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 2020

FINANCIAL HIGHLIGHTS

Unaudited results for the six months ended 30 June

	2020	2019	**Change**
	RMB'000	*RMB'000*	
Revenue	**1,622,061**	3,516,593	-53.9%
Gross (loss)/profit	**(70,247)**	76,981	N/A
(Loss)/profit for the period	**(137,948)**	10,639	N/A
(Loss)/profit attributable to owners of the parent	**(88,527)**	13,122	N/A
Basic (losses)/earnings per share *(RMB cents)*	**(4.22)**	0.63	N/A

The board (the "Board") of directors (each a "Director", together the "Director(s)") of China Display Optoelectronics Technology Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results and financial position of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2020 with comparative figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

		For the six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
Revenue	*4*	**1,622,061**	3,516,593
Cost of sales		**(1,692,308)**	(3,439,612)
Gross (loss)/profit		**(70,247)**	76,981
Other income and gains	*4*	**10,461**	29,761
Selling and distribution expenses		**(15,587)**	(16,441)
Administrative expenses		**(37,499)**	(44,329)
Impairment losses on financial assets		**110**	1,578
Other expenses		**(2,179)**	(3,006)
Finance costs	*6*	**(5,845)**	(27,336)
(LOSS)/PROFIT BEFORE TAX	*5*	**(120,786)**	17,208
Income tax expense	*7*	**(17,162)**	(6,569)
(LOSS)/PROFIT FOR THE PERIOD		**(137,948)**	10,639
Attributable to:			
Owners of the parent		**(88,527)**	13,122
Non-controlling interest		**(49,421)**	(2,483)
(LOSSES)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	*9*		
Basic			
For (loss)/profit for the period		**(RMB 4.22 cents)**	RMB 0.63 cents
Diluted			
For (loss)/profit for the period		**(RMB 4.22 cents)**	RMB 0.63 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
(LOSS)/PROFIT FOR THE PERIOD	**(137,948)**	10,639
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	**133**	493
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**133**	493
OTHER COMPREHENSIVE INCOME, NET OF TAX	**133**	493
TOTAL COMPREHENSIVE (LOSS)/INCOME, NET OF TAX	**(137,815)**	11,132
Attributable to:		
Owners of the parent	**(88,394)**	13,615
Non-controlling interest	**(49,421)**	(2,483)
	(137,815)	11,132

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	Notes	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**897,521**	831,412
Intangible assets		**5,031**	5,889
Deposits paid for purchase of items of property, plant and equipment		**13,026**	11,628
Deferred tax assets		**26,084**	21,205
Right-of-use assets		**43,213**	47,257
Total non-current assets		**984,875**	917,391
CURRENT ASSETS			
Inventories		**127,146**	229,453
Trade and bills receivables	*10*	**856,631**	1,862,040
Prepayments and other receivables		**66,019**	93,035
Derivative financial instruments		**904**	624
Cash and cash equivalents		**304,337**	101,054
Total current assets		**1,355,037**	2,286,206
CURRENT LIABILITIES			
Trade payables	*11*	**751,627**	815,697
Other payables and accruals		**610,247**	523,915
Derivative financial instruments		**460**	491
Interest-bearing bank borrowings	*12*	**231,279**	1,008,396
Lease liabilities		**9,441**	9,255
Tax payable		**34,370**	39,215
Bonds payable		**9,134**	8,959
Total current liabilities		**1,646,558**	2,405,928
NET CURRENT LIABILITIES		**(291,521)**	(119,722)
TOTAL ASSETS LESS CURRENT LIABILITIES		**693,354**	797,669

	Notes	**30 June 2020 (Unaudited) *RMB'000***	31 December 2019 (Audited) *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*12*	**41,174**	24,498
Lease liabilities		**4,888**	8,773
Deferred income		**23,565**	13,395
Deferred tax liabilities		**16,839**	6,300
Total non-current liabilities		**86,466**	52,966
Net assets		**606,888**	744,703
EQUITY			
Equity attributable to owners of the parent			
Share capital	*13*	**172,118**	172,118
Reserves		**353,932**	442,326
		526,050	614,444
Non-controlling interests		**80,838**	130,259
Total equity		**606,888**	744,703

Notes:

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

As at 30 June 2020, the Group had total current liabilities in excess of total current assets of RMB291,521,000. The Group's ability to repay its debts when they fall due relies on its future operating cash flows and its ability to renew the bank loans.

In view of the above, the Board has carefully assessed the Group's liquidity position having taken into account (i) the revolving bank facilities of RMB590,000,000 which will not expire until 30 June 2021, and (ii) the Company's intermediate holding company, TCL China Star Optoelectronics Technology Co., Ltd. has agreed to provide financial support to the Group to meet in full its financial obligations for at least the next 12 months from the date of approval of the Company's financial statements.

On the basis of the above considerations, the Board believed that the Group can satisfy its financial obligation in the foreseeable future and accordingly, the interim condensed consolidated financial statements have been prepared on a going concern basis.

2. CHANGES TO THE GROUP'S ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendments to HKFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

(c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The amendments did not have significant impact on the financial position and performance of the Group as the Group does not have any significant rent concession for the period ended 30 June 2020 ("Review Period").

(d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group operates in one business unit based on its products, and has one reportable operating segment being the display products segment which principally engages in the processing, 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	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Mainland China*	**1,454,322**	3,205,897
Other countries/areas	**167,739**	310,696
	1,622,061	3,516,593

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

* Mainland China means any part of the the People's Republic of China 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 RMB544,763,000 for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB2,287,055,000) was derived from sales to related companies.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

Revenue from contracts with customers

Disaggregated revenue information

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Segments	**LCD modules**	LCD modules
Types of goods and services		
Sale of industrial products	**1,299,993**	3,496,846
Processing services	**322,068**	19,747
Total revenue from contracts with customers	**1,622,061**	3,516,593
Geographical markets		
Mainland China	**1,454,322**	3,205,897
Hong Kong	**165,989**	238,355
Asia Pacific (Other than Mainland China and Hong Kong)	**1,750**	69,317
Turkey	**–**	3,024
Total revenue from contracts with customers	**1,622,061**	3,516,593
Timing of revenue recognition		
Goods and services transferred at a point in time	**1,622,061**	3,516,593

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Other income, net		
Bank interest income	**3,853**	4,067
Subsidy income*	**2,358**	1,526
Gains on disposal of raw materials, samples and scraps	**3,902**	14,970
Others	**37**	9,198
	10,150	29,761
Gains, net		
Fair value gains, net:		
Derivative financial instruments – transactions not qualifying as hedges	**311**	–
	10,461	29,761

* 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	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of inventories sold*	**1,692,308**	3,439,612
Depreciation	**73,777**	58,056
Amortisation of intangible assets	**936**	741
Depreciation of right-of-use assets	**4,918**	5,416
Research and development costs:		
current period expenditures**	**11,987**	9,699
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**222,290**	186,682
Pension scheme contributions	**23,466**	29,887
Equity-settled share award expense	**–**	20
Equity-settled share option expense	**–**	(232)
	245,756	216,357
Exchange differences, net	**253**	981
Reversal of impairment of trade and bills receivables	**(183)**	(1,578)
Write-down of (reversal of write-down of) inventories to net realisable value***	**7,683**	(4,109)

* The amount included wages and salaries, depreciation, amortisation and lease payments of RMB300,749,000 (for the six months ended 30 June 2019: RMB251,185,000) in aggregate which have been included in the respective expense items disclosed below.

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

*** Write-down of inventories to net realisable value is included in "Cost of sales" in the interim 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	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank loans and bonds	**1,435**	3,793
Interest on lease liabilities	**404**	186
Interest on discounted notes with recourses and factored trade receivables	**4,006**	23,357
	5,845	27,336

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the Review Period. 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	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current – Hong Kong		
Charge for the period	**–**	204
Current – Mainland China		
Charge for the period	**12,380**	3,546
Adjustment in respect of current tax of previous periods	**(878)**	(2,291)
Deferred	**5,660**	5,110
Total tax charge for the period	**17,162**	6,569

8. DIVIDENDS

The Directors do not recommend the payment of any dividend by the Company for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

9. (LOSSES)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of the basic (losses)/earnings per share amount for the six months ended 30 June 2020 is based on the loss for the period attributable to owners of the parent of RMB88,527,000 (six months ended 30 June 2019: the profit of RMB13,122,000), and the weighted average number of ordinary shares of the Company in issue less shares held for share award scheme of the Company ("Share Award Scheme") during the Review Period of 2,096,717,906 (six months ended 30 June 2019: 2,084,049,501).

During the six months ended 30 June 2020, the share options had an anti-dilutive effect on the basic earnings per share, no adjustment has been made to the basic earnings per share amounts in respect of a dilution.

The calculation of basic earnings per share is based on:

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
(Losses)/earnings		
(Loss)/profit attributable to owners of the parent, used in the basic and diluted (losses)/earnings per share calculations	**(88,527)**	13,122

	Number of shares For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme during the Review Period used in the basic (losses)/earnings per share calculations	**2,096,717,906**	2,084,049,501

10. TRADE AND BILLS RECEIVABLES

	30 June 2020	31 December 2019
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Trade receivables	**609,283**	814,722
Bills receivable	**248,466**	1,048,619
Impairment	**(1,118)**	(1,301)
	856,631	1,862,040

An ageing analysis of the trade and bills receivables as at the end of the Review Period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2020	31 December 2019
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Within 1 month	**350,815**	350,994
1 to 2 months	**189,821**	419,924
2 to 3 months	**71,364**	249,843
Over 3 months	**244,631**	841,279
	856,631	1,862,040

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. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

11. TRADE PAYABLES

	30 June 2020 (Unaudited) ***RMB'000***	31 December 2019 (Audited) *RMB'000*
Trade payables	**751,627**	815,697

An ageing analysis of the trade payables as at the end of the Review Period, based on the invoice date, is as follows:

	30 June 2020 (Unaudited) ***RMB'000***	31 December 2019 (Audited) *RMB'000*
Within 30 days	**394,956**	470,441
31 to 60 days	**113,847**	194,020
61 to 90 days	**198,578**	123,484
Over 90 days	**44,246**	27,752
	751,627	815,697

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 150 days.

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2020 (Unaudited)			31 December 2019 (Audited)		
	Effective interest rate *(%)*	**Maturity**	***RMB'000***	Effective interest rate *(%)*	Maturity	*RMB'000*
Current						
Bank loans – secured	**2.48-2.84**	**2020**	**231,279**	3.40-3.60	2020	908,396
Collateralised bank advances – unsecured	**–**	**–**	**–**	3.60	2020	100,000
			231,279			1,008,396
Non-current						
Other secured bank loans	**4.75**	**2024**	**17,174**	4.75	2024	498
Other borrowings	**0.44**	**2022**	**24,000**	0.44	2022	24,000
			41,174			24,498
			272,453			1,032,894
Analysed into:						
Bank loans repayable						
Within one year			**231,279**			1,008,396
In the third to fifth years, inclusive			**17,174**			498
			248,453			1,008,894
Other borrowings repayable						
Within one year			**–**			–
In the second year			**–**			–
In the third to fifth years, inclusive			**24,000**			24,000
			24,000			24,000
			272,453			1,032,894

Notes:

(a) The Group had banking facilities of RMB2,010,000,000 (31 December 2019: RMB2,460,000,000), of which RMB368,863,000 (31 December 2019: RMB399,901,000) had been utilised as at the end of the Review Period.

(b) The Company's ultimate holding company has guaranteed certain of the Group's interest-bearing bank borrowings up to RMB17,174,000 (31 December 2019: RMB100,498,000) as at the end of the Review Period.

(c) The other borrowings are with a tenure of 5 years starting from 2017. Interest is chargeable at 0.44% per annum and payable annually in arrears. The Group had obtained an extension of the repayment date for another two years, and hence such borrowing will be payable on 22 February 2022.

(d) All borrowings are denominated in RMB as at 30 June 2020.

13. SHARE CAPITAL

	30 June 2020	31 December 2019
Authorised:		
4,000,000,000 (31 December 2019: 4,000,000,000) ordinary shares of HK$0.10 each (HK$'000)	**400,000**	400,000
Issued and fully paid:		
2,114,117,429 (31 December 2019: 2,114,117,429) ordinary shares (HK$'000)	**211,412**	211,412
Equivalent to RMB'000	**172,118**	172,118

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

	Number of shares in issue	**Share capital** *RMB'000*	**Share premium account** *RMB'000*
At 30 June 2020	2,114,117,429	172,118	79,331

INDUSTRY REVIEW

In 2020, the novel coronavirus ("COVID-19") pandemic has taken a heavy toll on the global economy and the supply chain has been disrupted. The lengthening cycle of smartphone replacement has adversely affected the sales volume of the global smartphone industry. According to the report from global market researcher IDC for the first and second quarter of 2020, the global smartphone shipment volume for the first half of 2020 decreased by 13.9% year-on-year to approximately 554 million units. The data from the China Academy of Information and Communications Technology also showed that the smartphone shipment volume in China was 149 million units for the first half of 2020, representing a decrease of 16.1% year-on-year. Huawei, vivo, OPPO and Xiaomi continued to maintain important roles as the four major domestic smartphone manufacturers, of which their overall domestic market share in aggregate increased from 84.1% to 89.1% in the first quarter of 2020.

In terms of products, full-screen products with Low Temperature Poly-silicon ("LTPS") or Active-Matrix Organic Light-Emitting Diode ("AMOLED") panels remained the leading products in the market. In addition, awareness of the 5G concept has become more widespread, which facilitated the expansion of the smart home and Internet of Things market, and propelled the development of the smartphone market. According to the information on the development of domestic 5G phone released by the China Academy of Information and Communications Technology, the domestic 5G phone shipment volume in the first half of 2020 reached approximately 63.6 million units, accounting for 41.5% of all mobile phone shipments during the same period.

BUSINESS REVIEW

For the Review Period, smartphone brand customers became more cautious in their operations due to the global COVID-19 pandemic. As a result, the Group's total sales volume decreased by 14.8% year-on-year to 42.3 million units. The Group launched the comprehensive processing business in the second half of 2019, which registered a sales volume of 27.6 million units, accounting for 65.4% of total sales volume of the Group, and contributed a revenue of RMB322 million during the Review Period. Given that only processing fee was charged for such service, the total revenue dropped by 53.9% year-on-year to RMB1,622 million. For non-processing products, the revenue of laminated LCD module products was RMB1,196 million, representing a year-on-year decrease of 58.7%; whereas the revenue of non-laminated LCD module products was RMB104 million, representing a year-on-year decrease of 82.7%. The decrease in revenue from non-processing products was mainly due to the shift from selling LCD modules to the processing mode of business. Since the cost of the panel was not included in the unit price of certain products in the same period last year, and the Group continued to expand product variety, the overall average selling price (excluding processing LCD modules) of the Group for the first half of 2020 increased by 21.1% year-on-year to RMB88.9, driven by the increase in unit selling price of smart home and electronic education products.

During the Review Period, the Group recorded a gross loss of approximately RMB70.2 million, compared with the gross profit of approximately RMB77.0 million in the same period last year. The Group recorded a consolidated net loss of approximately RMB138 million during the Review Period, which was mainly due to:

1) The COVID-19 pandemic resulted in difficulties for certain staff of the Group's associated company Wuhan China Display Optoelectronics Technology Co., Ltd., ("Wuhan CDOT") to report to work. The supply chain and other commercial activities of Wuhan CDOT were severely affected, which had a negative impact on the normal operation of the Group's production base located in Wuhan ("Wuhan Production Base"). Meanwhile, the Wuhan Production Base had a low operating rate during the Review Period due to a year-on-year decline in the Group's sales volume.

2) An increase in the production cost during the Review Period due to the addition in production lines and leased production equipment at the Wuhan Production Base from 2019 to 2020.

Despite recording a net loss in the Review Period, recent data of the Group showed encouraging signs. The sales volume and revenue of the Group in the second quarter of 2020 achieved a quarter-on-quarter growth of 8.4% and 11.5%, respectively. In addition, the production capacity of the Wuhan Production Base has gradually increased since May 2020, and has basically recovered to the level of the same period last year in June 2020. Coupled with various operating measures, including cessation to lease certain equipment to reduce lease expenses, the Group's consolidated net loss in the second quarter of 2020 has seen a substantial quarter-on-quarter decrease, and the Group has started to record a consolidated net profit from June 2020.

Revenue by product segment and their respective year-on-year comparisons:

	For the six months ended 30 June				
	2020		2019		**Change**
(Unaudited)	***RMB Million***	*%*	*RMB Million*	*%*	*%*
Sale of TFT LCD module					
Non-laminated modules	**104**	**6.4%**	598	17.0%	–82.7%
Laminated modules	**1,196**	**73.8%**	2,899	82.4%	–58.7%
Processing TFT LCD module					
Non-laminated modules	**33**	**2.0%**	–	N/A	N/A
Laminated modules	**289**	**17.8%**	20	0.6%	+1,365.8%
Total	**1,622**	**100.0%**	3,517	100.0%	–53.9%

Sales volume by product segment and their respective year-on-year comparisons:

	For the six months ended 30 June				
	2020		2019		**Change**
(Unaudited)	***Million units***	*%*	*Million units*	*%*	*%*
Sale of TFT LCD module					
Non-laminated modules	**1.3**	**3.0%**	13.8	27.9%	–90.8%
Laminated modules	**13.4**	**31.6%**	33.8	68.1%	–60.5%
Processing TFT LCD module					
Non-laminated modules	**3.9**	**9.3%**	–	N/A	N/A
Laminated modules	**23.7**	**56.1%**	2.0	4.0%	+1,099.5%
Total	**42.3**	**100.0%**	49.6	100.0%	–14.8%

During the Review Period, China remained the main market for the Group. The revenue from Hong Kong and Mainland China were RMB166 million and RMB1,454 million, respectively, together accounting for 99.9% of the Group's total revenue.

Revenue by geographical segment and their respective year-on-year comparisons:

	For the six months ended 30 June				
	2020		2019		**Change**
	RMB Million	*%*	*RMB Million*	*%*	*%*
Hong Kong	**166**	**10.2%**	239	6.8%	–30.4%
Mainland China	**1,454**	**89.7%**	3,206	91.1%	–54.6%
Others	**2**	**0.1%**	72	2.1%	–97.6%
Total	**1,622**	**100.0%**	3,517	100.0%	–53.9%

The Group has continued to devote its efforts to the research and development of new products and new technologies to increase the sales proportion of mid-to high-end products. It has developed various customised products with TCL China Star Optoelectronics Technology Co., Ltd* (TCL華星光電技術有限公司, to meet customers' increasing demands for such products. During the Review Period, the Group's blind hole products accounted for approximately 7.2% of its overall sales volume.

The COVID-19 pandemic has ushered in a "study from home" mode in education across the globe. In this situation, the demand for electronic education and remote office has surged. IDC pointed out in its latest report that the boost in online education has diversified the demand for terminal hardware in the consumer market. Leveraging its technical advantages in the production line of medium-sized modules, the Group cooperated with end customers to provide a variety of electronic education products to the market. During the Review Period, the revenue of the Group's smart home-related product accounted for 9.0% of its total sales revenue, and the shipment volume of smart home-related products reached 1.7 million units.

OUTLOOK

Looking ahead to the second half of 2020, the COVID-19 pandemic has ushered in a new normal globally, and the delay in the resumption of work and potential risks of a second wave around the world remain. IDC's latest report forecast that the worldwide smartphone market will decline by 11.9% year-on-year in 2020 with shipments totaling 120 million units, and growth for global smartphone shipment is not likely to resume until the first quarter of 2021. While the Group expects difficulties in the second half of 2020, based on the fact that the second half is usually the peak season of the mobile phone market, the Group believes that there will be an increase in both the number and stability of orders in the second half of 2020.

In addition, the Group has been actively implementing measures to lower its costs and enhance efficiency, including but not limited to gradually reducing human resources costs in the second half of 2020 to enhance efficiency per individual, as well as actively negotiating with strategic suppliers and logistics partners to seek sound solutions in order to reduce risks. As the pandemic in Wuhan eases, Wuhan CDOT has recorded a consolidated net profit from June to July 2020. The Group expects the production conditions of the Wuhan Production Base to continue to improve, and is confident that its profitability will improve in the second half of 2020.

In the long run, the Group will proactively strengthen its core competitiveness. On the one hand, the Group will proactively respond to the demand of customers and provide first-tier brand customers with customised products while striving for orders from first-tier brand customers and solidifying its brand customer base, in order to expand its market share. On the other hand, building on its forward-looking industry judgement, the Group will continue to advance the display technology including in-display fingerprints and foldable AMOLED technologies. As the domestic supply of foldable AMOLED progressively increases, more and more smartphone manufacturers will launch foldable smartphones, vitalising the industry. According to the research report published by Strategy Analytics, a market research institution, global foldable smartphone shipments will reach 8 million units in 2020 and increase to 100 million units in 2025.

Meanwhile, the Group has also been horizontally expanding its business and continuously cultivating the medium-sized product markets, such as smart home, electronic education, high-end tablets and automotive display modules, in order to capture the tremendous opportunities in those markets and lay a solid foundation for the implementation of 5G technology, to become a pioneer of technological innovation.

The Group remains cautiously optimistic about the long-term development prospects of the display module business. It is confident that it will further enhance its strengths in technology and economies of scale by improving the industrial value chain, so as to create greater value for the Group and its shareholders.

FINANCIAL REVIEW

Liquidity and Financial Resources

During the Review Period, the Group's principal financial instruments comprised cash and cash equivalents and interest-bearing bank loans.

The Group's cash and cash equivalents balance as at 30 June 2020 amounted to RMB304 million, of which 19.0% was in US dollar, 78.7% was in RMB and 2.3% was in HK dollar.

As at 30 June 2020, the Group's interest-bearing bank loans were RMB248 million, which were denominated in RMB. The Group's other borrowings were RMB24 million, which were denominated in RMB with a fixed interest rate.

As at 30 June 2020, total equity attributable to owners of the parent was RMB526 million (31 December 2019: RMB614 million), and the gearing ratio was 12.0% (31 December 2019: 33.1%). The gearing ratio was calculated based on the Group's total interest-bearing loans (including bank borrowings, other borrowings and bonds payable) divided by total assets. Please refer to note 12 to the financial statements for further details in respect of borrowings of the Group during the Review Period.

Pledge of Assets

As at 30 June 2020, the Group did not pledge trade receivables (31 December 2019: nil) to banks with recourse in exchange for cash.

Capital Commitments and Contingent Liabilities

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Plant and equipment	**10,223**	22,726

As at 30 June 2020, the Group had no significant contingent liabilities (31 December 2019: nil).

Foreign Exchange Risk

The Group's business and operations is facing the international market, thus it is inevitable for the Group to be exposed to the risk arising from foreign exchange transactions and 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. During the Review Period, the Group has entered into various forward currency contracts to manage its exchange rate exposure. These forward currency contracts are not designated for hedging purposes. 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.

Pending Litigation

The Group had not been involved in any material litigation for the six months ended 30 June 2020.

Significant Investments Held

There was no significant investment held as at 30 June 2020.

Material Acquisitions and Disposals

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

Employees and Remuneration Policies

As at 30 June 2020, the Group had a total of 5,744 employees. During the Review Period, the total staff costs amounted to RMB246 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. In order to align the interests of staff with those of shareholders, share options and restricted shares would be granted to relevant grantees, including employees of the Group, under the Company's share option and share award scheme respectively. Share options carrying rights to subscribe for a total of 36,242,486 shares remained outstanding as at 30 June 2020.

INTERIM DIVIDEND

The Board does not recommend to pay any interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: Nil).

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 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2020, the Company has complied with the code provisions (the “Code Provisions”) of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), except for deviations from Code Provision F.1.1. The reasons for deviations are as follows:

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 company secretary of the Company, Ms. CHEUNG Bo Man (“Ms. Cheung”), is a partner of the Company’s legal advisor, Cheung Tong & Rosa Solicitors.

During the six months ended 30 June 2020, the Company has assigned Ms. Clara SIU, the Vice Director of Finance and Investor Relations of the Company as the contact person with Ms. Cheung to ensure that information in relation to the performance, financial position and other major developments of the Group are speedily delivered to Ms. Cheung through the contact person(s) assigned, so as to enable the company secretary to get hold of the Group’s development promptly without material delay. With her expertise and experience, the Company is confident that having Ms. Cheung as the company secretary is beneficial to the Group’s compliance with the relevant board procedures, applicable laws, rules and regulations.

Under Code Provision E.1.2, the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend.

Due to other pre-arranged business commitments which must be attended to by Mr. LIAO Qian, the chairman of the Board, a non-executive Director and the chairman of the nomination committee of the Company, he was not present at the 2020 annual general meeting of the Company ("2020 AGM"). However, Mr. XU Yan, the chairman of the remuneration committee of the Company and an independent non-executive Director, and Ms. HSU Wai Man, Helen, being the chairlady of the audit committee of the Company and an independent non-executive Director, were present at the 2020 AGM to maintain an ongoing dialogue and communicate with the Shareholders and encourage their participation.

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, save as disclosed below, 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 2020.

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. LI Yang and Mr. XU Yan, all of whom are independent non-executive Directors. The Group's unaudited interim condensed consolidated financial statements and the interim report for the six months ended 30 June 2020 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, 21 August 2020

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