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**China Display Optoelectronics Technology Holdings Limited**

**華顯光電技術控股有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 334)**

**ANNOUNCEMENT ON BUSINESS UPDATE  
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017**

This announcement is made by China Display Optoelectronics Technology Holdings Limited (the “Company”, and together with its subsidiaries the “Group”), pursuant to the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

In order to further enhance the transparency of the Group and provide additional information with which shareholders and potential investors of the Company may better appraise the recent business development and financial position of the Group in a timely manner, the board (the “Board”) of directors of the Company (the “Directors”) would like to provide an update to its shareholders and potential investors on certain unaudited financial and operating data of the Group for the nine months ended 30 September 2017 (the “Period”).

## BUSINESS REVIEW

The Group's revenue, sales volume and average selling price by product segments during the Period were as follows:

	For the nine months ended 30 September					
	2016 (unaudited)			2017 (unaudited)		
	Sales volume '000 units	Revenue RMB'000	Average selling price RMB	Sales volume '000 units	Revenue RMB'000	Average selling price RMB
<b>TFT LCD module</b>						
– Non-laminated modules	32,791	750,174	23	19,203	906,428	47
– Laminated modules	22,961	1,826,471	80	14,698	1,484,730	101
<b>Total</b>	<b>55,752</b>	<b>2,576,645</b>	<b>46</b>	<b>33,901</b>	<b>2,391,158</b>	<b>71</b>

During the Period, the Group sold a total of 33.9 million units of LCD module products, representing a decline of 39.2% when compared to the same period last year, which was due to the change in timing of traditional peak season from third quarter to fourth quarter of the year. The Group's revenue amounted to RMB2.39 billion, representing a decrease of 7.2% when compared to the same period last year. Such decrease was mainly attributable to the promotion of full-screen (with aspect ratio of 18:9 or higher) device products in the market during the first half of 2017, resulting in a shortage in components across the upstream supply chain until the third quarter. The Group's sales volume has therefore recovered in the third quarter, up by nearly 40% over the second quarter of 2017.

The Group pursued its strategy of optimising product mix. The overall average selling price increased by 52.6% year-on-year from RMB46 to RMB71. However, as a result of the adjustment in product strategy by downstream brand manufacturers and the alteration of business strategy by major clients, the Group's sales volume of laminated products dropped by 36.0% year-on-year to 14.7 million units and revenue from the same decreased by 18.7% year-on-year to RMB1.48 billion. Sales volume of non-laminated products dropped by 41.4% year-on-year to 19.2 million units, while revenue from the same increased by 20.8% year-on-year to RMB906 million as driven by the steady business growth of LTPS products.

During the Period, the Group captured the market demand for full-screen products by focusing on the research and development of the related technologies. In July 2017, the Group was engaged by a renowned French mobile brand to manufacture full-screen module products, which was the first batch of official mass production in the People's Republic of China. In addition, the Group strengthened the coordinated integration of upstream and downstream module projects with Wuhan China Star Optoelectronics Technology Co., Ltd. (its fellow subsidiary, "Wuhan CSOT"), facilitating deepened bilateral collaboration in production, supply chain, product mix, customer structure and after-sales services. During the Period, the increasing supply of LTPS display panels from Wuhan CSOT allowed the Group to further seize market share of high-end products sector.

## **OUTLOOK**

Looking ahead, the Group will endeavor to engage in active research and development of new products and new technologies, with a view to enhancing the value of its product mix. WitsView, a global market researcher, predicts that the penetration rate of full-screen smart products will hike from 9.6% in 2017 to 36.2% in 2018, covering all categories of products. In 2018, a number of brand manufacturers are anticipated to roll out their new full-screen products. The Group will take advantage of its excellent market responsiveness and commitment to continuous technology investment to boost its sales volume of full-screen module products and to meet market demand.

As Wuhan China Display Optoelectronics Technology Company Limited (the joint venture formed by the Group and Wuhan CSOT) is still in the ramp-up stage, it is expected to officially commence mass production in the fourth quarter of 2017. In the future, the Group will grasp the opportunity to expand the development of mid- to high-end LTPS and full-screen products, so as to maintain stable revenue growth in the wake of the gradual increase in sales volume.

To combat the intensifying market competition, the Group will further explore ways to deepen the synergies with Wuhan CSOT. On one hand, the Group will leverage on the resources and expertise of Wuhan CSOT in panel production, to enhance the Group's core competitiveness in the course of industrial consolidation. On the other hand, the Group will also capitalise on the clientele of Wuhan CSOT, to secure potential new top-tier branded customers and build a stronger customer base, thus maximising the profit and value for the Group and its shareholders.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group maintained robust liquidity position during the Period. The Group's principal financial instruments comprise cash and cash equivalents and interest-bearing bank loans. According to the unaudited financial statements, the Group's cash and cash equivalents balance as at 30 September 2017 amounted to approximately RMB203 million, of which 53.0% was in Renminbi, 43.9% was in US dollar and 3.1% was in HK dollar. As at 30 September 2017, the Group's interest-bearing bank loans was approximately RMB300 million.

The Board wishes to remind shareholders and potential investors of the Company that the above financial and operating data are based on the Group's management accounts which have not been audited or reviewed by auditors. Accordingly, figures and discussions contained in this announcement should in no way be regarded as any indication or assurance on the financial results of the Group for the nine months ended 30 September 2017. Shareholders and potential investors of the Company are cautioned not to place undue reliance on such data.

**Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

On behalf of the Board

**LIAO Qian**

*Chairman*

Hong Kong, 23 October 2017

*As at the date of this announcement, the Board comprises Mr. Liao Qian as Chairman and non-executive Director (Mr. Li Jian as his alternate); 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 non-executive Directors.*