

The Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 YEAR ENDED 31 DECEMBER 2020**

FINANCIAL HIGHLIGHTS

Results

	Year ended 31 December 2020 <i>RMB'000</i>	Year ended 31 December 2019 <i>RMB'000</i>	Change
Revenue	4,352,804	5,455,790	-20.2%
Gross profit	219,619	268,237	-18.1%
Profit for the year	6,324	47,476	-86.7%
Profit attributable to owners of the parent	25,147	52,448	-52.1%
Basic earnings per share (<i>RMB cents</i>)	1.20	2.51	-52.2%

The board (“Board”) of directors (each a “Director”, together the “Directors”) of China Display Optoelectronics Technology Holdings Limited (the “Company”) is pleased to announce the consolidated results and financial position of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2020 with the corresponding comparative figures for the year ended 31 December 2019 as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December

		2020	2019
	Notes	RMB'000	RMB'000
REVENUE	5	4,352,804	5,455,790
Cost of sales		<u>(4,133,185)</u>	<u>(5,187,553)</u>
Gross profit		<u>219,619</u>	<u>268,237</u>
Other income and gains, net	5	40,483	40,867
Selling and distribution expenses		(42,085)	(29,175)
Administrative expenses		(191,163)	(166,765)
Reversal of impairment on financial assets		115	2,688
Other expenses		(2,500)	(11,512)
Finance costs	7	<u>(7,401)</u>	<u>(33,607)</u>
PROFIT BEFORE TAX	6	17,068	70,733
Income tax expense	8	<u>(10,744)</u>	<u>(23,257)</u>
PROFIT FOR THE YEAR		<u><u>6,324</u></u>	<u><u>47,476</u></u>
Attributable to:			
Owners of the parent		25,147	52,448
Non-controlling interests		<u><u>(18,823)</u></u>	<u><u>(4,972)</u></u>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	10		
Basic			
For profit for the year		<u><u>RMB1.20 cents</u></u>	<u><u>RMB2.51 cents</u></u>
Diluted			
For profit for the year		<u><u>RMB1.20 cents</u></u>	<u><u>RMB2.51 cents</u></u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
PROFIT FOR THE YEAR	<u>6,324</u>	<u>47,476</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	<u>(454)</u>	<u>533</u>
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	<u>(454)</u>	<u>533</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	<u>(454)</u>	<u>533</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>5,870</u>	<u>48,009</u>
Attributable to:		
Owners of the parent	24,693	52,981
Non-controlling interests	<u>(18,823)</u>	<u>(4,972)</u>
	<u>5,870</u>	<u>48,009</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		898,430	831,412
Intangible assets		6,475	5,889
Deposits paid for purchase of items of property, plant and equipment		2,784	11,628
Deferred tax assets		43,324	21,205
Right-of-use assets		42,366	47,257
Total non-current assets		993,379	917,391
CURRENT ASSETS			
Inventories	11	608,515	229,453
Trade and bills receivables	12	1,012,621	1,862,040
Prepayments and other receivables		82,603	93,035
Derivative financial instruments		836	624
Cash and cash equivalents		416,730	101,054
Total current assets		2,121,305	2,286,206
CURRENT LIABILITIES			
Trade payables	13	1,391,274	815,697
Other payables and accruals		646,896	523,915
Derivative financial instruments		831	491
Interest-bearing bank and other borrowings	14	170,000	1,008,396
Tax payable		42,519	39,215
Lease liabilities		13,644	9,255
Bonds payable		8,417	8,959
Total current liabilities		2,273,581	2,405,928
NET CURRENT LIABILITIES		(152,276)	(119,722)
TOTAL ASSETS LESS CURRENT LIABILITIES		841,103	797,669

		2020	2019
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	<i>14</i>	48,792	24,498
Lease liabilities		–	8,773
Deferred income		26,749	13,395
Deferred tax liabilities		15,058	6,300
Total non-current liabilities		90,599	52,966
Net assets		750,504	744,703
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>15</i>	172,118	172,118
Reserves		466,950	442,326
		639,068	614,444
Non-controlling interests		111,436	130,259
Total equity		750,504	744,703

Notes:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

As at 31 December 2020, the Group had total current liabilities in excess of total current assets of RMB152,276,000. 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 RMB1,304,000,000 which will not expire until 31 December 2021, and (ii) the Company’s intermediate holding company, TCL China Star Optoelectronics Technology Co., Ltd. agreeing 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 obligations in the foreseeable future and accordingly, the consolidated financial statements have been prepared on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same year as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interests and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

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

3. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i> ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i> ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
HKFRS 17	<i>Insurance Contracts</i> ³
Amendments to HKFRS 17	<i>Insurance Contracts</i> ^{3, 6}
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> ^{3, 5}
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> ²
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i> ²
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 ²

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ No mandatory effective date yet determined but available for adoption

⁵ As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

⁶ As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- *HKFRS 9 Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.
- *HKFRS 16 Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

4. 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 product 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*

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Mainland China*	3,340,552	4,884,225
Other countries/areas	<u>1,012,252</u>	<u>571,565</u>
	<u>4,352,804</u>	<u>5,455,790</u>

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

* *Mainland China means 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 RMB2,297,436,000 during the year ended 31 December 2020 (year ended 31 December 2019: RMB3,136,167,000) was derived from sales to related parties of the Company.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue from contracts with customers	<u>4,352,804</u>	<u>5,455,790</u>

Revenue from contracts with customers

(a) *Disaggregated revenue information*

For the year ended 31 December 2020

Segments	LCD modules <i>RMB'000</i>
Types of goods or services	
Sale of industrial products	3,490,868
Processing and manufacturing services	<u>861,936</u>
Total revenue from contracts with customers	<u>4,352,804</u>
Geographical markets	
Mainland China	3,340,552
Hong Kong	963,460
Vietnam	47,073
Thailand	1,064
South Korea	649
Taiwan	<u>6</u>
Total revenue from contracts with customers	<u>4,352,804</u>
Timing of revenue recognition	
Goods and services transferred at a point in time	<u>4,352,804</u>

For the year ended 31 December 2019

Segments	LCD modules <i>RMB'000</i>
Type of goods or services	
Sale of industrial products	4,947,972
Processing and manufacturing services	<u>507,818</u>
Total revenue from contracts with customers	<u><u>5,455,790</u></u>
Geographical markets	
Mainland China	4,884,225
Hong Kong	471,188
South Korea	96,739
Turkey	3,024
Thailand	590
Taiwan	<u>24</u>
Total revenue from contracts with customers	<u><u>5,455,790</u></u>
Timing of revenue recognition	
Goods and services transferred at a point in time	<u><u>5,455,790</u></u>

(b) Performance obligations

Information about the Group's performance obligation is summarised below:

Sale of industrial products

The performance obligation is satisfied upon delivery of the LCD module products and the payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

Processing and manufacturing services

The performance obligation is satisfied upon delivery of the LCD module products.

An analysis of other income and gains is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Other income, net		
Bank interest income	8,573	9,405
Subsidy income*	15,934	4,113
Gain on disposal of raw materials, samples and scraps	10,806	17,192
Others	<u>1,034</u>	<u>9,362</u>
	<u>36,347</u>	<u>40,072</u>
Gains, net		
Fair value gains, net:		
Derivative financial instruments		
– transactions not qualifying as hedges	<u>4,136</u>	<u>795</u>
	<u>40,483</u>	<u>40,867</u>

* *Subsidy income represents various government grants received from the relevant government authorities to support the development of the relevant project of the Group in Mainland China. In the opinion of management, there are no unfulfilled conditions or contingencies relating to these grants.*

6. PROFIT BEFORE TAX

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

	2020 RMB'000	2019 RMB'000
Cost of inventories sold*	4,133,185	5,187,553
Depreciation of property, plant and equipment	169,216	120,892
Amortisation of intangible assets	2,090	1,670
Depreciation of right-of-use assets	13,907	10,475
Auditor's remuneration	1,227	1,214
Research and development costs [^] :		
Current year expenditures	133,385	104,648
Lease payments not included in the measurement of lease liabilities	63,583	30,943
Employee benefit expense (including directors' remuneration):		
Wages and salaries	511,694	376,439
Equity-settled share option expense	(69)	(315)
Equity-settled share award expense	–	(14)
Pension scheme contributions**	72,071	72,189
	<u>583,696</u>	<u>448,299</u>
Exchange losses, net	5,344	5,086
Reversal of impairment of trade and bills receivables	(115)	(2,600)
(Reversal of write-down)/write-down of inventories to net realisable value***	(2,721)	1,660
Loss on disposal of items of property, plant and equipment	<u>966</u>	<u>–</u>

[^] Research and development costs are included in "Administrative expenses" in the consolidated statement of profit or loss.

* The amount included wages and salaries, depreciation, amortisation and lease payments of RMB580,859,000 (31 December 2019: RMB571,659,000) in aggregate which have been included in the respective expense items disclosed below.

** As at 31 December 2020, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (31 December 2019: Nil).

*** Write-down of inventories to net realisable value is included in "Cost of sales" in the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest on bank loans and bonds	1,435	5,167
Interest on lease liabilities	985	686
Interest on discounted bills	<u>4,981</u>	<u>27,754</u>
	<u>7,401</u>	<u>33,607</u>

8. INCOME TAX

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 year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current		
Charge for the year	24,100	23,140
Adjustment in respect of current tax of previous periods	5	(2,523)
Deferred	<u>(13,361)</u>	<u>2,640</u>
Total tax charge for the year	<u>10,744</u>	<u>23,257</u>

9. DIVIDENDS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Dividends recognised as distribution	<u>–</u>	<u>–</u>

The Board does not recommend to declare any final dividend for the year ended 31 December 2020.

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of the basic earnings per share amount for the year ended 31 December 2020 is based on the profit for the year attributable to owners of the parent of RMB25,147,000 (2019: RMB52,448,000), and the weighted average number of ordinary shares of the Company in issue less shares held for the Share Award Scheme during the year of 2,096,717,906 (2019: 2,090,435,766).

The Company had no potentially dilutive ordinary shares in issue during the year ended 31 December 2020.

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Earnings		
Profit attributable to owners of the parent,		
used in the basic earnings per share calculation	<u><u>25,147</u></u>	<u><u>52,448</u></u>
	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue less shares		
held for the Share Award Scheme during the year used in the		
basic earnings per share calculation	<u><u>2,096,717,906</u></u>	<u><u>2,090,435,766</u></u>

11. INVENTORIES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Raw materials	226,250	101,865
Work in progress	40,469	17,613
Finished goods	<u>341,796</u>	<u>109,975</u>
	<u><u>608,515</u></u>	<u><u>229,453</u></u>

12. TRADE AND BILLS RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables	813,169	814,722
Bills receivable	200,638	1,048,619
Impairment	<u>(1,186)</u>	<u>(1,301)</u>
	<u>1,012,621</u>	<u>1,862,040</u>

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 and bills receivables balances. Trade and bills receivables are non-interest-bearing.

Included in the Group's trade and bills receivables are amounts due from the Group's related parties of RMB630,959,000 (31 December 2019: RMB1,225,591,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 1 month	559,419	350,994
1 to 2 months	259,115	419,924
2 to 3 months	90,466	249,843
Over 3 months	<u>103,621</u>	<u>841,279</u>
	<u>1,012,621</u>	<u>1,862,040</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
At beginning of year	1,301	11,934
Impairment losses, net	(115)	(2,600)
Amount written off as uncollectible	<u>—</u>	<u>(8,033)</u>
At end of year	<u>1,186</u>	<u>1,301</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade and bills receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2020

	Past due		
	Less than 6 months	Over 6 months	Total
Expected credit loss rate	0.14%	10.42%	0.15%
Gross carrying amount (<i>RMB'000</i>)	813,073	96	813,169
Expected credit losses (<i>RMB'000</i>)	1,176	10	1,186

As at 31 December 2019

	Past due		Total
	Less than 6 months	Over 6 months	
Expected credit loss rate	0.16%	–	0.16%
Gross carrying amount (<i>RMB'000</i>)	814,722	–	814,722
Expected credit losses (<i>RMB'000</i>)	1,301	–	1,301

The Group's bills receivable have been accepted by notable banks with high credit ratings. As at 31 December 2020, the probability of default and the loss given default were estimated to be minimal.

13. TRADE PAYABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade payables	1,391,274	815,697

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 30 days	1,136,550	470,441
31 to 60 days	222,720	194,020
61 to 90 days	21,905	123,484
Over 90 days	10,099	27,752
	1,391,274	815,697

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

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2020			31 December 2019		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	2.48-2.80	2021	170,000	3.40-3.60	2020	908,396
Collateralised bank advances – unsecured	–	–	–	3.60	2020	100,000
			<u>170,000</u>			<u>1,008,396</u>
Non-current						
Other secured bank loans	4.75	2024	24,792	4.75	2024	498
Other borrowings	0.44-1.10	2022	24,000	0.44	2022	24,000
			<u>48,792</u>			<u>24,498</u>
			<u>218,792</u>			<u>1,032,894</u>
Analysed into:						
Bank loans repayable						
Within one year			170,000			1,008,396
In the third to fifth years, inclusive			<u>24,792</u>			<u>498</u>
			<u>194,792</u>			<u>1,008,894</u>
Other borrowings repayable						
Within one year			–			–
In the second year			24,000			–
In the third to fifth years, inclusive			<u>–</u>			<u>24,000</u>
			<u>24,000</u>			<u>24,000</u>
			<u>218,792</u>			<u>1,032,894</u>

Notes:

- The Group had banking facilities of RMB1,760,000,000 (31 December 2019: RMB2,460,000,000), of which RMB548,785,000 (2019: RMB399,901,000) has been utilised as at the end of the year.
- The Company's ultimate holding company has guaranteed certain of the Group's interest-bearing bank borrowings of up to RMB24,792,000 (31 December 2019: RMB100,498,000) as at the end of the year.
- Tenures of the other borrowings are 3 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 bearing interest at 1.10% per annum, and such borrowing will be payable on 22 February 2022.
- Tenures of all non-current secured bank loans are less than 5 years starting from 2019 and 2020. Interest is chargeable at 4.75% and payable quarterly.
- All borrowings were denominated in RMB as of 31 December 2020.

15. SHARE CAPITAL

	2020	2019
<i>Authorised:</i>		
4,000,000,000 (31 December 2019: 4,000,000,000)		
ordinary shares of HK\$0.10 each (<i>HK\$'000</i>)	400,000	400,000
<i>Issued and fully paid:</i>		
2,114,117,429 (31 December 2019: 2,114,117,429)		
ordinary shares (<i>HK\$'000</i>)	211,412	211,412
Equivalent to RMB'000	172,118	172,118
	Number of shares in issue	Share premium account
		<i>RMB'000</i>
At 1 January 2019	2,086,718,219	58,000
Share options exercised (<i>Note (a)</i>)	27,399,210	21,331
At 31 December 2019, 1 January 2020 and 31 December 2020	2,114,117,429	79,331

Notes:

As at 31 December 2020, the total number of issued ordinary shares of the Company was 2,114,117,429 (2019: 2,114,117,429) shares which included 17,399,523 (2019: 17,399,523) shares held for the Share Award Scheme adopted by the Company.

- (a) No subscription rights were exercised during the reporting period. (2019: The subscription rights attaching to 27,399,210 share options were exercised at the subscription price of HK\$0.74 per share, resulting in the issue of 27,399,210 shares for a total cash consideration, before expenses, of RMB17,392,000. An amount of RMB6,289,000 was transferred from the share option reserve to share premium account upon the exercise of the share options.)

16. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation and disclosures. The Directors consider that such presentation would provide a more direct comparison to better reflect the financial performance of the Group.

INDUSTRY REVIEW

In 2020, the world economy was impacted by the COVID-19 pandemic. The productivity along the supply chain was delayed and the consumer sentiment remained weak, which affected the sales of smartphones globally. According to the 2020 international smartphone shipment report by the global market research institution IDC (International Data Corporation), the global smartphone shipment volume for 2020 decreased by 5.9% year-on-year to approximately 1,292 million units. The global market analyst firm Canalys also disclosed that 330 million units of smartphone were shipped from Mainland China in 2020, marking a year-on-year decline of 11%. Huawei (including Honor), OPPO, vivo and Xiaomi remained the four major domestic smartphone manufacturers, whose combined domestic market share exceeded 80% in 2020. In the second half of 2020, following the gradual recovery of the economy and retail consumption, companies worldwide actively developed online sales and gradually reopened their brick-and-mortar stores. Meanwhile, various major manufacturers started to launch 5G products. According to the data issued by the China Academy of Information and Communications Technology, the cumulative domestic shipment volume of 5G phones in 2020 has reached 163 million units, accounting for 52.9% of total mobile phone shipments in China.

For products, the pandemic has boosted the demand for remote work and learning, which drove up the sales volume of laptops and learning tablets products. Due to weak consumer sentiment, manufacturers have launched lower-priced products to cater to the market needs, stimulating the demand for products using the more cost-effective amorphous silicon liquid-crystal display (“A-Si LCD”).

BUSINESS REVIEW

For the year ended 31 December 2020 (the “Review Period”), the Group achieved a total sales volume of 112 million units, representing a year-on-year increase of 1.4%.

During the Review Period, the sales volume of the processing products reached 71 million units, representing a year-on-year increase of 51.5% and accounting for 63.0% of the Group's total sales volume, and contributed a revenue of RMB862 million, representing a year-on-year growth of 69.7%. As processing products accounted for the majority of the sales volume of the Group and only processing fee was charged for these products, the Group recorded a lower average unit price as compared to 2019. As a result, the total revenue has decreased to RMB4,353 million, representing a year-on-year decrease of 20.2%. Since the Group has launched the processing business in the second half of 2019, the sales volume and revenue of the non-processing products have recorded a decrease, of which the sales volume of laminated LCD module products was 39 million units with the corresponding revenue decreasing by 22.2% year-on-year to RMB3,293 million; whereas the sales volume of non-laminated LCD module products was 2 million units with the corresponding revenue decreasing by 72.4% year-on-year to RMB198 million. The Group continued to widen its product range, driving its overall average selling price (excluding processing products) during the Review Period to increase by 8.7% year-on-year to RMB83.9 which is attributable to the higher unit price of smart-home and learning tablet display modules.

Despite the COVID-19 pandemic in the first half of 2020 affecting the Group's production and operation, the market demand for mobile phone has rebounded and the productivity of the Group's production base in Wuhan has returned to normal seasonal levels as the pandemic was gradually contained domestically. For the full year of 2020, the Group's gross profit was RMB220 million, the gross profit margin was 5.0%, representing an increase of 0.1 percentage points year-on-year. During the Review Period, the Group has made a turnaround with profits attributable to owners of the parent reaching RMB25 million.

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

	For the year ended 31 December				
	2020		2019		Change
	<i>million units</i>	<i>%</i>	<i>million units</i>	<i>%</i>	<i>%</i>
Sale of TFT LCD module					
Non-laminated modules	2	2.4	16	14.3	-83.4
Laminated modules	39	34.7	48	43.5	-19.1
Processing					
TFT LCD module					
Non-laminated modules	5	4.1	5	4.8	-12.4
Laminated modules	66	58.8	42	37.4	+59.7
Total	112	100.0	111	100.0	+1.4

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

	For the year ended 31 December				
	2020		2019		Change
	<i>RMB million</i>	<i>%</i>	<i>RMB million</i>	<i>%</i>	<i>%</i>
Sale of TFT LCD module					
Non-laminated modules	198	4.5	716	13.1	-72.4
Laminated modules	3,293	75.7	4,232	77.6	-22.2
Processing					
TFT LCD module					
Non-laminated modules	47	1.1	43	0.8	+9.0
Laminated modules	815	18.7	465	8.5	+75.3
Total	4,353	100.0	5,456	100.0	-20.2

During the Review Period, China remained the main market for the Group. The revenue from Hong Kong and China were RMB963 million and RMB3,341 million, respectively, which together accounted for 98.9% of the Group's total revenue.

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

	For the year ended 31 December				
	2020		2019		Change
	<i>RMB million</i>	<i>%</i>	<i>RMB million</i>	<i>%</i>	<i>%</i>
Hong Kong	963	22.1	471	8.6	+104.5
China	3,341	76.8	4,884	89.5	-31.6
Others	49	1.1	101	1.9	-51.4
Total	4,353	100.0	5,456	100.0	-20.2

Optimising product structure and increasing core competitiveness

As a qualified supplier for the top global mobile phone brands, the Group not only fulfilled the demand of the first tier brands, but also actively broadened its product range during the Review Period. Having seized the explosive growth in market demand for tablets, learning tablets and laptops, the sales volume of tablet and learning tablet display modules increased by 192% year-on-year to 4.6 million units during the Review Period. Since the launch of production in the fourth quarter of 2019, the sales volume of laptop display modules in the Review Period was 1.0 million units, representing a year-on-year growth of 8 times.

During the Review Period, the overall demand for A-Si LCD products remained stable, with the global annual shipment volume of panels maintaining at approximately 1.75 billion units. Noted for its excellent cost-performance ratio, the sales volume of the products using A-Si LCD panels has increased by 141% year-on-year during the Review Period. As the majority of medium sized products adopted A-Si LCD panels, the average selling price of A-Si products has recorded an increase of 11% year-on-year, thereby driving the revenue proportion from 19.5% for the same period last year to 65.2% for the Review Period.

Construction of smart factory to expand production capacity

During the Review Period, the Group has officially launched the project of small and medium-sized liquid crystal module, in order to build a smart factory for the new TID (Touch In Display) module, step up the Group's research and development capability and production technology, and enhance the production scale. The factory construction project is located in Chenjiang, Huizhou, China with a planned total construction area of approximately 103,805 square metres. Apart from relocating the existing 20 production lines for mobile phone display modules and 2 production lines for medium-sized display modules to the new smart factory, the Group has also planned to expand its production capacities for wearable and medium-sized display modules in order to capture the growing demand in the market. The project is expected to be completed and commence production in 2022.

OUTLOOK

Looking ahead, while there remains uncertainties in the external economic environment, there is still a glimmer of light for the global mobile phone industry. According to the forecast by the research organization, Canalys, the global shipment of smartphones in 2021 is expected to increase by nearly 10% year-on-year, as mobile phone manufacturers are making an effort to launch new products, actively promoting online sales and resuming operation of brick-and-mortar stores.

The Group will strive to maximize its production efficiency and effectiveness, keep fulfilling the orders of first-tier customers and strengthen its customer base. Furthermore, the Group will step up the research and development for 5G related products, enhance and preserve the advanced display technology including in-display fingerprints technology, so as to accommodate the requirements of 5G mobile phones and to build a solid operational base for the “era of new infrastructure”.

Because of the pandemic, the demand for remote work and learning has increased tremendously, boosting the market demand for laptops and tablets. Such strong demand is very likely to continue in 2021. The latest IDC report forecasts that the smart devices will become scenario-based in the future. It is expected that in 2021, around 8% of smart devices will be modeled for educational use, while more than 20% of smart devices will be related to smart-home. In view of this, the Group will actively allocate resources to the markets of smart-home and wearable display modules to seize the great opportunity therein and horizontally expand the Group’s business.

In the long run, the Group remains cautiously optimistic about the 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 industry value chain, so as to increase its competitiveness. The Group will strive to face various challenges while sustaining the sales growth and steady development, as well as to create greater value for the Group and its shareholders.

FINANCIAL REVIEW

Liquidity and Financial Resources

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 31 December 2020 amounted to RMB417 million, of which 20.6% was in US dollar, 78.4% was in RMB and 1.1% was in HK dollar.

As at 31 December 2020, the Group's interest-bearing bank loans were RMB195 million, which are denominated in RMB. The Group's other borrowings were RMB24 million, which are denominated in RMB with a fixed interest rate.

As at 31 December 2020, total equity attributable to owners of the parent was RMB639 million (31 December 2019: RMB614 million), and the gearing ratio was 7.3% (31 December 2019: 32.5%). The gearing ratio is calculated based on the Group's total interest-bearing loans (including bank borrowings, other borrowings and bonds payable) divided by its total assets.

Pledge of Assets

As at 31 December 2020, no asset of the Group was pledged (31 December 2019: nil).

Capital Commitments and Contingent Liabilities

	31 December 2020 RMB'000	31 December 2019 RMB'000
Contracted, but not provided for:		
Plant and machinery	4,442	22,726

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

Pending Litigation

The Group had not been involved in any material litigation for the year ended 31 December 2020.

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 of 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. The Group also used forward currency contracts to reduce the foreign currency exposures. In addition, pursuant to the principle of prudent financial management, the Group has not conducted or engaged in any high-risk derivative transactions during the Review Period.

Significant Investments Held

There were no significant investment held by the Group as at 31 December 2020.

Material Acquisitions and Disposals

The Group did not undertake any material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2020.

Future Plans for Material Investments or Capital Assets

As at 31 December 2020, the Group did not have any concrete plans for material investments or capital assets for the year 2021.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group had a total of 7,197 employees. During the Review Period, the total staff costs amounted to RMB584 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 Scheme and Share Award Scheme respectively. Share options carrying rights to subscribe for a total of 36,107,986 shares of the Company ("Shares") remained outstanding as at 31 December 2020.

ENVIRONMENTAL POLICY AND COMPLIANCE

The Group is devoted to achieve environmental sustainability and incorporates its philosophy of corporate social responsibility into daily operations. The Group operates its manufacturing facilities in compliance with all applicable local environmental regulations.

The Group also encourages its employees to protect the environment. To promote environmental awareness among employees, new staff shall attend induction training on energy saving. During the Review Period, the Group improved its management efficiency and implemented various energy saving measures, which effectively reduced the use of resources and further created a safe and healthy workplace and living environment for its staff.

The Group continues to optimise its strategy to shoulder its corporate environmental, social and ethical responsibility and improve corporate governance, in an effort to create greater value for all of the Group's stakeholders including shareholders, customers and employees as well as the communities where it operates.

The Environmental, Social and Governance Report of the Company for the year ended 31 December 2020 prepared in accordance with Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") will be published separately pursuant to the requirements under Appendix 27 to the Listing Rules.

CUSTOMERS AND SUPPLIERS

The Group recognises that maintaining good and stable relationship with customers and business partners is the key for the sustainable development of the Group. Therefore, the Group keeps good partnership with its major customers and suppliers. During the year, the Group's largest customer and the top five customers contributed approximately 37% and 91% (for the year ended 31 December 2019: 45% and 82%) to the revenue of the Group, respectively. Those customers have been cooperating with the Group for 1-12 years. The Group's largest supplier and the top five suppliers accounted for approximately 11% and 43% (for the year ended 31 December 2019: 21% and 43%) of the purchases of the Group, respectively. Those suppliers have been cooperating with the Group for 1-8 years.

Major customers

The Group's major customers, including Samsung, Huawei, Xiaomi, OPPO, vivo and Transsion, are all from consumer mobile device industry, which is characterised by its cycles of integration and emergence of new brands. Any loss of or changes in market position of any of these customers may materially and adversely affect the business, financial condition and operating results of the Group. In light of this, the Group adopts the following strategies to reduce the risk from reliance on one single customer. On one hand, the Group strengthens the relationship with its existing customers. One of the major customers is a subsidiary of TCL Technology Group Corporation (formerly known as TCL Corporation, "TCL Technology"), the ultimate controlling shareholder of the Company, which has established solid partnership with the Group over the years. The other major customers also make relatively stable contribution to the revenue of the Group. On the other hand, the Group endeavours to expand business and acquire new customers by improving its product mix and integrating industry chain.

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 generally ranges from 30 to 90 days, depending on the size and credibility of the customers. Each customer has its own specific credit limit. The Group also maintains credit insurance for trade receivables from customers.

Suppliers

There are numerous suppliers providing materials required for the Group's production and other businesses operations. However, the Group can only rely on a limited number of suppliers for certain materials which are exclusively manufactured by such suppliers. Failure of suppliers to timely deliver adequate production materials may disrupt the Group's production process, and hence adversely affect the business and financial performance of the Group. The Group therefore adopts multiple sourcing policy and strategic inventory management to ensure sufficient supply of materials for production.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2020.

FINAL DIVIDEND

The Board do not recommend the payment of any final dividend by the Company for the year ended 31 December 2020 (2019: nil).

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the entitlements of the shareholders of the Company to attend and vote at the AGM, the deadline for share registration will be 24 May 2021, Monday and the register of members of the Company will be closed from 25 May 2021, Tuesday to 28 May 2021, Friday (both dates inclusive). No transfer of the Shares may be registered during the said period. In order to qualify to attend and vote at the AGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 24 May 2021, Monday.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 28 May 2021, Friday. The notice of annual general meeting will be published on the websites of the Company and The Stock Exchange of Hong Kong Limited and despatched to the shareholders of the Company in due course.

CORPORATE GOVERNANCE

During the year ended 31 December 2020, the Company has complied with the code provisions (the “Code Provision”) of the corporate governance code and corporate governance report (“CG Code”) as set out in Appendix 14 to the Listing Rules except for the following deviations:

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. 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 pre-arranged business commitments which must be attended to by him, Mr. LIAO Qian, being the chairman of the Board and Nomination Committee and a non-executive Director, was not present at the annual general meeting of the Company held on 23 June 2020. However, Ms. HSU Wai Man Helen, being the chairlady of the Audit Committee and an independent non-executive Director, and Mr. XU Yan, being the chairman of the Remuneration Committee and an independent non-executive Director, were present at the said annual general meeting to maintain an ongoing dialogue and communicate with the shareholders and encourage their participation.

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”), being a practising solicitor in Hong Kong and a partner of the Company’s legal advisor, Messrs. Cheung Tong & Rosa Solicitors (“CTR”), is not an employee of the Company.

During the year ended 31 December 2020, the Company has assigned Ms. Clara SIU, the Vice Director of Finance and Investor Relations Department 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 assigned, to enable the company secretary to get hold of the Group's development promptly without material delay. With CTR's respective expertise and experience, the Company is confident that having Ms. CHEUNG as its company secretary is beneficial to the Group's compliance with the relevant board procedures, applicable laws, rules and regulations.

Save as disclosed above, none of the Directors is aware of any information which would reasonably indicate that the Company had not, throughout the year ended 31 December 2020, fully complied with the Code Provisions set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Board has adopted a code of conduct regarding directors' securities transactions on the same terms as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Listing Rules. 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 year ended 31 December 2020.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2020, including the accounting principles adopted by the Group, with the Company's management. The Audit Committee currently comprises three members, namely Ms. HSU Wai Man, Helen (chairlady), Mr. XU Yan and Mr. LI Yang, all being independent non-executive directors of the Company.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit of loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this preliminary announcement have been agreed by the Company's auditors to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on this preliminary announcement.

On behalf of the Board

LIAO Qian

Chairman

Hong Kong, 5 March 2021

The English transliteration of the Chinese name(s) in this announcement, where indicated with “”, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese names.*

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. ZHANG Feng as executive Directors; and Ms. HSU Wai Man Helen, Mr. XU Yan and Mr. LI Yang as independent non-executive Directors.