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 2023

FINANCIAL HIGHLIGHTS

Unaudited results for the six months ended 30 June

	2023	2022	**Change**
	(Unaudited)	(Unaudited)	
	RMB'000	*RMB'000*	
Revenue	**1,226,859**	2,735,253	(55.1%)
Gross profit	**86,774**	208,896	(58.5%)
(Loss)/profit for the period	**(7,418)**	133,973	N/A
(Loss)/profit attributable to owners of the parent	**(7,418)**	133,973	N/A
Basic (loss)/earnings per share attributable to owners of the parent			
– For (loss)/profit for the period	**(RMB0.35 cents)**	RMB6.44 cents	N/A

The board (the "Board") of directors (each a "Director", together the "Directors") 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 2023 (the "Review Period") with comparative figures for the corresponding period in 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

		For the six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
Revenue	*4*	**1,226,859**	2,735,253
Cost of sales		**(1,140,085)**	(2,526,357)
Gross profit		**86,774**	208,896
Other income and gains	*4*	**36,076**	31,341
Selling and distribution expenses		**(12,259)**	(18,120)
Administrative expenses		**(70,763)**	(102,831)
Reversal of/(provision for) impairment on financial assets		**221**	(151)
Other expenses		**(50,533)**	(5,201)
Finance costs	*6*	**(592)**	(793)
(LOSS)/PROFIT BEFORE TAX	*5*	**(11,076)**	113,141
Income tax credit	*7*	**3,658**	20,832
(LOSS)/PROFIT FOR THE PERIOD		**(7,418)**	133,973

		For the six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
Attributable to:			
Owners of the parent		**(7,418)**	133,973
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	*9*		
Basic			
– For (loss)/profit for the period		**(RMB0.35 cent)**	RMB6.44 cents
Diluted			
– For (loss)/profit for the period		**(RMB0.35 cent)**	RMB6.44 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS)/INCOME

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
(LOSS)/PROFIT FOR THE PERIOD	**(7,418)**	133,973
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	**(9,353)**	43
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	**(9,353)**	43
OTHER COMPREHENSIVE (LOSS)/INCOME, NET OF TAX	**(9,353)**	43
TOTAL COMPREHENSIVE (LOSS)/INCOME, NET OF TAX	**(16,771)**	134,016
Attributable to:		
Owners of the parent	**(16,771)**	134,016
	(16,771)	134,016

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**725,601**	582,110
Intangible assets		**15,686**	16,262
Goodwill		**3,011**	3,011
Deposits paid for purchase of items of property, plant and equipment		**7,360**	12,385
Deferred tax assets		**11,138**	11,767
Right-of-use assets		**29,605**	30,896
Time deposits		**19,000**	19,000
Total non-current assets		**811,401**	675,431
CURRENT ASSETS			
Inventories		**125,299**	135,129
Trade and bills receivables	*10*	**898,114**	730,865
Prepayments and other receivables		**70,670**	745,551
Derivative financial instruments		**620**	14,233
Cash and cash equivalents		**690,800**	278,972
Total current assets		**1,785,503**	1,904,750

	Notes	**30 June 2023 (Unaudited) *RMB'000***	31 December 2022 (Audited) *RMB'000*
CURRENT LIABILITIES			
Trade payables	*11*	**1,065,438**	1,072,636
Other payables and accruals		**489,814**	380,273
Derivative financial instruments		**1,082**	5,220
Interest-bearing bank and other borrowings	*12*	**–**	2,815
Lease liabilities		**–**	532
Tax payable		**33,990**	42,905
Total current liabilities		**1,590,324**	1,504,381
NET CURRENT ASSETS		**195,179**	400,369
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,006,580**	1,075,800
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*12*	**–**	59,508
Lease liabilities		**–**	562
Deferred income		**21,316**	13,695
Deferred tax liabilities		**1,870**	1,870
Total non-current liabilities		**23,186**	75,635
Net assets		**983,394**	1,000,165
EQUITY			
Equity attributable to owners of the parent			
Share capital	*13*	**172,134**	172,134
Reserves		**811,260**	828,031
Total equity		**983,394**	1,000,165

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 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 2022.

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 2022, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKFRS 3 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 (the "Conceptual Framework") 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 has applied the amendments prospectively to business combinations that occurred on or after 1 January 2023. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the interim period, the amendments did not have any impact on the financial position and performance of the Group.

(b) 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 as determined by HKAS 2 Inventories, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2022. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) 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 Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2023 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) 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 amendment that is 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. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the interim period, the amendment did not have any impact on the financial position or performance of the Group.

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	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Mainland China	**196,576**	1,545,853
Other countries/areas	**1,030,283**	1,189,400
	1,226,859	2,735,253

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 RMB485,285,000 for the six months ended 30 June 2023 (six months ended 30 June 2022: RMB1,016,830,000) 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	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Segments	**LCD modules**	LCD modules
Types of goods and services		
Sale of industrial products	**1,209,564**	2,710,676
Processing services	**17,295**	24,577
Total revenue from contracts with customers	**1,226,859**	2,735,253
Geographical markets		
Mainland China	**196,576**	1,545,853
Other countries/areas	**1,030,283**	1,189,400
Total revenue from contracts with customers	**1,226,859**	2,735,253
Timing of revenue recognition		
Goods and services transferred at a point in time	**1,226,859**	2,735,253

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Other income, net		
Bank interest income	**7,694**	13,999
Subsidy income*	**2,071**	7,395
Others	**19,989**	8,450
	29,754	29,844
Gains, net		
Fair value gains, net:		
Derivative financial instruments	**–**	1,146
Gain on disposal of raw materials, samples and scraps	**6,322**	274
Gain on disposal of idle equipment	**–**	77
	36,076	31,341

* 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. (LOSS)/PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of inventories sold	**1,140,085**	2,625,357
Depreciation	**51,559**	26,714
Amortisation of intangible assets	**1,252**	986
Depreciation of right-of-use assets	**217**	7,008
Research and development costs:		
Current period expenditures*	**52,136**	77,413
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**155,462**	103,689
Equity-settled share option expense	**–**	(7,530)
Pension scheme contributions	**9,065**	9,837
	164,527	105,996
Exchange (gains)/losses, net	**(4,317)**	5,937
Realised loss on derivative financial instruments***	**38,700**	5,201
Fair value loss on derivative financial instruments***	**9,419**	–
(Reversal of impairment)/impairment of trade and bills receivables	**(208)**	152
Reversal of impairment of financial assets included in prepayments and other receivables	**(7)**	–
Write-down of inventories to net realisable value**	**132**	2,010

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

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

*** Realised loss on derivative financial instruments and fair value loss on derivative financial instruments are included in "Other expenses" in the interim condensed consolidated statement of profit or loss.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank loans and bonds	**580**	109
Interest on lease liabilities	**1**	241
Interest on discounted notes with recourses and factored trade receivables	**–**	443
Interest on discounted notes without recourses and factored trade receivables	**11**	–
	592	793

7. INCOME TAX (CREDIT)/EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 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	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current – Hong Kong		
Charge for the period	**–**	–
Current – Mainland China		
Charge for the period	**6,597**	21,030
Adjustment in respect of current tax of previous periods	**(10,884)**	(40,480)
Deferred	**629**	(1,382)
Total tax credit for the period	**(3,658)**	(20,832)

8. DIVIDENDS

The Directors do not recommend the payment of any dividend by the Company for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

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

The calculation of the basic (loss)/earnings per share amount for the six months ended 30 June 2023 is based on the (loss)/profit for the period attributable to owners of the parent, and the weighted average number of ordinary shares of 2,096,520,150 (six months ended 30 June 2022: 2,081,500,942) 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 2023.

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

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
(Loss)/earnings		
(Loss)/profit attributable to owners of the parent, used in the basic and diluted (loss)/earnings per share calculations	**(7,418)**	133,973

	Number of shares For the six months ended 30 June	
	2023	2022
	(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 (loss)/earnings per share calculations	**2,096,520,150**	2,081,500,942

10. TRADE AND BILLS RECEIVABLES

	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
Trade receivables	**887,515**	729,085
Bills receivable	**11,469**	2,857
Impairment	**(870)**	(1,077)
	898,114	730,865

An ageing analysis of the trade and bills receivables as at the end of the six months ended 30 June 2023 (the "Interim Period"), based on the invoice date and net of loss allowance, is as follows:

	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
Within 1 month	**245,656**	121,806
1 to 2 months	**219,125**	120,335
2 to 3 months	**222,773**	104,284
Over 3 months	**210,560**	384,440
	898,114	730,865

The Group's trading terms with its customers are mainly on credit, except for certain customers, where payment in advance is normally required. The credit period is generally 30 to 90 days, depending on the size and credibility of the customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

11. TRADE PAYABLES

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Trade payables	**1,065,438**	1,072,636

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 2023	31 December 2022
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Within 30 days	**483,407**	591,248
31 to 60 days	**135,668**	83,654
61 to 90 days	**205,388**	124,277
Over 90 days	**240,975**	273,457
	1,065,438	1,072,636

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

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2023 (Unaudited)			31 December 2022 (Audited)		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Bank loans – unsecured	–	–	–	1.025	2023	2,815
			–			2,815
Non-current						
Bank loans – secured	–	–	–	3.85–4.15	2024-2029	59,508
			–			59,508
			–			62,323
Analysed into:						
Bank loans repayable						
Within one year			–			2,815
In the second year			–			2,975
In the third to fifth years, inclusive			–			25,291
Beyond five years			–			31,242
			–			62,323
			–			62,323

Notes:

(a) The Group had banking facilities of RMB2,560,000,000 (31 December 2022: RMB1,250,000,000), of which RMB545,569,463 (31 December 2022: RMB764,195,000) had been utilised as at the end of the Interim Period.

(b) As at 30 June 2023, the Group had nil interest-bearing bank borrowings, thus the Company's ultimate holding company provided nil guarantee on the Group's interest-bearing bank borrowings (31 December 2022: RMB59,508,000).

13. SHARE CAPITAL

	30 June 2023	31 December 2022
Authorised:		
4,000,000,000 (31 December 2022: 4,000,000,000) ordinary shares of HK$0.10 each (HK$'000)	**400,000**	400,000
Issued and fully paid:		
2,114,307,929 (31 December 2022: 2,114,307,929) ordinary shares (HK$'000)	**211,431**	211,431
Equivalent to RMB'000	**172,134**	172,134

As at 30 June 2023, the total number of issued ordinary shares of the Company was 2,114,307,929 (2022: 2,114,307,929) shares which included 17,399,523 (2022: 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.

INDUSTRY REVIEW

The global smartphone shipment recorded a drastic decrease in 2022 as a result of the COVID-19 outbreaks and geopolitical conflicts. Although the COVID-19 outbreaks have largely subsided in 2023, which gradually reduced the risks of disruption faced by the smartphone supply chain, the global economy continued to contract due to rising inflation, which has suppressed the consumption sentiment. Consumers' smartphone replacement cycle continued to lengthen, which led to the demand for smartphones falling short of market expectation. According to the report from International Data Corporation (IDC), global smartphone shipment reached 534 million units in the first half of 2023, representing a year-on-year decrease of 11.3%. The smartphone market in China also remained gloomy during the same period, with smartphone shipments totalling 124 million units, representing a year-on-year decrease of 7.0%.

In the upstream panel market, the OMDIA research report reveals a 9.0% quarter-to-quarter decline in shipment of smartphone display panels to 332 million units in the first quarter of 2023. The growth in the second quarter of 2023 was mainly driven by brand customers' active replenishment of stock due to the historic low inventory and price of amorphous silicon ("A-Si") liquid-crystal display panels, as well as the resumption of production capacity by some panel manufacturers which led to an increase in supply. With smartphone brands gradually phasing out middle and low-end products with higher-end products, shipment of low-temperature poly-silicon ("LTPS") liquid-crystal display panel dropped significantly. As for the active-matrix organic light-emitting diode ("AMOLED"), although the shipment recorded a year-on-year decrease, China's flexible AMOLED products are gradually replacing Korea's rigid AMOLED products.

BUSINESS REVIEW

For the Review Period, major brand manufacturers still mainly adopted a low inventory strategy due to the weak demand in the smart device market, resulting in a decrease in orders which persistently affected the sales performance of the Group. During the Review Period, the Group achieved a total sales volume of 22.0 million units, representing a year-on-year decrease of 32.2%, while the Group's total revenue decreased by 55.1% year-on-year to RMB1,226.9 million. Although the smartphone market remained weak, the Group achieved quarter-on-quarter growth in sales volume and revenue for the past two consecutive quarters, which were 4.1% and 20.6%, and 5.5% and 7.2%, respectively, reflecting a gradual improvement in the overall sales situation.

During the Review Period, the sales business was the principal business of the Group. The Group's sales volume of modules for sale amounted to 21.2 million units, accounting for 96.2% of the Group's total sales volume, and contributed RMB1,209.6 million to the Group's revenue. The Group's sales performance has been affected by various factors including unstable global economy, declining smartphone market and high global inflation, leading to a year-on-year decrease in the Group's sales volume and an increased pressure on overall average selling price and gross profit. During the Review Period, the overall average selling price (excluding processing modules) of the Group declined by 34.1% year-on-year to RMB57.2.

In the face of the complex domestic and international economic environment, the Group is committed to minimising the impact of external factors through stringent cost control and enhancement of production efficiency. During the Review Period, the Group recorded a gross profit of RMB86.8 million, with a gross profit margin of 7.1%, representing a year-on-year decrease of 0.5 percentage point. The Group recorded a net loss attributable to owners of the parent of RMB7.4 million during the Review Period, which is mainly attributable to the following:

(i) the mobile phone market has been highly competitive with major brands launching price wars, which dragged down the unit price of display modules, resulting in a cost-price inversion for some products;

(ii) major customers changed their product sales strategies and reduced orders, resulting in the decrease in sales volume of the Group and exerting pressure on the Group's average selling price and gross profit margin; and

(iii) as a result of the depreciation of Renminbi ("RMB") during the Review Period, the Group recorded realised losses on derivative financial instruments (such as forward currency contracts which are used to hedge the Group's foreign currency risk) of approximately RMB38.7 million.

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

	For the six months ended 30 June				
	2023		2022		**Change**
(Unaudited)	***million units***	*%*	*million units*	*%*	
Sale of TFT LCD module					
Non-laminated modules	**1.9**	**8.5**	3.2	9.7	-40.6%
Laminated modules	**19.3**	**87.7**	28.1	86.7	-31.4%
Processing TFT LCD module					
Non-laminated modules	**–**	**–**	0.1	0.4	-100.0%
Laminated modules	**0.8**	**3.8**	1.0	3.2	-19.1%
Total	**22.0**	**100.0**	32.4	100.0	-32.2%

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

	For the six months ended 30 June				
	2023		2022		**Change**
(Unaudited)	***RMB million***	*%*	*RMB million*	*%*	
Sale of TFT LCD module					
Non-laminated modules	**42.6**	**3.5**	130.2	4.8	-67.3%
Laminated modules	**1,167.0**	**95.1**	2,580.5	94.3	-54.8%
Processing TFT LCD module					
Non-laminated modules	**–**	**–**	2.1	0.1	-100.0%
Laminated modules	**17.3**	**1.4**	22.5	0.8	-23.0%
Total	**1,226.9**	**100.0**	2,735.3	100.0	-55.1%

During the Review Period, China remained the principal market for the Group. The revenue from Hong Kong and Mainland China were RMB1,029.8 million and RMB196.6 million, respectively, which together accounted for 99.96% of the Group's total revenue.

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

	For the six months ended 30 June				
	2023		2022		**Change**
(Unaudited)	***RMB million***	*%*	*RMB million*	*%*	
Mainland China	**196.6**	**16.02**	1,545.9	56.52	-87.3%
Hong Kong	**1,029.8**	**83.94**	1,187.7	43.42	-13.3%
Others	**0.5**	**0.04**	1.7	0.06	-74.2%
Total	**1,226.9**	**100.00**	2,735.3	100.00	-55.1%

Boosting core competitiveness and seizing market opportunities

Several brand customers have completed the audit of the Group's new display module smart factory located in Chenjiang, Huizhou. The new factory is equipped with a number of intelligent production lines and improved database system. The Group aims to expand its economies of scale and reduce costs by improving its technology and craftsmanship, to elevate production quality and establish its core competitiveness through boosting its production efficiency. The Group's goal is to continue to improve the first pass rate of products, reduce the average cost per unit and increase the actual output value per capita, as well as conduct long-term planning for its production chain to constantly enhance its core competitiveness.

With the increasing prevalence of technologies such as 5G, big data and the Internet of Things (IoT), the Group is committed to developing its medium-sized display module and smart home device segments and is constantly striving to expand its product scope and technology platform to enhance its competitiveness. During the Review Period, the Group has relied on Huizhou Kedate Zhixian Technology Company Limited*（惠州科達特智顯科技有限公司）, an indirect wholly-owned subsidiary of the Company, as the supplier of IoT related products, laying the foundation for the Group's future development in the field of IoT to capture the potential business opportunities brought by the market.

Creating synergies with TCL CSOT's t9 production line while optimising client and product structure

As a qualified supplier for the world's top mobile phone brands, the Group consistently provides customers with high-quality and customised services to consolidate the relationship with brand customers. During the Review Period, the Group has been deepening its cooperation with its controlling shareholder, TCL China Star Optoelectronics Technology Company Limited ("TCL CSOT"). With the commencement of production of TCL CSOT's liquid-crystal display panel production line t9 ("t9") in 2022, which focuses on the medium-sized intelligent technology ("IT") and the professional display market, the Group has been able to form a business model of panel and module integration by cooperating with TCL CSOT with a view to capture the huge opportunities in the market and expand its customer base, provide medium-sized display customisation services to several first-tier brand customers, optimise the business structure and scope of products in relevant fields to create new momentum for development.

OUTLOOK

Looking ahead, the global economic outlook is filled with uncertainties amidst persistent macroeconomic, financial, geopolitical and environmental risks. Persistent high inflation has dealt a huge blow to the global economy, while rising interest rates and declining purchasing power are weakening consumer confidence. The dwindling demand for consumer goods and ongoing supply chain challenges are hampering the overall recovery of the smartphone industry in the second half of 2023. According to the latest report by OMDIA, the smartphone shipment volume is anticipated to drop by 5.2% year-on-year to 1,144 million units in 2023.

Amid an increasingly competitive environment, on one hand, the Group will consolidate its customer base, actively reduce costs and enhance efficiency to maximise operational effectiveness; on the other hand, the Group will actively strive for synergies with TCL CSOT's production line t9, closely monitor the tablet market and explore the medium-sized commercial display markets such as smart home products and smart industrial control products. According to IDC's forecast, the annual global shipment of smart home products is expected to reach 1,092 million units in 2027, with a compound annual growth rate of 6.2% between 2023 and 2027. The Group will consistently monitor the market trend in the field of IoT so as to expand its business horizontally.

In the long run, the Group remains cautiously optimistic about the development of the display module business. It is confident that its competitiveness will be enhanced by improving the planning of industrial chain and amplifying its technological and scale advantages. While responding to the challenges, it will maintain a balance between sales growth and robust development while striving 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, time deposits and interest-bearing bank loans.

The Group's cash and cash equivalents and time deposits balance as at 30 June 2023 amounted to RMB709.8 million, of which 14.1% was in US dollar, 85.5% was in RMB and 0.4% was in HK dollar.

As at 30 June 2023, the Group had no interest-bearing bank loans and other borrowings. Please refer to note 12 to the financial statements for further details in respect of borrowings of the Group during the Review Period.

As at 30 June 2023, total equity attributable to owners of the parent was RMB983.4 million (31 December 2022: RMB1,000.2 million), and the gearing ratio was 0% (31 December 2022: 2.4%). The gearing ratio was calculated based on the Group's total interest-bearing loans (including bank borrowings and other borrowings) divided by total assets.

Pledge of Assets

As at 30 June 2023, no asset of the Group was pledged (31 December 2022: nil).

Capital Commitments and Contingent Liabilities

	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
Contracted, but not provided for:		
Plant and equipment	**29,205**	133,618

As at 30 June 2023, the Group had no significant contingent liabilities (31 December 2022: 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 2023.

Significant Investments Held

There was no significant investment held by the Group as at 30 June 2023.

Material Acquisitions and Disposals

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

As at 30 June 2023, the Group did not have any concrete plans for material investments or capital assets for the second half of the year 2023.

Employees and Remuneration Policies

As at 30 June 2023, the Group had a total of 2,984 employees. During the Review Period, the total staff costs amounted to approximately RMB164.5 million. The Group aims to provide employees with reasonable, legal and competitive compensation, bonus and welfare by offering remuneration packages which are regularly updated based on local gross domestic production (GDP) growth and the latest laws and regulations. Training and development programmes are also provided on an on-going basis to employees of the Group. During the Review Period, the Company has also 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 share awards would be granted to relevant grantees, including employees of the Group, under the Company's share option and share award scheme respectively.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: 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 2023.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2023, the Company has complied with the code provisions (the "Code Provisions") as set out in Part 2 of the Corporate Governance Code under Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), except for the following deviation:

Under Code Provision C.6.1, 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 2023, 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 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 2023, 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 2023.

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 2023 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, 28 August 2023

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. Xi Wenbo as executive Directors; and Ms. Hsu Wai Man Helen, Mr. Xu Yan and Mr. Li Yang as independent non-executive Directors.