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)

RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2016

FINANCIAL HIGHLIGHTS

Unaudited results for the six months ended 30 June

	2016	2015	**Change**
	RMB'000	*RMB'000*	
Revenue	**1,449,610**	958,977	**51.2%**
Gross profit	**44,984**	63,684	**–29.4%**
Profit/(loss) attributable to owners of the parent	**4,010**	(99,985)	**N/A**
Basic and diluted earnings/(loss) per share *(RMB cents)*	**0.23**	(16.59)	**N/A**

The board of directors (the "Board") of TCL Display Technology Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results and financial position of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2016 with comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2016

		For the six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
REVENUE	4	**1,449,610**	958,977
Cost of sales		**(1,404,626)**	(895,293)
Gross profit		**44,984**	63,684
Other income and gains	4	**19,269**	12,397
Selling and distribution expenses		**(18,367)**	(15,892)
Administrative expenses		**(35,411)**	(27,032)
Listing expense		**–**	(140,844)
Other expenses		**(1,864)**	(302)
Finance costs	6	**(7,949)**	(2,994)
PROFIT/(LOSS) BEFORE TAX	5	**662**	(110,983)
Income tax benefit	7	**3,348**	10,998
PROFIT/(LOSS) FOR THE PERIOD		**4,010**	(99,985)
Attributable to:			
Owners of the parent		**4,010**	(99,985)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic		**RMB0.23 cents**	RMB(16.59) cents
Diluted		**RMB0.23 cents**	RMB(16.59) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
PROFIT/(LOSS) FOR THE PERIOD	**4,010**	(99,985)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(1,711)**	265
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	**(1,711)**	265
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	**(1,711)**	265
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**2,299**	(99,720)
Attributable to:		
Owners of the parent	**2,299**	(99,720)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2016

	Notes	**30 June 2016 (Unaudited)** *RMB'000*	31 December 2015 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**184,804**	164,171
Intangible assets		**96**	78
Deposits paid for purchase of items of property, plant and equipment		**9,593**	10,345
Deferred tax assets		**16,089**	18,477
Total non-current assets		**210,582**	193,071
CURRENT ASSETS			
Inventories		**281,346**	158,213
Trade and bills receivables	10	**947,770**	597,538
Prepayments, deposits and other receivables		**72,331**	98,663
Cash and cash equivalents		**277,435**	286,605
Total current assets		**1,578,882**	1,141,019
CURRENT LIABILITIES			
Trade and bills payables	11	**1,102,642**	810,176
Other payables and accruals		**156,131**	173,944
Interest-bearing bank borrowings	12	**180,000**	137,185
Tax payable		**21,511**	35,795
Total current liabilities		**1,460,284**	1,157,100
NET CURRENT ASSETS/(LIABILITIES)		**118,598**	(16,081)
TOTAL ASSETS LESS CURRENT LIABILITIES		**329,180**	176,990

	Note	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Deferred income		**13,655**	13,405
Bonds payable		**59,829**	58,646
Total non-current liabilities		**73,484**	72,051
Net assets		**255,696**	104,939
EQUITY			
Equity attributable to owners of the parent			
Share capital	13	**160,632**	138,561
Reserves		**95,064**	(33,622)
Total equity		**255,696**	104,939

Notes:

1. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the eighteen months ended 31 December 2015.

2. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the eighteen months ended 31 December 2015, except for the adoption of new standards and interpretations effective as of 1 January 2016. The adoption of the new standards and amendments does not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group operates in one business unit based on its products, and has one reportable operating segment as follows:

The display products segment principally engages in the manufacture and sale of flat panel display products.

No operating segments have been aggregated to form the above reportable operating segment.

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Mainland China*	**927,017**	420,784
Other countries/areas	**522,593**	538,193
	1,449,610	958,977

The revenue information above is based on the locations of the customers.

* Mainland China means any part of the PRC excluding Hong Kong, Macau and Taiwan.

(b) Non-current assets

All significant operating assets of the Group are located in Mainland China. Accordingly, no geographical information of segment assets is presented.

Information about major customers

Revenue of approximately RMB402,425,000 for the six months ended 30 June 2016 (six months ended 30 June 2015: RMB497,537,000) was derived from sales to fellow subsidiaries.

4. REVENUE, OTHER INCOME AND GAINS

Revenue, represents the net invoiced value of goods sold after allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**1,449,610**	958,977
Other income and gains		
Bank interest income	**2,133**	776
Subsidy income*	**2,649**	984
Exchange gains, net	**–**	4,340
Gains on disposal of raw materials, samples and scraps	**3,200**	4,908
Gain on a litigation compensation	**11,287**	1,377
Others	**–**	12
	19,269	12,397

* Subsidy income represented various government grants received by the Group in Mainland China. In the opinion of management, there are no unfulfilled conditions or contingencies relating to these grants.

5. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of inventories sold	**1,302,990**	794,516
Depreciation	**22,915**	10,199
Amortisation of intangible assets	**29**	27
Research and development costs:		
Current period expenditures*	**8,822**	10,897
Minimum lease payments under operating leases	**3,351**	3,229
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**73,945**	63,517
Pension scheme contributions	**8,532**	18,072
Awarded share expense	**9,873**	–
Share option expense	**4,902**	–
	97,252	81,589
(Recovery)/write-down of inventories to net realisable value**	**(3,586)**	11,184
Exchange loss/(gains), net	**1,958**	(4,340)
Listing expense	**–**	140,844

* Research and development costs are included in "Administrative expenses" in the condensed consolidated statement of profit or loss.

** (Recovery)/write-down of inventories to net realisable value is included in "Cost of sales" in the condensed consolidated statement of profit or loss.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank loans and bonds	**3,016**	744
Interest on discounted bills	**4,933**	2,250
	7,949	2,994

7. INCOME TAX BENEFIT

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the current period (six months ended 30 June 2015: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current – Mainland China		
Charge for the period	**2,589**	12,503
Adjustment in respect of current tax of previous periods	**(8,326)**	(19,956)
Deferred	**2,389**	(3,545)
Total tax charge for the period	**(3,348)**	(10,998)

Under the prevailing relevant income tax law of Mainland China, TCL Display, the subsidiary in Mainland China is subject to corporate income tax at a statutory rate of 25% on its taxable income. On 9 October 2014, TCL Display was designated as a high-tech enterprise by the Guangdong Science and Technology Department with an effective period of three years. On 8 April 2016 and 30 March 2015, TCL Display was approved to be entitled to a 15% preferential tax rate for the year ended 31 December 2015 and 2014, respectively, by the local tax authority based on the designation as a high-tech enterprise. As a result, a downward adjustment of RMB8,326,000 and RMB19,956,000 for income tax provision for the year ended 31 December 2015 and 2014 was made in the six months ended 30 June 2016 and 2015, respectively.

8. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend by the Company for the six months ended 30 June 2016.

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Dividends recognised as distribution	**–**	84,915

During the six months ended 30 June 2015, dividends with an aggregate amount of RMB84,915,000 were distributed by TCL Display to its then shareholders before completion of the acquisition of the entire equity interest of TCL Display by the Company.

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculations of the basic and diluted earnings/loss per share amounts are based on the profit/loss for the period attributable to ordinary equity holders of the parent.

The weighted average number of ordinary shares used in the calculation of the basic loss per share for the six months ended 30 June 2015 is determined by reference to the pre-combination capital of TCL Display multiplied by the exchange ratio established in the Reverse Takeover Transaction and the weighted average actual number of ordinary shares of the Company in issue immediately after the completion of the Reverse Takeover Transaction.

The weighted average number of ordinary shares used in the calculation of the basic earnings per share for the six months ended 30 June 2016 is the weighted average number of ordinary shares of 1,741,363,191 in issue during the period.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the six months ended 30 June 2016 and 2015 in respect of a dilution as the impact of the share options and awarded shares or convertible bonds had an anti-dilutive effect on the basic earnings/(loss) per share amounts presented.

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) per share calculations	**4,010**	(99,985)

	Number of shares For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings/(loss) per share calculations	**1,741,363,191**	602,819,439

10. TRADE AND BILLS RECEIVABLES

	30 June 2016	31 December 2015
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Trade receivables	**678,017**	426,049
Bills receivable	**269,753**	171,489
Impairment	**–**	–
	947,770	597,538

The Group's trading terms with its customers are mainly on credit, except for certain customers, where payment in advance is normally required. The credit period is generally 30 to 90 days, depending on the size and credibility of the customers, and each customer will be assigned with a different maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables as at the end of each reporting period, based on the invoice date, is as follows:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Within 1 month	**434,880**	419,069
1 to 2 months	**280,119**	132,054
2 to 3 months	**151,706**	32,762
Over 3 months	**81,065**	13,653
	947,770	597,538

11. TRADE AND BILLS PAYABLES

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Trade payables	**1,098,545**	674,922
Bills payable	**4,097**	135,254
	1,102,642	810,176

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Within 30 days	**372,660**	280,748
31 to 60 days	**386,880**	201,932
61 to 90 days	**223,034**	152,132
Over 90 days	**120,068**	175,364
	1,102,642	810,176

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 120 days.

12. INTEREST-BEARING BANK BORROWINGS

	30 June 2016 (Unaudited)			31 December 2015 (Audited)		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Bank loans – guaranteed	**–**	**–**	**–**	0.95	2016	26,794
Collateralised bank advances – secured and guaranteed	**3**	**2016**	**180,000**	0.79-0.92	2016	110,391
			180,000			137,185
Repayable:						
Within one year			**180,000**			137,185

Notes:

(a) The Group had banking facilities of RMB2,530,000,000 (31 December 2015: RMB1,220,000,000), of which RMB184,097,000 (31 December 2015: RMB272,437,000) had been utilised as at the end of the reporting period.

(b) The Group's interest-bearing bank borrowings are secured by trade receivables of RMB192,823,000 (31 December 2015: RMB137,989,000) (note 10).

In addition, the Company's ultimate holding company has guaranteed certain of the Group's interest-bearing bank borrowings up to RMB180,000,000, (31 December 2015: RMB137,185,000) as at the end of the reporting period.

(c) As at 30 June 2016 and 31 December 2015, the Group's interest-bearing borrowings loans are denominated in RMB and US$, respectively.

13. SHARE CAPITAL

	30 June 2016	31 December 2015
Authorised:		
4,000,000,000 (31 December 2015: 4,000,000,000) ordinary shares of HK$0.10 each (HK$'000)	**400,000**	400,000
Issued and fully paid:		
1,979,723,806 (31 December 2015: 1,721,499,806) ordinary shares (HK$'000)	**197,972**	172,150
Equivalent to RMB'000	**160,632**	138,561

A summary of movements in the Company's share capital during the current period is as follows:

	Number of shares in issue	**Share capital** *RMB'000*	**Share premium account** *RMB'000*
At 1 January 2016	1,721,499,806	138,561	109,572
Issue of shares	258,224,000	22,071	114,766
Share issue expenses	–	–	(3,154)
At 30 June 2016	1,979,723,806	160,632	221,184

On 16 June 2016, 258,224,000 shares were placed to certain independent third parties at a placing price of HK$0.62 per share (the "Placing"). As a result of the Placing, 258,224,000 additional ordinary shares of HK$0.10 each were issued and the net proceeds of RMB133,683,000, after deduction of the related expenses of RMB3,154,000, were received during the six month ended 30 June 2016.

INDUSTRY REVIEW

Over the first half of 2016, global economic rebalancing was still underway. The slowdown of macroeconomic growth exerted a negative impact on the sales performance in panel display and touch panel market at worldwide level. The latest statistical report published by Trendforce, a market researcher, showed a slower growth in global sales of smartphones during the first half of 2016, with global shipments of smartphones for the period of approximately 607 million units, representing an increase of approximately 10.2% when compared to the same period last year. The rate reflects a slowdown in the usual rapid growth. On the other hand, global shipments of tablets were 68.7 million units, representing a drop of approximately 8.4% year-on-year. The dwindling of growth in both smartphone and tablet shipments posed difficulties to the development of touch and display modules market.

At present, the industry is still at the stage of integration. Some display panel suppliers have earlier shut down their non-profitable production lines. In addition, the earthquake occurred in Tainan, Taiwan in February 2016 caused destruction to the production lines of a number of display panel suppliers with their production capacity impaired, which resulted in a shortage of supply in the LCD display panel market and, in turn, a rise in price. The weakened appetite for mobile phones and tablets in the market, together with the undersupply of display panels, exerted pressure on the industry's profitability in general.

BUSINESS REVIEW

The Group is one of the major suppliers of small-to-medium sized (≤ 10.1 inches) display modules in the PRC, and is principally engaged in the research and development, manufacture, sales and distribution of LCD modules for handheld mobile devices. For the six months ended 30 June 2016 (the "Review Period"), the Group recorded a net profit of approximately RMB4.01 million, as compared to a loss of approximately RMB100 million for the six months ended 30 June 2015 (the "Comparative Period"). The positive turnaround was primarily due to (i) the absence of the one-off listing expense incurred during the six months ended 30 June 2015; (ii) the increase in sales volume; (iii) the increase in average selling price as a result of the improvement in product mix; and (iv) the one-off compensation for building defects from the lessor of a former factory.

For the Review Period, the Group recorded a significant growth in the sales in the PRC, with sales volume reaching approximately 16.0 million units and sales revenue amounting to approximately RMB927 million, representing an increase of 54.2% and 120.3% respectively when compared to the Comparative Period. As a result, the Group's overall sales volume went up by 22.7% to approximately 33.2 million units and the revenue grew by 51.2% to approximately RMB1.45 billion. However, for the Review Period, the Group reported gross profit and gross profit margin of approximately RMB45.0 million and 3.1%, respectively. Both figures were lower than those of the Comparative Period, which were primarily due to the increase in the cost of the main raw materials, namely LCD display panels, during the first half of 2016. The Group is now actively liaising with its customers to adjust the product prices to accommodate the rising production costs and it is believed to help boost the Group's gross profit for the second half of 2016.

During the Review Period, mobile phone LCD module products remained the Group's main source of revenue. To better reflect the change in demand of smart device market for LCD module products, from 2016 onwards, the Group's sales volume and revenue of LCD module products are reported in two segments, namely laminated and non-laminated modules, instead of the previous segments in terms of size. During the Review Period, benefited from the smart device customers' demand for high-end quality products, the Group recorded revenue from and sales volume of laminated LCD module products of approximately RMB997 million and 12.9 million units, representing a significant increase of approximately 325% and approximately 452% respectively when compared to the Comparative Period. Revenue from laminated LCD module products as a percentage of the Group's total revenue accounted for 68.8%, up from approximately 24.5% for the Comparative Period. The Group recorded revenue from and sales volume of non-laminated LCD module products of approximately RMB452 million and 20.2 million units respectively, representing a decrease of approximately 37.6% and approximately 18.0% when compared to the Comparative Period.

The table below sets forth TCL Display's revenue by product segments for the Review Period and the period-on-period change of each segment:

(Unaudited)	**For the six months ended 30 June**				
	2016		2015		Change
	RMB'000	***%***	*RMB'000*	*%*	*(%)*
TFT LCD modules					
Non-laminated modules	**452,280**	**31.2**	724,485	75.5	-37.6
Laminated modules	**997,330**	**68.8**	234,492	24.5	325
Total	**1,449,610**	**100**	958,977	100	51.2

The table below sets forth the Company's sales volume by product segments for the Review Period and the period-on-period change of each segment:

(Unaudited)	For the six months ended 30 June				
	2016		2015		Change
	'000 units	***%***	*'000 units*	*%*	*(%)*
TFT LCD modules					
Non-laminated modules	**20,236**	**61.0**	24,667	91.3	-18.0
Laminated modules	**12,915**	**39.0**	2,341	8.7	452
Total	**33,151**	**100**	27,008	100	22.7

The Group develops and supplies LCD modules mainly for several reputable international and domestic mobile phone manufacturers on an ODM (original design manufacturer) basis. For the six months ended 30 June 2016, Hong Kong and the PRC remained the major markets for the Group. The revenue derived from Hong Kong and the PRC was approximately RMB381 million and approximately RMB927 million respectively, which, in aggregate, accounted for approximately 90.2% of the Group's total revenue, with the growth in revenue from sales to the PRC significantly outperformed at a rate of 120%. During the Review Period, the Group achieved a breakthrough in the development of Korean market as fueled by the sales to LG, a globally renowned consumer electronics brand based in South Korea. Revenue from sales to Korea substantially increased to approximately RMB141 million from approximately RMB35.2 million for the six months ended 30 June 2015.

The table below sets forth the Group's revenue by geographical segments for the Review Period and the period-on-period change of each segment:

(Unaudited)	For the six months ended 30 June				
	2016		2015		Change
	RMB'000	***%***	*RMB'000*	*%*	*(%)*
The PRC	**927,017**	**63.9**	420,784	43.9	120
Hong Kong	**381,214**	**26.3**	503,004	52.4	-24.2
Korea	**141,379**	**9.8**	35,189	3.7	302
Total	**1,449,610**	**100.0**	958,977	100.0	51.2

During the Review Period, the Group continued to adjust its product mix in order to maintain the competitiveness of the Group. Since the commencement of mass production in the first quarter of 2015, the Group's on-cell embedded module products have gradually been recognised by its core customers, allowing the Group to become one of the suppliers providing on-cell embedded module products of best quality with highest shipments, and to remain a trustworthy and close partner of its customers. Furthermore, the Group's investments in the development of new technologies continued to bear fruits. The first batch of in-cell embedded module products was delivered in June 2016; and the Group has successfully secured small supply of the low-temperature poly-silicon ("LTPS") display panels required for the production of LTPS LCD modules from Wuhan China Star Optoelectronics Technology Co., Ltd. ("Wuhan CSOT", a fellow subsidiary of the Group) which has launched the 6th generation LTPS display panel production line in February 2016 under the Project t3. The Group expects that the supply of LTPS display panels from Wuhan CSOT will be increased in the second half of 2016 and believes it will then gain a greater market share in the high-end products sector effectively.

In light of the increasing market demand for the higher-end LTPS LCD modules, which generally have a higher unit price and gross profit margin compared to other LCD module products, the Group has implemented plans to expand its production scale of LTPS LCD modules, with aims to enlarge the Group's market share and generate greater value to the Group and its shareholders. In June 2016, the Company successfully raised net proceeds of HK$157 million by placing approximately 258,224,000 new shares at the placing price of HK$0.62 per share. On 13 June 2016, it has entered into a memorandum of understanding with Wuhan CSOT regarding the possible cooperation involving the formation of a joint venture with Wuhan CSOT, to engage in the production of LTPS LCD modules (the "Possible Cooperation"). The Group intends to utilize approximately HK$150 million of the net proceeds raised from the placing in the Possible Cooperation if materialised and it is contemplated that the joint venture under the Possible Cooperation will operate 10 fully automated production lines of LTPS LCD modules for mobile phones, with an average annual production capacity of 50 million units of laminated display modules for mobile phones. The expansion of production scale will place the Group in a more efficient position to grasp the growing demand for LTPS LCD module products and to strengthen its profitability.

OUTLOOK

In the second half of 2016, the outlook of the PRC and global economies is expected to remain vague. From an industry perspective, the phase of rapid growth of mobile phone industry is already behind us, while the slow-down growth rate in the smart mobile device products market is expected to continue. The market will see an increasing brand concentration. To ensure a stable supply, branded manufacturers will gradually shift their orders to major accessories manufacturers, including modules manufacturers.

Hence, the competition in the display module industry is expected to further intensify. In the second half of 2016, it is expected that the industry will stay at the deep reshuffling stage. Despite the possibility of facing severe hardships, with the strategic deployments and tactic planning made by the Group, the management remains optimistic on the overall sales performance and results of the Group for the second half of 2016.

Since the Project t3 launched by Wuhan CSOT in February 2016, the prototype of vertically integrated supply chain formed by the Company with Wuhan CSOT and TCL Communication Technology Holdings Limited, one of our main customers and a fellow subsidiary (stock code: 2618) has been configured. Upon the commencement of mass production by Wuhan CSOT, the Group will be able to ensure stable upstream supply of display panels and it would help withstand any risks arising from tight supply and increased price of display panels in the future. Also, the Possible Cooperation with Wuhan CSOT, if materialised, will enable the Group to leverage on the resources and expertise of Wuhan CSOT in LTPS LCD panel production, and to expand its LTPS LCD module production scale to a larger scale than that could be achieved by the Group alone, thereby benefiting from economies of scale thus generating greater profits for the Company and its Shareholders.

Notwithstanding that an overall undersupply of LTPS display panels is expected to continue in the market for the second half of 2016, with the stable supply of display panels from Wuhan CSOT and the expansion in production scale contemplated under the Possible Cooperation where materialised, the Group believes that the expanded production scale of the Group will guarantee a sufficient supply to meet the market demand. Besides, the enlarged production scale and market share of LTPS LCD modules will also lead to higher average selling prices and, further, gross profit of the Group's products, bringing sustainable contributions to the Group's profitability.

On the other hand, to address the drop of gross profit margin caused by the increased cost of LCD panels in the first half of 2016, the Group is actively liaising with customer for adjustment of product prices and has made some progress. It is believed that such liaisons would help boost the growth of the Group's gross profit in the second half of 2016.

Looking forward, the Group will continue to deploy resources in the research and development of display modules. It will seek to optimise its product structure by upgrading and diversifying its display module products. The Group forecasts a continuous improvement in the sales of laminated display module products, which is expected to be a growth engine for the Group's future sales.

FINANCIAL REVIEW

Results

During the Review Period, the consolidated revenue of the Group increased by 51.2% from approximately RMB959 million for the Comparative Period to approximately RMB1.45 billion.

The gross profit margin of the Group's products decreased from 6.6% for the Comparative Period to 3.1% for the Review Period, such decrease was primarily due to the increase in the cost of LCD display panels, which is the main raw material of the Group's product.

For the Review Period, the Group recorded a profit attributable to shareholders amounting to approximately RMB4.01 million, as opposed to the loss of approximately RMB100 million for the Comparative Period. Basic earnings per share was RMB0.23 cents, as compared to the loss per share of RMB16.59 cents for the Comparative Period. The positive turnaround for the Review Period was primarily due to 1) the absence of the one-off listing expense of approximately RMB141 million incurred during the Comparative Period; and 2) the increase in sales volume; 3) the increase in average selling price as a result of the improvement in product mix; and 4) the one-off compensation for building defects from the lessor of a former factory.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained robust liquidity position during the Review Period. The Group's principal financial instruments comprise cash and cash equivalents and interest-bearing bank loans. The Group's cash and cash equivalents balance as at 30 June 2016 amounted to approximately RMB277 million, of which 33.2% was in US dollar, 13.3% was in RMB, and 53.5% was in HK dollar. As at 30 June 2016, the Group's interest-bearing bank loans were approximately RMB180 million. As at 30 June 2016, total equity attributable to owners of the parent was approximately RMB256 million (31 December 2015: RMB105 million), and the gearing ratio was 13.4% (31 December 2015: 14.7%). Gearing ratio is calculated based on the Group's total interest-bearing loans (including bank borrowings and bonds payable) divided by total assets.

Pledge of assets

There was no pledge of assets by the Group as at 30 June 2016.

Capital commitments and contingent liabilities

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
Plant and equipment:		
Contracted, but not provided	**4,019**	17,594

As at 30 June 2016, the Group had no significant contingent liabilities (31 December 2015: nil).

Pending litigation

The Group was not involved in any material litigation during the Review Period.

Foreign exchange risk

The Group's business and operations targets international markets, thus it is inevitable for the Group to be exposed to the risk arising from foreign exchange transactions and currency conversion.

The Group is committed to striking a balance among trades, assets and liabilities that are denominated in foreign currencies to achieve a natural hedging effect. In addition, pursuant to prudent financial management, the Group has not conducted or engaged in any high-risk derivative transactions or leveraged foreign exchange contracts.

Significant investments held

There was no significant investment held by the Group as at 30 June 2016.

Material acquisitions and disposals

The Group did not undertake any other significant acquisition or disposal of subsidiaries or assets during the Review Period.

Employees and remuneration policies

As at 30 June 2016, the Group had a total of 3,739 employees. During the Review Period, the total staff costs amounted to approximately RMB97.3 million. The Group has reviewed the remuneration policy by reference to the existing legislations, market conditions, as well as the performances of employees and the Company.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2016.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2016, the Company has complied with the code provisions (the "Code Provisions") of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except for the deviation from Code Provisions A.6.7, E.1.2 and F.1.1. Whilst the reason for the deviation from Code Provision F.1.1 remains the same as those stated in the Company's 2015 annual report, the reasons for deviation from Code Provisions A.6.7 and E.1.2 are as follows:

Under Code Provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders.

Due to other pre-arranged commitments which must be attended to by each of them:

1. Mr. LI Yang, being an independent non-executive Director, was not able to attend the annual general meeting and special general meeting of the Company which were both held on 11 May 2016; and

2. Mr. YUAN Bing, being an non-executive Director, and Ms. HSU Wai Man, Helen, Mr. XU Yan and Mr. LI Yang, being independent non-executive Directors, were not able to attend the special general meeting of the Company held on 16 June 2016

Under Code Provision E.1.2, the chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval.

Due to other pre-arranged commitments which must be attended to by him, Mr. XU Yan, being the chairman of the independent board committee, was not able to attend the special general meeting of the Company held on 16 June 2016 at which certain continuing connected transactions were approved. However, representative of Beijing Securities Limited, the independent financial adviser of the Company, was present at the said special general meeting to answer questions raised by the shareholders thereat.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted a code of conduct regarding directors' securities transactions on the same terms as set out in the Model Code. Having made specific enquiry with all directors, the directors confirmed that they have complied with the standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the six months ended 30 June 2016.

AUDIT COMMITTEE

The Company has established an audit committee for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises three members, namely, Ms. HSU Wai Man, Helen (as the chairlady), Mr. XU Yan and Mr. LI Yang, all of whom are independent non-executive directors of the Company. The Group's unaudited consolidated financial statements for the six months ended 30 June 2016 have been reviewed by the audit committee, which is of the opinion that the preparation of such financial information complies with the applicable accounting standards, the requirements under the Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

On behalf of the Board
YUAN Bing
Chairman

Hong Kong, 17 August 2016

As at the date of this announcement, 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 non-executive Directors.