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 2021

FINANCIAL HIGHLIGHTS

Unaudited results for the six months ended 30 June

	2021	2020	**Change**
	(Unaudited)	(Unaudited)	
	RMB'000	*RMB'000*	
		(restated)	
CONTINUING OPERATIONS			
Revenue	**2,852,542**	1,371,514	108.0%
Gross profit	**223,634**	125,578	78.1%
Profit for the period from continuing operations	**70,825**	16,569	327.5%
Profit/(loss) attributable to owners of the parent	**97,552**	(88,527)	N/A
Basic earnings/(losses) per share attributable to owners of the parent			
– For profit/(loss) for the period	**RMB4.65 cents**	RMB(4.22) cents	N/A
– For profit from continuing operations	**RMB3.38 cents**	RMB0.79 cents	327.8%

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 2021 (the "Review Period") with comparative figures for the corresponding period in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

		For the six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
			(restated)
CONTINUING OPERATIONS			
Revenue	*4*	**2,852,542**	1,371,514
Cost of sales		**(2,628,908)**	(1,245,936)
Gross profit		**223,634**	125,578
Other income and gains	*4*	**19,489**	9,245
Selling and distribution expenses		**(32,020)**	(15,638)
Administrative expenses		**(115,736)**	(88,430)
Reversal of impairment on financial assets		**36**	110
Other expenses		**(1,393)**	(2,014)
Finance costs	*7*	**(1,537)**	(3,386)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	*5*	**92,473**	25,465
Income tax expense	*8*	**(21,648)**	(8,896)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**70,825**	16,569

	Notes	For the six months ended 30 June **2021** **(Unaudited)** ***RMB'000***	2020 (Unaudited) *RMB'000* (restated)
DISCONTINUED OPERATION			
Profit/(loss) for the period from a discontinued operation	*6*	**33,223**	(154,517)
PROFIT/(LOSS) FOR THE PERIOD		**104,048**	(137,948)
Attributable to:			
Owners of the parent		**97,552**	(88,527)
Non-controlling interest		**6,496**	(49,421)
EARNINGS/(LOSSES) PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	*10*		
Basic			
– For profit/(loss) for the period		**RMB 4.65 cents**	RMB (4.22) cents
– For profit from continuing operations		**RMB 3.38 cents**	RMB 0.79 cents
Diluted			
– For profit/(loss) for the period		**RMB 4.65 cents**	RMB (4.22) cents
– For profit from continuing operations		**RMB 3.38 cents**	RMB 0.79 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
		(restated)
PROFIT/(LOSS) FOR THE PERIOD	**104,048**	(137,948)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	**(81)**	133
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**(81)**	133
OTHER COMPREHENSIVE INCOME, NET OF TAX	**(81)**	133
TOTAL COMPREHENSIVE INCOME/(LOSS), NET OF TAX	**103,967**	(137,815)
Attributable to:		
Owners of the parent	**97,471**	(88,394)
Non-controlling interest	**6,496**	(49,421)
	103,967	(137,815)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	Notes	**30 June 2021 (Unaudited)** ***RMB'000***	31 December 2020 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**343,538**	898,430
Intangible assets		**5,064**	6,475
Deposits paid for purchase of items of property, plant and equipment		**8,457**	2,784
Deferred tax assets		**23,490**	43,324
Right-of-use assets		**35,411**	42,366
Total non-current assets		**415,960**	993,379
CURRENT ASSETS			
Inventories		**306,195**	608,515
Trade and bills receivables	*11*	**967,486**	1,012,621
Prepayments and other receivables		**233,497**	82,603
Derivative financial instruments		**11,478**	836
Time deposits		**40,000**	–
Cash and cash equivalents		**821,488**	416,730
Total current assets		**2,380,144**	2,121,305
CURRENT LIABILITIES			
Trade payables	*12*	**1,479,955**	1,391,274
Other payables and accruals		**324,341**	646,896
Derivative financial instruments		**12,531**	831
Interest-bearing bank and other borrowings	*13*	**126,004**	170,000
Lease liabilities		**6,902**	13,644
Tax payable		**49,508**	42,519
Bonds payable		**–**	8,417
Total current liabilities		**1,999,241**	2,273,581
NET CURRENT ASSETS/(LIABILITIES)		**380,903**	(152,276)
TOTAL ASSETS LESS CURRENT LIABILITIES		**796,863**	841,103

	Notes	**30 June 2021 (Unaudited)** ***RMB'000***	31 December 2020 (Audited) *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*13*	**43,292**	48,792
Deferred income		**17,046**	26,749
Deferred tax liabilities		**–**	15,058
Total non-current liabilities		**60,338**	90,599
Net assets		**736,525**	750,504
EQUITY			
Equity attributable to owners of the parent			
Share capital	*14*	**172,118**	172,118
Reserves		**564,407**	466,950
		736,525	639,068
Non-controlling interests		**–**	111,436
Total equity		**736,525**	750,504

Notes:

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting*. 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 2020.

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 2020, 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 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendments to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

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

(a) 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 risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities 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.

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the period ended 30 June 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the Covid-19 pandemic. A reduction in the lease payments arising from the rent concessions of RMB6,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2021.

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	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
		(restated)
Mainland China	**1,694,817**	1,203,775
Other countries/areas	**1,157,725**	167,739
	2,852,542	1,371,514

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

(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 RMB1,291,139,000 for the six months ended 30 June 2021 (six months ended 30 June 2020: RMB294,215,000) was derived from sales to related companies.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Segments	**LCD modules**	LCD modules (restated)
Types of goods and services		
Sale of industrial products	**2,830,145**	1,299,993
Processing services	**22,397**	71,521
Total revenue from contracts with customers	**2,852,542**	1,371,514
Geographical markets		
Mainland China	**1,694,817**	1,203,775
Other countries/areas	**1,157,725**	167,739
Total revenue from contracts with customers	**2,852,542**	1,371,514
Timing of revenue recognition		
Goods and services transferred at a point in time	**2,852,542**	1,371,514

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
		(restated)
Other income, net		
Bank interest income	**8,076**	3,628
Subsidy income*	**1,815**	1,367
Others	**562**	37
	10,453	5,032
Gains, net		
Fair value gains, net:		
Derivative financial instruments	**1,979**	311
Gain on disposal of raw materials, samples and scraps	**4,129**	3,902
Gain on disposal of forward exchange agreement	**2,928**	–
	19,489	9,245

* 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	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
		(restated)
Cost of inventories sold*	**2,628,132**	1,243,145
Depreciation	**40,564**	37,328
Amortisation of intangible assets	**939**	740
Depreciation of right-of-use assets	**6,953**	4,918
Research and development costs:		
Current period expenditures**	**87,003**	64,096
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**103,998**	74,187
Equity-settled share option expense	**(14)**	–
Pension scheme contributions	**9,230**	8,059
	113,214	82,246
Exchange differences, net	**379**	253
Impairment of/(reversal of impairment of) trade and bills receivables	**63**	(110)
Reversal of impairment of financial assets included in prepayments, other receivables	**(99)**	–
Loss on disposal of items of property, plant and equipment	**15**	–
(Reversal of write-down of)/write-down of inventories to net realisable value***	**(1,478)**	7,683

* The amount included wages and salaries, depreciation, amortisation and lease payments of RMB216,452,000 (for the six months ended 30 June 2020: RMB165,653,000) 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.

*** The write-down and reversal of 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. DISCONTINUED OPERATION

On 25 May 2021, the Company announced that it has entered into the sale and purchase agreement to dispose of Wuhan China Display Optoelectronics Technology Company Limited. Wuhan China Display Optoelectronics Technology Company Limited engages in the low-temperature poly-silicon ("LTPS") modules business. The disposal of Wuhan China Display Optoelectronics Technology Company Limited was completed on 30 June 2021.

The results of Wuhan China Display Optoelectronics Technology Company Limited for the period are presented below. The comparative figures in the interim condensed consolidated statement of profit or loss have been restated to re-present the business of Wuhan China Display Optoelectronics Technology Company Limited as a discontinued operation.

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue	**456,638**	250,547
Expenses	**(426,742)**	(394,339)
Finance costs	**–**	(2,459)
	29,896	(146,251)
Gain on disposal of the discontinued operation	**10,822**	–
Profit/(loss) before tax from the discontinued operation	**40,718**	(146,251)
Income tax:		
Related to pre-tax profit	**(7,495)**	(8,266)
Profit/(loss) for the period from the discontinued operation	**33,223**	(154,517)

The net cash flows generated from the disposal of Wuhan China Display Optoelectronics Technology Company Limited are as follows:

	For the six months ended 30 June 2021 (Unaudited) ***RMB'000***
Cash received from disposal of the discontinued operation	**85,800**
Cash and bank balances disposed of	**(3,193)**
	82,607

The net cash flows incurred by Wuhan China Display Optoelectronics Technology Company Limited are as follows:

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Operating activities	**38,862**	(180,813)
Investing activities	**(39,832)**	(59,919)
Financing activities	**–**	100,000
Net cash outflow	**(970)**	(140,732)
Earnings/(losses) per share:		
Basic, from the discontinued operation	**RMB 1.27 cents**	RMB (5.01) cents
Diluted, from the discontinued operation	**RMB 1.27 cents**	RMB (5.01) cents

The calculations of basic and diluted earnings per share from the discontinued operation are based on:

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB	RMB
Profit/(loss) attributable to ordinary equity holders of the parent from the discontinued operation	**26,727,000**	(105,096,000)
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme during the period used in the basic and diluted earnings/(losses) per share calculations *(note 10)*	**2,096,717,906**	2,096,717,906

7. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
		(restated)
Interest on bank loans and bonds	**146**	1,435
Interest on lease liabilities	**257**	404
Interest on discounted notes with recourses and factored trade receivables	**1,134**	1,547
	1,537	3,386

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the 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	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
		(restated)
Current – Hong Kong		
Charge for the period	**–**	–
Current – Mainland China		
Charge for the period	**26,606**	15,282
Adjustment in respect of current tax of previous periods	**(3,333)**	(1,952)
Deferred	**(1,625)**	(4,434)
Total tax charge for the period from continuing operations	**21,648**	8,896
Total tax charge for the period from a discontinued operation	**7,495**	8,266
	29,143	17,162

9. DIVIDENDS

The Directors do not recommend the payment of any dividend by the Company for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

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

The calculation of the basic earnings/(losses) per share amount for the six months ended 30 June 2021 is based on the profit/(loss) for the period attributable to owners of the parent, and the weighted average number of ordinary shares of 2,096,717,906 (six months ended 30 June 2020: 2,096,717,906) in issue less shares held for the share award scheme of the Company ("Share Award Scheme") during the period, as adjusted to reflect the rights issue during the period.

The Company had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2021.

The calculation of basic earnings/(losses) per share is based on:

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Earnings/(losses)		
Profit/(loss) attributable to owners of the parent, used in the basic and diluted earnings/(losses) per share calculations		
From continuing operations	**70,825**	16,569
From a discontinued operation	**26,727**	(105,096)

	Number of shares For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme during the period used in the basic and diluted earnings/(losses) per share calculations	**2,096,717,906**	2,096,717,906

11. TRADE AND BILLS RECEIVABLES

	30 June 2021 (Unaudited) *RMB'000*	31 December 2020 (Audited) *RMB'000*
Trade receivables	**844,020**	813,169
Bills receivable	**124,715**	200,638
Impairment	**(1,249)**	(1,186)
	967,486	1,012,621

An ageing analysis of the trade and bills receivables as at the end of the six months ended 30 June 2021 (the "Interim Period"), based on the invoice date and net of loss allowance, is as follows:

	30 June 2021 (Unaudited) *RMB'000*	31 December 2020 (Audited) *RMB'000*
Within 1 month	**524,829**	559,419
1 to 2 months	**243,169**	259,115
2 to 3 months	**159,369**	90,466
Over 3 months	**40,119**	103,621
	967,486	1,012,621

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.

12. TRADE PAYABLES

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
	RMB'000	*RMB'000*
Trade payables	**1,479,955**	1,391,274

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

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
	RMB'000	*RMB'000*
Within 30 days	**711,626**	1,136,550
31 to 60 days	**441,591**	222,720
61 to 90 days	**317,377**	21,905
Over 90 days	**9,361**	10,099
	1,479,955	1,391,274

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

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2021 (Unaudited)			31 December 2020 (Audited)		
	Effective interest rate *(%)*	**Maturity**	***RMB'000***	Effective interest rate *(%)*	Maturity	*RMB'000*
Current						
Bank loans – secured	**2.00**	**2021**	**102,004**	2.48-2.80	2021	170,000
Other borrowings – unsecured	**0.44-1.10**	**2022**	**24,000**			–
			126,004			170,000
Non-current						
Other secured bank loans	**3.65-4.75**	**2024**	**43,292**	4.75	2024	24,792
Other borrowings – unsecured			**–**	0.44-1.10	2022	24,000
			43,292			48,792
			169,296			218,792
Analysed into:						
Bank loans repayable						
Within one year			**102,004**			170,000
In the third to fifth years, inclusive			**43,292**			24,792
			145,296			194,792
Other borrowings repayable						
Within one year			**24,000**			–
In the second year			**–**			24,000
In the third to fifth years, inclusive			**–**			–
			24,000			24,000
			169,296			218,792

Notes:

(a) The Group had banking facilities of RMB1,510,000,000 (31 December 2020: RMB1,760,000,000), of which RMB843,777,000 (31 December 2020: RMB548,785,000) had been utilised as at the end of the Interim Period.

(b) The Company's ultimate holding company has guaranteed certain of the Group's interest-bearing bank borrowings up to RMB43,292,000 (31 December 2020: RMB24,792,000) as at the end of the Interim Period.

(c) The other borrowings are with a tenure of 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 hence such borrowing will be payable on 22 February 2022.

(d) All borrowings are denominated in RMB as at 30 June 2021.

14. SHARE CAPITAL

	30 June 2021	31 December 2020
Authorised:		
4,000,000,000 (31 December 2020: 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 2020: 2,114,117,429) ordinary shares (HK$'000)	**211,412**	211,412
Equivalent to RMB'000	**172,118**	172,118

As at 30 June 2021, the total number of issued ordinary shares of the Company was 2,114,117,429 (2020: 2,114,117,429) shares which included 17,399,523 (2020: 17,399,523) shares held for the Share Award Scheme adopted by the Company.

There's no movement in the Company's share capital during the current period.

15. COMPARATIVE AMOUNTS

The comparative statement of profit or loss has been re-presented as if the operation discontinued during the current period had been discontinued at the beginning of the comparative period (note 6). Certain comparative amounts have therefore been reclassified, to conform with the current period'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 the first half of 2021, as the COVID-19 pandemic eased and vaccination programs were gradually launched around the world, the global economy showed signs of sustained recovery, which led to a sharp rebound in smartphone shipment volume. According to the first quarter preliminary report from global market researcher OMDIA, the global smartphone shipment volume increased by 17.4% year-on-year to 652 million units in the first half of 2021, with the main driving force of growth coming from China and the Asia-Pacific region.

In addition, owing to the Mainland Chinese government's effective pandemic prevention and control policies as well as the persistent push to develop 5G networks, the penetration rate of 5G smartphones has continued to rise, driving a strong rebound in China's smartphone shipment volume. According to the China Academy of Information and Communication Technology, China's smartphone shipment volume for the first half of 2021 was 174 million units, representing an increase of 13.7% year-on-year, of which the shipment volume of 5G smartphone was 128 million units, representing a 100.9% growth year-on-year.

Benefitting from the continuous increase in demand for remote work under the pandemic and the rising public consumption sentiment, the shipment volume for tablets has increased significantly. According to the Worldwide Quarterly Personal Computing Device Tracker of IDC, in the first half of 2021, the global tablet shipment increased 24.5% year-on-year. Although hybrid work has continued to drive up the demand for tablets, the tension between high demand and low component supply still exists, with a low quarter-on-quarter growth rate of 1.5% in the shipment volume for tablets recorded due to the tight supply. As suppliers have been seeking for more productive and cost effective solutions for their product portfolios in the hybrid work era, the demand for amorphous silicon liquid-crystal display ("A-Si LCD") modules remained stable in the first half of 2021.

BUSINESS REVIEW*

For the six months ended 30 June 2021 (the "Review Period"), as a result of the rebound in demand for the smartphones, brand customers have been active in placing orders. The Group recorded a total sales volume of 33.8 million units, representing a year-on-year increase of 52.2%. Propelled by the growth in the sales of A-Si LCD modules which has a high cost-performance ratio, the Group's sales volume of modules for sale increased by 119.0% year-on-year to 32.0 million units, accounting for 94.7% of the Group's total sales volume. It drove up the Group's revenue to RMB2,853 million, representing a year-on-year increase of 108.0%.

During the Review Period, the sales business was the principal continuing operation of the Group. Sales volume of laminated modules for sale was 30.9 million units, representing a year-on-year increase of 131.6%, and the corresponding revenue was RMB2,738 million, representing a year-on-year increase of 128.8%, which has become the main growth driver for the Group. As conditions under the global pandemic became normalised, the market demand progressively shifted to products of lower unit prices and high cost-performance ratios. However, as a result of the persistent price hike of IC chips and raw materials for panels around the globe, the overall average selling price of the Group slightly dropped by 0.4% year-on-year to RMB88.5 (excluding processing modules).

Although the Group was affected by the COVID-19 pandemic in 2020, its profitability has improved significantly since the second half of 2020, growing steadily after making a turnaround. During the Review Period, the Group recorded a gross profit margin of 7.8%, representing a decrease of 1.4 percentage points as compared to the corresponding period last year, given the cost of raw materials has risen due to the tight supply. For comparative and illustrative purpose, the gross profit margin of the Group taking into account the discontinued operations of Wuhan China Display Optoelectronics Technology Company Limited*（武漢華顯光電技術有限公司, hereinafter, "Wuhan CDOT") was 7.8%, as compared to the negative gross profit margin of 0.92% recorded for the corresponding period last year. On the other hand, benefited from the economies of scale, the Group recorded a gross profit of RMB224 million, representing a year-on-year increase of 78.1%. The Group recorded profits attributable to owners of the parent of the Company of RMB98 million, as compared to the loss attributable to owners of the parent of the Company of approximately RMB89 million for the six months ended 30 June 2020. The Group recognised a gain of approximately RMB11 million from the disposal of 70% equity interest in Wuhan CDOT.

* *During the Review Period, the Group disposed of 70% equity interest in Wuhan China Display Optoelectronics Technology Company Limited*（武漢華顯光電技術有限公司）*to Wuhan China Star Optoelectronics Technology Company Limited*（武漢華星光電技術有限公司）*. The transaction was completed on 30 June 2021. For clarity, unless otherwise stated, the data and the comparing figures shown in this section comprised the continuing operations of the Group only without taking into account the discontinued operations of Wuhan China Display Optoelectronics Technology Company Limited.*

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

	For the six months ended 30 June				
	2021		2020		**Change**
(Unaudited)	***Million units***	*%*	*Million units*	*%*	*%*
Sale of TFT LCD module					
Non-laminated modules	**1.1**	**3.1**	1.3	5.7	–17.1
Laminated modules	**30.9**	**91.6**	13.4	60.2	+131.6
Processing TFT LCD module					
Non-laminated modules	**–**	**–**	3.4	15.4	–100.0
Laminated modules	**1.8**	**5.3**	4.1	18.7	–57.0
Total	**33.8**	**100.0**	22.2	100.0	+52.2

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

	For the six months ended 30 June				
	2021		2020		**Change**
(Unaudited)	***RMB Million***	*%*	*RMB Million*	*%*	*%*
Sale of TFT LCD module					
Non-laminated modules	**93**	**3.2**	104	7.6	–10.7
Laminated modules	**2,738**	**96.0**	1,196	87.2	+128.8
Processing TFT LCD module					
Non-laminated modules	**–**	**–**	28	2.0	–100.0
Laminated modules	**22**	**0.8**	44	3.2	–48.3
Total	**2,853**	**100.0**	1,372	100.0	+108.0

During the Review Period, China remained the main market for the Group. The revenue from Mainland China and Hong Kong were RMB1,695 million and RMB1,142 million respectively, together accounting for 99.4% of the Group's total revenue.

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

	For the six months ended 30 June				
	2021		2020		**Change**
	RMB Million	*%*	*RMB Million*	*%*	*%*
Mainland China	**1,695**	**59.4**	1,204	87.8	+40.8
Hong Kong	**1,142**	**40.0**	166	12.1	+588.0
Others	**16**	**0.6**	2	0.1	+797.3
Total	**2,853**	**100.0**	1,372	100.0	+108.0

Disposed of LTPS module business and focused on A-Si module business

During the Review Period, the Group has completed the disposal of 70% equity interest in Wuhan CDOT to Wuhan China Star Optoelectronics Technology Company Limited*（武漢華星光電技術有限公司）, "Wuhan CSOT") at the consideration of RMB286 million (the "Disposal"). For details, please refer to the announcements of the Company dated 25 May 2021 and 30 June 2021 respectively, and the circular of the Company dated 26 May 2021.

Since 2019, high-end active-matrix organic light-emitting diode ("AMOLED") display modules have begun to be mass produced in China, with their applications becoming increasingly extensive. Given the competitive market conditions, the sales price and revenue of low temperature poly-silicon liquid crystal display ("LTPS LCD") modules produced by Wuhan CDOT have both declined, leading to losses incurred by the Group for the past two financial years.

As a result of the Disposal, the Group has shed the burden of the LTPS LCD module business to devote more time and resources to focus on the A-Si LCD module business. The Group can increase the competitiveness and market recognition of the A-Si LCD modules by improving its presence in the industry chain and enhancing its strengths in technology and economies of scale. According to the report from IHS, A-Si LCD will maintain a firm foothold in various flat panel display applications (including mobile phones, tablets, laptops, cars, screen displays, and smart watches). As the overall demand will be relatively stable, the annual panel shipment volume will remain at approximately 1,750 million units. In view of this, the Group has built a smart factory for the new TID (Touch In Display) modules in Chenjiang, Huizhou, to further focus on the A-Si LCD module business. The Group will also continue to actively develop the markets of medium-size smart home and wearable products, so as to seize the huge opportunities in these markets and expand its business horizontally. This will bring opportunities to the Company and can further improve the Group's profitability.

Optimised product portfolio and improved the Group's profitability

As a qualified supplier of the world's top mobile phone brands, the Group continued to provide customers with high-quality and customised services and strengthen the relationship with brand customers. The orders from brand customers continued to increase in proportion during the Review Period.

During the Review Period, the Group has capitalised on the persistently rising demand for remote work driven by the new life-style under the pandemic. The sales volume of display modules for tablets increased 21% year-on-year to 1.2 million units in the first half of 2021. The Group will also continue to actively capture market shares in the markets of medium-size smart home and wearable products, so as to seize the huge opportunities in these markets and expand its business horizontally. This will bring opportunities to the Company and can further improve the Group's profitability.

OUTLOOK

In the second half of 2021, the global and Chinese economies are expected to continue to recover, fuelling the market demand for smartphones and 5G products. According to IDC report forecast, the global shipment volume of smartphones in 2021 will increase by 7.7% to 1,380 million units, the growth of which is expected to continue into 2022 to a total shipment volume of 1,430 million units. In addition, according to a report from the research organisation, Canalys, the number of existing 5G users in China has exceeded 350 million. The rush to upgrade to 5G smartphones is expected to be another catalyst for the growth of the smart product market.

With strong demand for hybrid work under the pandemic and the development of the Internet of Things as a result of the popularisation of 5G networks, the sales of consumer tablets and smart home products will continue to rise. According to the IDC forecast, the shipment volume of China's smart home device market in 2021 is expected to reach 250 million units, representing an increase of 21.1% year-on-year. At the same time, competition in the smart product market remains intense. Manufacturers are seeking cost-effective components to reduce production costs, which is expected to drive up the sales of A-Si LCD modules. Accordingly, the Group will closely monitor the market trends and take the initiative to map out its sales strategies for smartphones, tablets, smart home and wearable products to seize business opportunities and actively achieve horizontal expansion in the business of display modules.

While the recurring outbreaks in certain regions might lead to uneven economic recovery, the Group remains generally optimistic about the long-term development prospects of the display module business. Despite the tight supply of chips in the supply chain, the Group will make an effort to improve its industrial chain to ensure production stability. As the construction of the smart factory for the new TID module in Chenjiang, Huizhou is set to complete in the second quarter of 2022, the Group hopes to capture the business opportunities brought about by the global economic upturn by enhancing its strengths in technology and economies of scale to create better 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 and time deposits balance as at 30 June 2021 amounted to RMB861 million, of which 22.5% was in US dollar, 76.8% was in RMB and 0.7% was in HK dollar.

As at 30 June 2021, the Group's interest-bearing bank loans were RMB145 million, which were denominated in RMB. The Group's other borrowings were RMB24 million, which were denominated in RMB with a fixed interest rate. Please refer to note 13 to the financial statements for further details in respect of borrowings of the Group during the Review Period.

As at 30 June 2021, total equity attributable to owners of the parent was RMB737 million (31 December 2020: RMB639 million), and the gearing ratio was 6.1% (31 December 2020: 7.3%). 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.

Pledge of Assets

As at 30 June 2021, no asset of the Group was pledged (31 December 2020: nil).

Capital Commitments and Contingent Liabilities

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Plant and equipment	**185,712**	4,442

As at 30 June 2021, the Group had no significant contingent liabilities (31 December 2020: 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. 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.

Pending Litigation

The Group had not been involved in any material litigation for the six months ended 30 June 2021.

Significant Investments Held

There was no significant investment held by the Group as at 30 June 2021.

Material Acquisitions and Disposals

On 25 May 2021, China Display Optoelectronics Technology (Huizhou) Company Limited ("CDOT Huizhou", a wholly-owned subsidiary of the Group) and Wuhan CSOT entered into a conditional share transfer agreement (the "Disposal Agreement"), pursuant to which Wuhan CSOT had conditionally agreed to acquire from CDOT Huizhou, and CDOT Huizhou had conditionally agreed to transfer to Wuhan CSOT, 70% equity interest in Wuhan CDOT for a consideration of RMB286 million, which shall be paid in cash. The aforesaid transaction had been completed on 30 June 2021. Upon completion, Wuhan CDOT has ceased to be a subsidiary of the Company and the financial results thereof would no longer be consolidated into the accounts of the Group. For details, please refer to the Company's announcement dated 25 May 2021 and 30 June 2021 respectively, and the Company's circular dated 26 May 2021.

Save as disclosed above, the Group did not undertake any material acquisition or disposal of subsidiaries, associates or joint ventures during the Review Period.

Future plans for material investments or capital assets

Save for the construction of factory plant and ancillary facilities located in Huizhou, PRC as disclosed in the announcement of the Company dated 8 April 2021, as at 30 June 2021, the Group did not have any concrete plans for material investments or capital assets for the second half of the year 2021.

Employees and Remuneration Policies

As at 30 June 2021, the Group had a total of 3,438 employees. During the Review Period, the total staff costs amounted to RMB113 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 36,047,986 shares of the Company ("Shares") remained outstanding as at 30 June 2021.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: 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 2021.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2021, the Company has complied with the code provisions (the "Code Provisions") of the Corporate Governance Code and Corporate Governance Report 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"), being a practising solicitor in Hong Kong and a partner of the Company's legal advisor, is not an employee of the Company.

During the six months ended 30 June 2021, 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(s) assigned, 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 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 has not, throughout the six months ended 30 June 2021, fully complied with the Code Provisions.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiries have been made with all Directors and all of them have 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 2021.

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 control procedures. The audit committee currently comprises three members, namely Ms. HSU Wai Man, Helen (as the chairperson), Mr. LI Yang and Mr. XU Yan, all of whom are independent non-executive Directors. The Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2021 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, 9 August 2021

The English translation of Chinese names or words in this announcement, where indicated by "", are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

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.