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)

RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS

Unaudited results for the six months ended 30 June

	2017	2016	**Change**
	RMB'000	*RMB'000*	
Revenue	**1,497,294**	1,449,610	3.3%
Gross profit	**142,910**	44,984	217.7%
Profit for the period	**65,088**	4,010	1,523.1%
Profit attributable to owners of the parent	**67,173**	4,010	1,575.1%
Basic earnings per share *(RMB cents)*	**3.35**	0.23	1,356.5%

The board of directors (the “Board”) of China Display Optoelectronics 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 2017 with comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

		For the six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
REVENUE	4	**1,497,294**	1,449,610
Cost of sales		**(1,354,384)**	(1,404,626)
Gross profit		**142,910**	44,984
Other income and gains	4	**7,592**	19,269
Selling and distribution expenses		**(20,805)**	(18,367)
Administrative expenses		**(38,939)**	(35,411)
Other expenses		**(1,143)**	(1,864)
Finance costs	6	**(16,523)**	(7,949)
PROFIT BEFORE TAX	5	**73,092**	662
Income tax (expense)/credit	7	**(8,004)**	3,348
PROFIT FOR THE PERIOD		**65,088**	4,010

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2017

		For the six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
	Note	***RMB'000***	*RMB'000*
OTHER COMPREHENSIVE INCOME/ (LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**690**	(1,711)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		**690**	(1,711)
OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD, NET OF TAX		**690**	(1,711)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**65,778**	2,299
Profit attributable to:			
Owners of the parent		**67,173**	4,010
Non-controlling interests		**(2,085)**	–
		65,088	4,010
Total comprehensive income attributable to:			
Owners of the parent		**67,863**	2,299
Non-controlling interests		**(2,085)**	–
		65,778	2,299
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic		**RMB3.35 cents**	RMB0.23 cents
Diluted		**RMB3.29 cents**	RMB0.23 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2017

	Notes	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**263,147**	193,281
Intangible assets		**438**	67
Deposits paid for purchase of items of property, plant and equipment		**87,757**	43,279
Deferred tax assets		**16,157**	17,564
Total non-current assets		**367,499**	254,191
CURRENT ASSETS			
Inventories		**250,049**	367,086
Trade and bills receivables	10	**835,404**	990,452
Prepayments, deposits and other receivables		**97,011**	44,344
Cash and cash equivalents		**228,840**	464,889
Total current assets		**1,411,304**	1,866,771
CURRENT LIABILITIES			
Trade and bills payables	11	**665,619**	1,319,937
Other payables and accruals		**205,572**	192,363
Interest-bearing bank borrowings	12	**337,527**	120,000
Dividend payable	8	**35,275**	–
Tax payable		**32,283**	52,186
Total current liabilities		**1,276,276**	1,684,486
NET CURRENT ASSETS		**135,028**	182,285
TOTAL ASSETS LESS CURRENT LIABILITIES		**502,527**	436,476

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2017

	Note	**30 June 2017 (Unaudited) *RMB'000***	31 December 2016 (Audited) *RMB'000*
NON-CURRENT LIABILITIES			
Deferred income		**4,573**	5,740
Bonds payable		**60,746**	62,608
Total non-current liabilities		**65,319**	68,348
Net assets		**437,208**	368,128
EQUITY			
Equity attributable to owners of the parent			
Share capital	13	**165,163**	165,065
Reserves		**244,420**	203,063
		409,583	368,128
Non-controlling interests		**27,625**	–
Total equity		**437,208**	368,128

Notes:

1. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2017 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 year ended 31 December 2016.

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 year ended 31 December 2016, except for the adoption of new standards and interpretations effective as of 1 January 2017. 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 which principally engages in the manufacture and sale of LCD module 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	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Mainland China*	**857,061**	927,017
Other countries/areas	**640,233**	522,593
	1,497,294	1,449,610

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.

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information (continued)

(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 RMB408,295,000 for the six months ended 30 June 2017 (six months ended 30 June 2016: RMB402,425,000) 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	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**1,497,294**	1,449,610
Other income and gains		
Bank interest income	**2,196**	2,133
Subsidy income*	**5,657**	2,649
(Loss)/gains on disposal of raw materials, samples and scraps	**(261)**	3,200
Gain on a litigation compensation	**–**	11,287
	7,592	19,269

* 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 BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of inventories sold	**1,263,218**	1,302,990
Depreciation	**22,555**	22,915
Amortisation of intangible assets	**45**	29
Research and development costs:		
Current period expenditures*	**10,767**	8,822
Minimum lease payments under operating leases	**3,923**	3,351
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**78,737**	73,945
Pension scheme contributions	**15,628**	8,532
Awarded share expense	**5,597**	9,873
Share option expense	**2,259**	4,902
	102,221	97,252
Write-down/(Recovery) of inventories to net realisable value**	**270**	(3,586)
Exchange loss, net	**984**	1,958

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

** Write-down/(recovery) 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	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank loans and bonds	**7,774**	3,016
Interest on discounted bills	**8,749**	4,933
	16,523	7,949

7. INCOME TAX EXPENSE/(CREDIT)

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. 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	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current – Hong Kong		
Charge for the period	**6,331**	–
Current – Mainland China		
Charge for the period	**12,718**	2,589
Adjustment in respect of current tax of previous periods	**(12,452)**	(8,326)
Deferred	**1,407**	2,389
Total tax charge for the period	**8,004**	(3,348)

8. DIVIDENDS

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Final 2016 dividend – 2.00 HK cents per ordinary share	**35,275**	–

The final dividend of 2016 had been approved by the Company's shareholders at the annual general meeting held on 22 June 2017.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount for the six months ended 30 June 2017 is based on the profit for the period attributable to equity holders of the Company of RMB67,173,000 (six months ended 30 June 2016: RMB4,010,000), and the weighted average number of ordinary shares in issue less shares held under the share award scheme during the period of 2,006,056,531 (six months ended 30 June 2016: 1,741,363,191).

The calculation of the diluted earnings per share amount for the six months ended 30 June 2017 is based on the profit for the period attributable to equity holders of the Company of RMB67,173,000 as used in the basic earnings per share calculation. The weighted average number of ordinary shares used in the calculation is the ordinary shares in issue less shares held under the share award scheme during the period of 2,006,056,531, as used in the basic earnings per share calculation, and the weighted average of 33,560,154 ordinary shares assumed to have been issued at no consideration on the deemed exercise of dilutive potential ordinary shares into ordinary shares.

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

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculations	**67,173**	4,010

	Number of shares For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculations	**2,006,056,531**	1,741,363,191
Effect of dilution – weighted average number of ordinary shares:		
Share Options	**14,327,530**	–
Awarded shares	**19,232,624**	–
	33,560,154	–
	2,039,616,685	1,741,363,191

10. TRADE AND BILLS RECEIVABLES

	30 June 2017 (Unaudited) *RMB'000*	31 December 2016 (Audited) *RMB'000*
Trade receivables	**584,131**	745,437
Bills receivable	**251,273**	245,015
Impairment	**–**	–
	835,404	990,452

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 2017 (Unaudited) *RMB'000*	31 December 2016 (Audited) *RMB'000*
Within 1 month	**457,960**	584,818
1 to 2 months	**236,536**	253,404
2 to 3 months	**85,956**	96,000
Over 3 months	**54,952**	56,230
	835,404	990,452

11. TRADE AND BILLS PAYABLES

	30 June 2017 (Unaudited) *RMB'000*	31 December 2016 (Audited) *RMB'000*
Trade payables	**663,798**	1,319,937
Bills payable	**1,821**	–
	665,619	1,319,937

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 2017 (Unaudited) *RMB'000*	31 December 2016 (Audited) *RMB'000*
Within 30 days	**332,226**	689,926
31 to 60 days	**309,981**	453,662
61 to 90 days	**295**	145,233
Over 90 days	**23,117**	31,116
	665,619	1,319,937

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 2017 (Unaudited)			31 December 2016 (Audited)		
	Effective interest rate ***(%)***	**Maturity**	***RMB'000***	Effective interest rate *(%)*	Maturity	*RMB'000*
Current						
Bank loans – unsecured	**5.00**	**2018**	**72,527**	–	–	–
Collateralised bank advances – secured and guaranteed	**3.80-4.35**	**2017**	**265,000**	3.10-3.80	2017	120,000
			337,527			120,000
Repayable:						
Within one year			**337,527**			120,000

Notes:

(a) The Group had banking facilities of RMB2,647,300,000 (31 December 2016: RMB2,530,000,000), of which RMB647,768,000 (31 December 2016: RMB1,035,222,000) had been utilised as at the end of the reporting period.

(b) The Group's bank loans are unsecured and borrowed from TCL Finance Co., Ltd., a fellow subsidiary of the Company and a financial institution approved by the People's Bank of China.

(c) The Group's collateralised bank advances are secured by trade receivables of RMB294,088,000 (31 December 2016: RMB147,662,000).

In addition, the Company's ultimate holding company has guaranteed certain of the Group's interest-bearing bank borrowings up to RMB265,000,000, (31 December 2016: RMB120,000,000) as at the end of the reporting period.

(d) As at 30 June 2017 and 31 December 2016, the Group's interest-bearing borrowings loans are denominated in RMB.

13. SHARE CAPITAL

	30 June 2017	31 December 2016
Authorised:		
4,000,000,000 (31 December 2016: 4,000,000,000) ordinary shares of HK$0.10 each (HK$'000)	**400,000**	400,000
Issued and fully paid:		
2,032,466,790 (31 December 2016: 2,031,368,800) ordinary shares (HK$'000)	**203,247**	203,137
Equivalent to RMB'000	**165,163**	165,065

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

	Number of shares in issue	**Share capital**	**Share premium account**
		RMB'000	*RMB'000*
At 1 January 2017	2,031,368,800	165,065	236,758
Exercise of share options	1,097,990	98	875
Reduction of share premium	–	–	(237,633)
At 30 June 2017	2,032,466,790	165,163	–

INDUSTRY REVIEW

According to the latest report published by TrendForce, a global market researcher, global smartphone shipments for the first quarter of 2017 were approximately 307 million units, down by 23.0% quarter-on-quarter but up by 5.1% year-on-year. The slowdown in growth was because the first quarter is normally the low-season for the smartphone industry; and the China market has reached a growth plateau, resulting in some of the brand manufacturers reducing their component inventories in view of uncertainties in shipments and sales for the second quarter of 2017. Since the second quarter of 2017, global smartphone brand manufacturers have started adjusting their marketing strategy where they reduced the demand for 16:9 display's aspect ratio modules and planned to focus in full screen devices (display's aspect ratio of 18:9 or above) in the second half of the year to stimulate consumer sentiment. As a result, overall shipments for the first half of 2017 remained weak.

To clear inventory, overall panel price was slightly reduced. However, as consumers sought higher quality handheld mobile devices, market demand for the low-temperature poly-silicon ("LTPS") display panels continued to increase, which drove the demand for the LTPS LCD modules, thus maintaining the price for high-end LTPS LCD modules. In addition, emerging markets including India and Africa are still undergoing the transition phase to replace feature phones with smartphones, thus creating huge market potential. Many Chinese manufacturers seized such opportunity to capture market share.

BUSINESS REVIEW

During the six months ended 30 June 2017 (the "Review Period"), as a result of the destocking and adjustment of product strategy by some of the Group's end customers, as well as the promotion of full screen devices, the Group recorded sales volume of LCD module products of 21.3 million units, representing a decrease of 35.8% year-on-year. Benefiting from the increase in average selling price of products as a result of the product mix adjustment, during the Review Period, the Group recorded a revenue of RMB1.50 billion, representing an increase of 3.3% year-on-year. As the cost of raw material panels and upstream components has decreased, and coupled with the increasingly optimised product mix of the Group, during the Review Period, the Group reported gross profit of approximately RMB143 million, representing an increase of 218% year-on-year. Gross profit margin was 9.5%; and profit attributable to owners of the parent amounted to RMB67.2 million, representing an increase of 1,575% year-on-year.

During the Review Period, revenue from non-laminated products increased substantially benefiting from the increase in demand for high-end LTPS products, revenue from non-laminated products grew by 41.1% year-on-year. However, revenue from laminated products decreased by 13.9% year-on-year as a result of the adjustment of product mix by downstream manufacturers. Amid the industry challenges, the Group actively strengthened product research and development and optimised product mix to focus on marketing medium to high-end products with a higher selling price. Sales of the Group's LTPS and Oncell LCD modules grew steadily, coupled with the successful launch of the Group's first batch of Incell LCD modules in June 2016, shipments of such products continued to rise, which facilitated the growth of the average selling price of the Group.

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

(Unaudited)	For the six months ended 30 June				
	2017		2016		Change
	RMB'000	*%*	*RMB'000*	*%*	*%*
TFT LCD module					
Non-laminated modules	**638,302**	**42.6**	452,280	31.2	+41.1
Laminated modules	**858,992**	**57.4**	997,330	68.8	-13.9
Total	**1,497,294**	**100.0**	1,449,610	100.0	+3.3

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

(Unaudited)	For the six months ended 30 June				
	2017		2016		Change
	'000 units	*%*	*'000 units*	*%*	*%*
TFT LCD module					
Non-laminated modules	**12,620**	**59.3**	20,236	61.0	-37.6
Laminated modules	**8,678**	**40.7**	12,915	39.0	-32.8
Total	**21,298**	**100.0**	33,151	100.0	-35.8

For the six months ended 30 June 2017, Hong Kong and the PRC remained the major markets for the Group. Revenue derived from Hong Kong and the PRC was RMB496 million and RMB857 million respectively, which, in aggregate, accounted for approximately 90.3% of the Group's total revenue.

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

(Unaudited)	For the six months ended 30 June				
	2017		2016		Change
	RMB'000	*%*	*RMB'000*	*%*	*%*
Hong Kong	**495,565**	**33.1**	381,214	26.3	+30.0
The PRC	**857,061**	**57.2**	927,017	63.9	-7.5
Korea	**144,668**	**9.7**	141,379	9.8	+2.3
Total	**1,497,294**	**100.0**	1,449,610	100.0	+3.3

STRENGTHENING THE SYNERGIES WITH CSOT

1. Wuhan CDOT helped LTPS high-end products seize market share

On 24 October 2016, China Display Optoelectronics Technology (Huizhou) Co., Ltd ("CDOT Huizhou"), an indirect wholly-owned subsidiary of the Company, entered into a joint venture agreement with Wuhan China Star Optoelectronics Technology Co., Ltd. ("Wuhan CSOT", together with its parent, Shenzhen China Star Optoelectronics Technology Co., Ltd. ("Shenzhen CSOT"), collectively, the "CSOT"), a fellow subsidiary of the Group, and Wuhan China Display Optoelectronics Technology Company Limited ("Wuhan CDOT") for the investment in Wuhan CDOT. In March 2017, Wuhan CDOT was duly registered as a joint venture between CDOT Huizhou and Wuhan CSOT. The production plant of Wuhan CDOT is set up in the proximity of Wuhan CSOT's production plant for the 6th generation LTPS LCD panels under the Project t3. Wuhan CDOT mainly operates the fully automated production lines of LTPS LCD modules with an average annual production capacity of 50 million units of laminated display modules for mobile phones, which is expected to officially commence mass production in the second half of 2017. Following the commencement of mass production under Project t3 of Wuhan CSOT in the fourth quarter of 2016, the supply of LTPS display panels from Wuhan CSOT to the Group gradually increased during the Review Period, which helped the Group to secure a stable supply of raw materials to increase its production in order to further seize the market share of high-end products.

2. Shenzhen CSOT became the substantial shareholder of the Company upon completion of the acquisition

On 27 April 2017, High Value Ventures Limited (the "Offeror", an indirect wholly-owned subsidiary of Shenzhen CSOT) acquired 53.81% of the then total number of issued shares of the Company. The acquisition completed on 27 April 2017. Pursuant to Rule 26.1 of the Codes on Takeovers and Mergers of Hong Kong, the Offeror was required to make an unconditional mandatory general cash offer for all the issued shares not held and/or agreed to be acquired by the Offeror, Rally Praise Limited and Opus International Advisors Limited (the "Share Offer") and outstanding options (the "Option Offer", collectively the "Offers"). Upon the close of the Offers on 12 June 2017, the Offeror received valid acceptance of the Share Offer in respect of 463,019 shares (representing approximately 0.02% of the then total number of issued shares of the Company) and Option Offer in respect of 0 option. As a result, the Offeror's shareholding in the Company increased to approximately 53.83% of the total number of issued shares of the Company. Following the aforesaid acquisition, the Company has become a subsidiary of Shenzhen CSOT while TCL Corporation, the holding company of Shenzhen CSOT, remained as the ultimate controlling shareholder of the Company. Accordingly, the acquisition will not affect the business operations of the Group.

The acquisition will effectively collaborate panel technology of CSOT and display module technology of the Group, and is contemplated to facilitate the profound cooperation between CSOT and the Group in manufacturing, supply chain, product mix and customer mix and after-sales service where both parties will standardise and upgrade their systems. At the same time, both parties will continue to work together with the aim to actively expand overseas market and further capture market share.

OUTLOOK

According to the statistics published by IHS Markit, an internationally renowned researcher, the penetration of LTPS-LCD and LTPS-AMOLED in global smartphone market is on the rise. By 2018, the penetration of LTPS-LCD and LTPS-AMOLED will reach 41% and 30% respectively, thus dominating the market share. As the only company equipped with a vertically integrated supply chain in the Mainland China, the Group considers that the collaboration with CSOT effected through Wuhan CDOT provides the Group with a prime opportunity to reduce the costs and expenses of purchasing LTPS display panels, such as logistics and agency fees, develop the high-end market, stimulate business growth and enlarge the Group's market share in the industry.

In 2017, the Group will actively devote its efforts to the research and development of new products and new technologies to enhance the value of the Group's product mix. Based on the report published by TrendForce, a global market researcher, following the launch of high display aspect ratio products by smartphone brand manufacturers in the second half of 2017, it is expected that full screen smartphones will account for approximately 10% of the gross smartphone shipments worldwide in 2017. The Group will seize the opportunity and capture the growth in demand for full screen devices from end-user customers. During the Review Period, the Group continued to adjust its product mix, it is expected that mass production of full screen modules will gradually commenced from the second half of 2017.

In addition, the Group will also further collaborate with CSOT to generate synergies. On the one hand, the Group can leverage on Wuhan CSOT's panel resources and expertise to secure a stable upstream panel supply in order to develop the high-end products. This will greatly drive sales growth of high-end products to increase revenue so as to maintain steady business growth in the course of business consolidation. On the other hand, the Group will also capitalise on CSOT's clientele to actively explore new customers, secure potential new top-tier brand customers and build a stronger customer base. During the Review Period, construction of Wuhan CSOT's 6th generation flexible LTPS-AMOLED display panel production line under the Project t4 has officially commenced. It primarily specialises in the production of small-to-medium sized flexible foldable AMOLED display panels and is expected to commence mass production in the first half of 2020. By then, the Group will have a more complete upstream LCD panel supply chain and its competitiveness in the area of small-to-medium sized high-end display modules will also increase, thus maximising the profit and value for the Group and its shareholders.

FINANCIAL REVIEW

Results

During the Review Period, the consolidated revenue of the Group increased by 3.3% from RMB1.45 billion for the six months ended 30 June 2016 ("Comparative Period") to RMB1.50 billion.

The gross profit margin of the Group increased from 3.1% for the Comparative Period to 9.5% for the Review Period, such increase was primarily due to the decrease in the cost of the main raw materials, namely LCD display panels as compared to that for the Comparative Period.

For the Review Period, the Group recorded a profit attributable to owners of the parent amounting to RMB67.2 million, as compared to RMB4.01 million for the Comparative Period, increased 1,575% year-on-year, the significant increase was mainly attributable to (i) the decrease in cost of raw materials as compared to that of the corresponding period in 2016 which has resulted in the recovery of the gross profit margin of LCD module products of the Group; and (ii) the increase in average selling price as a result of the improvement in product mix. Basic earnings per share was RMB3.35 cents, as compared to RMB0.23 cents for the Comparative Period, increased 1,357% year-on-year.

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 2017 amounted to RMB229 million, of which 56.0% was in US dollar, 39.5% was in RMB, and 4.5% was in HK dollar. As at 30 June 2017, the Group's interest-bearing bank loans were RMB338 million. As at 30 June 2017, total equity attributable to owners of the parent was approximately RMB410 million (31 December 2016: RMB368 million), and the gearing ratio was 22.4% (31 December 2016: 8.6%). 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

As at 30 June 2017, the Group had pledged certain trade receivables amounting to RMB 294,088,000 (31 December 2016: RMB 147,662,000) to banks with recourse in exchange for cash.

Capital commitments and contingent liabilities

	30 June 2017 (Unaudited) *RMB'000*	31 December 2016 (Audited) *RMB'000*
Plant and equipment:		
Contracted, but not provided	**189,463**	67,064

As at 30 June 2017, the Group had no significant contingent liabilities (31 December 2016: 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 2017.

Material acquisitions and disposals

On 11 April 2017, CDOT Huizhou entered into the sale and purchase agreement ("Sale and Purchase Agreement") with Huizhou TCL Mobile Communication Co., Ltd ("TCL Mobile Communication", an indirect wholly-owned Subsidiary of TCL Corporation) pursuant to which, among other matters, TCL Mobile Communication agreed to sell and CDOT Huizhou agreed to purchase 100% equity interest of Huizhou Chuangjie Communication Technology Co. Ltd. ("Target Company") at a consideration of RMB105,305,000. The Target Company is the legal and beneficial owner of the manufacturing plant located in Huizhou, the PRC which the Group has been leasing from since 2014. The Sale and Purchase Agreement and the transactions contemplated thereunder constituted a discloseable transaction and connected transaction of the Company under Chapter 14 and Chapter 14A of the Listing Rules respectively. Please refer to the announcement of the Company dated 11 April 2017 for further information in relation to the Sale and Purchase Agreement.

Subsequent to the entering into of the Sale and Purchase Agreement, the Company encountered a new investment opportunity. The Company considered that, as compared to the acquisition of the Target Company under the Sale and Purchase Agreement, the said new opportunity would be more conducive to its long-term strategic development and that the resources to be allocated to the Sale and Purchase Agreement and the transactions contemplated thereunder might be better utilised if it was to be allocated to this new investment opportunity. Accordingly, the parties to the Sale and Purchase Agreement entered into a termination agreement (the "Termination Agreement") on 19 May 2017, pursuant to which the parties have amicably agreed, among others, to terminate the Sale and Purchase Agreement with effect from 19 May 2017 and neither parties shall have any claims against each other. Please refer to the announcement of the Company dated 19 May 2017 for further information in relation to the Termination Agreement.

Save as aforesaid, 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 2017, the Group had a total of 3,073 employees. During the Review Period, the total staff costs amounted to approximately RMB102 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 Group.

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 2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2017, 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 deviations from Code Provisions A.6.7 and F.1.1. The reasons for deviations 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 him, Mr. LI Yang, being an independent non-executive Director, was not able to attend the annual general meeting held on 22 June 2017.

Under Code Provision F.1.1, the company secretary should be an employee of the issuer and have day-to-day knowledge of the issuer's affairs.

The former and current company secretary of the Company, Ms. CHOY Fung Yee (resigned with effect from 25 April 2017) and Ms. CHEUNG Bo Man (appointed with effect from 25 April 2017), is a partner and a solicitor respectively of the Company's legal advisor, Cheung Tong & Rosa Solicitors.

During the six months ended 30 June 2017, the Company has assigned Ms. Clara SIU, the Vice Director of Finance and Investor Relations of the Company and Mr. PENG Bo, the Legal Manager of the Company as the contact persons with Ms. Choy and Ms. Cheung thereafter to ensure that information in relation to the performance, financial position and other major developments of the Group are speedily delivered to Ms. Choy and Ms. Cheung thereafter through the contact persons assigned, to enable the company secretary to get hold of the Group's development promptly without material delay and with their respective expertise and experience, the Company is confident that having Ms. Choy and Ms. Cheung thereafter as the company secretary is beneficial to the Group's compliance with the relevant board procedures, applicable laws, rules and regulations.

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 2017.

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 2017 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
LIAO Qian
Chairman

Hong Kong, 27 July 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.