
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 TCL DISPLAY TECHNOLOGY HOLDINGS LIMITED (the “Company”), you should at once hand this circular and proxy form enclosed herein to the purchaser or transferee, or to the bank or stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**TCL DISPLAY TECHNOLOGY HOLDINGS LIMITED****TCL 顯示科技控股有限公司***(Incorporated in Bermuda with limited liability)***(Stock Code: 334)****CONTINUING CONNECTED TRANSACTION
AND DISCLOSEABLE TRANSACTION –
MASTER FACTORING AGREEMENT****Independent financial adviser to the Independent Board Committee
and the Independent Shareholders****Beijing Securities**

Beijing Securities Limited

北京證券有限公司

A letter from the Board is set out on pages 1 to 16 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 17 of this circular. A letter from Beijing Securities Limited, the independent financial adviser in relation to the Master Factoring Agreement, containing its advice in respect of the aforesaid matter to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 35 of this circular.

A notice convening the SGM of the Company to be held at Admiralty Conference Centre (ACC), 1804, 18th Floor, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong on 16 June 2016, Thursday at 3:00 p.m. is set out on pages 40 to 41 of this circular.

If there is a black rainstorm warning signal or a tropical cyclone warning signal number 8 or above in force at or after 7:30 a.m. on 16 June 2016 and/or the Hong Kong Observatory has announced at or before 7:30 a.m. on 16 June 2016 that either of the above mentioned warnings is to be issued within the next two hours, the SGM shall automatically be postponed to the next Business Day on which no black rainstorm warning signal or tropical cyclone warning signal number 8 or above is issued between the hours from 7:30 a.m. to 9:30 a.m. and in such case the SGM shall be held at 4:00 p.m. on that Business Day at 13/F., TCL Tower, 8 Tai Chung Road, Tsuen Wan, Hong Kong.

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 22, 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.

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DEFINITIONS

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

“Account Receivable(s)”	the account receivable(s) to be assigned by the Group to Factoring Co pursuant to the arrangement set out in the Master Factoring Agreement;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors of the Company;
“Business Day”	a day on which banks in Hong Kong are open to conduct business generally throughout their normal business hours and the Stock Exchange is open for trading, excluding a Saturday, Sunday, public holidays and days on which a tropical cyclone warning no. 8 or above or a black rainstorm warning signal is issued in Hong Kong at any time between 09:00 and 17:00 on weekdays;
“Company”	TCL Display Technology Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 00334);
“connected person(s)”	has the meanings ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Factoring Agreement(s)”	the factoring agreement(s) to be entered into between any member of the Group as appointer and the Factoring Co as services provider, for provision of Factoring Services by the Factoring Co to the relevant member of the Group as contemplated under the Master Factoring Agreement;
“Factoring CCT Announcement”	the announcement of the Company dated 1 April 2016, with the title “CONTINUING CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION – MASTER FACTORING AGREEMENT”;
“Factoring Co”	TCL Commercial Factoring (Shenzhen) Co. Ltd.* (TCL商業保理(深圳)有限公司), a company established in the PRC with limited liability, and a TCL Associate;
“Factoring Services”	the factoring services to be provided by the Factoring Co to the Group from time to time, including but not limited to those described under the paragraph headed “Factoring Services” in the section “Letter from the Board” in this circular;

DEFINITIONS

“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 board committee of the Board comprising all the independent non-executive Directors, namely Ms. HSU Wai Man, Helen, Mr. XU Yan and Mr. LI Yang;
“Independent Shareholders”	Shareholders other than those who are required to abstain from voting on the resolution at the SGM approving the Master Factoring Agreement, the transactions contemplated thereunder and the proposed annual caps;
“Independent Third Party(ies)”	any person(s) or entity(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons;
“Latest Practicable Date”	20 May 2016, being the latest practicable date prior to the bulk printing of this circular for the purpose of ascertaining certain information contained in this circular;
“LCD modules”	the integrated module of liquid crystal display, integrated circuit, connector and other structural components;
“Listing Rules”	the rules governing the listing of securities on the Stock Exchange;
Master Factoring Agreement	the master factoring services agreement entered into between the Company, TCL Corporation and Factoring Co on 1 April 2016;
“Non-exempt Transactions”	the transactions under the Master Factoring Agreement together with their proposed annual caps;
“Parties”	the Company and Factoring Co and TCL Corporation and their respective successors and permitted assigns, and each a “Party”;
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this circular;
“Promotion Agreement(s)”	the promotion service agreement(s) to be entered into between the Factoring Co as appointer and any member of the Group as promoter, for provision of Promotion Service by the relevant member of the Group to the Factoring Co as contemplated under the Master Factoring Agreement;

DEFINITIONS

“Promotion Service”	the promotion service to be provided by any member of the Group to the Factoring Co as described under the paragraph headed “Promotion Service” in the section “Letter from the Board” in this circular;
“SFO”	the Securities and Futures Ordinance (Cap. 571 of Laws of Hong Kong);
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of Share(s);
“Shareholders’ Approval Day”	the day on which Independent Shareholders’ approval for the Master Factoring Agreement, the transactions contemplated thereunder and the relevant annual cap(s) therefor, as required under the Listing Rules, are obtained;
“SGM”	the special general meeting of the Company to be convened and held at Admiralty Conference Centre (ACC), 1804, 18th Floor, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong on 16 June 2016, Thursday at 3:00 p.m. for the purposes of considering and, if thought fit, approving the Master Factoring Agreement, the transactions contemplated thereunder and the proposed annual caps;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subsidiary”	any entity within the meaning of the term “subsidiary” as defined in the Listing Rules and the term “Subsidiaries” shall be construed accordingly;
“TCL Associate(s)”	the associate(s) of TCL Corporation;
“TCL Corporation”	TCL Corporation (TCL集團股份有限公司), a joint stock company established under the laws of the PRC, the ultimate controlling Shareholder of the Company, the shares of which are listed on Shenzhen Stock Exchange (stock code: 000100); and
“TCL Corporation Group”	TCL Corporation and its Subsidiaries and any entity that may become Subsidiary of TCL Corporation from time to time but does not include the Group for the purposes of this circular.

The English translation of Chinese names or words in this circular, where indicated by “”, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

LETTER FROM THE BOARD



TCL DISPLAY TECHNOLOGY HOLDINGS LIMITED

TCL 顯示科技控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 334)

Non-executive Director:

YUAN Bing

Executive Directors:

LI Jian

OUYANG Hongping

YANG Yunfang

ZHAO Yong

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:

13/F, TCL Tower

8 Tai Chung Road

Tsuen Wan

New Territories

Hong Kong

25 May 2016

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION – MASTER FACTORING AGREEMENT

INTRODUCTION

Reference is made to the Factoring CCT Announcement. As stated in the Factoring CCT Announcement, on 1 April 2016, the Company entered into the Master Factoring Agreement with Factoring Co and TCL Corporation, pursuant to which Factoring Co has agreed to provide Factoring Services to the Group and the Group has agreed to provide Promotion Service to the Factoring Co subject to and in accordance with the terms and conditions thereof.

The purposes of this circular are:

- (i) to provide the Shareholders with further details of the Master Factoring Agreement and the transactions contemplated thereunder and their relevant proposed annual caps as mentioned in the Factoring CCT Announcement;

LETTER FROM THE BOARD

- (ii) to set out the recommendation of the Independent Board Committee to the Independent Shareholders and the advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Master Factoring Agreement and the transactions contemplated thereunder and their relevant proposed annual caps; and
- (iii) to give the Shareholders the notice of the SGM and other information in accordance with the requirements of the Listing Rules.

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

MASTER FACTORING AGREEMENT

Major terms of the Master Factoring Agreement are set out below:

- Date:** 1 April 2016
- Parties:**
- (i) The Company (for itself and on behalf of the Group)
 - (ii) TCL Corporation (for itself and on behalf of TCL Corporation Group)
 - (iii) Factoring Co
- Duration:** From the Shareholders' Approval Day to 31 December 2018 (both dates inclusive)
- Major terms:** **Factoring Services**
- (1) Member(s) of the Group may from time to time assign Account Receivables to Factoring Co without recourse and Factoring Co will acquire from member(s) of the Group Account Receivables with notice to the relevant payor of the Account Receivables. Factoring Co will, after deducting the factoring handling fee, prepay the Group before the invoiced due date an amount equivalent to the face invoiced amount of the Account Receivable.
 - (2) The factoring handling fee shall be an agreed service charge determined with reference to the standard rate promulgated by the National Development and Reform Commission, the Ministry of Commerce and all licensed banks in the PRC and shall be no higher than the rates charged by the aforesaid institutions or other independent factoring service providers in relation to the same or similar service.

LETTER FROM THE BOARD

- (3) Member(s) of the Group may from time to time request Factoring Co to provide other factoring services including:
 - (i) furnishing of information regarding the status of the Account Receivable, bank statements or statistical statements to assist the Group's management of account receivables;
 - (ii) taking all legitimate actions to assist the Group in recovering overdue account receivable;
 - (iii) upon conducting credit assessment and determining the relevant credit limit of creditors of the Group, Factoring Co shall provide payment guarantee to account receivables of the Group which are not subject to commercial disputes; and
 - (iv) advice in relation to commercial factoring.
- (4) The relevant members of the Group have the absolute discretion to decide whether to engage the Factoring Co for the Factoring Services, and should such relevant member of the Group decide to engage the Factoring Co for Factoring Services, it shall enter into a Factoring Agreement with the Factoring Co setting out the specific terms of the Factoring Services which shall comply with the Listing Rules and the provisions of the Master Factoring Agreement, PROVIDED THAT any member of the Group shall enter into a Factoring Agreement with the Factoring Co and engage the Factoring Co for Factoring Services if and only if the terms of Factoring Services to be provided by the Factoring Co as a whole are no less favourable than the terms of comparable services offered by Independent Third Party to the Group.
- (5) Terms of the Factoring Agreements shall be determined and negotiated based on normal commercial terms that are in the interest of the Group, with reference to the prevailing fair market prices range of comparable services in the market. The factoring handling fees charged on the relevant member of the Group by the Factoring Co for the provision of the Factoring Services shall not be higher than the abovementioned fair market prices range. Where no comparable reference prices are available, the terms of the Factoring Agreements (including price and payment terms) shall be no less favourable to the Group than (i) those offered to the Group by Independent Third Parties for comparable services; and/or (ii) those given by the Factoring Co to Independent Third Parties for comparable services.

LETTER FROM THE BOARD

Promotion Service

- (1) The Group shall have the absolute discretion (but is not obliged to do so) to recommend the factoring service provided by Factoring Co to its business partners or clients, including but not limited to suppliers and distributors. For this purpose, the Group shall provide verified information regarding the business partners to Factoring Co subject to consent of the relevant business partner.
- (2) In consideration of the promotion service offered by the Group, upon each successful application for finance by such business partners referred by the Group, Factoring Co will pay the Group a service fee which will represent a percentage of the amount of finance obtained. The rate of such service fee shall be determined with reference to the standard rate promulgated by the National Development and Reform Commission, the Ministry of Commerce and licensed banks in the PRC and shall be no higher than the rates charged by the aforesaid institutions or other independent factoring service providers in relation to the same or similar service.
- (3) The relevant members of the Group have the absolute discretion to decide whether to provide Promotion Service to the Factoring Co, and should such relevant member of the Group decide to provide to the Factoring Co the Promotion Service, it shall enter into a Promotion Agreement with the Factoring Co setting out the specific terms of the Promotion Service which shall comply with the Listing Rules and the provisions of the Master Factoring Agreement, PROVIDED THAT any member of the Group shall enter into a Promotion Agreement with the Factoring Co and provide to the Factoring Co the Promotion Service if and only if the terms of Promotion Service to be provided by the relevant member of the Group as a whole are no less favourable than the terms of comparable services to be provided by any member of the Group to any Independent Third Party.

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- (4) Terms of the Promotion Agreements shall be determined and negotiated based on normal commercial terms that are in the interest of the Group, with reference to the prevailing fair market prices range of comparable services in the market. The fees charged by the relevant member of the Group on the Factoring Co for provision of the Promotion Service shall not be lower than the abovementioned fair market prices range. Where no comparable reference prices are available, the terms of the Promotion Agreements (including price and payment terms) shall be no less favourable to the Group than (i) those offered to the Group by Independent Third Parties for comparable services; and/or (ii) those given by the Factoring Co to Independent Third Parties for comparable services.

Undertaking by the parent company:

Where any provision of the Master Factoring Agreement involves rights or obligations of any group member of the Company and/or TCL Corporation, the Company and TCL Corporation agree to procure their respective group member to comply with the relevant provision.

Condition precedent:

The provision of the Factoring Services and the Promotion Service under the Master Factoring Agreement is conditional upon the Company having obtained the Independent Shareholders' approval at the SGM in respect of the Master Factoring Agreement, the transactions contemplated thereunder (including the proposed annual caps) in accordance with the requirements under the Listing Rules.

Pricing policy and control measures for conducting transactions with Factoring Co.

The Group will follow the following internal procedures when conducting transactions with Factoring Co.:

- (1) The Group will from time to time assess its need for factoring services in the following manner:
- (a) The business units and finance team will from time to time and on a monthly basis review and assess the creditability of its customers and the corresponding credit risk exposed to the Group, the financial position of the Group and the need of cash flow of the Group. The Group will conduct the relevant assessment when entering into sales with its customers and will also continuously review and monitor the payment status of its customers.
 - (b) After the review and assessment, the finance team will internally formulate a plan for factoring services with relevant particulars, including the amount of account receivable(s) and the customers involved and the impact to the financial and cash flow position before and after the factoring services are sought.

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- (c) The finance team will submit the plan for factoring services to a supervisor responsible for the factoring services for review and approval.
- (2) Should the plan for factoring services be approved, and prior to deciding whether to engage Factoring Services from the Factoring Co or any independent third party, the Company shall collect information about the terms and conditions (including the rate of the factoring handling fee) of similar factoring services from Factoring Co as well as the major domestic factoring services providers in the PRC who are independent of the Company and its connected persons, and compare them with the standard rate promulgated by the National Development and Reform Commission, the Ministry of Commerce (if any) and the rates of various major licensed banks in the PRC to ensure that the handling fees charged by the Factoring Co for the Factoring Services shall be no higher than the rates charged by the aforesaid institutions or such other independent factoring services providers and that the Company receives the most favourable terms, such that the Company's overall interests will be maximised. In this connection, to the best knowledge of the management, and according to the Factoring Co.
- (a) China Banking Regulatory Commission, National Development and Reform Commission, China Banking Association and/or other relevant government authorities of the PRC may from time to time publish, issue and/or promulgate rules and regulations, policies, practice directions etc, governing various banking related services and the pricing, including but not limited to the 《中國銀行業保理業務規範》 (“Norms for the Factoring Business in the Banking Sector of China”*), 《商業銀行保理業務管理暫行辦法》 (“Interim Measures for Administration of factoring Business of Commercial Bank”*) and 《商業銀行服務價格管理暫行辦法》 (“Interim Measures Governing the Service Prices of Commercial Banks”*)).
- (b) Under the aforesaid rules and regulations policies, practice directions etc., the pricing of various regulated banking related services are categorised in “government guided-price” (政府指導價), “government prescribed price” (政府定價) or “market regulation price” (市場調節價). Whereas service charges for factoring services are currently categorised as “market regulation price” (市場調節價) which are to be agreed by the parties provided that they shall comply with the pricing factors stipulated in the relevant rules and regulations, policies, practice directions, which currently provide that factoring fees and interest rates shall be determined taking into consideration of factors such as business cost, risk exposure and reasonable profit. As regards interest rate for international factoring finance, this may be determined by a cost-plus basis considering banks' internal fund, whereas the interest rate for domestic factoring finance may be determined at a rate which is not lower than the discount rate of bank acceptance draft. Apart from the pricing factors stipulated in the relevant rules and regulations, policies, practice directions, in determining the factoring fees and interest rates, commercial banks and financial institutions will generally make reference to the PRC's benchmark interest for loan which is from time to time published by the People's Bank of China. Commercial banks and

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financial institutions are required to set out their services charges in relation to different banking services (including the factoring services if they provide so) in clear terms, which information shall be made available on the respective websites of the commercial banks and financial institutions.

- (c) The aforesaid service charges are revised from to time with no fixed period but according to the information provided by the Factoring Co, since the factoring fees and interest rates charged by commercial banks and financial institutions are generally determined with reference to the PRC's benchmark interest rate for loan published by the People's Bank of China, such factoring fees and interest rates will normally be revised upon adjustment of the PRC's benchmark interest for loan. As at the Latest Practicable Date, the PRC's benchmark interest rate for short term loans (not exceeding one year) was 4.35%.
- (d) According to Factoring Co, whilst the PRC's benchmark interest rate for loan is not adjusted in a regular manner, the People's Bank of China will take into account of the overall economic condition and determine whether adjustment is required. For information purposes, the last time when the People's Bank of China adjusted the PRC's benchmark interest rate for loans was in October 2015, and in the recent 3 years, the said rate has been adjusted as follows: in 2015, the PRC's benchmark interest rate for loan has been adjusted for 4 times each in approximately 2 months intervals; in 2014, the PRC's benchmark interest rate for loan has been adjusted once; and no adjustment had been made in 2013.
- (e) Accordingly, Factoring Co will determine the factoring fees and interest rates with reference to those generally charged by major PRC commercial banks, such as the Agricultural Bank of China, the Industrial Commercial Bank of China and the China Construction Bank, and at a rate which is not higher than those charged by the aforesaid commercial banks.
- (f) Therefore, when the Group requires any Factoring Services and before entering into any agreements with Factoring Co under the Master Factoring Agreement, the Group will collect information on the relevant rates from no less than three independent major domestic factoring services providers in the PRC, which are primarily major domestic banks (such as Agricultural Bank of China, the Industrial Commercial Bank of China and the China Construction Bank) to ensure that the handling fees charged by the Factoring Co for the Factoring Services shall be no higher than the rates charged by the aforesaid institutions or such other independent factoring services providers and that the Company receives the most favourable terms, such that the Company's overall interests will be maximised.

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- (3) After reviewing the results of the comparison, the Group will only engage Factoring Co for the Factoring Services when it is better off for the Group to do so. Any Factoring Agreement to be entered into between any member of the Group and Factoring Co and the transactions contemplated thereunder will be examined and approved by various internal departments of the Company, including but not limited to, financial team and audit and inspection team of the Company, thus to ensure terms of such Factoring Agreements be complied with relevant pricing policies and other applicable regulatory requirements, if any, and market practice, and will not deviate from terms of the Master Factoring Agreement.
- (4) The finance director and various internal departments of the Company will also supervise the implementation of those Factoring Agreements and the process of the transactions on a regular basis.

In addition, the management of the Company will review its pricing policies on a regular basis; the independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transactions (including the relevant pricing mechanism); the auditors of the Company will perform evaluation and review on the internal control measures of the Company annually and review the continuing connected transactions under the Master Factoring Agreement annually in accordance with the requirements of Listing Rules, to ensure, among which, such transactions are conducted in accordance with the pricing policies of the Company and provisions of the Master Factoring Agreement.

In view of the above pricing policies and internal control procedures, the Directors (including independent non-executive Directors whose views are set out in the Letter from the Independent Board Committee contained in this circular) consider that the Master Factoring Agreement among the Company, Factoring Co and TCL Corporation and the transactions contemplated thereunder and the proposed annual caps are fair and reasonable, they are on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. In the meantime, the Company is of the view that it has adequate mechanism, internal control procedures and external supervision measures to ensure the continuing connected transactions be complied with and strictly in accordance with the relevant pricing policies and other applicable regulatory requirements, if any, and market practice, and the terms of the Master Factoring Agreement.

PROPOSED ANNUAL CAPS

The following table sets out the respective proposed annual caps of the continuing connected transactions under the Master Factoring Agreement:

	For the year ending 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Factoring Services	262,000	275,000	288,000
Promotion Service	4,800	5,300	5,800

LETTER FROM THE BOARD

REASONS FOR THE PROPOSED ANNUAL CAPS

The annual caps for the Factoring Services under the Master Factoring Agreement are determined by reference to, among other things:

- (i) *the historical revenue of the Group for the year ended 31 December 2015* – for the year ended 31 December 2015, the Group’s revenue was approximately RMB2,242.8 million (as disclosed in the annual report of the Company for the eighteen months ended 31 December 2015), of which approximately RMB871.6 million was invoiced as customers’ bills receivables;
- (ii) *the Group’s sale forecast for the years 2016 to 2018 which are determined based on the projected business volumes and the estimated growth rates of the business lines of the Group* – in determining the proposed annual caps for the Factoring Services, the Group estimates that the revenue of the Group will increase in the region of approximately 13% to 16% per annum from 2016 to 2018 and the amount of revenue arising from its customers’ bills receivables will increase by approximately 5% per annum from 2016 to 2018 to approximately RMB915.2 million, RMB960.9 million and RMB1,009.0 million, which was arrived at with reference to the increase of approximately 10.1% in global smart phone shipments from 2014 to 2015 taking into account the slowdown trend of the growth in display module market;
- (iii) *the potential growth of LCD module market in the PRC resulting in the growth of business of the Group* – in determining the proposed annual caps for the Factoring Services, the Group estimates that the LCD module market in the PRC will steadily grow which aligns with the estimated growth of the Group’s revenue as mentioned in preceding paragraph (ii); and
- (iv) *the availability of capital funding for the factoring business of the Factoring Co* – based on the information provided by the Factoring Co, the registered capital of the Factoring Co is RMB100 million which has been fully paid up, and given that the Factoring Co is a wholly-owned subsidiary of TCL Corporation which is reputable and that TCL Corporation is a direct contractual party to the Master Factoring Agreement which has provided an undertaking to procure its group member (including Factoring Co) to comply with the provisions of the Master Factoring Agreement, the Company believes that the capital funding for the factoring business of the Factoring Co will generally be sufficient to support the need of the Group.

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In determining the proposed annual caps for the Factoring Services, the amount of account receivables to be assigned to the Factoring Co under the Master Factoring Agreement is estimated to be approximately 28% of the estimated amount of the Group's revenue arising from its customers' bills receivables from 2016 to 2018 as set out in paragraph (ii) above (i.e. approximately RMB915.2 million, RMB960.9 million and RMB1,009.0 million), which is arrived at after the Group has reviewed its past customers' bills receivables and the percentage of such bills receivables that could be assigned to the Factoring Co if the Group has engaged the Factoring Co. Hence the amount of account receivables to be assigned to the Factoring Co under the Master Factoring Agreement from 2016 to 2018 is estimated to be approximately RMB256.3 million, RMB269.1 million and RMB282.5 million respectively.

The handling fees chargeable by the Factoring Co for the amount of Account Receivables to be assigned to the Factoring Co is approximately 4.3% per annum, which is approximately equivalent to the prevailing PRC's benchmark interest rate for short term loans of 4.35%. The handling fees are chargeable from the date of assignment up to the expiry of the credit period (i.e. the time by which the relevant payor shall pay Factoring Co pursuant to the assignment). Taking into account of the 6 months credit period of the customers' bills (being the maximum period for which the handling fees will be charged assuming the relevant member of the Group assigns the relevant Account Receivable on the first date of the credit period), the handling fees chargeable by Factoring Co under the Master Factoring Agreement for 2016 to 2018 are estimated to be approximately RMB5.5 million, RMB5.8 million and RMB6.1 million respectively. The proposed annual cap for the Factoring Services for each of the years ending 31 December 2016 to 2018 is the sum of the amount of account receivables to be assigned to the Factoring Co (i.e. approximately RMB256.3 million, RMB269.1 million and RMB282.5 million) and the relevant handling fees (i.e. approximately RMB5.5 million, RMB5.8 million and RMB6.1 million).

The annual caps for the Promotion Service under the Master Factoring Agreement are determined by reference to, among other things:

- (i) *the historical purchase of the Group from its suppliers for the year ended 31 December 2015* – for the year ended 31 December 2015, the Group's purchases from the PRC suppliers was approximately RMB1,003.5 million, which represent approximately 44.8% of the Group's revenue for the said period;
- (ii) *the purchase forecasts of the Group for the years 2016 to 2018, which are determined based on the projected business volumes and estimated growth rates of all businesses of the Group* – having considered the business model of the Group, the Group's purchases would be generally proportionate to the Group's revenue and hence the Group anticipates that purchases from the PRC suppliers will increase in the region of approximately 13% to 16% per annum from 2016 to 2018 which aligns with the estimated growth of the Group's revenue as set out in paragraph (ii) under the discussion of the proposed annual caps for the Factoring Services;

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- (iii) *the historical amount of financing obtained by suppliers as a percentage of the Group's respective total purchases for the year ended 31 December 2015* – based on the communication between the Group and its suppliers, the historical amount of financing obtained by the Group's PRC suppliers as a percentage of the Group's total purchases from the PRC suppliers for the year ended 31 December 2015 was approximately 25.2%. As further explained in the following paragraphs, it is believed that the Group may not be in the position to obtain knowledge of other aspect of financial needs of the its suppliers other than the purchase amount due from the Group and hence in determining the annual cap of the Promotion Service, the Group only takes into account of the estimated amount of purchase from the suppliers by the Group;
- (iv) *the projected amount of financing required by suppliers for the years 2016 to 2018, which is expected to range from 20% to 25% of the purchase forecasts of the Group* – in determining the proposed annual caps for the Promotion Service, it is estimated that the financing required by suppliers for the years 2016 to 2018 will increase by approximately 10% per annum which aligns with both the historical amount of the financing obtained by suppliers expressed as a percentage of their respective total purchases as set out in the preceding paragraph (iii) and the purchase forecasts of the Group for the years 2016 to 2018; and
- (v) *the prevailing market rate of service fee of approximately 1.5% for similar service plus a reasonable buffer of approximately RMB600,000 to RMB800,000 in the event the Group is able to capture and generate additional servicing income* – to the best knowledge of the Company, as of the Latest Practicable Date, there is no standardised rate of service fee for Promotion Service or similar service and it is up to the commercial banks and financial institutions to set its own rate as long as it complies with the general guidelines laid down in the rules and regulations, policies, practice directions etc. issued, published and/or promulgated by the National Development and Reform Commission, the Ministry of Commerce and all licensed banks in the PRC. Based on the information provided by Factoring Co, the prevailing market rates and the rate Factoring Co provides to other parties for similar promotion service and as the service fee is in the region of 1.5%.

Taking into account of the business model of the Group, it is expected that the business referred to the Factoring Co. will primarily relate to the amount payable by the Group to its suppliers for the sales from the suppliers to the Group. When any supplier of the Group raises concern on its financial or cashflow need in respect of any purchase amount payable by the Group, the Group may, if it considers appropriate, refer such supplier to the Factoring Co. It is believed that the Group may not be in the position to obtain knowledge of other aspect of financial needs of the its suppliers other than the purchase amount due from the Group and hence in determining the annual cap of the Promotion Service, the Group only takes into account of the estimated amount of purchase from the suppliers by the Group.

In view of the above, the service fees receivable by the Group or the proposed annual cap for the Promotion Service for each of the years ending 31 December 2016 to 2018 is calculated based on a service fee of 1.5% of the estimated amount of financing required by suppliers in each of the three years.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE MASTER FACTORING AGREEMENT

Under the Master Factoring Agreement, the Group is entitled to (but not obliged to) assign Account Receivable to Factoring Co without recourse, thereby effectively transferring the risk associated with the delay in payment by the customers to Factoring Co. Hence the Factoring Services can secure the early repayment and minimise credit risk exposed to the Group, as well as improving the financial position and providing flexibility in cash flow managing of the Group. Further, given Factoring Co is wholly-owned by TCL Corporation, the Directors (excluding the independent non-executive Directors) consider that Factoring Co is funded with sufficient capital to carrying out the capital-intensive factoring business.

The Promotion Service under the Master Factoring Agreement also enables the Group to match the financing needs of its business partners with Factoring Co, which in turn can strengthen the relationship and loyalty between the Group and its business partners in the long run.

The Board has also considered the disadvantages/risks in association with the Factoring Services and Promotion Service to be provided by/to the Factoring Co to / by the Group are as follows:

Liquidity risks

Factoring Co faces liquidity risks if it has no immediately available fund to make payment for the Accounts Receivables assigned to it by members of the Group. Based on the understanding of the Directors and subject to the terms of the Factoring Agreements to be entered into between members of the Group and Factoring Co, the consideration for acquiring the Account Receivables from the Group will normally be settled by Factoring Co within 3 Business Days upon assignment of the Account Receivables.

Whilst the nature of such risk does not differ materially from the liquidity risks faced by PRC commercial banks, based on the information provided by Factoring Co, Factoring Co is a substantial company with registered capital of RMB100 million which has been fully paid up. Further, given Factoring Co is a wholly-owned subsidiary of TCL Corporation which is a reputable and substantial listed company, and that TCL Corporation is a direct contractual party to the Master Factoring Agreement which has provided an undertaking to procure its group member (including Factoring Co) to comply with the provision of the Master Factoring Agreement, the Company believes that the capital funding for the factoring business of the Factoring Co will generally be sufficient to support the need of the Group.

Credit risks

By acquiring the Account Receivables without recourse, Factoring Co effectively assumes credit risks originally exposed to the Group. Therefore, according to the Factoring Co, in order to manage the credit risks, Factoring Co will conduct due diligence and credit assessment on the relevant payor before entering into any Factoring Agreement, and will only agree to acquire Account Receivables if the relevant payor has sound financial position. The Group will still have to manage on its own those debts which Factoring Co does not agree to take up. Yet, as the Group trades only with recognised and creditworthy third parties, and it is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. Therefore, the Directors reasonably believe that the Group's exposure to bad debts is not significant.

LETTER FROM THE BOARD

Reduction in profit margin

The handling fees payable for the Factoring Services may represent a reduction in the profit margin of the Group. Yet, as the Group will be able to receive the consideration of the Accounts Receivable factored earlier than the original due dates, which improves the financial position and provides flexibility in cash flow management of the Group, thereby enabling the Group to have smoother cash flow and financial planning for capital investment and/or funding for further business to generate better worth for the Group.

Balancing the disadvantages / risks in association with the Factoring Services and Promotion Service and the advantages and benefits brought along thereby, the Directors (including the independent non-executive Directors whose views are set out in the letter from the independent board committee on page 17 of this circular) consider that the terms of the Master Factoring Agreement and the transactions contemplated thereunder are fair and reasonable, and it is in the interests of the Company and the Shareholders as a whole to enter into the Master Factoring Agreement.

FINANCIAL EFFECT OF THE MASTER FACTORING AGREEMENT

The Company anticipates that the transactions contemplated under the Master Factoring Agreement will not have any material impact on its corresponding earnings, assets and liabilities.

ANNUAL REVIEW OF THE CONTINUING CONNECTED TRANSACTIONS

The Non-exempt Transactions will be subject to the following annual review requirements:

1. the independent non-executive Directors shall review annually the Non-exempt Transactions and confirm in the Company's corresponding annual report that the Non-exempt Transactions have been entered into:
 - (a) in the ordinary and usual course of business of the Group;
 - (b) on normal commercial terms and on terms no less favourable to the Group than those available from the Independent Third Parties; and
 - (c) in accordance with the respective agreements and on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
2. the auditors of the Company shall review annually the Non-exempt Transactions and confirm in a letter to the Board (a copy of which shall be provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report) that the Non-exempt Transactions:
 - (a) have received the approval of the Board;
 - (b) have been, in all material respects, in accordance with the pricing policies of the Group (for these Non-exempt Transactions involving the provision of goods and services by the Group);

LETTER FROM THE BOARD

- (c) have been entered into in accordance with the respective agreements; and
 - (d) have not exceeded the caps; and
3. the Directors shall state in the Company's annual report whether its auditors have confirmed the matters stated in Rule 14A.57 of the Listing Rules.

The Company shall promptly notify the Stock Exchange and publish an announcement if it knows or has reason to believe that the independent non-executive Directors and/or auditors of the Company will not be able to confirm the matters set out in paragraphs (1) and/or (2) respectively.

The Company shall allow, and shall procure that the counterparties shall allow the Company's auditors access to the relevant records for the purpose of the auditors' review of the Non-exempt Transactions referred to in paragraph (2) above.

LISTING RULES IMPLICATIONS

TCL Corporation, the ultimate controlling Shareholder of the Company, currently holds approximately 44.04% of the issued share capital of the Company, and is a connected person of the Company under the Listing Rules. Since Factoring Co is wholly-owned by TCL Corporation, it is a TCL Associate and is thus a connected person of the Company. The transactions contemplated under the Master Factoring Agreement therefore constitute continuing connected transactions.

As one or more of the applicable percentage ratios (other than the profits ratio) with reference to the annual caps of the Master Factoring Agreement exceed 5%, the continuing connected transactions contemplated thereunder are 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 with reference to the annual caps of the Master Factoring Agreement exceeds 5% but all of them are less than 25%, in addition to being continuing connected transactions, the transactions contemplated thereunder also constitute discloseable transactions of the Company and are subject to the relevant requirements under Chapter 14 of the Listing Rules.

An Independent Board Committee has been established to advise the Independent Shareholders on the terms and the proposed annual caps of the Master Factoring Agreement. The Company has appointed Beijing Securities Limited as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Notwithstanding the respective roles and/or interest of certain Directors in TCL Corporation Group, none of the Directors is considered as having a material interest in the transactions contemplated under the Master Factoring Agreement. Therefore, all Directors are entitled to vote pursuant to the Company's bye-laws.

TCL Corporation and TCL Associates will be required to abstain from voting on the resolution in respect of the Master Factoring Agreement to be put forward at the SGM. Save as the aforesaid, the Directors are not aware of any other Shareholders who are required to abstain from voting on the resolution in respect of the Master Factoring Agreement to be put forward at the SGM.

LETTER FROM THE BOARD

GENERAL 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 for handheld mobile devices on an original design manufacture (ODM) basis. The Group is also one of the major suppliers of small-to-medium sized ($\leq 10.1''$) display modules in the PRC. The Group has its manufacturing plant in Huizhou, 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.tcldisplay.com (the information that appears in this website does not form part of this circular).

TCL Corporation and its Subsidiaries is a major PRC conglomerate that designs, develops, manufactures and markets a wide range of the electronic, audio-visual products, telecommunications, information technology and electrical products. For more information on TCL Corporation, please visit TCL Corporation's official website at <http://www.tcl.com> (the information that appears in this website does not form part of this circular).

Factoring Co is indirect wholly-owned by TCL Corporation and is principally engaged in the business of commercial factoring.

SGM

The Company will convene the SGM at Admiralty Conference Centre (ACC), 1804, 18th Floor, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong on 16 June 2016, Thursday at 3:00 p.m., at which resolutions will be proposed for the purposes of considering and, if thought fit, approving the Master Factoring Agreement, the transactions contemplated thereunder and the proposed annual caps. The notice of the SGM is set out on pages 40 to 41 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 22, 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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 14 June 2016, Tuesday to 16 June 2016 Thursday (both dates inclusive), for the purpose of determining the entitlements of the Shareholders to attend and vote at the SGM. No transfer of the Shares may be registered on that period. In order to qualify for the aforesaid entitlements, all transfers must be lodged with the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:30 p.m. on 13 June 2016.

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to (a) the letter from the Independent Board Committee set out on page 17 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the resolution to approve the Master Factoring Agreement and the transactions contemplated thereunder and the proposed annual caps; (b) the letter from Beijing Securities Limited, the independent financial adviser, set out on pages 18 to 35 of this circular which contains its advice (together with the principal factors and reasons considered in arriving at such advice) to the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the terms of the Master Factoring Agreement and the transactions contemplated thereunder and the proposed annual caps; and (c) additional information set out in the appendixes to this circular.

The Independent Board Committee, having taken into account the advice of Beijing Securities Limited (together with the principal factors and reasons considered in arriving at such advice), the independent financial adviser, considers that the terms of the Master Factoring Agreement and the transactions contemplated thereunder and the proposed annual caps are fair and reasonable, they are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and are in the interests of the Company and its Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM in respect of the Master Factoring Agreement and the transactions contemplated thereunder and the proposed annual caps.

The Board considers that the terms of the Master Factoring Agreement and the transactions contemplated thereunder and the proposed annual caps are on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Board also considers that the resolutions proposed in the notice of SGM are in the best interests of the Company and the Independent Shareholders and therefore recommend you to vote in favour of all the relevant resolutions to be proposed at the SGM.

Yours faithfully,
On behalf of the Board
YUAN Bing
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



TCL DISPLAY TECHNOLOGY HOLDINGS LIMITED

TCL 顯示科技控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 334)

Date: 25 May 2016

To: the Independent Shareholders

Dear Sirs or Madam,

**CONTINUING CONNECTED TRANSACTION AND
DISCLOSEABLE TRANSACTION –
MASTER FACTORING AGREEMENT**

We refer to the circular of the Company dated 25 May 2016 (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 Independent Shareholders in respect of the Master Factoring Agreement, the transactions contemplated thereunder and the proposed annual caps, details of which are set out in the Circular.

We wish to draw your attention to the letter from the Board and the letter of advice (together with the principal factors and reasons considered in arriving at such advice) from Beijing Securities Limited set out on pages 1 to 16 and pages 18 to 35 of the Circular respectively.

Having taken into account of the advice of Beijing Securities Limited (together with the principal factors and reasons considered in arriving at such advice), the independent financial adviser, we consider that the terms of the Master Factoring Agreement and the transactions contemplated thereunder and the proposed annual caps are fair and reasonable, they are on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM in respect of the Master Factoring Agreement and the transactions contemplated thereunder and the proposed annual caps.

Yours faithfully,

HSU Wai Man, Helen,

XU Yan, LI Yang

Independent Board Committee

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Beijing Securities
Beijing Securities Limited
北京證券有限公司

BEIJING SECURITIES LIMITED

14th Floor, Shanghai Industrial Investment Building, 48 Hennessy Road, Wanchai, Hong Kong

25 May 2016

*To the Independent Board Committee and the Independent Shareholders of
TCL Display Technology Holdings Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION – MASTER FACTORING AGREEMENT

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Master Factoring Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 25 May 2016 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 1 April 2016, the Company entered into the Master Factoring Agreement with TCL Corporation and the Factoring Co, pursuant to which the Factoring Co has agreed to provide the Factoring Services to the Group and the Group has agreed to provide the Promotion Service to the Factoring Co subject to and in accordance with the terms and conditions thereof.

TCL Corporation, the ultimate controlling Shareholder of the Company, currently holds approximately 44.04% of the issued share capital of the Company, and is a connected person of the Company under the Listing Rules. Since the Factoring Co is wholly-owned by TCL Corporation and therefore a TCL Associate, the Factoring Co is a connected person of the Company. As such, the transactions contemplated under the Master Factoring Agreement therefore constitute continuing connected transactions of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As one or more of the applicable percentage ratios (other than the profits ratio) with reference to the proposed annual caps of the Master Factoring Agreement exceed 5%, the continuing connected transactions contemplated under the Master Factoring Agreement are subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

The Board currently comprises four executive Directors, one non-executive Director and three independent non-executive Directors. The Independent Board Committee, which currently comprises all the independent non-executive Directors, Ms. Hsu Wai Man, Helen, Mr. Xu Yan and Mr. Li Yang, has been established to advise the Independent Shareholders regarding the Master Factoring Agreement and the proposed annual caps. We have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect and such appointment has been approved by the Independent Board Committee.

Beijing Securities Limited is not connected with the Directors, chief executive or substantial shareholders of the Company or TCL Corporation or any of their respective associates and therefore is considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby Beijing Securities Limited will receive any fees or benefits from the Company or TCL Corporation or the directors, chief executive or substantial shareholders of the Company or TCL Corporation or any of their respective associates.

Our role is to provide you with our independent opinion and recommendation as to (i) whether the Master Factoring Agreement and the transactions contemplated thereunder and the proposed annual caps are in the ordinary and usual course of business and on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and whether they are in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the relevant resolution(s) to approve the Master Factoring Agreement and the proposed annual caps.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Directors, the Company and its management.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion.

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

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of the Group.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the Master Factoring Agreement and the proposed annual caps, we have considered the following principal factors and reasons:

1. Background of the Master Factoring Agreement

On 1 April 2016, the Company entered into the Master Factoring Agreement with TCL Corporation and the Factoring Co, pursuant to which the Factoring Co has agreed to provide the Factoring Services to the Group and the Group has agreed to provide the Promotion Service to the Factoring Co subject to and in accordance with the terms and conditions thereof.

2. Background information of the Group

The Group is principally engaged in the research and development, manufacture, sales and distribution of LCD modules for hand held mobile devices on an original design manufacture (ODM) basis. The Group is also one of the major suppliers of small-to-medium sized (≤ 10.1 "") display modules in the PRC. The Group has its manufacturing plant in Huizhou, the PRC and distributes its products in Asia, with focus on the Hong Kong and the PRC markets.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is a summary financial information of the Group for the two years ended 31 December 2015 as extracted from the Group's annual report for the eighteen months ended 31 December 2015 (the "2015 Annual Report"):

	For the year ended 31 December	
	2015 (RMB'000)	2014 (RMB'000)
TFT LCD modules		
– For feature phones (size < 3.5")	207,312	274,610
– For smart phones (size 3.5" – 6")	1,853,188	2,199,352
– For other mobile devices (size > 6")	182,322	140,266
	2,242,822	2,614,228
Total revenue		
	2,242,822	2,614,228
Gross profit	139,603	238,515
	139,603	238,515
(Loss)/profit for the year	(69,536)	124,670

The Group's revenue decreased by approximately 14.2% from approximately RMB2,614.2 million for the year ended 31 December 2014 to approximately RMB2,242.8 million for the year ended 31 December 2015. During the year ended 31 December 2015, mobile phone LCD module products were still the main source of revenue for the Group, accounting for approximately 91.9% of the Group's total revenue. However, with fierce market competition, the mobile phone market in the PRC slowed down since early 2015. The Group's revenue from feature phone LCD module products (size < 3.5") and smart phone LCD module products (size 3.5" – 6") for the year ended 31 December 2015 was approximately RMB207.3 million and approximately RMB1,853.2 million respectively, as compared to approximately RMB274.6 million and approximately RMB2,199.4 million respectively for the year ended 31 December 2014. On the other hand, there was an increased in demand from a customer on larger sized other mobile device display modules and therefore revenue from the Group's other mobile device LCD module products (size > 6") increased from approximately RMB140.3 million for the year ended 31 December 2014 to approximately RMB182.3 million for the year ended 31 December 2015. Revenue from other mobile device LCD module products (size > 6") as a percentage of the Group's total revenue also increased to approximately 8.1% for the year ended 31 December 2015 as compared to approximately 5.4% for the year ended 31 December 2014. Overall, although sales volume during the year ended 31 December 2015 increased slightly by approximately 1.3% to approximately 58.4 million units, the decrease in total revenue of the Group was primarily attributable to the price cuts caused by the intense competition in the LCD module market in 2015 which also led to the drop of the Group's gross profit margin of 6.2% for the year ended 31 December 2015 as compared with a gross profit margin of 9.1% for the year ended 31 December 2014. Further, the Group recorded a net loss of approximately RMB69.5 million for the year ended 31 December 2015 as compared to a net profit of approximately RMB124.7 million for the year ended 31 December 2014. However, when excluding the one-off listing expense, the Group recorded an adjusted net profit of approximately RMB72.6 million for the year ended 31 December 2015, representing a decrease of approximately 41.8% from the net profit of approximately RMB124.7 million for the year ended 31 December 2014.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following table sets forth the trade receivables turnover in number of days for the two years ended 31 December 2015 with reference to the 2015 Annual Report.

	As at 31 December	
	2015	2014
Trade receivables turnover (days)	70	59

As disclosed in the 2015 Annual Report, the display module market industry in the PRC has entered into a phase of in-depth integration and upgrading, and will gradually phase out small and medium-sized enterprises which fail to excel in technology, resources or financial strength, thus increasing the market concentration. Facing with the complex and volatile business environment, the Group will strive to identify new customers, optimize the product structure and strengthen product development capabilities, with a view to meeting the market demand with its better and higher-end products.

3. Background information of TCL Corporation and the Factoring Co

TCL Corporation and its Subsidiaries (including the Group) is a major PRC conglomerate that designs, develops, manufactures and markets a wide range of the electronic, telecommunications, information technology and electrical products. TCL Corporation is also the ultimate controlling Shareholder of the Company which currently holds approximately 44.04% of the issued share capital of the Company, and therefore is a connected person of the Company under the Listing Rules.

The Factoring Co is principally engaged in the business of commercial factoring. It is wholly-owned by TCL Corporation and therefore is a TCL Associate and a connected person of the Company.

4. Principal terms of the Master Factoring Agreement

The Master Factoring Agreement was entered on 1 April 2016 between the Company, TCL Corporation and the Factoring Co which set out the major terms of the Factoring Services and Promotion Service under the Master Factoring Agreement and would become effective from the Shareholders' Approval Day to 31 December 2018. Set out below are the major terms of the Factoring Agreement. Further details of the major terms of the Master Factoring Agreement are also set out in the Letter from the Board.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(a) *Major terms of the Factoring Services under the Master Factoring Agreement*

- (1) Member(s) of the Group may from time to time assign Account Receivables to the Factoring Co without recourse and the Factoring Co will acquire from member(s) of the Group Account Receivables with notice to the relevant payor of the Account Receivables. The Factoring Co will, after deducting the factoring handling fee, prepay the Group before the invoiced due date an amount equivalent to the face invoiced amount of the Account Receivable.
- (2) The factoring handling fee shall be an agreed service charge determined with reference to the standard rate promulgated by the National Development and Reform Commission, the Ministry of Commerce and all licensed banks in the PRC and shall be no higher than the rates charged by the aforesaid institutions or other independent factoring service providers in relation to the same or similar service.
- (3) Member(s) of the Group may from time to time request Factoring Co to provide other factoring services including:
 - (i) furnishing of information regarding the status of the Account Receivables, bank statements or statistical statements to assist the Group's management of account receivables;
 - (ii) taking all legitimate actions to assist the Group in recovering overdue account receivables;
 - (iii) upon conducting credit assessment and determining the relevant credit limit of creditors of the Group, Factoring Co shall provide payment guarantee to account receivables of the Group which are not subject to commercial disputes; and
 - (iv) advice in relation to commercial factoring.
- (4) The relevant members of the Group have the absolute discretion to decide whether to engage the Factoring Co for the Factoring Services, and should such relevant member of the Group decide to engage the Factoring Co for the Factoring Services, it shall enter into a Factoring Agreement with the Factoring Co setting out the specific terms of the Factoring Services which shall comply with the Listing Rules and the provisions of the Master Factoring Agreement, provided that any member of the Group shall enter into a Factoring Agreement with the Factoring Co and engage the Factoring Co for the Factoring Services if and only if the terms of the Factoring Services to be provided by the Factoring Co as a whole are no less favourable than the terms of comparable services offered by independent third party to the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (5) Terms of the Factoring Agreements shall be determined and negotiated based on normal commercial terms that are in the interests of the Group, with reference to the prevailing fair market prices range of comparable services in the market. The factoring handling fees charged on the relevant member of the Group by the Factoring Co for the provision of the Factoring Services shall not be higher than the abovementioned fair market prices range. Where no comparable reference prices are available, the terms of the Factoring Agreements (including price and payment terms) shall be no less favourable to the Group than (i) those offered to the Group by independent third parties for comparable services; and/or (ii) those given by the Factoring Co to independent third parties for comparable services.

We have reviewed the Master Factoring Agreement in light of the above and have discussed with the management of the Company the major terms therein for the Factoring Services. In our discussions with the management of the Company and our review of the major terms of the Factoring Services under the Master Factoring Agreement, we noted that the Group is not restricted from conducting business with other factoring services providers and if the relevant member of the Group decides to engage the Factoring Co, it shall enter into a Factoring Agreement after negotiations with the Factoring Co based on normal commercial terms that are in the interests of the Group. We also noted that the Group, prior to entering into each Factoring Agreement, shall compare the factoring handling fee chargeable by the Factoring Co with the standard rate promulgated by the National Development and Reform Commission, the Ministry of Commerce and licensed banks in the PRC as well as the factoring handling fee charged/chargeable by other independent third parties/factoring services providers and/or the Factoring Co to its independent third parties for similar factoring services to ensure that the relevant fee payable by the Group to the Factoring Co shall be no higher than the promulgated standard rate and also no less favourable than those offered in the market and/or by the Factoring Co to its independent third parties. Further, in our discussions with the management of the Company, we also understand that the Group has established an internal control procedure to comply with the above requirements. Further discussions of the internal control measures adopted by the Company is set out below in this letter.

In the light of the above and in particular that: (i) each Factoring Agreement shall be entered into after negotiations based on normal commercial terms that are in the interests of the Group; (ii) the fee payable by the Group to the Factoring Co for the Factoring Services shall be no less favourable than those offered in the market and/or offered by the Factoring Co to its independent third parties; (iii) the Group has established internal control procedures to ensure compliance of the terms of the Factoring Services under the Master Factoring Agreement and of the above requirements; and (iv) the Group is not restricted from conducting business with other factoring services providers, we are of the view that the terms of the Factoring Services under the Master Factoring Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) *Major terms of the Promotion Service under the Master Factoring Agreement*

- (1) The Group shall have the absolute discretion (but is not obliged to do so) to recommend the factoring service provided by Factoring Co to its business partners or clients, including but not limited to suppliers and distributors. For this purpose, the Group shall provide verified information regarding the business partners to the Factoring Co subject to consent of the relevant business partner.
- (2) In consideration of the promotion service offered by the Group, upon each successful application for finance by such business partners referred by the Group, the Factoring Co will pay the Group a service fee which will represent a percentage of the amount of finance obtained. The rate of such service fee shall be determined with reference to the standard rate promulgated by the National Development and Reform Commission, the Ministry of Commerce and licensed banks in the PRC and shall be no higher than the rates charged by the aforesaid institutions or other independent factoring service providers in relation to the same or similar service.
- (3) The relevant members of the Group have the absolute discretion to decide whether to provide the Promotion Service to the Factoring Co, and should such relevant members of the Group decide to provide to the Factoring Co the Promotion Service, it shall enter into a Promotion Agreement with the Factoring Co setting out the specific terms of the Promotion Service which shall comply with the Listing Rules and the provisions of the Master Factoring Agreement, provided that any member of the Group shall enter into a Promotion Agreement with the Factoring Co and provide to the Factoring Co the Promotion Service if and only if the terms of the Promotion Service to be provided by the relevant member of the Group as a whole are no less favourable than the terms of comparable services to be provided by any member of the Group to any independent third party.
- (4) Terms of the Promotion Agreements shall be determined and negotiated based on normal commercial terms that are in the interests of the Group, with reference to the prevailing fair market prices range of comparable services in the market. The fees charged by the relevant member of the Group on the Factoring Co for provision of the Promotion Service shall not be lower than the abovementioned fair market prices range. Where no comparable reference prices are available, the terms of the Promotion Agreements (including price and payment terms) shall be no less favourable to the Group than (i) those offered to the Group by independent third parties for comparable services; and/or (ii) those given by the Factoring Co to independent third parties for comparable services.

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We have reviewed the Master Factoring Agreement in light of the above and have discussed with the management of the Company regarding the major terms therein for the Promotion Service. In our discussions with the management of the Company and our review of the major terms of the Promotion Service under the Master Factoring Agreement, we noted that the Group is not restricted from conducting business with other factoring services providers and if the relevant member of the Group decides to recommend its business partners or clients for the factoring services to be provided by the Factoring Co, it shall enter into a Promotion Agreement after negotiations with the Factoring Co based on normal commercial terms that are in the interests of the Group. We also noted that the Group, prior to entering into each Promotion Agreement, shall compare the service fee offered by the Factoring Co with the standard rate promulgated by the National Development and Reform Commission, the Ministry of Commerce and licensed banks in the PRC as well as the fees offered by other independent third parties/factoring services providers and/or the Factoring Co to its independent third parties for similar promotion service to ensure that the relevant fee receivable by the Group from the Factoring Co shall be within the promulgated standard rate and also no less favourable than those offered in the market and/or by the Factoring Co to its independent third parties.

In the light of the above and in particular that: (i) each Promotion Agreement shall be entered into after negotiations based on normal commercial terms that are in the interests of the Group; (ii) the fee receivable by the Group from the Factoring Co for the Promotion Service shall be no less favourable than those offered in the market and/or by the Factoring Co to its independent third parties; and (iii) the Group is not restricted from conducting business with other factoring services providers, we are of the view that the terms of the Promotion Service under the Master Factoring Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

5. Pricing policy and control measures

As discussed with the management of the Group, the Group has adopted the following internal control procedures when conducting transactions with the Factoring Co:-

- (1) The Group will from time to time assess its need for factoring services in the following manner:
 - (a) the business units and finance team will on a monthly basis review and assess the creditability of its customers and the corresponding credit risk exposed to the Group, the financial position of the Group and the need of cash flow of the Group. The Group will conduct the relevant assessment when entering into sales with its customers and will also continuously review and monitor the payment status of its customers.

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- (b) after the review and assessment, the finance team will internally formulate a plan for factoring services with relevant particulars, including the amount of account receivable(s) and the customers involved and the impact to the financial and cash flow position before and after the factoring services are sought.
 - (c) the finance team will submit the plan for factoring services to a supervisor responsible for the factoring services for review and approval.
- (2) Should the plan for factoring services be approved, and prior to deciding whether to engage the Factoring Services from the Factoring Co or any independent third party, the Group shall collect information about the terms and conditions (including the rate of the factoring handling fee) of similar factoring services from the Factoring Co as well as the major domestic factoring services providers in the PRC who are independent of the Company and its connected persons, and compare them with the standard rate promulgated by the National Development and Reform Commission, the Ministry of Commerce (if any) and the rates of various major licensed banks in the PRC to ensure that the handling fees charged by the Factoring Co for the Factoring Services shall be no higher than the rates charged by the aforesaid institutions or such other independent factoring services providers and that the Company receives the most favourable terms, such that the Company's overall interests will be maximised. The Group expects to collect the relevant rates from no less than three independent major domestic factoring services providers in the PRC when the Group requires any Factoring Services.
- (3) After reviewing the results of the comparison, the Group will only engage the Factoring Co for the Factoring Services when it is better off for the Group to do so. Any Factoring Agreement to be entered into between any member of the Group and the Factoring Co and the transactions contemplated thereunder will be examined and approved by various internal departments of the Company, including but not limited to, financial department and audit and inspection team of the Company, thus to ensure terms of such Factoring Agreements be complied with relevant pricing policies and other applicable regulatory requirements, if any, and market practice, and will not deviate from terms of the Master Factoring Agreement.
- (4) The finance director and various internal departments of the Company will also supervise the implementation of those Factoring Agreements and the process of the transactions on a regular basis.

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In addition, the management of the Company will review its pricing policies on the transactions contemplated under the Master Factoring Agreement on a regular basis. Also in pursuant to the Listing Rules, the Master Factoring Agreement and the transactions contemplated thereunder will be subject to the following:

- (1) The independent non-executive Directors shall review annually the Master Factoring Agreement and the transactions contemplated thereunder and confirm in the Company's corresponding annual report that such continuing connected transactions have been entered into:
 - (a) in the ordinary and usual course of business of the Group;
 - (b) on normal commercial terms and on terms no less favourable to the Group than those available from the independent third parties of the Group; and
 - (c) in accordance with the Master Factoring Agreement and on terms that are fair and reasonable and in the interests of the Shareholders as a whole.
- (2) The auditors of the Company shall review annually the Master Factoring Agreement and the transactions contemplated thereunder and confirm in a letter to the Board (a copy of which shall be provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report) that such continuing connected transactions:
 - (a) have received the approval of the Board;
 - (b) have been, in all material respects, in accordance with the pricing policies of the Group;
 - (c) have been entered into in accordance with the Master Factoring Agreement; and
 - (d) have not exceeded the annual caps.
- (3) The Directors shall state in the Company's annual report whether its auditors have confirmed the matters stated in Rule 14A.57 of the Listing Rules.
- (4) If the Company knows or has reason to believe that the independent non-executive Directors and/or auditors of the Company will not be able to confirm the matters set out in paragraphs (1) and/or (2) above respectively, the Company shall promptly notify the Stock Exchange and publish an announcement.

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Having discussed with the management of the Company and given that the internal control procedures as set out above include (1) assessment of the Group's customers, account receivables, financial and cash flow position etc before entering into any factoring services; (2) the comparison of the terms for the Factoring Services to be provided by the Factoring Co with the terms of similar factoring services from no less than three independent major domestic factoring services providers in the PRC to ensure that each Factoring Agreement will be entered into on normal commercial terms; (3) have appropriate segregation of duties in the internal control procedures; and (4) the continual requirement to comply with the relevant Listing Rules, we are of the view that the internal control procedures adopted by the Company are adequate and effective to ensure that the transactions contemplated under the Master Factoring Agreement will be conducted on normal commercial terms.

6. Reasons for and benefits of entering into the Master Factoring Agreement

As discussed with the management of the Company, the Group is entitled to (but not obliged to) assign Account Receivable to Factoring Co without recourse, thereby effectively transferring the risk associated with the delay in payment by its customers to the Factoring Co. Further, as stated in section of this letter above, the trade receivables turnover in number of days for the years ended 31 December 2014 and 2015 were 59 days and 70 days respectively. Hence, the Factoring Services can secure the early repayment and minimise credit risk exposed to the Group, as well as improving the financial position and providing flexibility in cash flow managing of the Group. In addition, we also understand that the Factoring Co is funded with sufficient capital to carrying out the capital-intensive factoring business with registered capital of RMB100 million.

Meanwhile, the Promotion Service under the Master Factoring Agreement, besides generating servicing fees, will also enable the Group to match the financing needs of its business partners with Factoring Co, which in turn can strengthen the relationship and loyalty between the Group and its business partners in the long run and therefore beneficial to the business development of the Group.

Further, since the Factoring Co is wholly-owned by TCL Corporation, it would be able to provide more convenient, effective and efficient factoring and promotion services to the Group when compared to those provided by other factoring service providers.

We have also considered the disadvantages/risks in association with the Factoring Services and Promotion Service to be provided by/to the Factoring Co to/by the Group. In this regard, we have reviewed the terms of the Master Factoring Agreement, discussed with the management of the Company and conducted research on the disadvantages/risks in association with factoring services in general. Set out below are the relevant disadvantages/risks in association with the Factoring Services and Promotion Service.

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Liquidity risks

It is possible that the Factoring Co will face liquidity risks if it has no immediately available fund to make payment for the Accounts Receivables assigned to it by members of the Group.

As discussed with the Company and subject to the terms of the Factoring Agreements to be entered into between members of the Group and the Factoring Co, the consideration for acquiring the Account Receivables from the Group will normally be settled by the Factoring Co within 3 Business Days upon assignment of the Account Receivables.

In this regard, the liquidity risk poses by the Factoring Co does not differ materially from the liquidity risks faced by other PRC commercial banks since as set out above, the Factoring Co is a substantial company with fully paid-up registered capital of RMB100 million. Further, given that the Factoring Co is a wholly-owned subsidiary of TCL Corporation which is a reputable and substantial listed company, and that TCL Corporation is a direct contractual party to the Master Factoring Agreement which has provided an undertaking to procure its group member (including the Factoring Co) to comply with the provision of the Master Factoring Agreement, we are of the view that the capital funding for the factoring business of the Factoring Co will generally be sufficient to support the need of the Group.

Credit risks

As the Factoring Co will acquire the Account Receivables without recourse, the Factoring Co effectively assumes the credit risks originally exposed to the Group. In order to manage the credit risks to be exposed to the Factoring Co, it is our understanding that the Factoring Co will conduct due diligence and credit assessment on the relevant payor before entering into any Factoring Agreement, and will only agree to acquire Account Receivables if the relevant payor has sound financial position. As such, the Group will still have to manage those debts which the Factoring Co does not agree to take up. However, the Group has setup policy to minimize its credit risks whereby it will only trade with recognised and creditworthy third parties, and for those customers who wish to trade on credit terms, they are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. Therefore, we are of the view that the Group's exposure to bad debts is not significant.

Reduction in profit margin

The handling fees payable for the Factoring Services may represent a reduction in the profit margin of the Group. However, as the Group will be able to receive the consideration of the Accounts Receivable factored earlier than the original due dates, we are of the view that the Group's financial position will be improved as well as provide flexibility in its cash flow management.

Balancing the disadvantages/risks in association with the Factoring Services and Promotion Service and having considered that (i) the Factoring Services would be able to improve the financial position of the Group as well as to provide flexibility in its cash flow management; (ii) the Promotion Service would be able to strengthen the relation and loyalty between the Group and

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its business partners; (iii) the Factoring Co is funded with sufficient capital to carrying out the factoring business; and (iv) the Factoring Co would be able to provide more convenient, effective and efficient factoring and promotion services to the Group, we are of the view that the entering into of the Master Factoring Agreement is in the ordinary and usual course of business of the Group and is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

7. Proposed annual caps

Set out below are the proposed annual caps for the Factoring Services and the Promotion Service respectively under the Master Factoring Agreement for each of the three years ending 31 December 2018:

		For the year ending 31 December		
		2016	2017	2018
		RMB'000	RMB'000	RMB'000
1.	Factoring Services	262,000	275,000	288,000
2.	Promotion Service	4,800	5,300	5,800

(a) Proposed annual caps for the Factoring Services

As set out in Letter from the Board, the proposed annual caps for the Factoring Services under the Master Factoring Agreement are determined with reference to, among other things, the following: (i) the historical revenue of the Group for the year ended 31 December 2015; (ii) the Group's sale forecast for the years 2016 to 2018 which is determined based on the projected business volumes and the estimated growth rates of the business lines of the Group; (iii) the potential growth of LCD module market in the PRC resulting in the growth of business of the Group; (iv) the availability of capital funding for the factoring business of the Factoring Co.

In order to assess the fairness and reasonableness of the proposed annual caps for the Factoring Services, we have discussed with the management of the Company the bases of determining the proposed annual caps for the Factoring Services. We have also obtained and reviewed a schedule provided by the Company in respect of the amount of the Factoring Services to be provided by the Factoring Co for the three years ending 31 December 2018 which formed the bases in determining the proposed annual caps for the Factoring Services. In addition, we have obtained and reviewed other relevant information including the Group's historical financial information, industry information on the global smartphone market and other market information and statistics (these industry and market information and statistics include industry reports and press releases issued by International Data Corporation ("IDC")). As IDC is a global provider of market intelligence, advisory services and events for information technology, telecommunications and consumer technology markets, we are of the view that the information released by IDC are reliable sources for our reference) for the determination of the proposed annual caps for the Factoring Services and we have taken into consideration the following factors in our assessment:

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- (i) We have reviewed the historical financial information of the Group and noted that for the year ended 31 December 2015, the Group's revenue was approximately RMB2,242.8 million, of which approximately RMB871.6 million was invoiced as customers' bills receivables. In determining the proposed annual caps for the Factoring Services, the Group estimates that the amount of revenue arising from its customers' bills receivables will increase by approximately 5% per annum from 2016 to 2018. Therefore, the anticipated amount of revenue arising from its customers' bills receivables from 2016 to 2018 is also estimated to be approximately RMB915.2 million, RMB960.9 million and RMB1,009.0 million. According to a press release issued on 27 January 2016 by IDC, the global smartphone shipments for 2015 was approximately 1,432.9 million units, which marked the highest year of shipments on record and represented an increase of approximately 10.1% of approximately 1,301.7 million units shipped in 2014. Given that the estimated annual increase of 5% in the growth of the Group's amount of revenue arising from its customers' bills receivables from 2016 to 2018 is below the growth of the global smartphone shipments in 2015, we are of the view that such estimated annual increase as well as the anticipated amount of revenue arising from its customers' bills receivables from 2016 to 2018 are not unreasonable.
- (ii) The amount of account receivables to be assigned to the Factoring Co is estimated to be approximately 28% of the estimated amount of the Group's revenue arising from its customers' bills receivables from 2016 to 2018 as calculated in (i) above and hence the anticipated amount of account receivables to be assigned to the Factoring Co under the Master Factoring Agreement from 2016 to 2018 is estimated to be approximately RMB256.3 million, RMB269.1 million and RMB282.5 million respectively. As discussed with the management of the Company, the estimated percentage is arrived at after the Group has reviewed its past customers' bills receivables and the percentage of such bills receivables that could be assigned to the Factoring Co if the Group has engaged the Factoring Co. We have also obtained and reviewed a schedule containing the amount of bills receivables that could be assigned to the Factoring Co if the Group has engaged the Factoring Co in 2015 and which showed that approximately 28% could be assigned. As such, we are of the view that the estimated percentage used by the Company as well as the anticipated amount of account receivables to be assigned to the Factoring Co under the Master Factoring Agreement from 2016 to 2018 are not unreasonably estimated.
- (iii) The handling fees chargeable by the Factoring Co for the amount of account receivables to be assigned to the Factoring Co is approximately 4.3% per annum. We have checked that the current PRC's one-year benchmark interest rate for loan is 4.35%. As the handling fees chargeable is similar to the current PRC's one-year benchmark interest rate for loan, therefore, the rate adopted for the calculation of the proposed annual caps for the Factoring Services is not unreasonable. Further, the handling fees are chargeable from the date of

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assignment up to the expiry of the credit period (i.e. the time by which the relevant payor shall pay the Factoring Co pursuant to the assignment). Taking into account of the 6 months credit period of the customers' bills (being the maximum period for which the handling fees will be charged assuming the relevant member of the Group assigns the relevant Account Receivable on the first date of the credit period), the anticipated handling fees chargeable by the Factoring Co under the Master Factoring Agreement for 2016 to 2018 are estimated to be approximately RMB5.5 million, RMB5.8 million and RMB6.1 million respectively which we are of the view are reasonable estimated.

- (iv) The proposed annual cap for the Factoring Services for each of the years ending 31 December 2016 to 2018 is the sum of the amount of account receivables to be assigned to the Factoring Co as calculated in (ii) above (i.e., approximately RMB256.3 million, RMB269.1 million and RMB282.5 million) and the relevant handling fees as calculated in (iii) above (i.e., approximately RMB5.5 million, RMB5.8 million and RMB6.1 million).

Taken into account of the factors as set out above, we are of the view that the assumptions adopted in determining the proposed annual caps for the Factoring Services are relevant in setting the proposed annual caps for the Factoring Services and are fair and reasonable and also that the proposed annual caps for the Factoring Services are reasonably estimated. In light of the work above, we are of the view that the proposed annual caps for the Factoring Services are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

(b) Proposed annual caps for the Promotion Service

As set out in Letter from the Board, the proposed annual caps for the Promotion Service under the Master Factoring Agreement are determined with reference to, among other things, the following: (i) the historical purchase of the Group from its suppliers for the year ended 31 December 2015; (ii) the purchase forecasts of the Group for the years 2016 to 2018, which are determined based on the projected business volumes and estimated growth rates of all businesses of the Group; (iii) the historical amount of financing obtained by suppliers as a percentage of their respective total purchases for the year ended 31 December 2015; (iv) the projected amount of financing required by suppliers for the years 2016 to 2018, which is expected to range from 20% to 25% of the purchase forecasts of the Group; (v) the prevailing market rate of service fee of approximately 1.5% for similar service.

In order to assess the fairness and reasonableness of the proposed annual caps for the Promotion Service, we have discussed with the management of the Company the bases of determining the proposed annual caps for the Promotion Service. We have also obtained and reviewed a schedule provided by the Company in respect of the amount of the Promotion Service receivable by the Group for the three years ending 31 December 2018 which formed the bases in determining the proposed annual caps for the Promotion Service. In addition, we have obtained and reviewed other relevant information including the Group's historical financial information, industry information on the global smartphone market and other

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market information and statistics (these industry and market information and statistics include industry reports and press releases issued by IDC) for the determination of the proposed annual caps for the Promotion Service and we have taken into consideration the following factors in our assessment:

- (i) We have reviewed the historical financial information of the Group and noted that for the year ended 31 December 2015, the Group's purchases from the PRC suppliers was approximately RMB1,003.5 million. The Group estimates that the anticipated purchases from the PRC suppliers for the three years ending 31 December 2018 by using the Group's purchases from the PRC suppliers in 2015 and applying an approximately 15%, 16% and 13% annual growth rate respectively thereon and which also align with the estimated growth of the Group's revenue. Although such estimated annual increase is slightly higher than the percentage increase in the global smartphone shipments of 10.1% in 2015 as discussed above, given that the PRC's display module market industry has entered into a phase of in-depth integration and upgrading, and will gradually phase out small and medium-sized enterprises which fail to excel in technology, resources or financial strength, thus increasing the market concentration as discussed in the section headed "Background information of the Group" in this letter above, we are of the view that it is not unreasonable to set the estimated growth in the purchase from PRC suppliers to be in the region of few percentage points higher than the growth of the global smartphone shipments in 2015.
- (ii) The projected amount of financing required by suppliers for the years 2016 to 2018 is based on the expected range of 20% to 25% of the purchase forecasts of the Group from its PRC suppliers as calculated in (i) above. In this regard, we have obtained and reviewed a schedule provided by the Group containing details of the amount of financing each of its PRC suppliers had obtained for the purchases with the Group for the year ended 31 December 2015. The total amount of financing obtained by the Group's PRC suppliers for the year ended 31 December 2015 was calculated to be approximately RMB252.7 million, representing approximately 25.2% of the total purchases from the Group's PRC suppliers. In addition, it is estimated that the financing required by the PRC suppliers for the years 2016 to 2018 will increase by approximately 10% per annum which aligns with both the historical amount of the financing obtained by the PRC suppliers expressed as a percentage of their respective total purchases and the purchase forecasts of the Group for the years 2016 to 2018. As calculated above, the projected amount of financing required by the suppliers for years 2016 to 2018 will be in the region of 20% to 25% of the Group's purchases from its PRC suppliers. Given that the Factoring Co is wholly-owned by TCL Corporation and is therefore reputable, we are of the view that it is not unreasonable to set the projected amount of financing required by suppliers to be in the region of 20% to 25% of the Group's purchases from its PRC suppliers.

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- (iii) The service fees receivable by the Group or the proposed annual cap for the Promotion Service for each of the years ending 31 December 2016 to 2018 is based on a service fee of 1.5% of the estimated amount of financing required by suppliers in each of the three years as calculated in (ii) above plus a reasonable buffer (i.e., between approximately RMB600,000 to RMB800,000) in the event the Group is able to capture and generate additional servicing income to the Group. We have also discussed with the Factoring Co and we noted that the prevailing market rates and the rates it provides to other parties for similar promotion service is in the region of 1.5% and therefore we are of the view that the service fee rate adopted by the Company in the calculation of the proposed annual cap for the Promotion Service is fair and reasonable.

Taken into account of the factors as set out above, we are of the view that the assumptions adopted in determining the proposed annual caps for the Promotion Service are relevant in setting the proposed annual caps for the Promotion Service and are fair and reasonable and also that the proposed annual caps for the Promotion Service are reasonably estimated. In light of the work above, we are of the view that the proposed annual caps for the Promotion Service are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the principal factors and reasons set out above, we consider that the Master Factoring Agreement and the transactions contemplated thereunder and the proposed annual caps are in the ordinary and usual course of business and on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution(s) approving the Master Factoring Agreement and the proposed annual caps at the SGM. We also recommend the Independent Shareholders to vote in favour of the resolution(s) relating to Master Factoring Agreement and the proposed annual caps at the SGM.

Yours faithfully,
For and on behalf of
Beijing Securities Limited
Charles Li
Director

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' 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) Other interest in the Company – Restricted Shares

Name of Directors	Type of Interest	Other interests (Note 1)	Approximate percentage of issued share capital of the Company (Note 2)
LI Jian	Beneficial owner	5,164,499	0.30%
OUYANG Hongping	Beneficial owner	4,020,000	0.23%
YANG Yunfang	Beneficial owner	3,090,000	0.18%

Notes:

- These interests are restricted shares granted to the relevant directors under the Scheme and were not vested as at the Latest Practicable Date.
- Such percentage was calculated based on the issued share capital of the Company as at the Latest Practicable Date, being 1,721,499,806 shares in issue.

(b) Long positions in underlying shares of the Company – share options

Name of Directors	Type of Interest	Number of share options	Approximate percentage of issued share capital of the Company (Note)
YUAN Bing	Beneficial owner	11,514,998	0.67%
LI Jian	Beneficial owner	11,514,998	0.67%
OUYANG Hongping	Beneficial owner	9,076,528	0.53%
YANG Yungfang	Beneficial owner	6,976,734	0.41%
ZHAO Yong	Beneficial owner	5,757,499	0.33%
HSU Wai Man, Helen	Beneficial owner	260,000	0.01%
XU Yan	Beneficial owner	260,000	0.01%
LI Yang	Beneficial owner	260,000	0.01%

Note: Such percentage was calculated based on the issued share capital of the Company as at the Latest Practicable Date, being 1,721,499,806 shares in issue.

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 CHANGE

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 2015 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 2015 (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. 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
Beijing Securities Limited	A licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities.

Beijing Securities Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 25 May 2016 and references to its name, in the form and context in which it appears.

As at the Latest Practicable Date, Beijing Securities Limited did not have (i) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and (ii) any direct or indirect interest in any assets which have, since 31 December 2015 (being the date to which the latest published audited consolidated financial statements of the Company were made up), been acquired or disposed of by, of leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

8. MISCELLANEOUS

- (a) The Company's Hong Kong branch share registrar is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (b) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

9. 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 13/F., TCL Tower, 8 Tai Chung Road, Tsuen Wan, New Territories, Hong Kong, for a period of 14 days from the date of this circular:

- (a) the Master Factoring Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (c) the letter from Beijing Securities Limited, the independent financial adviser, the text of which is set out in this circular; and
- (d) the written consent from Beijing Securities Limited referred to in the section headed “EXPERT AND CONSENT” in this appendix.

NOTICE OF SGM



TCL DISPLAY TECHNOLOGY HOLDINGS LIMITED

TCL 顯示科技控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 334)

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of TCL Display Technology Holdings Limited (the “**Company**”) will be held at Admiralty Conference Centre (ACC), 1804, 18th Floor, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong, on 16 June 2016, Thursday, at 3:00 p.m., to consider and, if thought fit, pass the following ordinary resolutions (with or without modifications):

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the Master Factoring Agreement (as defined in the circular of the Company dated 25 May 2016 (the “**Circular**”), the terms and the transactions thereunder (a copy of which is marked “A” and initialled by the Chairman of the meeting for the purpose of identification) together with the relevant proposed annual caps in relation to such transactions for the three financial years ending 31 December 2018 as set out in the Circular be and are hereby approved, confirmed and ratified; and
- (b) any one or more of the directors of the Company (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 Master Factoring Agreement or the transactions contemplated thereby.”

On behalf of the Board

YUAN Bing

Chairman

Hong Kong, 25 May 2016

NOTICE OF SGM

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 meeting, 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 meeting 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the meeting or any adjournment thereof.
3. The register of members of the Company will be closed from 14 June 2016, Tuesday to 16 June 2016, Thursday (both dates inclusive) for the purposes of determining the entitlements of the members of the Company to attend and vote at the meeting. No transfer of the shares of the Company may be registered during the said period. In order to qualify for the aforesaid entitlements, all transfers must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:30 p.m. on 13 June 2016.
4. If there is a black rainstorm warning signal or a tropical cyclone warning signal number 8 or above in force at or after 7:30 a.m. on 16 June 2016 and/or the Hong Kong Observatory has announced at or before 7:30 a.m. on 16 June 2016 that either of the above mentioned warnings is to be issued within the next two hours, the SGM shall automatically be postponed to the next Business Day on which no black rainstorm warning signal or tropical cyclone warning signal number 8 or above is hoisted between the hours from 7:30 a.m. to 9:30 a.m. and in such case the SGM shall be held at 4:00 p.m. on that Business Day at 13/F., TCL Tower, 8 Tai Chung Road, Tsuen Wan, New Territories, Hong Kong. "Business Day", in this context, shall mean a day (not being Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are open for general banking business.

As at the date of this notice, the Board comprises Mr. YUAN Bing as Chairman and non-executive Director; Mr. LI Jian, Mr. OUYANG Hongping Ms. YANG Yunfang and Mr. ZHAO Yong as executive Directors; and Ms. HSU Wai Man Helen, Mr. XU Yan and Mr. LI Yang as independent nonexecutive Directors.