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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 2023

FINANCIAL HIGHLIGHTS

Results

	Year ended 31 December 2023 *RMB'000*	Year ended 31 December 2022 *RMB'000*	**Change**
Revenue	**2,576,806**	4,208,350	**(38.8%)**
Gross profit	**174,051**	343,744	**(49.4%)**
Profit for the year	**13,086**	169,025	**(92.3%)**
Profit attributable to owners of the parent	**13,086**	169,025	**(92.3%)**
Basic earnings per share attributable to owners of the parent			
– For profit for the year	**RMB0.62 cents**	RMB8.06 cents	**(92.3%)**

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 2023 with the corresponding comparative figures for the year ended 31 December 2022 as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	**2023** **RMB'000**	2022 *RMB'000*
REVENUE	*5*	**2,576,806**	4,208,350
Cost of sales		**(2,402,755)**	(3,864,606)
Gross profit		**174,051**	343,744
Other income and gains, net	*5*	**86,722**	70,124
Selling and distribution expenses		**(19,807)**	(39,824)
Administrative expenses		**(164,563)**	(173,143)
Reversal of impairment of financial assets		**571**	8
Other expenses		**(57,976)**	(31,557)
Finance costs	*7*	**(651)**	(1,646)
PROFIT BEFORE TAX	*6*	**18,347**	167,706
Income tax (expense)/credit	*8*	**(5,261)**	1,319
PROFIT FOR THE YEAR		**13,086**	169,025
Attributable to:			
Owners of the parent		**13,086**	169,025
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	*10*		
Basic			
– For profit for the year		**RMB0.62 cents**	RMB8.06 cents
Diluted			
– For profit for the year		**RMB0.62 cents**	RMB8.06 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023	2022
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**13,086**	169,025
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	**(3,803)**	(357)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(3,803)**	(357)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(3,803)**	(357)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**9,283**	168,668
Attributable to:		
Owners of the parent	**9,283**	168,668

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**722,606**	582,110
Intangible assets		**12,499**	16,262
Goodwill		**3,011**	3,011
Deposits paid for purchase of items of property, plant and equipment		**2,453**	12,385
Deferred tax assets		**8,475**	11,767
Right-of-use assets		**29,456**	30,896
Treasury deposits at related party		**15,000**	–
Time deposits		**19,000**	19,000
Total non-current assets		**812,500**	675,431
CURRENT ASSETS			
Inventories	*11*	**200,641**	135,129
Trade and bills receivables	*12*	**542,417**	730,865
Prepayments and other receivables		**119,252**	745,551
Derivative financial instruments		**2,486**	14,233
Treasury deposits at related party		**831,403**	–
Cash and cash equivalents		**23,178**	278,972
Total current assets		**1,719,377**	1,904,750
CURRENT LIABILITIES			
Trade payables	*13*	**1,049,888**	1,072,636
Other payables and accruals		**409,907**	380,273
Derivative financial instruments		**5,036**	5,220
Interest-bearing bank and other borrowings	*14*	**3,161**	2,815
Lease liabilities		**337**	532
Tax payable		**41,468**	42,905
Total current liabilities		**1,509,797**	1,504,381
NET CURRENT ASSETS		**209,580**	400,369
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,022,080**	1,075,800

	Notes	**2023**	2022
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*14*	**–**	59,508
Lease liabilities		**234**	562
Deferred income		**10,929**	13,695
Deferred tax liabilities		**1,469**	1,870
Total non-current liabilities		**12,632**	75,635
Net assets		**1,009,448**	1,000,165
EQUITY			
Equity attributable to owners of the parent			
Share capital	*15*	**172,134**	172,134
Reserves		**837,314**	828,031
		1,009,448	1,000,165
Total equity		**1,009,448**	1,000,165

Notes:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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.

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 2023. A subsidiary is an entity (including a structured entity) 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).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has 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 the related assets (including goodwill), any non-controlling interest and the exchange fluctuation reserve and recognises the fair value of any investment retained and 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 following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

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

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[1, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[1, 4]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

[1] Effective for annual periods beginning on or after 1 January 2024

[2] Effective for annual periods beginning on or after 1 January 2025

[3] No mandatory effective date yet determined but available for adoption

[4] As a consequence of the 2020 Amendments and 2022 Amendments, 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 to align the corresponding wording with no change in conclusion

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

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 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 resulting from a downstream transaction when the sale or contribution of assets 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 was removed by the HKICPA. However, the amendments are available for adoption now.

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with. early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

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

	2023	2022
	RMB'000	*RMB'000*
Chinese Mainland*	**759,949**	1,973,836
Other countries/areas	**1,816,857**	2,234,514
	2,576,806	4,208,350

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

* *Chinese Mainland 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 Chinese Mainland. Accordingly, no geographical information of segment assets is presented.

Information about major customers

Revenue of approximately RMB992,260,000 during the year ended 31 December 2023 (year ended 31 December 2022: RMB1,762,880,000) was derived from sales to related parties of the Company.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers	**2,576,806**	4,208,350

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2023

Segments	**LCD modules**
	RMB'000
Types of goods or services	
Sale of industrial products	**2,511,931**
Processing and manufacturing services	**64,875**
Total revenue from contracts with customers	**2,576,806**
Geographical markets	
Chinese Mainland	**759,949**
Hong Kong	**1,815,983**
Thailand	**874**
Total revenue from contracts with customers	**2,576,806**
Timing of revenue recognition	
Goods and services transferred at a point in time	**2,576,806**

For the year ended 31 December 2022

Segments	LCD modules
	RMB'000
Type of goods or services	
Sale of industrial products	4,172,765
Processing and manufacturing services	35,585
Total revenue from contracts with customers	4,208,350
Geographical markets	
Chinese Mainland	1,973,836
Hong Kong	2,232,800
Thailand	1,714
Total revenue from contracts with customers	4,208,350
Timing of revenue recognition	
Goods and services transferred at a point in time	4,208,350

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2023	2022
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of industrial products	**56,815**	79,989

(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:

	2023	2022
	RMB'000	*RMB'000*
Other income		
Bank interest income	**35,297**	20,050
Subsidy income*	**14,203**	13,052
Gain on disposal of raw materials, samples and scraps	**15,357**	–
Others	**501**	219
	65,358	33,321
Other net gain		
Exchange gains	**18,011**	23,732
Fair value gains, net:		
Derivative financial instruments		
– transactions not qualifying as hedges	**–**	9,785
Realised gain on derivative financial instruments	**3,353**	3,286
	21,364	36,803
	86,722	70,124

* *Subsidy income represents various government grants received from the relevant government authorities to support the development of the relevant projects of the Group in Chinese Mainland. 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 from continuing operation is arrived at after (crediting)/ charging:

	2023	2022
	RMB'000	*RMB'000*
Cost of inventories sold*	**2,402,755**	3,866,531
Depreciation of property, plant and equipment	**74,661**	63,850
Amortisation of intangible assets	**4,566**	2,829
Depreciation of right-of-use assets	**5,609**	14,089
Auditor's remuneration	**1,284**	1,233
Research and development costs^:		
Current year expenditures	**118,211**	132,047
Lease payments not included in the measurement of lease liabilities	**3,694**	886
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**182,421**	256,745
Pension scheme contributions	**25,546**	22,450
	207,967	279,195
Exchange gains, net	**(15,357)**	(23,732)
Fair value loss on derivative financial instruments***	**11,659**	–
Realised loss on derivative financial instruments***	**42,023**	28,619
(Reversal of impairment)/impairment of trade and bills receivables	**(435)**	1
Reversal of impairment of other receivables	**(92)**	–
(Reversal of write-down)/write-down of inventories to net realisable value**	**(1,791)**	526
Loss/(Gains) on disposal of items of property, plant and equipment	**3,259**	(88)

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

* *The amount included the aggregate of wages and salaries, depreciation, amortisation and lease payments of RMB201,472,000 (31 December 2022: RMB265,670,000) which have been included in the respective expense items disclosed below.*

** *(Reversal of write-down)/write-down of inventories to net realisable value is included in "Cost of sales" in the 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 consolidated statement of profit or loss.*

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2023	2022
	RMB'000	*RMB'000*
Interest on bank loans and other borrowings	**546**	725
Interest on lease liabilities	**69**	432
Interest on discounted bills	**36**	489
	651	1,646

8. INCOME TAX

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

	2023	2022
	RMB'000	*RMB'000*
Current		
Charge for the year	**9,876**	28,633
Adjustment in respect of current tax of previous periods	**(7,506)**	(39,940)
Deferred	**2,891**	9,988
Total tax charge/(credit) for the year	**5,261**	(1,319)

9. DIVIDENDS

	2023	2022
	RMB'000	*RMB'000*
Dividends recognised as distribution	**–**	–

The Board does not recommend to declare any final dividend for the year ended 31 December 2023.

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 2023 is based on the profit for the year attributable to owners of the parent of RMB 13,086,000 (2022: RMB169,025,000), 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 2,096,908,406 (2022: 2,096,908,406).

The Company had no potentially dilutive ordinary shares in issue during the year ended 31 December 2023.

	2023	2022
	RMB'000	*RMB'000*
Earnings		
Profit attributable to owners of the parent, used in the basic earnings per share calculation	**13,086**	169,025

	Number of shares	
	2023	2022
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	**2,096,908,406**	2,096,908,406

11. INVENTORIES

	2023	2022
	RMB'000	*RMB'000*
Raw materials	**125,009**	42,417
Work in progress	**9,923**	13,217
Finished goods	**65,709**	79,495
	200,641	135,129

12. TRADE AND BILLS RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**532,506**	729,085
Bills receivable	**10,553**	2,857
Impairment	**(642)**	(1,077)
	542,417	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 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 RMB127,322,000 (31 December 2022: RMB310,307,000), 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:

	2023	2022
	RMB'000	*RMB'000*
Within 1 month	**223,225**	121,806
1 to 2 months	**186,819**	120,335
2 to 3 months	**125,955**	104,284
Over 3 months	**6,418**	384,440
	542,417	730,865

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

	2023	2022
	RMB'000	*RMB'000*
At beginning of year	**1,077**	1,076
(Reversal of impairment)/impairment losses, net	**(435)**	1
At end of year	**642**	1,077

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 2023

	Past due		
	Less than 6 months	**Over 6 months**	**Total**
Expected credit loss rate	**0.12%**	**–**	**0.12%**
Gross carrying amount *(RMB'000)*	**532,429**	**77**	**532,506**
Expected credit losses *(RMB'000)*	**642**	**–**	**642**

As at 31 December 2022

	Past due Less than 6 months	Over 6 months	Total
Expected credit loss rate	0.15%	–	0.15%
Gross carrying amount *(RMB'000)*	728,913	172	729,085
Expected credit losses *(RMB'000)*	1,077	–	1,077

The Group's bills receivable have been accepted by notable banks with high credit ratings. As at 31 December 2023 and 31 December 2022, the probability of default and the loss given default were estimated to be minimal.

13. TRADE PAYABLES

	2023 ***RMB'000***	2022 *RMB'000*
Trade payables	**1,049,888**	1,072,636

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

	2023 ***RMB'000***	2022 *RMB'000*
Within 30 days	**587,058**	591,248
31 to 60 days	**225,483**	83,654
61 to 90 days	**149,125**	124,277
Over 90 days	**88,222**	273,457
	1,049,888	1,072,636

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 2023			31 December 2022		
	Effective interest rate *(%)*	**Maturity**	***RMB'000***	Effective interest rate *(%)*	Maturity	*RMB'000*
Current						
Bank loans – secured	**0.20-0.21**	**2024**	**3,161**	–	–	–
Other borrowings	**–**	**–**	**–**	1.025	2023	2,815
			3,161			2,815
Non-current						
Bank loans – secured	**–**	**–**	**–**	3.85-4.15	2024-2029	59,508
			–			59,508
			3,161			62,323
Analysed into:						
Within one year			**3,161**			2,815
In the second year			**–**			2,975
In the third to fifth years, inclusive			**–**			25,291
Beyond five years			**–**			31,242
			3,161			62,323

Notes:

(a) The Group had banking facilities of RMB1,760,000,000 (31 December 2022: RMB1,250,000,000), of which RMB435,618,000 (31 December 2022: RMB764,195,000) had been utilised as at the end of the reporting period.

(b) In addition, the Company's ultimate holding company has provided a guarantee of up to RMB3,161,000 (2022：RMB59,508,000) to secure certain of the Group's interest-bearing bank borrowings as at 31 December 2023.

(c) Other borrowings included discounted notes receivable of RMB2,815,000 as at 31 December 2022.

(d) As at 31 December 2023, all borrowings are denominated in RMB.

15. SHARE CAPITAL

	2023	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 31 December 2023, the total number of issued ordinary shares of the Company was 2,114,307,929 (2022: 2,114,307,929) of which 17,399,523 (2022: 17,399,523) shares were held by the trustee appointed for the Share Award Scheme adopted by the Company.

INDUSTRY REVIEW

In 2023, the gloom of the COVID-19 pandemic dissipated, and global economic activities gradually returned to normalcy. However, affected by factors such as geopolitical tensions and persistently high inflation, consumer confidence and demand shrank, demand in the smartphone market remained sluggish. According to reports from market research institutions OMDIA, the global smartphone shipment amounted to a total of 1,165 million units in 2023, representing a year-on-year decrease of 3.5%, dropping to the lowest level in the past decade.

In the upstream panel market, although smartphone shipment continued to decline, the demand for panels showed signs of recovery. According to data from Sigmaintell, global smartphone panel shipment in 2023 were approximately 2,100 million units, representing a year-on-year increase of approximately 18%. As multiple smartphone brands launched flagship mobile phone products in the third quarter, the demand for mobile phone panels has increased significantly due to active stocking up. Global shipments of amorphous silicon ("A-Si") LCD panels in 2023 were approximately 1,120 million units, representing a year-on-year increase of approximately 35.2%.

BUSINESS REVIEW

For the year ended 31 December 2023 (the "Review Period"), under economic pressure, the electronic consumer market was sluggish, and the display module industry was still at the trough of the cycle. During the Review period, the Group achieved a total sales volume of 47.6 million units, representing a year-on-year decrease of 12.1%. In addition, the competition in the industry continued to drive product prices down, dragging down the Group's revenue performance. The Group's overall average selling price (excluding processing modules) decreased by 26.1% year-on-year to RMB58.7, and total revenue was RMB2,576.8 million, representing a year-on-year decrease of 38.8%. Driven by China's stimulus measures for its consumer market, the mobile phone market has shown signs of gradual recovery. The Group's sales volume and revenue in the fourth quarter recorded a year-on-year growth of 16.8% and 13.3%, respectively.

During the Review Period, the Group's sales volume of modules for sale amounted 42.8 million units of modules, accounting for 89.9% of the Group's total sales volume, with a corresponding revenue of RMB2,511.9 million. Impacted by factors such as global political uncertainty and high inflation, brand customers have changed their sales strategies. The Group's sales volume has dropped due to a significant reduction in orders, which has dragged down the Group's sales performance and increased the pressure on the overall average selling price and gross profit of the Group.

Nevertheless, the Group is committed to minimising the impact of external factors through stringent production cost control. During the Review Period, the Group recorded a gross profit of RMB174.1 million (2022: RMB343.7 million) and a gross profit margin of 6.8% (2022: 8.2%). The Group recorded a net profit attributable to owners of the parent of RMB13.1 million, representing a year-on-year decrease of 92.3%.

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

	For the year ended 31 December				
	2023		2022		Change
	million units	*%*	*million units*	*%*	
Sale of TFT LCD modules					
Non-laminated modules	**4.1**	**8.7**	3.7	6.9	+10.2%
Laminated modules	**38.7**	**81.2**	48.8	90.0	-20.7%
Processing TFT LCD modules					
Non-laminated modules	**–**	**–**	0.2	0.3	-100.0%
Laminated modules	**4.8**	**10.1**	1.5	2.8	+217.0%
Total	**47.6**	**100.0**	54.2	100.0	-12.1%

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

	For the year ended 31 December				
	2023		2022		Change
	RMB million	*%*	*RMB million*	*%*	
Sale of TFT LCD modules					
Non-laminated modules	**103.5**	**4.0**	145.6	3.4	-28.9%
Laminated modules	**2,408.4**	**93.5**	4,027.2	95.7	-40.2%
Processing TFT LCD modules					
Non-laminated modules	**–**	**–**	2.4	0.1	-100.0%
Laminated modules	**64.9**	**2.5**	33.2	0.8	+95.4%
Total	**2,576.8**	**100.0**	4,208.4	100.0	-38.8%

During the Review Period, Mainland China remained the principal market for the Group. The revenue from Hong Kong and Mainland China were RMB1,816.0 million and RMB759.9million, respectively, which together accounted for 99.97% of the Group's total revenue.

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

	For the year ended 31 December				
	2023		2022		Change
	RMB million	*%*	*RMB million*	*%*	
Mainland China	**759.9**	**29.49**	1,973.9	46.90	-61.5%
Hong Kong	**1,816.0**	**70.48**	2,232.8	53.06	-18.7%
Others	**0.9**	**0.03**	1.7	0.04	-49.0%
Total	**2,576.8**	**100.00**	4,208.4	100.00	-38.8%

Enhancing Core Competitiveness to Capture Market Opportunities

During the Review Period, the Group's new display module smart factory located in Chenjiang, Huizhou has commenced production with a number of intelligent production lines being put into production and the database system improved. By continuously improving its technology and craftsmanship, the Group seeks to enhance production efficiency so as to improve product quality and strengthen its core competitiveness in order to achieve greater economies of scale.

The Group has been deepening its cooperation with TCL China Star Optoelectronics Technology Company Limited ("TCL CSOT") to focus on the A-Si display market. The formation of an integrated panel and module business model with TCL CSOT's liquid-crystal display panel production line "t9" enables the Group to provide high-quality and customised services to several first-tier smartphone brand customers. The Group has been aiming to consolidate its relationships with such brand customers and actively seeking collaborations with new brand customers. In addition to the smartphone module business, the Group has continued to expand horizontally into other display module businesses. During the Review Period, the sales volume of the Group's medium-sized products reached 2.9 million units, representing a year-on-year increase of 43.9%. Driven by the high unit price of learning tablet products, the sales revenue of medium-sized products reached RMB185.9 million, representing a year-on-year increase of 61.5%.With the increasing prevalence of technologies such as 5G, big data and the IoT (Internet of Things), the Group will place greater focus on developing its medium-sized display module and smart home device segments. The Group is constantly striving to expand its product scope and technology platform to enhance its competitiveness and to lay the foundation for the Group's future development in the IoT segment, so as to capitalise on the opportunities brought about by market trends and further enhance the Group's profitability.

OUTLOOK

Global economic growth is expected to slow down significantly in the first quarter of 2024. According to the latest global economic outlook report released by international rating agency Fitch Ratings, the global economic growth for 2024 is only expected to raise by 0.2 percentage points, and China's economic growth will slow down to 4.6%. Affected by slowdown in growth and instability of the economy, consumers are more cautious on spending. However, personal consumer electronic products, which has now become essential items for consumers' daily life and work, will maintain an uptrend of growth. According to research firm TechInsight, in 2024, revenue of the global consumer electronic products industry will exceed the US$1 trillion mark for the first time. It is believed that this growth momentum can drive the gradual recovery of smartphone shipments. According to the forecast of IDC, China's smartphone market shipments will reach 287 million units in 2024, representing a year-on-year increase of 3.6%, and shipments are expected to remain stable in the next few years. According to estimates by Canalys, an international analysis agency, global smartphone shipments will reach 1,170 million units in 2024, with a year-on-year increase of 4.0%, which will bring new stimulus to the recovering mobile phone market this year. At the same time, both the sales price and volume of A-Si panels are also expected to rise, ushering in a period of booming growth. According to forecasts from research firm CINNO Research, demand for A-Si panels will continue to grow, driven by new projects from multiple major customers.

As the smart product market gradually recovers, the demand for medium-sized products and smart home products has also increased, among which the demand for education and learning tablets will continue the uptrend which had started during the pandemic. According to IDC, as educational content became more fun-oriented and modes of education became more digitalised, the growth in learning tablets is expected to continue for a considerable period going forward. Catalysed by the epidemic, online courses have become a popular trend and as a result, educational learning tablets have gradually gained recognition from parents and students. Even after the end of the pandemic, online learning has continued to be embraced by many people. At the same time, learning tablets can be used to satisfy various learning needs, bringing multiple possibilities to learning and driving students to absorb knowledge from different perspectives. In view of the signs of market recovery, the Group will increase investment in smart home, smart industrial control and other medium-sized commercial display markets. Collaborations with a number of well-known brand customers are expected in 2024. Meanwhile, the Group will also launch two new medium-sized production lines during the year to meet the market demand.

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 its industrial chain and amplifying its technological and economies of scale advantages. At the same time, the Group will seize the business opportunities brought by the medium-sized display market, smart homes and the IoT, steadily driving growth in product sales underpinned by strict cost control, and strive to create better value for the Group and its shareholders.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group's principal financial instruments comprise cash and cash equivalents, short-term deposits, time deposits and interest-bearing bank loans. The main objective for the use of these financial instruments is to maintain a continuity of funding and flexibility at the lowest cost possible.

The Group's cash and cash equivalents and time deposits balance as at 31 December 2023 amounted to RMB42.2 million, of which 11.2% was in US dollar, 83.5% was in RMB and 5.3% was in HK dollar. The Group's treasury deposits balance as at 31 December 2023 amounted to RMB846.4 million, such deposits were placed with TCL Technology Group Corporation ("TCL Technology") pursuant to the Master Financial Services (2023-2025) Agreement dated 31 October 2022 entered into among the Company, TCL Technology and TCL Technology Finance Co., Ltd.* (TCL科技集團財務有限公司, "Finance Company") (as amended and supplemented by the supplemental agreement to the Master Financial Services (2023-2025) Agreement dated 27 October 2023 entered into among the Company, TCL Technology and the Finance Company).

As at 31 December 2023, the Group's interest-bearing bank loans were RMB3.2 million. Please refer to note 14 to the financial statements for further details in respect of the maturity profile and interest rate structure of borrowings of the Group.

As at 31 December 2023, total equity attributable to owners of the parent was RMB1,009.4 million (31 December 2022: RMB1,000.2 million), and the gearing ratio was 0.1% (31 December 2022: 2.4%). The gearing ratio is calculated based on the Group's total interest-bearing loans (including bank and other borrowings) divided by its total assets.

Pledge of Assets

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

Capital Commitments and Contingent Liabilities

	31 December 2023	31 December 2022
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Plant and machinery	**46,839**	133,618

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

Pending Litigation

The Group had not been involved in any material litigation for the year ended 31 December 2023.

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 risks 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.

Significant Investments Held

There was no significant investment held by the Group as at 31 December 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 31 December 2023, the Group did not have any concrete plans for material investments or capital assets for the year ending 31 December 2024.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group had a total of 3,219 employees. During the Review Period, the total staff costs amounted to RMB208.0 million. The Group aims to provide employees with reasonable, legal and competitive compensation and welfare by offering remuneration packages which are regularly updated based on local gross domestic product (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 with 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, the Company may grant share options and share awards to relevant grantees, including employees of the Group, under the Company's share option scheme and share award scheme respectively.

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 is committed to create an environmentally friendly workplace. 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 2023 prepared in accordance with Appendix C2 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 C2 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 Review Period, the Group's largest customer and the top five largest customers contributed approximately 53% and 89% (for the year ended 31 December 2022: 46% and 92%) to the revenue of the Group, respectively. Those customers have business relationship with the Group ranging from 1 to 20 years. The Group's largest supplier and the top five largest suppliers accounted for approximately 13% and 42% (for the year ended 31 December 2022: 18% and 54%) of the purchases of the Group, respectively. Those suppliers have been cooperating with the Group ranging from 1 to 11 years.

Major customers

The Group's major customers are all from consumer mobile device industry, including a number of world-renowned brands. As the mobile device industry is characterised by its cycles of integration and emergence of new brands, any loss or changes in market position of any of these customers may materially and adversely affect the business, financial conditions and operating results of the Group. In light of this, the Group has adopted the following strategies to reduce the risk of over-reliance on a single customer. Firstly, the Group has strengthened the relationship with its existing customers, one of them is a subsidiary of TCL Industries Holdings Company Limited*（TCL實業控股股份有限公司）, which has established a solid partnership with the Group over the years. The other major customers have also maintained long-term cooperation with the Group, keeping the number of orders at a relatively stable level. Secondly, the Group endeavours to expand its business horizontally and attract new customers in different markets by developing a diverse range of product categories.

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 business operations. However, for certain materials with specified feature or specification, the Group can only rely on a limited number of suppliers. If the suppliers fail to timely deliver adequate production materials, the Group's production process may be disrupted. Since the commencement of production of the display panel production line "t9" of TCL CSOT, a member of TCL Technology Group, in September 2022, the Group has benefited from a stable supply of materials from TCL CSOT. In addition, the Group periodically reviews the market environment and new trends, adopts multiple sourcing policy and strategic inventory management to ensure sufficient supply of materials for production.

PURCHASE, SALE OR REDEMPTION 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 year ended 31 December 2023.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend by the Company for the year ended 31 December 2023 (2022: 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 forthcoming annual general meeting of the Company ("AGM"), the register of members of the Company will be closed from 20 May 2024, Monday to 23 May 2024, Thursday (both dates inclusive). No transfer of the Shares may be registered during the said period. The record date for determining the entitlements of the shareholders of the Company to attend and vote at the AGM is 20 May 2024, Monday. 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on 17 May 2024, Friday.

ANNUAL GENERAL MEETING

The AGM will be held on 23 May 2024, Thursday. The notice of AGM 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 Review Period, the Company has complied with the code provisions (the "Code Provision(s)") set out in Part 2 of the Corporate Governance Code ("CG Code") under Appendix C1 to the Listing Rules except for the following deviations:

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 year ended 31 December 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 had not, throughout the year ended 31 December 2023, fully complied with the Code Provisions.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

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") in Appendix C3 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 year ended 31 December 2023.

AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee") has reviewed the annual results of the Group for the year ended 31 December 2023, including the accounting principles adopted by the Group, with the Company's management. As at the date of this announcement, the Audit Committee comprises three members, namely Ms. HSU Wai Man, Helen (chairperson), Mr. XU Yan and Mr. LI Yang, all being independent non-executive Directors.

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 2023 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, 15 March 2024

The English translation of Chinese name(s) or word(s) in this announcement, where indicated by "", is included for information purpose only, and should not be regarded as the official English translation of such Chinese name(s) or word(s).*

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.