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

VI. FINANCIAL EFFECTS OF THE DISPOSAL

Based on the available information, the Group estimates that the unaudited income from the Disposal will be approximately RMB25.98 million, which is calculated based on the difference between the consideration receivable by the Group from the Disposal and the net book value of the Target Group as at 31 December 2020.

Upon completion of the Disposal, the Target Company will no longer be an indirect subsidiary of the Company, so the financial results of the Target Group will not be consolidated into the financial statements of the Group. Upon completion of the Disposal, it is expected that the total assets and total liabilities of the Group will decrease by approximately RMB762.7 million and RMB391.3 million, respectively. As mentioned above, the expected income from the Disposal of approximately RMB25.98 million will have an immediate positive effect on the Group's earnings for the year ended 31 December 2020.

The actual income recorded by the Group from the Disposal is subject to the final audit by the auditor of the Company.

Please note that the above figures are for illustrative purposes only. The actual gain or loss on the Disposal may be different from the above figures and will be determined based on the financial position of the Target Group on the Completion Date, and will be reviewed by the auditor of the Group after being incorporated into the Group's consolidated financial statements.

VII. USE OF PROCEEDS

The net proceeds from the Disposal of the Target Group is approximately RMB286 million, which will be used by the Group to build the intelligent factory project for new TID (Touch In Display) modules in Chenjiang, Huizhou to improve the Group's R&D capabilities and manufacturing technologies and expand its business scale. The factory construction project has a planned total GFA of approximately 100,000 square metres.

In addition to moving 20 existing mobile phone display module production lines and 2 medium-sized display module production lines to the new factory in Chenjiang, the Group also plans to expand the Group's production capacity for wearables and medium-sized display modules. The construction of the new factory in Chenjiang will expand the production scale of the Group, enabling the Group to capture the ever-increasing market demands brought about by 5G and the Internet of Things.

VIII. VARIATION OF THE NON-COMPETITION DEED (2015)

Historical background of the Non-Competition Deed (2015)

Pursuant to the Non-Competition Deed (2015), each of TCL Technology and TCL Industries undertakes that it shall not, and shall procure its associates and entities or companies controlled by it or its associates not to, either on its own account or for any other person, firm or company, directly or indirectly be interested or involved or engaged in or acquire or hold an interest (in each case whether as a shareholder, partner, agent, consultant, employee or otherwise and whether for profit, reward or otherwise) in any business which competes or is likely to compete, directly or indirectly, with the Group's business of research and development, manufacturing, sales and distribution of LCD modules for use in mobile phones.

According to the Non-Competition Deed (2015):

(i) the Non-Competition Deed and the rights and obligations thereunder are subject to and conditional upon the TCL Technology, TCL Industries and their associates being entitled to directly or indirectly exercise or control the exercise of 30% or more of the then total voting rights at the general meetings of the Company; and

(ii) the obligations of the TCL Technology and TCL Industries under the Non-Competition Deed cease to be of any force and effect on the earliest of the date on which: (a) the Shares cease to be listed on the Main Board (save for temporary suspension of the Shares due to any reason); and (b) the principal business of the Group ceases to be the Original Restricted Activity.

For details of the Non-Competition Deed (2015), please refer to the Company's circular dated 30 June 2014.

Reasons for the variation of the Non-Competition Deed (2015)

On 27 April 2017, TCL CSOT acquired from vendors including TCL Industries all shares they held in the Company (representing 53.81% of then total issued shares of the Company) through High Value Ventures Limited, an indirect wholly-owned subsidiary of TCL CSOT. The Relevant Acquisition was completed on 27 April 2017.

In the TCL Restructuring completed in the first quarter of 2019, TCL Technology transferred all of its equity interest in TCL Industries to TCL Holdings. Accordingly, the ultimate controlling shareholder of TCL Industries has been changed to TCL Holdings. Following the completion of TCL restructuring, TCL Industries and its associates, individually or collectively, ceased to be interested in the shares with rights, whether directly or indirectly, to exercise or control the exercise of 30% or more of the then voting rights at general meetings of the Company.

Upon completion of the Disposal, TCL Technology and its associates will be deemed to be engaged in the Original Restricted Activity. To improve the delineation of business between the Group and TCL Technology Group upon the completion of the Disposal, and to clarify and rationalize their respective business positioning and relationships among themselves, TCL Technology, TCL Industries, TCL CSOT and the Company entered into the First Deed of Variation (2021) on 25 May 2021.

First Deed of Variation (2021)

In accordance with First Deed of Variation (2021) and subject to fulfilment of the conditions precedent set out below, from the Novation Date, TCL Industries shall release and discharge the Company from all claims and demands in respect of Non-Competition Deed (2015) and TCL CSOT shall substitute TCL Industries as a covenantor. In addition, TCL Technology and TCL CSOT, collectively as Covenantors, have undertaken not to (subject to other terms as set out in Non-Competition Deed (2015)), directly or indirectly, carry on or be engaged or interested in the research and development, manufacturing, sales, and distribution of LCD modules (excluding LTPS) used in mobile phones.

A summary of the principal terms of the First Deed of Variation (2021) is as follows:

Date: 25 May 2021

Parties: TCL Technology;

TCL Industries;

TCL CSOT; and

the Company

Subject matter:

1. Substitution of TCL Industries with TCL CSOT as a Covenantor

   (i) with effect from the Novation Date, the Original Deed (as varied or amended by First Deed of Variation (2021)) shall be read and construed in all respect as if TCL Technology and TCL CSOT were covenantors therein mentioned;

   (ii) TCL Technology and TCL CSOT agree and undertake to the Company that as from the Novation Date TCL Technology and TCL CSOT shall be bound by Original Deed (as varied or amended by this Deed) and TCL Technology and TCL CSOT shall observe and perform all the terms and conditions therein contained in every way as if TCL Technology and TCL CSOT were parties to the Original Deed (as varied or amended by First Deed of Variation (2021)) in place of TCL Industries;

   (iii) with effect from the Novation Date, TCL Industries shall be released and discharged from all claims and demands whatsoever raised by the Company under the Original Deed; and

(iv) with effect from the Novation Date, the Company shall accept the liability of TCL Technology and TCL CSOT in lieu of the liability of TCL Technology and TCL Industries pursuant to the Original Deed (as varied or amended by First Deed of Variation (2021)) and agrees to be bound by the terms of the Original Deed (as varied or amended by First Deed of Variation (2021)) in all respects as if TCL CSOT was named in the Original Deed (as varied or amended by First Deed of Variation (2021)) as a party thereto in place of TCL Industries as from the Novation Date.

2. Variation of the Scope of Restricted Activity

Subject to other terms as set out in Non-Competition Deed (2015), each of the Covenantors undertakes that it shall not, and shall procure that its associates and entities or companies controlled by it or its associates not to, either on its own account or for any other person, firm or company, directly or indirectly be interested or involved or engaged in or acquire or hold an interest (in each case whether as a shareholder, partner, agent, consultant, employee or otherwise and whether for profit, reward or otherwise) in any business which competes or is likely to compete directly or indirectly with the Group's business of research & development, manufacturing, sales and distribution of LCD modules (excluding LTPS modules) used in mobile phones.

3. Variation of obligations of Covenantors

Each of the Covenantors undertakes and agrees that it shall promptly provide the Company, in writing (by email, facsimile or otherwise) with any relevant information in respect of any new business opportunity (other than business opportunities as set out in the Non-Competition Deed (2015)) which competes or may compete with the Restricted Activity which it or its close associates may have knowledge for the Company to assess such new business opportunity. The Company shall, as soon as practicable upon provision by the Covenantors of such new business opportunities, submit such business opportunities to its independent non-executive Directors for assessment as to whether the Company would pursue such opportunities. No Covenantor or its associates shall pursue such business opportunities until the Company confirms that it will not pursue such business opportunities.

Conditions precedent: The First Deed of Variation (2021) and the rights and obligations thereunder are subject to and conditional upon the satisfaction of the following conditions:

(i) the First Deed of Variation (2021) is approved by the Independent Shareholders at the SGM; and

(ii) the Disposal of 70% equity interest in the Target Company is completed in accordance with the terms of the Disposal Agreement.

Termination: The First Deed of Variation (2021) shall be terminated immediately and permanently upon the earliest occurrence of:

(i) the aggregate shareholding of TCL Technology, TCL CSOT and their associates in the Company is less than 30% of the entire issued share capital of the Company;

(ii) the Shares of the Company cease to be listed and traded on the Stock Exchange; or

(iii) the Restricted Activity ceases to be the principal business of the Group.

The resolution regarding the First Deed of Variation (2021) is inter-conditional upon the passing of the resolution regarding the Disposal. Accordingly, none of the above conditions precedent can be waived and if any of the conditions precedent are not fulfilled on or before 31 December 2021 or such later date as may be agreed by the parities, the First Deed of Variation (2021) shall be terminated with immediate effect and the Non-Competition Deed (2015) shall remain in force and binding on the parties.

Overall, the Directors (excluding independent non-executive Directors whose opinion is set out in the Letter from the Independent Board Committee) are of the view that the variation of the Non-Competition Deed (2015), being the indispensable step of the implementation of the Disposal, is beneficial to the Group's long-term strategic objectives (i.e. focusing on the A-si module business). In case that the Non-Competition Deed (2015) has not be varied to the extent as set out in the First Deed of Variation (2021), Wuhan CSOT would not be able to carry on the business operation of the Target Company. The Directors (excluding independent non-executive Directors whose opinion is set out in the Letter from the Independent Board Committee) are of the view that and the terms of the First Deed of Variation (2021) are on normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no businesses currently engaged by TCL Technology or TCL CSOT compete or are likely to compete, either directly or indirectly, with the Company's businesses. Further, neither TCL Technology nor TCL CSOT has intention to inject any or part of its existing businesses into the Company.

IX. CONTINUING CONNECTED TRANSACTION

Currently, there are certain transactions between the Group and the Target Group, which were mainly the sales of OEM LTPS modules from CDOT Huizhou to the Target Company. For the year ended 31 December 2018, 2019 and 2020, the revenue of the Company derived from such transactions was RMB109.8 million, RMB115.2 million and RMB1.2 million, respectively. The Company has complied with relevant requirements under Chapter 14A of the Listing Rules. Subsequent to the completion of the Disposal, the Target Company will become a subsidiary of TCL Technology and the Group currently has no intention to carry on such transaction which will then constitute continuing connected transactions. The Company does not expect that there will be any continuing connected transactions between the Group and the Target Company immediately after the completion of the Disposal.

As soon as reasonably practicable, the Company will promptly examine the status and scale of the continuing connected transactions between the Group and the Target Group, and publish announcements and seek the approval from Independent Shareholders (if required) for full compliance with the relevant requirements of the Listing Rules.

X. BOARD APPROVAL

As the Latest Practicable Date, Mr. Zhang Feng is the general manager and legal representative of Wuhan CSOT and Target Company, and the senior vice president and the deputy general manager of small and medium-sized display business group of TCL CSOT. In view of Mr. Zhang Feng's positions as mentioned above and to avoid any conflict of interests, Mr. Zhang Feng did not vote in the board meeting during which the Board approved the Disposal and the variation of the Non-Competition Deed (2015).

Further, certain of our Directors hold positions or have interest in TCL Technology Group in particular (i) Mr. Liao Qian who also is an executive director, the senior vice president and the secretary of the board of directors of TCL Technology; and (ii) Mr. Ouyang Hongping who is interested in 26,600 shares in TCL Technology (representing approximately 0.0002% of the issued share capital of TCL Technology) as at the Latest Practicable Date. Considering (i) each of their respective direct interest in TCL Technology Group is either by virtue of common directorship/senior management role (in the case of Mr. Liao Qian) or the immaterial interest in shares of TCL Technology (in the case of Mr. Ouyang Hongping); (ii) their respective direct or indirect interests in TCL Technology Group are insignificant; and (iii) none of the TCL Associates are associates of any of the Directors, none of them is considered as having a material interest in the transactions contemplated under the Disposal Agreement and the First Deed of Variation (2021).

Therefore, all the Directors (excluding Mr. Zhang Feng) are entitled to vote on the Board resolution for considering and approving the Disposal and the variation of the Non-Competition Deed (2015) pursuant to the Bye-laws.

XI. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, TCL Technology (the ultimate controlling Shareholder of the Company) indirectly held approximately 64.21% of the issued Shares of the Company through TCL CSOT. As such, TCL Technology and TCL CSOT are connected persons of the Company under the Listing Rules. As TCL Technology and TCL CSOT are controlling shareholders of Wuhan CSOT, Wuhan CSOT is an associate of TCL Technology and TCL CSOT, and also a connected person of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in relation to the transactions under the Disposal exceed 5%, the Disposal constitutes a connected transaction of the Company and is subject to the reporting, announcement, Independent Shareholders' Approval and annual review requirements under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in relation to the Disposal exceed 25% but all applicable percentage ratios are less than 75%, the Disposal constitutes a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirement under Chapter 14 of the Listing Rules.

TCL Technology and TCL CSOT are connected persons of the Company under the Listing Rules. Therefore, the entering into of the First Deed of Variation (2021) constitutes a connected transaction of the Company. The First Deed of Variation (2021) is not conducted in the ordinary and usual course of business of the Company and is subject to the reporting, announcement and Independent Shareholders' Approval requirements under the Listing Rules accordingly.

As at the Latest Practicable Date, High Value Ventures Limited is directly interested in 1,357,439,806 Shares, representing approximately 64.21% of the issued Shares of the Company. Accordingly, High Value Ventures Limited, being a TCL Associate and holder of 1,357,439,806 Shares, will abstain from voting on the resolution in respect of the Disposal and First Deed of Variation (2021) to be proposed 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 in respect of the Disposal and the First Deed of Variation (2021) to be proposed at the SGM.

XII. 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 10 June 2021, Thursday at 2:00 p.m., at which resolutions will be proposed for the purposes of considering and, if thought fit, approving the Disposal and the variation of the Non-Competition Deed (2015). The notice of the SGM is set out on pages SGM-1 to SGM-3 of this circular.

A form of proxy for use at the SGM is enclosed. 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment 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.

XIII. PRECAUTIONARY MEASURES FOR THE SGM IN VIEW OF THE RECENT CORONAVIRUS PANDEMIC

In view of the recent development of the coronavirus pandemic caused by coronavirus disease 2019 (COVID-19), and in order to better protect the safety and health of the Shareholders, a series of pandemic precautionary measures will be implemented at the SGM:-

(i) compulsory body temperature check will be conducted for every person at the entrance of the venue of SGM, any person with a body temperature of over 37.5 degree Celsius will not be admitted to the venue;

(ii) every person is required to wear facial mask at the venue of the SGM; and

(iii) no refreshment will be served.

The Company wishes to remind the Shareholders and other participants who will attend the SGM in person to take personal precautions and abide by the requirements of pandemic precaution and control at the venue of the SGM. The Company also advises the Shareholders to attend and vote at the SGM by way of non-physical presence. The Shareholders may choose to vote by filling in and submitting the relevant proxy form of the SGM, and appoint the chairman of the SGM as a proxy to vote on relevant resolution(s) as instructed in accordance with the relevant proxy form instead of attending the SGM in person. For more details, please refer to the proxy form for the SGM.

XIV. 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 8 June 2021, Tuesday. 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 Level 54, Hopewell Centre 183 Queen's Road East Hong Kong, by no later than 4:30 p.m. on 8 June 2021, Tuesday.

XV. RECOMMENDATION

Your attention is drawn to (a) the letter from the Independent Board Committee set out on pages 27 to 28 of this circular which contains the recommendation of the Independent Board Committee to the Shareholders regarding the resolution in respect of the Disposal and the variation of the Non-Competition Deed (2015); (b) the letter from Somerley Capital Limited, the Independent Financial Adviser, set out on pages 29 to 43 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the Disposal and the variation of the Non-Competition Deed (2015); and (c) additional information set out in the appendixes to this circular.

The Independent Board Committee, having considered the advice of Somerley Capital Limited, is of the view that the Disposal Agreement, although not in the ordinary course of business of the Company, is nevertheless fair and reasonable, on normal commercial terms or better, and in the interests of the Company and Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM in respect of the Disposal.

Having considered the advice of Somerley Capital Limited, the Independent Board Committee is of the view that the First Deed of Variation (2021) although not conducted in ordinary course of business, is nevertheless fair and reasonable, on normal commercial terms, and in the interests of the Company and Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM in respect of the variation of the Non-Competition Deed (2015).

The Board is of the view that the Disposal Agreement and the First Deed of Variation (2021) are fair and reasonable, on normal commercial terms or better, and in the interests of the Company and Shareholders as a whole.

Having considered, among other things, the reasons for and benefits of the above-mentioned Disposal and the variation of the Non-Competition Deed (2015), the Directors are of the view that the terms of the relevant agreement are normal commercial terms and are fair and reasonable, and the Disposal Agreement and the First Deed of Variation (2021) are in the interests of the Company and Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the SGM.

Yours faithfully
By order of the Board
LIAO Qian
Chairman

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)

26 May 2021

To the Shareholders

Dear Sirs or Madam,

(1) DISPOSAL OF 70% INTEREST IN THE TARGET GROUP AND (2) VARIATION OF THE NON-COMPETITION DEED (2015)

We refer to the circular of the Company dated 26 May 2021 (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 Disposal and the variation of the Non-Competition Deed (2015), details of which are set out in the Circular.

We wish to draw your attention to the letter from the Board and the letter from the Independent Financial Adviser set out on pages 7 to 26 and pages 29 to 43 of the Circular respectively.

Having considered the advice of Somerley Capital Limited, the Independent Financial Adviser, we are of the view that the Disposal, although not in the ordinary course of business of the Company, is nevertheless fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

Having considered the advice of Somerley Capital Limited, the Independent Financial Adviser, we are of the view that the First Deed of Variation (2021), although not conducted in the ordinary course of business, is nevertheless fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM in respect of the Disposal and the variation of the Non-Competition Deed (2015).

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

The following is the letter of advice from the Independent Financial Adviser, Somerley Capital Limited, to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

SOMERLEY CAPITAL LIMITED
20th Floor, China Building
29 Queen's Road Central
Hong Kong

26 May 2021

To: the Independent Board Committee and
the Independent Shareholders

Dear Sirs,

(1) DISPOSAL OF 70% INTEREST IN THE TARGET GROUP; AND (2) VARIATION OF THE NON-COMPETITION DEED (2015)

INTRODUCTION

We refer to our appointment as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Disposal pursuant to the Disposal Agreement, and the First Deed of Variation (2021) in relation to the variation of the Non-Competition Deed (2015). Details of the aforesaid are set out in the "Letter from the Board" contained in the circular of the Company to the Shareholders dated 26 May 2021 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

As at the Latest Practicable Date, TCL Technology (the ultimate controlling Shareholder of the Company) indirectly held approximately 64.21% of the issued Shares of the Company through TCL CSOT. As such, TCL Technology and TCL CSOT are connected persons of the Company under the Listing Rules. As TCL Technology and TCL CSOT are controlling shareholders of Wuhan CSOT, Wuhan CSOT is an associate of TCL Technology and TCL CSOT, and also a connected person of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in relation to the Disposal exceed 5%, the Disposal constitutes a connected transaction of the Company and is subject to the reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in relation to the Disposal exceed 25% but all applicable percentage ratios are less than 75%, the Disposal constitutes a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirement under Chapter 14 of the Listing Rules.

TCL Technology and TCL CSOT are connected persons of the Company under the Listing Rules. Therefore, the entering into of the First Deed of Variation (2021) constitutes a connected transaction of the Company. The First Deed of Variation (2021) is not conducted in the ordinary and usual course of business of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules accordingly.

The Independent Board Committee comprising all three independent non-executive Directors, namely HSU Wai Man, Helen, XU Yan and LI Yang, has been established to advise the Independent Shareholders as to whether (i) the Disposal and the First Deed of Variation (2021) are conducted in the ordinary and usual course of business of the Group; (ii) the terms of the Disposal Agreement and the First Deed of Variation (2021) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the Disposal and the First Deed of Variation (2021) are in the interests of the Company and the Shareholders as a whole. We, Somerley Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

During the past two years, there have been no engagements between the Company and Somerley Capital Limited. As at the Latest Practicable Date, there have been no relationships or interests existing between (a) Somerley Capital Limited and (b) the Group, Wuhan CSOT and parties to the First Deed of Variation (2021) 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 to the Independent Board Committee and the Independent Shareholders in respect of the Disposal and the First Deed of Variation (2021) as detailed in the Circular.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the executive Directors and management of the Company and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects at the time they were made and up to the date of the SGM. We have also sought and received confirmation from the executive Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. We have no reason to believe that any material information has been withheld, nor doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group and Wuhan CSOT, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion, we have taken into account the principal factors and reasons set out below:

A. The Disposal

1. Information on the Target Group

The Target Company, an indirect subsidiary of the Company, is a limited liability company established in August 2016 under the laws of the PRC. As at the Latest Practicable Date, it is owned as to 70% by CDOT Huizhou and 30% by Wuhan CSOT respectively. The Target Group is principally engaged in the OEM (original equipment manufacturer) of LTPS LCD modules for mobile phones, tablets and vehicle-mounted products. Currently, the Target Group has a planned annual capacity of 90.55 million pieces. The Target Group started to build medium-size and in-vehicle module production lines in 2019, which have been completed and put into operation in 2020. The Target Group's module products cover 3-8" small-size LCD and 7-17.5" medium-size LCD and its key customer is Wuhan CSOT. The Target Group's module production base is located in the T3 plant of Wuhan CSOT and connected with Wuhan CSOT's LTPS panel production process in that plant. Further details regarding the Target Group are set out in the section headed "Information on the Target Company" in the "Letter from the Board" contained in the Circular.

As set out in the abovementioned section in the Circular, according to the audited report of the Target Group prepared in accordance with the PRC Financial Reporting Standards, the total asset value and the net asset value of the Target Group as at 31 December 2020 were approximately RMB762.7 million and RMB371.5 million respectively. For the two years ended 31 December 2019 and 2020, the Target Group recorded (a) revenue of approximately RMB2,916.9 million and RMB785.5 million respectively; and (b) loss after tax of approximately RMB16.6 million and RMB62.7 million respectively. As advised by the executive Directors, the increase in the loss after tax in 2020 compared to 2019 was mainly attributable to lower demand for mobile phones and related modules and supply chain disruption due to the COVID-19 pandemic.

2. Reasons for and benefits of the Disposal

The Group is principally engaged in the research and development, manufacture, sales and distribution of LCD modules. As mentioned above, the Target Group is principally engaged in the OEM of LTPS LCD modules for mobile phones, tablets and vehicle-mounted products, with its key customer being Wuhan CSOT.

The Target Group carried out LTPS modules processing business since the second half of 2019, which recorded loss before and after tax for two consecutive financial years as set out in the section headed "Information on the Target Company" in the "Letter from the Board" contained in the Circular. As set out in the Company's 2020 annual report, as processing products accounted for the majority of the sales volume of the Group for the year ended 31 December 2020 and only processing fee was charged for these products, the Group recorded a lower average unit price as compared to 2019. During 2020, the sales volume of the processing products accounted for around 63% of the Group's total sales volume, and contributed around 20% of the Group's total revenue. On the other hand, for the year ended 31 December 2020, the sale of LCD module segment accounted for around 37% of the Group's total sales volume, and contributed around 80% of the Group's total revenue. Considering the increasingly keen competition faced by the Target Group's LTPS module products, the Board is of the view that the Disposal allows the Group to divest from the loss-making processing business operated through the Target Company and devote more time and resources to optimise and expand the A-Si module business and smart home business as further discussed below.

Through the Disposal, the Group can further concentrate its resources on the A-Si module business, and enhance the competitiveness and market recognition of its A-Si module products by improving its presence in the industry chain and strengthening advantages in technology and scale. As set out in the Company's 2020 annual report, for the year ended 31 December 2020, the sales volume of products using A-Si LCD panels has increased by approximately 141% year-on-year. As the majority of medium sized products adopted A-Si LCD panels, the average selling price of A-Si products has recorded an increase of 11% year-on-year, thereby driving the revenue proportion of A-Si products from approximately 19.5% for the same period last year to approximately 65.2% for 2020. Also, as part of the Group's development strategy, the Group has continued to widen its product range, driving its overall average selling price (excluding processing products) during 2020 to increase by 8.7% year-on-year, which is attributable to the higher unit price of smart-home and learning tablet display modules. According to an OMDIA[1] report, A-Si will maintain a firm foothold in various flat panel display application areas (including mobile phones, tablets, laptops, desktops, televisions, cars, screen display and smart watches). Further, the executive Directors are of the view that, because of the pandemic, the demand for remote work and learning has increased, boosting the market demand for laptops and tablets. Such trend may continue to persist, and due to weaken consumer sentiment, manufacturers would launch price-friendly products which in turn stimulates the demand for products using A-Si LCD products with a high cost-performance ratio. Further, we noted from a report by International Data Corporation (IDC)[2] provided by the Company that it forecasted that there will be an emerging scenario-based ecosystem for smart devices and expected that in 2021, around 8% of smart devices will be modeled for educational use, while more than 20% of smart devices will be related to smart-home. In view of the above, the Group will actively allocate resources to the markets of smart-home and wearable display modules to seize opportunity in these markets, and expand the Group's business horizontally.

Further, as set out in the section headed "Use of proceeds" in the "Letter from the Board" contained in the Circular and as advised by the executive Directors, the net proceeds from the Disposal of the Target Group is approximately RMB286 million, which will be used to build a new factory in Chenjiang, Huizhou with planned total GFA of approximately 100,000 square metres for the production of A-Si modules for mobile phones, smart wearables, medium-size products and other new products. The project is expected to be completed and commence production in 2022.

1 A technology research and consulting firm with a global team of over 400 expert analysts and consultants.

2 A global provider of market intelligence, advisory services, and events for the information technology, telecommunications, and consumer technology markets.

Taking into account the above, the executive Directors are of the view, and we concur, that, as part of the Group's continuous efforts and strategies to optimise its resources and streamline its businesses, the Disposal of the loss-making Target Group enables the Group to reallocate its resources to and focus on its A-Si modules business and expands its product range and applications horizontally, which in turn is expected to benefit the Group's businesses and profitability in the long run and in line with the Group's long-term development strategy.

3. *Principal terms of the Disposal Agreement*

Set out below is a summary of the principal terms of the Disposal Agreement. Further details of the principal terms of the Disposal Agreement are set out in the section headed "The Disposal" in the "Letter from the Board" contained in the Circular.

(1) Subject matter

On 25 May 2021, CDOT Huizhou (Seller) and Wuhan CSOT (Buyer) entered into the Disposal Agreement, pursuant to which Wuhan CSOT has conditionally agreed to acquire from CDOT Huizhou, and CDOT Huizhou has conditionally agreed to transfer to Wuhan CSOT, 70% equity interest in the Target Company for a consideration of RMB286 million, which shall be paid in cash. Upon completion of the Disposal, the Target Company will no longer be an indirect subsidiary of the Company.

(2) Consideration

The consideration is RMB286 million, which shall be paid in cash in accordance with the following arrangements:

(i) within 30 Business Days from the date when the Disposal Agreement becomes effective, the Buyer shall pay the Seller 30% of the consideration for the transfer of the Target Equity Interest, i.e. RMB85.8 million; and

(ii) within 30 Business Days from the Completion Date, the Buyer shall pay the Seller the remaining 70% of the consideration for the transfer of the Target Equity Interest, i.e. RMB200.2 million.

The consideration under the Disposal Agreement was determined by the parties through arm's length negotiation based on the principle of fairness after taking into account a number of factors, including (a) the fair market value of all equity interests in the Target Group as at 31 December 2020 (being the Valuation Reference Date) as appraised by the Independent Valuer using the income approach of RMB408,051,700; (b) the historical operating results of the Target Group; and (iii) the business prospects of the Target Group and other factors.

(3) Conditions precedent

The closing of the Disposal is conditional upon the satisfaction of the conditions as set out in the paragraph headed "Conditions precedent" in the "Letter from the Board" contained in the Circular before the Long Stop Date (or any other later date as may be agreed upon by both parties in writing), including but not limited to the obtaining of Independent Shareholders' approval on (a) the Disposal Agreement and the transactions contemplated thereunder and (b) the First Deed of Variation (2021) at the SGM. Further details of the conditions precedent are set out in the abovementioned paragraph in the "Letter from the Board" contained in the Circular.

As of the Latest Practicable Date, save for condition precedent (i) as set out in the abovementioned paragraph, none of the conditions precedent as set out in the abovementioned paragraph has been fulfilled.

(4) Completion

Completion shall take place on the tenth business day (or such later date as the parties may agree in writing) after all the conditions set forth in the Disposal Agreement are fulfilled or waived, as the case may be.

4. Valuation of the Target Group

As set out in the Independent Valuer's valuation report contained in Appendix II to the Circular (the "**Valuation Report**"), appraised value of 100% equity interest of the Target Group was approximately RMB408.1 million as at 31 December 2020. In reviewing the Valuation Report, we have complied with the requirements under Rule 13.80(2)(b) Note 1(d) of the Listing Rules. In particular, we have discussed with the Independent Valuer its expertise and obtained the credentials of the persons signing the Valuation Report, who each have over 12 years' experience in valuation in the PRC. We also reviewed the Independent Valuer's terms of engagement and discussed with the Independent Valuer its work performed as regards the valuation.

Valuation methodologies

We understand from the Independent Valuer that the Valuation Report has been prepared in accordance with the Independent Valuer's standard practice. We have discussed with the Independent Valuer their valuation methodologies and understand that the income (or discounted cash flow) approach was adopted in the valuation of 100% equity interests in the Target Group. The income approach focuses on the business' future earnings potential and the economic benefits generated by the income producing capability of an enterprise, and discounts these benefits to present value using a discount rate appropriate for the risks associated with realising those benefits. We concur with the Independent Valuer that the income approach is commonly used and is the appropriate method to be used for the purpose of the valuation.

Review of the Valuation Report

We have reviewed and discussed with the Independent Valuer the key bases and assumptions adopted for the valuation. A list of key information reviewed, major assumptions and considerations made by the Independent Valuer are set out in the Valuation Report. The financial projections used represent best estimates of economic conditions and the Target Group's operations by the Company's management. Opinion letter in relation to the discounted cash flow forecast of the Target Group from the Company's reporting accountants and the Board are set out in Appendix IV and V to the Circular respectively. We understand from the executive Directors that, the cash flow forecast of the Target Group (the "**Forecast**") is prepared based on a number of key assumptions with respect to, among others, revenue, expenses, working capital projections and capital expenditure requirements for the period from 2021 to 2025 (the "**Forecast Period**"). We further understand from the executive Directors and management of the Target Company that the underlying key assumptions of the Forecast were made after taking into account, among others, (a) estimated sales of the Target Group's major module products in the coming years with reference to its production capacity and demand from Wuhan CSOT (being the Target Group's sole customer since 2020); (b) the Target Group's new medium-size and in-vehicle production lines having commenced operations in 2020, and are expected to operate at full capacity by 2023; and (c) historical trend of the cost items and changes in various expenses and major capital expenditure as a result of the business plan to be carried out by the Target Group.

As set out in Appendix IV to the Circular, the Company's reporting accountants are of the view that so far as the arithmetical accuracy of the calculations of the discounted cash flow forecast is concerned, the discounted cash flow forecast has been properly compiled in accordance with the bases and assumptions adopted by the Directors. We have discussed with the Company's reporting accountants their scope of work and work undertaken in relation to the discounted cash flow forecast and were advised that no irregularities have been noted during their review.

Independent Shareholders should note that the bases and assumptions adopted by the executive Directors in the discounted cash flow forecast are primarily based on current view with respect to business, financial, economic, market and other conditions, and circumstances may develop or change in the future which may affect these projections underlying the valuation.

Discount rate

The discount rate (i.e. the weighted average cost of capital) ("**WACC**") used by the Independent Valuer is equivalent to the cost of equity since (i) the Target Group had no interest-bearing borrowings as at the Valuation Reference Date and (ii) the capital structure of the Target Group is estimated to remain unchanged during the Forecast Period. The cost of equity is determined based on the Capital Asset Pricing Model ("**CAPM**"), a commonly used model adopted in discounted cash flow valuation. In computing the cost of equity and the discount rate to be applied, the Independent Valuer made reference to various factors including (i) risk-free rate and expected market return in the PRC as at the Valuation Reference Date; (ii) the "beta" which is a measure of the volatility, or systematic risk of selected comparable companies in comparison to the stock market; and (iii) company specific risk adjustment. On this basis, the discount rate adopted by the Independent Valuer is approximately 11.34% throughout the Forecast Period.

We have discussed with the Independent Valuer, obtained and reviewed underlying supporting documents, calculations and bases adopted by the Independent Valuer in deriving the discount rate. We also searched public information and/or Bloomberg, where feasible, to verify the bases adopted by the Independent Valuer in its calculations (including (a) the risk-free rate of return; (b) the expected market rate of return; and (c) "beta" of the comparable companies adopted in the valuation), and noted that the bases adopted by the Independent Valuer are generally in line with the data obtained through our independent search. Based on the above, we concur with the Independent Valuer's view that it is appropriate to adopt the income approach for the valuation of the Target Group and the discount rate adopted as set out above is reasonable for the purpose of the valuation.

5. Evaluation of the consideration of the Disposal

As set out in the sub-section headed "Basis for determination of the Consideration" in the "Letter from the Board" contained in the Circular, the consideration under the Disposal Agreement was determined by the parties through arm's length negotiation based on the principle of fairness after taking into account, among other factors, the fair market value of all equity interests in the Target Group as at 31 December 2020 (being the Valuation Reference Date) as appraised by the Independent Valuer using the income approach of approximately RMB408.1 million. In assessing the fairness of the consideration under the Disposal Agreement, we consider it is appropriate to refer to the abovementioned independent valuation of all equity interests in the Target Group. We consider that the methodologies adopted by the Independent Valuer are appropriate.

In addition, we have also performed a price to book ("**P/B**") analysis with respect to the Target Group (price to earnings analysis was not feasible since the Target Group has been loss-making for two consecutive financial years ended 31 December 2019 and 2020). As mentioned in the sub-section headed "Information on the Target Group" of this letter above, the Target Group is principally engaged in the OEM of LTPS LCD modules for mobile phones, tablets and vehicle-mounted products. Accordingly, we have conducted a search on Bloomberg for companies (the "**Comparable Companies**") listed on the Main Board of the Stock Exchange, which, based on their latest published annual reports available as at the date immediately prior to the Latest Practicable Date, are principally engaged in display business including manufacturing and sale of LCD modules. The Comparable Companies set out below represent an exhaustive list of companies comparable to the Company based on the above criteria.

Comparable Companies	Closing market capitalisation	Historical P/B ratio
	(Approximate HK$ million)	*(Approximate times)*
	(Note 1)	*(Note 1)*
Truly International Holdings Limited (stock code: 732)	4,671	0.50
BOE Varitronix Limited (stock code: 710)	3,053	1.13
Yeebo (International Holdings) Limited (stock code: 259)	2,309	1.19
Mean		0.94
Median		1.13
Maximum		1.19
Minimum		0.50
The Target Group		**1.10** *(Note 2)*

Notes:

1. *Sourced from Bloomberg as at the date immediately prior to the Latest Practicable Date.*

2. *The implied P/B ratio of the Target Group is calculated based on the implied valuation of the Target Group of approximately RMB408,571,429 (calculated based on the consideration of RMB286,000,000 for the 70% equity interest in the Target Company) and the net asset value of the Target Group as at 31 December 2020 of approximately RMB371,458,000.*

As set out above, the implied P/B ratio of the Target Group calculated based on the consideration is approximately 1.10 times, which is above the mean and close to the median of the historical P/B ratios of the Comparable Companies. Taking into account the above, and that we consider the methodologies adopted by the Independent Valuer for the valuation of all equity interests in the Target Group to be appropriate, we consider that the consideration for the Disposal is fair and reasonable.

6. Financial effects of the Disposal and use of proceeds

Based on the available information, the Group estimates that the unaudited one-off income from the Disposal will be approximately RMB25.98 million, which is calculated based on the difference between the consideration receivable by the Group from the Disposal and the net book value of the Target Group as at 31 December 2020.

Upon completion of the Disposal, the Target Company will no longer be an indirect subsidiary of the Company, so the financial results of the Target Group will not be consolidated into the financial statements of the Group. Upon completion of the Disposal, it is expected that the total assets and total liabilities of the Group will decrease by approximately RMB762.7 million and RMB391.3 million, respectively.

The actual income to be recorded by the Group from the Disposal is subject to the final audit by the auditor of the Company.

The net proceeds from the Disposal of the Target Group is approximately RMB286 million, which will be used to build a new factory in Chenjiang, Huizhou with planned total GFA of approximately 100,000 square metres for the production of A-Si modules for mobile phones, smart wearables, medium-size products and other new products. The construction of the new factory in Chenjiang is expected to expand the production scale of the Group and further broaden its product range.

B. The First Deed of Variation (2021)

(a) Background and reasons for the First Deed of Variation (2021)

As set out in the sub-section headed "Reasons for the variation of the Non-Competition Deed (2015)" in the "Letter from the Board" contained in the Circular, upon completion of the Disposal, TCL Technology and its associates will be deemed to be engaged in the Original Restricted Activity. To improve the delineation of business between the Group and TCL Technology Group upon the completion of the Disposal, and to clarify and rationalise their respective business positioning and relationships among themselves, TCL Technology, TCL Industries, TCL CSOT and the Company entered into the First Deed of Variation (2021) on 25 May 2021.

In accordance with the First Deed of Variation (2021) and subject to fulfilment of the conditions precedent set out therein, from the Novation Date, TCL Industries shall release and discharge the Company from all claims and demands in respect of the Non-Competition Deed (2015) and TCL CSOT shall substitute TCL Industries as a covenantor. In addition, TCL Technology and TCL CSOT, collectively as the Covenantors, have undertaken not to (subject to other terms as set out in the Non-Competition Deed (2015)), directly or indirectly, carry on or be engaged or interested in the research and development, manufacturing, sales, and distribution of LCD modules (excluding LTPS) used in mobile phones. Further details regarding the Non-Competition Deed (2015) are set out in the "Letter from the Board" contained in the Circular and the Company's circular dated 30 June 2014.

(b) Principal terms

Set out below are the principal terms of the First Deed of Variation (2021). Further details are set out in the section headed "Variation of the Non-competition Deed (2015)" in the "Letter from the Board" contained in the Circular.

(i) Substitution of TCL Industries with TCL CSOT as a covenantor

Pursuant to the First Deed of Variation (2021), among others, TCL Technology and TCL CSOT agree and undertake to the Company that as from the Novation Date TCL Technology and TCL CSOT shall be bound by the Original Deed (as varied or amended by the First Deed of Variation (2021)) and TCL Technology and TCL CSOT shall observe and perform all the terms and conditions therein contained in every way as if TCL Technology and TCL CSOT were parties to the Original Deed (as varied or amended by the First Deed of Variation (2021)) in place of TCL Industries.

(ii) Variation of the scope of Restricted Activity

Subject to other terms as set out in the Non-Competition Deed (2015), each of the Covenantors undertakes that it shall not, and shall procure that its associates and entities or companies controlled by it or its associates not to, either on its own account or for any other person, firm or company, directly or indirectly be interested or involved or engaged in or acquire or hold an interest (in each case whether as a shareholder, partner, agent, consultant, employee or otherwise and whether for profit, reward or otherwise) in any business which competes or is likely to compete directly or indirectly with the Group's business of research & development, manufacturing, sales and distribution of LCD modules (excluding LTPS modules) used in mobile phones.

(iii) Variation of obligations of Covenantors

Each of the Covenantors undertakes and agrees that it shall promptly provide the Company, in writing (by email, facsimile or otherwise) with any relevant information in respect of any new business opportunity (other than business opportunities as set out in the Non-Competition Deed (2015)) which competes or may compete with the Restricted Activity which it or its close associates may have knowledge for the Company to assess such new business opportunity. The Company shall, as soon as practicable upon provision by the Covenantors of such new business opportunities, submit such business opportunities to its independent non-executive Directors for assessment as to whether the Company would pursue such opportunities. No Covenantor or its associates shall pursue such business opportunities until the Company confirms that it will not pursue such business opportunities.

Pursuant to the Non-Competition Deed (2015), each of the Covenantors further undertakes and agrees that, among others, it shall make an annual declaration in favour of the Company on whether it has fully complied with its obligations under the Non-Competition Deed (2015), for inclusion in the annual report of the Company.

(iv) Conditions precedent

The First Deed of Variation (2021) and the rights and obligations thereunder are subject to and conditional upon the satisfaction of the following conditions:

(a) the First Deed of Variation (2021) is approved by the Independent Shareholders at the SGM; and

(b) the Disposal of 70% equity interest in the Target Company is completed in accordance with the terms of the Disposal Agreement.

If the above conditions precedent are not fulfilled on or before 31 December 2021 or such later date as may be agreed by the parities, the First Deed of Variation (2021) shall be terminated with immediate effect and the Non-Competition Deed (2015) shall remain in force and binding on the parties.

(v) Termination

The First Deed of Variation (2021) shall be terminated immediately and permanently upon the earliest occurrence of, (a) the aggregate shareholding of the TCL Technology, TCL CSOT and their associates in the Company is less than 30% of the entire issued share capital of the Company; (b) the Shares of the Company cease to be listed and traded on the Stock Exchange; or (c) the Restricted Activity ceases to be the principal business of the Group.

Our view

As set out in the section headed "Reasons for and benefits of the Disposal" in the "Letter from the Board" contained in the Circular, the amendments to the Non-Competition Deed (2015) just serve the purpose of allowing Wuhan CSOT to continue the business operation of the Target Company after Wuhan CSOT acquires the Target Company and does not restrict the Company from engaging in the LTPS business if opportunities arise in future. Taking into consideration that (i) the entering into of the First Deed of Variation (2021) in favour of the Company is inter-conditional with the Disposal Agreement (i.e. being the indispensable step for completion of the Disposal); (ii) the reasons for and benefits of the Disposal as discussed in this letter above; (iii) the undertakings from the Covenantors and public disclosures with respect to the compliance of the Non-Competition Deed (2015) (as varied or amended by the First Deed of Variation (2021)) as set out above; and (iv) the consideration of the Disposal is fair and reasonable as discussed in this letter, we are of the view that the First Deed of Variation (2021) is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors, we consider that (1) although the Disposal and the First Deed of Variation (2021) are not conducted in the ordinary and usual course of business of the Group, the terms of the Disposal Agreement and the First Deed of Variation (2021) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (2) the Disposal and the entering into of the First Deed of Variation (2021) are in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder, and the First Deed of Variation (2021).

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Stephanie Chow
Director

Ms. Stephanie Chow is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. She has over ten years' experience in the corporate finance industry.

1. THREE-YEAR FINANCIAL INFORMATION OF THE GROUP

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

The audited consolidated financial statements of the Company for the year ended 31 December 2020 together with the relevant notes to the financial statements of the Company can be found on pages 54 to 125 of the annual report of the Company for the year ended 31 December 2020. The audited consolidated financial statements of the Company for the year ended 31 December 2019 together with the relevant notes to the financial statements of the Company can be found on pages 55 to 131 of the annual report of the Company for the year ended 31 December 2019. The audited consolidated financial statements of the Company for the year ended 31 December 2018 together with the relevant notes to the financial statements of the Company can be found on pages 58 to 137 of the annual report of the Company for the year ended 31 December 2018. Please see below the hyperlinks to the said annual reports:

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

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0424/2020042400683.pdf

https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0412/ltn20190412710.pdf

2. STATEMENT OF INDEBTEDNESS

As at 31 March 2021, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had bank borrowings of bank advance on discounted bill receivables of RMB 70.0 million, bank loans of RMB24.8 million, other borrowings of RMB24.0 million, lease liabilities of RMB10.3 million and interest payable of RMB 13.7 million.

As at 31 March 2021, the Group had capital commitments of RMB36.8 million for plants and machineries which were contracted but not provided for.

Except as disclosed above, the Group did not have any outstanding indebtedness in respect of any mortgages, pledge, debt securities, loan capital, charges and overdrafts, or other similar indebtedness, or guarantees, finance leases, hire purchase commitments, acceptance liabilities or acceptance credits or other material contingent liabilities as at 31 March 2021.

The Directors have confirmed that there has not been any material change in the indebtedness or the contingent liabilities of the Group since 31 March 2021.

3. WORKING CAPITAL

As at the Latest Practicable Date, the Directors, after due enquiry, are of the opinion that, after taking into consideration of the transactions contemplated under the Disposal Agreement and the financial resources available to the Group, including internally generated financial resources, the Group will have sufficient working capital for its present requirement, that is for at least the next 12 months from the date of publication of this circular, in the absence of unforeseeable circumstances.

4. FINANCIAL AND TRADING PROSPECTS

Looking ahead, while there remains uncertainties in the external economic environment, there is still a glimmer of light for the global mobile phone industry. According to the forecast by the research organization, Canalys, the global shipment of smartphones in 2021 is expected to increase by nearly 10% year-on-year, as mobile phone manufacturers are making an effort to launch new products, actively promoting online sales and resuming operation of brick-and-mortar stores.

The Group will strive to maximize its production efficiency and effectiveness, keep fulfilling the orders of first-tier customers and strengthen its customer base. Furthermore, the Group will step up the research and development for 5G related products, enhance and preserve the advanced display technology including in-display fingerprints technology, so as to accommodate the requirements of 5G mobile phones and to build a solid operational base for the "era of new infrastructure".

Because of the pandemic, the demand for remote work and learning has increased tremendously, boosting the market demand for notebook computers and tablets. Such strong demand is very likely to continue in 2021. The latest IDC report forecasts that the smart devices will become scenario-based in the future. It is expected that in 2021, around 8% of smart devices will be modeled for educational use, while more than 20% of smart devices will be related to smart-home. In view of this, the Group will actively allocate resources to the markets of smart-home and wearable display modules to seize the great opportunity therein and horizontally expand the Group's business.

In the long run, the Group remains cautiously optimistic about the development prospects of the display module business. It is confident that it will further enhance its strengths in technology and economies of scale by improving the industry value chain, so as to increase its competitiveness. The Group will strive to face various challenges while sustaining the sales growth and steady development, as well as to create greater value for the Group and its shareholders.

This asset valuation report is prepared in accordance with the asset valuation standards of the PRC

CHINA DISPLAY OPTOELECTRONICS TECHNOLOGY (HUIZHOU) COMPANY LIMITED PROPOSES TO SELL 70% EQUITY INTEREST IN WUHAN CHINA DISPLAY OPTOELECTRONICS TECHNOLOGY COMPANY LIMITED

ASSET VALUATION REPORT

Shen Zhong Lian Ping Bao Zi [2021] No.30

Shenzhen China United Assets Appraisal Co., Ltd.
18 March 2021

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STATEMENT

I. This asset valuation report is prepared in accordance with the Basic Rules for Asset Valuation issued by the Ministry of Finance and the Practice Guidelines for Asset Valuation and the Code of Ethics for Asset Valuation issued by the China Appraisal Society.

II. The principal or other users of the asset valuation report shall use the asset valuation report in accordance with the provisions of laws and administrative regulations and within the scope of use as specified herein. Where the principal or other users of the asset valuation report use this asset valuation report in violation of the above provisions, we as the asset appraisal agency and our asset valuers shall not be liable for that.

This asset valuation report shall only be used by the principal, other users of the asset valuation report agreed in the asset valuation engagement contract, and users of asset valuation report as stipulated by laws and administrative regulations. Save for the above, any other agencies or individuals shall not use this asset valuation report.

The asset appraisal agency and asset valuers advise that users of the asset valuation report should correctly interpret and use the valuation conclusion, which is not equivalent to the realisable value of the valuation subject and should not be regarded as a guarantee for the realisable value of the valuation subject.

III. The validity of the valuation conclusion is conditional upon the authenticity, legality and completeness of the information provided by the principal and other parties concerned. The list of assets and liabilities within the scope of valuation, as well as the predictive financial information, ownership certificates and other materials required for the valuation, have been provided and confirmed by seals or other means by the principal and the appraised entity.

IV. We as the asset appraisal agency and our asset valuers have no interest and are not expected to have any interest in the valuation subject in this asset valuation report. We have neither existing or prospective interest in nor any bias against the parties concerned.

V. Our asset valuers have carried out on-site inspection on the valuation subject and its assets involved in the asset valuation report, paid necessary attention to the legal titles of the valuation subjects and its assets involved, verified the information related to the legal titles of the valuation subject and its assets involved, truthfully disclosed the issues identified in the process, and requested the principal and other parties concerned to remove title defects in order to meet the requirements for issuing an asset valuation report.

VI. The analyses, judgments and results in the asset valuation report issued by us are subject to the assumptions and limitations set out in the asset valuation report. The users of the asset valuation report shall fully consider the assumptions, limitations and special notes set out herein and their impact on the valuation conclusion.

VII. We as the asset appraisal agency and our asset valuers comply with the laws, administrative regulations and asset valuation standards, adhere to the principles of independence, objectivity and impartiality, and take responsibility for the asset valuation report issued by us.

CHINA DISPLAY OPTOELECTRONICS TECHNOLOGY (HUIZHOU) COMPANY LIMITED PROPOSES TO SELL 70% EQUITY INTEREST IN WUHAN CHINA DISPLAY OPTOELECTRONICS TECHNOLOGY COMPANY LIMITED

ASSET VALUATION REPORT

Shen Zhong Lian Ping Bao Zi [2021] No.30

SUMMARY

Shenzhen China United Assets Appraisal Co., Ltd. is engaged by China Display Optoelectronics Technology (Huizhou) Company Limited to appraise the market value of the total shareholders' equity of Wuhan China Display Optoelectronics Technology Company Limited involved in the proposed sale by China Display Optoelectronics Technology (Huizhou) Company Limited of 70% equity interest in Wuhan China Display Optoelectronics Technology Company Limited as at the Valuation Reference Date.

The valuation subject is the total shareholders' equity of Wuhan China Display Optoelectronics Technology Company Limited, and the scope of valuation covers all assets and liabilities of Wuhan China Display Optoelectronics Technology Company Limited, including current assets, non-current assets and relevant liabilities.

The Valuation Reference Date is 31 December 2020.

The type of value under the valuation is market value.

This valuation is conducted on the premise of continued use and open market. Taking into account the actual conditions of the valuation subject and comprehensively considering various influencing factors, we conducted an overall evaluation of Wuhan China Display Optoelectronics Technology Company Limited using the income approach and the market approach respectively, and then reviewed and compared the valuation results. Given the applicable premise of the valuation approaches and the valuation purpose, the valuation conclusion under the income approach is selected as the final valuation conclusion.

Based on the judgment of the equity holder and the management of the Target Company on its future development trend and the implementation of its business plans, as at the Valuation Reference Date, i.e. 31 December 2020, the book value and the appraised value of the net assets (total shareholders' equity) of Wuhan China Display Optoelectronics Technology Company Limited were RMB371,457,800 and RMB408,051,700 respectively, representing a valuation appreciation of RMB36,593,900 or 9.85%.

When using the valuation conclusion, the users of this report are hereby reminded to pay attention to the special notes and material subsequent events set out herein.

According to the laws and regulations related to asset valuation, an asset valuation report involving statutory valuation business shall be used only after the principal performs the supervision and management procedures for asset valuation in accordance with relevant laws and regulations. The valuation conclusion shall be valid for one year from 31 December 2020 to 30 December 2021. If the one-year period expires, the valuation subject needs to be re-evaluated.

The above content is extracted from the full text of the asset valuation report. For the details of the valuation and reasonable understanding of the valuation conclusion, please refer to the full text of the asset valuation report.

CHINA DISPLAY OPTOELECTRONICS TECHNOLOGY (HUIZHOU) COMPANY LIMITED PROPOSES TO SELL 70% EQUITY INTEREST IN WUHAN CHINA DISPLAY OPTOELECTRONICS TECHNOLOGY COMPANY LIMITED

ASSET VALUATION REPORT

Shen Zhong Lian Ping Bao Zi [2021] No.30

China Display Optoelectronics Technology (Huizhou) Company Limited:

As commissioned by the Company, Shenzhen China United Assets Appraisal Co., Ltd. appraised the market value of the total shareholders' equity of Wuhan China Display Optoelectronics Technology Company Limited involved in the proposed sale by China Display Optoelectronics Technology (Huizhou) Company Limited of 70% equity interest in Wuhan China Display Optoelectronics Technology Company Limited as at 31 December 2020 by adopting the income approach and the market approach and performing necessary valuation procedures in accordance with relevant laws, administrative regulations and asset valuation standards and based on the principles of independence, objectivity and impartiality. Details of the asset valuation are presented as follows:

I. PRINCIPAL AND OTHER USERS OF THE ASSET VALUATION REPORT

Both the principal of the valuation and the equity holder are China Display Optoelectronics Technology (Huizhou) Company Limited, and the appraised entity is Wuhan China Display Optoelectronics Technology Company Limited. Set out below is the information on the principal, the equity holder and the appraised entity:

(I) Overview of the Principal and Equity Holder

Company name:	China Display Optoelectronics Technology (Huizhou) Company Limited ("**CDOT Huizhou**")
Company address:	Section 23, Zhongkai High-tech Development Zone, Huizhou City, Guangdong Province
Legal representative:	Zhang Feng
Unified social credit code:	91441300765722881E
Registered capital:	RMB231.9 million
Type of company:	Limited liability company (Taiwan, Hong Kong and Macau joint venture)
Date of establishment:	17 August 2004

Duration of operation:	17 August 2004 to 16 August 2024
Business scope:	R&D, production, processing and sales of various display devices and related supporting products, domestic trade, import and export of goods or technologies, marketing planning, automation of industrial production lines, and sales and leasing of machinery and equipment. (Business activities subject to approval according to law may be carried out only after being approved by the competent authorities)

(II) Overview of the Appraised Entity

Company name:	Wuhan China Display Optoelectronics Technology Company Limited ("**Wuhan CDOT**")
Company address:	No.03-01, 2/F, IT Service Centre, 1 Guanshan 1st Road, Donghu New Technology Development Zone, Wuhan
Legal representative:	Zhang Feng
Unified social credit code:	91420100MA4KN9UA57
Registered capital:	RMB500 million
Type of company:	Other company with limited liability
Date of establishment:	11 August 2016
Duration of operation:	11 August 2016 to 10 August 2046

1. *Company history*

Wuhan CDOT was established by CDOT Huizhou on 11 August 2016 with a registered capital of RMB1 million. The capital contribution and shareholding structure of Wuhan CDOT when it was established were as follows:

No.	Shareholder name	Committed capital		Paid-in capital	
		Amount (RMB0'000)	Percentage (%)	Amount (RMB0'000)	Percentage (%)
1	CDOT Huizhou	100.00	100.00	100.00	100.00
Total		100.00	100.00	100.00	100.00

On 4 January 2017, a resolution was passed at the shareholders' meeting of Wuhan CDOT, pursuant to which Wuhan CDOT proposed to increase its registered capital by RMB499 million to RMB500 million. Specifically, CDOT Huizhou subscribed for RMB350 million of registered capital to hold 70% equity interest in Wuhan CDOT; Wuhan CSOT as a new shareholder subscribed for RMB150 million of registered capital to hold 30% equity interest in Wuhan CDOT. As of 31 December 2020, the paid-up capital of Wuhan CDOT was RMB400 million.

As of the Valuation Reference Date, the capital contribution to and shareholding structure of Wuhan CDOT were as follows:

No.	Shareholder name	Committed capital		Paid-in capital	
		Amount (RMB0'000)	Percentage (%)	Amount (RMB0'000)	Percentage (%)
1	CDOT Huizhou	35,000	70%	28,000	70%
2	Wuhan CSOT	15,000	30%	12,000	30%
Total		50,000	100%	40,000	100%

2. ***Company information***

Founded in August 2016, Wuhan CDOT is primarily engaged in the OEM of LTPS LCD modules for mobile phones, tablets and vehicle-mounted products. Currently, it has 17 small-size module production lines (17 binding lines, 18 LAM (laminating) lines and 17 assembly lines) and 5 medium-size module production lines (5 binding lines, 2 LAM (laminating) lines and 5 assembling lines), with a planned annual capacity of 90.55 million pieces. Its module products cover 3-8" small-size LCD and 7-17.5" medium-size LCD.

Wuhan CDOT's key customer is its shareholder Wuhan CSOT, which is a subsidiary of TCL Technology. Wuhan CSOT mainly produces LCD panels for mobile phones, tablets, laptops, and vehicle-mounted products; Wuhan CDOT's model production base is located in the T3 plant of Wuhan CSOT to seamlessly connect with Wuhan CSOT's LTPS panel production process in that plant. In order to meet the needs of Wuhan CSOT's T3 plant for back-end module processing and new product development, Wuhan CDOT began to build medium-size and in-vehicle module production lines in 2019, which have been completed and put into operation in 2020 but are yet to release the production capacity. Wuhan CDOT has module production lines with a high degree of automation in the PRC and a sound quality control system. With the release of production capacity of its medium-size production lines, Wuhan CDOT will create synergy with Wuhan CSOT by integrating with the latter's industrial chain based on Wuhan CSOT T3 plant's panel shipments and demand for back-end module products.

3. ***Business scope:*** R&D, production, processing, wholesale and retail of LCD devices and display modules for mobile phones and tablets; import and export of goods and technologies, import and export agency services (not covering goods or technologies prohibited or restricted from import or export by the state). (Business activities subject to approval according to law may be carried out only after being approved by the competent authorities).

4. Assets and financial conditions

As of 31 December 2020, Wuhan CDOT had total assets of RMB762,715,200, total liabilities of RMB391,257,400, and net assets of RMB371,457,800 (all in book value). In 2020, it recorded an operating income of RMB785,530,300 and a net loss of RMB62,738,400. The following table sets forth the assets, liabilities and operating performance of Wuhan CDOT in the past three years:

Wuhan CDOT's Assets, Liabilities and Financial Conditions in 2018-2020

Unit: RMB0'000

Item	**31 December 2018**	**31 December 2019**	**31 December 2020**
Total assets	196,215.50	79,529.45	76,271.52
Liabilities	151,137.06	36,109.83	39,125.74
Net assets	45,078.44	43,419.62	37,145.78
Item	**2018**	**2019**	**2020**
Operating income	297,126.89	291,685.69	78,553.03
Total profit	9,129.51	–919.94	–7,562.49
Net profit	6,702.00	–1,657.42	–6,273.84
Item	**2018**	**2019**	**2020**
Net cash flows from operating activities	–4,068.96	14,348.12	16,485.42
Net cash flows from investing activities	–3,290.29	–12,924.43	–17,816.21
Net cash flows from financing activities	–	–	–
Net increase in cash and cash equivalents	–7,238.55	866.91	–1,305.68
Auditor	Huizhou Dongfang Certified Public Accountants Co., Ltd.	Huizhou Dongfang Certified Public Accountants Co., Ltd.	Huizhou Dongfang Certified Public Accountants Co., Ltd.

(IV) The Principal and Other Users of Valuation Report as Agreed in the Asset Valuation Engagement Contract

The principal is the sole user of this valuation report, and there are no other users of valuation report.

Except as otherwise provided by national laws and regulations, no any agency or individual that has not been approved by the asset appraisal agency and the principal shall become a user of the valuation report by having access to it.

(V) Relationship Between the Principal and the Appraised Entity

The principal holds 70% equity interest in the appraised entity, and hence is the controlling shareholder of the appraised entity. As such, there is a related party relation between the two parties.

II. PURPOSE OF VALUATION

According to the Resolution of the Board of Directors of China Display Optoelectronics Technology (Huizhou) Company Limited, CDOT Huizhou proposes to sell 70% equity interest in Wuhan CDOT, which requires the valuation of the market value of the total shareholders' equity of Wuhan CDOT involved in such economic activity as at the Valuation Reference Date.

The purpose of the valuation is to present the market value of the total shareholders' equity of Wuhan CDOT as at the Valuation Reference Date for reference for the above economic activity of CDOT Huizhou.

III. SUBJECT AND SCOPE OF VALUATION

The valuation subject is the total shareholders' equity of Wuhan CDOT. The scope of valuation covers all assets and liabilities of Wuhan CDOT as at the Valuation Reference Date, including total assets of RMB762,715,200, total liabilities of RMB391,257,400 and net assets of RMB371,457,800. Specifically, such assets and liabilities include RMB143,777,100 of current assets; RMB618,938,100 of non-current assets, which comprise RMB573,926,400 of fixed assets, RMB18,556,800 of construction in progress, RMB651,100 of intangible assets, RMB4,282,600 of long-term deferred expenses, RMB21,458,000 of deferred income tax assets, and RMB63,100 of other non-current assets; RMB367,467,300 of current liabilities; and RMB23,790,100 of non-current liabilities.

The above book values of assets and liabilities are extracted from the unqualified Auditor's Report (Dong Kuai Shen Zi [2021] No.243) issued by Huizhou Dongfang Certified Public Accountants Co., Ltd., and the valuation is conducted based on the audited financial information of the subject.

The principal and the appraised entity confirm that the designated scope of valuation is consistent with the purpose of the valuation.

(I) Information on the Main Assets to be Appraised

The main assets within the scope of valuation include cash and bank balances, notes and accounts receivable, prepayments, other receivables, inventories, other current assets, long-term receivables, fixed assets, construction in progress, intangible assets, long-term deferred expenses, deferred income tax assets, and other non-current assets. Among those, the book value of physical assets is RMB621,621,600, accounting for 81.50% of the total assets within the scope of valuation. Such assets are mainly inventories, machinery and equipment, vehicles, electronic devices, construction in progress, etc. These assets have the following characteristics:

1. Physical assets are mainly situated in the plant of Wuhan CDOT in Donghu New Technology Development Zone of Wuhan.

2. Inventories mainly include raw materials, turnover materials and finished products. Specifically, raw materials are of a large value and have many varieties, mainly including front three-in-one conductive cloth, dust-free cloth, easy-to-tear stickers, double-sided adhesive tapes, PVC gloves, welding heads for welding machines, UV curing lamps, etc.; turnover materials mainly include MPG test boards, various types of probe fixtures, needle membranes, blind hold needle membranes, FT/FV turnover general trays, etc.; finished products mainly represent various types of LCD devices and display modules for mobile phones and tablets. The inventories are in normal condition.

3. Construction in progress represents equipment installation projects in progress, mainly covering full-automatic OTP/TP burners, MBD double-blind-hole project (Phase III), Tape automatic attaching machines, vehicle-mounted aging equipment (aging furnaces), automatic round-hole module sealing machines, CG cleaning machines, clean room renovation project, explosion-proof cabinets, etc. Currently, the construction in progress is advancing normally.

4. Machinery and equipment are production equipment, mainly including jelly module jelly glue laminating machines, LCD binding machines, automatic optical glue laminating machines, automatic screen appearance inspection equipment, etc.; vehicles refer to commercial vehicles (a Buick commercial vehicle); electronic devices include image measuring instruments, microscopes, transmittance detectors, water drop angle testers and other detection instruments, video conferencing systems, servers, computers, printers and office equipment. Presently, all types of equipment are maintained and used normally.

(II) Recorded or Unrecorded Intangible Assets Declared by the Appraised Entity

The recorded intangible assets declared by the appraised entity within the scope of valuation represent the purchased SAP software, which is now in normal use.

As at the Valuation Reference Date of 31 December 2020, there were 13 patents declared by the appraised entity within the scope of valuation that had not been accounted for as assets, including 9 invention patents (3 authorised and 6 unauthorised) and 4 utility models. See Table 3-1 for details.

Table 3-1 Patent Rights of Wuhan CDOT

No.	Patent name	Way of acquisition	Type	Patent number	Date of application	Date of grant	Legal status
1	A Method for Control of Display Modules, a Display Module, Terminal and Storage Medium	Self-developed	Invention	CN201711497837.1	2017/12/29	2020/12/8	Authorised
2	A Method, Device and Computer Readable Storage Medium for Determining Optimal Chromaticity and Brightness	Self-developed	Invention	CN201711418039.5	2017/12/22	2020/12/4	Authorised
3	A Method, Device and Readable Storage Medium for Module Assembly Process Design	Self-developed	Invention	CN201710710980.8	2017/8/17	2020/3/17	Authorised
4	A Touch Screen Testing Device and Method	Self-developed	Invention	CN201810249222.5	2018/3/22	–	Unauthorised
5	A Method, Device and Computer Readable Storage Medium for Data Transmission Control	Self-developed	Invention	CN201711472251.X	2017/12/28	–	Unauthorised
6	A Method, Device, CIM System and Computer Storage Medium for LCD Quality Inspection	Self-developed	Invention	CN201711442282.0	2017/12/25	–	Unauthorised
7	A Testing Device, Testing Method and Processing Control System of Touch Display Modules	Self-developed	Invention	CN201711389806.4	2017/12/18	–	Unauthorised
8	A Computer Readable Storage Medium, Sensor and its Automatic Calibration Method	Self-developed	Invention	CN201710591691.0	2017/12/15	–	Unauthorised
9	A Method and Device for Module Assembly Process Design	Self-developed	Invention	CN201710310069.8	2017/9/1	–	Unauthorised
10	A U-shaped Screen Drive Circuit, Display Screen and Intelligent Terminal	Self-developed	Utility model	CN201821588205.6	2018/9/27	2019/8/16	Authorised
11	A Display Panel, Display Module and Display Device	Self-developed	Utility model	CN201721868951.6	2017/12/26	2018/6/29	Authorised
12	An LCD Panel, LCD Screen and Intelligent Device	Self-developed	Utility model	CN201721777440.3	2017/12/14	2018/6/15	Authorised
13	An LCD Module and Mobile Phone	Self-developed	Utility model	CN201720681380.9	2017/6/12	2018/1/9	Authorised

(III) Type and Quantity of Off-balance Sheet Assets Declared by the Appraised Entity

The principal and the appraised entity confirm that as at the Valuation Reference Date of 31 December 2020, except for the above 13 patents yet to be accounted for as assets, the assets declared by the appraised entity for valuation are all included in the balance sheet and no off-balance sheet assets are declared.

(IV) Type, Quantity and Book Value of Assets Involved in the Conclusions of Reference Reports Issued by Other Agencies

The book values of assets and liabilities as at the Valuation Reference Date set out herein are the audit results of Huizhou Dongfang Certified Public Accountants Co., Ltd. Except that, there is no reference to any reports from other agencies.

IV. TYPE OF VALUE

Based on the purpose of valuation, the type of value under this valuation is defined as market value.

Market value represents the estimated value of the valuation subject in an arm's length transaction on the Valuation Reference Date where a willing buyer and a willing seller act rationality and without any coercion.

V. VALUATION REFERENCE DATE

The Valuation Reference Date for this asset valuation is 31 December 2020.

This date is determined by the principal based on the purpose of valuation and after comprehensive consideration of how to better achieve the purpose of valuation, the convenience for the principal and the appraised entity to provide relevant information, the validity period of the valuation report and other factors.

VI. BASIS OF VALUATION

The basis of valuation on which this asset valuation is conducted mainly includes the underlying economic activity, relevant laws and regulations, valuation criteria, asset titles, basis of pricing and other references, the details of which are as follows:

(I) Economic Activity Basis

Resolution of the Board of Directors of China Display Optoelectronics Technology (Huizhou) Company Limited (5 February 2021).

(II) Law and Regulation Basis

1. The Company Law of the People's Republic of China (amended at the 6th session of the Standing Committee of the 13th National People's Congress on 26 October 2018);

2. The Securities Law of the People's Republic of China (amended for the second time at the 15th session of the Standing Committee of the 13th National People's Congress on 28 December 2019);

3. The Asset Appraisal Law of the People's Republic of China (promulgated by the Standing Committee of the National People's Congress on 2 July 2016)

4. The Patent Law of the People's Republic of China (Presidential Decree No.8 of the People's Republic of China).

(III) Valuation Standard Basis

1. Basic Standards for Asset Valuation (Cai Zi [2017] No. 43);

2. Code of Professional Ethics for Assets Valuation (CAS [2017] No. 30);

3. Asset Valuation Practicing Standards–Asset Valuation Procedures (CAS [2018] No. 36);

4. Asset Valuation Practicing Standards–Asset Valuation Report (CAS [2018] No. 35);

5. Asset Valuation Practicing Standards–Asset Valuation Methods (CAS [2019] No. 35);

6. Asset Valuation Practicing Standards–Asset Valuation Engagement Contract (CAS [2017] No. 33);

7. Asset Valuation Practicing Standards–Asset Valuation Files (CAS [2018] No.37);

8. Asset Valuation Practicing Standards–Engagement of Experts and Use of Relevant Reports (CAS [2017] No. 35);

9. Asset Valuation Practicing Standards–Enterprise Value (CAS [2018] No. 38);

10. Guidelines for Business Quality Control of Asset Valuation Institutions (CAS [2017] No. 46);

11. Guiding Opinions on Types of Value in Asset Valuation (CAS [2017] No. 47);

12. Guiding Opinions on Legal Ownership of Valuation Subjects (CAS [2017] No. 48).

(IV) Asset Titles Basis

1. Patent Certificates;

2. Motor Vehicle Driving Permit;

3. Important asset purchase contracts or certificates.

(V) Basis of Pricing

1. The Enterprise Income Tax Law of the People's Republic of China (adopted at the 26th session of the Standing Committee of the 12th National People's Congress of the People's Republic of China on 24 February 2017);

2. The Regulations on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (adopted at the 197th executive meeting of the State Council on 28 November 2007);

3. The Provisional Regulations of the People's Republic of China on Value Added Tax (promulgated by Order No.691 of the State Council of the People's Republic of China in 2017);

4. Announcement on Policies related to Deepening VAT Reform (Announcement [2019] No.39 of the Ministry of Finance, the State Administration of Taxation, and the General Administration of Customs);

5. Future revenue forecasts provided by the principal and the appraised entity according to law;

6. Market price inquiry records of the asset valuers;

7. The tax rules and regulations currently followed by Wuhan CDOT and the tax benefit documents provided by Wuhan CDOT.

(VI) Main References

1. Handbook of Common Methods and Parameters for Asset Valuation (China Machine Press, 2011 Edition);

2. Wind Financial Terminal;

3. Investment Valuation (by [US] Damodanran, translated by [CA] Lin Qian, Tsinghua University Press);

4. Valuation: Measuring and Managing the Value of Companies (3rd Edition) (by [US] Copeland, T. et al, translated by Hao Shaolun and Xie Guanping, Publishing House of Electronics Industry);

5. Asset Valuation Expert Guide No.10–Reasonable Performance of Asset Valuation Procedures During the COVID-19 Epidemic (CAS [2020] No.6);

6. Other reference materials.

VII. VALUATION APPROACHES

(I) Selection of Valuation Approach

According to the requirements of assets valuation standards, there are three approaches for the valuation of enterprise value, namely income approach, market approach and asset-based approach. The income approach is to quantify the present value of an enterprise's overall assets, with an emphasis on the overall expected profitability of the enterprise. The market approach is to evaluate the current fair market value of the valuation subject with reference to similar subjects in the real market, and features direct sourcing of valuation data from the market and convincing valuation results. Asset-based approach is a method to determine the value of the valuation subject based on a reasonable valuation of its assets and liabilities.

The market approach is divided into listed company comparison method and transaction case comparison method. The listed company comparison method is to determine the value of the valuation subject by obtaining and analysing the operating and financial data of comparable listed companies, calculating appropriate valuation multiples, and making comparisons with the valuation subject. The underlying transaction is the sale of 70% equity interest in Wuhan CDOT by CDOT Huizhou in the PRC. There are many comparable A-share listed companies in industries similar to the industry in which the appraised entity operates, so it is suitable to adopt the market method for the valuation.

With mature production and operating conditions, the appraised entity has formed continuous historical financial data, which can be used as the basis for forecasting future income according to its business plans under the income approach. As such, the income approach is applicable to this valuation.

The purpose of the valuation is to provide a reference value for CDOT Huizhou's sale of its equity interest in Wuhan CDOT. According to the requirements of asset valuation practicing standards, when evaluating the value of an enterprise as a going concern, the value of an asset or an asset group as part of the enterprise's assets is generally affected by its contribution to the enterprise. The asset-based approach reflects the value of an enterprise from the perspective of acquisition and construction by the enterprise. It does not consider the operating efficiency and performance of the enterprise, nor can it reasonably reflect the future profitability of the enterprise. Accordingly, the asset-based approach is not suitable for this valuation.

The income approach and market approach are adopted to appraise Wuhan CDOT. Based on the characteristics of the valuation project, the valuation result under the income approach is selected as the reference value of the total shareholders' equity of Wuhan CDOT.

(II) Introduction to the Income Approach

1. Overview

According to the relevant regulations of state administration authorities of the PRC, the Asset Valuation Practicing Standards–Enterprise Value, and international and domestic appraisal practices for similar transactions, for this valuation, we determined to estimate the equity value of Wuhan CDOT using the discounted cash flow (DCF) method based on its income sources.

The DCF method appraises the value of assets by discounting the expected future net cash flows of the appraised entity to a present value. The basic idea is to obtain the appraised value by estimating the expected future net cash flows of the underlying assets and converting them into a present value at an appropriate discount rate. The basic conditions for its application are: the target enterprise has the foundation and conditions for continuous operation; there is a stable correlation between its operations and income; and its future income and risks can be predicted and quantified. The greatest difficulty in using the DCF method lies in the estimation of future cash flows, and the objectivity and reliability of data collection and processing. When the estimation of future cash flows is objective and fair and the discount rate is reasonable, the valuation result will be relatively objective.

2. *Basic valuation methodology*

Given the due diligence findings of the valuation and the characteristics of the valuation subject's asset composition and principal business, the basic idea of the valuation is to estimate the equity value of the valuation subject based on its audited financial statements. The basic valuation methodology is detailed as below:

(1) For assets and principal business included in the financial statements, the expected income (net cash flow) from operating assets is estimated according to the trends of historical operating conditions in recent years and business types, and then discounted to a present value of such assets;

(2) Assets (liabilities) that are included in the scope of valuation but not covered in the estimation of expected income (net cash flow) are defined as surplus or non-operating assets (liabilities) existing on the Valuation Reference date, and their value is estimated separately;

(3) The value of the total shareholders' equity of the valuation subject is arrived at by adding up the value of operating assets and the value of surplus or non-operating assets as calculated above and deducting the value of interest-bearing liabilities of the valuation subject.

3. *Valuation model*

(1) Basic model

The basic model for the valuation is:

$$E = B - D \tag{1}$$

B: Value of the total shareholders' equity of the valuation subject;

$$B = P + \sum C_i \tag{2}$$

P: Value of the operating assets of the valuation subject;

$$P = \sum_{i=1}^{n} \frac{R_i}{(1+r)^i} + \frac{R_n}{r(1+r)^n} \tag{3}$$

Where:

R_i: Expected income (free cash flow) of the valuation subject in year i in the future;

R_n: Expected income (free cash flow) of the valuation subject during the perpetual period;

r: Discount rate;

n: Future operating period of the valuation subject;

ΣC_i: Value of non-operating or surplus assets as at the Valuation Reference Date.

$$C_i = C_1 + C_2 + C_3 + C_4 \quad (4)$$

Where:

C_1: Value of investments in wholly-owned subsidiaries, non-wholly-owned subsidiaries and associates that are not covered in the estimation of expected income (free cash flow);

C_2: Value of cash assets (liabilities) as at the Valuation Reference Date;

C_3: Value of construction in progress not covered in the estimation of expected income (free cash flow);

C_4: Value of obsolete or idle property, plant and equipment as at the Valuation Reference Date;

D: Value of interest-paying liabilities of the valuation subject.

(2) Income indicators

In this valuation, the free cash flow of the valuation subject is used as the income indicator of operating assets, which is basically defined as:

R = net profit + depreciation and amortization + interest on interest-bearing liabilities after tax – additional capital (5)

Where:

Net profit = operating income – operating costs – taxes and surcharges – expenses for the period (operating expenses + administrative expenses + R&D expenses + financial expenses) – income tax (6)

Depreciation and amortization = depreciation and amortization in costs and expenses (operating expenses, administrative expenses, and R&D expenses) (7)

Interest on interest-bearing liabilities after tax = total interest on long-term and short-term liabilities × (1 – income tax rate) (8)

Additional capital = investment in asset renewal + increase in working capital + additional investment in long-term assets (9)

Where:

Investment in asset renewal = renewal of machinery and equipment + renewal of electronics and transportation equipment + renewal of intangible assets and long-term deferred expenses (10)

Increase in working capital = current working capital – previous working capital (11)

Where:

Working capital = cash reserve + inventories + accounts receivable – accounts payable (12)

For the purpose of the valuation, it is assumed that the minimum cash reserve required for maintaining the appraised entity's normal operations is 7-day annualized out-of-pocket expenses.

Annual out-of-pocket expenses = total cost of sales + total period expenses + taxes and surcharges – total non-cash expenses (12-1)

Inventory turnover ratio = annual out-of-pocket expenses/closing balance of inventories (12-2)

Receivables turnover ratio = operating income/closing balance of receivables (12-3)

Payables turnover ratio = annual out-of-pocket expenses/closing balance of payables (12-4)

Receivables = notes receivable + accounts receivable + other receivables – receipts in advance – non-operating receivables (12-5)

Payables = notes payable + accounts payable + salaries payable + taxes payable + other payables – prepayments – non-operating payables (12-6)

Additional investment in long-term assets = additional investment in fixed assets (13)

The future free cash flows of the appraised entity are estimated based on its operating history and future market development. It is assumed that the appraised entity will continue to operate as a going concern for a long sustained period after the forecast period, and its expected income in the sustained period is equal to its free cash flow in the final year of the forecast period. The value of operating assets of the appraised entity is arrived at by discounting the free cash flows in the future operating period to present values and adding them up.

(3) Discount rate

In this valuation, the weighted average cost of capital (WACC) model is adopted to determine the discount rate r

$$r = r_d \times w_d + r_e \times w_e \tag{14}$$

Where:

W_d: Debt ratio of the valuation subject;

$$w_d = \frac{D}{(E+D)} \tag{15}$$

W_e: Equity ratio of the valuation subject;

$$w_e = \frac{E}{(E+D)} \tag{16}$$

r_e: Cost of equity, which is determined by the Capital Asset Pricing Model (CAPM);

$$r_e = r_f + \beta_e \times (r_m - r_f) + \varepsilon \tag{17}$$

Where:

r_f: Risk-free rate of return;

r_m: Market-expected rate of return;

ε: Characteristic risk adjustment factor of the valuation subject;

βe: Expected market risk factor of the equity capital of the valuation subject;

$$\beta_e = \beta_u \times (1 + (1 - t) \times \frac{D}{E}) \tag{18}$$

βu: Expected unlevered market risk factor of comparable companies;

$$\beta_u = \frac{\beta_t}{1 + (1 - t)\frac{D_i}{E_i}} \tag{19}$$

βt: Expected market average risk factor of stocks (assets) of comparable companies;

$$\beta_t = 34\%K + 66\%\beta_x \tag{20}$$

D_i, E_i: Interest-bearing liabilities and equity capital of comparable companies, respectively.

(4) *Determination of the forecast period*

As the appraised entity has been operating normally and stably, the forecast period is set at 5 years from 2021 to 2025. It is assumed that its revenue will remain stable from 2026 onwards.

(5) *Determination of the income period*

In the process of performing the valuation procedures, we found no signs of the appraised entity being unable to operate as a going concern in the foreseeable future. Moreover, it can operate as a going concern in the long run through normal renewal of long-term assets including fixed assets, so the income period is determined on a perpetual basis.

(III) Introduction to the Market Approach

1. Overview

The Asset Valuation Practicing Standards–Enterprise Value provides that the market approach can be adopted to evaluate enterprise value. The market approach for valuation of enterprise value is a method to determine the value of the valuation subject by comparing the valuation subject with comparable listed companies or transaction cases. There are two commonly used methods under the market approach–listed company comparison method and transaction case comparison method.

The listed company comparison method is to determine the value of the valuation subject by analysing the operating and financial data of listed companies in the same or a similar industry as the appraised entity, calculating appropriate valuation multiples or economic indicators, and making comparisons with the valuation subject. The transaction case comparison method is to determine the value of the valuation subject by analysing and evaluating the transaction, acquisition and merger cases of companies in the same or a similar industry as the appraised entity, obtaining and analysing the data of these transaction cases, and calculating appropriate valuation multiples or economic indicators.

Wuhan CDOT is primarily engaged in the production and sale of LTPS-LCD modules and related accessories for mobile phones and tablets, which belong to the consumer electronics module manufacturing industry. Since it is difficult to obtain detailed information of completed transaction cases in the same or a similar industry through public channels, the asset valuers cannot have access to a sufficient number of comparable transaction cases. As such, the transaction case comparison method cannot be adopted for this valuation. As there are more comparable A-share listed companies in industries similar to the industry in which the appraised entity operates, the listed company comparison method can be adopted for this valuation.

2. Valuation methodology

The listed company comparison method adopted for this valuation is to determine the market value of the total shareholders' equity of the appraised entity by selecting comparable listed companies in the same industry, analysing and adjusting the differences in profitability, operating capacity, solvency and growth potential between the appraised entity and each comparable company, and taking into account the liquidity discount.

3. Evaluation method

① Determine comparable listed companies. According to the requirements of comparability, select a sufficient number of comparable listed companies in the same or a similar industry, understand their principal business, and screen out appropriate comparable listed companies.

② Select appropriate valuation multiples. Determine appropriate valuation multiples according to the characteristics of the industry in which the Target Company operates and the applicability of various valuation multiples.

③ Adjust valuation multiples. Select appropriate adjustment factors to quantify the relevant indicators of the valuation subject and comparable transaction cases; compare the indicator scores of the Target Company and comparable transaction cases to obtain an adjustment coefficient for each comparable case, and then multiply each coefficient by the valuation multiples of the relevant case to obtain the adjusted valuation multiple of each comparable case; employ appropriate statistical methods to determine the valuation multiple of the Target Company.

④ Make calculations based on the Target Company's valuation multiples and relevant economic indicators, and then deduct a liquidity discount to obtain the equity value of the Target Company.

VIII. IMPLEMENTATION OF VALUATION PROCEDURES

The overall valuation process is carried out in four stages:

(I) Valuation Preparation

1. The principal and the appraisal agency agree on the purpose of valuation, Valuation Reference Date, scope of valuation and other issues, and work out a work plan for the asset valuation.

2. Collaborate with the appraised entity to take stock of assets and fill in asset declaration statements. Members of the valuation project team obtain details about the assets to be appraised, make arrangements for the asset valuation, assist the appraised entity in the declaration of assets to be appraised, and collect documents needed for the asset valuation.

(II) On-site Valuation

The main tasks of the project team for on-site valuation are as follows:

1. Interview the principal, the appraised entity and relevant parties. Listen to the principal and relevant personnel of the appraised entity introducing its company profile and the history and status quo of the assets to be appraised, so as to understand the appraised entity's financial system, operating conditions and technical status of fixed assets.

2. Review and verify the asset declaration statements provided by the appraised entity, reconcile them with its relevant financial records, and collaborate with the appraised entity to make adjustments for the problems found.

3. Check and verify the income forecast (predictive financial information) provided by the appraised entity.

4. Conduct spot checks to verify fixed assets and physical inventory assets in current assets based on the asset declaration statements.

5. For key equipment, consult technical documents and completion acceptance materials and learn about the equipment management measures; for general equipment, collect price information mainly through market surveys and inquiries about relevant information; for properties and buildings, collect information about relevant management measures, maintenance, re-construction and expansion works.

6. Collect and consult certificates of title for the assets to be appraised to verify the title documents provided by the appraised entity.

7. Make a preliminary valuation and estimation of assets and liabilities within the scope of valuation on the basis of stocktaking and verification.

(III) Valuation Summary

Analyze and summarise the preliminary valuation results on the assets and liabilities, and make necessary adjustments, modifications and improvements to such valuation results.

(IV) Report Submission

Draft a preliminary asset valuation report based on the above work, and exchange opinions with the principal on the valuation results after preliminary review of the report. After an independent analysis of relevant opinions, make adjustments and revisions to the report in accordance with the appraisal agency's internal measures and procedures for review of asset valuation reports, and then formally issue the final asset valuation report.

IX. VALUATION ASSUMPTIONS

In this valuation, the asset valuers followed the following valuation assumptions:

(I) General Assumptions

1. Transaction assumption

The transaction assumption is to assume that all assets to be appraised are in the process of transaction, where the asset valuers make a valuation in a simulated market based on the transaction conditions of the assets to be appraised. The transaction assumption is a most fundamental assumption for the implementation of asset valuation.

2. Open market assumption

The open market assumption is to assume that for assets traded or to be traded in the market, the transacting parties are equal to each other and have the opportunity and time to obtain sufficient market information in order to make a rational judgment on the functions, uses and prices of such assets. The open market assumption is based on the fact that assets can be traded openly in the market.

3. Assumption of continuous use of assets

The assumption of continuous use of assets is to assume that the assets to be appraised can be used continuously at the current purpose, usage, scale, frequency and environment or on the basis of alterations, and the valuation method, parameters and basis shall be determined accordingly.

(II) Special Assumptions

1. There will be no material changes in the political, economic and social environment of the country or region where the appraised entity is located after the Valuation Reference Date;

2. There will be no material changes, other than those known to the public, in relevant macroeconomic, industrial and regional development policies of the country where the appraised entity is located after the Valuation Reference Date;

3. There will be no material changes, other than those known to the public, in the tax bases and rates and policy levies related to the appraised entity after the Valuation Reference Date;

4. The management of the appraised entity will remain responsible and stable and be competent to undertake their duties after the Valuation Reference Date; the entity's products will remain technically advanced with necessary R&D investments;

5. The appraised entity will comply with relevant laws and regulations and have no material violations that affect its development and income;

6. The accounting policies adopted by the appraised entity after the Valuation Reference Date will be consistent with those used in preparing the valuation report in all material aspects;

7. The basic information and financial information provided by the principal and the appraised entity are true, accurate and complete;

8. There will be no material changes in the business scope and business model of the appraised entity after the Valuation Reference Date, other than those disclosed in the valuation report, on the basis of its existing management method and level;

9. On the Valuation Reference Date, the business model of the appraised entity was to serve its only customer Wuhan CSOT as a module OEM, and its module production lines were located in the T3 plant of Wuhan CSOT and were at the back end of the panel manufacturing process. On this basis, it is assumed for this valuation that the appraised entity's business model, sales strategy and main income source as an OEM after June 2019 will remain unchanged in the forecast period; and its asset composition and cost composition will remain as on the Valuation Reference Date and change in tandem with changes in business scale;

10. As at the Valuation Reference Date, the production plant used by the appraised entity had a GFA of 49,528 m^2 and was owned by Wuhan CSOT. The appraised entity has entered into a plant venue use contract with Wuhan CSOT, pursuant to which Wuhan CSOT permitted the appraised entity to used the plant of Wuhan CSOT free of charge before 31 December 2020. Wuhan CDOT has never paid plant lease or use fees to Wuhan CSOT. For this valuation, the management of the appraised entity estimates that starting from 1 January 2021, Wuhan CDOT will lease the 49,528 m^2 plant from Wuhan CSOT at a rent of RMB42/m^2 per month which will grow 5% annually.

11. In the future operating period, the composition of the appraised entity's expenses for the period will not change significantly on the existing basis, and will change in tandem with changes in business scale. The financial expenses referred to herein are financing costs incurred by the appraised entity from raising operating or constructive funds in the process of production and operation. In view of the frequent or great changes in the appraised entity's cash or bank deposits, the interest income generated from its deposits and other uncertain gains and losses other than those on interest-bearing liabilities are not considered in the valuation;

12. The scope of valuation is only based on the asset declaration statements provided by the principal and the appraised entity, without covering any contingent assets and liabilities that may exist outside such statements;

13. There will be no force majeure event that has a material adverse impact on the appraised entity after the Valuation Reference Date.

When the above conditions change, the evaluation results will generally be rendered invalid.

X. VALUATION CONCLUSION

Based on the judgment of the equity holder and the management of the Target Company on its future development trend and the implementation of its business plans and in accordance with relevant laws and regulations and asset valuation standards, we adopted the income approach and the market approach and performed necessary valuation procedures to appraise the market value of the total shareholders' equity of Wuhan CDOT as at the Valuation Reference Date of 31 December 2020.

(I) Valuation Conclusion under the Income Method

Under the income approach, the book value and the appraised value of the net assets (total shareholders' equity) of Wuhan CDOT were RMB371,457,800 and RMB408,051,700 respectively, representing a valuation appreciation of RMB36,593,900 or 9.85%.

(II) Valuation Conclusion under the Market Approach

Under the market approach, the book value and the appraised value of the total shareholders' equity of Wuhan CDOT were RMB371,457,800 and RMB401,693,600 respectively, representing a valuation appreciation of RMB30,235,800 or 8.14%.

(III) Analysis of Difference Between the Valuation Conclusions and Selection of Final Valuation Conclusion

1. Analysis of difference between the valuation conclusions

In this valuation, the total shareholders' equity is valued at RMB408,051,700 under the income approach, which is RMB6,358,100 or 1.58% higher than the appraised value of RMB401,693,600 under the market approach.

The main reasons for the difference between the two valuation approaches are as follows:

(1) The market approach is to appraise the value of an enterprise based on its operating conditions and overall market performance;

(2) The income approach is to predict the value of an enterprise based on its profitability.

Generally speaking, the market approach is to evaluate the value of an enterprise based on the overall market performance and future expectations; the income approach is to predict the value of an enterprise based on its profitability. The two complement each other. The valuation result of the market approach is the market performance of the result of the income approach, and the result of the income approach is a solid foundation for the result of the market approach.

The key reason for the difference in valuation results between the two approaches is that the valuation result under the market approach reflects the market price of an enterprise at a certain time, which may fluctuate greatly due to factors such as the investment market environment, the degree of speculation, and investor confidence, while the valuation result under the income approach is arrived at by the valuers based on the management's reasonable forecast of the enterprise's future income and after a professional analysis of the enterprise's historical operating performance, industry developments and market conditions, and thus is less volatile than the result under the market approach.

2. *Selection of final valuation result*

Wuhan CDOT is mainly engaged in the OEM of LTPS LCD modules for mobile phones, tablets and vehicle-mounted products. Wuhan CDOT's key customer is its shareholder Wuhan CSOT, which is a subsidiary of TCL Technology. Wuhan CSOT mainly produces LCD panels for mobile phones, tablets, laptops, and vehicle-mounted products; Wuhan CDOT's model production base is located in the T3 plant of Wuhan CSOT to seamlessly connect with Wuhan CSOT's LTPS panel production process in that plant. In order to meet the needs of Wuhan CSOT's T3 plant for back-end module processing, Wuhan CDOT began to build medium-size and in-vehicle module production lines in 2019, which have been completed and put into operation in 2020 but are yet to release the production capacity. Wuhan CDOT has module production lines with a high degree of automation in the PRC and a sound quality control system. Given Wuhan CSOT T3 plant's panel shipments and demand for back-end module products and with the release of production capacity of medium-size production lines, Wuhan CDOT will bring greater advantages in cost and efficiency by integrating with Wuhan CSOT's industrial chain, combining research, production and sales, and streamlining organisational structure and personnel.

The valuation under the income approach is based on a comprehensive analysis of the internal operating conditions of the appraised entity and the external market environment and an overall consideration of the appraised entity's historical profitability and future business forecast and other factors, so the valuation result can give a better view of the value of the shareholders' equity of the entity. The valuation result under the market approach is greatly affected by market fluctuations as it is indirect pricing based on the historical operating data of the appraised entity with reference to the share prices of listed companies in the same industry. Moreover, Wuhan CDOT is now in a special stage of production mode and capacity adjustment. As such, the valuation result under the market approach cannot reasonably reflect the effect of the appraised entity's future development on its valuation.

As such, the valuation result under the income approach is selected as the value reference for CDOT Huizhou's sale of 70% equity interest in Wuhan CDOT. Accordingly, the value of the total shareholders' equity of Wuhan CDOT as at the Valuation Reference Date was RMB408,051,700.

(IV) Reasons for the Difference Between the Valuation Conclusion and the Book Value

The difference between the valuation result and the book value of all assets and liabilities of Wuhan CDOT as at the Valuation Reference Date of 31 December 2020 is as follows:

The book value and the appraised value of the total shareholders' equity of Wuhan CDOT as at the Valuation Reference Date of 31 December 2020 were RMB371,457,800 and RMB408,051,700 respectively, representing a valuation appreciation of RMB36,593,900 or 9.85%.

The reason for the appreciation in value is that the income approach is based on the expected returns on assets and reflects the operating capacity (profitability) of the assets. Although it is an LCD module OEM, Wuhan CDOT operates under an asset-light model. Other than its module production lines, Wuhan CDOT acquired its production plant and equipment in Wuhan CSOT by leasing. Wuhan CDOT's main advantages include: (1) its module production lines with the highest degree of automation in the PRC. With the commissioning of its medium-size module production lines in 2020, its future revenue and gross profit margin will improve greatly; (2) the industrial chain and group-wide management of its ultimate controller: TCL Technology Group has established a vertical industrial chain covering chips, panels, modules, products, services and brands, which is the most complete industrial chain in China's panel industry. Leveraging TCL Technology Group advantageous industrial chain and group-wide management, Wuhan CDOT can reduce its production and operating costs and risks; (3) the production advantages of its shareholder: Wuhan CSOT is the largest mobile phone panel manufacturer in the PRC with a sizable brand customer base, and is the key customer of Wuhan CDOT. Wuhan CDOT's module production lines are seamlessly connected with Wuhan CSOT's panel production lines in its T3 plant. Their collaboration in production, R&D and sales can not only lower Wuhan CDOT's production costs, but also reduce its selling expenses and R&D expenses. The valuation under the income approach reasonably reflects in the business forecast the above operational advantages of Wuhan CDOT that cannot be accounted for financially, which results in an appreciation in the valuation.

XI. SPECIAL NOTES

(I) Incomplete or Defective Title Documents

As of the Valuation Reference Date, we had not found any incomplete or defective information in the title documents of Wuhan CDOT.

(II) Uncertain Factors Such as Unresolved Issues and Legal Disputes

As at the Valuation Reference Date, the production plant used by the appraised entity had a GFA of 49,528 m^2 and was owned by Wuhan CSOT. The appraised entity has entered into a plant venue use contract with Wuhan CSOT, pursuant to which Wuhan CSOT permitted the appraised entity to used the plant of Wuhan CSOT free of charge before 31 December 2020. Wuhan CDOT has never paid plant lease or use fees to Wuhan CSOT. For this valuation, the management of the appraised entity estimates that starting from 1 January 2021, Wuhan CDOT will lease the 49,528 m^2 plant from Wuhan CSOT at a rent of RMB42/m^2 per month which will grow 5% annually.

In the valuation under the income approach, the rent of the plant for the coming years is taken into account, but the plant use fee theoretically payable by Wuhan CDOT as of 31 December 2020 is not considered. As at the Valuation Reference Date, Wuhan CDOT has not entered into any plant venue lease/use contracts with Wuhan CSOT for subsequent periods after 1 January 2021. If the leased area and rent level in the future plant lease contract are different from those predicted by the management, the appraised value needs to be adjusted accordingly. Users of this report are advised to pay attention to that.

Other than the above matters, we found no other uncertain factors such as important unresolved matters and legal disputes involving Wuhan CDOT.

(III) Important Engagement of Experts and Use of Relevant Reports

The book values of assets and liabilities as at the Valuation Reference Date set out herein are the audit results in the unqualified Auditor's Report (Dong Kuai Shen Zi [2021] No.243) issued by Huizhou Dongfang Certified Public Accountants Co., Ltd. Except that, there is no reference to any reports from other agencies.

(IV) Material Subsequent Events

No material subsequent events are found for the purpose of this report.

(V) Other Matters that Need to be Explained

1. Since the COVID-19 outbreak in early 2020, the global market has been facing great uncertainties. The continuous spread of COVID-19 has a certain impact on Wuhan CDOT's business operations. As of the date of the valuation report, the COVID-19 pandemic has not been effectively controlled worldwide. The impact of the global pandemic on the valuation results has been properly considered in this valuation. If the subsequent impact of the lingering pandemic on the appraised entity's operations significantly exceeds the management's expectations and the management fails to timely adjust the business strategy to make up for the deviation, the valuation conclusion will be rendered invalid. Users of this report are advised to pay attention to that.

2. According to the articles of association of Wuhan CDOT, its subscribed registered capital is RMB500 million, of which RMB350 million was committed by CDOT Huizhou and RMB150 million by Wuhan CSOT. The subscribed registered capital shall be paid up by 31 December 2017. As at the Valuation Reference Date, the paid-up capital of Wuhan CDOT was RMB400 million, meaning that there was still RMB100 million of registered capital to be paid up by the shareholders. Among that, the shareholder CDOT Huizhou was still obligated to pay up RMB70 million of capital.

   The valuation result is based on the audited paid-up capital of RMB400.00 million, and the users of this report are hereby reminded to pay attention to the unpaid capital commitment. Please note that when calculating the value of the underlying shareholders' equity, the impact of the unpaid capital contribution of RMB100.00 million on the valuation should be considered.

3. As declared by the appraised entity, it has 13 patents that are not yet accounted for as assets, including 9 invention patents (3 authorised and 6 unauthorised) and 4 utility models (see Table 3-1 for details). The above 13 patents are included in the scope of valuation, and the users of this report are hereby reminded to pay attention to that.

4. It is the legal responsibility of the valuers and the appraisal agency to make professional judgment on the value of the underlying assets for the purpose of valuation specified herein, which involves no judgment whatsoever by the valuers and the appraisal agency as to the economic activity concerning the purpose of valuation. To a large extent, the valuation depends on the information provided by the principal and appraised entity. Therefore, the valuation is based on the authenticity and validity of the economic activity documents, asset ownership documents, certificates and accounting vouchers, and relevant legal documents provided by the principal and appraised entity.

5. The principal and the appraised entity are responsible for the authenticity and completeness of the data, statements and relevant documents provided by the appraised entity which are covered in the scope of valuation.

6. The principal and the appraised entity are responsible for the authenticity and validity of the title certificates and related documents provided by the appraised entity which are involved in the valuation report.

7. During the validity period following the Valuation Reference Date, if the quantity and pricing standard of the underlying assets change, the following principles shall be applied:

   (1) where the quantity of assets changes, the appraised value of assets shall be adjusted according to the original valuation approach;

   (2) where the pricing standard of assets changes, which greatly affects the asset valuation result, the principal shall timely engage a qualified asset appraisal agency to re-determine the appraised value;

   (3) for any changes in the quantity or pricing standard of assets after the Valuation Reference Date, the principal shall give full consideration to the changes and make adjustments accordingly when determining the consideration for the assets.

8. The earnings forecast of the appraised entity obtained by the appraisal agency serves as the basis of the income approach in this valuation report. The valuers have conducted necessary inquiry, analysis and judgment on the earnings forecast of the appraised entity. After repeated discussions with the management and major shareholders of the appraised entity and further revision and improvement of the forecast by the appraised entity, the appraisal agency adopted the relevant data of such earnings forecast. The appraisal agency's use of the appraised entity's earnings forecast is not a guarantee for the future profitability of the appraised entity.

9. The conclusion of the valuation is based on the accurate judgment of the equity holder and the management of the appraised entity on its future development trend and the implementation of its business plans. If the actual operating conditions of the entity in the future deviate from its business plans, and the equity holder and its management fail to take effective measures to make up for the deviation, the valuation conclusion will become invalid.

XII. LIMITATIONS ON THE USE OF THE ASSET VALUATION REPORT

(I) Scope of use

1. This valuation report may only be used by the users of valuation report specified herein. The right to use the valuation report belongs to the principal. Without the principal's permission, we as the appraisal agency will not disclose it to others.

2. This valuation report is only for the purpose of valuation and use specified herein.

3. According to the laws and regulations related to asset valuation, an asset valuation report involving statutory valuation business shall be used only after the principal performs the supervision and management procedures for asset valuation in accordance with relevant laws and regulations. The valuation conclusion shall be valid for one year from 31 December 2020 to 30 December 2021. Once the one-year period expires, the valuation subject needs to be re-evaluated.

(II) The asset valuation agency and its valuers shall not be held responsible if the principal or any other users of the asset valuation report fail to use this report in accordance with the provisions of laws and administrative regulations and within the scope of use specified herein.

(III) Except for the principal, other asset valuation report users designated in the asset valuation engagement contract, and users stipulated by laws and administrative regulations, any other institution or individual may not become a user of this asset valuation report.

(IV) The users of the asset valuation report should correctly understand and use the valuation conclusion which does not represent the realisable price of the valuation subject and should not be regarded as a guarantee for the realisable price of the valuation subject.

XIII. DATE OF ASSET VALUATION REPORT

The date of this asset valuation report is 18 March 2021.

(NO BODY TEXT CONTAINED IN THIS PAGE)

SHENZHEN CHINA UNITED ASSETS APPRAISAL CO., LTD.

CERTIFIED PUBLIC VALUER:

CERTIFIED PUBLIC VALUER:

18 March 2021

LIST OF ATTACHMENTS

1. Duplicates of economic activity documents;

2. Copy of the Auditor's Report (Dong Kuai Shen Zi [2021] No.243) issued by Huizhou Dongfang Certified Public Accountants Co., Ltd. from which the book values of the underlying assets and liabilities are extracted;

3. Copies of the business licenses of the principal and the appraised entity;

4. Copies of the title certificates and related documents of the valuation subject;

5. Letters of Undertaking of the principal and the appraised entity;

6. Letter of Undertaking of the undersigned asset valuers;

7. Copy of the notice of change of business registration of Shenzhen China United Assets Appraisal Co. Ltd.;

8. Copy of the business license of Shenzhen China United Assets Appraisal Co., Ltd.;

9. Copies of the professional qualification certificates of the undersigned asset valuers;

10. Explanation of the noticeable difference between the valuation conclusion and the book value of the underlying assets.

The fair market value of all equity interests in the Target Group were valued at RMB408,051,700 as at 31 December 2020 (being the Valuation Benchmark Date) was appraised by the Independent Valuer, which represents the valuation by using discounted cash flow method (income approach) as guideline.

Since the discounted cash flow method has taken into account the Target Group Profit Forecast, the Target Group Profit Forecast constitutes a profit forecast under Rule 14.61 of the Listing Rules.

Set out below is the information in relation to the Target Group Profit Forecast:

Principal Bases and Assumptions

(I) General Assumptions

1. Transaction assumption

The transaction assumption is to assume that all assets to be appraised are in the process of transaction, where the asset valuers make a valuation in a simulated market based on the transaction conditions of the assets to be appraised. The transaction assumption is a most fundamental assumption for the implementation of asset valuation.

2. Open market assumption

The open market assumption is to assume that for assets traded or to be traded in the market, the transacting parties are equal to each other and have the opportunity and time to obtain sufficient market information in order to make a rational judgment on the functions, uses and prices of such assets. The open market assumption is based on the fact that assets can be traded openly in the market.

3. Assumption of continuous use of assets

The assumption of continuous use of assets is to assume that the assets to be appraised can be used continuously at the current purpose, usage, scale, frequency and environment or on the basis of alterations, and the valuation method, parameters and basis shall be determined accordingly.

(II) Special Assumptions

1. There will be no material changes in the political, economic and social environment of the country or region where the appraised entity is located after the Valuation Reference Date;

2. There will be no material changes, other than those known to the public, in relevant macroeconomic, industrial and regional development policies of the country where the appraised entity is located after the Valuation Reference Date;

3. There will be no material changes, other than those known to the public, in the tax bases and rates and policy levies related to the appraised entity after the Valuation Reference Date;

4. The management of the appraised entity will remain responsible and stable and be competent to undertake their duties after the Valuation Reference Date; the entity's products will remain technically advanced with necessary R&D investments;

5. The appraised entity will comply with relevant laws and regulations and have no material violations that affect its development and income;

6. The accounting policies adopted by the appraised entity after the Valuation Reference Date will be consistent with those used in preparing the valuation report in all material aspects;

7. The basic information and financial information provided by the principal and the appraised entity are true, accurate and complete;

8. There will be no material changes in the business scope and business model of the appraised entity after the Valuation Reference Date, other than those disclosed in the valuation report, on the basis of its existing management method and level;

9. On the Valuation Reference Date, the business model of the appraised entity was to serve its only customer Wuhan CSOT as a module OEM, and its module production lines were located in the T3 plant of Wuhan CSOT and were at the back end of the panel manufacturing process. On this basis, it is assumed for this valuation that the appraised entity's business model, sales strategy and main income source as an OEM after June 2019 will remain unchanged in the forecast period; and its asset composition and cost composition will remain as on the Valuation Reference Date and change in tandem with changes in business scale;

10. As at the Valuation Reference Date, the production plant used by the appraised entity had a GFA of 49,528 m^2 and was owned by Wuhan CSOT, and the appraised entity had neither signed a plant lease contract with nor paid any rent or usage fee to Wuhan CSOT. In this valuation, the management of the appraised entity assumes that the appraised entity can successfully sign a plant lease contract with Wuhan CSOT: Wuhan CDOT will be able to use the plant of Wuhan CSOT free of charge by 31 December 2020; starting from 1 January 2021, Wuhan CDOT will lease the 49,528 m^2 plant from Wuhan CSOT at a rent of RMB42/m^2 per month which will grow 5% annually.

11. In the future operating period, the composition of the appraised entity's expenses for the period will not change significantly on the existing basis, and will change in tandem with changes in business scale. The financial expenses referred to herein are financing costs incurred by the appraised entity from raising operating or constructive funds in the process of production and operation. In view of the frequent or great changes in the appraised entity's cash or bank deposits, the interest income generated from its deposits and other uncertain gains and losses other than those on interest-bearing liabilities are not considered in the valuation;

12. The scope of valuation is only based on the asset declaration statements provided by the principal and the appraised entity, without covering any contingent assets and liabilities that may exist outside such statements;

13. There will be no force majeure event that has a material adverse impact on the appraised entity after the Valuation Reference Date.

When the above conditions change, the evaluation results will generally be rendered invalid.

Ernst & Young ("**EY**"), the Company's auditor, has examined the calculations of the discounted future estimated cash flows, which do not involve the adoption of accounting policies, on which the Valuation prepared by the Valuer was based.

EY has reported to the Directors that, so far as the calculations of the discounted future estimated cash flows on which the Valuation was based are concerned, the discounted future estimated cash flow has been properly compiled in all material respects in accordance with the Assumptions. The work performed by EY has not reviewed, considered or conducted any work on the appropriateness and validity of the bases and assumptions and expresses no opinion on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows, and thus the Valuation, are based.

The Directors have reviewed the bases and assumptions based upon which the Valuation was prepared by the Independent Valuer. The Directors have also considered the letter from EY. On the basis of the foregoing, the Directors have confirmed that they are satisfied that the Valuation prepared by the Independent Valuer in the Valuation Report has been made after due and careful enquiry.

A letter from EY dated 25 May 2021 in compliance with Rule 14.62(2) of the Listing Rules and a letter from the Directors dated 25 May 2021 in compliance with Rule 14.62(3) of the Listing Rules have been submitted to the Stock Exchange, the texts of which are included in Appendix IV and Appendix V to this circular, respectively.

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

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25 May 2021

The Board of Directors
China Display Optoelectronics Technology Holdings Limited (the "**Company**")

Dear Sirs,

REPORT FROM REPORTING ACCOUNTANTS ON THE DISCOUNTED CASH FLOW FORECAST IN CONNECTION WITH THE VALUATION OF WUHAN CHINA DISPLAY OPTOELECTRONICS TECHNOLOGY COMPANY LIMITED (HEREINAFTER COLLECTIVELY REFERRED TO AS "WUHAN CDOT")

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the "**Forecast**") on which the valuation dated 18 March 2021 prepared by Shenzhen China United Assets Appraisal Co., Ltd in respect of the disposal of 70% of equity interest of Wuhan CDOT as at 31 December 2020 is based. The valuation is set out in the announcement of the Company in connection with the disposal of Wuhan CDOT. The valuation based on the Forecast is regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Directors' responsibilities

The directors of the Company (the "**Directors**") are solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the "**Assumptions**"), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The Assumptions are set out in Appendix I "Principal Bases and Assumptions" of the announcement of the Company dated 25 May 2021.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' responsibilities

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions adopted by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of Wuhan CDOT. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in accordance with the Assumptions adopted by the Directors.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

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)

25 May 2021

To the Shareholders

Dear Sir or Madam,

RE: MAJOR AND CONNECTED TRANSACTIONS IN RELATION TO THE DISPOSAL OF 70% EQUITY INTERESTS IN WUHAN CHINA DISPLAY OPTOELECTRONICS TECHNOLOGY COMPANY LIMITED

Reference is made to the valuation report (the "**Valuation Report**") prepared for the purpose of determining the market value of the all equity interest of the Wuhan China Display Optoelectronics Technology Company Limited (the "**Target Company**", together with its subsidiaries, the "**Target Group**") on 18 March 2021 in relation to the valuation (the "**Valuation**") of the Target Company by Shenzhen China United Assets Appraisal Co., Ltd. ("**China United**"). The Valuation is conducted based on the income method and has taken into account the discounted cash flows forecast of the Target Group (the "**Target Group Forecast**") and therefore constitutes a profit forecast under Rule 14.61 of the Listing Rules.

We have reviewed and considered the Target Group Forecast, including the basis and assumptions on which the Target Group Forecast relied, and have reviewed and considered the Valuation prepared by China United. We have also considered the letter from Ernst & Young dated 25 May 2021, and for the purpose of the calculation, considered whether the Target Group Forecast has been duly prepared in accordance with the basis and assumptions adopted by China United as set out in the Valuation in all material aspects. We note that the calculation of the Target Group Forecast in the Valuation is accurate and free from errors.

Based on the abovementioned, we consider that the valuation report had been prepared by China United after due and careful enquiry.

Yours faithfully,
By order of the Board
LIAO Qian
Chairman

1. RESPONSIBILITY OF THE DIRECTORS

This circular, 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 circular 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 circular 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, to be notified to the Company and the Stock Exchange, were as follows:

(a) Interest in the Company – Long Positions

Name of Directors	Number of ordinary Shares held Personal interest	Other interests	Number of underlying shares held under equity derivatives *(Note 1)*	Total	Approximate percentage of total number of issued Shares *(Note 2)*
OUYANG Hongping	14,037,998	–	9,076,528	23,114,526	1.09%
HSU Wai Man, Helen	–	–	260,000	260,000	0.01%
XU Yan	–	–	260,000	260,000	0.01%
LI Yang	–	–	260,000	260,000	0.01%

Notes:

1. These equity derivatives were outstanding share options granted to the relevant Directors under a share option scheme of the Company.

2. 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 of the Company as at the Latest Practicable Date, being 2,114,117,429 Shares in issue.

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

TCL Technology

Name of Directors	Number of ordinary shares held Personal interest	 Other interests	Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital of TCL Technology *(Note 1)*
OUYANG Hongping	26,600	–	–	26,600	0.0002%

Note:

1. Such percentage was calculated based on the number of issued share capital of TCL Technology as at the Latest Practicable Date provided by TCL Technology.

Mr. Liao Qian, a non-executive Director and the chairman of the Company, is currently an executive director, the senior vice president and the secretary of the board of directors of TCL Technology. Mr. Zhang Feng is also the general manager and legal representative of Wuhan CSOT and Target Company, and the senior vice president of TCL CSOT and deputy general manager of small and medium-sized display business group of TCL CSOT.

Save as disclosed in this paragraph 2, 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 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, to be notified to the Company and the Stock Exchange.

3. MATERIAL ADVERSE CHANGES

The Directors confirm that, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since the date to which the latest published audited accounts for the financial year ended 31 December 2020 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 2020 (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 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 had interests in any business which competes or was likely to compete, either directly or indirectly, with the business of the Group which would fall to be discloseable under the Listing Rules.

7. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any material litigation, arbitration or claim, and to the knowledge of the Directors, no material litigation, arbitration or claim was pending or threatened against any member of the Group.

8. EXPERT AND CONSENT

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

Name	Qualification
Somerley Capital Limited	A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
Ernst & Young	Certified public accountant
Shenzhen China United Assets Appraisal Co., Ltd.	Independent valuer

Each of the experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 26 May 2021 and references to its name, in the form and context in which it appears.

As at the Latest Practicable Date, each of the experts 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.

9. MATERIAL CONTRACTS

In the two years immediately preceding the date of this circular and up to the Latest Practicable Date, no contracts, not being contracts entered into in the ordinary course of business, were entered into by the Company or any of its Subsidiaries which are or may be material, save and except for the construction agreement dated 8 April 2021 entered into between CDOT Huizhou and Fujian Liantai Construction Engineering Co., Ltd（福建聯泰建設工程有限公司）in respect of construction of the factory plant in Chenjiang, Huizhou at a maximum consideration of RMB220,000,000.

10. MISCELLANEOUS

(a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business in Hong Kong is 8th Floor, Building 22E, Phase Three of Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong.

(b) The Company's Hong Kong branch share registrar and transfer office is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(c) The secretary of the Company is Ms. CHEUNG Bo Man, a practising solicitor of Hong Kong.

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

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 8th Floor, Building 22E, Phase Three, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong, for a period of 14 days from the date of this circular:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for the three years ended 31 December 2018, 2019 and 2020;

(c) the material contract referred to in the section headed in "MATERIAL CONTRACTS" in this appendix;

(d) copies of the Disposal Agreement;

(e) copies of the First Deed of Variation (2021);

(f) copies of the Non-Competition Deed (2015);

(g) this circular;

(h) the letter from the Independent Board Committee, the text of which is set out in this circular;

(i) the letter from the Independent Financial Adviser, the text of which is set out in this circular;

(j) the valuation report of the Target Group, the text of which is set out in Appendix II; and

(k) the written consent from Somerley Capital Limited referred to in the section headed "EXPERT AND CONSENT" in this appendix.

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 OF SPECIAL GENERAL MEETING

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 10 June 2021, Thursday, at 2:00 p.m., for the purposes of considering and, if thought fit, passing the following ordinary resolution (with or without modifications):

ORDINARY RESOLUTION

1. "**THAT**

(a) the Disposal Agreement (as defined in the circular of the Company dated 26 May 2021), the terms and the transactions contemplated thereunder (a copy of the agreement has been produced to the meeting and marked "A" and initialed by the chairman of the meeting for the purposes of identification) be and are hereby approved, confirmed and ratified; and

(b) any one or more of the Directors be and is hereby authorised to sign and execute such other documents or supplemental agreements or deeds for and on behalf of the Company and to do all such things and take all such actions as he or they may consider necessary, desirable or expedient for the purpose of carrying out or giving effect to or otherwise in connection with the Disposal Agreement or the transactions contemplated thereunder, and to agree with such variation, amendment or waiver as are, in the opinion of the Directors, in the interests 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."

2. "**THAT**

(a) the First Deed of Variation (2021) (as defined in the circular of the Company dated 26 May 2021), the terms and the transactions contemplated thereunder (a copy of the agreement has been produced to the meeting and marked "B" and initialed by the chairman of the meeting for the purposes of identification) be and are hereby approved, confirmed and ratified; and

(b) any one or more of the Directors be and is hereby authorised to sign and execute such other documents or supplemental agreements or deeds for and on behalf of the Company and to do all such things and take all such actions as he or they may consider necessary, desirable or expedient for the purpose of carrying out or giving effect to or otherwise in connection with the First Deed of Variation (2021) or the transactions contemplated thereunder, and to agree with such variation, amendment or waiver as are, in the opinion of the Directors, in the interests 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, 26 May 2021

Notes:

1. A member of the Company who is holder of two or more shares, and who is entitled to attend and vote at the SGM, is entitled to appoint more than one proxy to attend and vote on his/her behalf. A proxy need not be a member of the Company. Completion and return of the form of proxy will not preclude a member from attending the SGM and voting in person. In such event, his/her form of proxy will be deemed to have been revoked.

2. A form of proxy for the SGM is enclosed to the notice of the SGM. In order to be valid, the form of proxy together with the power of attorney, if any, under which it is signed, or a notarially certified copy of such power or authority must be lodged at the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the SGM or any adjournment thereof.

3. The record date for determining the entitlements of the shareholders of the Company to attend and vote at the SGM is 8 June 2021,Tuesday. In order to qualify for the aforesaid entitlements, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 8 June 2021, Tuesday.

4. Where there are joint registered holders of any share of the Company, any one of such persons may vote at any meeting, either personally by proxy, in respect of such share of the Company as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders, stand on the register in respect of the relevant joint holding.

5. If a Typhoon Signal No. 8 or above is hoisted or a Black Rainstorm Warning Signal or "extreme conditions" as defined under Chapter 1 of the Rules of the Exchange of The Stock Exchange of Hong Kong Limited 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 adjourned. The Company will publish an announcement to notify shareholders of the Company of the date, time and place of the adjourned 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.

6. In view of the recent development of the coronavirus pandemic caused by coronavirus disease 2019 (COVID-19), and in order to better protect the safety and health of the shareholders of the Company, a series of pandemic precautionary measures will be implemented at the venue of the SGM:-

   (i) compulsory body temperature check will be conducted for every person at the entrance of the venue of SGM. Any person with a body temperature of over 37.5 degree Celsius will not be admitted to the venue; and

   (ii) every person is required to wear facial mask at the venue of the SGM.

7. The Company will not serve refreshment at the SGM to avoid the coming into close contact amongst participants. The Company wishes to remind its shareholders and other participants who will attend the SGM in person to take personal precautions and abide by the requirements of pandemic precaution and control at the venue of the SGM. The Company also advises its shareholders to attend and vote at the SGM by way of non-physical presence. The shareholders of the Company may choose to vote by filling in and submitting the relevant proxy form of the SGM, and appoint the chairman of the SGM as a proxy to vote on relevant resolution(s) as instructed in accordance with the relevant proxy form instead of attending the SGM in person.

As at the date of this notice, the Board comprises Mr. Liao Qian as Chairman and non-executive Director; Mr. Ouyang Hongping, Mr. Wen Xianzhen and Mr. Zhang Feng as executive Directors; and Ms. Hsu Wai Man Helen, Mr. Xu Yan and Mr. Li Yang as independent non-executive Directors.